

## **NEC Innovation Day 2025 Q&A**

Date/Time: Wednesday, December 3, 2025, 9:30-10:20 am JST  
Format: In-person presentation and live online streaming at NEC  
Tamagawa Office  
Presenters: Motoo Nishihara, Executive Officer, Corporate EVP, and CTO, NEC  
and CEO, Institute for International Socio-Economic Studies  
Akio Yamada, Corporate SVP, Managing Director, AI Technology  
Service Business Division, and AI Technology Officer, NEC

Questioner A

Q :

I have a two-part question about your approach to allocating R&D costs. The first point concerns your approach to development costs for BluStellar. While BluStellar has already become profitable, as you focus on AI and related fields going forward, will there be a phase in which profitability deteriorates because of upfront development costs? The second point is that, in addition to AI, there are diverse themes such as network, quantum, and optical technologies. As members of management, how are you prioritizing investment among these areas? Please also discuss your thinking in relation to the next Mid-Term Management Plan.

A :

In R&D, unexpected breakthroughs can come from basic research, where ROI is difficult to clearly assess. For this reason, we continuously secure a certain level of funding for basic research. Meanwhile, in areas where business units and research laboratories work together, such as AI and security, we make investments that respond quickly to market needs, while remaining aware of

ROI. Because Mr. Yamada oversees both applied research and business and product development, we are able to optimize our investments and carry out dynamic investments. We set clear priorities for investment areas, and we currently place a strong emphasis on AI and security. In this way, our budget is separated into a component for basic research and a component for areas closer to the market where the research laboratories and business units collaborate.

Q :

In the next Mid-Term Management Plan, will your basic policy continue to be conducting R&D within the scope of profits? Is it reasonable to assume that there will not be a phase in which R&D causes margins to deteriorate?

A :

When we make investments that significantly affect business performance, please understand that they are made only after thoroughly evaluating their recoverability. Fixed investments such as basic research are maintained at a consistent level, so they do not place a burden on our business results. In addition, in AI-related areas, NEC has owned a GPU cluster for several years, and we recognize this as being at a scale that does not differ markedly from our other capital expenditures.

Questioner B
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Q :

Do AI governance and data cleansing serve as differentiating factors for NEC when capturing AI projects?

A :

For customers who place importance on data, many seek the value that dotData provides, and we recognize that this has helped our business. However, rather

than any specific technology being the decisive factor, the starting point for capturing projects is our ability to support digital transformation (DX), broadly defined to include security and governance.

Q :

Is your AI governance also highly rated by customers?

A :

We are currently receiving a very large number of inquiries. In particular, regarding issues such as educational programs and integration into the organization, we sometimes receive requests for NEC to conduct its educational programs not only from customers but also from companies on the provider side.

Q :

Regarding your service that embeds the operational expertise of experienced personnel as training data, what has changed compared with the AI based on supervised learning from the AI booms two or three generations ago?

Furthermore, as this technology advances, do you anticipate competing with integrated AI services such as SoftBank's AI agent service "Crystal" or collaborating with them? Please share your current perspective.

A :

The current AI based on supervised learning does not require any special training data to be prepared, and automation is even possible using everyday operational data or data embedded in large language models (LLMs). The cotomi Act service we provide is positioned as a platform-like solution, enabling customers use it to automate a variety of tasks, such as in-house payroll calculations and business trip expense settlements. Therefore, rather than

competing with other companies' individual services such as SoftBank's "Crystal," we see ourselves as providing a foundation for automating these operations. At present, customers are increasingly pursuing in-house development of individual applications, so NEC will actively support this development through cotomi Act.

Questioner C
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Q :

Where are the biggest gaps between market expectations for AI and its actual commercial potential? I'd like to ask which areas are overestimated and which are underestimated.

A :

We are working under the basic policy that NEC's AI will serve as a tool for promoting digital transformation (DX). Therefore, I'll answer in terms of the gap between the current state of DX and market expectations. While progress on DX currently varies widely, AI is particularly expected to handle areas involving high volumes of non-routine document processing. This area has grown significantly, with business performance even exceeding our initial expectations. At least in the sectors we focus on, such as manufacturing, public, medical, and finance, we believe that there is no major gap between business results and market expectations.