



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

August 1, 2018

Company Name:	<b>EPS Holdings, Inc.</b>
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
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Filing of Quarterly Securities Report:	August 13, 2018
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

## 1. Consolidated Results for the First Nine Months of Fiscal 2018 (October 1, 2017 to June 30, 2018)

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

First Nine Months	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Fiscal 2018	48,462 8.6%	5,488 (13.1)%	5,667 (13.0)%	3,447 (2.3)%
Fiscal 2017	44,637 16.9%	6,312 27.4%	6,513 25.9%	3,529 11.7%

Note: Comprehensive income: June 30, 2018: ¥3,613 million [(24.5)%], June 30, 2017: ¥4,782 million [139.6%]

First Nine Months	Earnings per share (¥)	Net income per share (diluted) (¥)
Fiscal 2018	74.88	—
Fiscal 2017	76.57	—

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)
June 30, 2018	64,104	46,256	67.2
September 30, 2017	64,345	44,862	65.0

Note: Equity: June 30, 2018: ¥43,056 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 nine 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, 3Q end	46,311,389	Fiscal 2017 end	46,311,389
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b. Number of treasury stock at end of period:

Fiscal 2018, 3Q end	593,181	Fiscal 2017 end	186,899
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c. Average number of stock during the period:

Fiscal 2018, 3Q	46,046,404	Fiscal 2017, 3Q	46,092,005
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Note: Number of treasury shares at the end of period includes 47,600 shares of the Company held by the employees' shareholding trust as of September 30, 2017. Since the employees' shareholding trust sold all of its shares during the third quarter of the fiscal year ending September 30, 2018, as of June 30, 2018 there are no shares held in the trust.

\* 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.

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

### (1) Explanation Regarding Consolidated Operating Results

Overview of Operating Results for the Nine Months Ended June 30, 2018

(¥ millions)

	The First Nine Months of Fiscal 2017		The First Nine Months of Fiscal 2018		Change	
	Amount	%	Amount	%	Amount	%
Net sales	44,637	100.0	48,462	100.0	3,825	8.6
Operating income	6,312	14.1	5,488	11.3	(824)	(13.1)
Recurring profit	6,513	14.6	5,667	11.7	(845)	(13.0)
Profit attributable to owners of parent	3,529	7.9	3,447	7.1	(81)	(2.3)

In the nine months ended June 30, 2018, the EPS Group as a whole posted consolidated net sales of ¥48,462 million, an increase of 8.6% 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 ¥5,488 million, down 13.1% year on year due to the impact of the fall back from a strong performance in the previous fiscal year in the 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 Nine Months of fiscal 2017	The First Nine Months of fiscal 2018	Change
Domestic Business	CRO	Net sales	21,637	22,769	1,132
		Operating income	5,082	5,115	33
	SMO	Net sales	10,581	10,464	(116)
		Operating income	1,495	738	(756)
	CSO	Net sales	6,304	5,859	(444)
		Operating income	448	297	(151)
Overseas Business	Global Research	Net sales	3,495	3,686	191
		Operating income (loss)	(317)	111	428
	EKISHIN (China) Business	Net sales	4,600	8,091	3,491
		Operating income	288	66	(222)

#### 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 ¥22,769 million, an increase of 5.2% year on year, and operating income was ¥5,115 million, an increase of 0.7% year on year.

#### 2) SMO Business

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

EP-SOGO Co., Ltd. converted EXAM Co., Ltd. into a wholly owned subsidiary on October 2, 2017 and absorbed it by merger on July 1, 2018.

In this business, the Group has achieved steady progress on integration with EXAM Co., Ltd. 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 the sluggish growth of planned orders.

As a result, in the SMO Business, net sales were ¥10,464 million, a decrease of 1.1% year on year, and operating income was ¥738 million, a decrease of 50.6% year on year.

#### 3) CSO Business

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

Amid an ongoing slump in demand for MRs in the pharmaceutical industry, the Group took steps to strengthen new business creation and its sales systems, while working to manage costs and reduce expenses. However, sales and profits declined year on year to the significant effect on CMR (Contract Medical Representative) services for pharmaceuticals and PMS services.

As a result, in the CSO Business, net sales were ¥5,859 million, a decrease of 7.1% year on year, and operating income was ¥297 million, a decrease of 33.7% 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 5.5% year on year to ¥3,686 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 ¥111 million in the Global Research Business, compared with an operating loss of ¥317 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 profits both performed steadily versus the plan, as continuous measures to step up the development of existing markets and cultivate new regional markets in pharmaceutical-related product services from the first half contributed to earnings. 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 ¥8,091 million, up 75.9% year on year, and operating income was ¥66 million, down 76.9% year on 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 June 30, 2018 (End of the First Nine Months)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	22,773	18,873
Notes and accounts receivable - trade	13,119	14,810
Marketable securities	662	1,167
Merchandise and finished goods	1,052	963
Work in process	1,756	1,937
Other current assets	4,711	4,516
Less: Allowance for doubtful accounts	(52)	(51)
<b>Total current assets</b>	<b>44,023</b>	<b>42,218</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>	<b>4,145</b>	<b>4,071</b>
<b>Intangible fixed assets:</b>		
Goodwill	7,107	6,884
Other intangible fixed assets	726	697
<b>Total intangible fixed assets</b>	<b>7,834</b>	<b>7,581</b>
<b>Investments and other assets:</b>		
Investment securities	4,039	5,495
Lease and guarantee deposits	1,704	1,809
Other investments and other assets	3,496	3,827
Less: Allowance for doubtful accounts	(898)	(898)
<b>Total investments and other assets</b>	<b>8,342</b>	<b>10,233</b>
<b>Total fixed assets</b>	<b>20,322</b>	<b>21,886</b>
<b>Total assets</b>	<b>64,345</b>	<b>64,104</b>

(¥ millions)

	As of September 30, 2017 (Previous Fiscal Year-End)	As of June 30, 2018 (End of the First Nine Months)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable - trade	1,120	362
Short-term loans	65	65
Current portion of long-term loans payable	774	699
Income taxes payable	1,905	238
Allowance for employees' bonuses	2,840	1,228
Provision for loss on order received	215	221
Other current liabilities	8,365	10,832
<b>Total current liabilities</b>	<b>15,287</b>	<b>13,648</b>
<b>Non-current liabilities:</b>		
Long-term debt	1,660	1,154
Allowance for directors' and corporate auditors' retirement benefits	320	412
Net defined benefit liability	1,245	1,414
Asset retirement obligations	497	525
Other non-current liabilities	472	692
<b>Total non-current liabilities</b>	<b>4,195</b>	<b>4,199</b>
<b>Total liabilities</b>	<b>19,483</b>	<b>17,848</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	3,888	3,888
Additional paid-in capital	13,451	13,601
Retained earnings	23,437	25,407
Treasury common stock, at cost	(230)	(1,167)
<b>Total shareholders' equity</b>	<b>40,545</b>	<b>41,729</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	372	651
Foreign currency translation adjustment	1,007	838
Remeasurements of defined benefit plans	(107)	(163)
<b>Total accumulated other comprehensive income</b>	<b>1,272</b>	<b>1,327</b>
<b>Non-controlling interests</b>	<b>3,043</b>	<b>3,199</b>
<b>Total net assets</b>	<b>44,862</b>	<b>46,256</b>
<b>Total liabilities and net assets</b>	<b>64,345</b>	<b>64,104</b>



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

Quarterly Consolidated Statements of Income

(The nine months ended June 30, 2018)

(¥ millions)

	First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)	First Nine Months of Fiscal 2018 (October 1, 2017 to June 30, 2018)
<b>Net sales</b>	44,637	48,462
Cost of sales	30,016	31,182
<b>Gross profit</b>	14,620	17,279
Selling, general and administrative expenses	8,307	11,790
<b>Operating income</b>	6,312	5,488
Non-operating income:		
Interest income	52	35
Dividend income	31	52
Foreign exchange gains	129	-
Subsidy income	7	75
Other non-operating income	69	126
Total non-operating income	290	289
Non-operating expenses:		
Interest expenses	35	14
Foreign exchange losses	-	77
Other non-operating expenses	54	19
Total non-operating expenses	89	110
<b>Recurring profit</b>	6,513	5,667
Extraordinary gains:		
Gain on sales of investment securities	10	-
Total extraordinary gains	10	-
Extraordinary losses:		
Loss on change in equity	153	-
Total extraordinary losses	153	-
<b>Income before income taxes</b>	6,370	5,667
Income taxes	2,101	1,435
Income tax adjustment	431	631
Total income taxes	2,532	2,067
Profit	3,838	3,600
Profit attributable to non-controlling interests	309	152
Profit attributable to owners of parent	3,529	3,447

Quarterly Consolidated Comprehensive Income  
(The nine months ended June 30, 2018)

(¥ millions)

	First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)	First Nine Months of Fiscal 2018 (October 1, 2017 to June 30, 2018)
Profit	3,838	3,600
Other comprehensive income:		
Valuation difference on available-for-sale securities	302	279
Foreign currency translation adjustment	559	(210)
Remeasurements of defined benefit plans	35	(56)
Share of other comprehensive income of entities accounted for using equity method	47	0
Total other comprehensive income	944	12
Comprehensive income	4,782	3,613
(Breakdown)		
Comprehensive income attributable to owners of parent	4,160	3,502
Comprehensive income attributable to non-controlling interests	622	110

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

(Notes Concerning the Going Concern Assumption)

None

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

The Company acquired 451,200 of its own shares in accordance with a resolution of the Board of Directors on March 27, 2018.

As a result, treasury shares increased by ¥936 million over the nine-months ended June 30, 2018, to stand at ¥1,167 million as of June 30, 2018.

(Segment Information)

#### 【Segment Information】

I. The First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 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	19,564	10,490	6,279	3,484	4,588	229	44,637	—	44,637
Inter-segment sales and transfers	2,072	90	25	11	11	1,041	3,253	(3,253)	—
Total	21,637	10,581	6,304	3,495	4,600	1,271	47,890	(3,253)	44,637
Segment operating income	5,082	1,495	448	(317)	288	57	7,055	(742)	6,312

Notes: 1. Eliminations/Corporate for operating income of ¥(742) million includes intersegment transactions of ¥27 million and non-attributable corporate expenses not distributed to each segment of ¥(770) 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 Nine Months of Fiscal 2018 (October 1, 2017 to June 30, 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	20,469	10,416	5,785	3,675	7,949	166	48,462	—	48,462
Inter-segment sales and transfers	2,300	48	74	11	142	1,067	3,645	(3,645)	—
Total	22,769	10,464	5,859	3,686	8,091	1,234	52,108	(3,645)	48,462
Segment operating income	5,115	738	297	111	66	59	6,388	(899)	5,488

Note: Eliminations/Corporate for operating income of ¥(899) million includes intersegment transactions of ¥35 million and non-attributable corporate expenses not distributed to each segment of ¥(935) million. The main corporate expenses comprise expenses related to the Company (the holding company).

### 3. Supplementary Information

#### (1) Orders Received

(¥ millions)

	The First Nine Months of Fiscal 2018 (October 1, 2017 to June 30, 2018)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business	19,645	88.4	39,376	97.8
SMO Business	10,328	133.0	17,870	108.4
CSO Business	5,345	98.9	7,959	132.3
Global Research Business	3,760	75.1	8,719	107.2
EKISHIN (China) Business	7,639	163.2	262	42.9
Others	163	71.1	8	77.0
Total	46,882	103.5	74,196	103.7

Notes: 1. Figures represent sales prices.

2. The above figures do not include consumption taxes.