

MEDICAL DATA VISION CO., LTD (3902 JP)**UPFRONT COSTS LED TO A LOSS IN 1H. FY25 GUIDANCE UNCHANGED DESPITE CHALLENGING 2H OUTLOOK****EXECUTIVE SUMMARY****➤ FY25 1H results summary**

Medical Data Vision [MDV] reported FY25 1H (Dec year-end) results with sales coming in largely in line with the firm's guidance while reporting an operating loss in Q2, on higher costs [COGS and personnel] incurred to boost sales in 2H. MDV produced 1H gross profit [GP] of ¥2,126mil (+3.2% YoY) and an operating loss of -¥5mil (vs FY24 1H OP of ¥26mil) on sales of ¥3,034mil (+9.1% YoY). The topline increase was achieved thanks to improved sales in the Data Utilisation segment.

➤ Potential shortfall risks to FY25 guidance

The firm guides for full-year 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). Given the 1H performance, there are two potential risks to achieving the FY25 guidance: (1) the onboarding of 77 new customers to Alpha Salus sales vs the current order backlog of 35, and (2) achieving the Data Utilisation Services target for sales to double HoH in 2H.

➤ 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 at the beginning of this fiscal year, 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 hindered sales growth 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)		23,200	Market Cap (\$mil)			158
22-day Average Trading Volume (¥mil)		190	22-day Average Trading Volume (\$mil)			1.3
Share performance (%)	3902	TOPIX	Earnings Summary (¥mil, %)	FY23	FY24	FY25 CE
Share price (¥, 25 Aug 2025)	580	3105.49	Sales	6,419	5,906	9,000
3mo (from 26 May 2025)	48.7	12.85	OP	1,770	3	2,600
6mo (from 25 Feb 2025)	30.6	13.98	OPM (%)	27.6	0.1	28.9
YTD (from 6 Jan 2025)	39.1	12.67	EBITDA	1,818	105	2,700*
1yr	7.2	16.69	EPS (¥)	25.63	-20.73	43.59
5yrs	-66.7	93.50	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	176.93	FCF	1,179	-1,469	2,000*
DPS (¥, FY25 CE)	9.0	N/A	Shareholder Return Summary	FY23	FY24	FY25 CE
BPS (¥, FY25 CE)	104.69*	1953.14	Dividend (¥)	6.5	6.5	9.0
FCFPS (¥, FY25EST)	50.00*	N/A	Dividend Payout (%)	25.4	-	20.6
Forward PER	13.31	14.82	Dividend Yield (%)	N/A	N/A	2.1
PBR (x)	5.5	1.59	DOE (%)	N/A	6.7	8.2
PCFR (x)	11.6	N/A	Treasury Shares (%)	N/A	5.4	5.4*
EV/EBITDA	7.9	N/A	ROE (%)	23.0	N/A	29.0

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

FY25 1H RESULTS SUMMARY

Medical Data Vision's [MDV] FY25 1H (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 FY25 1H gross profit [GP] of ¥2,126mil (+3.2% YoY) and operating loss of -¥5mil (vsFY24 1H OP of ¥26mil) on sales of ¥3,034mil (+9.1% YoY). The sales increase was achieved thanks to improved sales in the Data Utilisation segment.

In Q2 alone, sales improved +7.9% YoY to ¥1,502mil (-2.0% QoQ). However, primarily due to a -¥22mil / -27.1% QoQ decline in the flow revenue of Data Network Services and higher COGS (+¥14mil) for insurance data sales-related costs, the firm reported operating losses of -¥22mil (vs Q1 OP of ¥17mil and FY24 Q2 operating loss of -¥26mil). Personnel cost expanded +14.8% YoY due to an increase in salaries (+¥59mil YoY) and recruitment costs (+¥10mil YoY).

The gross profit margin [GPM] continues to contract, declining from 70.9% in FY25 Q1 69.3% in Q2. In Q2 alone, COGS rose +¥84mil / +22.5% YoY to ¥461mil (+3.3% QoQ), of which +¥42mil YoY was mainly due to higher costs related to cloud-based services and +¥26mil YoY for the aforementioned insurance costs.

MDV (3902 JP): Earnings Summary						
(¥mill / Dec year-end)	FY23		FY24		FY25	
	1H	FY	1H	FY	1H	YoY (%)
Sales	3,002	6,419	2,780	5,906	3,034	9.1
GP	2,345	5,031	2,061	4,331	2,126	3.2
GPM (%)	78.1	78.4	74.1	73.3	70.1	-4.0ppt
SG&A	1,625	3,260	2,034	4,327	2,131	4.8
SG&A / Sales (%)	54.1	50.8	73.2	73.3	70.3	-2.9ppt
OP	719	1,770	26	3	-5	N/A
OPM (%)	24.0	27.6	1.0	0.1	-0.2	-1.1ppt
RP	700	1,700	-32	-509	3	N/A
RPM (%)	23.3	26.5	-1.2	-8.6	0.1	+1.3ppt
NP*	445	979	-86	-791	-10	N/A
Dividend (¥)	N/A	6.5	N/A	6.5	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 1H, the on-premises and cloud-based MDV Act services for DPC hospitals was the main contributor to the segment's 1H stock (recurring) revenue rise of +0.9% YoY to ¥433mil. Flow revenue increased +181.9% YoY to ¥141mil due to 1) easier comps from removal of sales from a year ago, and 2) an increase in sales of consulting service to hospitals.

MDV Act: Stock revenue is still primarily generated from the on-premises service for DPC (Diagnosis Procedure Combination) hospitals, while MDV is encouraging its existing customers to shift to the cloud-based MDV Act service. The number of DPC hospitals that use MDV Act rose from 1,279 in FY24 Q4 to 1,333 in FY25 Q1 and then to 1,389 hospitals as of Q2, of which 701 are fee-paying. The number of fee-paying hospitals increased from 689 in FY24 Q4, to 681 in FY25 Q1, and reached 701 in FY25 1H, in line with plan.

Data Network Service New Sales Breakdown (Quarterly)												
(¥mill / Dec year-end)	FY23				FY24				FY25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
Data Network Total	388	334	330	409	332	293	274	322	321	278	-5.0	-13.4
Flow Revenue (initial fees)	72	61	24	97	48	1	37	83	82	59	N/A	-27.1
Recurring Revenue (monthly subscription fees)	230	212	212	220	220	209	217	218	217	206	N/A	-5.3
New Businesses (subsidiaries)	86	60	93	90	63	82	14	15	17	7	N/A	-55.4
Karteco	-	-	-	-	0	0	4	4	4	4	N/A	4.9
Other services	147	124	130	118	127	122	139	126	157	140	14.6	-10.8

Source: Nippon-IBR Based on MDV's earnings results materials / *YoY figures are not available due to New Business revenue was reallocated in FY24 Q3.

Alpha Salus: Although the debugging issue has been dealt with, the onboarding of customers (health check facilities) was delayed. Consequently, MDV has not actively marketed the system to prospective customers. The firm aims to restructure the onboarding process so as to recognise revenue in Q4. Currently, it has an order backlog of 35 customers vs the firm's plan to onboard about 77 customers in FY25.

Karteco: FY25 1H revenue from Karteco, a service ultimately used by consumers to monitor their health records online or via an app, is increasing but it was a mere ¥9mil (nil in FY24 1H, and ¥4mil in FY25 Q1), generated from fee-paying subscriptions of the Karteco app and Karteco workwell.

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. The advertising effort boosted Karteco app DLs to 941,201 in FY25 Q1 to 1,028,882 in FY25 Q2, and the firm is targeting 1.4mil DLs in FY25. The number of fee-paying Karteco users is still only 2%, and the churn of fee-paying subscribers remains an issue. Increasing fee-paying Karteco users and maintaining them are key for growth.

Meanwhile, the promotion of Karteco workwell, which enables employers to support the mental health of their employees, was launched, aiming at the transportation and passenger industries.

2. Data Utilisation Services

Data Utilisation Services sales were ahead of guidance, coming in at ¥2,136mil (+12.2% YoY) for the 1H. In Q2 alone, segment sales were ¥1,083mil (+11.0% YoY / +2.9% QoQ). Sales of ad hoc, medical data survey analysis services rose +14.5% YoY to ¥1,661mil, thanks to the success of the firm's revamped sales team and marketing force in attracting higher-value ad hoc services. In Q2 alone, sales of medical data survey analysis services reached ¥847mil (+13.1% YoY / +3.9% QoQ).

MDV analyzer sales rose +4.7% YoY to ¥474mil in FY25 1H, 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. In Q2 alone, the service reported sales of ¥236mil (+3.9% YoY / -0.8% QoQ).

Data Utilisation Service Segment: Sales Breakdown by Service (Quarterly)												
(¥mil / Dec year-end)	FY23				FY24				FY25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
Data Utilisation Total	1,022	984	1,023	1,403	928	976	931	1,332	1,053	1,083	11.0	2.9
MDV analyzer	217	226	213	208	225	227	225	224	238	236	3.9	-0.8
Medical data survey analysis	805	758	810	1,195	702	748	706	1,108	814	847	13.1	3.9

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]. MDV 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 full-year 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).

While 1H ended with an operating loss, management expects a return to profits in 2H, therefore MDV has maintained its original guidance for FY25; The loss resulted from proactively spending to improve the services, the efforts of which is expected to generate sales from 2H onwards.

MDV (3902 JP): Earnings Guidance							
(¥mill / Dec year-end)	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

Within Data Network Services, earnings risks still remain with Alpha Salus. However, MDV expects a strong boost in sales in Q4, thus has maintained its full year guidance for segment sales to surge +81.6% YoY to ¥2,220mil, driven by:

- Alpha Salus: MDV expects to see the largest increase (+¥817mil YoY) in sales to come from this service. The firm aims to onboard 77 medical check-up facilities to the system with the average initial payment of approx. ¥10mil/facility. As of FY25 1H, the firm has already secured an order backlog for 35 facilities.
 - Karteco sales are estimated expand 10-fold /+¥90mil YoY to approx. ¥100mil. This is a much more conservative forecast than that of FY24 (¥520mil) to reflect sales of the Karteco app in FY24. MDV analyses app user's activity 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- / up-selling newly released fee-paying functions.

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

- Organic growth by (1) reinforcing the marketing team and result in greater contributions from new sales staff who joined the firm in FY24, and (2) seeing more profitable returns from existing staff members. MDV guides for a significant jump in 2H sales of the Data Utilisation Service sales. Although seasonality favours the Q4, 2H sales of the service is expected to reach about ¥4,000mil (+2.2x YoY / +2.4x HoH).
- 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 loss from investments (-¥514mil) 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).