Medical Data Vision | 3902 |

On **May 12, 2016,** Medical Data Vision announced Q1 FY12/16 results and stock split.

Results

Cumulative (JPY mn)	FY12/15 Q1	Q2	Q3	Q4	FY12/16 Q1	Q2	Q3	Q4	FY12/16 % of FY Est.	FY CE
Sales	478	954	1,687	2,414	519				17.3%	3,000
YoY	23.8%	22.2%	30.7%	23.7%	8.6%					24.3%
CoGS	93	202	383	516	94					na
YoY	23.4%	21.2%	52.2%	34.2%	1.5%					na
CoGS / sales	19.4%	21.2%	22.7%	21.4%	18.1%					na
Gross profit	385	752	1,304	1,897	425					na
YoY	23.9%	22.5%	25.5%	21.2%	10.3%					na
GPM	80.6%	78.8%	77.3%	78.6%	81.9%					na
SG&A expenses	364	781	1,204	1,615	413					na
YoY	28.0%	30.1%	26.9%	23.7%	13.7%					na
SG&A expenses / sales	76.1%	81.8%	71.4%	66.9%	79.6%					na
Operating profit	22	-29	100	282	12				3.9%	302
YoY	-19.5%	nm	11.3%	8.4%	-45.6%					7.1%
OPM	4.5%	-3.0%	5.9%	11.7%	2.3%					10.1%
Non-operating profit / expenses	-1	-1	-2	-2	-1					na
Recurring profit	21	-30	99	280	11				3.8%	300
YoY	-21.6%	nm	11.6%	12.7%	-46.6%					7.1%
RPM	4.4%	-3.2%	5.8%	11.6%	2.2%					10.0%
Extraordinary profit / loss	-1	-1	-1	-18	-					na
Taxes	10	-7	41	98	6					na
Net profit	11	-24	57	164	5				3.1%	174
YoY	-9.1%	nm	36.0%	21.1%	-50.6%					6.6%
NPM	2.3%	-2.5%	3.4%	6.8%	1.0%					5.8%

Source: Shared Research based on company data
Note: Figures are rounded to the nearest million yen.

In Q1 FY12/16, the company reported sales of JPY519mn (+8.6% YoY), operating profit of JPY11mn (-45.6%), recurring profit of JPY11mn (-46.6%), and net income of JPY5mn (-50.6%). Progress toward FY12/16 forecasts were sales 17.3%, operating profit 3.9%, recurring profit 3.8% and net income 3.1%.

The company provides data utilization services mainly to foreign companies, and given the buying period, sales of the company increases each quarter as it moves toward the end of its fiscal year (Q4 being the highest). Incidentally, looking at the progress of Q1 FY12/15 toward FY12/15, sales were 19.8%, operating profit 7.7%, recurring profit 7.6%, and net income 11.9%.

The initial forecast for FY12/16 remains unchanged.

External environment

In the healthcare industry, which is the company's main business domain, the government continues to advance in reforming the healthcare system. The medical administration in Japan works toward the realization of a future healthcare and nursing care system in 2025 per the social security and tax system reforms, and is trying to divide the functions of medical institutions. For example, the administration has been promoting the use of a system to report bed usage in hospitals by prefecture in order to understand how the beds are being used. In light of future projections in population, the medical administration will determine the functions and necessity of hospitals in each region. Based on this, each medical institution was asked to continue strict correspondence. The 2006 medical fee revisions focused on stricter adherence to the basic hospitalization charges for general ward hospitals with a 7 to 1 ratio*, division of hospital functions, and expanding at-home medical treatment.

Basic hospitalization charges for general hospitals with a 7 to 1 ratio: Seven patients per one full-time nurse lead to a better healthcare system than the conventional ten patients to one nurse system, so hospitals with this system receive more medical service fees. This enables more safe and reliable nursing care. This was newly established through the 2006 medical fee revision.

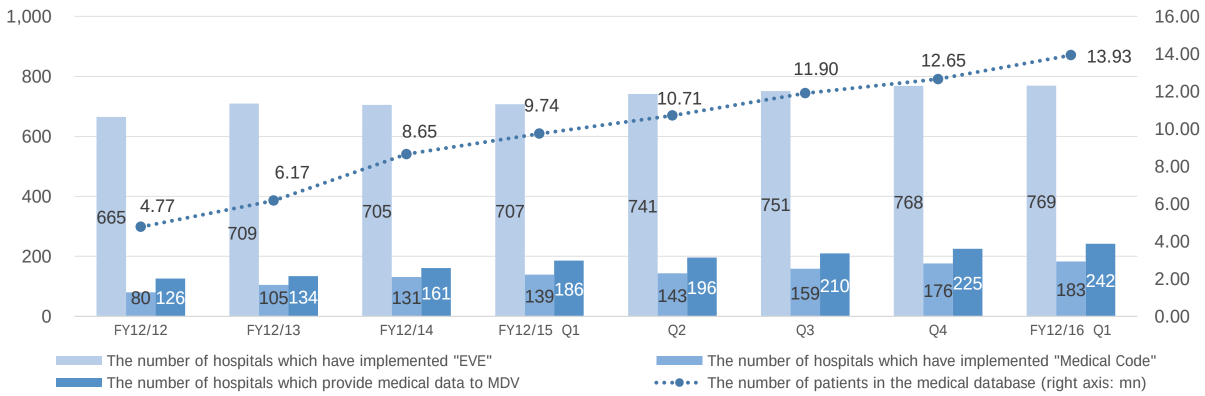
Number of user companies and database scale

Based on the changes in the external environment described above, the number of hospitals along with the amount data accumulated by the company have been increasing at a steady rate.

The data network service mainly conducts packaged sales to medical institutions, and at end Q1 FY12/16, 769 hospitals were using the DPC analysis benchmark system EVE, making it the largest DPC benchmark database in the private sector. In addition, the management support system Medical Code for hospitals was installed at 183 hospitals. For data utilization services for pharmaceutical companies, medical data analysis tool MDV analyzer was being used by 11 companies.

As big data gathers attention in the medical related industry, the company's DPC database in Q1 FY12/16 included data from 242 hospitals (13.9mn patients). In April, 2016, the database increased to 246 hospitals (14.2mn patients), which corresponds to 1 out of 9 of the Japanese population.

The company's large-scale medical database utilization service is provided to pharmaceutical companies, research institutions, OTC and H&BC companies. It also started to provide services to the insurance industry.



Source: Shared Research based on company data

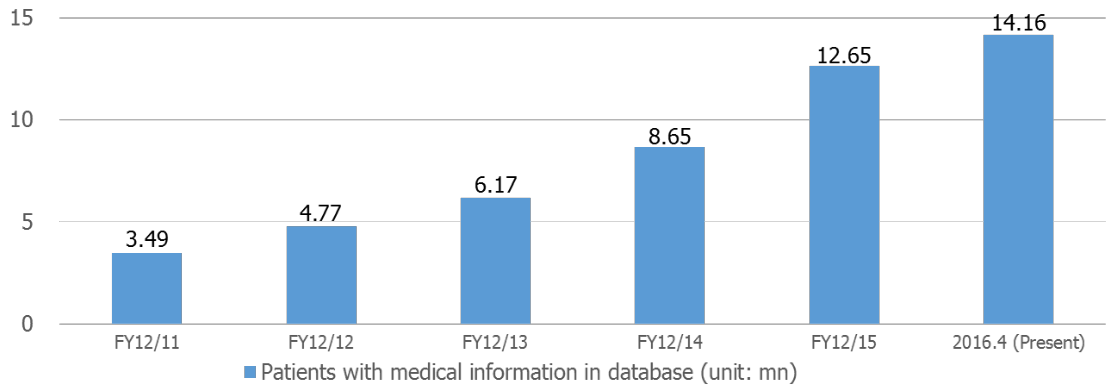
Stock split

The company also announced a stock split along with results of Q1 FY12/16. As of July 1, 2016, listed shareholders and registered shareholders up to June 30, 2016, will receive two stocks for every one stock owned. The purpose of this split is to expand the base of investors by establishing a more investor-friendly environment through the reduction in unit price and improved liquidity. The number of shares outstanding will increase from 4,725,800 shares (as of May 12, 2016) to 9,451,600 shares.

On **May 2, 1016**, the company, which continues to promote its medical information network, made an announcement regarding the status of its medical information database as of April 30, 2016.

As of April 30, 2016, the company's extensive medical information database contained medical data on 14.2mn patients, with 246 hospitals (including 101 cancer hospitals) providing medical data upon receiving patient consent for secondary use. This means the database includes data for one in nine Japanese citizens.

No. of patients in database	14.2mn
No. of hospitals providing data	246



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