



## Consolidated Earnings Report for the First Six Months of Fiscal 2017 [Japanese GAAP]

May 2, 2017

Company Name:	<b>EPS Holdings, Inc.</b>
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
URL:	<a href="http://www.eps-holdings.co.jp">http://www.eps-holdings.co.jp</a>
Representative Director:	Yan Hao, Chairman & CEO
Inquiries:	Shuzo Orihashi, Director, Executive Corporate Officer
Filing of Quarterly Securities Report:	May 12, 2017
Scheduled Payment of Dividends:	June 5, 2017
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes (for institutional investors and analysts)

(¥ millions are rounded down)

### 1. Consolidated Results for the First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (¥ millions; percentage figures represent year-on-year changes)

First Six Months	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2017	30,397	18.5%	4,636	22.2%	4,774	21.3%	2,555	1.2%
Fiscal 2016	25,650	16.3%	3,794	55.6%	3,937	57.0%	2,524	156.4%

Note: Comprehensive income: March 31, 2017: ¥ 3,558 million (73.5%), March 31, 2016: ¥2,050 million (32.7%)

First Six Months	Earnings per share (¥)	Net income per share (diluted) (¥)
Fiscal 2017	55.44	—
Fiscal 2016	61.06	—

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)
March 31, 2017	60,262	42,445	65.7
September 30, 2016	52,530	34,364	64.3

Note: Equity: March 31, 2017: ¥39,619 million, September 30, 2016: ¥33,801 million

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2016	—	10.00	—	15.00	25.00
Fiscal 2017	—	10.00			
Fiscal 2017 (forecast)			—	12.00	—

Notes: 1. Revisions to recent dividend forecasts: None

2. Components of the fiscal 2016 interim dividend: Ordinary dividend of 8 yen per share and commemorative dividend of 2 yen per share (commemorative dividend to mark the 25th anniversary of the Company's founding)  
 Components of the fiscal 2016 year-end dividend: Ordinary dividend of 10 yen per share and special dividend of 5 yen per share

### 3. Forecast of Consolidated Results for Fiscal 2017 (October 1, 2016 to September 30, 2017)

(¥ millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Full year	58,000	10.1%	6,500	4.4%	6,500	(1.4)%	3,500	(11.7)%

Note: Revisions to recent consolidated business forecasts: None

**\*Notes**

- (1) Changes to important subsidiaries during the first six months changes in specified subsidiaries resulting in revised scope of consolidation): Yes  
Newly included: 1 company (Name) Shanghai Hua Xin High Biotechnology Co., Ltd.  
Excluded: – companies (Name)
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates and restatements
- ① Changes in accounting policies in conjunction with revisions to accounting standards: None
- ② Other changes: None
- ③ Changes in accounting estimates: None
- ④ Restatements: None

(4) Number of shares issued (common stock)

① Number of shares issued at end of period (including treasury stock):	Fiscal 2017, 2Q end	46,311,389	Fiscal 2016 end	46,311,389
② Number of treasury stock at end of period:	Fiscal 2017, 2Q end	224,855	Fiscal 2016 end	1,703,017
③ Average number of stock during the period:	Fiscal 2017, 1H	46,089,496	Fiscal 2016, 1H	41,340,709

Note:

The total number of treasury shares included shares held by the employees' shareholding trust, specifically 136,600 shares as of September 30, 2016 and 87,700 shares as of March 31, 2017.

\* This financial report is outside the scope of the quarterly audit review.

\* Explanation concerning the appropriate use of financial forecasts and other notable matters.

Earnings forecasts and other forward-looking statements in this report are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may differ materially from these statements for various reasons.

## Table of Contents of Supplementary Materials

1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters.....	2
(1) Explanation Regarding Consolidated Operating Results.....	2
(2) Explanation Concerning Forward-Looking Statements such as Consolidated Financial Forecasts.....	3
2. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
Quarterly Consolidated Statements of Income	
(Six months ended March 31, 2017).....	6
Quarterly Consolidated Comprehensive Income	
(Six months ended March 31, 2017) .....	7
(3) Notes Concerning Quarterly Consolidated Financial Statements.....	8
(Notes Concerning the Going Concern Assumption)	8
(Note Concerning Significant Changes in the Amount of Shareholders' Equity) .....	8
(Adoption of Special Accounting Treatment for the Preparation of Quarterly Consolidated Financial Statements) .	8
(Changes in Accounting Policies and Changes in and Restatements of Accounting Estimates) .....	8
(Segment Information) .....	8
3. Supplementary Information .....	10
(1) Consolidated Statements of Cash Flows (Summary) .....	10
(2) Orders Received .....	10

# 1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

## (1) Explanation Regarding Consolidated Operating Results

Overview of Operating Results for the Six Months Ended March 31, 2017

(¥ millions)

	First Six Months of Fiscal 2016		First Six Months of Fiscal 2017		Change	
	Amount	%	Amount	%	Amount	%
Net sales	25,650	100	30,397	100	4,747	18.5
Operating income	3,794	14.8	4,636	15.3	842	22.2
Recurring profit	3,937	15.4	4,774	15.7	837	21.3
Profit attributable to owners of parent	2,524	9.8	2,555	8.4	30	1.2

In the six months ended March 31, 2017, the EPS Group as a whole posted consolidated net sales of ¥30,397 million, an increase of 18.5% year on year, mainly driven by higher sales across all businesses. Operating income rose by 22.2% year on year to ¥4,636 million, the highest ever for a six-month period, mainly reflecting firm performance trends across all businesses except for the Global Research Business.

Operational segment are outlined as follows.

### Segment Information

The Group primarily operates businesses in the following five segments (three domestic segments and two overseas segments).

(¥ millions)

			First Six Months of fiscal 2016	First Six Months of fiscal 2017	Change
Domestic Business	CRO	Net sales	13,997	14,943	946
		Operating income	3,613	3,791	177
	SMO	Net sales	5,004	7,090	2,086
		Operating income	419	1,012	592
	CSO	Net sales	3,539	4,155	616
		Operating income	124	260	136
Overseas Business	Global Research	Net sales	2,098	2,384	285
		Operating loss (income)	219	(152)	(372)
	China Business	Net sales	1,869	3,165	1,296
		Operating income (loss)	(74)	183	258

#### 1) CRO Business

In the CRO Business, the Group conducts operations based on the following structure:

- a. Contract-based clinical study and post-marketing surveillance (PMS) services: EPS Corporation and EPS Associates Co., Ltd.
- b. On-site CRO services: EPMate Co., Ltd.
- c. Pharmaceutical and medical IT services: e-Trial Co., Ltd.
- d. Clinical research services: EPI Japan Co., Ltd. and J-CRSU Co., Ltd.

Looking at performance by service, in clinical study services, net sales and operating income were largely in line with forecasts, supported mainly by measures to strengthen management and promote the integration of internal management systems. In PMS and related services, net sales and operating income both surpassed forecasts as a result of measures to strengthen the organizational structure and rigorously enforce cost controls.

In on-site CRO services, net sales were below forecast due to delays in securing resources, while operating income was largely in line with forecast. In pharmaceutical and medical IT services, net sales and operating income both surpassed forecasts.

In clinical research services, net sales and operating income both increased year on year due to favorable progress on contract-based projects.

As a result, in the CRO Business, net sales were ¥14,943 million, an increase of 6.8% year on year, and operating income was ¥3,791 million, an increase of 4.9% year on year.

#### 2) SMO Business

The SMO Business is undertaken by EP-SOGO Co., Ltd. and Sogo Rinsho Médéfi Co., Ltd.

In this business, the Group developed a management structure capable of realizing integration synergies with the former Sogo Rinsho Group, and strengthened the project management system. These and other measures facilitated steady progress on various projects.

In addition, given that the integration with the former Sogo Rinsho Group was implemented in the six months ended March 31, 2016, higher sales as a result of the integration are reflected in operating results for the six months ended March 31, 2017. As a result, in the SMO Business, net sales rose sharply by 41.7% year on year to ¥7,090 million. Operating income was ¥1,012 million, a significant increase of 141.3% year on year, as higher earnings from the integration outweighed the amortization of goodwill.

### 3) CSO Business

The CSO Business is undertaken by EP-PharmaLine Co., Ltd.

In CMR services for pharmaceuticals (CMR: Contract Medical Representative), performance was mostly flat due to a large number of small projects and the absence of any new large drug projects. Meanwhile, in the pharmaceutical call center division, the Group posted higher sales owing to strong growth in MR Direct services and other operations.

There has been an increasing trend in BPO projects (monitoring MR, logistics management, etc.) in PMS services from pharmaceutical companies, therefore the number of BPO projects in the PMS division rose significantly year on year.

CMR services for medical devices also trended firmly, along with substantial growth in call center operations for medical devices, leading to an increase in net sales.

As a result, in the CSO Business, net sales increased by 17.4% year on year to ¥4,155 million, and operating income rose by 109.6% to ¥260 million.

### 4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and overseas Group companies. In this segment, the Group undertakes business primarily in East Asia, including China, and Southeast Asia.

In the Global Research Business, net sales rose 13.6% year on year to ¥2,384 million. This increase was mainly due to steady progress on projects currently under way, along with a positive contribution from newly awarded projects.

Meanwhile, on the earnings front, the Group recorded an operating loss of ¥152 million in the Global Research Business, compared with operating income of ¥219 million in the same period of the previous fiscal year. This loss mainly reflected an increase in recruitment activities and personnel expenses to strengthen the operating structure, and an increase in the outsourcing ratio to Group companies in Japan.

### 5) EKISHIN (China) Business

The EKISHIN (China) Business is undertaken by EPS EKISHIN Co., Ltd., EPS (China) Co., Ltd. and other overseas Group companies.

In the EKISHIN (China) Business, the Group is working to further expand earnings based on the business concept of providing specialist trading company functions between Japan and China in the healthcare field. The Group positions existing sales of medical devices as the core driver of net sales in this segment, along with providing peripheral services such as pharmaceutical- and investment-related services plus trading company services related to supplies and equipment for basic non-clinical research.

EPS Holdings, Inc. has entered into a capital and business partnership with SUZUKEN Co., Ltd., and EPS (China) Co., Ltd. has acquired a Chinese pharmaceutical manufacturer. As a result, the Group will work to strengthen the existing business platforms of both companies and their respective groups in China. In addition, the Group aims to create new added value in medical services, beginning with manufacturing support- and logistics-related services.

In terms of operating results, particularly in pharmaceutical-related services, the abovementioned Chinese pharmaceutical manufacturer (Shanghai Hua Xin High Biotechnology Co., Ltd.), which was acquired at the beginning of the fiscal year under review, posted strong operating results against forecasts. This led to higher net sales and earnings in the EKISHIN (China) Business.

As a result, in the EKISHIN (China) Business, the Group posted net sales of ¥3,165 million, an increase of 69.4% year on year. Operating income was ¥183 million, compared with an operating loss of ¥74 million in the same period of the previous fiscal year.

## **(2) Explanation Concerning Forward-Looking Statements such as Consolidated Financial Forecasts**

There have been no changes to the consolidated financial forecasts announced in the financial report for the fiscal year ended September 30, 2016 issued on November 8, 2016.

For details, please see the press release titled “Revision of the Business Result Forecast,” which was announced today.

**2. Quarterly Consolidated Financial Statements**  
**(1) Quarterly Consolidated Balance Sheets**

(¥ millions)

	As of September 30, 2016 (Previous Fiscal Year-End)	As of March 31, 2017 (End of the First Six Months)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	16,027	19,626
Trade notes and accounts receivable	12,071	13,213
Marketable securities	599	546
Merchandise and finished goods	1,120	1,122
Work in process	2,131	1,936
Other current assets	4,429	4,049
Less: Allowance for doubtful accounts	(47)	(51)
<b>Total current assets</b>	<b>36,333</b>	<b>40,444</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>	<b>2,886</b>	<b>3,915</b>
<b>Intangible fixed assets:</b>		
Goodwill	6,603	7,757
Other intangible fixed assets	658	697
<b>Total intangible fixed assets</b>	<b>7,261</b>	<b>8,454</b>
<b>Investments and other assets:</b>		
Investment securities	1,670	3,651
Lease and guarantee deposits	1,669	1,681
Other investments and other assets	3,612	3,012
Less: Allowance for doubtful accounts	(905)	(898)
<b>Total investments and other assets</b>	<b>6,047</b>	<b>7,446</b>
<b>Total fixed assets</b>	<b>16,196</b>	<b>19,817</b>
<b>Total assets</b>	<b>52,530</b>	<b>60,262</b>

(¥ millions)

	As of September 30, 2016 (Previous Fiscal Year-End)	As of March 31, 2017 (End of the First Six Months)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade notes and accounts payable	1,404	1,081
Short-term loans	265	265
Current portion of long-term loans receivable	774	774
Income taxes payable	1,531	1,794
Allowance for employees' bonuses	2,515	2,305
Provision for loss on order received	21	152
Other current liabilities	6,883	6,847
<b>Total current liabilities</b>	<b>13,395</b>	<b>13,219</b>
<b>Non-current liabilities:</b>		
Long-term debt	2,544	2,096
Allowance for directors' and corporate auditors' retirement benefits	263	289
Net defined benefit liability	1,247	1,307
Asset retirement obligations	460	464
Other non-current liabilities	254	438
<b>Total non-current liabilities</b>	<b>4,770</b>	<b>4,596</b>
<b>Total liabilities</b>	<b>18,165</b>	<b>17,816</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	3,888	3,888
Additional paid-in capital	12,107	13,762
Retained earnings	19,398	21,283
Treasury common stock, at cost	(2,014)	(271)
<b>Total shareholders' equity</b>	<b>33,379</b>	<b>38,662</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on investment securities	(56)	207
Foreign currency translation adjustment	730	979
Remeasurements of defined benefit plans	(252)	(229)
<b>Total accumulated other comprehensive income</b>	<b>422</b>	<b>957</b>
<b>Non-controlling interests</b>	<b>563</b>	<b>2,825</b>
<b>Total net assets</b>	<b>34,364</b>	<b>42,445</b>
<b>Total liabilities and net assets</b>	<b>52,530</b>	<b>60,262</b>

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income  
(For the six months ended March 31, 2017)

(¥ millions)

	First Six Months of fiscal 2016 (October 1, 2015 to March 31, 2016)	First Six Months of fiscal 2017 (October 1, 2016 to March 31, 2017)
<b>Net sales</b>	25,650	30,397
Cost of sales	17,443	20,248
<b>Gross profit</b>	8,206	10,149
Selling, general and administrative expenses	4,412	5,512
<b>Operating income</b>	3,794	4,636
Non-operating income:		
Interest income	24	20
Gain on consumption tax filing	193	—
Foreign exchange gains	—	108
Other non-operating income	113	69
Total non-operating income	331	199
Non-operating expenses		
Interest expenses	17	29
Provision of allowance for doubtful accounts	95	—
Foreign exchange losses	27	—
Share of loss of entities accounted for using equity method	37	13
Other non-operating expenses	10	18
Total non-operating expenses	188	61
<b>Recurring profit</b>	3,937	4,774
Extraordinary gains:		
Gain on sales of investment securities	196	—
Gain on step acquisitions	48	—
Total extraordinary gains	244	—
Extraordinary losses:		
Loss on change in equity	—	153
Total extraordinary losses	—	153
<b>Income before income taxes</b>	4,182	4,621
Income taxes	1,576	1,792
Income tax adjustment	66	62
Total income taxes	1,643	1,854
Profit	2,539	2,766
Profit attributable to owners of parent	14	211
Profit attributable to non-controlling interests	2,524	2,555

Quarterly Consolidated Comprehensive Income  
(Second quarter, for the six months ended March 31)

(¥ millions)

	First Six Months of fiscal 2016 (October 1, 2015 to March 31, 2016)	First Six Months of fiscal 2017 (October 1, 2016 to March 31, 2017)
Profit	2,539	2,766
Other comprehensive income:		
Valuation difference on available-for-sale securities	(23)	264
Foreign currency translation adjustment	(423)	453
Remeasurements of defined benefit plans	12	22
Share of other comprehensive income of entities accounted for using equity method	(54)	51
Total other comprehensive income	(488)	791
Comprehensive income	2,050	3,558
(Breakdown)		
Comprehensive income attributable to owners of parent	2,058	3,091
Comprehensive income attributable to non-controlling interests	(7)	467

### (3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

(Note Concerning Significant Changes in the Amount of Shareholders' Equity)

On October 18, 2016, EPS EKISHIN Co., Ltd., a consolidated subsidiary of EPS Holdings, Inc. (the Company), received payment from SUZUKEN Co., Ltd. for a capital increase through a third-party allocation of shares.

On October 18, 2016, the Company disposed of 1,504,000 shares of its treasury stock through a third-party allocation to SUZUKEN Co., Ltd.

Moreover, the Company acquired 73,000 shares of treasury stock pursuant to a resolution passed by the Board of Directors at a meeting held on November 18, 2016.

As a result of the above, in the six months ended March 31, 2017, additional paid-in capital increased by ¥1,655 million and common stock for treasury decreased by ¥1,743 million. Consequently, as of March 31, 2017, additional paid-in capital stood at ¥13,762 million and common stock for treasury stood at ¥271 million.

(Adoption of Special Accounting Treatment for the Preparation of Quarterly Consolidated Financial Statements)

None

(Changes in Accounting Policies and Changes in and Restatements of Accounting Estimates)

None

(Segment Information)

#### 【Segment Information】

I. First Six Months of Fiscal 2016 (October 1, 2015 to March 31, 2016)

1. Information Concerning Net Sales and Operating Income for Each Segment

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidate d financial statements
Net sales									
Sales to outside customers	13,108	4,953	3,526	2,068	1,859	134	25,650	—	25,650
Inter-segment sales and transfers	889	51	13	30	9	554	1,548	(1,548)	—
Total	13,997	5,004	3,539	2,098	1,869	689	27,198	(1,548)	25,650
Segment operating income	3,613	419	124	219	(74)	(0)	4,302	(508)	3,794

Notes 1. Eliminations/Corporate for operating income of ¥(508) million includes intersegment transactions of ¥44 million and non-attributable corporate expenses not distributed to each segment of ¥(553) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. Information Concerning Impairment Loss on Fixed Assets or Goodwill in Each Reportable Segment

In the six months ended March 31, 2017, Sogo Rinsho Holdings Co., Ltd. became a wholly owned subsidiary of the Company by means of a stock exchange with the Company. As a result, the amount of goodwill in the SMO Business segment increased by ¥6,496 million.

The amount of goodwill is a provisional estimate, as the allocation of the acquisition cost has not yet been completed.

## II. First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)

### 1. Information Concerning Net Sales and Operating Income for Each Segment

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales									
Sales to outside customers	13,530	7,066	4,134	2,373	3,157	135	30,397	—	30,397
Inter-segment sales and transfers	1,413	24	21	10	8	707	2,185	(2,185)	—
Total	14,943	7,090	4,155	2,384	3,165	843	32,583	(2,185)	30,397
Segment operating income	3,791	1,012	260	(152)	183	39	5,135	(498)	4,636

Notes 1. Eliminations/Corporate for operating income of ¥(498) million includes intersegment transactions of ¥18 million and non-attributable corporate expenses not distributed to each segment of ¥(516) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. From the three months ended December 31, 2016, the Domestic CRO, Domestic SMO, and Domestic CSO segments have been renamed as the CRO Business, SMO Business and CSO Business, respectively. Segment information for the six months ended March 31, 2016 are presented based on the revised names of the reportable segments.

### 2. Notes Concerning Changes in Reportable Segments

From the three months ended December 31, 2016, the Company has changed its method of disclosure for the CPO section, which had previously been included in the reportable segment “Others,” by including it in the CRO Business. This change was made because the main operations of the CPO section had become substantially identical to the CRO Business, as the business model of the CPO section had shifted from BPO (Business Processing Outsourcing) services related to pharmaceuticals and healthcare to various services related to the operation and management of clinical research.

Segment information for the six months ended March 31, 2016 has been prepared based on the reclassified reportable segments.

### 3. Information Concerning Impairment Loss on Fixed Assets or Goodwill in Each Reportable Segment

In the three months ended December 31, 2016, EPS (China) Co., Ltd., a consolidated subsidiary of the Company, acquired the shares of China Genetic Limited. As a result, the amount of goodwill in the EKISHIN (China) Business segment increased by ¥1,528 million.

The amount of goodwill is a provisional estimate as the allocation of the acquisition cost has not yet been completed.

### 3. Supplementary Information

#### (1) Consolidated Statements of Cash Flows (Summary)

(¥ millions)

	First Six Months of Fiscal 2016 (October 1, 2015 to March 31, 2016)	First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)
I Cash flows from operating activities	2,481	2,779
II Cash flows from investing activities	(250)	(3,017)
III Cash flows from financing activities	(468)	3,501
IV Effect of exchange rate changes on cash and cash equivalents	(137)	289
V Increase in cash and cash equivalents	1,624	3,553
VI Cash and cash equivalents at beginning of quarter	14,692	16,607
VII Cash and cash equivalents at end of quarter	17,430	20,160
Depreciation	268	372
Amortization of goodwill	288	560

#### (2) Orders Received

(¥ millions)

	First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO business				
Monitoring	7,353	102.3	18,827	100.4
Data Management	4,931	95.7	16,547	105.5
CRO Others	998	106.2	1,833	59.2
CRO business total	13,283	100.0	37,208	99.1
SMO business	5,359	121.7	17,660	98.1
CSO business	3,789	127.7	6,550	107.2
Global research business	4,676	203.0	9,355	158.5
China business	3,115	156.0	38	21.5
Others	134	99.3	9	109.0
Total	30,359	121.0	70,822	104.6

Notes:

1. Figures represent sales prices.
2. The above figures do not include consumption taxes.