Medical Data Vision Co.,Ltd.

Results Briefing of 2Q of Fiscal Year Ending December 2018

August 13, 2018

Event Summary

[Company Name]	Medical Data Vision Co.,Ltd.
[Event Type]	Earnings Announcement
[Event Name]	2Q Financial Results Briefing for the Fiscal Year Ending December 2018
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[Venue]	First Financial Building 2・3F Room D,E 1-3-7 Yaesu, Chuo-ku, Tokyo 103-0028
[Venue Size]	
[Participants]	62
[Number of Speakers]	3

Speaker	Title
Hiroyuki Iwasaki	President and Representative Director
Takuji Yanagisawa	Director
Masahiro Kihara	Head of Corporate Planning

Presentation

Moderator: Thank you for coming to the meeting of Medical Data Vision Co., Ltd. I'd like to start the 2Q Financial Results Briefing for the Fiscal Year Ending December 2018. Let me first introduce the participants. Hiroyuki Iwasaki, President. Takuji Yanagisawa, Director. Masahiro Kihara, Head of Corporate Planning.

Before we start the briefing, I would like you to check if you have all necessary handouts with you. You should have a questionnaire, briefing materials, summary of financial results, supplementary materials of the earnings briefing and introduction materials for CADA-BOX. Is anyone short of any materials?

OK. I'd like to start the results briefing. Mr. Iwasaki, please begin.

Iwasaki: I am Iwasaki, President of Medical Data Vision Co., Ltd. Thank you for coming to the 2Q Financial Results Briefing for the Fiscal Year Ending December 2018. I was worried how you can safely come to our meeting in the thunderstorm a bit earlier, but now it has stopped raining. I'm sure you'll be OK when you get out of this meeting later.

I would like to explain about the performance summary of 2Q of fiscal year ending December 2018, followed by a full-year business forecast and business measures, and lastly medium to long-term strategy.

2018年12月期 2Q サマリ

売上高　対計画※インライン

■売上高　14億72百万円
■順調に拡大を続ける大規模診療データ(実患者数2,398万人(2018.7現在)) を背景に高成長し続けているアドホック調査サービスを成長ドライバーとして増収継続(前年同期比10.4%増)

利益　対計画※＋2億円

■営業利益、経常利益ともに計画に対し、およそ2億円プラスで着地
■コストについて、コンサバティブに計画を策定した上で、実行段階で費用対効果を意識したコストコントロールを継続実施

CADA-BOX　3Q,4Qで一気に受注刈取りへ

■今期導入計画数 24病院
■2Q末状況　・新規受注 3件　・既稼動 5病院
■新規受注　計画に対し若干の遅れ（計画※5病院→実績 3病院）
■受注見込みターゲット67病院に対し、3Q,4Qで受注クロージング実施

※ 計画：2018年2月13日公表の年間業績見通し(P.18参照)をベースとした第2四半期の社内計画数値

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First of all, summary of financial results. Regarding total revenues, we landed in line with our projection. We posted total revenues of 1.472 billion yen. As for earnings, we landed surpassing our projection by more than 200 million yen.

With regards to costs, we made a conservative projection, therefore, including adjustments, we finished 2Q exceeding by 200 million yen on earnings level.

Third, regarding CADA-BOX, we finished the groundwork to capture orders in 3Q and 4Q. I'll explain this topic in detail later.

Next, I'll talk about the progress in 2Q of concrete goals that we put up before. In data network, one of our goals was to introduce CADA-BOX to 24 hospitals by the end of this fiscal year, targeting five by the end of 2Q. Regarding this goal, we acquired orders from three hospitals by 2Q.

Please note that 67 hospitals expressed intentions at so-called prospective hospitals, head of administration and decision makers plan to go through internal procedures that lead to orders in 3Q and 4Q. Out of 67 prospective hospitals, at 24 hospitals, the directors are in the process of obtaining internal approval of using CADA-BOX as a basis of hospital management.

As for expansion of Medical Code, including packaged software, we have higher sales in the second half every year. We achieved an addition of 30 hospitals during one year from last fiscal year.

Regarding data usage services, we started full-scale operations of the clinical trial business using data from July. We acquired Cosmex Co., Ltd., changed the company name to MDV Trial Co., Ltd., and moved the office in July. We are currently gearing up for full-fledged operation. I'll explain this topic later.

The second item of data usage services is a second opinion service utilizing data of general checkup/medical examination. We are scheduled to start this service from September and we are in the middle of preparation of the service. I'll talk about this in detail later.

Third item is further expansion of the ad-hoc research service. We posted 547 million yen in sales from this service, up 20% year-on-year. Database utilization on PMS, post marketing survey, is the theme of this service and the service has been growing steadily. I'll talk about this in detail later.

連結損益計算書

売上高　対計画インライン
利益　対計画＋2億円

(百万円)	2017年12月期 2Q		2018年12月期 2Q		
	実績	売上高比	実績	売上高比	前年同期比
売上高	1,333	100.0%	対計画インライン **1,472**	100.0%	※2 110.4%
売上原価	248	18.7%	**334**	※1 22.7%	※3 134.4%
売上総利益	1,084	81.3%	**1,138**	77.3%	104.9%
販売管理費	940	70.5%	**1,178**	80.0%	※3 125.3%
営業利益	144	10.8%	対計画+2億円 **△40**	−	−
経常利益	142	10.7%	**△40**	−	−
税金等調整前四半期純利益	126	9.5%	**△40**	−	−
親会社株主に帰属する四半期純利益	85	6.4%	**△87**	−	−

※1 2017年12月期３Qより連結したMDVトライアル社(旧コスメックス社)の影響により原価率が増加。当該影響を除くと前年並
※2 売上高の増減分析については、P.8参照　※3 コストの増減分析については、P.10参照

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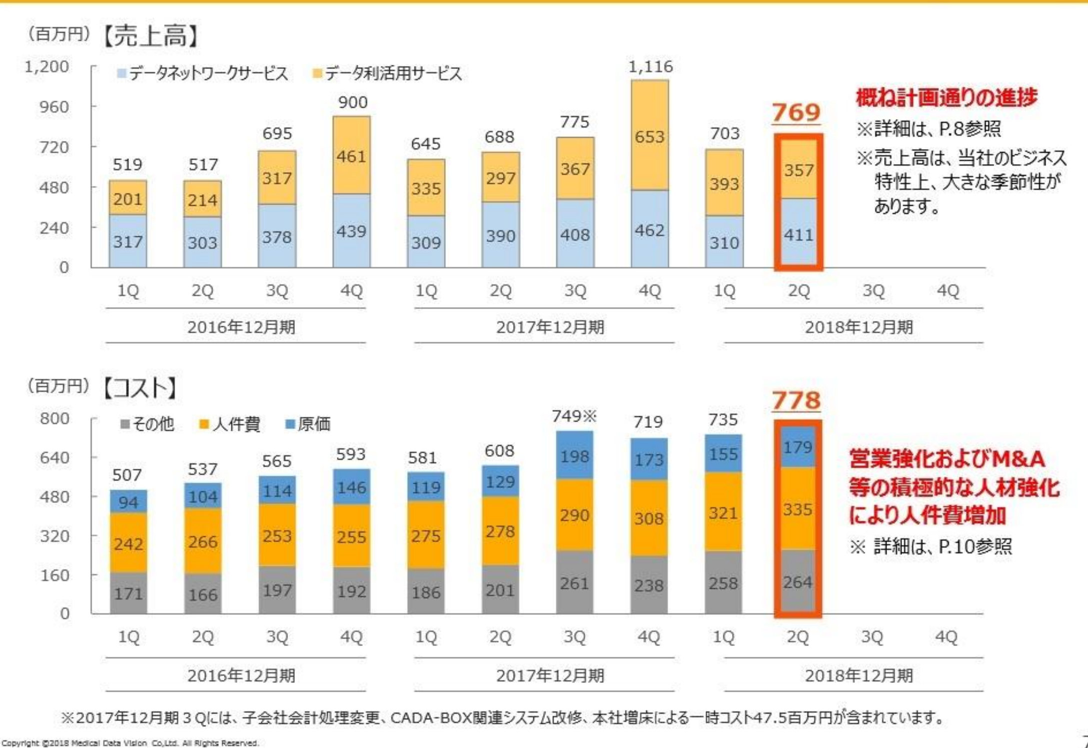
Next, regarding consolidated profit and loss statement, as you can see on the statement and I've talked about it a bit earlier, total revenues landed at 110.4% year-on-year. Cost of sales was increasing slightly, but as it was stated in explanatory notes, it was an effect from consolidating MDV Trial, former Cosmex. That is a major reason for the increase.

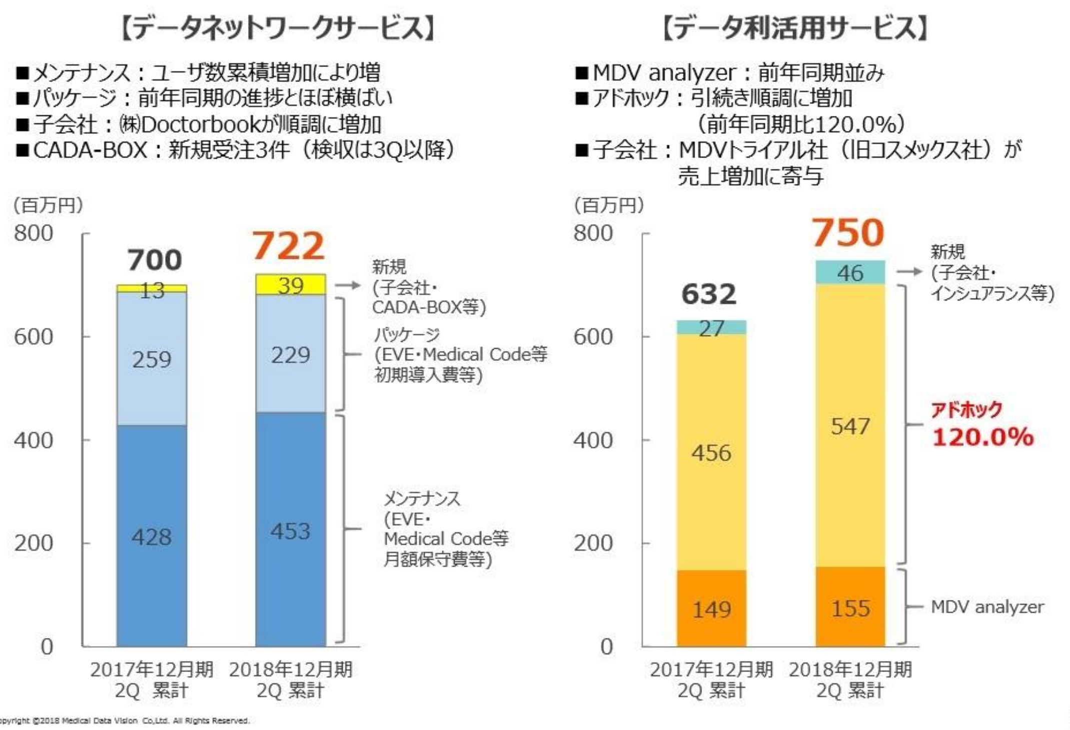
Operating profit landed exceeding more than 200 million yen against the projected line, but on earnings ended at negative 40 million yen. Net loss was as you can see on the statement.

売上高・コストの推移（四半期毎）



Next, I would like you to see the trend of total revenues and cost every quarter. As you can see, we actually have higher sales in the second half of the fiscal year, with big seasonality in sales. We are going to post big sales and earnings in 3Q and 4Q this fiscal year just like last year, the year before last and prior to that.

Regarding cost, I've talked about the accounting change of the subsidiary company a bit earlier, and because of that it looked as if cost seems to be on the rise. Other than that, there is no big cost increase.



Next, I'll talk about sales analysis. We described it as Data Network Services, Data Usage Services. Data Network Services was almost flat but landed with a slight increase in sales. Data Usage Services are growing as you can see in this graph. Especially ad-hoc research has growing orders and I'm convinced it has further room for growth.

売上高分析②

(百万円)

【売上構成分析表】		2017年12月期 2Q		2018年12月期 2Q		前年同期比
			売上高比率		売上高比率	
データ ネットワーク サービス	パッケージ	259	19.4%	229	15.6%	88.4%
	メンテナンス	428	32.1%	453	30.8%	106.0%
	新規・子会社	13	1.0%	39	2.7%	294.8%
	合計	700	52.5%	722	49.1%	103.1%
データ 利活用 サービス	MDV analyzer	149	11.2%	155	10.6%	104.5%
	アドホック	456	34.2%	547	37.2%	120.0%
	新規・子会社	27	2.0%	46	3.2%	171.5%
	合計	632	47.5%	750	50.9%	118.5%
	売上高	1,333	100.0%	1,472	100.0%	110.4%

【データネットワークサービス】
パッケージ：主には「EVE」「Medical Code」の初期導入費等（「EVE」：400万円、「Medical Code」：810万円）
メンテナンス：主には「EVE」「Medical Code」の月額保守費等（「EVE」：5万円/月、「Medical Code」：10万円/月）
新規・子会社：主な新規は「CADA-BOX」、子会社はDoctorbook社及びCADA社

【データ利活用サービス】
MDV analyzer：年間利用料2,000万円/1社
アドホック：平均単価3.5～4百万円/1案件、ただし工数によって案件の価格は大きく変動し、10百万円超の案件も多数ある
新規・子会社：主な新規はOTC関連調査、子会社はMDVトライアル社（旧コスメックス社）及びMDVコンシューマー・ヘルスケア社

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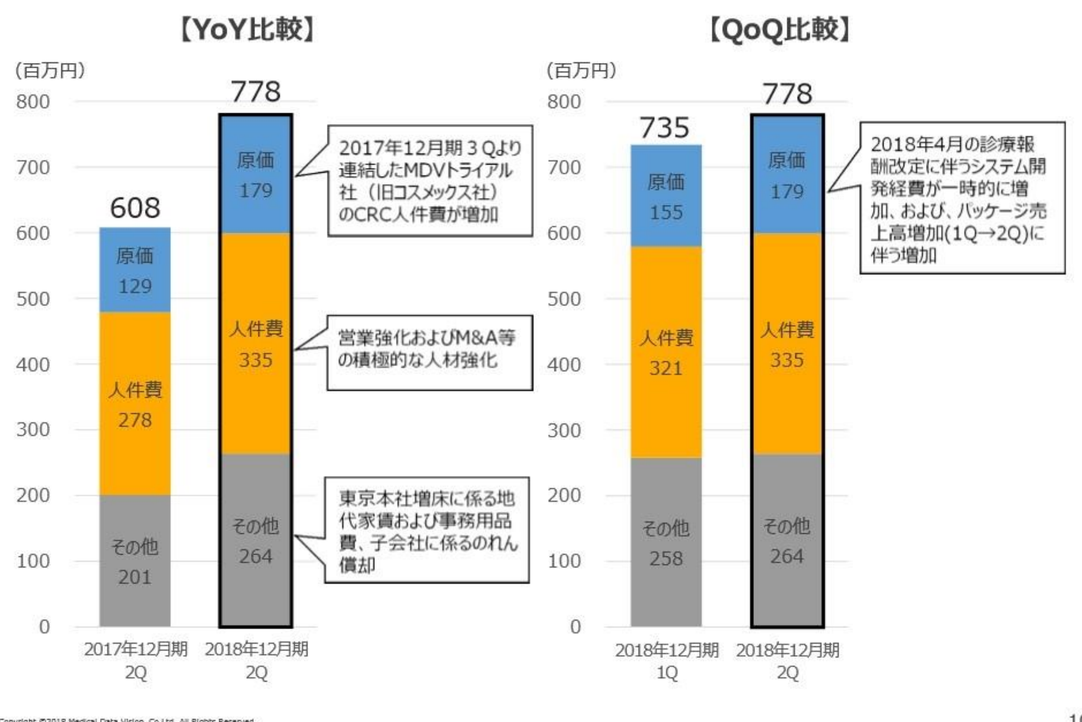
Looking at No. 2 in sales analysis, by composition; package, maintenance and new. Breakdown is as you can see here. Sales of package seem to be decreased slightly, but the number of prospective customers are increasing. I believe it will lead to sales in the second half of the current fiscal year.

As the number of users are on the rise, we are spending more money on maintenance. Therefore, as for new users, we are still at the investment stage. As sales are gradually increasing, percent growth seems to be big numerically. It is still in the red, but we are steadily growing sales.

Regarding data usage services, we are increasing the numbers on each component year-on-year.

コスト分析



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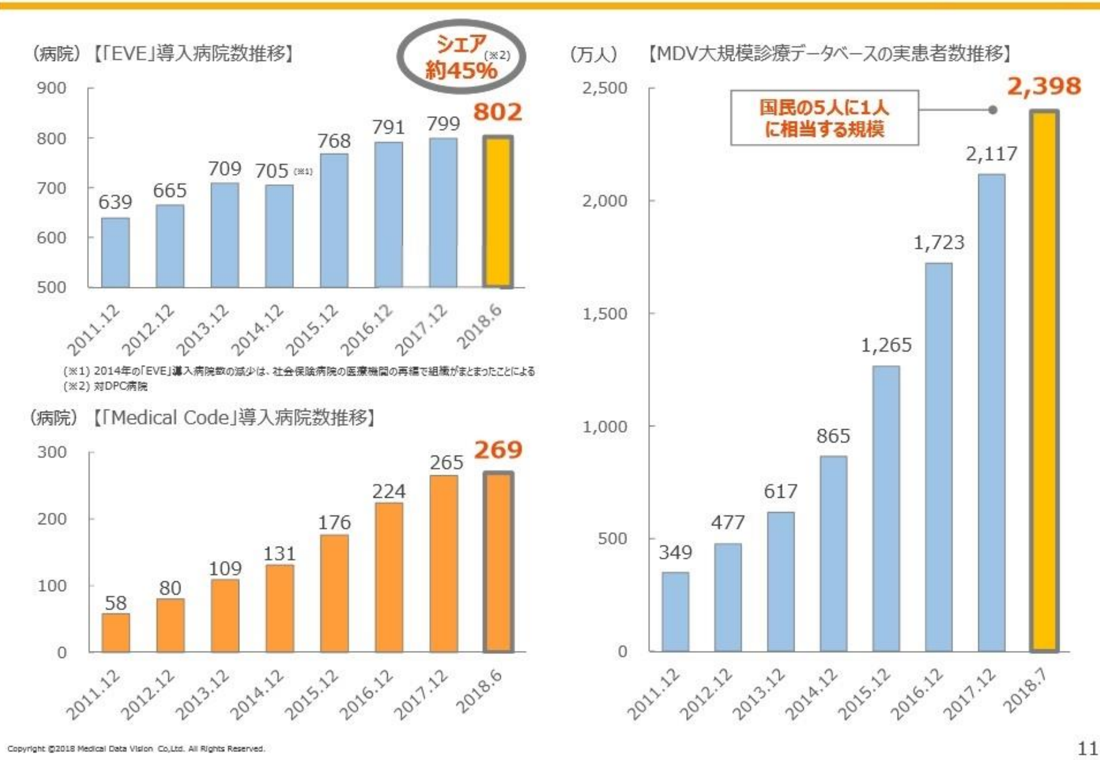
Next, I'll talk about cost analysis. Year-on-year comparison is shown in the bar chart. As I've explained to you a bit earlier, cost of sales increase was mainly due to increase of personnel cost at MDV Trial Co., Ltd.

Regarding the comparison of 1Q and 2Q of the current fiscal year, slight increase of cost of sales was due to personnel increase and expansion of office floor. There is no other factor apart from that.



Next on KPI. Sales of existing package and the amount of data for EVE and Medical Code. Regarding EVE, we secured 45% market share. As for Medical Code, we added 30 hospitals in one year.

With regard to the data, we were able to increase the number of people to about 24 million people, equivalent to one in five people living in Japan.

期末までに「CADA-BOX」を24病院へ導入

営業進捗

2018年1Q末		2018年2Q末	
■ 新規受注	2	■ 新規受注	3
■ 既稼働	3	■ 既稼働	5
■ 稼働準備	2		
■ 受注見込み	27	■ 受注見込み	67 ※

新規受注　計画に対し若干の遅れ（計画5病院→実績3病院）

※決裁までの院内調整に当初想定より時間を要し、若干の遅れ

受注見込み 67病院に対し、3Q,4Qで受注クロージング実施していく

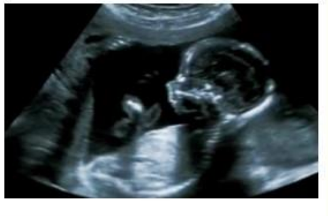
※67病院のうち、27病院は既に経営TOPの導入意向確認済

稼動進捗

- 相良病院（鹿児島県鹿児島市）2018年4月稼働開始
  当社と共同でセミナー実施するなど積極的に患者への利用促進を実施。
  利用患者数順調に拡大（年間1万人超ペース）
- 友愛記念病院（茨城県古河市）2018年6月稼働開始
  CADA決済を積極的に活用
- 恵寿総合病院（石川県七尾市）2017年9月稼働開始
  「ベビーカルテコ」プロジェクト実施。赤ちゃんのエコー画像をもとに母子のPHRを推進。
- 健康診断結果表示機能を追加
- CADAカードと診察券の一体化

患者利用実績を基に、新規受注と既稼動病院での利用促進を推進

決済利用実績を基に、CADA決済のメリットを訴求



新機能追加、利用シーン拡大により患者メリットの一層の向上を推進

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Next, I'll talk about the full-year forecast and its business measures.

Regarding introduction of CADA-BOX to 24 hospitals by the end of the current fiscal year, as we look at the current situation in the full-year, the number of new orders, already operated and preparations for operation are shown in the handout. We had 27 prospective orders in 1Q; directors of hospitals at 27 hospitals made a decision to collaborate with patients based on CADA-BOX and are going through internal procedures.

As of the end of 2Q, we had 67 prospective orders. Directors at 67 hospitals made decision and we are moving forward with the prospective orders. We had three new orders by 2Q, five already operated, that is a total of eight hospitals using CADA-BOX in 2Q.

Followed by 3Q, we have two additional hospitals and are moving forward with them. Regarding 67 hospitals that showed decisions by the director of the hospital, our sales team intend to provide thorough support to capture orders in 3Q and 4Q.

With regard to operational progress at Sagara Hospital in Kagoshima Prefecture, we started operation from April 2018. We jointly organized a seminar at Sagara Hospital as proactive enlightenment to patients. Currently, we are on track at the pace of at least 10,000 introductions of CADA, that is the use of Karteco per year.

We intend to acquire new orders and promote usage at hospitals utilizing patients' usage records, including existing hospitals, particularly outstanding usage number of Karteco at Sagara Hospital.

Yuai Memorial Hospital finally started to use CADA's credit. With the use of credit, we have numerous numbers of opinions from users mentioning benefit of CADA's credit. We intend to make proposals on benefits of CADA settlement to existing hospitals based on usage record of settlement.

Apart from Sagara Hospital, three hospitals including the ones we received orders from and the one already in operation, adopted CADA's credit and we started preparation for them.

Regarding Keiju Medical Center, we implemented "Baby Karteco Project" in order to promote PHR (personal health record) of mothers and babies based on echo images of babies at this hospital.

We used to have a situation that mothers are shown eco image of their babies in still image, but within the system of Karteco, video images can be stored by themselves and they can share them with family members. Mothers want to keep the clinical records for their children for a number of years. This is what's happening at the moment.

We implemented display of medical check results in Karteco. At large-sized CADA-BOX hospitals and acute phase hospitals, they put emphasis on medical checkup as one big factor for survival. Mostly, they have medical checkup centers nearby and then patients go to these hospitals. In addition, sales from medical checkup are issues at acute phase hospitals at the moment.

We divided the contents of medical checkup using tags on Karteco and started in the form of uploading medical checkup results as they are.

We are now working on integrating CADA cards and patient registration cards. When we have patient registration cards and CADA cards separately, and hospital staff explains CADA cards and obtains consents from patients, it was a high hurdle at the beginning. But now the hurdle is beginning to go away.

By integrating CADA cards and patient registration cards, hospital staff can easily explain to patients at the beginning and patients can introduce it to many other people. At the moment, we are working on integration of patient registration cards and CADA cards at Daido Hospital, Yuai, and one more hospital. At the bottom of patient registration cards, there's a log of CADA card and explanation of Karteco. We switch to new integrated cards to existing patients and give explanations at the timing of the switch. For new patients, we give an explanation at the beginning. This is what we are working on to significantly increase the number of users of Karteco.

In addition, although it is not described here, most recently, there were hospitals that had flood damages due to the influence of the typhoon. Data conservation at the time of disaster, were completely submerged. Even if it says that there is an electronic medical record here, the whole data will be damaged after all.

With regard to the fact that this data cannot be used again, for example, whether a patient remembers the medicine that they normally take, the patient cannot easily recall. In such a situation, the data contained in Karteco, will be returned to the hospital and we are working on adding new function of data preservation in time of disaster from September.

In this way, we are proceeding with further improvement of patient benefit by adding new functions and expansion of usage scenes.

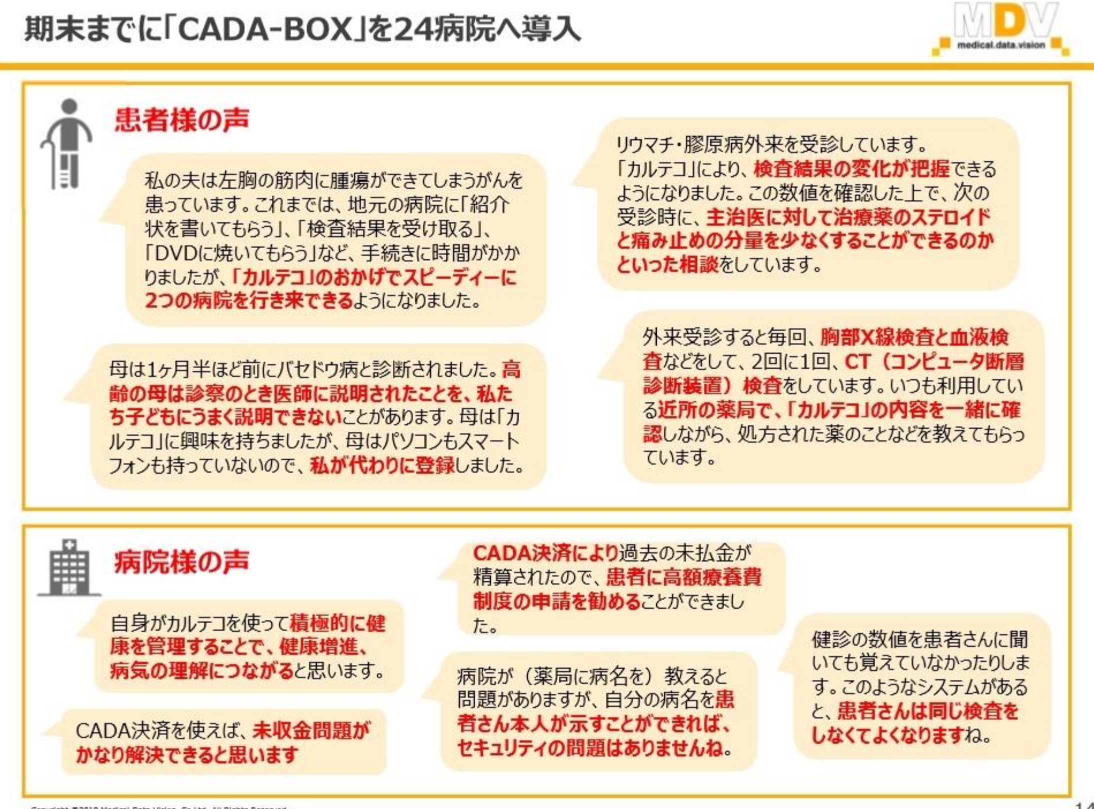
Unexpected things happen at the beginning of a launch, just like we experienced with EVE and Medical Code. For example, in the situation that CADA-BOX has benefit to the hospital completely; one theme is for staff physician and the director of a big hospital. Sharing information with the patient is a method to cure the disease at early stage with certainty.

In selling CADA-BOX which is completely cost effective, in order to produce bigger cost effectiveness at hospitals at much earlier stages, it was assumed that hospital staff engage in proactive persuasion, but in reality, increasing work was perceived to be a negative among existing hospital staff.

At hospitals that actually introduced Karteco, they begin to understand how patients appreciate Karteco as time passes and they intend to work on it proactively.

Under this circumstance, I believe the situation will rapidly spread to 67 prospective hospitals. We are working to achieve the goal of introducing CADA-BOX to 25 hospitals in the current fiscal year, but the budget in 1Q and 2Q was five hospitals. That is three hospitals and two hospitals behind.

In any case, we had a plan on the budget from 3Q. Two hospitals in one month, and three hospitals later on. We are a little bit behind the budget, but we were able to capture enough prospective hospitals in 1Q and 2Q. We intend to capture orders by notifying how existing hospitals are working on Karteco.



As for voices from patients who introduced CADA–BOX by the end of the fiscal year. For example, if your husband got a tumor in the left chest muscle, you could have a local hospital write a letter of introduction, receive result of examination, copy on DVD, go through various procedures which takes time and effort. But thanks to Karteco, you can quickly move back and forth between two hospitals.

Grasping changes of examination results and based on the change of situation, patient can consult with attending physician on the amount of steroids and analgesic drugs. It is tough for doctors in continued, busy situation to change the amount of dose by individual, with slight, frequent changes but it is one example that the action of consultation from the patient can change to good medical care to the individual.

This is a case of my mother, but elderly woman can hardly talk to her son about explanations given by a physician on her visit to a doctor. Now I begin to understand.

There are things you can do by having the examination results of chest X-ray, blood test, CT, etc. and consult with the pharmacist on medicine at the place where medicine is prescribed by showing the examination results.

Also, this is the voice from the hospital that proactive management of health leads to health enhancement and understanding disease.

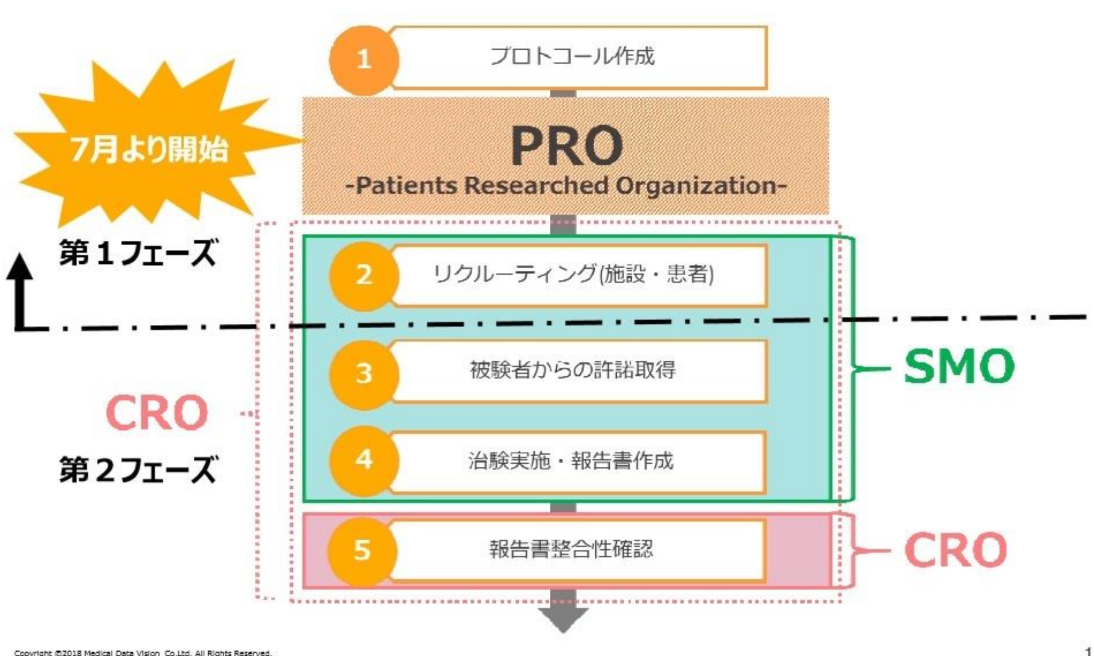
There is also a voice that Karteco considerably solves the problem of account receivables. It was pointed out at a hospital that with CADA settlement, they can recommend application for the expensive medical treatment system. When I heard this, I thought this makes sense. For those who have difficulty paying, they ask hospitals for installment payment. Then, when the patient has outstanding payment obligations, hospitals cannot issue receipts. Patients cannot apply for the system without receipts.

However, with the use of CADA, CADA will pay in full amount, and hospitals can surely issue receipts. The patient gets to understand the system and can reduce the amount of payment. From the hospital side, they can recommend CADA settlement looking at these. From the patient side, they can reduce the amount of monthly payments.

These are voices from hospitals as you can see. We try our best to capture orders from more than 24 hospitals in 3Q and 4Q based on this.

データを活用した治験事業の本格的開始

医療ビッグデータを利活用することで、マンパワーに頼らない迅速的で効率的な治験を実現する

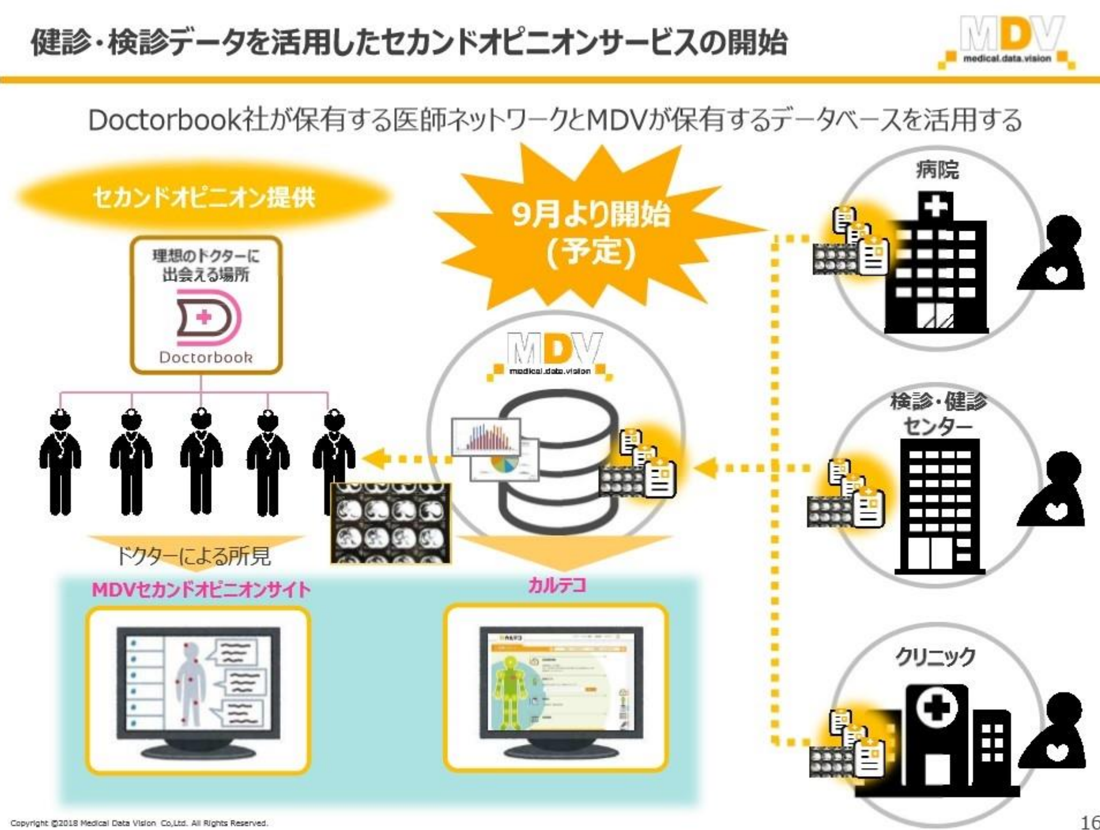


Next on clinical trials. As I've talked about this a bit earlier, but after we acquired Cosmex, we changed the corporate name to MDV Trial Co., Ltd. and made a fresh start.

Since July, we finished visits to top 30 manufactures and worked on talking concretely what we can do. Regarding three companies in the upper ranking among top 30 companies of clinical trials, I had a direct interview with the representative and told them about our mission on development going forward and notified our situation of engaging in sales.

We already had sales orders from eight manufacturers out of 30 manufacturers or in the middle of research to prepare for orders. As you can see in this graph, we've started recruiting at the beginning, recruiting based on the 24 million using DPC data, and selection of medical facilities.

As we have more and more data for CADA-BOX, the work of confirming the report consistency in this figure, so far so-called SMO becomes an assistant of physicians and input to EDI is necessary. With that left behind, systemization is adequately possible and when we are in a situation of having more data for CADA-BOX that can be utilized for concrete clinical trials, then we are entering phase two. At the moment, we are at phase one.



Next, regarding medical checkup. As a preparation to enter the second opinion business, we went forward until 2Q. With the schedule of starting from September, we are making overall adjustments and are working on coding of services on the web.

Let me explain about this. Usually, a medical checkup is conducted at a hospital, medical checkup center and clinic. If you go to checkup for your health status, you get opinions on 69.1%, roughly 70% of total items. For example, "require further examination" or specific disease name.

Most of the findings are quite general such as require one more examination or require detailed examination. But people who had checkups, they do not have any symptoms. Then people do not want to go to a hospital waiting for hours for examination, and it comes down that they do not want to go. People do not take any action in many cases.

Then people get a notice of a medical checkup next year and get the same finding which says require one more examination. People don't feel good, but many people don't go. I believe many people fall into this type of behavior if you think about it.

We send the content results of a medical checkup directly to individuals together with the DICOM image that you usually see in a doctor's office and in the same pixels with application which enables you to move the image.

As a person being tested has the result of their medical checkup, this person gets opinions from doctors in some form as a second opinion or a first opinion. However, due to regulation of medical treatment, we provide service in the form of getting an opinion from a doctor and we call it a second service.

We have a subsidiary company called Doctorbook which has registered patients and growing number of KOLs, or famous doctors. Originally Doctorbook has members of dentists, 10% of 100,000 dentists nationwide, and among registered dentists, we have selected KOL dentists. This KOL dentists provide opinions on treatment or surgery with an image being shot. We acquired Doctorbook and provides the same service in internal medicine. We have 120 doctors known as KOLs globally registered last year. The registered surgeon provides opinion on surgery and the registered physician provides opinion on the result of endoscope on the web sharing the same screen with patients.

In addition, this should have higher demand going forward, but we've been conducting hearings to KOL doctors on who they would like to consult with when they have a disease. I'll tell you what we usually do. When we conduct hearings to KOL doctors, they usually give us three to four names of doctors and we visit these doctors and ask them for reference of other doctors.

We apply the same method we did for dentists, to medicine and we are in a situation to increase the names of doctors being recommended from KOLs and compile a database at the moment. We are creating a menu on Doctorbook that patients get an opinion from specialist physician as a second opinion.

Looking at the flow line of a person who had a medical checkup, it goes like this; had a medical checkup, receive the checkup result on your private space on the web. The result comes in the form mentioning about the probability of getting a disease at certain percent within certain years judging from examination values based on the data of 24 million people that MDV holds.

We specify criteria for returning the result to the patient. If the patient matches the criteria, then we notify the possibility of disease. We would like to raise awareness to go to hospitals this way. The current situation is that people get medical checkups and get the result of requiring further examination, but people hesitate to go to hospitals and eventually get chronic disease, take medications every month and lead to significant increase of medical expenses. If a patient takes action at an early stage, long-term, chronic disease is controlled much earlier.

Our goal is to raise awareness and add stimuli to patients followed by buttons on the web; those buttons are getting a comment from specialist physicians, getting a comment from KOLs and we charge around 1,000 to 5,000 yen. Patients solve the problems of anxiety with this money. Patients already have data on the web, therefore this service completes on the internet.

This is basically a second opinion service. We've seen quite a few companies that created a scheme of second opinions that complete on the internet. However, from a patient's perspective, they need to go out to get the data eventually if they do not have one. Therefore, I believe those companies without a database do not work out.

We have the technology and scheme with a database to reply to patients. We will start the second opinion service from September.

PMS(製造販売後調査)における医療データベース活用開始

医薬品条件付き早期承認制度
（厚労省　2017年10月施行）
疾患の重篤性の高いもの、患者数が少なく臨床試験が難しい医薬品に対して、発売後に有効性と安全性を条件に、フェーズⅢ試験などの臨床試験を行わなくても承認することを定めた制度

医薬品の製造販売後の調査及び試験の実施の基準に関する省令等の一部を改正する省令
（厚労省　2017年10月公布　2018年4月施行）
製造販売後調査等のうち、製造販売後臨床試験や使用成績調査に加え、新たに「製造販売後データベース調査」が定義付けられた。

製造販売後データベース調査の市場が今後急速に進展する可能性

（参考）2017年度販売製造後調査等売上高116.9億円
（出所：日本CRO協会「2017年（1月～12月）年次業績報告」）

2018年12月期はまだ業績への貢献は大きく見込めないが、
来期以降の成長ドライバーの一つとして期待

■ **日本イーライリリー株式会社「オルミエント錠4 mg、オルミエント錠2 mgに係る医薬品リスク管理計画書」（2018年4月）において、データのn数の優位性が評価され、当社データが採択。**

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Next, regarding PMS, post marketing survey. Conditional approval system of drug medicine at early stage was adopted in October last year. There was a ministerial ordinance that revises a part of the ministerial ordinance concerning the investigation after the manufacture and sale of pharmaceuticals, and the standard of the examination implementation.

In short, a newly created post-marketing database survey was defined and was enforced from April. It's been said that the market of database research of PMS should expand going forward. Last year the size of the market was 11.69 billion yen. You can easily imagine how the market grows day by day.

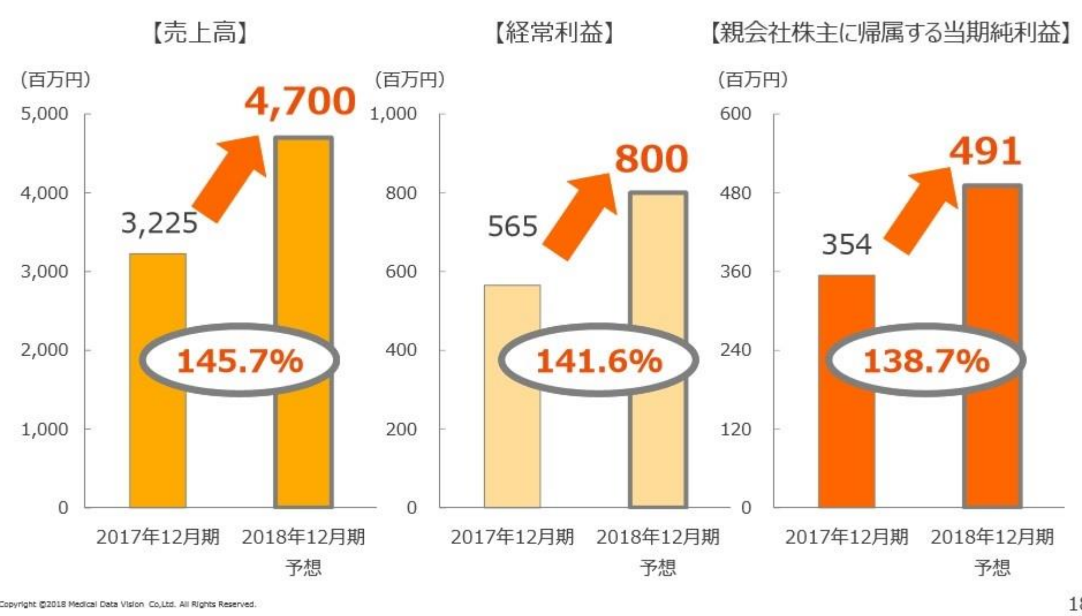
PMS research will not be reflected in the fiscal year ending December 2018, but I consider the market will become the growth driver for the next fiscal year and beyond.

As for utilizing the database, we already started one project with Eli Lilly Japan and this was the first business database regarding the content of the project.

The reason of Eli Lilly using the data of MDV is they think only the data of MDV can be utilized due to the number of clinical cases we hold, and I believe this market has much more room to grow.

業績見通しサマリ　ー2018年12月期ー

6期連続の増収増益、前年同期比で売上高145.7%、経常利益141.6%を計画



These are efforts we've been working on and we are on track to achieve increase in sales and profit for six consecutive fiscal years. Total revenues of 145.7% year-on-year, ordinary profit of 141.6% year-on-year in the current fiscal year.

業績見通し －2018年12月期－

(百万円)	2017年12月期		2018年12月期		
	実績	売上高比	予想	前期比	売上高比
売上高	3,225	100.0%	**4,700**	145.7%	100.0%
営業利益	569	17.6%	**799**	140.5%	17.0%
経常利益	565	17.5%	**800**	141.6%	17.0%
親会社株主に帰属する当期純利益	354	11.0%	**491**	138.7%	10.5%

見通しの前提

【トップライン】
✓ 引き続きデータ利活用サービスを拡大させると共に、子会社の成長を促進させる

【コスト】
✓ 主には営業関連を中心とした採用(連結で約40名)、
「CADA-BOX」をはじめとするサービス強化に係る投資、セキュリティ関連への投資

【ボトムライン】
✓ 投資回収第2期として経常利益率は引き続き17%程度

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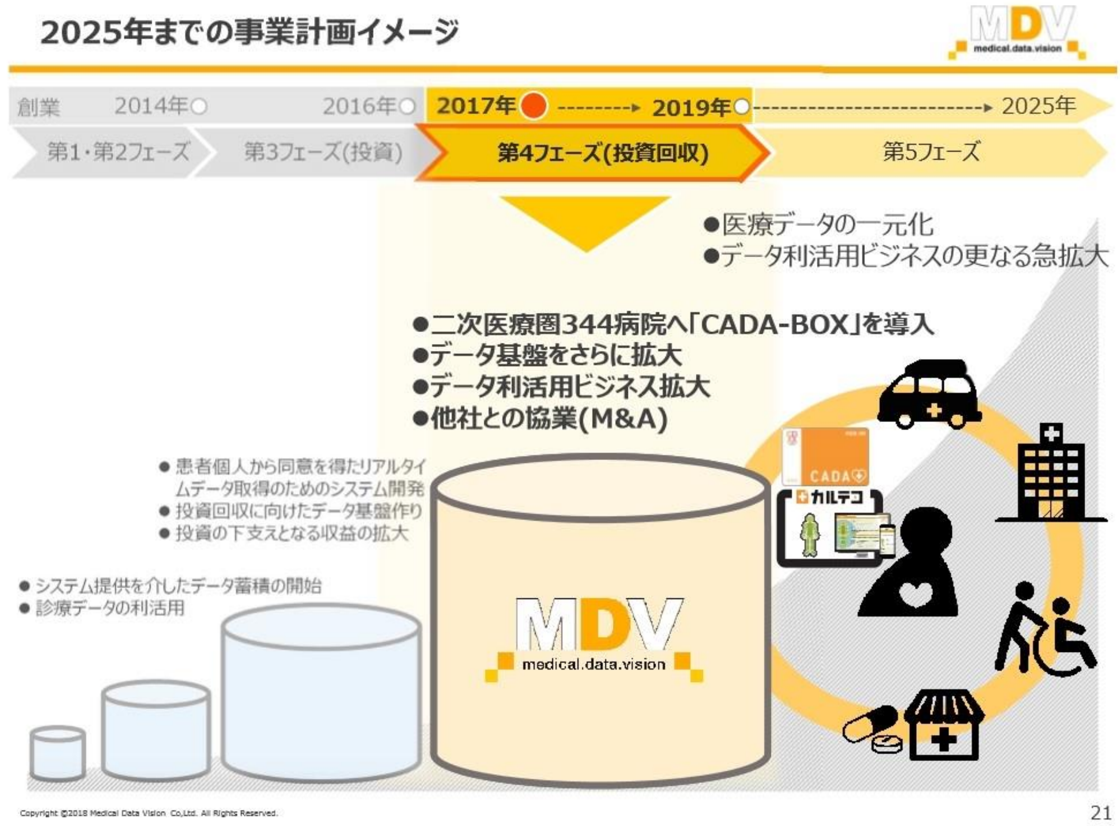
With regard to full-year business forecast is as you can see in the handout.

we



Lastly, I’ll talk about medium to long-term strategy. This is the image of our business plan till 2025. We gain trust from packaged products first, then we collect data and sell the analysis data to pharmaceutical manufacturers in phase one and phase two.

Then in phase three, we compile a database from real-time data with the consents from patients, and currently we are in phase four.

In phase four, we are to introduce CADA-BOX in secondary medical zone units. In addition, further expansion of database. When we first started this business, our original plan was to collect many data from healthy people, then people who are likely to get disease and people suffering from disease, followed by what happen afterward, so-called individual time-series data as much as possible.

However, we could not collect data all at once. We started this company from 15 million. 15 years ago, everyone said the hardest part was to collect data from hospitals. Then we agreed to start from there focusing that as a target as a business model in phase one and phase two.

Then finally, we started the business of collecting individual time-series data of before and after the hospital from medical checkup from this fiscal year. This expands our database.

As for hospitals, previously we receive DPC data for one month, but with CADA-BOX, we will receive real time data with consent from individuals going forward. In addition, we intend to expand the database with data of medical checkup.

Thirdly, expansion of database usage business, and based on data, we intend to expand new businesses such as clinical trials and medical checkup.

The fourth is to collaborate with other companies. We intend to actively engage in M&A until the end of the next fiscal year. The reason for this collaboration with other companies is that we have a theme of unification of medical data in phase five. Based on this unified data, we plan for further expansion of data usage business and making new business proposal in various fields in phase five.

However, unification in general is mostly referring to collaboration among facilities. We send all data to individual as individuals move. If we collaborate among facilities, it takes enormous amount of money on equipment and maintenance every year. There are a number of cases in which local governments, etc. have budgeted hundreds of millions of yen and have done data collaboration between facilities with the aim of unifying medical data in the city or within the prefecture.

Then, a leading manufacturer creates a system. The system is operated for two years, run out of budget in the third year, short of maintenance budget, then the system becomes abandoned.

However, leading manufacturers have their reasons for collaboration among facilities because they get credit for selling the hardware, i.e. PC. We specialized in IT, so our basic thinking is we have various devices now like smartphone. Why bother to sell a PC?

As for data, if we send it back to individuals, then the only cost required is for changing the server. We spend money on security of servers. Therefore, collaboration among facilities is not needed at all. We are working on unification by sending all the data to individuals.

Our specialty area at the moment is acute phase hospitals. We do not cover clinics, home healthcare and nursing care. It takes enormous amounts of time if we create products covering these areas. Therefore, we are considering acquiring or signing special contracts with companies that are already active in these areas to fill in gaps in a short period of time.

Then the question comes down to can we actually do it? For example, if there is a company competing with us in home healthcare. If they connect with us, we already have a database to send back data to individuals and a viewer, security, ID, unification of data and everything.

Therefore, what we need to go through is about data entry. By working on data entry, we can differentiate ourselves from other companies. We target top five companies and visit each company to make proposals on collaboration.

I believe we can finish this by the end of next fiscal year. One of the themes in phase four is collaboration with other companies.

データ利活用の子会社連携イメージ

病院
クリニック
検診センター
CADA-BOX
データ集積
MDV medical.data.vision
2025年
医療ビッグデータ全体市場規模
約8,000億円(※)
アドホック
治験
MDV Trial
医師ネットワークでのセカンドオピニオン
Doctorbook
カルテコ・決済
CADA
化粧品・OTC等
MDV コンシューマー・ヘルスケア
製薬会社、医療系企業等
患者
生活者
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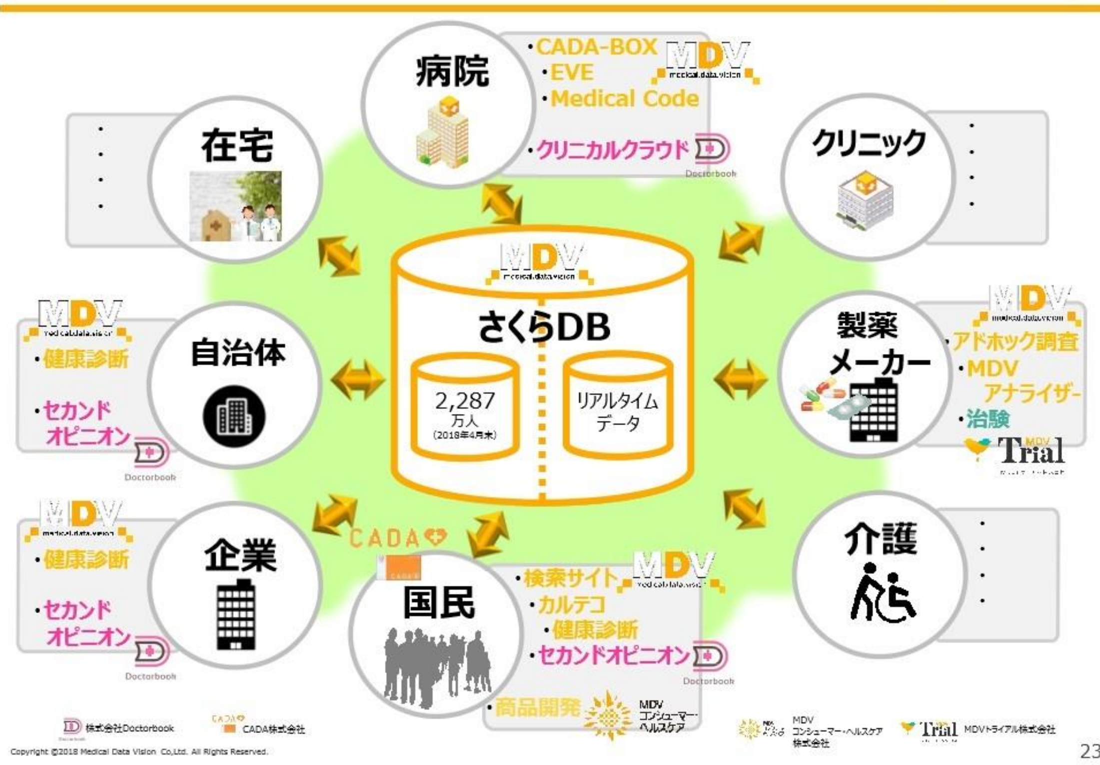
Regarding collaboration of our subsidiary companies on data utilization, we take data from each company and each company makes specific proposal to pharmaceutical companies, medical companies, patients and consumers. This is our plan of increasing revenues of the whole group.

We estimate that the market we can reach should be at least 800 billion yen by 2025. Now the question comes down the how much percentage of the 800 billion yen. Our subsidiary companies will develop new businesses in the growing market where we can reach.

MDVグループ マップ



Lastly, this is our group map. As I've talked about it a bit earlier, these are our business partners; hospital, home healthcare, clinic, pharmaceutical company. We put down names of the service next to each partner. If it's left blank without name of the service, that's the target of M&A or special contract. There will be new services in the blank part and we are preparing for that.

Data are gathered at Sakura Data Bank in the center and reflected in new businesses among groups that I've talked about. There is data for 23.98 million people at the end of July at Sakura Data Bank.

We have one existing DPC data and the other is CADA-BOX, real-time data that is increasing rapidly. Contents of data are stored in DPC data and CADA-BOX under Sakura Data Bank.

That concludes my explanation of 2Q. Most recently, we put up a booth at Japan Cancer Forum yesterday and the day before. There were various seminars for people who had or currently have cancer. I heard that there were over 3,000 visitors to the Forum in two days.

We put up a booth with the theme "Who has the clinical information?", and we conducted a survey and 663 people answered our survey. 98.4% answered it belongs to individuals.

Among those people who answered our survey, we asked 100 people to write an opinion or expectation on experience of cancer on the sticky note on the right side. Looking at those notes, we felt considerably strong demand on what we do centering on CADA-BOX and we aim to make progress as much as possible in the second half of the current fiscal year.

I'd be grateful if you take some time to look at those notes. This concludes my explanation. Thank you for your attention.

Question & Answer

Moderator: Let's move on to the Q&A. Those who ask questions, please state the name of your company and your name first. Does anyone have any questions? Please raise your hand, I'll bring a microphone.

Mori: I am Mori from Whiz Partners. Thank you for your constant cooperation.

I have an impression that explanation on data usage service was not enough. I believe clients of the data usage service are mostly pharmaceutical companies. I would like to ask you about actual growth. Which is true, the number of pharmaceutical companies is increasing? Or the number of pharmaceutical companies is not increasing, but the volume of service is increasing?

The other thing I find it interesting is there are many so-called bio ventures overseas including Japanese bio ventures conducting clinical development or considering clinical development in Japan. I would like you to tell us to the extent where you can disclose if you have any demand from those companies

Iwasaki: Regarding data usage service, so-called ad-hoc service that we write research on the requested topic is growing at 120%.

Regarding the question of the content of growth, we have business with front runner manufacturers in some form at least once. We put emphasis on increasing the number of companies we deal with at the beginning.

After all, in case of general market, I thought if anything was found to be good at a company, it can be utilized at many departments within the company. In reality, there is a project leader of each medicine. The project leader gives an order again, but does not pass that information to other people at a company.

Then we realized we have to approach each project leader. We increased the number of seminars to raise awareness for the last two years. That's the background of the growth.

In addition, we approach each person who can place orders at each department many times. That's our current situation. We have increase of orders due to this approach and I believe it has further room for growth.

As for bio ventures, we have not had any demand from bio ventures so far.

Moderator: Do you have any other questions?

Nagata: I am Nagata from Ichiyoshi Research Institute. I would like to ask a question on the current status of introduction of CADA-BOX on page 13. The other question is about Sakura Database.

As for the status of CADA-BOX, I have an impression that the number of prospective orders are increasing. You had a new order in 2Q. I would like you to tell us that among prospective orders, how many of them are at the stage that had already budgeted. When you talk about within this fiscal year, how many out of 24?

Iwasaki: First, we have 67 and 27. As for 27, the director of hospitals announced introduction to hospitals and secured a budget.

And the rest, 67 minus 27, the director of hospitals showed intention of introduction and currently talking to key people within the hospital.

It sounds only slightly different, but actually it is very different. The director of hospitals announced introduction in the former case, and the director of hospitals would like to introduce as it is a good product in the latter case.

Nagata: This 27 is ready for a contract once commitment is made within the hospital?

Iwasaki: Ready to place orders soon.

Nagata: I see. As for Sakura Database, apart from acute phase hospitals, there are collaboration partners or M&A. Basically, collaboration partners can use your data.

Is there a possibility that the function of capturing data from municipal government or a general clinic included in Sakura Data Bank will be implemented?

Iwasaki: We'll definitely have that function in Sakura Data Bank. However, definition of Sakura Data Base is to upload data by a patient and exclude data without consistency. As for clinic, we intend to capture data to Sakura Data Bank within the definition that clinic staff actually faces the content.

Nagata: Is it a correct understanding that raising those data to the stage of data usage going forward is a future business?

Iwasaki: Yes. For clinical trial, there are many clinical trials using data of clinics, so the data will be utilized for that kind of purpose.

Moderator: Any other questions?

This concludes the 2Q Financial Results Briefing for the Fiscal Year Ending December 2018. We truly appreciate you took time to attend this meeting in a busy schedule.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia*

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