Consolidated Financial Statements
for the Fiscal Year Ended March 31, 2026

Contents

Management’s Discussion and Analysis

Year Ended March 31, 2026 (Fiscal 2026)
Compared With the Year Ended March 31, 2025 (Fiscal 2025)

This section contains forward-looking statements concerning the NEC Group’s analysis of financial condition, business results and cash flows. These statements are based on the judgment of the NEC Group as of March 31, 2026. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

1. Business Overview and Key Business Drivers

Segment information is included in “Notes to Consolidated Financial Statements - Note 6. Segment Information”.

“Adjusted operating profit” is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit.

“Non-GAAP operating profit” is an indicator for measuring underlying profitability. It is measured by deducting amortization of intangible assets recognized as a result of M&A, expenses for acquisition of companies (financial advisory fees and other fees), structural reform expenses, impairment losses, stock compensation and other one-time profits (losses) from operating profit. Also, “Non-GAAP net profit attributable to owners of the parent” is an indicator for measuring underlying profitability attributable to owners of the parent. It is measured by deducting adjustment items of profit before income taxes and corresponding amounts of tax and non-controlling interests from net profit attributable to owners of the parent.

2. Analysis of Fiscal 2026 Business Results

The NEC Group conducted business activities with the management policy of integrated efforts between purpose, strategy and culture based on the “Mid-term Management Plan 2025” announced in May 2021. In the final year of the “Mid-term Management Plan 2025”, each business activity was conducted with "IT Services Business" and "Social Infrastructure Business" as the main segments, and various corporate transformation measures were taken to accelerate the business activities.

- Business Strategy

In "IT Services," we achieved steady results in both the public and enterprise sectors, driven by sustained strong domestic demand for DX (Digital Transformation), primarily centered on the modernization of conventional IT systems. In the public sector, we realized solid growth through robust orders, mainly from government agencies, and progressed with the implementation of BluStellar for customers. In the enterprise sector, the adoption of BluStellar expanded smoothly, particularly for financial and manufacturing industries. These two sectors together strongly propelled the growth of our domestic business.

In the "Social Infrastructure" sector, in response to the growing importance of economic security, we integrated our submarine cable system business into the Aerospace and National Security domain, establishing a business structure to protect Japan's digital infrastructure. Under this new framework, the defense business and others performed well, making a significant contribution to boosting the overall performance of the segment. In the telecom services sector, we restructured our business portfolio to achieve sustainable growth. First, we phased out the traditional base station business, which was based on dedicated hardware, and will now focus on vRAN (virtualized Radio Access Network) related businesses. Furthermore, to expand our high value-added software and services business, we proceeded with the acquisition of CSG Systems International, Inc., a software company catering to telecom/broadband operators in the U.S., laying an important foundation for establishing a solid business base in the U.S. and for global business expansion and growth.

- Human Resource Strategy

The NEC Group has set the realization of “the right person in the right place at the right time” through flexible personnel assignments as a key theme of its human resources strategy in the “Mid-Term Management Plan 2025.” As a foundation for this, the company introduced job-based human resource management in April 2024. During fiscal year ended March 31, 2026, the application scope has been expanded, and as of April 2026, the number of NEC Group companies that have implemented the system has reached ten (*).

Furthermore, the company regards fostering a corporate culture in which employees take pride and proactively engage in their work as an important management issue and has been working to strengthen communication to promote the penetration of company-wide policies and strategies. As a result of various initiatives, the employee engagement score—an indicator of being an “Employer of Choice”—improved by six points compared to the previous year, reaching 48% in fiscal year ended March 31, 2026, which is among the top levels in Japan.

Note: NEC Solution Innovators, Ltd., NEC Platforms, Ltd., NEC Communication Systems, Ltd., NEC Nexsolutions, Ltd. NEC Business Intelligence, Ltd., NEC Network Sensor Co., Ltd., Japan Aviation Electronics and Aerospace Systems Co., Ltd., NEC Space Technology Co., Ltd., Institute for International Socio-Economic Studies and NEC Life Career Co., Ltd.

Condensed Consolidated Statements of Profit or Loss

	Billions of Yen		*YoY Change*
	2025	2026	2026/2025
Revenue	¥3,423.4	¥3,582.7	+4.7%
Operating profit	256.5	359.9	+40.3%
Profit before income taxes	239.8	398.2	+66.1%
Net profit attributable to owners of the parent	175.2	270.2	+54.3%

The NEC Group recorded consolidated revenue of 3,582.7 billion JPY for the fiscal year ended March 31, 2026, an increase of 159.3 billion JPY (+4.7%) year-on-year. This increase was due to increased revenue in all business segments.

Regarding profitability, operating profit increased by 103.4 billion JPY year-on-year, to an operating profit of 359.9 billion JPY, mainly due to an increase in revenue. Adjusted operating profit increased by 99.7 billion JPY year-on-year, to 386.8 billion JPY. Non-GAAP operating profit increased by 85.9 billion JPY year-on-year, to 397.2 billion JPY.

Profit before income taxes was a profit of 398.2 billion JPY, a year-on-year increase of 158.4 billion JPY, mainly due to increased operating profit and gains from the sale of shares in Japan Aviation Electronics Industry, Ltd.

Net profit attributable to owners of the parent was a profit of 270.2 billion JPY, an increase of 95.0 billion JPY year-on-year. This was mainly due to an increase of profit before income taxes. Non-GAAP net profit attributable to owners of the parent was a profit of 279.8 billion JPY, an increase of 54.1 billion JPY year-on-year.

Revenue from external customers and adjusted operating profit by segment are as follows:

(1) IT Services Business

Revenue:	2,508.9 billion yen	(+2.0%)
Adjusted operating profit:	336.7 billion yen	(+84.9 billion yen)

In IT Services Business, revenue was 2,508.9 billion JPY, an increase of 49.1 billion JPY (+2.0%) year-on-year, mainly due to an increase in sales to domestic government agencies in Japan.

Adjusted operating profit increased by 84.9 billion JPY year-on-year, to an adjusted operating profit of 336.7 billion JPY, mainly due to increased revenue and profitability improvement through measures centered on BluStellar.

(2) Social Infrastructure Business

Revenue	935.3 billion yen	(+12.4%)
Adjusted operating profit:	74.3 billion yen	(+13.9 billion yen)

In Social Infrastructure Business, revenue was 935.3 billion JPY, an increase of 103.2 billion JPY (+12.4%) year-on-year, mainly due to increased revenue in aerospace and national security.

Adjusted operating profit increased by 13.9 billion JPY year-on-year, to an adjusted operating profit of 74.3 billion JPY, mainly due to increased revenue.

(3) Others

Revenue	138.5 billion yen	(+5.3%)
Adjusted operating profit:	-4.1 billion yen	(-1.2 billion yen)

In the Others, revenue was 138.5 billion JPY, an increase of 7.0 billion JPY (+5.3%) year-on-year.

Adjusted operating profit decreased by 1.2 billion JPY year-on-year, to an adjusted operating profit of -4.1 billion JPY.

3. Liquidity and Capital Resources

(1) Assets, Liabilities and Net Assets

Condensed Consolidated Balance Sheets

	Billions of Yen		*YoY Change*
	2025	2026	2026/2025
Assets			
Current assets	¥2,225.0	¥2,459.1	¥+234.1
Property, plant and equipment	580.2	564.1	-16.1
Investments and other assets	1,510.2	1,443.6	-66.6
Total Assets	4,315.4	4,466.8	+151.4
Liabilities			
Current liabilities	1,633.4	1,564.0	-69.4
Noncurrent liabilities	610.4	620.9	+10.5
Total liabilities	2,243.9	2,184.9	-59.0
Equity			
Total equity attributable to owners of the parent	1,952.0	2,196.6	+244.6
Non-controlling interests	119.5	85.3	-34.2
Total equity	2,071.5	2,281.9	+210.4
Total liabilities and equity	4,315.4	4,466.8	+151.4
Interest-bearing debt	666.4	489.2	-177.1
Net interest-bearing debt	81.7	-169.8	-251.6
Equity attributable to owners of the parent	1,952.0	2,196.6	+244.6
Ratio of equity attributable to owners of the parent	45.2%	49.2%	+3.9
Debt equity ratio	0.34 times	0.22 times	-0.12
Net debt equity ratio	0.04 times	-0.08 times	-0.12

Total assets were 4,466.8 billion JPY as of March 31, 2026, an increase of 151.4 billion JPY as compared with the end of the previous fiscal year. Current assets as of March 31, 2026 were 2,459.1 billion JPY, an increase of 234.1 billion JPY compared with the end of the previous fiscal year, mainly due to an increase in cash and cash equivalents and trade and other receivables. Non-current assets as of March 31, 2026 decreased by 82.7 billion JPY compared with the end of the previous fiscal year to 2,007.7 billion JPY. This was mainly due to decrease in other non-current assets due to partial return of retirement benefit trust.

Total liabilities as of March 31, 2026 decreased by 59.0 billion JPY compared with the end of the previous fiscal year to 2,184.9 billion JPY. This was mainly due to a decrease in corporate bonds, borrowings, and accounts payable and other liabilities. The balance of interest-bearing debt amounted to 489.2 billion JPY, a decrease of 177.1 billion JPY as compared with the end of the previous fiscal year. The debt-equity ratio as of March 31, 2026 was 0.22 (an improvement of 0.12 points as compared with the end of the previous fiscal year). The balance of net interest-bearing debt as of March 31, 2026, calculated by offsetting the balance of interest-bearing debt with the balance of cash and cash equivalents, amounted to a net cash position of -169.8 billion JPY, a decrease of 251.6 billion JPY as compared with the end of the previous fiscal year, reflecting that cash and cash equivalents exceeded interest-bearing debt. The net debt-equity ratio as of March 31, 2026 was -0.08 (an improvement of 0.12 points as compared with the end of the previous fiscal year).

Total equity was 2,281.9 billion JPY as of March 31, 2026, an increase of 210.4 billion JPY as compared with the end of the previous fiscal year, mainly due to other increases in capital components such as the increase in retained earnings from the recognition of net income attributable to owners of the parent and the increase in translation differences of foreign operations, despite the decrease in capital surplus and non-controlling interests resulting from the full acquisition of NEC Networks & System Integration Corporation as a wholly owned subsidiary and the decrease in treasury stock due to the acquisition of treasury shares.

As a result, total equity attributable to owners of the parent (total equity less non-controlling interests) as of March 31, 2026 was 2,196.6 billion JPY, and the ratio of equity attributable to owners of the parent was 49.2% (an improvement of 3.9 points as compared with the end of the previous fiscal year).

(2) Cash Flows

Condensed Consolidated Cash Flows

		Billions of Yen		*YoY Change*
		2025	2026	2026/2025
I	Cash flows from operating activities	¥344.4	¥438.5	¥+94.1
II	Cash flows from investing activities	-131.2	+33.7	+164.9
I+II	Free cash flows	+213.2	+472.1	+258.9
III	Cash flows from financing activities	-104.0	-418.0	-314.0
Cash and cash equivalents at end of period		584.6	659.0	+74.4

Net cash inflows from operating activities for the fiscal year ended March 31, 2026 were 438.5 billion JPY, an increase of 94.1 billion JPY compared with the previous fiscal year, mainly due to increased income before income taxes and partial return of retirement benefit trusts, etc.

Net cash inflows from investing activities for the fiscal year ended March 31, 2026 were 33.7 billion JPY, an increase of 164.9 billion JPY compared with the previous fiscal year, mainly due to a gain on sale of shares of affiliated companies.

As a result, free cash flows (the sum of cash flows from operating activities and investing activities) for the fiscal year ended March 31, 2026 totaled a cash inflow of 472.1 billion JPY, an improvement of 258.9 billion JPY year-on-year.

Net cash flows from financing activities for the fiscal year ended March 31, 2026 totaled a cash outflow of 418.0 billion JPY, mainly due to the repayment of short-term debt and the acquisition of treasury stock, despite income from long-term borrowings, etc.

Effect of exchange rate changes on cash and cash equivalents as of March 31, 2026 amounted to a positive 20.2 billion JPY.

As a result, cash and cash equivalents as of March 31, 2026 amounted to 659.0 billion JPY, an increase of 74.4 billion JPY from the end of the previous fiscal year.

(3) Basic Liquidity Management Policy / Capital Resources

The NEC Group's basic policy is to maintain sufficient liquidity in hand for conducting business activities. Liquidity in hand is the sum of cash and cash equivalents and the unused portion of committed credit facilities established with multiple financial institutions. As of March 31, 2026, the NEC Group had a sufficient amount of liquidity. Total liquidity in hand as of March 31, 2026, was 889.0 billion JPY, comprising cash and cash equivalents of 659.0 billion JPY and unused committed credit facilities of 230.0 billion JPY. Cash and cash equivalents are mainly denominated in JPY as well as other denominations that include U.S. dollars and euros.

The NEC Group maintains credit facilities that it believes are sufficient to meet its short-term and long-term financing needs. With regard to short-term financing, the NEC Group relies primarily on commercial paper ("CP") in Japan to provide for short-term financing. It has a 500.0 billion JPY CP program. To prepare for unexpected short-term funding needs or instability in fund procurement through the issuance of CP, the NEC Group maintains committed short-term credit facilities of 230.0 billion JPY to ensure that funds may be borrowed from financial institutions at all times. For long-term financing, the NEC Group has a 270.0 billion JPY straight bond issuance program in Japan.

The NEC Group's basic policy regarding the structure of liabilities on the balance sheets is to maintain a balanced mix of fund procurement from debt and capital market instruments, while securing adequate long-term funds, from the standpoint of satisfying funding requirements in a stable manner.

The NEC Group's fund procurement status was as follows:

As of March 31,	2025	2026
Long-term fund procurement*1	57.0%	78.3%
Use of capital market instruments*2	35.9%	50.0%

*1 Long-term fund procurement is calculated by dividing the sum of bonds and long-term borrowings and others (lease obligations with maturities of more than one year) by interest-bearing debt.

*2 Use of capital market instruments is calculated by dividing the sum of bonds (including the current portion) and CPs by interest-bearing debt.

4. Capital Expenditures

Capital expenditures of NEC and its consolidated subsidiaries for fiscal 2025 and 2026 are broken down as follows (amounts do not include right-of-use assets and consumption taxes):

	Billions of Yen		*YoY Change*
	2025	2026	2026/2025
IT Services Business	¥14.9	¥22.5	+50.7%
Social Infrastructure Business	9.8	13.7	+39.4%
Others	91.4	25.2	-72.4%
Total	¥116.1	¥61.4	-47.1%

In the IT Services Business, capital expenditures included investments in cloud services related facilities.
In the Social Infrastructure Business, capital expenditures included investments in R&D equipment and production facilities for defense and satellite systems as well as production facilities for submarine cables.
In others, capital expenditures included construction of a new building at the Tamagawa plant.

From the fiscal year ended March 31, 2026, the Company has revised its reporting segments in accordance with the organizational restructuring implemented on April 1, 2025. Segment information for the fiscal year ended March 31, 2025 has also been reclassified to conform to the presentation of the revised segments for the fiscal year ended March 31, 2026.

NEC primarily used its own capital and borrowings to fund these capital expenditures.

5. Audit fees, etc.

Fees for Independent Auditor*

Categories	2025		2026	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	645	41	675	41
Consolidated subsidiaries	648	35	764	—
Total	1,293	76	1,439	41

The audit agreement entered into by the Company and the independent auditor does not separately stipulate the fee amounts for the audit under the Financial Instruments and Exchange Act, and the audit under the Companies Act. Furthermore, those amounts cannot be practically distinguished from one another, so this report lists the total amount that should be paid to the independent auditor. The Audit Committee approved the fees for the independent auditor pursuant to Article 399, Paragraph 1 of the Companies Act without distinguishing those amounts.

Fees for audit services for the Company for the fiscal years ended March 31, 2025 and 2026 include audit fees regarding business transfer of wireless backhaul, except for above.

Non-audit services for the Company and its consolidated subsidiaries include assessment services of control risks in outsourcing arrangements and various advisory services.

Fees for Organizations That Belong to the Same Network (KPMG) as the Independent Auditor (excluding the above *)

Categories	2025		2026	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	4	186	4	148
Consolidated subsidiaries	1,045	490	1,209	406
Total	1,049	676	1,213	554

Non-audit services for the Company and its consolidated subsidiaries include tax advisory service and various advisory services.

Details of Fees for Other Significant Audit Services

There were no significant audit services for the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2025 and 2026, except for the scope of Fees for Independent Auditor and Fees for Organizations That Belong to the Same Network (KPMG) as the Independent Auditor.

Policy for Determining Audit Fees

While there is no specific policy applicable, audit fees are determined considering factors such as the size, nature, and days for audit work.

Reason for Approval of the Fees for the Independent Auditor by the Audit Committee

The Audit Committee got required information and received reports from CFO, internal related departments and the independent auditor. As a result of assessment and consideration in terms of audit planning contents and validity of evidence for estimating the fees, which were taken into account the audit performance for the fiscal year ended March 31, 2025, the Audit Committee approved the fee amounts for the independent auditor for the fiscal year ended March 31, 2026 pursuant to Article 399, Paragraph 1 of the Companies Act.

Consolidated Statements of Financial Position as of March 31, 2025 and 2026

JPY (millions)

	Notes	2025	2026
Assets			
Current assets			
Cash and cash equivalents	15	584,615	659,034
Trade and other receivables	14	878,434	994,066
Contract assets	25	374,511	420,278
Inventories	13	184,779	171,181
Other financial assets	31	9,830	28,461
Other current assets	16	181,883	186,073
Subtotal		2,214,052	2,459,093
Assets held for sale	17	10,942	—
Total current assets		2,224,994	2,459,093
Non-current assets			
Property, plant and equipment, net	7, 9	580,165	564,064
Goodwill	8, 9	393,881	450,501
Intangible assets, net	8, 9	351,904	368,945
Investments accounted for using the equity method	11	107,242	48,129
Other financial assets	31	221,133	228,929
Deferred tax assets	12	177,216	186,670
Other non-current assets	9, 16	258,833	160,453
Total non-current assets		2,090,374	2,007,691
Total assets		4,315,368	4,466,784

			JPY (millions)
	Notes	2025	2026
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	23	492,833	476,503
Contract liabilities	25	405,778	463,393
Bonds and borrowings	20	233,886	54,966
Accruals		249,989	255,022
Lease liabilities	31	52,519	51,412
Other financial liabilities	31	15,787	6,472
Accrued income taxes		59,180	107,506
Provisions	22	42,415	58,857
Other current liabilities	24	74,500	89,846
Subtotal		1,626,887	1,563,977
Liabilities directly associated with assets held for sale	17	6,529	—
Total current liabilities		1,633,416	1,563,977
Non-current liabilities			
Bonds and borrowings	20	255,842	272,107
Lease liabilities	31	124,112	110,730
Other financial liabilities	31	22,168	30,008
Net defined benefit liabilities	21	137,916	123,162
Provisions	22	26,142	36,609
Other non-current liabilities	24	44,261	48,304
Total non-current liabilities		610,441	620,920
Total liabilities		2,243,857	2,184,897
Equity			
Share capital	18	427,831	427,831
Share premium	18	46,704	—
Retained earnings	18	1,023,945	1,216,327
Treasury shares	18	(30,725)	(57,584)
Other components of equity	18	484,263	610,004
Total equity attributable to owners of the parent		1,952,018	2,196,578
Non-controlling interests	10	119,493	85,309
Total equity		2,071,511	2,281,887
Total liabilities and equity		4,315,368	4,466,784

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit or Loss for the Fiscal Years Ended March 31, 2025 and 2026

JPY (millions)

	Notes	2025	2026
Revenue	6, 25	3,423,431	3,582,733
Cost of sales	13, 27	2,362,875	2,401,437
Gross profit		1,060,556	1,181,296
Selling, general and administrative expenses	27	777,424	805,555
Other operating income (expenses)	26	(26,635)	(15,828)
Operating profit	6	256,497	359,913
Finance income	6, 28	9,956	52,949
Finance costs	6, 28	16,579	18,168
Share of profit (loss) of entities accounted for using the equity method	6, 11	(10,103)	3,481
Profit before income taxes	6	239,771	398,175
Income taxes	12	55,107	124,851
Net profit		184,664	273,324
Net profit attributable to			
Owners of the parent		175,183	270,228
Non-controlling interests		9,481	3,096
Total		184,664	273,324
Earnings per share attributable to owners of the parent			
Basic earnings per share (JPY)	29	131.50	202.95
Diluted earnings per share (JPY)	29	131.49	202.95

Note: The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025. Basic earnings per share and diluted earnings per share have been calculated assuming that the share split had occurred at the beginning of the previous fiscal year.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended March 31, 2025 and 2026

JPY (millions)

	Notes	2025	2026
Net profit		184,664	273,324
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Equity instruments designated as measured at fair value through other comprehensive income	18	1,746	8,909
Remeasurements of defined benefit plans	18,21	14,424	21,780
Share of other comprehensive income of entities accounted for using the equity method	18	5	551
Total items that will not be reclassified to profit or loss		16,175	31,240
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	18	1,494	99,009
Cash flow hedges	18	1,784	4,918
Share of other comprehensive income of entities accounted for using the equity method	18	(1,947)	(81)
Total items that may be reclassified subsequently to profit or loss		1,331	103,846
Total other comprehensive income, net of tax		17,506	135,086
Total comprehensive income		202,170	408,410
Total comprehensive income attributable to			
Owners of the parent		191,471	394,979
Non-controlling interests		10,699	13,431
Total		202,170	408,410

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity for the Fiscal Years Ended March 31, 2025 and 2026

JPY (millions)

	Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2024		427,831	167,451	883,453	(31,097)	467,975	1,915,613	173,910	2,089,523
Net profit		–	–	175,183	–	–	175,183	9,481	184,664
Other comprehensive income	18	–	–	–	–	16,288	16,288	1,218	17,506
Comprehensive income		–	–	175,183	–	16,288	191,471	10,699	202,170
Purchase of treasury shares	18	–	–	–	(98)	–	(98)	–	(98)
Disposal of treasury shares	18	–	10	–	470	–	480	–	480
Share-based payment transactions	30	–	533	–	–	–	533	–	533
Cash dividends	19	–	–	(34,691)	–	–	(34,691)	(7,011)	(41,702)
Put option, written over shares held by a non-controlling interest shareholder		–	(3,865)	–	–	–	(3,865)	–	(3,865)
Changes in interests in subsidiaries	10	–	(117,425)	–	–	–	(117,425)	(58,105)	(175,530)
Total transactions with owners		–	(120,747)	(34,691)	372	–	(155,066)	(65,116)	(220,182)
As of March 31, 2025		427,831	46,704	1,023,945	(30,725)	484,263	1,952,018	119,493	2,071,511

JPY (millions)

	Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2025		427,831	46,704	1,023,945	(30,725)	484,263	1,952,018	119,493	2,071,511
Net profit		–	–	270,228	–	–	270,228	3,096	273,324
Other comprehensive income	18	–	–	–	–	124,751	124,751	10,335	135,086
Comprehensive income		–	–	270,228	–	124,751	394,979	13,431	408,410
Purchase of treasury shares	18	–	–	–	(27,329)	–	(27,329)	–	(27,329)
Disposal of treasury shares	18	–	27	–	470	–	497	–	497
Share-based payment transactions	30	–	1,212	–	–	–	1,212	–	1,212
Cash dividends	19	–	–	(40,048)	–	–	(40,048)	(1,674)	(41,722)
Put option, written over shares held by a non-controlling interest shareholder		–	50	–	–	–	50	–	50
Transfer of negative balance of other capital surplus		–	37,798	(37,798)	–	–	–	–	–
Changes in interests in subsidiaries	10	–	(85,791)	–	–	990	(84,801)	(45,941)	(130,742)
Total transactions with owners		–	(46,704)	(77,846)	(26,859)	990	(150,419)	(47,615)	(198,034)
As of March 31, 2026		427,831	–	1,216,327	(57,584)	610,004	2,196,578	85,309	2,281,887

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows for the Fiscal Years Ended March 31, 2025 and 2026

JPY (millions)

	Notes	2025	2026
Cash flows from operating activities			
Profit before income taxes		239,771	398,175
Depreciation and amortization	6	158,437	154,502
Impairment loss	6,9	9,590	7,642
Increase (decrease) in provisions		(13,864)	17,834
Finance income	6,28	(9,956)	(52,949)
Finance costs	6,28	16,579	18,168
Share of profit (loss) of entities accounted for using the equity method	6,11	10,103	(3,481)
(Increase) decrease in trade and other receivables		(55,795)	(101,432)
(Increase) decrease in contract assets		36,464	(43,129)
(Increase) decrease in inventories		52,731	14,729
Increase (decrease) in trade and other payables		(12,579)	(8,919)
Increase (decrease) in contract liabilities		15,575	44,351
Increase or decrease in net defined benefit liabilities or net defined benefit assets		(6,916)	131,937
Others, net		(48,858)	(34,131)
Subtotal		391,282	543,297
Interest received		5,738	5,887
Dividends received		3,595	3,212
Interest paid		(9,098)	(9,713)
Income taxes paid		(47,109)	(104,220)
Net cash provided by (used in) operating activities		344,408	438,463
Cash flows from investing activities			
Purchases of property, plant and equipment		(126,410)	(70,325)
Proceeds from sales of property, plant and equipment		8,701	31,947
Acquisitions of intangible assets		(24,215)	(21,231)
Purchase of equity instruments designated as measured at fair value through other comprehensive income		(5,804)	(2,021)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income		7,394	16,686
Purchase of shares of newly consolidated subsidiaries		(878)	(11,987)
Proceeds from sales of shares of subsidiaries		—	13,821
Disbursements for sales of shares of subsidiaries		(490)	(789)
Purchases of investments in associates or joint ventures		(5,795)	(683)
Proceeds from sales of investments in associates or joint ventures		15,874	83,003
Others, net		459	(4,735)
Net cash provided by (used in) investing activities		(131,164)	33,686

JPY (millions)

	Notes	2025	2026
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	20	134,217	(147,629)
Proceeds from long-term borrowings	20	1,962	27,508
Repayments of long-term borrowings	20	(36,231)	(49,903)
Proceeds from issuance of bonds	20	30,000	30,000
Redemption of bonds	20	(25,000)	(25,000)
Payments of lease liabilities	32	(56,596)	(54,890)
Payments for acquisition of interests in subsidiaries from non-controlling interests	10	(111,003)	(129,832)
Dividends paid	19	(34,682)	(40,043)
Dividends paid to non-controlling interests		(7,013)	(1,685)
Purchase of treasury shares		(98)	(27,329)
Others, net		470	853
Net cash provided by (used in) financing activities		(103,974)	(417,950)
Effect of exchange rate changes on cash and cash equivalents		(1,145)	20,220
Net increase (decrease) in cash and cash equivalents		108,125	74,419
Cash and cash equivalents, at the beginning of the year		476,490	584,615
Cash and cash equivalents, at the end of the year	15	584,615	659,034

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

NEC Corporation (the "Company" or "NEC") is a public company incorporated in Japan. NEC and its subsidiaries (collectively, the "NEC Group") has two reportable segments: IT Services business and Social Infrastructure business, which are operating segments. For further information regarding these businesses, see Note 6. "Segment Information." The NEC Group's principal operating bases are located mainly in Japan and other countries as disclosed in Note 10. "Subsidiaries."

2. Basis of Preparation

Compliance with International Financial Reporting Standards

The Company fulfills the requirements of a "specified company of designated International Financial Reporting Standards" as provided in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976, the "Ordinance on Consolidated Financial Statements"). Therefore, in accordance with the provisions of Article 312 of the Ordinance on Consolidated Financial Statements, the Company's consolidated financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The term "IFRS" also includes International Accounting Standards ("IAS") and the related interpretations of the Standard Interpretations Committee and IFRS Interpretations Committee.

Approval of financial statements

The consolidated financial statements were approved by Takayuki Morita, President and CEO, and Kunikazu Amemiya, Corporate Senior Executive Vice president and CFO (Representative Executive Officer), on June 18, 2026.

Basis of measurement

The consolidated financial statements have been prepared on historical cost, except for certain assets and liabilities separately stated in Note 3. "Material Accounting Policies."

Functional and presentation currency

The consolidated financial statements are presented in Japanese yen ("JPY"), which is the functional currency of the Company. All financial information presented in JPY has been rounded to the nearest million JPY, except when otherwise indicated.

3. Material Accounting Policies

Unless otherwise stated, accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Subsidiaries are entities that are directly or indirectly controlled by the Company. The NEC Group controls an entity when the NEC Group is exposed or has rights to variable returns from involvement with the entity and has the ability to affect those returns by using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether or not the NEC Group controls an entity, status of voting rights or similar rights, contractual agreements, and other relevant factors are considered.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost. The financial statements of subsidiaries have been adjusted in order to conform to the accounting policies adopted by the Company as necessary.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any differences between the adjustment to non-controlling interest and fair value of consideration transferred or received are recognized directly in equity attributable to owners of the Company.

When control over a subsidiary is lost, the investment retained after the loss of control is re-measured at fair value as of the date when control is lost, and any gain or loss on such re-measurement and disposal of the interest sold is recognized in profit or loss.

Investments in associates and joint arrangements

Associates are entities over which the NEC Group has significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The NEC Group classifies joint arrangements into either joint ventures or joint operations. The classification of a joint arrangement as a joint venture or a joint operation depends upon the rights and obligations of the parties to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. There are no joint operations that are considered material to the NEC Group.

Investment in associates and joint ventures are accounted for using the equity method and recognized at cost on the acquisition date. The carrying amount is subsequently increased or decreased to recognize the NEC Group's share of profit or loss and other comprehensive income of the associates and joint ventures after the date of initial recognition. The financial statements of associates and joint ventures have been adjusted in order to conform to the accounting policies adopted by the Company in applying the equity method, as necessary.

Impairment of an investment in associates and joint ventures is measured by comparing the recoverable amount and the carrying amount of the investment. The impairment loss is recognized in profit or loss. If there has been a change in the estimates used to determine the recoverable amount and the recoverable amount increases, the impairment loss is reversed.

Business combinations
Business combinations are accounted for using the acquisition method.
The consideration transferred for the acquisition of a subsidiary is measured at fair value of the assets transferred, the liabilities incurred to former owners of the acquiree, and the equity interests issued by the NEC Group.
The consideration for certain acquisitions includes payments that are contingent upon future events, such as the achievement of milestones and sales targets.

Identifiable assets acquired and liabilities and certain contingent liabilities assumed are measured at the fair values at the acquisition date. Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amount of the acquiree's identifiable net assets on a transaction-by-transaction basis.
Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest less the fair value of identifiable assets acquired, net of liabilities assumed at the acquisition date.

Acquisition related costs, such as agency, legal, and other professional, or consulting fees are recognized as expenses in the period they are incurred.

Foreign currency translation
Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of the NEC Group companies using the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of each reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the functional currency using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the historical exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss except for exchange differences arising from financial assets measured at fair value through other comprehensive income and qualifying hedging instruments in cash flow hedges to the extent that the hedges are effective, which are recognized in other comprehensive income.

Foreign operations
The assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate prevailing at the reporting date and their income and expenses are translated into Japanese yen using the average exchange rate for the period, unless the exchange rate fluctuates significantly. The foreign exchange differences arising on translation are recognized in other comprehensive income. In cases foreign operations are disposed of, the cumulative amount of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of gains and losses on the disposal.

Financial instruments
Non-derivative financial assets
The NEC Group classifies non-derivative financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The NEC Group has irrevocably elected to designate all equity instruments, except for those in the form of venture capital investments, in principle as financial assets measured at fair value through other comprehensive income.
The NEC Group initially recognizes financial assets measured at amortized cost on the date they originated. All other financial assets are initially recognized in the consolidated statements of financial position when the NEC Group becomes a party to the contractual provisions of the financial instruments.
The NEC Group derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when the NEC Group transfers the contractual rights to the cash flows from the asset, as well as substantially all the risks and rewards of ownership of the financial asset. Separate assets or liabilities are recognized when the NEC Group derecognizes financial assets, but still retains an interest that does not result in the retention of control over the financial asset.

Financial assets measured at amortized cost

Financial assets held by the NEC Group are measured at amortized cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value, plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at their transaction price. After initial recognition, the carrying amounts of financial assets measured at amortized cost are recognized using the effective interest method, less impairment loss. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

Financial assets measured at fair value through other comprehensive income

The NEC Group has in principle elected to present subsequent changes in fair value of certain equity instruments in other comprehensive income except for those in the form of venture capital investments. These equity instruments are initially measured at fair value, plus any directly attributable transaction costs and measured at fair value in subsequent periods. Changes in fair value are included in other comprehensive income and never reclassified to profit or loss and the NEC Group never reclassifies accumulated other comprehensive income to retained earnings subsequently. Dividends from equity instruments designated as measured at fair value through other comprehensive income are recognized as finance income in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost or equity instruments designated as measured at fair value through other comprehensive income are classified as financial instruments measured at fair value through profit or loss. These financial assets are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss. Gains and losses on financial instruments measured at fair value through profit or loss are recognized in profit or loss.

Impairment of financial assets

As for impairments on financial assets measured at amortized costs, the NEC Group recognizes allowances for expected credit losses by assessing whether the credit risk on the financial assets has increased significantly at each reporting date since initial recognition. Allowances are measured based on the estimated credit loss arising from the possible defaults during the 12 months after the reporting date (12-month expected credit loss) when the credit risk associated with the financial assets has not significantly increased since initial recognition. When the credit risk associated with the financial assets has significantly increased since initial recognition or the financial assets are credit-impaired, an allowance for expected credit loss is calculated based on the estimated credit loss arising from all possible defaults over the estimated remaining period of the financial instruments (life-time expected credit loss). Notwithstanding the above, an allowance for expected credit loss on trade receivables and contract assets is always calculated based on the estimated credit loss over the entire period. Significant increase in credit risk is determined based on changes in risks of a default occurring and the changes in such risks are determined considering significant financial difficulty, breach of contract, or increase in probability where the borrower will enter bankruptcy or other financial reorganization. Changes in allowances are recognized in profit and loss.

Non-derivative financial liabilities

The NEC Group classifies non-derivative financial liabilities into financial liabilities measured at amortized cost. The NEC Group recognizes debt securities on the date of issuance. All other financial liabilities are initially recognized on the date when the NEC Group becomes a party to contractual provisions. The NEC Group derecognizes a financial liability when its contractual obligations are discharged, canceled, or expired. These financial liabilities are measured initially at fair value less any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Amortization amounts are recognized as finance costs in profit or loss.

Derivative financial instruments

The NEC Group holds derivative financial instruments, such as forward exchange contracts, interest rate swaps, and currency options, to hedge foreign currency exposure and interest rate exposures. Derivatives are measured at fair value at the inception and subsequent periods.

Derivatives designated as hedging instruments are classified as either cash flow hedge, fair value hedge, or hedge of a net investment at the inception of a hedge relationship. The NEC Group documents the relationship between the hedging instrument and hedged item, risk management objectives and strategy in undertaking the hedge transaction and the hedged risk at the inception of the hedges. At the inception of the hedges, the NEC Group designates an appropriate hedge ratio by assessing the economic relationship between the hedging instrument and the hedged item in light of its risk management strategy. The NEC Group initially and continually assesses whether the hedging instruments are highly effective in offsetting changes in the fair value or the cash flows of the respective hedged items.

Derivatives that are not designated as hedging instruments are used when their use is economically rational, even if the hedging relationship does not meet the qualifying criteria for hedge accounting.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, and redeemable in three months or less from each acquisition date.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses directly attributable to acquisition of the asset, costs of dismantling and removing the assets, costs of restoring the site, and borrowing costs to be capitalized. When significant components of property, plant and equipment have different useful lives, they are accounted for as separate items (by major components) of property, plant and equipment. Gains or losses on disposals of property, plant and equipment are recognized in profit or loss.

Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful lives of assets. The residual value is generally estimated at zero, except for the cases where the selling price, after deducting the costs of disposal, at the end of the useful lives is estimable.

The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures	7–60 years
Machinery and equipment	2–22 years
Tools, furniture and fixtures	2–20 years

Depreciation methods, useful lives, and residual values of assets are reviewed at the end of each reporting period and revised, as necessary.

Goodwill

An asset representing the future economic benefits arising together with other assets through the acquisition of a subsidiary that are not individually identifiable is recognized as Goodwill. Goodwill is not amortized, but is tested for impairment at least annually or more frequently whenever there is any indication of impairment for a cash-generating unit (“CGU”) to which goodwill is allocated. The NEC Group initially measures goodwill at the acquisition date as the excess of the aggregate of consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity, less the net recognized amount of the identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase gain.

Intangible assets

Development expenditures on software for sale and software for internal use are recognized as intangible assets, if all of the following criteria of capitalization are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other intangible assets, such as patents and licenses, are recognized at cost when acquired. Intangible assets acquired in business combinations and recognized separately from goodwill, including acquired capitalized development costs, are recognized at fair value at the acquisition date.

Intangible assets with definite useful lives are amortized mainly on a straight-line basis over their estimated useful lives from the date when the assets are available for use. Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses. Customer related intangible assets are amortized on a straight-line basis over the estimated useful lives. Software for sale is amortized based on the expected sales volume over the expected effective period unless such amortization method does not reflect the pattern of consumption of the expected future benefits from the asset. In such cases, software for sale is amortized on a straight-line basis over the remaining useful life. Software for internal use is amortized on a straight-line basis over the estimated useful lives. Other intangible assets, such as patents and licenses, are amortized from the date when the asset is available for use over the estimated useful lives, such as a contract period, using the method that reflects the pattern of consumption of the future economic benefits by the NEC Group.

The estimated useful lives of major intangible assets are as follows:

Software for sale	1–10 years
Software for internal use	3– 5 years
Customer related intangible assets	5–18 years
Acquired capitalized development costs	6–17 years
Others	2–15 years

Amortization methods, useful lives, and residual values of intangible assets with definite useful lives are reviewed at the end of each reporting period and revised as necessary.

Leases

At inception of a contract, the NEC Group assesses whether the contract is, or contains, a lease. The NEC Group determines a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In addition, the NEC Group elected not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less or leases for which the underlying assets are of low value. The NEC Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over their lease term.

As a lessee

At the commencement date of a lease, the NEC Group recognizes right-of-use assets that represent the right to use an underlying asset and a lease liability that represents its obligation to make lease payments. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if it is readily determinable, or otherwise, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the NEC Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the NEC Group is reasonably certain not to terminate the lease early.

The lease liability is subsequently measured at amortized cost using the effective interest method, and is remeasured under certain circumstances, such as when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the NEC Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the NEC Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use assets are initially measured at the initial measurement amount of the lease liabilities adjusted for any prepaid lease payments before the commencement date and certain other items and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful lives of the underlying assets are determined on the same basis as those of property, plant and equipment. In addition, after the commencement date, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, and is adjusted for remeasurements of the lease liability. The right-of-use assets are presented as part of property, plant, and equipment, net.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories that are interchangeable is determined by using the first-in first-out method or the periodic average method, whereas the cost of inventories that are not interchangeable is determined by using the specific identification of their individual cost. Cost of inventories comprises all costs of purchase, costs of production, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Costs of finished goods and work in process include an allocation of production overheads that are based on the normal capacity of the production facilities. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

Non-financial assets other than inventories, deferred tax assets, assets held for sale, assets arising from employee benefits and contract assets and assets recognized from costs to obtain a contract with a customer are assessed for indications of impairment at the end of each reporting period. This assessment is performed for an asset or a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount. The recoverable amount is determined for an individual asset, or a CGU when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The NEC Group’s corporate assets do not generate independent cash inflows. If there is any indication that corporate assets may be impaired, the recoverable amount is estimated for the CGU to which the corporate assets belong. Corporate assets are assets other than goodwill that contribute to the future cash flows of both the CGU to which the corporate assets belong and other CGUs, and include land or buildings held by administrative departments.

The recoverable amount is the higher of the fair value of an asset or a CGU, less costs of disposal and its value in use. Value in use is calculated as the present value of the estimated future cash flows associated with the asset or CGU. In assessing value in use, the future cash flows are estimated by using the growth rate which is determined based on the conditions of the respective countries and industries to which the CGU belongs, and are discounted to the present value using a pre-tax discount rate, which reflects current market assessments of the time value of money and any risks specific to the asset or the CGU.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at the same time each year for the level of a CGU to which goodwill and intangible assets with indefinite lives have been allocated, and they are also tested for impairment whenever there is any indication of impairment.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there are any indications that the loss recognized for the asset may no longer exist or may have decreased, and if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Impairment losses on goodwill are not reversed.

Assets held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered through a sale transaction rather than through its continuing use. The condition above is met only when the asset is available for immediate sale in its present condition and its sale is highly probable. If the NEC Group commits to a sale plan involving loss of control of a subsidiary, it classifies all the assets and liabilities of the subsidiary as held for sale when the criteria set out above are met, regardless of whether it will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

Employee benefits

Defined benefit plans

The NEC Group's defined benefit plans consist of defined benefit pension plans and lump-sum severance payment plans. For defined benefit plans, the present value of defined benefit obligations, less the fair value of plan assets is recognized as either liability or asset. Defined benefit obligations are measured separately for each plan by discounting estimated amount of future benefits employees have earned in return for their services in the current and prior periods to its present value. The discount rate is the yield at the reporting date on high-quality corporate bonds that is consistent with the currency and estimated terms of the NEC Group's post-employment benefit obligations. The NEC Group uses the projected unit credit method to determine the present value of defined benefit obligations, service cost, and the past service cost for each defined benefit obligation. Past service costs arising from a plan amendment or curtailment are recognized in profit or loss upon occurrence of the plan amendment or curtailment. Remeasurement of net defined benefit plans is recognized in full as other comprehensive income and not reclassified to retained earnings in subsequent periods. If a defined benefit plan is overfunded, the net value of the defined benefit assets is measured at the lower of the overfunded amount of the plan or the asset ceiling.

Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans under which the NEC Group pays fixed contributions to a separate entity (fund) and has no legal or constructive obligations to pay further amounts. Contributions to defined contribution pension plans are recognized as expense in profit or loss when the employees render related services.

Provisions

Provisions are recognized when the NEC Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations.

Revenue

In accordance with IFRS 15, the following five-step approach is applied to recognize revenue, except for interest and dividend income within the scope of IFRS 9 and lease payments within the scope of IFRS 16.

Step 1: Identify the contract with a customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation in the contract
Step 5: Recognize revenue when (or as) each performance obligation is satisfied

Identifying distinct performance obligations in contracts with customers

The NEC Group recognizes revenue from contracts with customers for contracts for hardware and packaged software deployments, for services to customers (including outsourcing and maintenance) and for system integrations and equipment constructions. The NEC Group identifies distinct promised goods or services (i.e., performance obligations) within these contracts and accounts for revenue in accordance with their performance obligations. The NEC Group separately accounts for the good or service, if a promised good or service is distinct where the NEC Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts, and a customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer.

Determining the transaction price

The NEC Group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer when determining the transaction price. The NEC Group recognizes a variable consideration, which consists primarily of sales incentives that are offered to wholesalers and retailers as part of the NEC Group's sales promotion activities. When there is a possibility of subsequent variability in the consideration receivable from these customers, the variable consideration is estimated and included in revenue to the extent that it is highly probable that its inclusion will not result in a significant reversal in the amount of cumulative revenue recognized when the uncertainty has been subsequently resolved. When estimating the sales incentives, NEC Group uses the expected value method considering the historical experience of sales by customers and products. In assessing whether a contract contains a financing component and whether that financing component is significant to the contract, the NEC Group considers the difference, if any, between the amount of promised consideration and the cash selling price of the promised goods or services. The NEC Group also considers the combined effect of the expected length of time between when it transfers the promised goods or services to the customer and when the customer pays for those goods or services and the prevailing interest rates in the relevant market.

Allocating the transaction price to performance obligation

The NEC Group allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer. To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract is determined and the transaction price is allocated in proportion to those stand-alone selling prices. A stand-alone selling price is estimated if it is not directly observable. For contracts for hardware and packaged software deployments, the NEC Group estimates stand-alone selling prices based on adjusted market assessment approach. For contracts for services to customers (including outsourcing and maintenance) and for system integrations and equipment constructions, the NEC Group estimates stand-alone selling price mainly based on expected cost plus a margin approach.

Satisfaction of performance obligation

The NEC Group recognizes revenue when or as the NEC Group satisfies a performance obligation at a point in time or over time by transferring promised goods or services to a customer.
The NEC Group recognizes revenue over time if one of the following criteria is met; i) the customer simultaneously receives and consumes the benefits provided by the NEC Group's performance as the NEC Group performs, ii) the NEC Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or iii)

the NEC Group's performance does not create an asset with an alternative use to the NEC Group and it has an enforceable right to payment for performance completed to date. If none of the above is met, the NEC Group recognizes revenue at a point in time when it is determined that control of an asset is transferred to a customer.

Performance obligations and revenue measurement methods by type of goods or services
Contracts for hardware and packaged software deployments
The NEC Group recognizes revenue when control over goods is transferred to customers. To determine the point in time at which the control is transferred to the customer, the NEC Group considers whether or not (i) the NEC Group has a present right to payment for the asset; (ii) the customer has legal title to the asset; (iii) the NEC Group has transferred physical possession of the asset; (iv) the customer has the significant risks and rewards related to the ownership of the asset; and (v) the customer has accepted the asset. This transfer generally corresponds to the date of the inspection by the customer.
Revenue on Hardware requiring significant services, including installation, is in principle recognized upon the customer's acceptance. Revenue on standard Hardware is recognized in principle upon delivery, where the control of the Hardware is transferred to the customer.

Contracts for services to customers (including outsourcing and maintenance)/contracts for system integrations and equipment constructions
Supply of the services usually corresponds to any of the following criteria: (i) the customer simultaneously receives and consumes all of the benefits provided by the NEC Group as the NEC Group performs; (ii) the NEC Group's performance creates or enhances an asset that the customer controls as the asset is created; or (iii) the NEC Group's performance does not create an asset with an alternative use to the NEC Group and the NEC Group has an enforceable right to payment for performance completed to date and, therefore, is a performance obligation that is satisfied over time. If the progress toward complete satisfaction of the performance obligation can be reasonably measured, revenue from a service is recognized by measuring the progress. If the progress cannot be reasonably measured, revenue from a service is recognized only to the extent of the costs incurred until such time that the outcome of the performance obligation can be reasonably measured.
Revenue on ongoing service contracts is recognized by measuring the progress based on the period of services already provided over the entire service period. Where outsourcing services are charged on a per unit basis, such as data usage, revenue is recognized when the service is provided. Where services are charged on a time period basis, revenue is recognized evenly over the period of the service contract. For maintenance, in principle revenue is recognized over the period in which the services are provided; however, where the contracts are charged on a time basis, revenue is recognized on a time and materials basis.
Related to contracts for system integrations and equipment constructions, the NEC Group recognizes revenue in principle by the method of measuring the progress based on the costs incurred to date as a percentage of the total estimated project costs.

Where changes occur in the initial estimates of revenues, measure of progress, and costs incurred for a contract, the cumulative impact arising from a change of estimates is recognized in profit or loss in the period in which the changes become certain and possible to be estimated.

Contracts with multiple performance obligations
Contracts with multiple performance obligations represent one contract that consists of several types of goods or services, such as supply of Hardware and related services or supply of software sales and support services. Goods or services promised to a customer are identified as a distinct performance obligation if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and the NEC Group's promise to transfer the goods or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract). The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, as mentioned above.

Product warranty
The NEC Group repairs or exchanges products for free of charge to honor warranty within the warranty period after the sale of products or delivery of developed software based on contracts. Product warranty liabilities are recognized for individually estimated future warranty costs using the historical ratio of warranty costs to net sales or other relevant factors, considering the additional incremental costs that are expected to be incurred. If a product warranty is purchased separately or purchased in addition to the standard warranty by a customer, the product warranty is identified as a separate performance obligation. The transaction price is allocated to the performance obligation and revenue is recognized for the allocated amount over a warranty period.

Contract asset and contract liability
Contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (i.e., the entity's future performance) and contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration or the amount is due from the customer. Advances received from construction contracts are recorded as "contract liabilities" in the consolidated statements of financial position.

Contract costs
An asset is recognized for the incremental costs of obtaining a contract with a customer and costs to fulfill a contract if those costs are expected to be recovered. The costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Income taxes
Income tax expenses comprise current and deferred taxes, both of which are recognized in profit or loss, except for the tax arising from transactions which are recognized either directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or tax losses for the reporting period, using tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred taxes are calculated based on the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and unused tax losses carryforward at the end of the reporting period.

Deferred tax assets and liabilities are not recognized for the following temporary differences:
- Temporary differences on the initial recognition of assets or liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable income nor loss and does not give rise to equal taxable and deductible temporary differences;
- Temporary differences arising from investments in subsidiaries, associates, and joint arrangements to the extent that it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period in which the temporary differences are expected to reverse based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities are for those related to income taxes levied by the same taxation authority on the same taxable entity.

A deferred tax asset is recognized for the carryforward of unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.
The amount of deferred tax assets is reduced to the extent that it is no longer probable that future taxable income would be sufficient to allow the benefit of part or all of the deferred tax asset to be utilized.

Government grants

Government grants are recognized when there is reasonable assurance that the NEC Group will comply with the conditions attached to the grant and that the grant will be received. The recognition method is as follows:

- Grants related to assets are recognized as deferred income and systematically recognized in profit or loss over the useful life of the related assets.
- Grants related to income are recognized in profit or loss by deducting the grant from the related expense.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity.

Treasury shares are measured at cost and deducted from equity. When NEC Group sells the treasury shares subsequently, the difference between the carrying amount and the consideration received is recognized in share premium. Additional costs directly related to repurchase or sale of treasury shares are deducted from equity.

Stock compensation

The portion equity-settled share-based payment transaction is measured based on the fair value of the equity price of the Company and is recognized as an expense over the vesting period with a corresponding increase in equity. The portion cash-settled share-based payment is measured based on the fair value of the equity price of the Company and is recognized as an expense over the vesting period with a corresponding increase in liabilities. The fair value of the liability is remeasured at the end of reporting period and at the date of settlement, any changes in the fair value are recognized in profit or loss.

4. Use of Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions may differ from the actual results.

These estimates and underlying assumptions are reviewed by management on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The NEC Group has assessed the impact of significant uncertainty on its accounting estimates and judgments based upon the information currently available. The area which the accounting estimates and judgements was of particular importance as of March 31, 2026, are as follows:

Revenue recognition

Related to contracts for system integrations and equipment constructions, the NEC Group recognizes revenue in principle by the method of measuring the progress based on the costs incurred to date as a percentage of the total estimated project costs.
The total estimated project costs, which are the basis for measuring the progress, are estimated based on the specifications, work period, and risks associated with contracts of each project. However, if there is a discrepancy between the estimates and actual results, it may significantly impact the amount of revenue in the consolidated financial statements for the consolidated fiscal year ending March 31, 2027.
Regarding the amount of revenue disaggregated into contracts for system integrations and equipment constructions, please refer to Note 25. “Revenue.”

Provision for loss on construction contracts and others

The estimated future loss is recognized as provision for contracts for system integrations and equipment constructions for which the NEC Group is fulfilling its performance obligations, if the total estimated project costs probably exceed the total revenue at the end of the reporting period, and if the estimated future loss after the reporting period can be reasonably estimated. The timing of cash outflows depends on the progress of the project in the future.
The total estimated project costs are estimated based on the specifications, work period, and risks associated with contracts of each project. However, if there is a discrepancy between the estimates and actual results, it may significantly impact the amount of provision for loss on construction contracts and others in the consolidated financial statements for the consolidated fiscal year ending March 31, 2027.
Regarding the carrying amount of provision for loss on construction contracts and others, please refer to Note 22. “Provisions.”

Assessment for recoverability of deferred tax assets

The deferred tax assets are recognized for the carryforward of unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.
Due to market conditions and other environmental deterioration, and if the estimates of future taxable income are less than forecasted, the amount of recoverable deferred tax assets may be reduced.
Regarding the carrying amount of deferred tax assets, please refer to Note 12. “Income Taxes.”

Information about judgments and estimates that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements, and information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements, are as follows:

- Fair Value of Financial Instruments (Note 31)
- Recoverable Amount in Impairment Test of Non-financial Assets (Note 9)
- Actuarial Assumptions of Post-retirement Benefits (Note 21)
- Recognition and Measurement of Provisions (Note 22)
- Revenue Recognition (Note 3, “Revenue”)
- Recoverability of Deferred Tax Assets (Note 12)
- Identification of Lease and Determination of Lease Term (Note 32)

5. New Accounting Standards and Interpretations Issued and Not Yet Adopted

Of the new or amendments to IFRS standards that have been issued before the approval date of the consolidated financial statements, the NEC Group has not yet adopted the following.

IFRSs	Title	Description of New accounting standards/Amendments	Mandatory adoption (Effective from the year beginning)	To be adopted by the NEC Group (Effective from the year ending)
IFRS 9	Financial Instruments	Amendments of the requirements for the classification of financial assets and derecognition of financial liabilities, and of the disclosure related to investments in equity instruments	January 1, 2026	March 31, 2027
IFRS 7	Financial Instruments: Disclosures			
IFRS 18	Presentation and Disclosure in Financial Statements	New accounting standard to replace IAS 1 (Presentation of Financial Statements) and the related interpretations	January 1, 2027	March 31, 2028
IAS 7	Statement of Cash Flows	Amendments of presentation of statement of cash flows		

The NEC Group is in the process of assessing the impact on the adoption of these new accounting standard and amendments.

6. Segment Information

The NEC Group has two reportable segments: IT Services business and Social Infrastructure business, which are operating segments. Operating segments are defined as the components of the NEC Group for which separate financial information is available that is evaluated regularly by President and CEO of the Company, which is the NEC Group's chief operating decision maker in deciding how to allocate resource and in assessing performance. The NEC Group's various operations are classified into the following two operating segments and other business activities based primarily on the characteristics of the customers served.

IT Services business provides Systems Integration including Systems Implementation and Consulting, Maintenance and Support, Outsourcing / Cloud Services, System Equipment, and Software Services.

Social Infrastructure business provides Network Infrastructure including Core Network, Mobile Phone Base Stations, and Optical Transmission Systems, Operation Support System ("OSS") / Business Support System ("BSS") to telecom industries, and System Equipment, Systems Integration including Systems Implementation and Consulting, and Maintenance and Support to aerospace, national security, and submarine systems area.

In addition to the above, development, manufacturing and sales of system equipment are mainly included in "Others".

Basis of measurement for reportable segment sales and segment income or loss

Segment profit (loss) is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit (loss). Intersegment revenues are based on third-party transaction prices.

Segment information on revenue, profit or loss and other metrics by reportable segment for the fiscal years ended March 31, 2025 and 2026, are as follows:

Fiscal year ended March 31, 2025

JPY (millions)

	Reportable segments			Others	Reconciling Items	Consolidated total
	IT Services	Social Infrastructure	Total			
Revenue:						
External customers	2,459,820	832,102	3,291,922	131,509	—	3,423,431
Intersegment	1,565	3,449	5,014	7,355	(12,369)	—
Total	2,461,385	835,551	3,296,936	138,864	(12,369)	3,423,431
Segment profit (loss)	251,822	60,456	312,278	(2,972)	(22,147)	287,159
Amortization of acquisition-related intangible assets						(30,660)
M&A related expenses						(2)
Operating profit						256,497
Finance income						9,956
Finance costs						(16,579)
Share of loss of entities accounted for using the equity method						(10,103)
Profit before income taxes						239,771
Other items:						
Depreciation and amortization	78,611	22,230	100,841	32,249	25,347	158,437
Impairment loss	4,177	—	4,177	5,413	—	9,590
Reversal of impairment loss	—	—	—	(75)	—	(75)
Capital expenditures	75,860	21,492	97,352	28,898	133,048	259,298

Fiscal year ended March 31, 2026

JPY (millions)

	Reportable segments			Others	Reconciling Items	Consolidated total
	IT Services	Social Infrastructure	Total			
Revenue:						
External customers	2,508,925	935,302	3,444,227	138,506	—	3,582,733
Intersegment	1,959	3,109	5,068	7,844	(12,912)	—
Total	2,510,884	938,411	3,449,295	146,350	(12,912)	3,582,733
Segment profit (loss)	336,704	74,318	411,022	(4,146)	(20,049)	386,827
Amortization of acquisition-related intangible assets						(24,435)
M&A related expenses						(2,479)
Operating profit						359,913
Finance income						52,949
Finance costs						(18,168)
Share of profit of entities accounted for using the equity method						3,481
Profit before income taxes						398,175
Other items:						
Depreciation and amortization	77,685	21,033	98,718	32,375	23,409	154,502
Impairment loss	5,055	1,854	6,909	860	—	7,769
Reversal of impairment loss	—	—	—	(127)	—	(127)
Capital expenditures	96,601	31,221	127,822	27,602	39,092	194,516

“Reconciling Items” in segment profit (loss) includes amounts not allocated to each reportable segment that consist principally of corporate expenses of 22,501 million JPY, and 31,291 million JPY for the fiscal years ended March 31, 2025 and 2026, respectively. Corporate expenses are mainly research and development expenses for advanced technology.

Information about revising segments

From the fiscal year ended March 31, 2026, the Company has revised its reporting segments in accordance with the organizational restructuring implemented on April 1, 2025. The main change is the reclassification of NEC Networks & System Integration Corporation (“NESIC”), which was previously included in the “Social Infrastructure Business” segment, into the “IT Services Business” segment. This change was made due to the conversion of NESIC into a wholly-owned subsidiary and a group business reorganization targeting municipalities and SMEs (small and medium-sized enterprises), with the aim of strengthening the business foundation for domestic and regional businesses, as well as digital social infrastructure businesses. Segment information for the fiscal year ended March 31, 2025 is reclassified to conform to the presentation of the revised segments for the fiscal year ended March 31, 2026.

Geographical information

Revenues from contract with customers by country or region for the fiscal years ended March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Japan	2,716,019	2,868,569
North America and Latin America	116,097	106,199
Europe, Middle East, and Africa	343,111	391,949
China, East Asia, and Asia Pacific	248,204	216,016
Total	3,423,431	3,582,733

Non-current assets other than financial instruments, deferred tax assets, and net defined benefit assets by country/region as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Japan	674,186	647,437
North America and Latin America	48,309	48,538
Europe, Middle East, and Africa	635,064	730,750
China, East Asia, and Asia Pacific	20,882	24,526
Total	1,378,441	1,451,251

Non-current assets in Europe, Middle East, and Africa include goodwill recognized for KMD A/S, which is in Denmark, of 115,555 million JPY and 130,641 million JPY as of March 31, 2025 and 2026, respectively, and goodwill and intangible assets of Avaloq Group Ltd., which is in Switzerland, of 143,374 million JPY and 173,293 million JPY, 168,745 million JPY and 187,642 million JPY as of March 31, 2025 and 2026.

Major customers

The NEC Group does not have any external customers that comprise more than 10% of revenue in the consolidated statements of profit or loss.

7. Property, Plant and Equipment

Reconciliation of the carrying amounts of property, plant and equipment for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

Carrying amounts	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2024	195,082	10,679	77,636	45,497	33,962	148,114	510,970
Acquisitions	9,380	1,873	3,474	47,069	49,265	78,218	189,279
Reclassifications	23,511	448	26,633	396	(32,209)	—	18,779
Depreciation	(16,218)	(3,379)	(30,440)	—	—	(58,469)	(108,506)
Impairment losses	(3,708)	(185)	(703)	(1,873)	(44)	(30)	(6,543)
Reversal of impairment loss	—	—	—	75	—	—	75
Disposals	(730)	(66)	(3,759)	(1,135)	(6,725)	(9,028)	(21,443)
Transfer to assets held for sale	(913)	(86)	(117)	(991)	(81)	(31)	(2,219)
Foreign currency translation adjustments	62	(14)	(51)	4	(101)	(127)	(227)
As of March 31, 2025	206,466	9,270	72,673	89,042	44,067	158,647	580,165
Acquisitions	2,575	280	5,871	—	58,980	45,745	113,451
Reclassifications	52,982	2,212	29,579	51	(66,116)	—	18,708
Depreciation	(18,014)	(2,808)	(29,321)	—	—	(59,407)	(109,550)
Impairment losses	(1,840)	(327)	(766)	(152)	(66)	(116)	(3,267)
Reversal of impairment loss	—	—	—	127	—	—	127
Disposals	(34,642)	494	(2,752)	(1,032)	(5,804)	491	(43,245)
Foreign currency translation adjustments	476	312	1,247	93	205	5,342	7,675
As of March 31, 2026	208,003	9,433	76,531	88,129	31,266	150,702	564,064

JPY (millions)

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2024	512,791	129,238	367,608	52,774	33,974	385,026	1,481,411
As of March 31, 2025	536,632	125,872	357,587	95,764	44,068	429,684	1,589,607
As of March 31, 2026	522,125	124,531	361,101	94,937	31,285	446,155	1,580,134

JPY (millions)

Accumulated Depreciation and Accumulated impairment losses	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2024	317,709	118,559	289,972	7,277	12	236,912	970,441
As of March 31, 2025	330,166	116,602	284,914	6,722	1	271,037	1,009,442
As of March 31, 2026	314,122	115,098	284,570	6,808	19	295,453	1,016,070

The “Reclassifications” in the table above for the fiscal years ended March 31, 2025 and 2026, includes the transfer from inventories under current assets.

Pledged assets as of March 31, 2025 and 2026, were as follows:

JPY (millions)

	2025	2026
Land	128	–
Others	632	615
Total	760	615

Impairment losses

Impairment losses are included in other operating expenses in the consolidated statements of profit or loss. The aggregate amount of impairment losses is disclosed in Note 9. “Impairment Losses of Non-Financial Assets.”

8. Intangible Assets including Goodwill

Reconciliation of the carrying amounts of intangible assets including goodwill for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

Carrying amount	Goodwill	Software for sale	Software for internal use	Customer related intangible assets	Acquired capitalized development costs	Other	Total
As of April 1, 2024	392,290	118,816	74,161	159,174	4,988	14,623	764,052
Acquisitions	—	16,985	21,943	—	—	2,276	41,204
Acquisitions through business combinations	984	—	—	—	—	—	984
Reclassifications	—	19,985	11,518	—	—	(552)	30,951
Amortization	—	(41,378)	(26,182)	(18,065)	(2,927)	(2,758)	(91,310)
Impairment losses	(951)	(38)	(781)	—	—	—	(1,770)
Disposals	(14)	(1,109)	(845)	—	—	(265)	(2,233)
Transfer to assets held for sale	—	(712)	(11)	—	—	—	(723)
Foreign currency translation adjustments	1,572	530	(51)	1,721	27	(733)	3,066
Other	—	46	1,307	1	—	210	1,564
As of March 31, 2025	393,881	113,125	81,059	142,831	2,088	12,801	745,785
Acquisitions	—	20,292	18,520	—	—	2,719	41,531
Acquisitions through business combinations	8,912	—	—	4,584	—	1,456	14,952
Reclassifications	—	15,788	10,189	—	—	1,984	27,961
Amortization	—	(42,241)	(25,934)	(17,623)	(530)	(865)	(87,193)
Impairment losses	(1,852)	(17)	(1,076)	—	—	(234)	(3,179)
Disposals	—	(1,130)	(2,977)	—	—	(3,898)	(8,005)
Foreign currency translation adjustments	49,880	12,432	393	24,351	253	(234)	87,075
Other	(320)	9	964	244	—	(378)	519
As of March 31, 2026	450,501	118,258	81,138	154,387	1,811	13,351	819,446

JPY (millions)

Cost	Goodwill	Software for sale	Software for internal use	Customer related intangible assets	Acquired capitalized development costs	Other	Total
As of April 1, 2024	407,191	286,647	168,335	260,694	23,328	20,263	1,166,458
As of March 31, 2025	409,733	306,548	173,977	262,287	23,600	21,021	1,197,166
As of March 31, 2026	468,205	347,905	176,113	307,142	25,872	20,691	1,345,928

JPY (millions)

Accumulated amortization and accumulated impairment losses	Goodwill	Software for sale	Software for internal use	Customer related intangible assets	Acquired capitalized development costs	Other	Total
As of April 1, 2024	14,901	167,831	94,174	101,520	18,340	5,640	402,406
As of March 31, 2025	15,852	193,423	92,918	119,456	21,512	8,220	451,381
As of March 31, 2026	17,704	229,647	94,975	152,755	24,061	7,340	526,482

The “Reclassifications” in the table above for the fiscal year ended March 31, 2025 and 2026, includes the transfer from inventories under current assets.

Internally generated intangible assets mainly consist of software for sale and software for internal use. Amortization is recognized either as selling, general and administrative expenses or as cost of sales when the amortization expenses have been allocated to the cost of inventories and those inventories are sold. The NEC Group recognizes research and developments costs as expenses except items that meet criteria for capitalization. Research and development costs recognized as expenses during the fiscal years ended March 31, 2025 and 2026, are 99,194 million JPY and 105,239 million JPY, respectively.

The carrying amounts of goodwill allocated to each operating segment as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
IT Services	367,497	423,626
Social Infrastructure	20,369	20,081
Others	6,015	6,794
Total	393,881	450,501

The CGUs to which significant amounts of goodwill are allocated as of March 31, 2025 and 2026, are as follows:

JPY (millions)

CGUs	2025	2026
Avaloq Group Ltd.	143,374	168,745
KMD A/S	115,555	130,641
NEC Software Solutions UK Limited	69,630	81,688
Others	65,322	69,427
Total	393,881	450,501

The NEC Group recognized impairment losses due to the lower profitability than initially expected for certain goodwill and intangible assets. Impairment losses are included in other operating expenses in the consolidated statements of profit or loss. The aggregate amount of impairment losses is disclosed in Note 9. “Impairment Losses of Non-Financial Assets.” Avaloq Group Ltd., KMD A/S and NEC Software Solutions UK Limited were based on its assessment of their profitability compared with the five years developed business plans, management considers there is no significant impairment risk associated with goodwill allocated to Avaloq Group Ltd., KMD A/S and NEC Software Solutions UK Limited.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount was calculated mainly based on the value in use. Value in use is calculated by discounting the estimated future cash flows based on future business plan and the terminal value to the present value. The growth rate used for estimating the terminal value of each CGU is determined by considering the status of the respective country and industry that the CGU belongs to, and it does not exceed the long-term average growth rate of the industry of the CGU.

The significant assumptions used to calculate the recoverable amount (value in use) for the fiscal years ended March 31, 2025 and 2026, are as follows:

	2025	2026
Growth Rate	0.0 to 2.4%	0.0 to 2.1%
Discount Rate (Pre-tax)	5.4 to 16.7%	5.7 to 15.8%

The NEC Group considers, except for CGUs of which impairment losses are recognized for the fiscal years ended March 31, 2025 and 2026, that it is less likely that a significant impairment occurs even when the discount rate and growth rate, which are significant assumptions used for impairment testing of goodwill, have changed to a reasonable extent.

9. Impairment Losses of Non-Financial Assets

A breakdown of impairment losses and subsequent reversals by asset class for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025		2026	
	Impairment loss	Reversal	Impairment loss	Reversal
Property, plant and equipment				
Buildings and structures	3,708	―	1,840	―
Machinery and equipment	185	―	327	―
Tools, furniture and fixtures	703	―	766	―
Land	1,873	(75)	152	(127)
Construction in progress	44	―	66	―
Right-of-use assets	30	―	116	―
Goodwill	951	―	1,852	―
Intangible asset				
Software for internal use	781	―	1,076	―
Software for sale	38	―	17	―
Others	―	―	234	―
Other non-financial assets				
Others	1,277	―	1,323	―
Total	9,590	(75)	7,769	(127)

Impairment losses and reversal of impairment loss are included in other operating expenses in the consolidated statements of profit or loss.

10. Subsidiaries

Major consolidated subsidiaries

The number of consolidated subsidiaries increased by 18 primarily due to establishments and acquisitions and decreased by 15 primarily due to liquidation and divestitures, for the fiscal year ended March 31, 2026.

Major consolidated subsidiaries as of March 31, 2026, are as follows:

Name of entity	Country of incorporation	Ownership of voting rights (%)	Principal activities
NEC Platforms, Ltd.	Japan	100.0	Development, manufacture, sale and maintenance of information and communications systems, equipment etc., and provision of systems integration services etc.
NEC Fielding, Ltd.	Japan	100.0	Installation and maintenance of computers and network systems
NEC Solution Innovators, Ltd.	Japan	100.0	Provision of systems integration services etc., and development of software
ABeam Consulting Ltd.	Japan	100.0	Business consulting
NESIC Holdings, Ltd.	Japan	100.0	Pure holding company Its principal subsidiaries are as follows: NEC Networks & System Integration Corporation whose principal business is design, construction and maintenance of information and communications systems and sale of related equipment NEC Nexsolutions, Ltd. whose principal business is provision of systems integration and outsourcing services, development of software, and sale of computers, etc.
NEC Corporation of America	U.S.A.	100.0	Regional headquarters operations, sale of computer-related equipment and communications equipment, and provision of systems integration services etc.
NEC Europe Ltd.	U.K.	100.0	Regional headquarters operations
NEC Asia Pacific Pte. Ltd.	Singapore	100.0	Regional headquarters operations, sale of computers-related equipment and communications equipment, and provision of systems integration services etc.
NEC (China) Co., Ltd.	China	100.0	Regional headquarters operations
NEC Latin America S.A.	Brazil	100.0	Regional headquarters operations, sale of communications equipment, and provision of systems integration services etc.
NEC Australia Pty Ltd	Australia	100.0	Design and construction of information and communications systems and provision of IT services
NEC Corporation India Private Limited	India	100.0 (62.6)	Sale and maintenance of hardware and software products, provision of systems integration services etc., and development of software and provision of associated services
Netcracker Technology Corporation	U.S.A.	100.0	Development and sale of software

Name of entity	Country of incorporation	Ownership of voting rights (%)	Principal activities
Comet Holding B.V.	Netherlands	100.0	Pure holding company Its principal subsidiary is Avaloq Group Ltd., which owns under its umbrella subsidiaries for which the principal business is development of software and provision of IT services
Garden Private Holdings Limited	U.K.	100.0	Pure holding company Its principal subsidiary is NEC Software Solutions UK Limited, for which its principal business is development of software and provision of IT services
Soleil ApS	Denmark	100.0	Pure holding company Its principal subsidiary is KMD A/S, for which its principal business is development of software and provision of IT services

Note: The figures in parentheses in the Ownership of voting rights (%) in the table above indicate indirect ownership ratio and are included in the total.

Subsidiaries with material non-controlling interests to the NEC Group

NEC Networks & System Integration Corporation

NEC Networks & System Integration Corporation ("NESIC") was a subsidiary with material non-controlling interests to the NEC Group for the year ended March 31, 2025.
Proportion of ownership interests held by non-controlling interests as of March 31, 2025 was 26.0%.
As a result of making NESIC a wholly-owned subsidiary, there are no material non-controlling interests; therefore, summary of financial information are omitted for the year ended March 31, 2026.

Summarized financial information before eliminating inter-company transactions as of March 31, 2025 was as follows:

	JPY (millions)
	2025
Current assets	259,547
Non-current assets	73,862
Current liabilities	112,215
Non-current liabilities	48,858
Net assets	172,336
Carrying amount of non-controlling interests	48,329

Summarized financial information before eliminating inter-company transactions for the fiscal years ended March 31, 2025 was as follows:

	JPY (millions)
	2025
Revenue	390,098
Net profit	19,542
Other comprehensive income	1,955
Comprehensive income	21,497
Net profit allocated to non-controlling interests	10,913
Dividends paid to non-controlling interests	4,835
Cash flows from operating activities	29,931
Cash flows from investing activities	(4,957)
Cash flows from financing activities	(15,860)
Effect of exchange rate changes on cash and cash equivalents	55
Net increase (decrease) in cash and cash equivalents	9,169
Cash and cash equivalents, at the end of reporting period	82,676

Consequences of changes in a parent's ownership interest in a subsidiary due to the additional acquisition resulting from tender offer for shares of NESIC and the reversion of NESIC common stocks contributed to the retirement benefit trust that do not result in a loss of control was as follows:

	JPY (millions)
	Amounts
Acquisition cost	174,354
Decrease in non-controlling interests	57,412
Decrease in share premium	116,942

Consequences of changes in a parent's ownership interest in a subsidiary due to making NESIC a wholly-owned subsidiary is as follows:

	JPY (millions)
	Amounts
Acquisition cost	128,291
Decrease in non-controlling interests	45,033
Decrease in share premium	83,258

11. Investments Accounted for Using the Equity Method

Investments in associates and joint ventures are accounted for using the equity method. The number of associates accounted for using the equity method increased by one in the fiscal year ended March 31, 2026 due to new investments and decreased by four due to divestiture. The number of joint ventures accounted for using the equity methods increased by two in the fiscal year ended March 31, 2026 due to new investments.

Associates

Material associates

Japan Aviation Electronics Industry, Limited

Japan Aviation Electronics Industry, Limited is an associate, which was material to the NEC Group as of March 31, 2025. Japan Aviation Electronics Industry, Limited engages in manufacture and sale of connectors and electronic devices for avionics and aerospace. The Company owns 33.5% of the voting rights as of March 31, 2025.

In the fiscal year ended March 31, 2026, the Company transferred the majority of its shares in Japan Aviation Electronics Industry, Limited to a third party, and as a result, the company was excluded from associates accounted for using the equity method.

In addition, in the consolidated statements of profit or loss for the fiscal year ended March 31, 2026, a gain on sales of associates of 20,226 million JPY arising from the sale of shares of Japan Aviation Electronics Industry, Limited is included in “Finance income.”

Summarized financial information as of March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Current assets	126,663	―
Non-current assets	99,667	―
Current liabilities	49,536	―
Non-current liabilities	34,500	―
Total equity	142,294	―

Summarized financial information for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Revenue	221,667	―
Net profit	10,456	―
Other comprehensive income	(524)	―
Comprehensive income	9,932	―
Dividends received from the associate	520	―

Reconciliation between the summarized financial information and the carrying amount of interests in associates as of March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Equity attributable to owners of the investee	142,294	―
Proportion of ownership interest	33.5%	―%
Equity attributable to the NEC Group	47,697	―
Goodwill and consolidation adjustment	13,524	―
Carrying amount of the associate in the consolidated financial statements	61,221	―
Fair value of the associate	58,907	―

Aggregate information of associates that are not individually material for the fiscal years ended March 31, 2025 and 2026, is as follows:

	JPY (millions)	
	2025	2026
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	45,983	47,486
Aggregate amounts of the NEC Group’s share of those associates:		
Net profit	1,632	2,552
Other comprehensive income	(165)	20
Comprehensive income	1,467	2,572

Unrecognized share of losses of associates accounted for using the equity method which the Company has stopped recognizing its share of losses for the fiscal years ended March 31, 2025 and 2026, is as follows:

	JPY (millions)	
	2025	2026
Unrecognized share of losses of associates for the period	431	57
Accumulated unrecognized share of losses of associates	783	94

Joint ventures

None of joint ventures are material to the NEC Group.

Aggregate information of joint ventures that are not individually material for the fiscal years ended March 31, 2025 and 2026, is as follows:

	JPY (millions)	
	2025	2026
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	38	643
Aggregate amounts of the NEC Group’s share of those joint ventures:		
Net profit (loss)	29	(141)
Other comprehensive income	—	40
Comprehensive income	29	(101)

Unrecognized share of losses of joint ventures that the Company has stopped recognizing its share of losses in applying the equity method for the fiscal years ended March 31, 2025 and 2026, was not applicable.

12. Income Taxes

Current and deferred tax expenses

The components of income tax expenses for the fiscal years ended March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Current tax expense		
Current year	75,278	135,907
Adjustments for current tax of prior periods	(133)	1,310
Subtotal	75,145	137,217
Deferred tax expense		
Origination and reversal of temporary differences	(20,806)	(17,775)
Derecognition or use of previously recognized / (Recognition of previously unrecognized) tax losses	3,476	6,644
Recognition of previously unrecognized deductible temporary differences	(2,708)	(1,235)
Subtotal	(20,038)	(12,366)
Income taxes	55,107	124,851

The Company and its subsidiaries in Japan are mainly subject to Japanese national and local income taxes, inhabitant tax, and enterprise tax. The statutory tax rates in Japan for the fiscal years ended March 31, 2025 and 2026 are 30.5%. Accordingly, for deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in or after the fiscal year beginning on April 1, 2026, the statutory effective tax rate is applied at 31.5% for calculation purposes.

The foreign subsidiaries are subject to taxes based on income at rates ranging from 5.0% to 35.0%.

In certain jurisdictions where the NEC Group operates, tax legislation to implement the Pillar Two model rules published by OECD (Organisation for Economic Co-operation and Development) has been enacted or substantively enacted. Income taxes arising from such legislation are recognized in the income tax expenses for the current fiscal year; however, the impact on the consolidated financial statements is not material.

Reconciliation between the Japanese statutory income tax rate and the effective tax rate of the Company for the fiscal years ended March 31, 2025 and 2026, is as follows:

(%)

	2025	2026
Statutory tax rate	30.5	30.5
Movement in tax rate		
Effects of undistributed profits	0.2	0.1
Effects of investments accounted for using the equity method	(0.5)	(0.3)
Non-deductible expenses	0.4	1.0
Differences in tax rates applied to foreign subsidiaries	0.0	(0.8)
Income tax credits	(4.4)	(3.6)
Derecognition of previously recognized / (Recognition or use of previously unrecognized) tax losses	(1.5)	1.3
Recognition of previously unrecognized deductible temporary differences	(1.1)	(0.3)
Others	(0.6)	3.5
Effective tax rate	23.0	31.4

Deferred taxes

Major components of deferred tax assets and liabilities as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	As of April 1, 2024	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2025
Deferred tax assets:				
Accrued expenses and product warranty liabilities	48,482	3,488	—	51,970
Write-off of inventories	24,631	(722)	—	23,909
Depreciation	11,633	5,330	—	16,963
Elimination of unrealized profit from intercompany transactions among consolidated companies	10,921	1,269	—	12,190
Investments in associates	951	659	(76)	1,534
Net defined benefit liabilities	82,985	(5,649)	14,663	91,999
Tax losses carried forward	16,340	(3,484)	—	12,856
Lease liabilities	42,012	5,149	—	47,161
Others	20,337	6,259	(514)	26,082
Total deferred tax assets	258,292	12,299	14,073	284,664
Offset with deferred tax liabilities	(101,404)			(107,448)
Total deferred tax assets, net	156,888			177,216
Deferred tax liabilities:				
Valuation differences due to equity instruments measured at fair value through other comprehensive income	(26,120)	—	(3,199)	(29,319)
Undistributed earnings	(22,773)	2,128	(8,569)	(29,214)
Gain on contribution of securities to the retirement benefit trust	(8,834)	7,539	—	(1,295)
Net defined benefit assets	(1,026)	(72)	—	(1,098)
Valuation differences due to business combination	(33,689)	4,127	—	(29,562)
Right-of-use assets	(37,789)	(4,865)	—	(42,654)
Others	(8,317)	1,875	16	(6,426)
Total deferred tax liabilities	(138,548)	10,732	(11,752)	(139,568)
Offset with deferred tax asset	101,404			107,448
Total deferred tax liabilities, net	(37,144)			(32,120)
Net deferred tax asset	119,744			145,096

JPY (millions)

	As of April 1, 2025	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2026
Deferred tax assets:				
Accrued expenses and product warranty liabilities	51,970	3,023	—	54,993
Write-off of inventories	23,909	6,736	—	30,645
Depreciation	16,963	3,130	—	20,093
Elimination of unrealized profit from intercompany transactions among consolidated companies	12,190	802	—	12,992
Investments in associates	1,534	(415)	358	1,477
Net defined benefit liabilities	91,999	(41,808)	(5,898)	44,293
Tax losses carried forward	12,856	(5,026)	—	7,830
Lease liabilities	47,161	(5,397)	—	41,764
Others	26,082	34,850	(2,902)	58,030
Total deferred tax assets	284,664	(4,105)	(8,442)	272,117
Offset with deferred tax liabilities	(107,448)			(85,447)
Total deferred tax assets, net	177,216			186,670
Deferred tax liabilities:				
Valuation differences due to equity instruments measured at fair value through other comprehensive income	(29,319)	—	(1,687)	(31,006)
Undistributed earnings	(29,214)	6,759	9,023	(13,432)
Gain on contribution of securities to the retirement benefit trust	(1,295)	727	—	(568)
Net defined benefit assets	(1,098)	28	—	(1,070)
Valuation differences due to business combination	(29,562)	(2,643)	—	(32,205)
Right-of-use assets	(42,654)	3,746	—	(38,908)
Others	(6,426)	2,402	—	(4,024)
Total deferred tax liabilities	(139,568)	11,019	7,336	(121,213)
Offset with deferred tax asset	107,448			85,447
Total deferred tax liabilities, net	(32,120)			(35,771)
Net deferred tax asset	145,096			150,899

A majority of deferred tax assets of the NEC Group were recognized by the Company and certain domestic consolidated subsidiaries that file a Japanese group relief system.
The NEC Group considers the probability that a portion, or all of future deductible temporary differences or unused tax losses can be utilized against future taxable profits in the recognition of deferred tax assets. In assessing recoverability of deferred tax assets, the NEC Group considers the scheduled reversal of taxable temporary differences, projected future taxable profits and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits, reversal of taxable temporary differences and tax planning during the periods in which the temporary differences become deductible, the NEC Group believes that it is probable that tax benefits of recognized deferred tax assets as of March 31, 2026, can be utilized.
The NEC Group adopts temporary exception of “International Tax Reform - Pillar Two Model Rules (amendments of IAS12)” issued on May 23, 2023. As a result, the NEC Group has not recognized deferred tax assets and liabilities related to income taxes arising from legislated tax system which adopts Pillar Two model rules.

The tax effect by applicable tax rates of deductible temporary differences and tax losses carried forward for which deferred tax assets were not recognized as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Deductible temporary differences	77,383	75,724
Unused tax losses carried forward	51,886	61,046
Total	129,269	136,770

The tax effect by applicable tax rates of unused tax losses as of March 31, 2025 and 2026, for which deferred tax assets were not recognized will expire as follows:

JPY (millions)

	2025	2026
The 1st year	325	2,209
The 2nd year	1,604	1,138
The 3rd year	909	2,316
The 4th year	2,134	1,985
The 5th year and thereafter	46,914	53,398
Total	51,886	61,046

The aggregate amounts of temporary differences relating to investments in foreign subsidiaries for which no deferred tax liabilities were recognized were 111,540 million JPY and 178,900 million JPY as of March 31, 2025 and 2026, respectively.

13. Inventories

Components of inventories as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Merchandise and finished goods	64,910	66,819
Work in process	58,377	54,492
Raw materials and supplies	61,492	49,870
Total	184,779	171,181

The amount of inventories recognized as an expense during the period was included within cost of sales. Inventory write-down to net realizable value recognized as cost of sales for the fiscal years ended March 31, 2025 and 2026, was 10,829 million JPY and 11,425 million JPY, respectively. There was no material reversal of write-downs during the fiscal years presented.

14. Trade and Other Receivables

Components of trade and other receivables as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Notes receivable	8,756	10,461
Accounts receivable	838,332	954,107
Other receivables	31,346	29,498
Total	878,434	994,066

The amounts of trade and other receivables to be collected after 12 months as of March 31, 2025 and 2026, are 4,970 million JPY and 5,105 million JPY, respectively.

15. Cash and Cash Equivalents

Components of cash and cash equivalents as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Cash and deposits	583,596	658,301
Certificates of deposits	1,019	733
Total	584,615	659,034

16. Other Assets

Components of other current assets and other non-current assets as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Advance payments	81,758	92,310
Income taxes receivable	5,486	5,259
Prepaid expenses	78,518	69,517
Others	16,121	18,987
Other current assets	181,883	186,073
Net defined benefit assets	206,342	92,712
Long-term prepaid expenses	50,484	66,423
Others	2,007	1,318
Other non-current assets	258,833	160,453

17. Disposal group held for sale

Major components of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Trade and other receivables	3,609	—
Inventories	4,266	—
Property, plant and equipment, net	2,219	—
Others, net	848	—
Assets held for sale	10,942	—

JPY (millions)

	2025	2026
Trade and other payables	2,813	—
Net defined benefit liabilities	1,915	—
Others, net	1,801	—
Liabilities directly associated with assets held for sale	6,529	—

Fiscal year ended March 31, 2025

On September 30, 2024, the Company's consolidated subsidiary, NEC Platforms, Ltd., entered into an agreement to transfer the POS-related business to a newly established company, and then transfer all shares of this new company to a special purpose company that is wholly funded by a fund managed by Nippon Mirai Capital Co., Ltd. Accordingly, the related assets and liabilities are classified as “Assets held for sale” and “Liabilities directly associated with assets held for sale” and are measured at their carrying amounts. The transfer was completed on August 1, 2025.

Fiscal year ended March 31, 2026

There are no disposal group held for sale as of March 31, 2026.

18. Equity

Total number of authorized shares and issued shares

Changes in authorized shares and issued shares for the fiscal years ended March 31, 2025 and 2026, are as follows:

(Thousands of shares)

	2025	2026
Total number of authorized shares:		
End of the year	750,000	3,750,000
Total number of issued shares:		
Beginning of the year	272,850	272,850
Changes during the year	—	1,091,399
End of the year	272,850	1,364,249

Note:

1. The number of shares is rounded to the nearest thousand.
2. The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025.

The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights.

Treasury shares

Changes in treasury shares as of March 31, 2025 and 2026, are as follows:

(Thousands of shares)

	2025	2026
Ordinary shares		
Beginning of the year	6,395	6,310
Changes during the year	(85)	31,595
End of the year	6,310	37,905

Note:

1. The number of shares is rounded to the nearest thousand.
2. The number of treasury shares includes the company's shares held by the trust account related to the stock compensation scheme for executives and certain employees, which amounted to 364,000 shares and 2,148,500 shares as of March 31, 2025 and 2026, respectively.
3. The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025.

Surplus

The Companies Act of Japan (the “Companies Act”) provides that an amount of 50% or more of contribution at the share issuance may be incorporated into share capital and the remaining into capital reserve. The capital reserve may be incorporated into share capital upon the resolution at the shareholders’ meeting.

The Companies Act requires that an amount equivalent to 10% of dividends of surplus must be appropriated as capital reserve or retained earnings reserve. No further appropriations are required when the total amount of capital reserve and retained earnings reserve equals 25% of share capital. The appropriated retained earnings reserve may be used to offset losses carried forward. The Companies Act also provides that retained earnings reserve may be reduced upon the resolution at the shareholders’ meeting.

Share premium in the consolidated financial statements includes capital reserve and other capital surplus in the non-consolidated financial statements of the Company. In addition, retained earnings include retained earnings reserve and other retained earnings. The amount that may be distributed is calculated based on the Company’s non-consolidated financial statements prepared in accordance with the Companies Act and Japanese accounting standards.

A breakdown of other components of equity as of March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Remeasurements of defined benefit plans	228,707	251,822
Exchange differences on translating foreign operations	175,452	264,149
Cash flow hedges	(5,132)	(176)
Equity instruments designated as measured at fair value through other comprehensive income	85,236	94,209
Total	484,263	610,004

Components of other comprehensive income included in non-controlling interests for the fiscal years ended March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Remeasurements of defined benefit plans	601	4
Exchange differences on translating foreign operations	653	10,341
Cash flow hedges	3	—
Equity instruments designated as measured at fair value through other comprehensive income	(39)	(10)
Total	1,218	10,335

Other comprehensive income

The components of other comprehensive income and related tax expense and tax benefit for the fiscal years ended March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Items that will not be reclassified to profit or loss		
Equity instruments designated as measured at fair value through other comprehensive income		
Increase (Decrease) during the year	3,349	13,623
Tax (expense) benefit	(1,603)	(4,714)
Subtotal, net of tax	1,746	8,909
Remeasurements of defined benefit plans		
Increase during the year	16,696	32,628
Tax expense	(2,272)	(10,848)
Subtotal, net of tax	14,424	21,780
Share of other comprehensive income of entities accounted for using the equity method		
Increase (Decrease) during the year	5	551
Subtotal	5	551
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Increase during the year	2,296	101,646
Reclassification adjustments	(1,242)	(2,817)
Subtotal, before tax	1,054	98,829
Tax expense	440	180
Sub-total, net of tax	1,494	99,009
Cash flow hedges		
Increase (Decrease) during the year	(1,942)	308
Reclassification adjustments	4,435	6,783
Subtotal, before tax	2,493	7,091
Tax benefit (expense)	(709)	(2,173)
Sub-total, net of tax	1,784	4,918
Share of other comprehensive income of entities accounted for using the equity method		
Increase during the year	(36)	598
Reclassification adjustments	(1,911)	(679)
Subtotal, net of tax	(1,947)	(81)
Total other comprehensive income, net of tax	17,506	135,086

19. Dividends

Dividends declared for which the effective date falls in the fiscal years ended March 31, 2025 and 2026, are as follows:

Fiscal year ended March 31, 2025

Resolution	Board of directors on May 10, 2024
Type of shares	Ordinary shares
Total dividends JPY (millions)	16,007
Source of dividends	Retained earnings
Dividends per share (JPY)	60
Record date	March 31, 2024
Effective date	June 3, 2024

Resolution	Board of directors on October 29, 2024
Type of shares	Ordinary shares
Total dividends JPY (millions)	18,684
Source of dividends	Retained earnings
Dividends per share (JPY)	70
Record date	September 30, 2024
Effective date	December 2, 2024

Fiscal year ended March 31, 2026

Resolution	Board of directors on May 12, 2025
Type of shares	Ordinary shares
Total dividends JPY (millions)	18,683
Source of dividends	Retained earnings
Dividends per share (JPY)	70
Record date	March 31, 2025
Effective date	June 2, 2025

Resolution	Board of directors on October 29, 2025
Type of shares	Ordinary shares
Total dividends JPY (millions)	21,365
Source of dividends	Retained earnings
Dividends per share (JPY)	16
Record date	September 30, 2025
Effective date	December 1, 2025

The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025. For dividends per share with a record date on or before March 31, 2025, the dividend amounts are stated at the actual amounts prior to the share split.

Dividends declared for which the record date is in the fiscal year ended March 31, 2026, but the effective date falls in the following fiscal year are as follows:

Resolution	Board of directors on May 12, 2026
Type of shares	Ordinary shares
Total dividends JPY (millions)	29,227
Source of dividends	Retained earnings
Dividends per share (JPY)	22
Record date	March 31, 2026
Effective date	June 1, 2026

20. Bonds and Borrowings

A breakdown of bonds and borrowings and interest rates as of March 31, 2025 and 2026, is as follows:

	JPY (millions)		Average interest rate (%)	Maturity
	2025	2026		
Short-term borrowings	159,352	13,826	5.68	—
Current portion of long-term borrowings	49,538	41,140	0.48	—
Current portion of bonds	24,996	—	—	—
Long-term borrowings (excluding the current portion)	41,457	27,696	1.91	July 15, 2029 to March 12, 2046
Bonds (excluding the current portion)	214,385	244,411	—	—
Total	489,728	327,073	—	—
Current	233,886	54,966	—	—
Non-current	255,842	272,107	—	—
Total	489,728	327,073	—	—

A detail by issue of bonds, excluding the current portion, as of March 31, 2025 and 2026, are as follows:

Company name	Series	Issued date	JPY (millions)		Interest rate(%)	Maturity
			2025	2026		
NEC	The 52nd	June 15, 2017	14,983	14,991	0.455	June 15, 2027
NEC	The 55th	September 21, 2018	9,981	9,986	0.500	September 21, 2028
NEC	The 58th	April 23, 2020	9,972	9,978	0.540	April 23, 2030
NEC	The 59th	July 12, 2022	59,883	59,934	0.460	July 12, 2027
NEC	The 60th	July 12, 2022	19,945	19,957	0.584	July 12, 2029
NEC	The 61st	July 12, 2022	29,892	29,906	0.749	July 12, 2032
NEC	The 62nd	July 11, 2023	19,941	19,959	0.355	July 11, 2028
NEC	The 63rd	July 11, 2023	19,915	19,925	0.840	July 11, 2033
NEC	The 64th	July 9, 2024	19,923	19,941	0.868	July 9, 2029
NEC	The 65th	July 9, 2024	9,950	9,955	1.590	July 7, 2034
NEC	The 66th	July 25, 2025	—	19,927	1.387	July 25, 2030
NEC	The 67th	July 25, 2025	—	9,952	2.046	July 25, 2035
	Total		214,385	244,411	—	—

Commitment line agreements

The NEC Group has entered into commitment line agreements for short-term borrowings with 11 financial institutions for the purpose of securing stable and flexible short-term funding. The unused commitment line of credit based on such agreements for short-term borrowings as of March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Aggregate amount of commitment line contracts	238,000	230,000
Amount used	—	—
Unused balance	238,000	230,000

Reconciliation of liabilities arising from financing activities for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

	As of April 1, 2024	Changes arising from cash flows	Changes not arising from cash flows				As of March 31, 2025
			Changes arising from obtaining or losing control of subsidiaries or other businesses	Foreign currency translation differences	Lease liabilities resulting from new lease	Others	
Short-term borrowings	24,591	134,217	—	(432)	—	976	159,352
Long-term borrowings	123,997	(34,269)	—	(7)	—	1,274	90,995
Lease liabilities	165,700	(56,596)	(176)	(160)	78,218	(10,355)	176,631
Bonds	234,356	5,000	—	—	—	25	239,381
Total	548,644	48,352	(176)	(599)	78,218	(8,080)	666,359

JPY (millions)

	As of April 1, 2025	Changes arising from cash flows	Changes not arising from cash flows				As of March 31, 2026
			Changes arising from obtaining or losing control of subsidiaries or other businesses	Foreign currency translation differences	Lease liabilities resulting from new lease	Others	
Short-term borrowings	159,352	(147,629)	—	2,103	—	—	13,826
Long-term borrowings	90,995	(22,395)	—	237	—	(1)	68,836
Lease liabilities	176,631	(54,890)	(228)	5,815	45,745	(10,931)	162,142
Bonds	239,381	5,000	—	—	—	30	244,411
Total	666,359	(219,914)	(228)	8,155	45,745	(10,902)	489,215

Short-term borrowings comprise primarily of bank borrowings.

21. Employee Benefits

Employee benefit plans

The Company and its domestic subsidiaries provide cash balance pension plans, other defined benefit pension plans, lump-sum severance payment plans, and the defined contribution pension plans in accordance with the Defined-Benefit Corporate Pension Act and the Defined Contribution Pension Act of Japan. The Company's defined benefit pension plans are administered by the Pension fund of NEC Corporation (the "Fund") which is legally independent of the Company. The Director of the Fund has the fiduciary duty to comply with laws, the directives by the Minister of Health, Labour and Welfare and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws, and the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund. The Company is required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

The Company and its certain domestic consolidated subsidiaries have shifted from defined benefit pension plans to defined contribution pension plans for the portion funded after October 1, 2020. In addition, effective October 1, 2024, the company and its certain domestic consolidated subsidiaries have transitioned from defined benefit pension plans to defined contribution plans for the certain portion of accrued funds prior to September 30,2020.

The company has contributed to the retirement benefit trust with the aim of preparing for future retirement benefits. The company received a partial reversion of the shares from the retirement benefit trust for the fiscal year ended March 31, 2025 and a partial reversion of the cash from the retirement benefit trust for the fiscal year ended March 31, 2026, because the plan assets including retirement benefit trust overfunded to retirement benefit obligations in recent years and the situation expected to continue.

Certain of its foreign subsidiaries have various types of defined benefit plans and defined contribution plans, covering substantially all of their employees. However, these plans are not considered material in aggregate to the NEC Group's employee benefit arrangements.

The defined benefit plans of the NEC Group are exposed to the following risks:

Investment risks

The present value of defined benefit obligations is calculated using a discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. When the yield on plan assets falls below the discount rate, there is a risk of reduction in equity due to deterioration of the funding status. In short-term, plan assets may be exposed to fluctuations in the investment performance. The portfolio of plan assets is reviewed on a regular basis in order to secure sufficient income streams over the long term for pension and severance payments in the future to meet the investment objective.

Interest rate risks

When a discount rate is adjusted downwards in line with the fallen market yields on high quality corporate bonds, the present value of defined benefit obligations may increase and cause deterioration of the funding status, exposing the NEC Group to a risk of reduction in equity.

Defined benefit obligations and plan assets

The changes in present value of defined benefit obligations and fair value of plan assets of the NEC Group for the fiscal years ended March 31, 2025 and 2026, are as follows:

		JPY (millions)
	2025	2026
Present value of defined benefit obligations		
Balance at the beginning of the year	807,257	585,650
Current service cost	12,655	11,656
Interest cost	12,002	12,458
Remeasurements:		
Actuarial losses (gains) arising from changes in demographic assumptions	(5,357)	(700)
Actuarial gains arising from changes in financial assumptions	(16,221)	(17,765)
Benefits paid	(68,002)	(70,467)
Settlements of defined benefit pension plans	(154,705)	—
Foreign currency translation differences	1,161	18,679
Transfer to assets held for sale	(1,915)	—
Others	(1,225)	(225)
Balance at the end of the year	585,650	539,286
Fair value of plan assets		
Balance at the beginning of the year	940,630	674,881
Interest income	14,017	11,723
Remeasurement: Actual gains on plan assets	14,648	48,616
Employer contributions	13,366	3,504
Employer refunds	(101,419)	(140,000)
Benefits paid	(51,882)	(53,626)
Settlements of defined benefit pension plans	(155,338)	—
Foreign currency translation differences	1,121	19,552
Others	(262)	(812)
Balance at the end of the year	674,881	563,838
Change in adjustment due to asset ceiling		
Balance at the beginning of the year	—	20,805
Interest income	—	345
Remeasurements:		
Effect of limiting the net value of plan assets to the amount of asset ceiling	20,805	33,798
Foreign currency translation differences	—	54
Balance at the end of the year	20,805	55,002
Defined benefit liabilities	137,916	123,162
Defined benefit assets	(206,342)	(92,712)
Net defined benefit liabilities (assets) recognized in the consolidated statements of financial position	(68,426)	30,450

Components of defined benefit cost for the fiscal years ended March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Current service cost	12,655	11,656
Net interest	(2,015)	1,080
Past service cost and gains on settlements	(633)	—
Total	10,007	12,736

Fair value of plan assets

The fair value of the plan assets by asset category as of March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025		2026	
	With quoted market price in an active market	No quoted market price in an active market	With quoted market price in an active market	No quoted market price in an active market
Cash and cash equivalents	216,631	—	97,823	—
Equity securities	36,075	—	36,997	—
Mutual funds	—	416,522	—	423,609
Others	—	5,653	—	5,409
Total	252,706	422,175	134,820	429,018

Equity securities consist of only Japanese securities.
Mutual funds are investment vehicles such as commingled funds and primarily invested in the marketable instruments such as listed stocks and government and municipal bonds in both Japanese and global markets.

Significant actuarial assumptions used to determine the present value of the defined benefit obligations as of March 31, 2025 and 2026, are as follows:

	2025	2026
Discount rate	2.0%	2.9%

The effects on defined obligations of a 0.1% change in the discount rate as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Discount rate		
Increased by 0.1%	(4,268)	(3,577)
Decreased by 0.1%	4,329	3,624

The NEC Group makes contributions to its defined benefit plans considering various factors, including the financial condition of the Company and its subsidiaries, funding status of the plans, and actuarial assumptions. Regarding the NEC corporate pension fund, the contribution amount is reviewed on a regular basis, and financial recalculations are conducted every five years in accordance with the Defined-Benefit Corporation Pension Act. The Fund determines investment strategies for each pension asset categories by considering expected returns and risks. Plan assets are managed within those set parameters to minimize risk, and the Company and certain of its consolidated subsidiaries may make contributions of a necessary amount if the amount of reserve falls below the minimum base amount.

The NEC Group plans to contribute 4,417 million JPY to its defined benefit pension plans during the fiscal year ending March 31, 2027.
The remaining weighted-average duration of the defined benefit obligation was 7.2 years and 6.5 years as of March 31, 2025 and 2026, respectively.

Contribution to the defined contribution plans

The Company and certain of its subsidiaries provide defined contribution benefit plans. The contributions made by the NEC Group recorded as retirement benefit expenses were 70,948 million JPY, and 71,486 million JPY for the years ended March 31, 2025 and 2026, respectively. The amount includes the payment of premiums by employer in welfare pension insurance premiums.

22. Provisions

A roll forward of provisions by major component for the fiscal year ended March 31, 2026, is as follows:

JPY (millions)

	Product warranty liabilities	Provision for business structure improvement	Asset retirement obligations	Provision for loss on construction contracts and others	Provision for Commercial Disputes and Litigation	Other	Total
Balance as of April 1, 2025	7,149	7,946	16,446	23,139	6,965	6,912	68,557
Increase	8,618	4,176	8,489	29,940	3,933	16,493	71,649
Decrease (used during the year)	(4,888)	(5,397)	(1,302)	(9,861)	(7,079)	(2,674)	(31,201)
Decrease (reversed during the year)	(4)	(2,016)	―	(2,573)	(12)	(5,227)	(9,832)
Other	96	301	(1,687)	690	(1,125)	(1,982)	(3,707)
Balance as of March 31, 2026	10,971	5,010	21,946	41,335	2,682	13,522	95,466
Balance as of April 1, 2025	7,149	7,946	16,446	23,139	6,965	6,912	68,557
Balance as of April 1, 2025 - Current	5,703	7,195	1,308	23,139	1,477	3,593	42,415
Balance as of April 1, 2025 - Non-current	1,446	751	15,138	―	5,488	3,319	26,142
Balance as of March 31, 2026	10,971	5,010	21,946	41,335	2,682	13,522	95,466
Balance as of March 31, 2026 - Current	6,865	4,086	953	41,335	1,823	3,795	58,857
Balance as of March 31, 2026 - Non-current	4,106	924	20,993	―	859	9,727	36,609

Product warranty liabilities

The NEC Group sells products that are repaired or exchanged for free of charge within the warranty period after the sale of products or delivery of developed software, based on contracts.

Product warranty liabilities are recognized for individually estimated future warranty costs using the historical ratio of warranty costs to net sales or other relevant factors, considering the additional incremental costs that are expected to be incurred. Most of these costs are expected to be incurred in the following fiscal year and the rest to be incurred within approximately two years after the end of the reporting period.

Provision for business structure improvement

The provision is recognized for the estimated expenses and losses in connection with restructuring activities. Most of this provision is expected to be utilized in the next year and the rest to be utilized within approximately two years from the end of the reporting period.

Asset retirement obligations
The provision is made mainly for the expenses in association with scrap, removal and retirement of long-lived assets, and restoring the site based on past experience. These expenses are added to the carrying amount of the related assets. The expenses and discount rate are reviewed every year. Most of these costs are expected to be incurred by 2050.

Provision for loss on construction contracts and others
The estimated future loss is recognized as provision for contracts for system integrations and equipment constructions and others for which the NEC Group is fulfilling its performance obligations, if the total estimated project costs probably exceed the total revenue at the end of the reporting period, and if the estimated future loss after the reporting period can be reasonably estimated. The timing of cash outflows depends on the progress of the project in the future.

Provision for commercial disputes and litigation
A provision is recognized for certain potential commercial claims and disputes as well as pending, threatened or possible legal proceedings and litigation. The timing of cash outflows depends on the progress of cases in the future. The Company's management has conducted an assessment of the probable outcome of each commercial claim and dispute. Regarding the most significant matter in terms of provision amount, management has decided not to disclose further details of the matter as such disclosure could seriously prejudice the position of the Company with respect thereto. The remaining matters are significantly smaller, a substantial majority of them being disputes in the ordinary course of business regarding alleged breach of contract claims related to product delivery.

Other
A provision is recognized for present obligations other than those included in the above categories.

23. Trade and Other Payables

Components of trade and other payables

Components of trade and other payables as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Notes payable	4,140	2,816
Accounts payable-trade	409,561	398,609
Accounts payable-other	79,132	75,078
Total	492,833	476,503

Supplier finance arrangements

NEC Group has supplier finance arrangements with finance provider where NEC Group pays the finance provider based on the arrangements agreed to with the suppliers. The finance provider offers earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. NEC Group does not provide assets pledged as security or any other forms of guarantees under the arrangements.

The carrying amounts of the financial liabilities that are part of the supplier finance arrangements are as follows:

JPY (millions)

	2025	2026
Financial liabilities that are part of the supplier finance arrangements		
Presented within trade and other payables	32,236	33,565
- of which suppliers have received payment from the finance provider	23,366	22,866

The range of payment due dates is as follows:

	2025	2026
Liabilities that are part of the arrangements	80-195 days after the end of acceptance month	80-195 days after the end of acceptance month
Comparable trade payables that are not part of the arrangements	19-195 days after the end of acceptance month	19-195 days after the end of acceptance month

The supplier finance arrangements which NEC group has entered into do not result in a concentration or significant extension of payment terms compared to the payment terms agreed with other suppliers not participating in the arrangements. There are no material liquidity risks associated with the supplier finance arrangements. And there are no non-cash transfers from financial liabilities that are part of the supplier finance arrangements in 2026.

24. Other Liabilities

Components of other current and non-current liabilities as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Consumption tax withheld	54,448	65,269
Deposits from employees	5,404	6,183
Others	14,648	18,394
Other current liabilities	74,500	89,846
Deferred tax liabilities	32,120	35,771
Others	12,141	12,533
Other non-current liabilities	44,261	48,304

25. Revenue

Disaggregation of revenue

The NEC Group has two reportable segments: IT Services business and Social Infrastructure business.

Revenue is disaggregated into the following three categories: “Contracts for hardware and packaged software deployments”, “Contracts for services to customers (including outsourcing and maintenance)”, and “Contracts for system integrations and equipment constructions”. Revenue disaggregated by three categories for the fiscal years ended March 31, 2025 and 2026, are as follows:

In addition, from the fiscal year ended March 31, 2026, the Company has revised its reporting segments in accordance with the organizational restructuring implemented on April 1, 2025. Segment information for the fiscal year ended March 31, 2025 has also been reclassified to conform to the presentation of the revised segments for the fiscal year ended March 31, 2026.

Fiscal year ended March 31, 2025

JPY (millions)

	Reportable segments			Others	Consolidated Total
	IT Services	Social Infrastructure	Total		
Contracts for hardware and packaged software deployments	662,313	142,137	804,450	18,850	823,300
Contracts for services to customers (including outsourcing and maintenance)	1,014,395	286,764	1,301,159	58,776	1,359,935
Contracts for system integrations and equipment constructions	783,112	403,201	1,186,313	53,883	1,240,196
Total	2,459,820	832,102	3,291,922	131,509	3,423,431

Fiscal year ended March 31, 2026

JPY (millions)

	Reportable segments			Others	Consolidated Total
	IT Services	Social Infrastructure	Total		
Contracts for hardware and packaged software deployments	569,245	126,463	695,708	16,755	712,463
Contracts for services to customers (including outsourcing and maintenance)	1,042,201	303,767	1,345,968	65,652	1,411,620
Contracts for system integrations and equipment constructions	897,479	505,072	1,402,551	56,099	1,458,650
Total	2,508,925	935,302	3,444,227	138,506	3,582,733

The table above includes revenues arising from leases for the years ended March 31, 2025 and 2026 because they are immaterial.

Contract balances

There are no significant changes to contract assets during the fiscal years ended March 31, 2025 and 2026. The amounts of revenue recognized for the fiscal years ended March 31, 2025 and 2026, that were included in the contract liability balances at the beginning of the years are 230,166 million JPY and 241,948 million JPY, respectively.

Remaining performance obligations

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2025 and 2026, is as follows:

	JPY (millions)	
	2025	2026
Timing of recognition in revenue		
One year or less	1,121,665	1,245,110
More than one year	1,404,130	1,775,070
Remaining performance obligations	2,525,795	3,020,180

The table above does not include the remaining performance obligations that have original expected durations of one year or less.

26. Other Operating Income (Expenses)

Components of other operating income (expenses) for the fiscal years ended March 31, 2025 and 2026, are as follows:

		JPY (millions)
	2025	2026
Other operating income		
Gain on sales of subsidiaries’ stocks	—	7,316
Indemnification received	2,882	1,198
Gain on transfer of business	2,248	1,092
Gain on sales of land	2,360	974
Other	7,578	8,465
Subtotal	15,068	19,045
Other operating expenses		
Loss on disposal of property, plant and equipment	(6,361)	(8,627)
Impairment loss	(9,590)	(7,769)
Provision for contingent loss	(2,346)	(7,399)
Business structure improvement expense	(13,384)	(5,901)
Other	(10,022)	(5,177)
Subtotal	(41,703)	(34,873)
Other operating expenses, net	(26,635)	(15,828)

For “Gain on sales of subsidiaries’ stocks,” please refer to Note 17. “Disposal group held for sale.”

For “Impairment loss,” please refer to Note 9. “Impairment Losses of Non-Financial Assets.”

27. Expenses by Nature

Major components of expenses by nature included in “Cost of sales” and “Selling, general and administrative expenses” for the fiscal years ended March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Material costs	844,188	934,910
Personnel expenses	1,002,392	1,021,222
Outsourcing and subcontracting fees	650,806	691,213
Depreciation and amortization	199,816	196,743

Components of personnel expenses for the fiscal years ended March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Salaries and bonuses	819,763	831,520
Retirement benefit expenses	87,733	90,769
Social security expense	72,540	74,398
Other	22,356	24,535
Total	1,002,392	1,021,222

28. Finance Income and Finance Costs

Components of finance income and finance costs for the fiscal years ended March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Finance income		
Gain on sales of affiliates' stocks	2	22,305
Foreign exchange gains, net	—	18,126
Interest income	5,859	6,101
Dividend income	3,781	3,381
Other	314	3,036
Total	9,956	52,949

	JPY (millions)	
	2025	2026
Finance costs		
Interest expenses	9,464	9,561
Loss on valuation of financial instruments	—	4,106
Foreign exchange losses, net	2,860	—
Other	4,255	4,501
Total	16,579	18,168

For “Gain on sales of affiliates' stocks,” please refer to Note 11. “Investments Accounted for Using the Equity Method.”
Interest income arises from financial assets measured at amortized cost. Dividend income arises from equity instruments designated as measured at fair value through other comprehensive income. In addition, interest expenses arise from financial liabilities measured at amortized cost and lease liabilities.
The loss on valuation of financial instruments included in “Finance costs” represents losses on financial assets measured at fair value through profit or loss.

29. Earnings Per Share

The calculation of basic earnings per share ("EPS") and diluted EPS has been based on the following profit attributable to ordinary shareholders of the parent company for the fiscal years ended March 31, 2025 and 2026:

JPY (millions)

	2025	2026
Net profit attributable to owners of the parent	175,183	270,228
Net profit attributable to ordinary shareholders of the parent to calculate basic EPS	175,183	270,228
Net profit attributable to ordinary shareholders of the parent after adjustment for the effects of dilutive potential ordinary shares	175,183	270,228
Weighted-average number of ordinary shares to calculate basic EPS (in thousands of shares)	1,332,240	1,331,527
Weighted-average number of ordinary shares (diluted) (in thousands of shares)	1,332,240	1,331,527
Basic EPS (JPY)	131.50	202.95
Diluted EPS (JPY)	131.49	202.95

Net profit attributable to ordinary shareholders of the parent after adjustment for the effects of dilutive potential ordinary shares includes the effect of share options issued by associates accounted for using the equity method.

The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025. Basic EPS and diluted EPS have been calculated assuming that the share split had occurred at the beginning of the previous fiscal year.

30. Stock Compensation

The Company has introduced stock compensation plans to provide incentives for sustainable growth in corporate value and enhancement of share value.

Performance-Based Stock Compensation Plan (hereinafter referred to as "PSU")

Details

PSU is granted to directors, corporate officers, certain employees of the Company, and directors of certain subsidiaries. PSU is based on three fiscal years, and the number of vested shares is determined in the range of 0% to 150%, depending on the degree of achievement of the relative TSR compared with TOPIX and peer group companies, and is delivered three years after the beginning of the three fiscal years.

PSU is accounted for as equity-settled share-based payment and cash-settled share-based payment, and the fair value is measured based on the market price of the Company's common stock.

Number of Shares

The number of shares granted is as follows:

(Units: shares)

	2025	2026
Outstanding at the beginning of the year	780,280	1,611,823
Granted	551,935	369,679
Other increased	355,318	392,030
Issued and paid	(60,105)	(44,105)
Other decreased	(15,605)	(115,212)
Outstanding at the end of the year	1,611,823	2,214,215

Note

1. There were no exercisable shares as of the end of the previous and current consolidated fiscal year.
2. The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025. The number of shares granted has been calculated assuming that the share split had occurred at the beginning of the previous consolidated fiscal year.

Weighted average fair value

The weighted average fair value at the grant date of the shares granted during the interim is as follows:

	2025	2026
Weighted average fair value(JPY)	2,421	3,931

Note

The Company conducted a share split at a ratio of five (5) shares for one (1) share of its common share, effective April 1, 2025. The weighted average fair value has been calculated assuming that the share split had occurred at the beginning of the previous consolidated fiscal year.

Amounts on the consolidated financial statements

The amounts of expenses recognized in the consolidated income statement, and liabilities and capital recognized in the consolidated statement of financial position are as follows:

JPY (millions)

	2025	2026
Expenses	1,677	2,595
Equity-settled	546	858
Cash-settled	1,131	1,737
Accrued expenses	—	1,958
Provisions	1,404	1,199
Share premium	713	1,598

Note

There were no intrinsic values of liabilities with vested right at the end of the previous and current consolidated fiscal year.

Non-Performance-Based Stock Compensation Plan (hereinafter referred to as "RSU")
Details
The Company has introduced RSU in the current consolidated fiscal year for directors, corporate officers, certain employees of the Company, and directors of certain subsidiaries. RSU is basically based on the same structure as the PSU, except that it is not performance-based. RSU is accounted for as equity-settled share-based payment and cash-settled share-based payment, and the fair value is measured based on the market price of the Company's common stock.

Number of Shares
The number of shares granted is as follows:

(Units: shares)

	2025	2026
Outstanding at the beginning of the year	—	—
Granted	—	423,072
Other increased	—	—
Issued and paid	—	—
Other decreased	—	(9,943)
Outstanding at the end of the year	—	413,129

Note
There were no exercisable shares as of the end of the previous and current consolidated fiscal year.

Weighted average fair value
The weighted average fair value at the grant date of the shares granted during the interim is as follows:

	2025	2026
Weighted average fair value(JPY)	—	3,931

Amounts on the consolidated financial statements
The amounts of expenses recognized in the consolidated income statement, and liabilities and capital recognized in the consolidated statement of financial position are as follows:

JPY (millions)

	2025	2026
Expenses	—	532
Equity-settled	—	269
Cash-settled	—	263
Accrued expenses	—	—
Provisions	—	263
Share premium	—	269

Note
There were no intrinsic values of liabilities with vested right at the end of the previous and current consolidated fiscal year.

Restricted Stock Compensation Plan
The Company has introduced a restricted stock compensation plan for outside directors of the Company in the current consolidated fiscal year. Under this plan, monetary compensation receivables are granted to eligible recipients of the Company for the purpose of allocating restricted shares. Eligible recipients make in-kind contributions of such monetary compensation receivable, in exchange for which they receive newly issued or disposed common shares of the Company. In connection with the issuance or disposal of the Company's common shares under this plan, the Company enters into restricted stock allocation agreements with each eligible recipient.
The Company accounts for this plan as an equity-settled share-based payment transaction, and the fair value of the shares is measured based on the market price of the Company's common stock.

Phantom Stock Plan
The Company has introduced a phantom stock plan for certain directors of certain subsidiaries. The phantom stock plan is a cash-settled share-based payment plan based on the PSU. The fair value of phantom stock is measured based on the market price of the Company's common stock.

31. Financial Instruments

Capital management

The NEC Group focuses on the business operation for emphasizing capital efficiency, invests to growth sectors, and enhances capital base to create long-term corporate value of the NEC Group. The NEC Group manages net debt-equity ratio for enhancing capital base.

Total assets, total liabilities, and total equity are as follows:

Condensed Consolidated Statement of Financial Position as of March 31, 2025 and 2026

	JPY (billions)		YoY Change
	2025	2026	2025/2026
Total Assets	4,315.4	4,466.8	151.4
Total liabilities	2,243.9	2,184.9	(59.0)
Total equity	2,071.5	2,281.9	210.4
Interest-bearing debt	666.4	489.2	(177.2)
Net interest-bearing debt	81.7	(169.8)	(251.5)
Equity attributable to owners of the parent	1,952.0	2,196.6	244.6
Ratio of equity attributable to owners of the parent	45.2%	49.2%	4.0
Debt equity ratio	0.34 times	0.22 times	(0.12)
Net debt-equity ratio	0.04 times	(0.08)times	(0.12)

** Net debt-equity ratio = (Interest-bearing debt – Cash and cash equivalents) / Equity attributable to owners of the parent*

Financial risk management

The NEC Group operates its business in various countries and jurisdictions, and as such, it has exposure to credit risk, liquidity risk, and market risk (mainly represented by interest rate risk and currency risk). The NEC Group conducts appropriate risk management activities to minimize the effect of these financial risks on its financial position and performance.

Credit risk

Credit risk is a risk of financial loss to the NEC Group if a customer or a counterparty to a financial instrument fails to meet its obligations and arises principally from the NEC Group’s receivables from customers. The NEC Group is monitoring the financial position and past due balances of customers in order to minimize the risk of default resulting from deterioration of customers' financial position. Further, if necessary, preventative measures are taken by holding collateral or through other means. Financial institutions with high credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions, and the purchase of financial assets for short-term investments in order to reduce the counterparty risk.

The maximum exposure to credit risk, without taking into account of any collateral held at the end of the reporting period, is represented by the total amount of financial guarantee and carrying amount of the financial instruments which is exposed to credit risk in the consolidated statement of financial position.

Credit risk exposure relating to trade and other receivables and contract assets

The trade and other receivables are mainly from Japanese customers. An allowance for expected credit losses for trade and other receivables and contract assets is measured at an amount equal to the lifetime expected credit losses. The assets are grouped by each asset with similar characteristics of credit risks and expected credit losses are calculated based on historical default rates, concerning the current conditions and future economic environment. Expected credit losses for credit-impaired financial assets are calculated by each asset.

The NEC Group determines whether credit risk of financial assets has increased significantly since initial recognition by considering reasonable and supportable information. This information includes past information, external ratings, past due information, as well as forward-looking information.

The NEC Group determines that credit risk has increased significantly since initial recognition when, for example, a borrower falls under any of the following conditions:
- The external rating of the borrower is deemed ineligible for investment.
- The delinquency period exceeds 30 days.

The NEC Group defines that a default has occurred when a borrower falls under any of the following conditions:
- It is judged that there is almost no possibility that the borrower pays obligations to the NEC Group without executing the security interest.
- The delinquency period exceeds 90 days.

The NEC Group determines that a financial asset has been credit impaired when any of the following situations is confirmed:
- Significant financial difficulty of the issuer or borrower.
- A breach of contract, such as a default or past due event.
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

Credit risk exposure relating to trade receivables

The NEC Group's credit risk exposure relating to trade receivables as of March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Gross carrying amount of trade receivables	853,743	976,569
Allowance for expected credit losses	(6,655)	(12,001)
Carrying amount, net of allowance for expected credit losses	847,088	964,568

In determining whether the financial assets are credit-impaired, the NEC Group uses reasonable and substantiated information which is available without undue cost or effort. The NEC Group considers that the financial assets are not credit-impaired if the information provides counterevidence. Expected credit losses from other receivables, contract assets, other financial assets, and financial guarantee contracts are not significant and the table above does not include them.

The changes in allowance for expected credit losses on trade receivables for the fiscal years ended March 31, 2025 and 2026, are as follows:

	JPY (millions)	
	2025	2026
Beginning balance	6,001	6,655
Increase	4,660	8,846
Decrease (written off)	(2,506)	(2,698)
Decrease (reversal)	(669)	(1,319)
Others	(831)	517
Ending balance	6,655	12,001

Liquidity risk

Liquidity risk is the risk that the NEC Group encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The NEC Group's approach of managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when they are due. The NEC Group periodically updates forecasts of its future cash flows aiming to maintain the level of its cash and cash equivalents and the unused balance of commitment line of credit at an amount in excess of expected cash outflows on financial liabilities required for conducting its business.

The following are the remaining contractual maturities of financial liabilities as of March 31, 2025 and 2026. The amounts below include contractual interest payments and exclude the impact of netting agreements.

As of March 31, 2025

JPY (millions)

	Carrying amount	Contractual cash flows	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years
Non-derivative financial liabilities:								
Trade and other payables	492,833	492,833	492,833	—	—	—	—	—
Accruals	48,739	48,739	48,739	—	—	—	—	—
Short-term borrowings	159,352	161,924	161,924	—	—	—	—	—
Long-term borrowings	90,995	91,763	49,955	40,804	516	324	164	—
Bonds	239,381	247,578	26,413	1,365	76,193	30,959	40,753	71,895
Lease liabilities	176,631	189,069	53,953	37,909	25,209	18,286	12,694	41,018
Preference shares with put/call options*	16,990	18,896	—	—	—	9,684	—	9,212
Derivative financial liabilities:								
Forward exchange contracts	3,970	3,970	3,083	694	83	58	37	15
Total	1,228,891	1,254,772	836,900	80,772	102,001	59,311	53,648	122,140

As of March 31, 2026

JPY (millions)

	Carrying amount	Contractual cash flows	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years
Non-derivative financial liabilities:								
Trade and other payables	476,503	476,503	476,503	—	—	—	—	—
Accruals	52,865	52,865	52,865	—	—	—	—	—
Short-term borrowings	13,826	15,414	15,414	—	—	—	—	—
Long-term borrowings	68,836	71,590	41,871	1,563	1,346	1,132	25,602	76
Bonds	244,411	254,359	1,847	76,675	31,441	41,235	30,924	72,237
Lease liabilities	162,142	175,457	53,606	34,961	25,643	17,697	12,990	30,560
Preference shares with put/call options*	21,014	22,789	—	—	11,662	—	11,127	—
Derivative financial liabilities:								
Forward exchange contracts	1,894	1,894	1,229	102	154	140	120	149
Total	1,041,491	1,070,871	643,335	113,301	70,246	60,204	80,763	103,022

It is not expected that the contractual cash flows included in the maturity analysis disclosed above could occur significantly earlier or at significantly different amounts.

* Preference shares with put/call options issued by a subsidiary of the Company are included in “Other financial liabilities” in the consolidated statement of financial position.

Market risk

Interest rate risk

Interest-bearing debts with floating interest rates, including long-term borrowings, are exposed to interest rate risk. The NEC Group may use interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.
As of the end of the reporting period, the NEC Group's exposure to interest rate fluctuation risk is limited, and the impact of such fluctuations on net profit or loss is considered immaterial. Accordingly, disclosure of a sensitivity analysis has been omitted.

Foreign currency risk

The NEC Group operates its business globally and is exposed to the risk of fluctuation in foreign exchange rates. The NEC Group mitigates foreign currency risk exposures to an extent possible by offsetting trade receivables and payables denominated in the same foreign currencies and conducting hedge transactions mainly on the remaining net exposures and net forecast transaction exposures using forward exchange contracts.

The NEC Group’s exposure to foreign currency risk as of March 31, 2025 and 2026, are as follows:

(Thousands of U.S. dollars and euros)

	2025		2026	
	U.S. dollars	Euros	U.S. dollars	Euros
Trade receivables and contract assets	301,445	1,894	120,767	13,673
Trade payables and contract liabilities	(151,497)	(8,816)	(142,069)	(9,079)
Forward exchange contracts	361,035	(22,455)	3,043,529	(32,452)
Net exposure	510,983	(29,377)	3,022,227	(27,858)

Sensitivity analysis for foreign exchange rates

Strengthening of the JPY by 1% against the U.S. dollar and euro at the end of the reporting period would have increased or decreased profit before income taxes by the amounts shown below.
This analysis assumes that all other variables, such as interest rates, remain constant.

JPY (millions)

	2025	2026
	Profit before income taxes	Profit before income taxes
U.S. dollars (1% strengthening of the JPY)	(764)	(4,832)
Euros (1% strengthening of the JPY)	48	51

Equity price risk

The NEC Group holds listed equity instruments of parties with which the NEC Group has a business relationship, and, therefore, is exposed to the risk of fluctuation in prices of equity instruments. The equity instruments are held for if the NEC Group determines that it will contribute to the increase of the mid- to long-term corporate value of the NEC Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances.

Sensitivity analysis for fluctuation in equity prices
An increase or decrease of 1% in equity prices based on the price risk of equity instruments at the end of the reporting period would have increased or decreased other components of equity (before tax) by the amounts shown below.

		JPY (millions)
	2025	2026
Increase or decrease of 1% in equity prices	526	477

Derivatives and hedging
Derivatives designated as hedging instruments
Cash flow hedges
The NEC Group utilizes forward exchange contracts primarily for the purpose of hedging foreign exchange fluctuation risks associated with forecast transactions. The effective portion of changes in the fair value of derivatives is recognized in other comprehensive income and any ineffective portion of changes in the fair value is immediately recognized in profit or loss. The amount accumulated in other components of equity is reclassified to profit or loss in the same period during which the cash flows of the hedged item affect profit or loss. Hedge accounting is discontinued prospectively when the hedging instrument expires, is sold, terminated, exercised, when no longer meets the criteria for hedge accounting, a forecast transaction is no longer highly probable, or the designation is revoked. The ineffective portion of hedges recognized in profit or loss was not material for both the previous and current fiscal years. In addition, the NEC Group has selected the option to continue to apply hedge accounting of IAS 39.

Fair value hedges
No applicable items to disclose.

Net investment hedges
No applicable items to disclose.

Derivatives not designated as hedging instruments
The Group utilizes forward exchange contracts and other instruments to hedge foreign exchange fluctuation risks associated with foreign currency-denominated trade receivables and payables, as well as intercompany loans and deposits between the Company and its overseas subsidiaries. Changes in the fair value of derivatives are recognized in profit or loss.

Fair value of derivatives
The fair values of derivatives designated as hedging instruments and those not designated as hedging instruments as of March 31, 2025 and 2026, are as follows:

		JPY (millions)
	2025	2026
Foreign exchange fluctuation risks		
Cash flow hedges		
Other financial assets	1,691	1,759
Other financial liabilities	2,616	153
Derivatives not designated as hedging instruments		
Other financial assets	1,150	22,771
Other financial liabilities	1,352	1,741

Nominal amounts, maturities, and average rates of hedging instruments

The nominal amounts, maturities, and average rates of the principal derivatives designated as hedging instruments as of March 31, 2025 and 2026, are as follows. These hedging instruments are managed separately by project, and foreign exchange contracts are executed at the time each contract is concluded.

Fiscal year ended March 31, 2025

Types of risks	Types of hedges	Hedging instruments	Nominal amounts		Average rates
				over 1 year	
Foreign exchange fluctuation risks	Cash flow hedges	U.S. dollars sell / Japanese yen buy Foreign exchange contract	311,356 thousand U.S. dollars	29,200 thousand U.S. dollars	140.31 yen / U.S. dollars
		U.S. dollars buy / Japanese yen sell Foreign exchange contract	53,383 thousand U.S. dollars	34,854 thousand U.S. dollars	114.08 yen / U.S. dollars

Fiscal year ended March 31, 2026

Types of risks	Types of hedges	Hedging instruments	Nominal amounts		Average rates
				over 1 year	
Foreign exchange fluctuation risks	Cash flow hedges	U.S. dollars sell / Japanese yen buy Foreign exchange contract	30,900 thousand U.S. dollars	— thousand U.S. dollars	153.01 yen / U.S. dollars
		U.S. dollars buy / Japanese yen sell Foreign exchange contract	40,705 thousand U.S. dollars	24,667 thousand U.S. dollars	108.14 yen / U.S. dollars

Fair value of financial instrument

Fair value hierarchy

Hierarchy and classification used for the fair value measurement for financial assets and liabilities measured at fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices classified into Level 1 that are observable for the financial asset or liability, either directly or indirectly

Level 3: Unobservable inputs that are not based on observable market data

The NEC Group recognizes transfers between levels of the fair value hierarchy when a triggering event of the change has occurred.

Fair value measurements of financial assets and liabilities classified into Level 3 are reviewed and approved by the personnel responsible in the accounting department based on relating internal regulations.

Basis of the fair value measurement

Cash and cash equivalents, trade and other receivables, trade and other payables, and accruals: The fair value is determined as equal or close to the carrying amount since they are to be settled in a short term.

The fair value of loans is measured by discounting estimated future cash flows to the present value based on an interest rate that takes into account the remaining period to the maturity date and credit risk.

Of equity instruments designated as measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, the fair value of listed equity instruments is determined using a quoted market price at an exchange. The fair value of equity securities with no active market is measured mainly by using the comparable company valuation method or other appropriate valuation methods. Earnings Before Interest and Taxes (EBIT) ratio of a comparable company is used as a significant unobservable input in the fair value measurement of the equity securities with no active market.

For derivative assets and liabilities, the fair value of forward exchange contracts is calculated based on the quoted forward exchange rates at the end of the fiscal year, while the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the interest rate at the end of the reporting period.

The fair values of short-term borrowings and long-term borrowings (current portion) are determined as the carrying amount, as the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. The fair value of long-term borrowings (excluding the current portion) is calculated as the present value of the estimated future cash flows, based on the expected interest rate at which a similar new borrowing was made.

The fair value of bonds is determined based on the quoted market price in a non-active market.

The fair value of preference shares with put/call options, which are classified as financial liabilities, is measured by discounting the estimated future cash flows, which are based on the expected timing of the exercise of the put/call options, at the interest rate that takes into account the period to the date of exercise and the credit risk.

Financial assets and liabilities measured at amortized cost

The carrying amounts and fair values of financial assets and liabilities as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025		2026	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Cash and cash equivalents	584,615	584,615	659,034	659,034
Trade and other receivables	878,434	878,434	994,066	994,066
Others	51,729	51,729	56,521	56,521
Financial liabilities measured at amortized cost:				
Trade and other payables	492,833	492,833	476,503	476,503
Short-term borrowings	159,352	159,352	13,826	13,826
Current portion of long-term borrowings	49,538	49,538	41,140	41,140
Bonds	239,381	232,181	244,411	233,930
Long-term borrowings	41,457	41,009	27,696	27,376
Accruals	48,739	48,739	52,865	52,865
Preference shares with put/call options	16,990	18,024	21,014	22,014
Others	11,431	11,431	12,346	12,346

Regarding the fair value hierarchy of assets and liabilities (except for those whose fair value is determined as equal or close to the carrying amount) presented in the table above, bonds are categorized as Level 2 and long-term borrowings and preference shares with put/call options are categorized as Level 3.
Additionally, accruals that are categorized as financial instruments do not include accruals for employee benefit and accruals by statutory requirements.

Financial assets and liabilities measured at fair value

Financial assets and liabilities measured at fair value on a recurring basis by fair value category as of March 31, 2025 and 2026, are as follows:

As of March 31, 2025				JPY (millions)
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	—	2,841	21,553	24,394
Equity instruments designated as measured at fair value through other comprehensive income	52,591	—	102,249	154,840
Financial liabilities measured at fair value through profit or loss	—	3,970	—	3,970

As of March 31, 2026				JPY (millions)
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	—	24,530	22,653	47,183
Equity instruments designated as measured at fair value through other comprehensive income	47,718	—	105,968	153,686
Financial liabilities measured at fair value through profit or loss	—	1,894	662	2,556

The carrying amounts and the fair values of financial assets and liabilities presented in the table above are the same.
Financial assets classified into Level 3 mainly consist of unquoted equity instruments. The fair value of significant unquoted equity instruments is measured by using comparable company valuation multiples and other appropriate valuation techniques.

Reconciliation of financial assets measured at fair value using Level 3 inputs for the fiscal year ended March 31, 2025 and 2026, are as follows:

	JPY (millions)
	Level 3
As of April 1, 2024	111,062
Profit or loss	(1,734)
Other comprehensive income	6,831
Purchases	8,396
Sales	(329)
Others	(424)
As of March 31, 2025	123,802
Profit or loss	(2,561)
Other comprehensive income	3,687
Purchases	5,104
Sales	(1,906)
Others	495
As of March 31, 2026	128,621

Gains and losses recognized in profit or loss are included in finance income or finance costs in the consolidated statement of profit or loss.
Gains and losses recognized in other comprehensive income are included in equity instruments designated as measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.
For the financial assets classified into Level 3, changes of unobservable inputs to reasonably possible alternative assumptions are not expected to cause significant changes in the fair value of those financial assets.

Equity instruments designated as financial assets measured at fair value through other comprehensive income
The NEC Group designates long-term stock holdings for the purpose of maintaining and strengthening relationship with its business partners and expanding its revenue base as equity instruments measured at fair value through other comprehensive income. The NEC Group, in principle, makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in equity instruments, except those in the form of venture capital investment. The fair value and dividend income of equity instruments designated as measured at fair value through other comprehensive income and recognized in other financial assets are 154,840 million JPY and 3,013 million JPY, respectively, for the fiscal year ended March 31, 2025, and 153,686 million JPY and 2,418 million JPY, respectively, for the fiscal year ended March 31, 2026. The NEC Group attempts to review the strategic stockholding by evaluating whether the purpose of holdings is appropriate, benefits and risks from holdings are balanced with capital costs of holdings, and existence of future risk when selling, etc., from both of quantitative and qualitative aspects. When the stockholdings are deemed unnecessary, they will be sold promptly. The fair value at the time of derecognition and the cumulative gains or losses which were recognized as other comprehensive income are 7,394 million JPY and 4,558 million JPY, respectively, for the fiscal year ended March 31, 2025, and 16,686 million JPY and 6,442 million JPY, respectively, for the fiscal year ended March 31, 2026.

Equity instruments designated as measured at fair value through other comprehensive income classified as Level 1 in the fair value hierarchy as of March 31, 2025 and 2026, include the following:

JPY (millions)

	2025	2026
TBS HOLDINGS, INC.	10,272	13,469
NEC Capital Solutions Limited	14,348	10,291
The Sumitomo Warehouse Co., Ltd.	3,430	3,339
MEIDENSHA CORPORATION	3,768	3,275
Aviat Networks, Inc.	2,112	2,663

Equity instruments designated as measured at fair value through other comprehensive income classified as Level 3 in the fair value hierarchy as of March 31, 2025 and 2026, include the following:

JPY (millions)

	2025	2026
JECC Corporation	39,407	40,130
BostonGene Corporation	27,063	25,104
Hi-Think Technology, Corp.	15,673	21,940

Other financial assets and other financial liabilities

A breakdown of other financial assets and other financial liabilities as of March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Financial assets measured at amortized cost:		
Deposits with contractual maturity of more than three months	3,889	3,357
Others	47,840	53,164
Financial assets measured at fair value through other comprehensive income:		
Equity instruments	154,840	153,686
Financial assets measured at fair value through profit or loss:		
Equity instruments	575	524
Debt instruments	20,978	22,129
Derivative financial instruments	2,841	24,530
Total	230,963	257,390
Other financial assets-current	9,830	28,461
Other financial assets-non-current	221,133	228,929
Total	230,963	257,390
Financial liabilities measured at amortized cost:		
Deposits received	3,669	4,010
Preference shares with put/call options	16,990	21,014
Others	13,326	8,900
Financial liabilities measured at fair value through profit or loss:		
Derivative financial instruments	3,970	2,556
Total	37,955	36,480
Other financial liabilities-current	15,787	6,472
Other financial liabilities-non-current	22,168	30,008
Total	37,955	36,480

32. Leases

The nature of the leasing activities

The NEC Group, as a lessee, mainly leases buildings for its office space. Certain of these property leases include options to extend the lease term after the end of the lease period exercisable by the NEC Group to obtain operational flexibility. There are no significant restrictions or covenants, such as those restricting additional debts and further leasing, imposed by leases. The vast majority of the building lease contracts, especially for those entered into for the use in the domestic businesses, contain extension options exercisable at the discretion of the NEC Group, and only lease payments for the duration of the lease term that is a period covered by the options which the NEC Group is reasonably certain to exercise are included in measuring the lease liability.

Expenses, and cash outflows related to lease arrangements for the fiscal year ended March 31, 2025 and 2026, are as follows:

		JPY (millions)
	2025	2026
Depreciation expense for right-of-use assets by the class of underlying asset		
Property	51,527	52,800
Machinery and equipment	3,638	3,395
Tools, furniture and fixtures	3,304	3,212
Total	58,469	59,407
Interest expense on lease liabilities	4,134	4,342
Expense relating to short-term leases	5,137	4,456
Expense relating to leases of low-value assets	6,906	7,609
Total cash outflow for leases	72,872	71,151

The carrying amount of right-of-use assets by class of underlying asset as of March 31, 2025 and 2026, are as follows:

		JPY (millions)
	2025	2026
Property	147,764	141,923
Machinery and equipment	4,679	2,688
Tools, furniture and fixtures	6,204	6,091
Total	158,647	150,702

Additions to right-of-use assets amounted to 78,218 million JPY and 47,727 million JPY for the fiscal year ended March 31, 2025 and 2026 respectively.

The future cash outflows to which the NEC Group is potentially exposed that are not reflected in the measurement of lease liabilities, arising from leases not yet commenced to which the NEC Group is committed, as of March 31, 2025 and 2026, are 5,997 million JPY and 32,384 million JPY, respectively .

Maturity analysis of lease liabilities is disclosed in Note 31. “Financial Instruments”.

33. Related Parties

In the ordinary course of business, the NEC Group purchases from and sells to its related parties materials, supplies, and services. Such related parties include associates and joint ventures accounted for using the equity method.

Transactions with related parties

Other than the purchase and sales transactions entered into in the ordinary course of business and the transactions with the retirement benefit trust, which are summarized in the table below, there were no significant transactions between the NEC Group and its related parties for the fiscal years ended March 31, 2025 and 2026.

Transactions between the NEC Group and related parties for the fiscal years ended March 31, 2025 and 2026 are as follows:

JPY (millions)

	2025	2026
Purchases	107,514	55,446
Sales	69,816	26,704
Partial reversion of retirement benefit trust assets	101,419	140,000

Outstanding balances between the NEC Group and related parties as of March 31, 2025 and 2026, are as follows:

JPY (millions)

	2025	2026
Trade and other receivables, Contract assets	16,051	10,841
Trade and other payables, Contract liabilities	29,313	16,592

Key management personnel compensation

Key management personnel are defined as the Company's board of directors and executive officers. The compensation for the key management personnel for the fiscal years ended March 31, 2025 and 2026, is as follows:

JPY (millions)

	2025	2026
Basic compensation	1,106	1,055
Bonuses	616	616
Stock compensation	735	1,184
Total	2,457	2,855

34. Commitments

The amounts of contractual commitments for the purchases of property, plant and equipment as of March 31, 2025 and 2026, are 51,758 million JPY and 27,610 million JPY, respectively.
The amounts of contractual commitments for the purchases of intangible assets as of March 31, 2025 and 2026, are 982 million JPY and 907 million JPY, respectively.

35. Contingencies

The Company and certain of its subsidiaries are subject to legal proceedings, including civil litigations related to trade, tax, products, or intellectual properties, and governmental investigations. The Company has been dealing with the various litigations and investigations. Depending upon the outcome of these proceedings, the Company and certain of its subsidiaries may be subject to fines, and accordingly, the Company has accrued for certain probable and reasonable estimated amounts for the fines as it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

There are a number of legal actions against the Company and certain subsidiaries. Management is of the opinion that damages, if any, resulting from these actions will not have a material effect on the Company's consolidated financial statements.

It is difficult to predict the outcome of these actions and proceedings, given that certain of the investigations and legal proceedings are still at an early stage and present novel legal theories, involving a large number of parties or taking place in jurisdictions outside of Japan where the laws are complex or unclear. Accordingly, the Company is unable to estimate the losses or range of losses for the actions and proceedings where there is only a reasonable possibility that a loss exceeding the amounts already recognized may have been incurred.

36. Subsequent Events

Acquisition of a Company through Share Acquisition / Acquisition of Shares of CSG Systems International, Inc.

The Company resolved, at the meeting of the Board of Directors held on October 29, 2025, to acquire CSG Systems International, Inc. ("CSG") through its wholly owned North American Subsidiary, NEC Corporation of America ("NECAM") (the "Transaction") and the Company has executed a merger agreement providing for the Transaction with CSG. CSG is a U.S.-based software company serving telecom and broadband business. The Transaction was implemented by way of "reverse triangular merger". NECAM established a special purpose company in the U.S. for the purpose of the Transaction, and such company merged with and into CSG, with CSG surviving the merger as a wholly owned subsidiary of NECAM. The Transaction was completed on May 14, 2026, and CSG became a consolidated subsidiary of the Company.

(1) Objectives of the Transaction

CSG has a strong customer base built through the provision of BSS (Note 1) to U.S.-based telecom and broadband operators and also provides software for areas such as customer experience and payments to customers in a wide range of industries, including financial services and healthcare. Meanwhile, Netcracker Technology Corporation ("Netcracker"), the Company's U.S. subsidiary, provides solutions centered on BSS/OSS (Note 1) that support the digital transformation of numerous customers, primarily telecom operators, around the world.

The two companies are highly complementary in terms of geography, customer segments, and technology. Through their integrated operations, they will strengthen their ability to provide more comprehensive and unified end-to-end solutions that support customer growth and long-term transformation.

This acquisition of CSG represents an important milestone in establishing a strong business foundation for the Company in the U.S. and expanding its software and services business globally. The Company will fully support the growth of both companies by leveraging the NEC Group's management resources, including technology, customer base, and capital.

(Note 1) BSS: Business Support System, OSS: Operation Support System

(2) Overview of the acquired company

Name:	CSG Systems International, Inc.
Location:	169 Inverness Dr W, Suite 300, Englewood, Colorado 80112
Representative:	Brian Shepherd (CEO, President, and Director)
Business:	Software company serving telecom/broadband operators
Capital:	US$ 722 thousand
Year of establishment	1994

(3) Date of completion of the Transaction

May 14, 2026

(4) Investment amount and percentage of voting rights after acquisition

Investment amount (Note 2):	Approximately US$ 2,797 million
Percentage of voting right after acquisition:	100%

(Note 2) The investment amount includes equity incentive awards that have vested up to the completion sate of the acquisition and bonds.

(5) Funding for the Transaction

The company obtained the following short-term borrowings on May 13, 2026 to finance the acquisition.

Borrowing amount:	JPY 100 billion
Interest rate:	Base rate plus spread
Borrowing period:	Within one year

(6) Reorganization of U.S. subsidiaries associated with the Transaction
On May 15, 2026, the Company transferred all shares of Netcracker held by the Company to NECAM by way of an in-kind contribution. As a result, Netcracker became a wholly owned subsidiary of NECAM. As consideration for the in-kind contribution, NECAM issued one share of common stock to the Company.

Since the Transaction was completed close to the date of approval of the consolidated financial statements, the initial accounting treatment for the business combination had not been completed as of the date of approval of the consolidated financial statements. Accordingly, the fair value of the assets acquired and liabilities assumed as of the acquisition date has not been presented.

Issuance of Unsecured Straight Bonds
The Company decided the issuance of 68th and 69th series of Unsecured Straight Bonds on June 11, 2026 for the purpose of repayments of borrowings. All series were issued with a due date of payment on June 17, 2026, and have, as a financial covenant, a negative pledge clause (with an inter-bond pari passu clause). The information about the aggregate notional amount, coupon rate and maturity date is as follows.

Series	Aggregate notional amount (million JPY)	Coupon rate (per annum)	Maturity date
The 68th	20,000	1.884%	June 15, 2029
The 69th	30,000	2.319%	June 17, 2031

Independent Auditor’s Report

To the Board of Directors of NEC Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NEC Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as of March 31, 2026, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements in Japan (including those that are relevant to our audit of the consolidated financial statements of public interest entities), 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the total estimated costs that formed the basis for measuring revenue and provision for loss on construction contracts and others recognized for system integrations and equipment constructions</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 3, “Material Accounting Policies, Revenue” and Note 25, “Revenue” to the consolidated financial statements, NEC Corporation and its consolidated subsidiaries (hereinafter collectively referred to as the “Group”) recognize revenue from contracts to provide system integrations and equipment constructions. Revenue from these contracts for the current fiscal year amounted to ¥1,458,650 million (40.7% of revenue in the consolidated financial statements). In principle, revenue from these contracts is recognized using a method that measures progress based on costs incurred to date as a percentage of the total estimated project costs.
In addition, as described in Note 22, “Provisions” to the consolidated financial statements, the Group records a provision for loss on construction contracts and others recognized for system integrations and equipment constructions for which the Group has performance obligations. The balance of such provision amounted to ¥41,335 million (0.9% of total assets in the consolidated financial statements) as of the end of the current fiscal year. The estimated future loss on construction contracts and others is recognized as a provision when total estimated project costs are expected to exceed total revenue as of the end of the reporting period, and the estimated future loss can be reasonably estimated.
Revenue and provision for loss on construction contracts and others recognized for system integrations and equipment constructions are measured based on the total estimated costs. These contracts include large-scale projects with long contract periods, as well as projects involving new or complex developments. In addition, unforeseen issues or changes in circumstances may arise after the commencement of a project. Accordingly, total estimated costs are based on assumptions that involved a high degree of estimation and significant management judgment.
We, therefore, determined that our assessment of the reasonableness of the total estimated costs that formed the basis for measuring revenue and provision for loss on construction contracts and others recognized for system integrations and equipment constructions was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>The primary procedures we performed to assess the reasonableness of the total estimated costs that formed the basis for measuring revenue and provision for loss on construction contracts and others recognized for system integrations and equipment constructions included the following:
(1) Internal control testing
We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the process of developing total estimated costs. In this assessment, we focused our testing on the following:
● Internal controls to ensure the reasonableness of the total estimated costs involving uncertainties; and
● Internal controls to ensure changes in circumstances after the commencement of a project were reflected in total estimated costs in a timely and appropriate manner.
(2) Assessment of the reasonableness of the total estimated costs
For projects for which we determined that the total estimated costs involved a high degree of estimation, we performed the procedures described below according to the circumstances of each project, to assess the appropriateness of key assumptions used in estimating the total costs. In selecting these projects, we considered quantitative factors, such as the monetary materiality of contract amounts and total estimated costs as well as qualitative factors, such as contract periods, profitability, and the novelty and complexity of each development.
● Understood project risks associated with individual contracts and the key assumptions underlying the total estimated costs by inspecting the supporting contracts and materials from management meetings;
● Assessed the historical accuracy of total estimated costs by comparing them with actual costs incurred and analyzing trends in changes to total estimated project costs;
● Understood the key assumptions used in estimating total costs through inquiries of appropriate responsible personnel and assessed whether changes in project circumstances required revisions to total estimated costs;
● Assessed the components and appropriateness of material costs, outsourcing costs, and major man-hours, including key assumptions underlying total estimated project costs, by inspecting project budgets and estimates from suppliers and contractors, and by performing vouching procedures; and
● Assessed whether total estimated costs appropriately reflected key assumptions which are based on significant preconditions and assessment of relevant risk factors of each project, based on the results of the procedures described above.</td></tr>
</table>

Other Information

The other information comprises the information included in the Financials with Audit Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in Japan 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 consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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, while the objective of the audit is not to express an opinion on the effectiveness of the Group'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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "5. Audit fees, etc." of the Financials with Audit Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kyoko Shiga
Designated Engagement Partner
Certified Public Accountant

Tsutomu Ogawa
Designated Engagement Partner
Certified Public Accountant

Shuhei Toyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2026