

**NEC Innovation Day**  
**Healthcare and Life Sciences Business**

Date/Time: Friday, December 15, 2023 11:40-12:10 JST  
Place: NEC Tamagawa Renaissance City, Hall Building, and webcast  
Presenter: Masamitsu Kitase, Corporate SVP, Head of Healthcare and Life Sciences Division

**Questioner A**

Q:

*Could you please provide a breakdown of the business value target of ¥500 billion for FY2031/3 in terms of the projected monetary amounts for medical care, lifestyle support, and life science?*

A:

The life science field will represent around half of the ¥500 billion target, including business value equivalent to NEC's equity interest in BostonGene Corporation, in which it has invested. Medical care and lifestyle support are expected to account for roughly the same amounts of the remaining half of the target.

Q:

*How will you generate income from the test and intervention services for local governments in the Fones Visuas business?*

A:

Local governments are strongly interested in Fones Visuas services since these services will help them to reduce their medium- to long-term financial burden. In the short term, however, the cost burden of initial testing fees will be an issue. Local governments might address this issue by, for example, utilizing this solution by obtaining funds through social impact bonds, etc. issued by financial institutions such as trust banks and regional banks, and then repaying the funds over the long term through savings realized by improving their financial position. We will keep these types of financing structures in mind as we move forward with this business.

**Questioner B**

Q:

*What kinds of events will provide breakthrough opportunities for future business growth in AI drug development?*

A:

The successful completion of phase I, II, and III clinical trials will be the milestones, and business value will increase with each individual contract we secure.

**Questioner C**

Q:

*From today's presentation, I've learned that NEC has technologies in the life science field. What is the most crucial factor in your next step to win? For example, will you form partnerships with leading pharmaceutical companies?*

A:

The most crucial factor is to have a positive effect on patients. If this is demonstrated, NEC's worth will be accepted. However, it will be difficult for NEC to advance clinical trials and implement technologies in society on its own. Therefore, we intend to move forward by forming partnerships with pharmaceutical companies.

Q:

*In terms of partnerships with pharmaceutical companies, will you form exclusive partnerships with specific pharmaceutical companies? Or will you establish partnerships with the best partners for each disease or illness?*

A:

Our basic approach is to select the best partners for each pipeline. It is also possible that we may consider a comprehensive partnership on a strategic level.

Q:

*What do you think are the main points for NEC to be chosen as a partner?*

A:

We believe that it is crucial for NEC to demonstrate in clinical trials the reliability of its vaccine design using a variety of AI. In other words, we must show good results in clinical trials.

Q:

*Other equipment manufacturers in the life science field are also working on measuring blood proteins. Will NEC's competitive advantage in software enable it to measure blood proteins more precisely?*

A:

NEC excels at using AI and software to precisely analyze massive amounts of protein data. We have formed a partnership with SomaLogic of the U.S. in the measurement of proteins. We can simultaneously measure 7,000 different blood proteins. By analyzing the relationship between the composition ratios of these proteins and diseases with NEC's AI and software, we can more precisely identify the proteins that are affecting each disease.

**Questioner D**

Q:

*Your sales forecast for the lifestyle support business anticipates a high growth rate, with a CAGR of 60%. Could you please discuss the assumptions behind this forecast? What is the balance between projections based on pipeline accumulation, and assumptions drawn from market size?*

A:

We formulated the forecast through FY2029/3 based on specific pipelines. The target for FY2031/3 was set by extrapolating the trend through FY2029/3, while considering factors such as the anticipated market size.

Q:

*Have any of your competitors in the IT services business taken steps to enter AI drug development, as you have?*

A:

IT vendors in Japan primarily offer services that provide IT for pharmaceutical companies to conduct development. We believe that very few companies are developing their own vaccines.

**Questioner E**

Q:

*Could you please discuss your thinking on the income contribution of AI drug development? Will a certain amount of income be contributed from the start of a project? Or will sales be generated when an event occurs, such as the successful completion of a clinical trial?*

A:

The income contribution will be determined by the terms of each individual contract. Contracts in which income is generated at each milestone such as the end of a clinical trial, and contracts in which sales are shared after the actual completion of a drug and

the start of its sales, are both generally prevalent.

Q:

*In your sales forecast for AI drug discovery, which specific areas within your business expansion plans do you expect to provide an income contribution? Please discuss, for example, whether the forecast only considers income from the oncology field, or whether it also accounts for income from the infectious diseases field as well.*

A:

The fields of oncology and infectious diseases have been factored into our forecast. In the case of infectious diseases, we expect to enter into contracts with national governments and pharmaceutical companies based on the concept of a universal vaccine. Meanwhile, in the case of personalized cancer vaccines, we anticipate revenue from contracts with pharmaceutical companies, along with revenue from hospitals and certain other sources.

Q:

*In AI drug development, will there be additional increases in sales from FY2024/3 onward as a result of the newly disclosed content of development in the future?*

A:

Business development for personalized cancer vaccines will begin in earnest from 2030 onward. Until then, monetization will come from sales from pharmaceutical companies based on contracts for each milestone and sales from contracted research.