

MEDICAL DATA VISION CO., LTD (3902 JP)**RECOVERY IN DATA UTILISATION SERVICES RESULTED IN QUICKER THAN EXPECTED PROFIT RECOVERY.****EXECUTIVE SUMMARY****➤ FY25 Q1 results summary**

Medical Data Vision [MDV] reported FY25 Q1 (Dec year-end) results with sales coming in largely in line with the firm's guidance while operating profit [OP] was higher than expected. The firm produced Q1 gross profit [GP] of 1,085mil (+3.8% YoY) and OP of ¥17mil (-67.6% YoY) on sales of ¥1,532mil (+10.4% YoY). The sales increase was achieved thanks to improved sales in the Data Utilisation segment.

➤ Will MDV be able to achieve the medium-term plan [MTP] target in FY25?

MTP's profit targets remain unchanged, guiding for FY25 OP of ¥2,600mil and RP of ¥2,500mil. While the sales target was revised down from ¥10,000mil to ¥9,000mil, largely due to more conservative forecasts on Karteco, MDV views the RP target to be achievable. The firm proactively invested in FY24 to capture growth in FY25. Issues that dragged sales down in FY24 have already been remedied.

➤ Shareholders Return

MDV's shareholders return policy offers an annual dividend pay-out ratio of 20%+. The firm paid an annual dividend of ¥6.5/share in FY24 (in line with guidance and unchanged from FY23) on a net loss/share of -¥20.73 and generated a DOE of 6.7%. MDV aims to pay an annual dividend of ¥9.00/share in FY25, which will generate a pay-out ratio of 20.6%.

MDV (3902 JP) : Share Information						
Market Cap (¥mil)		15,800	Market Cap (\$mil)		109	
22-day Average Trading Volume (¥mil)		51	22-day Average Trading Volume (\$mil)		0.35	
Share performance (%)	3902	TOPIX	Earnings Summary (¥mil, %)	FY23	FY24	FY25 CE
Share price (¥, 3 June 2025)	395	2771.11	Sales	6,419	5,906	9,000
3mo (from 3 Mar 2025)	-2.5	1.5	OP	1,770	3	2,600
6mo (from 3 Dec 2024)	-9.4	0.6	OPM (%)	27.6	0.1	28.9
YTD (from 6 Jan 2025)	-5.3	0.5	EBITDA	1,818	105	2,700*
1yr	-25.0	-1.0	EPS (¥)	25.63	-20.73	43.59
5yrs	-63.2	87.5	Financial Leverage (X)	1.4	1.5	1.5*
Per-share and Valuations	3902	TOPIX	Net D/E Ratio (X)	0.8	0.5	-0.4*
EPS (¥, FY25 CE)	43.59	182.48	FCF	1,179	-1,469	2,000*
DPS (¥, FY25 CE)	9	N/A	Shareholder Return Summary	FY23	FY24	FY25 CE
BPS (¥, FY24)	81.7	1875.16	Dividend (¥)	6.5	6.5	9.0.
FCFPS (¥, FY25EST)	50.00*	N/A	Dividend Payout (%)	25.4	-	20.6
Forward PER	9.1	14.82	Dividend Yield (%)	N/A	N/A	2.1
PBR (x)	4.8	1.48	DOE (%)	N/A	6.7	8.2
PCFR (x)	7.9	N/A	Treasury Shares (%)	N/A	5.4	5.4*
EV/EBITDA	6.0	N/A	ROE (%)	23.0	N/A	29.0

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / *Nippon-IBR estimates

FY25 Q1 RESULTS SUMMARY

Medical Data Vision's [MDV] FY25 Q1 (Dec year-end) sales performance was largely in line with the firm's guidance while the operating profit [OP] was higher than expected. The firm produced Q1 FY25 Q1 earnings landed at gross profit [GP] of ¥1,085mil (+3.8% YoY) and OP of ¥17mil (-67.6% YoY) on sales of ¥1,532mil (+10.4% YoY). The sales increase was achieved thanks to improved sales in the Data Utilisation segment. FY25 Q1 OP moved into the black earlier than expected, thanks to lower COGS and SG&A than budget.

The gross profit margin [GPM] continues to contract, declining from 73.3 % in FY24 to 70.9% (-4.4ppt YoY) in FY25 Q1. FY25 Q1 COGS rose +¥103mil / +30.2% YoY to ¥446mil, of which +¥79mil YoY was primarily due to higher costs related to cloud-based services.

MDV (3902 JP): Earnings Summary									
(¥mil)	FY23			FY24			FY25		
	Q1	1H	FY	Q1	1H	FY	Q1	YoY (%)	QoQ (%)
Sales	1,559	3,002	6,419	1,388	2,780	5,906	1,532	10.4	-14.0
GP	1,238	2,345	5,031	1,045	2,061	4,331	1,085	3.8	-14.9
GPM (%)	79.4	78.1	78.4	75.3	74.1	73.3	70.9	-4.4ppt	-0.8ppt
SG&A	815	1,625	3,260	991	2,034	4,327	1,068	7.7	-5.6
SG&A / Sales (%)	52.3	54.1	50.8	71.4	73.2	73.3	69.7	-1.7ppt	+6.1ppt
OP	423	719	1,770	53	26	3	17	-67.6	-87.9
OPM (%)	27.2	24.0	27.6	3.9	1.0	0.1	1.1	-2.8ppt	-7.0ppt
RP	424	700	1,700	22	-32	-509	20	-8.6	N/A
RPM (%)	27.2	23.3	26.5	1.6	-1.2	-8.6	1.4	-0.2ppt	+17.1ppt
NP*	275	445	979	-15	-86	-791	12	N/A	N/A
Dividend (¥)	N/A	N/A	6.5	N/A	N/A	6.5	N/A	N/A	N/A

Source: Nippon-IBR based on MDV's earnings results materials
 * NP attributed to the parent's shareholders

PERFORMANCE BY SEGMENT

MDV's business portfolio is largely divided into two segments:

1. Data Network Services

Data Network Services comprise the following services: (1) MDV Act, (2) Alpha Salus, and (3) Karteco. Segment sales are generated from (1) stock (recurring) revenue from these three services, (2) flow revenue from initial fees, and (3) new businesses.

In FY25 Q1, the on-premises and cloud-based MDV Act services for DPC hospitals was the main contributor to the segment's quarterly stock (recurring) revenue rise of +0.9% YoY / -0.5% QoQ to ¥222mil. Flow revenue increased +69.1% YoY / -1.8% QoQ to ¥82mil due to change in recognition of revenues from subsidiary, System B-α – sales of which have been included in both stock and flow revenues from FY24 Q3. Furthermore, sales of Karteco (¥4mil) are included in the stock revenue of ¥222mil. The table below shows Karteco sales independently.

MDV Act: Stock revenue is still primarily generated from the on-premises service for DPC (Diagnosis Procedure Combination) hospitals, while the firm promotes existing customers to shift to the cloud-based MDV Act. The number of DPC hospitals that use MDV Act rose from 1,279 in FY24 Q4 to 1,333 in FY25 Q1, of which 681 hospitals are fee-paying. The number of fee-paying hospitals increased from 652 hospitals in FY24 Q1, to 674 hospitals in FY24 Q2, to 683 hospitals in FY24 Q3, then hit 689 hospitals in FY24 Q4.

Data Network Service New Sales Breakdown (Quarterly)											
(¥mil)	FY23				FY24				FY25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)	QoQ (%)
Data Network Total	388	334	330	409	332	293	274	322	321	-3.2	-0.1
Flow Revenue (initial fees)	72	61	24	97	48	1	37	83	82	69.1	-1.8
Recurring Revenue (monthly subscription fees)	230	212	212	220	220	208	217	218	217	-0.9	-0.3
New Businesses (subsidiaries)	86	60	93	90	63	82	14	15	17	-72.4	13.9
Karteco	-	-	-	-	0	0	4	4	4	N/A	0.0
Other services	147	124	130	118	127	122	139	126	157	23.0	24.3

Source: Nippon-IBR based on MDV's earnings results materials

Alpha Salus: Onboarding of the health check system recommenced in FY23 Q4, which improved the number of health check facilities that have introduced MDV's system to 100 facilities. However, this fell to 97 facilities in FY24 Q2 and then declined further to 86 facilities in Q4 due to existing customers switching to competitor systems.

MDV had to suspend the promotion and onboarding of new customers due to a new bug found in the system during Q1~Q3 and followed up with a system test in Q4. Now that the debugging issue has been dealt with, the firm's focus will be on how to onboard more than 20 customers which are currently included in order backlogs as of FY25 Q1. Meanwhile, the firm is ready to onboard 100 facilities a year and will accelerate onboarding in 2H.

Karteco: One of the segment's potential growth drivers is Karteco, a service ultimately used by consumers to monitor their health records online or via an app. MDV launched a large-scale promotion campaign to boost the number of downloads [DLs] for the service in FY24 and continued the promotion in FY25 Q1. While the advertisement boosted Karteco app DLs to 941,201 vs. 873,681 as of Dec 2024 and vs. the target of 1.4mil in FY25. However, number of fee-paying Karteco users is still some 2%, having earned ¥4mil of stock revenue in Q1.

2. Data Utilisation Services

Sales of Data Utilisation Services landed better than company estimate, producing Q1 sales of ¥1,053mil (+13.5% YoY / -20.9% QoQ). Sales of ad hoc, medical data survey analysis services rose +16.0% YoY / -26.5% QoQ to ¥814mil, thanks to improved team of sales and marketing force with capabilities to attract higher-value ad hoc services.

MDV analyzer sales rose +5.5% YoY / +6.3% QoQ to ¥238mil in FY25 Q1, thanks to the increase in users opting to employ MDV analyzers for multiple services, such as DPC data set (number of patients, prescription dosage, number of days prescribed etc) and that of insurance patients' data. Consequently, ARPU improved.

Data Utilisation Service Segment: Sales Breakdown by Service (Quarterly)											
(¥mil)	FY23				FY24				FY25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)	QoQ (%)
Data Utilisation Total	1,022	984	1,023	1,403	928	976	931	1,332	1,053	13.5	-20.9
MDV analyzer	217	226	213	208	225	227	225	224	238	5.5	6.3
Medical data survey analysis	805	758	810	1,195	702	748	706	1,108	814	16.0	-26.5

Source: Nippon-IBR based on MDV's earnings results materials

FY25 OUTLOOK

FY25 is the last year of the ongoing 3-year medium-term management plan [MTP]. The firm aims to achieve OP of ¥2,600mil and RP of ¥2,500mil by FY25, a significant jump from FY24's OP of ¥3mil. The firm guides for FY25 sales of ¥9,000mil (+52.4% YoY), which will comprise Data Network Service sales of ¥2,220mil (+81.6% YoY), Data Utilisation Service sales of ¥6,100mil (+46.3% YoY) and sales of Other Services of ¥ 680mil (+31.8% YoY). Although Q1 OP landed better than expected, moving into the black, MDV has maintained its original guidance for FY25.

MDV (3902 JP): Earnings Guidance							
(¥mil)	FY20	FY21	FY22	FY23	FY24	FY25	
	FY	FY	FY	FY	FY	FY CE	YoY (%)
Sales	4,579	5,672	6,104	6,419	5,906	9,000	52.4
OP	1,146	1,594	1,758	1,770	3	2,600	N/A
RP	1,148	1,592	1,750	1,700	-509	2,500	N/A
RPM (%)	25.1	28.1	28.7	26.5	-8.6	27.8	N/A
NP*	700	1,087	870	979	-791	1,650	N/A
Dividend (¥)	3.6	5.6	6.0	6.5	6.5	9.0	38.5

Source: Nippon-IBR based on MDV's earnings results materials
 * NP attributed to the parent's shareholders

In Data Network Service, MDV is guiding for FY25 segment sales to surge +81.6% YoY to ¥2,220mil due to the following factors:

- The largest increase (+¥817mil YoY) is expected to come from Alpha Salus. The firm aims to onboard 77 medical check-up facilities to the system with the average initial payment of approx. ¥10mil per facility. Of the targeted 77 facilities, the firm has already accumulated more than 20 order backlogs during FY24.
- Karteco sales are estimated expand 10-fold /+¥90mil YoY to approx. ¥100mil, a much more conservative forecast than that of FY24 (¥520mil) to reflect sales of the Karteco app in FY24. The firm analyses activities of app users to grow fee-paying user numbers. There are, respectively, approx. 5mil dog and cat owners in Japan, but only 2.5% of dog owners and 3.2% of cat owners have used some sort of pet health monitoring apps, consequently, MDV sees vast potential to capture market share in this market. Furthermore, in addition to SMN Corp. (6185 JP), a Sony group company, six companies including those from the warehouse and logistics sector have already placed an order for Karteco workwell, which enables employers to support the mental health of their employees.
- MDV Act is forecast to rise +¥57mil YoY, supported by stable revenue flow from existing hospitals as well as cross selling newly released fee-paying functions.

Data Utilisation Service sales are guided to expand +46.3% YoY to +¥1,931mil in FY25 on the back of:

- Organic growth by reinforcing the marketing team and result in greater contributions from new sales staff who joined the firm in FY24, as well as more profitable returns from existing staff members.
- In addition to ad hoc services, MDV will start a consulting service mainly to pharmaceutical companies' marketing teams, so as to support them utilising real world data.

MDV assumes FY25 COGS will expand +¥457mil YoY (+29.0% YoY) for AWS data centre-related costs and cloud-based services vs a sales increase of +¥3,093mil YoY (+52.4% YoY). In SG&A, personnel costs are budgeted to rise +¥388mil YoY and support costs to increase +¥101mil YoY. However, the higher SG&A costs will be offset by a reduction in Karteco-related costs such as advertisements (-¥236mil YoY) and R&D (-¥241mil YoY).

SHAREHOLDER RETURNS

MDV's shareholders return policy offers an annual dividend pay-out ratio of 20%+. In FY25, MDV aims to pay ¥9.00/share, which generates a dividend pay-out ratio of 20.6%. In FY24, MDV paid a planned dividend of ¥6.5/share, no change from FY23, on a net loss/share of -¥20.73, primarily due to 1) a -¥514mil loss from investments including a -¥400mil impairment loss on SENSING, and 2) an extraordinary loss from valuation losses on investment securities (-¥127mil). The ¥6.5/share dividend also translates to DOE of 6.7%.

As of December 2024, 5.4% of shares outstanding remained as treasury shares. Between September 2024 and March 2025, the firm repurchased total of 340,000 shares (approx. ¥152mil). For the medium-term plan, MDV has not yet detailed the additional shareholder return policy.

GENERAL DISCLAIMER AND COPYRIGHT

This report has been commissioned by Medical Data Vision Co., Ltd. [MDV] (the Sponsor) and prepared and issued by Nippon Investment Bespoke Research UK Ltd (Nippon-IBR), in consideration of a fee payable by MDV. Fees are paid on delivery of the report in cash without recourse. Nippon-IBR may seek additional fees for the provision of follow-up research reports and associated IR services for the Sponsor but does not get remunerated for any investment banking services. We never take payment in stock, options, or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however Nippon-IBR does not guarantee the accuracy or completeness of this report and has not sought for this information to be independently verified. Opinions contained in this report represent those of the Nippon-IBR analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Nippon-IBR shall not be liable for any direct, indirect, or consequential losses, loss of profits, damages, costs, or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Nippon-IBR's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Nippon-IBR has a restrictive policy relating to personal dealing and conflicts of interest. It does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees, and contractors of Nippon-IBR may have a position in any or related securities mentioned in this report, subject to its policies on personal dealing and conflicts of interest.

Copyright: Copyright 2025 Nippon Investment Bespoke Research UK Ltd.

For further enquiry, please contact:

Nippon Investment Bespoke Research UK Ltd
118 Pall Mall
London SW1Y 5EA
TEL: +44 (0)20 7993 2583
Email: enquiries@nippon-ibr.com



Research Beyond Horizons
Japanese Equity Specialist

Nippon Investment Bespoke Research UK Ltd (formerly known as NIB Research UK Ltd.) is registered in England and Wales (9100028) and is authorised and regulated by the Financial Conduct Authority (FRN: 928332).