



# Consolidated Earnings Report for the First Six Months of Fiscal 2018 [Japanese GAAP]

May 1, 2018

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
Tel:	+81-3-5684-7873
Filing of Quarterly Securities Report:	May 14, 2018
Scheduled Payment of Dividends:	June 4, 2018
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 2018 (October 1, 2017 to March 31, 2018)

(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 2018	32,666	7.5%	3,828	(17.4)%	3,891	(18.5)%	2,495	(2.3)%
Fiscal 2017	30,397	18.5%	4,636	22.2%	4,774	21.3%	2,555	1.2%

Note: Comprehensive income: March 31, 2018: ¥2,586 million [(27.3)%], March 31, 2017: ¥3,558 million [73.5%]

First Six Months	Profit per share (¥)	Profit per share (diluted) (¥)
Fiscal 2018	54.08	—
Fiscal 2017	55.44	—

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)
March 31, 2018	66,680	46,752	65.3
September 30, 2017	64,345	44,862	65.0

Note: Equity: March 31, 2018: ¥43,567 million, September 30, 2017: ¥41,818 million

## 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2017	—	10.00	—	20.00	30.00
Fiscal 2018	—	12.00			
Fiscal 2018 (forecast)			—	13.00	25.00

Notes: 1. Revisions to recent dividend forecasts: None

2. The year-end dividend for fiscal 2017 includes a special dividend of 8 yen per share.

### 3. Forecast of Consolidated Results for Fiscal 2018 (October 1, 2017 to September 30, 2018)

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

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Profit per share (¥)
Full year	66,000 9.1%	6,850 (9.8)%	7,000 (10.4)%	4,200 (9.9)%	91.06

Note: Revisions to recent consolidated results forecasts: None

#### \*Notes

(1) Changes to important subsidiaries during the first six months changes in specified subsidiaries resulting in revised scope of consolidation: None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, accounting estimates and restatements

a. Changes in accounting policies in conjunction with revisions to accounting standards: None

b. Other changes: None

c. Changes in accounting estimates: None

d. Restatements: None

(4) Number of shares issued (common stock)

a. Number of shares issued at end of period (including treasury stock):

Fiscal 2018, 2Q end	46,311,389	Fiscal 2017 end	46,311,389
b. Number of treasury stock at end of period:			
Fiscal 2018, 2Q end	154,679	Fiscal 2017 end	186,899
c. Average number of stock during the period:			
Fiscal 2018, 2Q	46,143,103	Fiscal 2017, 2Q	46,089,496

Note: The total number of treasury shares included shares held by the employees' shareholding trust, specifically 47,600 shares as of September 30, 2017 and 12,900 shares as of March 31, 2018.

\* This financial report is outside the scope of the quarterly audit reviews performed by certified public accountants or auditing firms.

\* 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	
(The six months ended March 31, 2018)	6
Quarterly Consolidated Comprehensive Income	
(The six months ended March 31, 2018)	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
(Segment Information)	8
3. Supplementary Information	9
(1) Main data related to consolidated cash flows	9
(2) Orders Received	9

# 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, 2018

(¥ millions)

	The First Six Months of Fiscal 2017		The First Six Months of Fiscal 2018		Change	
	Amount	%	Amount	%	Amount	%
Net sales	30,397	100.0	32,666	100.0	2,268	7.5
Operating income	4,636	15.3	3,828	11.7	(808)	(17.4)
Recurring profit	4,774	15.7	3,891	11.9	(883)	(18.5)
Profit attributable to owners of parent	2,555	8.4	2,495	7.6	(59)	(2.3)

In the six months ended March 31, 2018, the EPS Group as a whole posted consolidated net sales of ¥32,666 million, an increase of 7.5% year on year, mainly from sales increases in the CRO Business and Overseas Business. These were partially offset by a decline in sales in the SMO Business and CSO Business, which fell back after a strong performance in the previous fiscal year. Meanwhile, consolidated operating income was ¥3,828 million, down 17.4% year on year due to the impact of the fall back from a strong performance in the previous fiscal year in the CRO Business and SMO Business. Both net sales and profit progressed largely in line with the consolidated forecasts for the EPS Group as a whole.

Operational segment are outlined as follows.

### Segment Overview

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

(¥ millions)

			The First Six Months of Fiscal 2017	The First Six Months of Fiscal 2018	Change
Domestic Business	CRO	Net sales	14,943	15,649	706
		Operating income	3,791	3,705	(85)
	SMO	Net sales	7,090	7,033	(57)
		Operating income	1,012	503	(508)
	CSO	Net sales	4,155	3,903	(251)
		Operating income	260	177	(83)
Overseas Business	Global Research	Net sales	2,384	2,660	276
		Operating income (loss)	(152)	120	272
	EKISHIN (China) Business	Net sales	3,165	5,184	2,018
		Operating income (loss)	183	(144)	(328)

#### 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. Clinical research services: EP- CRSU Co., Ltd. and Sogo Rinsho Médéfi Co., Ltd.
- c. On-site CRO services: EPMate Co., Ltd.
- d. Pharmaceutical and medical IT services: e-Trial Co., Ltd.

Looking at performance by service, in clinical study services, net sales and operating income both made steady progress against forecasts, supported mainly by measures to strengthen management of overall clinical development and to promote the integration of internal management systems. In PMS and related services, net sales were higher than in the same period of the previous fiscal year, but operating income was slightly lower than forecast as the start-up of a new business required more resources than expected. In clinical research services, net sales and operating income both increased year on year due to favorable progress on contract-based projects. In on-site CRO services, net sales and operating income both trended firmly as resources were secured as planned. In pharmaceutical and medical IT services, net sales and operating income both performed solidly.

As a result, in the CRO Business, net sales were ¥15,649 million, an increase of 4.7% year on year, and operating income was ¥3,705 million, a decrease of 2.3% year on year.

## 2) SMO Business

The SMO Business is undertaken primarily by EP-SOGO Co., Ltd. and EXAM Co., Ltd.

On October 2, 2017, EP-SOGO Co., Ltd. converted EXAM Co., Ltd. into a wholly owned subsidiary.

In this business, the Group has achieved steady progress on integration with the former Sogo Rinsho Group. The Group worked to strengthen the project management system and bolster the sales structure through such means as fully expanding proposal-based sales activities. Efforts were also made to enhance the quality control system. However, in terms of results, the Group recorded declines in sales and income, mainly reflecting the impact of lackluster orders at EP-SOGO Co., Ltd. and losses at EXAM Co., Ltd.

As a result, in the SMO Business, net sales were ¥7,033 million, a decrease of 0.8% year on year, and operating income was ¥503 million, a decrease of 50.3% year on year.

## 3) CSO Business

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

Performance was largely in line with forecasts across all CMR (Contract Medical Representative) services for pharmaceuticals, the pharmaceutical call center division, BPO services and CMR services for medical devices. However, net sales declined year on year due to the impact of a slump in demand for MRs in the pharmaceutical industry, which had a significant effect on the Company's CMR services for pharmaceuticals as well as on PMS services.

As a result, in the CSO Business, net sales were ¥3,903 million, a decrease of 6.1% year on year, and operating income was ¥177 million, a decrease of 32.0% year on year.

## 4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and overseas Group companies.

In the Global Research Business, net sales rose 11.6% year on year to ¥2,660 million atop strong progress on current projects and a contribution from newly awarded major projects. On the earnings front, the Group recorded operating income of ¥120 million in the Global Research Business, compared with an operating loss of ¥152 million in the same period of the previous fiscal year. This return to profitability reflected a positive contribution from the effect of the integration of management departments, in addition to the increase in net sales. The CRO business and related services in China have been managed under the control of the EKISHIN (China) Business from the fiscal year ending September 30, 2018.

## 5) EKISHIN (China) Business

The EKISHIN (China) Business comprises the two regional holding companies EPS EKISHIN Co., Ltd. and EPS (China) Co., Ltd., and related overseas Group companies.

In the EKISHIN (China) Business, the Group provides five types of services, specifically, product-related services centered on pharmaceuticals and medical devices, specialized services related to clinical trials, investment-related services, international trading-related services and peripheral support services. The Group is working to further expand earnings as a specialist trading company in the healthcare industry linking Japan and China.

The Group is expanding collaboration with business partners through initiatives such as setting up a joint venture with the group asset management firm of Shandong Buchang Pharmaceuticals Co., Ltd., a major Chinese pharmaceutical manufacturer, in addition to entering into a solid capital and business partnership with SUZUKEN CO., LTD. Through these collaborations, the Group is working to upgrade and expand its operating foundation and create new added value.

In specialized services, the Group is rebuilding the CRO service inside China, which had been struggling in terms of operating results, through a strategic alliance with Hangzhou Tigermed Consulting Co., Ltd., one of China's largest clinical CROs.

In terms of operating results, net sales and profit both performed steadily, due to measures to step up the development of existing markets and cultivate new regional markets in pharmaceutical-related product services from the first quarter, and a contraction in expenses in the realignment of the operating foundation in specialized services. Since the fiscal year ending September 30, 2018, the amount of sales has been increasing at Shanghai Hua Xin High Biotechnology Co., Ltd. in product-related services due to a change in distribution processes in China.

As a result, net sales were ¥5,184 million, up 63.8%, year on year. The Group recorded an operating loss of ¥144 million in the EKISHIN (China) Business, compared with operating income of ¥183 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, 2017 issued on November 7, 2017.

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

(¥ millions)

	As of September 30, 2017 (Previous Fiscal Year-End)	As of March 31, 2018 (End of the First Six Months)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	22,773	21,043
Notes and accounts receivable - trade	13,119	15,921
Marketable securities	662	848
Merchandise and finished goods	1,052	1,064
Work in process	1,756	1,542
Other current assets	4,711	4,471
Less: Allowance for doubtful accounts	(52)	(55)
<b>Total current assets</b>	<b>44,023</b>	<b>44,836</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>	<b>4,145</b>	<b>4,193</b>
<b>Intangible fixed assets:</b>		
Goodwill	7,107	7,127
Other intangible fixed assets	726	723
<b>Total intangible fixed assets</b>	<b>7,834</b>	<b>7,851</b>
<b>Investments and other assets:</b>		
Investment securities	4,039	5,116
Lease and guarantee deposits	1,704	1,814
Other investments and other assets	3,496	3,766
Less: Allowance for doubtful accounts	(898)	(898)
<b>Total investments and other assets</b>	<b>8,342</b>	<b>9,799</b>
<b>Total fixed assets</b>	<b>20,322</b>	<b>21,844</b>
<b>Total assets</b>	<b>64,345</b>	<b>66,680</b>

(¥ millions)

	As of September 30, 2017 (Previous Fiscal Year-End)	As of March 31, 2018 (End of the First Six Months)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable - trade	1,120	962
Short-term loans	65	65
Current portion of long-term loans payable	774	749
Income taxes payable	1,905	1,456
Allowance for employees' bonuses	2,840	2,417
Provision for loss on order received	215	269
Other current liabilities	8,365	9,528
<b>Total current liabilities</b>	<b>15,287</b>	<b>15,448</b>
<b>Non-current liabilities:</b>		
Long-term debt	1,660	1,298
Allowance for directors' and corporate auditors' retirement benefits	320	560
Net defined benefit liability	1,245	1,448
Asset retirement obligations	497	513
Other non-current liabilities	472	658
<b>Total non-current liabilities</b>	<b>4,195</b>	<b>4,479</b>
<b>Total liabilities</b>	<b>19,483</b>	<b>19,927</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	3,888	3,888
Additional paid-in capital	13,451	13,508
Retained earnings	23,437	25,009
Treasury common stock, at cost	(230)	(198)
<b>Total shareholders' equity</b>	<b>40,545</b>	<b>42,207</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	372	615
Foreign currency translation adjustment	1,007	913
Remeasurements of defined benefit plans	(107)	(169)
<b>Total accumulated other comprehensive income</b>	<b>1,272</b>	<b>1,359</b>
<b>Non-controlling interests</b>	<b>3,043</b>	<b>3,185</b>
<b>Total net assets</b>	<b>44,862</b>	<b>46,752</b>
<b>Total liabilities and net assets</b>	<b>64,345</b>	<b>66,680</b>

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

Quarterly Consolidated Statements of Income

(The six months ended March 31, 2018)

(¥ millions)

	First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)	First Six Months of Fiscal 2018 (October 1, 2017 to March 31, 2018)
<b>Net sales</b>	30,397	32,666
Cost of sales	20,248	21,107
<b>Gross profit</b>	10,149	11,558
Selling, general and administrative expenses	5,512	7,729
<b>Operating income</b>	4,636	3,828
Non-operating income:		
Interest income	20	19
Dividend income	8	23
Foreign exchange gains	108	-
Other non-operating income	60	117
Total non-operating income	199	159
Non-operating expenses		
Interest expenses	29	9
Foreign exchange losses	-	81
Other non-operating expenses	31	6
Total non-operating expenses	61	97
<b>Recurring profit</b>	4,774	3,891
Extraordinary losses:		
Loss on change in equity	153	-
Total extraordinary losses	153	-
<b>Income before income taxes</b>	4,621	3,891
Income taxes	1,792	1,408
Income tax adjustment	62	(17)
Total income taxes	1,854	1,390
Profit	2,766	2,500
Profit attributable to non-controlling interests	211	4
Profit attributable to owners of parent	2,555	2,495



Quarterly Consolidated Comprehensive Income  
(The six months ended March 31, 2018)

(¥ millions)

	First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)	First Six Months of Fiscal 2018 (October 1, 2017 to March 31, 2018)
Profit	2,766	2,500
Other comprehensive income:		
Valuation difference on available-for-sale securities	264	243
Foreign currency translation adjustment	453	(94)
Remeasurements of defined benefit plans	22	(62)
Share of other comprehensive income of entities accounted for using equity method	51	(0)
Total other comprehensive income	791	86
Comprehensive income	3,558	2,586
(Breakdown)		
Comprehensive income attributable to owners of parent	3,091	2,582
Comprehensive income attributable to non-controlling interests	467	4

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

(Notes Concerning the Going Concern Assumption)

None

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

None

(Segment Information)

#### 【Segment Information】

I. The 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.

II. The First Six Months of Fiscal 2018 (October 1, 2017 to March 31, 2018)

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 )	Amount recorded on quarterly consolidated financial statements
Net sales									
Sales to outside customers	13,978	6,989	3,850	2,660	5,063	123	32,666	—	32,666
Inter-segment sales and transfers	1,671	43	53	—	120	704	2,593	(2,593)	—
Total	15,649	7,033	3,903	2,660	5,184	828	35,260	(2,593)	32,666
Segment operating income	3,705	503	177	120	(144)	60	4,421	(593)	3,828

Note: Eliminations/Corporate for operating income of ¥(593) million includes intersegment transactions of ¥23 million and non-attributable corporate expenses not distributed each segment of ¥(616) million. The main corporate expenses comprise expenses related to the Company (the holding company).

### 3. Supplementary Information

#### (1) Main data related to consolidated cash flows

(¥ millions)

	First Six Months of Fiscal 2017 (October 1, 2016 to March 31, 2017)	First Six Months of Fiscal 2018 (October 1, 2017 to March 31, 2018)
I. Cash flows from operating activities	2,779	1,424
II. Cash flows from investing activities	(3,017)	(1,905)
III. Cash flows from financing activities	3,501	(1,075)
IV. Effect of exchange rate change on cash and cash equivalents	289	11
V. Net increase (decrease) in cash and cash equivalents	3,553	(1,544)
VI. Cash and cash equivalents at beginning of period	16,607	23,097
VII. Cash and cash equivalents at end of period	20,160	21,553
Depreciation	372	403
Amortization of goodwill	560	576

#### (2) Orders Received

(¥ millions)

	The First Six Months of Fiscal 2018 (October 1, 2017 to March 31, 2018)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business	12,941	97.4	39,163	105.3
SMO Business	7,699	143.7	18,668	105.7
CSO Business	3,718	98.1	8,268	126.2
Global Research Business	1,940	41.5	7,913	84.6
EKISHIN (China) Business	4,750	152.5	260	682.2
Others	120	89.6	8	89.6
Total	31,171	102.7	74,282	104.9

Notes: 1. Figures represent sales prices.

2. The above figures do not include consumption taxes.