

**MEDICAL DATA VISION CO., LTD (3902 JP)****NO CHANGE IN MEDIUM-TERM TARGET ASSUMING GROWTH AFTER UPFRONT INVESTMENTS MADE IN FY24****EXECUTIVE SUMMARY****➤ Revision to FY24 Guidance**

MDV revised down its full-year FY24 guidance (discussed in more details on p.5) given the Q3 result [Q1~Q3 gross profit [GP] of ¥3,055mil (-12.8% YoY), operating loss of -¥140mil (vs FY23 Q3 OP of ¥1,111mil) on sales of ¥4,125mil (-8.1% YoY)], due to (1) the delay to the onboarding of the firm's cloud-based health check system solution Alpha Salus as the debugging process continued through to September, and (2) a delay in mobilising potential users of the new content (no-contact vital sensing for cats) for MDV's personal health management app Karteco, as the planned large-scale advertising campaign was pushed back following a delay in the launch of the content. The firm had already assumed higher costs and upfront investments for FY24 hence the decline in profits due to: (1) higher COGS (+¥491mil) associated with Karteco and other cloud-based services, (2) higher personnel costs (+¥351mil), and (3) a +¥434mil increase in advertisement and promotion costs on Karteco.

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

Yes. MTP's targets remain unchanged [FY25 RP of ¥2,500mil+ (CAGR of +16.1%+, on FY22 as the base year) on sales of ¥10,000mil (CAGR of +16.7%+)] solely from organic growth of its existing businesses. The firm proactively spent the aforementioned upfront investments 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 is guiding for FY24 annual dividend of ¥6.5/share (unchanged from FY23) and generates a dividend pay-out ratio of 138.0% based on the revised FY24 EPS forecast of ¥4.71.

**MDV (3902 JP): Share Information**

|                                      |        |          |                                       |       |       |        |
|--------------------------------------|--------|----------|---------------------------------------|-------|-------|--------|
| Market Cap (¥mil)                    |        | 17,400   | Market Cap (\$mil)                    |       |       | 116    |
| 22-day Average Trading Volume (¥mil) |        | 151      | 22-day Average Trading Volume (\$mil) |       |       | 1.0    |
| Share performance (%)                | 3902   | TOPIX    | Earnings Summary (¥mil, %)            | FY22  | FY23  | FY24CE |
| Share price (¥, 4 Dec 2024)          | 437.00 | 2,740.60 | Sales                                 | 6,104 | 6,419 | 6,600  |
| 3mo                                  | -16.6  | +4.1     | OP                                    | 1,758 | 1,770 | 510    |
| 6mo                                  | -17.1  | -1.7     | OPM (%)                               | 28.8  | 27.6  | 7.7    |
| YTD                                  | -33.3  | +15.8    | EBITDA                                | 1,820 | 1,818 | 570*   |
| 1yr                                  | -37.3  | +16.0    | Financial Leverage (X)                | 1.3   | 1.4   | 1.4*   |
| 5yrs                                 | -54.9  | +60.9    | Net D/E Ratio (X)                     | -0.6  | -0.7  | -0.7*  |
| Per-share and Valuations             | 3902   | TOPIX    | FCF                                   | 42    | 1,179 | N/A    |
| EPS (¥, FY24 CE)                     | 4.71   | 179.35   |                                       |       |       |        |
| DPS (¥, FY24 CE)                     | 6.5    | N/A      | Shareholder Return Summary            | FY22  | FY23  | FY24CE |
| BPS (¥, June-24)                     | 102.3  | 1970.45  | Dividend (¥)                          | 6.0   | 6.5   | 6.5    |
| FCFPS (¥, FY24EST)                   | N/A    | N/A      | Dividend Payout (%)                   | 26.3  | 25.4  | 138.0  |
| Forward PER                          | 92.8   | 15.28    | Dividend Yield (%)                    | N/A   | N/A   | 1.5    |
| PBR (x)                              | 4.3    | 1.39     | DOE (%)                               | 6.2   | 5.3   | 6.4*   |
| PCFR (x)                             | N/A    | N/A      | Treasury Shares (%)                   | N/A   | N/A   | 4.5    |
| EV/EBITDA                            | 14,182 | N/A      | ROE (%)                               | 24.7  | 23.0  | 22.0*  |

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

## FY24 Q3 RESULTS SUMMARY

Medical Data Vision [MDV] reported FY24 (Dec year-end) Q3 gross profit [GP] of ¥3,055mil (-12.8% YoY), an operating loss of -¥140mil (vs FY23 Q3 OP of ¥1,111mil) on sales of ¥4,125mil (-8.1% YoY). Given the Q3 performance, the firm revised down its full-year forecasts due as (1) the onboarding of the Alpha Salus, the cloud-based health check system solution, was delayed due to a debugging issue which continued to September, and (2) a set-back in launching the planned large-scale advertising campaign to mobilise users of the new content – no-contact vital sensing contents for cats – for Karteco, MDV's personal health management app, as the content launch was delayed. Furthermore, to achieve the medium-term target, the planned investments to boost manpower, the launch of the TV advert of Karteco and R&D will squeeze FY24 OP.

The gross profit margin [GPM] continues to contract, declining from 78.0% in FY23 Q1~Q3, to 74.1% in FY24 Q1~Q3. FY24 Q1~Q3 COGS rose +¥85mil / +8.6% YoY to ¥1,071mil, of which +¥24mil YoY was for higher costs for the fee-paying MDV Act service and its personal health record [PHR] service Karteco.

In Q3 alone, the company reported an operating loss of -¥166mil (vs OP of ¥392mil in FY23 Q3 alone) on sales of ¥1,345mil (-9.4% YoY / -3.4% QoQ), due to higher advertisement costs of Karteco (+¥235mil YoY) – part of the budgeted ¥434mil FY24 advertisement cost to promote Karteco. The impact from greater advertising is evident in the surge in numbers of downloads [DLs] of the app, which increased from 62,105 DLs in FY24 Q1, 167,698 DLs in FY24 Q2 and to 630,369 DLs in FY24 Q3 vs FY24 target of 780,000 DLs. Therefore, MDV will likely spend the remaining budget in the Q4 to ensure the firm achieves the full-year DL target. The ultimate goal is to boost fee-paying users of the Karteco app.

In addition, Karteco services used by corporates, such as Sony Biz Network Corporation [SBNC, Unlisted], as of Q3 has started generating revenue. MDV also released Karteco workwell, an app linked to SBNC's attendance management system.

| MDV (3902 JP): Earnings Summary (Cumulative) |       |       |       |       |       |       |          |
|----------------------------------------------|-------|-------|-------|-------|-------|-------|----------|
| (¥mil)                                       | FY23  |       |       | FY24  |       |       |          |
|                                              | 1H    | Q3    | FY    | Q1    | 1H    | Q3    | YoY (%)  |
| Sales                                        | 3,002 | 4,487 | 6,419 | 1,388 | 2,780 | 4,125 | -8.1     |
| GP                                           | 2,345 | 3,501 | 5,031 | 1,045 | 2,061 | 3,055 | -12.8    |
| GPM (%)                                      | 78.1  | 78.0  | 78.4  | 75.3  | 74.1  | 74.1  | -3.9ppt  |
| SG&A                                         | 1,625 | 2,390 | 3,260 | 991   | 2,034 | 3,195 | 33.7     |
| SG&A / Sales (%)                             | 54.1  | 53.3  | 50.8  | 71.4  | 73.2  | 77.5  | +24.2ppt |
| OP                                           | 719   | 1,111 | 1,770 | 53    | 26    | -140  | N/A      |
| OPM (%)                                      | 24.0  | 24.8  | 27.6  | 3.9   | 1.0   | -3.4  | -28.2ppt |
| RP                                           | 700   | 1,063 | 1,700 | 22    | -32   | -229  | N/A      |
| RPM (%)                                      | 23.3  | 23.7  | 26.5  | 1.6   | -1.2  | -5.6  | -29.3ppt |
| NP*                                          | 445   | 659   | 979   | -15   | -86   | -314  | N/A      |
| Dividend (¥)                                 | N/A   | N/A   | 6.5   | N/A   | 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

The segment FY24 Q1~Q3 GP fell -53.2% YoY to ¥225mil on sales of ¥900mil (-14.6% YoY). During the 9 months running up to Q3, MDV generated semi-annual stock (recurring) revenue of ¥646mil (-1.4% YoY) as the numbers of fee-paying hospitals that use the firm's cloud-based MRV Act rose. The Q1~Q3 flow revenue declined -44.4% YoY to ¥88mil due to a removal of part of sales from flow revenue.

| Data Network Service New Sales Breakdown (Cumulative) |      |     |       |       |      |     |     |         |
|-------------------------------------------------------|------|-----|-------|-------|------|-----|-----|---------|
| (¥mil)                                                | FY23 |     |       |       | FY24 |     |     |         |
|                                                       | Q1   | Q2  | Q3    | Q4    | Q1   | Q2  | Q3  | YoY (%) |
| Data Network Total                                    | 388  | 723 | 1,053 | 1,462 | 332  | 625 | 900 | -14.6   |
| Flow Revenue (initial fees)                           | 72   | 133 | 158   | 256   | 48   | 50  | 88  | -44.4   |
| Recurring Revenue (monthly subscription fees)         | 230  | 442 | 655   | 875   | 220  | 428 | 646 | -1.4    |
| New Businesses (subsidiaries)                         | 86   | 146 | 239   | 330   | 63   | 146 | 161 | -32.8   |
| Karteco                                               |      |     |       |       | 0    | 0   | 4   | N/A     |
| Other services                                        | 147  | 271 | 402   | 521   | 127  | 249 | 389 | -3.4    |

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

| Data Network Service New Sales Breakdown (Quarterly) |      |     |     |     |      |     |     |         |         |
|------------------------------------------------------|------|-----|-----|-----|------|-----|-----|---------|---------|
| (¥mil)                                               | FY23 |     |     |     | FY24 |     |     |         |         |
|                                                      | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | YoY (%) | QoQ (%) |
| Data Network Total                                   | 388  | 334 | 330 | 409 | 332  | 293 | 274 | -17.0   | -6.4    |
| Flow Revenue (initial fees)                          | 72   | 61  | 24  | 97  | 48   | 1   | 37  | 52.1    | 1832.8* |
| Recurring Revenue (monthly subscription fees)        | 230  | 212 | 212 | 220 | 220  | 208 | 217 | 2.2     | 4.2     |
| New Businesses (subsidiaries)                        | 86   | 60  | 93  | 90  | 63   | 82  | 14  | -83.9   | -81.9   |
| Karteco                                              |      |     |     |     | 0    | 0   | 4   | N/A     | N/A     |
| Other services                                       | 147  | 124 | 130 | 118 | 127  | 122 | 139 | 6.5     | 14.1    |

Source: Nippon-IBR Based on MDV's earnings results materials  
NB: \* Sales of System B Alpha is split into Flow and Stock revenues from FY24 Q3.

Data Network Services comprise: (1) MDV Act, (2) Alpha Salus, and (3) Karteco:

**MDV Act:** The segment saw a steady increase in the number of fee-paying customers for MDV Act, which rose from 652 hospitals in FY24 Q1, to 674 hospitals in FY24 Q2 and then hit 683 hospitals in FY24 Q3. So far, MDV has focused on encouraging existing on-premises EVE users to switch to the cloud-based MDV Act. Given the transition is now almost complete, the firm aims to cultivate new customers. Fee-paying services were first launched in FY23 Q2. The FY24 Q1~Q3, sales of MDV Act's fee-paying services increased +106.6% YoY – well ahead of the pace +78.4% YoY planned for FY24.

Management remains confident that shift to fee-paying customers will steadily continue and boost sales. Furthermore, the release of new functions on MDV Act will encourage existing customers to take up the fee-paying services and also bring in new customers. In FY24, MDV aims to realise a +78.4% YoY rise in “stock-based” (recurring) sales of fee-paying MDV Act from the 638 hospitals (those which started using the fee-paying services in FY23), and by mobilising more customers to its fee-paying services.

**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 87 facilities in Q3 due to existing customers switching to systems offered by other companies. Additionally, MDV had to suspend the promotion and onboarding of new customers due to a new bug found in the system during the nine months.

Due to these obstacles, management acknowledge that it is difficult to achieve the target of 161 health check facilities taking up the system in FY24. However, now that the debugging issue has been dealt with, the firm's focus will be on how to onboard the 20 customers which are currently included in order backlogs.

**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 Q3 by spending advertisement cost of ¥235mil. The firm's FY24 Karteco sales target

of ¥520mil (¥0mil in FY24 1H) will be unlikely achieved; while MDV expects to increase the number of fee-paying app users by first launching a bio-sensing contents for cats and dogs, the launch of the version for cats has been delayed to FY24 Q4. On the other hand, Karteco's corporate service was launched and deployed by Sony Biz Networks, which generated ¥4mil revenue in Q3.

## 2. Data Utilisation Services

Segment GP for FY24 Q1~Q3 was ¥2,507mil (-7.1% YoY) on sales of ¥2,836mil (-6.4% YoY). Sales for the 9-month period of ad hoc services declined -9.1% YoY to ¥2,157mil, primarily due to the launch of high fee-paying ad hoc services only made a small contribution in Q3. MDV reckons this dip in its medical data survey analysis services sales is temporary while the new sales and marketing staff members are undergoing training. Once the new staff training completes, more senior staff can be fully allocated to sales and marketing activities.

In Q3 alone, sales of ad hoc services were ¥706mil (-12.8% YoY / -5.7% QoQ) with the segment GPM flat YoY. On the other hand, MDV analyzer saw a steady increase in sales which increased +3.3% YoY to ¥678mil during the 9 months period, thanks to those users opting to have MDV analyzer for multiple services, such as DPC data set (number of patients, prescription dosage, number of days prescribed etc) and that of insurance patients' data, which improved ARPU. In Q3 alone, sales of MDV analyzer landed ¥225mil (+5.6% YoY / -1.0% QoQ).

| Data Utilisation Service Segment: Sales Breakdown by Service (Cumulative) |       |       |       |       |      |       |       |         |
|---------------------------------------------------------------------------|-------|-------|-------|-------|------|-------|-------|---------|
| (¥mil)                                                                    | FY23  |       |       |       | FY24 |       |       |         |
|                                                                           | Q1    | 1H    | Q3    | FY    | Q1   | 1H    | Q3    | YoY (%) |
| Data Utilisation Total                                                    | 1,022 | 2,007 | 3,030 | 4,434 | 928  | 1,904 | 2,836 | -6.4    |
| MDV analyzer                                                              | 217   | 443   | 657   | 865   | 225  | 453   | 678   | 3.3     |
| Medical data survey analysis                                              | 805   | 1,563 | 2,373 | 3,569 | 702  | 1,451 | 2,157 | -9.1    |

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

| Data Utilisation Service Segment: Sales Breakdown by Service (Quarterly) |       |     |       |       |      |     |     |         |      |
|--------------------------------------------------------------------------|-------|-----|-------|-------|------|-----|-----|---------|------|
| (¥mil)                                                                   | FY23  |     |       |       | FY24 |     |     |         |      |
|                                                                          | Q1    | Q2  | Q3    | Q4    | Q1   | Q2  | Q3  | YoY (%) |      |
| Data Utilisation Total                                                   | 1,022 | 984 | 1,023 | 1,403 | 928  | 976 | 931 | -9.0    | -4.6 |
| MDV analyzer                                                             | 217   | 226 | 213   | 208   | 225  | 227 | 225 | 5.6     | -1.0 |
| Medical data survey analysis                                             | 805   | 758 | 810   | 1,195 | 702  | 748 | 706 | -12.8   | -5.7 |

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

## FY2024 OUTLOOK

Given the weaker than expected Q1~Q3 performance, MDV revised down its FY24 guidance from FY24 OP of ¥1,630mil (-8.0% YoY) and RP of ¥1,540mil (-9.4% YoY) on sales of ¥8,000mil (+24.6% YoY) to OP of ¥510mil (-71.2% YoY) and RP of ¥390mil (-77.1% YoY) on sales of ¥6,600mil (+2.8% YoY).

MDV states that although the Q1~Q3 performance reflected the negative impact to sales from (1) the delay in onboarding the Alpha Salus services as the debugging process took longer than expected, and (2) a delay in a large advertising campaign following the delay in the launch of an app. The campaign will likely commence from Q4 onwards. The downward revision in FY24 sales (-¥1,400mil) comprises (1) delays in the onboarding of Alpha Salus (approx. -¥650mil), (2) the delay in the launch of the Karteco app (-¥500mil), and (3) the decline in Ad Hoc services in the Data Utilisation Services segment (-¥200mil).

On the other hands, the firm had already assumed an increase in costs hence guiding for a decline in profit growth due to: (1) higher COGS (+¥491mil) associated with Karteco and cloud-based services, (2) higher personnel costs (+¥351mil), and (3) a +¥434mil increase in advertisement and promotion costs on Karteco, for FY24.

| MDV (3902 JP): Earnings Summary and Guidance                 |       |       |       |       |         |           |          |
|--------------------------------------------------------------|-------|-------|-------|-------|---------|-----------|----------|
| (¥mil)                                                       | FY23  |       | FY24  |       |         |           |          |
|                                                              | 1H    | FY    | 1H    | FY CE | YoY (%) | New FY CE | YoY (%)  |
| Sales                                                        | 3,002 | 6,419 | 2,780 | 8,000 | 24.6    | 6,600     | 2.8      |
| GP                                                           | 2,345 | 5,031 | 2,061 | N/A   | N/A     | N/A       | N/A      |
| GPM (%)                                                      | 78.1  | 78.4  | 74.1  | N/A   | N/A     | N/A       | N/A      |
| SG&A                                                         | 1,625 | 3,260 | 2,034 | N/A   | N/A     | N/A       | N/A      |
| SG&A / Sales (%)                                             | 54.1  | 50.8  | 73.2  | N/A   | N/A     | N/A       | N/A      |
| OP                                                           | 719   | 1,770 | 26    | 1,630 | -8.0    | 510       | -71.2    |
| OPM (%)                                                      | 24.0  | 27.6  | 1.0   | 20.4  | -7.2ppt | 7.7       | -19.9ppt |
| RP                                                           | 700   | 1,700 | -32   | 1,540 | -9.4    | 390       | -77.1    |
| RPM (%)                                                      | 23.3  | 26.5  | -1.2  | 19.3  | -7.2ppt | 5.9       | -20.6ppt |
| NP*                                                          | 445   | 979   | -86   | 1,000 | 2.1     | 180       | -81.6    |
| Dividend (¥)                                                 | N/A   | 6.5   | N/A   | 6.5   | 0.0     | 6.5       | 0.0      |
| Source: Nippon-IBR based on MDV's earnings results materials |       |       |       |       |         |           |          |
| * NP attributed to the parent's shareholders                 |       |       |       |       |         |           |          |

## PROGRESS ON MEDIUM-TERM MANAGEMENT PLAN (FY23-FY25)

FY24 is the second year of MDV's three-year medium-term management plan. Although FY23 and FY24 Q1~Q3 earnings fell short of the firm's initial guidance, primarily due to the weak performance of its subsidiaries as well as aforementioned delay in onboarding the Alpha Salus system and the launch of the Karteco app, the firm still views its medium-term targets for FY25 RP of ¥2,500mil<sup>+</sup> (CAGR of +16.1%+, on FY22 as the base year) on sales of ¥10,000mil (CAGR of +16.7%+) – solely from organic growth of the firm's existing businesses – to be achievable. The firm proactively made upfront investments in FY24 to capture the growth from FY25 onwards.

To achieve these goals, MDV will need to see:

1. An increase in Data Utilisation Service marketing staff to capture more users,
2. Sequential launches of fee-paying functions on MDV Act,
3. A rise in the number of health check facilities that use the Alpha Salus system, and
4. Karteco downloads to hits 780,000 in FY24 and then to reach 5.3mil in FY25.

## SHAREHOLDER RETURNS

MDV's shareholders return policy offers an annual dividend pay-out ratio of 20%+. In FY24, MDV plans to pay a dividend of ¥6.5/share, no change from FY23, which generates a dividend pay-out ratio of 138.0% based on the revised FY24 EPS of ¥4.71.

The firm also implemented share buybacks of ¥589mil in FY20, ¥889mil in FY21, and ¥862mil in FY22 which saw total shareholder returns of 104.5%, 101.8%, 125.4%, respectively. The firm did not buy back any shares in FY23.

As of June 2024, 4.5% of shares outstanding remained as treasury shares. For the medium-term plan, MDV has not yet detailed the shareholder return policy.

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