Conquer Cancer through AI

2024 1Q, IR Letter

Lunit

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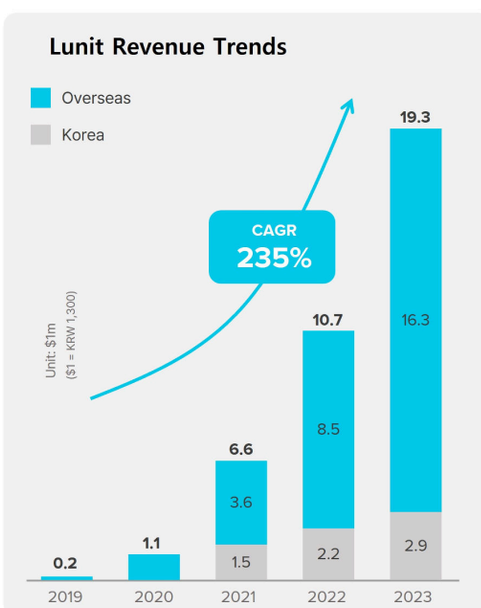
🔔 1Q Highlights 🔔

1. Sales exceeded $19m in 2023 (first year of decrease in operating loss)
2. Supply contract for Lunit INSIGHT CXR with Samsung, securing a minimum of $1.86M over a three-year period
3. Publication of a head-to-head study study of 7 global chest X-ray AI analysis solutions in Radiology (Impact Factor =19.7)
4. Presentation of 7 abstracts (Lunit SCOPE) at AACR 2024
5. Attend JP Morgan Healthcare Conference and World Economic Forum (WEF) to secure continuous global network

1. Major Activities

(1) Sales Performance

Sales exceeded $19m in 2023: YoY 80.9% ↑,and the first year of a decrease in operating loss compared to previous year



[2023.12] Lunit (hereinafter referred to as "the Company") recorded the highest revenue of approximately $19m on consolidated basis with 5-year CAGR 235%. The revenue increased 80.9% and operating loss decreased 16.7% compared to previous year. 2023 was the first year that marks a decrease in operating loss. 85%

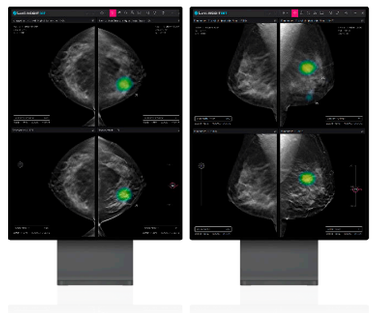
of our revenue was generated internationally, largely driven by the rapid growth in global sales. This growth includes reimbursements for Lunit INSIGHT CXR in Japan, expansion in both B2B and B2G markets for Lunit INSIGHT, and research revenue from Lunit SCOPE.

(2) Contract

Supply contract for Lunit INSIGHT CXR with Samsung: Secured minimum $1.86M over three-year period

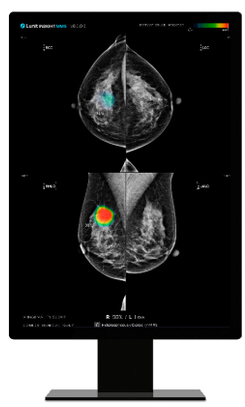
[2024.01] The Company has announced a three-year supply contract with Samsung Electronics (Samsung Healthcare), guaranteeing a minimum of $1.86 million over the contract period. Under this agreement, the company will provide Samsung Electronics with two AI-powered chest screening solutions: the Lunit INSIGHT CXR for chest X-ray AI image analysis and the Lunit INSIGHT CXR Triage for automatic classification of emergency diseases. These AI solutions will be integrated into Samsung Electronics' premium X-ray devices, targeting major global markets. The collaboration between the Company and Samsung Electronics is expected to enable faster and more accurate chest screenings, significantly enhancing global market penetration.

Supply Contract with U.S. Breast-Specialized Medical Institution, Mosaic Breast Imaging (MBI): Advancing into the U.S. Market



[2024.01] The Company has announced a supply contract with Mosaic Breast Imaging (MBI), a breast-specialized medical institution in Knoxville, Tennessee. This agreement, involving the supply of Lunit INSIGHT DBT and Lunit INSIGHT MMG, marks the Company's first U.S. contract following FDA clearance of Lunit INSIGHT DBT. MBI is renowned for its patient-oriented diagnostic environment and comprehensive imaging services, receiving high satisfaction ratings from its patients. We are thrilled that MBI, recognized for its expertise in 3D breast cancer screening, has chosen our products. This contract signifies a critical step in our expansion into the U.S. market, and we are committed to enhancing our services based on this new partnership.

Partners with Gleneagles Hospital Singapore for Lunit INSIGHT MMG: Expands AI medical imaging solutions in East & Southeast Asia



[2024.03] The Company announced a supply contract with Gleneagles Hospital Singapore for its AI-powered mammography analysis solution 'Lunit INSIGHT MMG'. Gleneagles Hospital Singapore is a prominent private healthcare facility within the IHH group. IHH, Southeast Asia's largest medical group, leads private healthcare service across the region, operating more than 20 hospitals in Malaysia, Hong Kong, India and China. The supply contract was supported by the Korea Health Industry Development Institute's (KHIDI) initiative to back export of Korean ICT-based medical software. Based on the agreement, the company expects to deliver its AI-powered screening solutions across more hospitals within the IHH, and pave the way to strengthen its presence in the East and Southeast Asia market.

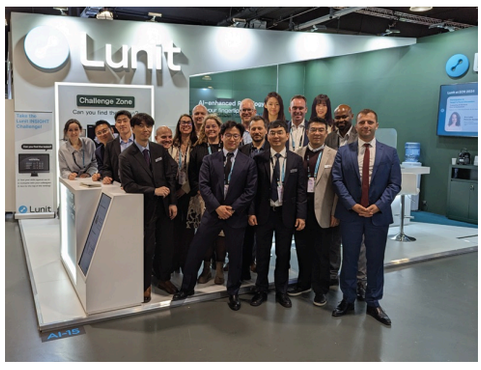
Supply contract with TeleDiag in France for Lunit INSIGHT CXR : Proven robust technical performance among global competitors

[2024.03] The Company announced a new supply contract with TeleDiag, France's largest teleradiology group, to provide AI-based chest X-ray analysis solution: Lunit INSIGHT CXR. Telediag was founded in 2008 by French doctors to address medical inequality among the vulnerable through digital remote technology and help them diagnose faster in emergency situations. As TeleDiag regroups a vast network of over 600 radiologists serving more than 300 medical practices and screening over 600,000 patients annually, the collaboration represents a significant leap forward in the integration of AI technology into the French healthcare system. The decision to choose Lunit came after TeleDiag's thorough evaluation of multiple AI solutions for chest X-rays. Lunit emerged as the top choice due to its robust technical performance and its wider range of findings.

2. Research

(1) Academic Society

ECR 2024 - Presents 7 abstracts (Lunit INSIGHT): Includes study result that highlights Lunit INSIGHT's adaptability in different use cases and potential replacement of human reader



[2024.03] The Company presented 7 abstracts highlighting the Lunit INSIGHT suite, an AI-powered medical image analysis solution, at this year's European Congress of Radiology (ECR) 2024. One of the studies utilized Lunit INSIGHT CXR, which retrospectively analyzed 16,996 chest radiographs to evaluate the AI model's adaptability in different uses cases and abnormalities. Specifically, the AI model with high sensitivity could be appropriate for emergency findings like pneumothorax. Meanwhile, a high specificity is preferable to triage low-risk studies for reporting without missing actionable pathology. This dual approach highlighted the adaptability of Lunit's AI tool to different clinical needs in routine practice. In addition, 4 out of 7 abstracts were accepted as oral presentations, proving the studies' academic significance. Meanwhile, at this year's ECR, the Company collaborated with Volpara Health Technologies (hereinafter referred to as "Volpara"). By introducing Lunit INSIGHT MMG together with Volpara's breast cancer diagnostics suite, the Company was able to actively interact with global customers visiting Volpara's booth.

🔎 Study Details

AACR 2024 - Present 7 abstracts (Lunit SCOPE): Includes study result that demonstrates correlation of CNTN4 expression and PD-L1

AACR
American Association for Cancer Research

[2024.04] The Company participated in the American Association for Cancer Research (AACR) 2024 and presented 7 of the latest findings on the AI biomarker platform Lunit SCOPE. The Company has been participating in AACR, one of the world's top three cancer societies, for six consecutive years since 2019 and has been building a solid medical foundation.

First, AI-powered HER2 analyzer, Lunit SCOPE HER2's precision shines through its analysis of 194,259 pan-cancer samples, correlating different ERBB2 mutations with changes in HER2 protein expression. This AI-powered assessment successfully identified key mutation-expression correlations, particularly focusing on exon 20 insertions (ex20ins) and S310x mutations across a variety of cancers, including NSCLC, urothelial, and breast cancers. Through detailed HER2 intensity examination , the AI analysis highlighted that a higher proportion of HER2 tumor cells was observed in S310x and ex20ins cases compared to others. The findings suggest that understanding these mutation-expression relationships could improve the prediction of treatment responses, enabling a step forward in the development of more personalized and precise therapeutic strategies for cancer patients.

In a collaborative study with Genome & Company, a clinical-stage biotechnology specializes in anti-cancer therapeutic development, the Company leveraged its AI-powered immunohistochemistry (IHC) analyzer to investigate the expression of Contactin-4 (CNTN4) and its relationship with PD-L1 across 18 types of cancers. CNTN4, which is mainly expressed in tumor cells, is known to reduce T-cell activation and responsiveness to tumors. The analysis of 795 pan-cancer tissue samples revealed an important inverse correlation between CNTN4 expression and PD-L1 levels. This insight positions CNTN4 as a promising target for immunotherapy, particularly in cancers that exhibit low PD-L1 expression.

Another study conducted with Genome & Company focused on the correlation between the efficacy of pembrolizumab treatment and CNTN4 expression in gastric cancer patients. This study categorized patients based on CNTN4 and PD-L1 expression levels. The results indicated that patients with low CNTN4 expression and high PD-L1 levels were more likely to respond favorably to pembrolizumab, showing a 64.3% objective response rate (ORR). These findings not only highlight CNTN4's potential as a predictive biomarker for immunotherapy response but also underscore the pivotal role of AI-powered analytics in identifying novel biomarkers.

(2) Paper

Radiology (Impact Factor=19.7): Publication of a head-to-head study of 7 global chest X-ray AI analysis solution

Radiology

[2024.01] The Company's AI-powered chest X-ray analysis solution, Lunit INSIGHT CXR, proved its outstanding performace in a head-to-head study, comparing multiple commercial AI products. The study was recently published in the prestigious journal 'Radiology', published by RSNA, with an impact factor of 19.7. The research team from Radboud University Medical Center in the Netherlands, conducted a head-to-head validation of seven commercial AI products from leading vendors, including Lunit INSIGHT CXR. Lunit INSIGHT CXR achieved the highest AUC (Area Under the Curve; indicator for comprehensively evaluating the performance of AI models) of 0.93 in lung nodule detection, surpassing all other AI vendors and human readers. The sensitivity of Lunit INSIGHT CXR reached 89%, outperforming all other AI algorithms, while maintaining specificity comparable to human readers at 80%.

JITC(The Journal for ImmunoTherapy of Cancer) (Impact Factor=8.73): Publication that illustrates the predictive value of Lunit SCOPE in immunotherapy

Journal for ImmunoTherapy of Cancer

[2024.02] The Comapany published a study demonstrating Lunit SCOPE IO's ability, to enable quantitative immune phenotyping as a biomarker for immunotherapy, to the Journal for ImmonoTherpy of Cancer(JITC). The study, conducted on a real-world multicenter cohort of 1,806 Immune Checkpoint Inhibitor (ICI)-treated patients across 27 tumor types, showcases a correlation between the Inflamed Immune Phenotype (IIP) and positive ICI treatment responses. In the study, IIP patients, classified by Lunit SCOPE IO, showed significantly favorable clinical outcomes post-ICI treatment. More favorable ORRs, prolonged PFS and OS were observed in IIP patients, irrespective of ICI regimen or programmed death-ligand 1 (PD-L1) expression. This study paves the way for more precise patient selection with a time-efficient and labor-efficient analysis at scale in immunotherapy. The Company plans to further validate and deploy Lunit SCOPE IO, ultimately enabling more personalized and effective immunotherapy strategies, especially under the current limitations of traditional biomarkers.

3. Event

Attend JP Morgan Healthcare Conference and World Economic Forum (WEF): Securing continuous global network

[2024.01] The Company participated in the JP Morgan Healthcare Conference, the largest healthcare gathering in the U.S., where it engaged with over 600 pharmaceutical and healthcare firms alongside 8,000 investors and companies. Following this event, the Company attended the World Economic Forum (WEF) as Associated Partners, a role it has held since last November. At the WEF, the Company deepened its relationships with CEOs from leading global pharmaceutical companies. The Company also engaged in meaningful discussions with representatives from government, business, and non-governmental organizations (NGOs), exploring opportunities to leverage AI in developing countries. Additionally, the Company interacted with over 300 representatives from various AI firms to further its vision of becoming a leading platform company. These global engagements are poised to significantly enhance the vitality of the Company's international business operations.

Participate 'AI Regulatory& International Symposium (AIRIS2024)', co-organized by MFDS and FDA: Demonstrate AI solution as representative medical AI company

[2024.02] The Company attended the 'AI Regulatory & International Symposium (AIRIS2024)' to discuss trends and regulatory directions for AI medical product development. The event was attended by over 330 representatives, including medical product regulators from more than 20 countries, international organizations such as the World Health Organization (WHO), and professionals from related industries and academia. The discussions focused on global trends and prospects for AI in the development of medical products. Additionally, the Company was among four firms selected by the Korean Ministry of Food and Drug Safety and the FDA to demonstrate its AI solutions.

Joining the U-Bank consortium to enhance B2C sales channels for Lunit INSIGHT and Lunit SCOPE: Collaborative development of insurance programs with Hyundai Marine & Fire Insurance and leveraging U-Bank's sales networks

[2024.02] The Company has joined the U-Bank consortium to enter the B2C market by integrating its offerings with insurance programs. This strategic initiative aims to expand our existing business scope and explore new business models through partnerships in financial services. In November 2023, Lunit INSIGHT CXR, our chest X-ray AI analysis solution, was designated as an innovative medical technology. This designation signifies its status as a non-reimbursement medical service, allowing patients to directly purchase this service during chest screenings at their discretion. With this new designation, we see a crucial opportunity to increase patient awareness and adoption of directly purchasable AI solutions. Consequently, through engagement in activities like the consortium, the Company aims to extend its market reach from B2B to B2C sectors. Furthermore, U-Bank is set to launch various insurance programs, which will serve as platforms for the Company to develop new revenue streams by integrating Lunit INSIGHT, Lunit SCOPE, and our AI-powered Risk Assessment product (currently under development) with U-Bank's insurance offerings.

Secured New Zealand high court initial approval on Volpara acquisition plan: Making a full-fledged entry into the U.S. market

	Prerequisites for Volpara Acquisition Completion
1	Approval of prospectus for merger by the acquisition committee
2	Initial approval from court
3	Approval from shareholder meeting
4	Final approval from court
5	Suspension of trading
6	The base date of the merger
7	Payment
8	De-listing

[2024.03] The Company recently secured initial approval from the New Zealand High Court for its acquisition plan of Volpara Health Technologies (hereinafter referred to as the "Volpara"). Volpara is an Australian Stock Exchange-listed company providing software and technology solutions related to breast cancer. The Company announced its agreement to acquire Volpara in December 2023. Since then, the Company has completed a series of preliminary procedures for the acquisition. Notably, with the approval of the New Zealand High Court, the Company has effectively navigated all legal procedures required for the acquisition. Upon completion of the acquisition, the Company will acquire 100% of Volpara's shares. By integrating Volpara's platform, the Company aims to accelerate its evolution into a platform company while enhancing the precision of its algorithms. Additionally, the Company expects to achieve successful market penetration in the U.S., where Volpara generates its largest revenue.

11th general meeting of shareholder: Strengthen expertise of board to maintain leadership in global medical AI market

[2024.03] The Company held its 11th General Shareholder Meeting where a total of eight agendas were approved as planned. The key items on the agenda included the re-appointment of the CEO as an inside director, the appointment of new outside directors, and the establishment of an audit committee. Brandon Beomseok Suh was re-appointed as CEO for a three-year term, expressing his commitment to enhancing shareholder value amidst a challenging and unpredictable business environment. Additionally, Won-bok Lee, professor at Ewha Womans University School of Law; Zeong Won (Sarah) Kim, Senior Advisor at Kim & Chang; and Garheng Kong, founder of U.S.-based HealthQuest Capital, were appointed as outside directors and members of the audit committee. The Company aims to maintain its leadership in the global medical AI market by strengthening the expertise of its Board of Directors.

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