Consolidated Earnings Report for the Fiscal Year Ended September 30, 2018
[Japanese GAAP]

November 7, 2018

Company Name:	**EPS Holdings, Inc.**
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
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Scheduled date of General Stockholders' Meeting:	December 21, 2018
Scheduled Payment of Dividends:	December 25, 2018
Filing of Securities Report:	December 21, 2018
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes (for institutional investors and analysts)

(¥ millions are rounded down)

1. Consolidated Results for the Fiscal Year Ended September 30, 2018 (October 1, 2017 to September 30, 2018)

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

Fiscal years ended September 30	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2018	65,769	8.7%	7,193	(5.2)%	7,436	(4.8)%	4,388	(5.9)%
Fiscal 2017	60,482	14.8%	7,591	22.0%	7,809	18.5%	4,663	17.6%

Note: Comprehensive income: Fiscal 2018: ¥5,100 million [(17.7)%], Fiscal 2017: ¥6,196 million [165.3%]

Fiscal years ended September 30	Profit per share (¥)	Profit per share (diluted) (¥)	Return on equity (ROE)	Recurring profit/ Total assets	Operating margin
Fiscal 2018	95.66	–	10.3%	11.5%	10.9%
Fiscal 2017	101.17	–	12.3%	13.4%	12.6%

Note: Loss (gain) on entities accounted for using equity method: Fiscal 2018: ¥(0) million, Fiscal 2017: ¥(26) million

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2018	65,450	46,743	66.5	961.84
September 30, 2017	64,345	44,862	65.0	906.64

Note: Equity: September 30, 2018: ¥43,534 million, September 30, 2017: ¥41,818 million

(3) Status of Consolidated Cash Flows (¥ millions)

Fiscal years ended September 30	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, ending balance
Fiscal 2018	3,465	(3,489)	(4,259)	18,753
Fiscal 2017	7,835	(3,726)	2,005	23,097

2. Dividends

	Dividend per share (¥)					Total dividend amount (¥ millions)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year			
Fiscal 2017	—	10.00	—	20.00	30.00	1,385	29.7%	3.6%
Fiscal 2018	—	12.00	—	17.00	29.00	1,323	30.3%	3.1%
Fiscal 2019 (forecast)	—	13.00	—	15.00	28.00		27.3%	

Notes: 1. The year-end dividend for fiscal 2017 includes a special dividend of 8 yen per share.
2. The year-end dividend for fiscal 2018 includes a special dividend of 4 yen per share.

3. Forecast of Consolidated Results for Fiscal 2019 (October 1, 2018 to September 30, 2019)

(¥ 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	72,000	9.5%	7,200	0.1%	7,350	(1.2)%	4,700	7.1%	102.39

Note: The Company allotted 642,000 shares of treasury stock to the shareholders of All Right Technology Inc. as consideration for a share exchange to convert All Right Technology Inc. into a wholly owned subsidiary on the effective date of November 1, 2018.
As a result, profit per share in the forecasts of consolidated results for the year ending September 30, 2019 has been calculated based on the number of shares reflecting the aforementioned share exchange.

***Notes**

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

(2) 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

(3) Number of shares issued (common stock)

a. Number of shares issued at end of period (including treasury stock):	Fiscal 2018 end	46,311,389	Fiscal 2017 end	46,311,389
b. Number of treasury stock at end of period:	Fiscal 2018 end	1,049,754	Fiscal 2017 end	186,899
c. Average number of stock during the period:	Fiscal 2018	45,871,729	Fiscal 2017	46,099,267

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 fiscal year ended September 30, 2018, there were no shares held in the trust as of September 30, 2018.

(Reference) Summary of Non-Consolidated Results for Fiscal 2018 (October 1, 2017 to September 30, 2018)

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

	Net sales		Operating income		Recurring profit		Profit	
Fiscal 2018	3,630	(8.1)%	2,246	(18.5)%	2,277	(19.0)%	2,266	7.0%
Fiscal 2017	3,949	18.2%	2,757	22.6%	2,813	27.5%	2,118	(10.9)%

	Profit per share (¥)	Profit per share diluted (¥)
Fiscal 2018	49.41	—
Fiscal 2017	45.94	—

(2) Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2018	40,274	32,667	81,1	721.75
September 30, 2017	37,517	33,156	88.4	718.84

Note: Equity: September 30, 2018: ¥32,667 million, September 30, 2017: ¥33,156 million

* This financial report is outside the scope of the 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. Summary of Operating Results and Other Matters

(1) Summary of Operating Results for the Fiscal Year Ended September 30, 2018

(¥ millions)

	Fiscal 2017 (Year Ended September 30, 2017)		Fiscal 2018 (Year Ended September 30, 2018)		Change	
	Amount	%	Amount	%	Amount	%
Net sales	60,482	100.0	65,769	100.0	5,287	8.7
Operating income	7,591	12.6	7,193	10.9	(398)	(5.2)
Recurring profit	7,809	12.9	7,436	11.3	(373)	(4.8)
Profit attributable to owners of parent	4,663	7.7	4,388	6.7	(275)	(5.9)
Profit per share (¥)	101.17	—	95.66	—	—	—

Operating Results for the Fiscal Year Ended September 30, 2018

In the pharmaceutical and medical devices industry, which has a major bearing on the consolidated operating results of the EPS Group, the business environment is being reshaped by trends such as the growing adoption of generic drugs and NHI drug price revisions under the Japanese government's policy to curtail social security expenditures. In this environment, the industry is showing signs of transitioning to a new stage. Notably, companies are seeking to ensure profitability by achieving greater economies of scale through industry realignment such as acquisitions and business alliances. They are also taking steps to shorten lead times and cut costs by streamlining research and development activities through the application of cutting-edge technologies.

Meanwhile, in the market for outsourcing services for the healthcare industry, which spans the development of pharmaceutical and medical devices to post-market surveillance, inquiries from customers such as pharmaceutical companies and medical device manufacturers continued to surge, as these customers implemented policies to reduce development lead times and curtail development costs in an effort to enhance their competitiveness. These customers also sought to tackle priorities such as accelerating the development of new drugs for the treatment of cancer, for the central nervous system, and for intractable and orphan diseases. The market remains on a growth track both in Japan and elsewhere around the world. Concurrently, it has also become an urgent priority for service providers to further enhance the quality and efficiency of outsourcing services for the healthcare industry.

In this environment, in the three domestic segments undertaken by the EPS Group, specifically the CRO (Contract Research Organization), SMO (Site Management Organization), and CSO (Contract Sales Organization) segments, the Group strove to carefully identify customer needs, regulatory changes, and the future course of innovation in tandem with bolstering its organization and project management, with a view to both maintaining its high operating efficiency and providing high-quality services. Turning to the Group's overseas segments, in the Global Research Business, the Group has been working to strengthen its sales activities that target global pharmaceutical companies, along with reducing costs by centralizing administration functions. In the EKISHIN (China) Business, the Group has been working to continuously step up the development of existing markets and cultivate new markets as a specialist trading company in the healthcare industry.

As a result, in the year ended September 30, 2018, the EPS Group as a whole posted consolidated net sales of ¥65,769 million, up 8.7% year on year, and consolidated operating income of ¥7,193 million, down 5.2% year on year. Consolidated recurring profit declined by 4.8% year on year to ¥7,436 million and profit attributable to owners of parent decreased 5.9% year on year to ¥4,388 million.

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)

			Fiscal 2017 (Year Ended September 30, 2017)	Fiscal 2018 (Year Ended September 30, 2018)	Change
Domestic Business	CRO	Net sales Operating income	30,004 6,653	31,004 6,651	999 (2)
	SMO	Net sales Operating income	14,016 1,698	14,297 1,269	280 (429)
	CSO	Net sales Operating income	8,303 486	7,813 384	(489) (102)
Overseas Business	Global Research	Net sales Operating income (loss)	4,816 (536)	4,942 13	126 550
	EKISHIN (China) Business	Net sales Operating income	6,199 251	11,093 121	4,894 (129)

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 in the CRO Business by service, in clinical study services, net sales and operating income both surpassed forecasts, supported mainly by measures to strengthen management of clinical development as a whole and to promote the integration of internal management systems. In PMS and related services, net sales were higher than 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 surpassed their forecasts.

As a result, in the CRO Business, net sales were ¥31,004 million, an increase of ¥999 million, or 3.3%, year on year, and operating income was ¥6,651 million, a decrease of ¥2 million, or 0.0%, year on year.

2) SMO Business

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

EP-SOGO Co., Ltd. converted EXAM Co., Ltd. into a wholly owned subsidiary on October 2, 2017 and conducted an absorption-type merger with EXAM Co., Ltd. as the absorbed company on July 1, 2018.

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.

In terms of results, profits in the SMO Business were impacted by changes in the external environment, including a smaller number of cases in pharmaceuticals development and lengthy clinical study periods. However, in the SMO Business, net sales rose by ¥280 million, or 2.0%, to ¥14,297 million, while operating income decreased by ¥429 million, or 25.3%, to ¥1,269 million.

3) CSO Business
The CSO Business is undertaken by EP-PharmaLine Co., Ltd. through its CMR (Contract Medical Representatives) services, PMS services, call center services and medical devices services.

In CMR services for pharmaceuticals, following on from the previous fiscal year, sales decreased sharply due to the impact of reductions in MR staff at pharmaceutical companies.

In PMS services, which primarily involve dispatching monitoring MRs to PMS trials, the Group had anticipated a large increase in sales based on expectations of winning new projects from new pharmaceutical companies centered on a major project undertaken from the previous year. However, the Group was unable to win major projects as PMS services were impacted by reductions in MR staff at pharmaceutical companies. Consequently, sales increased year on year, but fell short of budgeted sales.

In call center services for pharmaceuticals, outbound call center services increased and call center facilities were expanded in the Osaka area. As a result, performance surpassed the previous year's results.

In addition, the Group was awarded projects for the production of academic materials undertaken from the previous year, and review services for promotional materials from not only pharmaceutical companies, but also medical advertising agencies. As a result, performance sharply exceeded the previous year's results.

In medical devices services, performance was largely in line with initial forecasts as the Group developed new customers and services.

As a result, in the CSO Business, net sales were ¥7,813 million, a decrease of ¥489 million, or 5.9%, year on year, and operating income was ¥384 million, a decrease of ¥102 million, or 21.0%, year on year.

4) Global Research Business
The Global Research Business is undertaken by EPS International Holdings Co., Ltd. and overseas Group companies.

Net sales rose ¥126 million, or 2.6%, year on year to ¥4,942 million atop strong progress on current projects and a contribution from newly awarded projects. Meanwhile, on the earnings front, operating income improved significantly to ¥13 million, compared with an operating loss of ¥536 million in the previous fiscal year. Cost control in Asia and Japan contributed positively to operating profitability.

5) EKISHIN (China) Business
The EKISHIN (China) Business is undertaken by the two regional holding companies EPS EKISHIN Co., Ltd. and EPS (China) Co., Ltd., and related Group companies in China.

In this business, under a solid capital and business partnership with SUZUKEN Co., Ltd., 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.

In the specialized services, the Group is rebuilding the CRO service in China, which had been struggling on the earnings front, through a strategic partnership with Hangzhou Tigermed Consulting Co., Ltd., one of China's largest clinical CROs.

In the product-related service, continuous measures to step up the development of existing markets and cultivate new markets from the first half contributed to earnings growth. Since the fiscal year ended September 30, 2018, the amount of sales has been increasing at Shanghai Hua Xin High Biotechnology Co., Ltd. in the product-related business due to a change in distribution processes in China. This had a negligible impact on operating income.

As a result, in terms of operating results, net sales were ¥11,093 million, up 78.9%, year on year. Operating income was ¥121 million in the EKISHIN (China) Business, down ¥129 million, or 51.6%, year on year.

(2) Summary of Financial Position as of September 30, 2018

Status of Assets, Liabilities and Net Assets
Changes in the Group's financial position during the fiscal year under review, compared with the previous fiscal year-end, are outlined as follows:

Current assets amounted to ¥42,170 million as of September 30, 2018, a decrease of ¥1,852 million from the previous fiscal year-end. The main contributing factors were decreases of ¥4,916 million in cash and time deposits and ¥485 million in merchandise and finished goods and work in process. These decreases were partly offset by increases of ¥2,626 million in notes and accounts receivable - trade, and ¥694 million in marketable securities. Fixed assets amounted to ¥23,280 million, an increase of ¥2,958 million from the previous fiscal year-end. The main contributing factors were increases of ¥898 million in land and ¥1,960 million in investment securities. These increases were partly offset by a decrease of ¥478 million in goodwill. As a result, total assets stood at ¥65,450 million, an increase of ¥1,105 million from the previous fiscal year-end.

In terms of liabilities, total liabilities amounted to ¥18,706 million as of September 30, 2018, a decrease of ¥776 million compared with the previous fiscal year-end. This mainly reflected decreases of ¥664 million in notes and accounts payable - trade, ¥914 million in short-term loans and long-term debt, including the current portion, ¥654 million in income taxes payable, and ¥1,529 million in other current liabilities. These decreases were partly offset by increases of ¥2,401 million in accounts payable - other, ¥182 million in net defined benefit liability, and ¥289 million in other non-current liabilities.

In terms of net assets, total net assets amounted to ¥46,743 million as of September 30, 2018, an increase of ¥1,881 million from the previous fiscal year-end. This mainly reflected increases of ¥2,910 million in retained earnings, ¥639 million in valuation difference on available-for-sale securities, and ¥165 million in non-controlling interests. These increases were partly offset by an increase of ¥1,936 million in treasury common stock, at cost, and a decrease of ¥145 million in foreign currency translation adjustment.

(3) Summary of Cash Flows for the Fiscal Year Ended September 30, 2018

In the fiscal year ended September 30, 2018, net cash provided by operating activities was ¥3,465 million, net cash used in investing activities was ¥3,489 million and net cash provided by financing activities was ¥4,259 million. These cash flows were adjusted for the effect of exchange rate change on cash and cash equivalents of ¥61 million. As a result, cash and cash equivalents at September 30, 2018 stood at ¥18,753 million, a decrease of ¥4,344 million from the previous fiscal year-end.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,465 million, a decrease of ¥4,370 million from the previous fiscal year.

The main reasons for this decrease in net cash provided by operating activities were profit before income taxes of ¥7,228 million (a decrease of ¥806 million year on year), a decrease in provision for bonuses of ¥147 million (an increase of ¥310 million in the previous fiscal year), an increase in notes and accounts receivable-trade of ¥2,302 million (an increase of ¥1,768 million year on year). Other contributing factors were a smaller increase in other current liabilities of ¥380 million (a decrease of ¥406 million year on year) and income taxes paid of ¥3,601 million (an increase of ¥487 million year on year).

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,489 million, a decrease of ¥236 million year on year. The main reasons for this decrease in net cash used in investing activities were payments into time deposits of ¥134 million (a decrease of ¥192 million year on year), and the purchase of investment securities of ¥833 million (a decrease of ¥1,164 million year on year). Other contributing factors included the purchase of property, plant and equipment and intangible assets of ¥1,508 million (an increase of ¥697 million year on year) and the purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,121 million (an increase of ¥222 million year on year). Cash was also reduced by the absence of the proceeds from sales and redemption of investment securities of ¥900 million recorded in the previous fiscal year. These cash outflows were partly offset by a cash inflow of ¥387 million in other, net (cash outflow of ¥441 million in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,259 million, a change of ¥6,264 million from net cash provided of ¥2,005 million in the previous fiscal year.

The main factors behind this change in cash flows from financing activities were the purchase of treasury shares of ¥1,988 million (an increase of ¥1,884 million year on year) and smaller proceeds from sales of treasury shares of ¥113 million (a decrease of ¥2,025 million year on year). Another factor was the absence of proceeds from issuance of common shares of ¥2,700 million recorded in the previous fiscal year.

(4) Outlook

In the fiscal year ended September 30, 2018, the EPS Group saw consolidated net sales fall slightly below forecast, but increase year on year. Consolidated operating income, and consolidated recurring profit both surpassed forecasts, but decreased year on year. In the fiscal year ending September 30, 2019, the EPS Group will strengthen Group management capabilities across both the horizontal and vertical dimensions of the organization by encouraging autonomous activities in each segment, in tandem with efforts to further enhance the holding company structure.

In terms of initiatives, the Group will proactively advance business expansion and make the necessary upfront investments through such means as creating new added value and exploring further M&A opportunities, as it strives to strengthen existing businesses, with a view to achieving the goals of the Mid-Term Business Plan.

The outlook for each business segment is as follows:

1) CRO Business

In the domestic CRO business, the Group will work to ensure base growth underpinned by its existing business models, in conjunction with accelerating new services and pursuing new businesses. To this end, the Group will aim to achieve Group-wide growth by working to further strengthen collaboration with other business segments. At the same time, the Group will work to maximize profit by bolstering relationships of trust with customers, rigorously enforcing cost controls and raising operating efficiency. In clinical study services, the Group will work to ensure quality and enhance productivity through measures to strengthen management of overall clinical development and integrate internal management. Concurrently, the Group will also take proactive steps to expand the range of new services. In PMS and related services, the Group will work to generate steady profits by enhancing efficient business methodologies, along with measures to reinforce the organizational structure. Moreover, the Group has reorganized clinical research services and pharmaceutical and medical IT services into the NRO (Next-Stage (New) Research Organization) business. In this business, the Group will supply more efficient data management services that harness nearshore and offshore capabilities and the integration of specialized services and IT services. These services will be supplied as a platform for supporting the implementation of next-generation pharmaceutical development, including investigator-initiated clinical trials and database research.

2) SMO Business
In the SMO Business, the Group will work to spur further development by vigorously conducting activities to create new businesses, as it realizes integration synergies and harnesses its No.1 position in terms of business scale. In addition, the Group will seek to establish a dominant presence in this field by promoting quality control and project management driven by IT and other technologies in order to enhance customer satisfaction. Another measure will be to expand oncology and dermatology facilities and nurture CRCs (Clinical Research Coordinators) with experience in the oncology field. Leveraging its regional strategy and business sites, the Group will also strive to enhance operating results by proactively taking initiatives such as fully expanding proposal-based sales activities, and reassigning personnel to optimal positions.

3) CSO Business
In the domestic CSO business, the Group will work to differentiate itself from competitors by integrating the Group’s wide range of unique services into traditional CSO services such as CMR and call center operations. In DI (Drug Information) services, the Group will work to win new projects with the aim of expanding services in addition to call centers for pharmaceuticals. In PMS services, the Group will strive to enhance productivity by reshaping the supply structure. In medical devices services, the Group will focus on achieving sales and profit forecasts by expanding new businesses such as field engineer and materials base services. In addition, ES-Link Co., Ltd., a joint venture set up by the Group and Suzuken Co., Ltd., will advance promotion services leveraging the strengths of both companies and distribution management solutions that respond to new needs for orphan drugs and medical devices.

4) Global Research Business
In the Global Research Business, the Group will push ahead with laying solid foundations in Japan, Asia and China for becoming the leading CRO company in the Asia-Pacific region covering over 10 countries. Giving first importance to supplying products (services) that meet the high standards of quality required in global clinical trials, the Group will strengthen sales activities to win projects in Asia and further develop its management services platform, with the aim of advancing the Global Research Business to the next stage of growth.

5) EKISHIN (China) Business
In the EKISHIN (China) Business, the Group will work to upgrade and expand its business foundations and create new added value as a specialist trading company in the healthcare industry linking Japan and China.

In the fiscal year ending September 30, 2019, the EKISHIN (China) Business will comprise four core businesses, specifically the products-related business, the specialized services-related business, the international trading-related business, and the peripheral support-related business. In this business, the Group will ensure sustained operating performance through stable management of its existing core businesses. Concurrently, the Group will pursue business development based on the in-licensing of new products, leveraging both resources within the Group and the resources of its partner companies. In clinical research-related services, the EKISHIN (China) Business will strengthen sales activities by working closely with the Global Research Business.

Forecast of operating results for fiscal 2019 (October 1, 2018 to September 30, 2019)

Fiscal 2019 Consolidated performance forecast	¥ millions	Year-on –year change (%)
Net sales	72,000	9.5
Operating income	7,200	0.1
Recurring profit	7,350	(1.2)
Profit attributable to owners of parent	4,700	7.1

（Segment Outlook）
Forecasts of net sales for each segment include inter-segment transactions.

	Net sales (¥ millions)	Year-on –year change (%)
CRO	35,600	14.8
SMO	14,300	0.0
CSO	8,500	8.8
Global Research	4,500	(8.9)
EKISHIN (China) Business	11,280	1.7

2. Basic Policy Regarding Selection of Accounting Standards

The EPS Group prepares its consolidated financial statements based on Japanese accounting standards, taking into consideration the need to ensure the comparability of the consolidated financial statements between different accounting periods and between different companies.

The Group intends to appropriately address the issue of adopting International Financial Reporting Standards (IFRS) based on consideration of various conditions in Japan and abroad.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(¥ millions)

	Fiscal 2017 As of September 30, 2017	Fiscal 2018 As of September 30, 2018
Assets		
Current assets:		
Cash and time deposits	22,773	17,857
Notes and accounts receivable - trade	13,119	15,746
Marketable securities	662	1,357
Merchandise and finished goods	1,052	849
Work in process	1,756	1,473
Deferred tax assets	1,706	1,843
Other current assets	3,004	3,094
Less: Allowance for doubtful accounts	(52)	(51)
Total current assets	40,023	42,170
Fixed assets:		
Property, plant and equipment		
Buildings	4,387	4,589
Accumulated depreciation	(1,504)	(1,676)
Buildings, net	2,883	2,912
Furniture and fixtures	1,737	1,826
Accumulated depreciation	(997)	(1,150)
Furniture and fixtures, net	739	675
Land	—	898
Other	954	843
Accumulated depreciation	(432)	(438)
Other, net	522	405
Total property, plant and equipment	4,145	4,892
Intangible fixed assets:		
Goodwill	7,107	6,629
Other intangible fixed assets	726	773
Total intangible fixed assets	7,834	7,402
Investments and other assets:		
Investment securities	4,039	5,999
Long-term loans receivable	887	887
Lease and guarantee deposits	1,704	1,867
Deferred tax assets	542	728
Net defined benefit asset	42	147
Other investments and other assets	2,024	2,254
Less: Allowance for doubtful accounts	(898)	(898)
Total investments and other assets	8,342	10,985
Total fixed assets	20,322	23,280
Total assets	64,345	65,450

(¥ millions)

	Fiscal 2017 As of September 30, 2017	Fiscal 2018 As of September 30, 2018
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	1,120	456
Short-term loans	65	65
Current portion of long-term loans payable	774	602
Accounts payable – other	1,906	4,307
Income taxes payable	1,905	1,251
Allowance for employees' bonuses	2,840	2,732
Provision for loss on order received	215	242
Other current liabilities	6,459	4,929
Total current liabilities	15,287	14,587
Non-current liabilities:		
Long-term debt	1,660	918
Allowance for directors' and corporate auditors' retirement benefits	320	453
Net defined benefit liability	1,245	1,428
Asset retirement obligations	497	556
Other non-current liabilities	472	761
Total non-current liabilities	4,195	4,119
Total liabilities	19,483	18,706
Net assets		
Shareholders' equity:		
Capital stock	3,888	3,888
Additional paid-in capital	13,451	13,601
Retained earnings	23,437	26,347
Treasury common stock, at cost	(230)	(2,167)
Total shareholders' equity	40,545	41,670
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	372	1,012
Foreign currency translation adjustment	1,007	861
Remeasurements of defined benefit plans	(107)	(9)
Total accumulated other comprehensive income	1,272	1,864
Non-controlling interests	3,043	3,209
Total net assets	44,862	46,743
Total liabilities and net assets	64,345	65,450

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(¥ millions)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Net sales	60,482	65,769
Cost of sales	41,406	42,469
Gross profit	19,075	23,299
Selling, general and administrative expenses		
Promotion expenses	—	4,283
Directors' compensations	765	774
Salaries and bonuses	4,102	4,209
Provision for bonuses	437	381
Provision for directors' retirement benefits	64	134
Retirement benefit expenses	126	85
Rent expenses	716	787
Commission fee	508	360
Other	4,760	5,088
Total selling, general and administrative expenses	11,484	16,106
Operating income	7,591	7,193
Non-operating income:		
Interest income	66	58
Gain on insurance cancellation	49	59
Commission fee	10	10
Subsidy income	10	77
Dividend income	31	52
Foreign exchange gains	124	—
Other non-operating income	39	95
Total non-operating income	334	354
Non-operating expenses:		
Interest expenses	40	18
Foreign exchange losses	—	62
Commission for purchase of treasury shares	0	11
Other non-operating expenses	73	18
Total non-operating expenses	115	110
Recurring profit	7,809	7,436
Extraordinary gains:		
Gain on sales of investment securities	10	—
Gain on sales of shares of subsidiaries and associates	300	—
Total extraordinary gains	311	—
Extraordinary losses:		
Loss on change in equity	86	—
Loss on valuation of investment securities	—	24
Loss on transition of retirement benefit plans	—	184
Total extraordinary losses	86	208
Profit (loss) before income taxes	8,034	7,228
Income taxes	3,423	2,960
Income tax adjustment	(366)	(322)
Total income taxes	3,057	2,637
Profit	4,977	4,590
Profit attributable to non-controlling interests	313	202
Profit attributable to owners of parent	4,663	4,388

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Profit	4,977	4,590
Other comprehensive income:		
Valuation difference on available-for-sale securities	429	639
Foreign currency translation adjustment	651	(228)
Remeasurements of defined benefit plans	145	97
Share of other comprehensive income of entities accounted for using equity method	(6)	0
Total other comprehensive income	1,218	509
Comprehensive income	6,196	5,100
(Breakdown)		
Comprehensive income attributable to owners of parent	5,514	4,979
Comprehensive income attributable to non-controlling interests	681	120

(3) Consolidated Statements of Changes in Shareholders Equity

Fiscal 2017 (From October 1, 2016 to September 30, 2017) (¥ millions)

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,888	12,107	19,398	(2,014)	33,379
Changes of items during period					
Changes in equity in consolidated subsidiaries		1,135			1,135
Change of scope of equity method			507		507
Dividends of surplus			(1,132)		(1,132)
Profit (loss) attributable to owners of parent			4,663		4,663
Purchase of treasury shares				(104)	(104)
Disposal of treasury shares		208		1,888	2,097
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,344	4,038	1,783	7,166
Balance at end of current period	3,888	13,451	23,437	(230)	40,545

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(56)	730	(252)	422	563	34,364
Changes of items during period						
Changes in equity in consolidated subsidiaries						1,135
Change of scope of equity method						507
Dividends of surplus						(1,132)
Profit (loss) attributable to owners of parent						4,663
Purchase of treasury shares						(104)
Disposal of treasury shares						2,097
Net changes of items other than shareholders' equity	429	276	145	850	2,480	3,331
Total changes of items during period	429	276	145	850	2,480	10,497
Balance at end of current period	372	1,007	(107)	1,272	3,043	44,862

Consolidated Statements of Changes in Shareholders Equity

Fiscal 2018 (From October 1, 2017 to September 30, 2018) (¥ millions)

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,888	13,451	23,437	(230)	40,545
Changes of items during period					
Changes in equity in consolidated subsidiaries		150			150
Dividends of surplus			(1,477)		(1,477)
Profit (loss) attributable to owners of parent			4,388		4,388
Purchase of treasury shares				(1,988)	(1,988)
Disposal of treasury shares				52	52
Net changes of items other than shareholders' equity					
Total changes of items during period	—	150	2,910	(1,936)	1,124
Balance at end of current period	3,888	13,601	26,347	(2,167)	41,670

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	372	1,007	(107)	1,272	3,043	44,862
Changes of items during period						
Changes in equity in consolidated subsidiaries						150
Dividends of surplus						(1,477)
Profit (loss) attributable to owners of parent						4,388
Purchase of treasury shares						(1,988)
Disposal of treasury shares						52
Net changes of items other than shareholders' equity	639	(145)	97	591	165	756
Total changes of items during period	639	(145)	97	591	165	1,881
Balance at end of current period	1,012	861	(9)	1,864	3,209	46,743

(4) Consolidated Statements of Cash Flow

(¥ millions)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Cash flow from operating activities		
Profit before income taxes	8,034	7,228
Depreciation	762	827
Amortization of goodwill	1,098	1,152
Share of loss (gain) of entities accounted for using equity method	26	0
Increase (decrease) in provision for bonuses	310	(147)
Loss (gain) on sales of shares of subsidiaries and associates	(300)	—
Increase (decrease) in net defined benefit liability	209	279
Increase (decrease) in provision for directors' retirement benefits	57	(42)
Interest and dividend income	(97)	(111)
Interest expenses	40	18
Loss (gain) on sales of investment securities	(10)	—
Loss (gain) on valuation of investment securities	—	24
Loss on transition of retirement benefit plans	—	184
Subsidy income	(10)	(77)
Loss (gain) on change in equity	86	—
Decrease (increase) in notes and accounts receivable - trade	(534)	(2,302)
Decrease (increase) in inventories	639	457
Increase (decrease) in notes and accounts payable - trade	(464)	(656)
Increase (decrease) in other current liabilities	786	380
Other, net	254	(317)
Subtotal	10,888	6,896
Interest and dividend income received	95	111
Interest expenses paid	(44)	(18)
Subsidy received	10	77
Income taxes paid	(3,114)	(3,601)
Net cash provided by (used in) operating activities	7,835	3,465
Cash flow from investing activities		
Payments into time deposits	(327)	(134)
Proceeds from withdrawal of time deposits	20	—
Purchase of property, plant and equipment	(629)	(1,312)
Purchase of intangible assets	(180)	(195)
Purchase of investment securities	(1,997)	(833)
Proceeds from redemption of investment securities	300	—
Proceeds from sales of investment securities	600	—
Payments for lease and guarantee deposits	(148)	(231)
Proceeds from collection of lease and guarantee deposits	115	114
Purchase of insurance funds	(151)	(161)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(899)	(1,121)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	13	—
Other, net	(441)	387
Net cash provided by (used in) investing activities	(3,726)	(3,489)

(¥ millions)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	3,060	—
Decrease in short-term loans payable	(3,260)	—
Proceeds from long-term loans payable	49	—
Repayments of long-term loans payable	(949)	(914)
Purchase of treasury shares	(104)	(1,988)
Proceeds from sales of treasury shares	2,139	113
Proceeds from issuance of common shares	2,700	—
Proceeds from share issuance to non-controlling shareholders	46	456
Cash dividends paid	(1,131)	(1,476)
Dividends paid to non-controlling interests	(41)	(28)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(442)	(339)
Other, net	(61)	(81)
Net cash provided by (used in) financing activities	2,005	(4,259)
Effect of exchange rate change on cash and cash equivalents	375	(61)
Net increase (decrease) in cash and cash equivalents	6,490	(4,344)
Cash and cash equivalents at beginning of period	16,607	23,097
Cash and cash equivalents at end of period	23,097	18,753

(5) Notes Concerning Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

(Additional Information)

Net defined benefit liability

The Company has integrated several retirement benefit plans of certain consolidated subsidiaries of the Company into a defined benefit pension plan. In accordance with this change, the Company has changed the calculation method for retirement benefit obligations from the simplified method, which had been used previously, to the principle method.

As a result, there was a difference of ¥184 million between the previously calculated results for retirement benefit obligations and the amounts in the new plan. The Company has recorded this difference as a "loss on transition of retirement benefit plans" under extraordinary losses.

(Segment Information)

【Segment Information】

1. Summary of Reportable Segment

(1) Method of Determining Reportable Segments

The EPS Group's reportable segments are components of the Group for which discrete financial information is available and which the Board of Directors reviews regularly to make decisions about the allocation of resources and to assess business performance.

The EPS Group operates in industries related to pharmaceuticals development, primarily serving pharmaceutical companies worldwide. The Group provides various services incidental to various stages of pharmaceuticals development, along with services associated with healthcare, pharmaceuticals, BPO and related areas in China. The Group has five reportable segments: the CRO Business, SMO Business, CSO Business, Global Research Business, and EKISHIN (China) Business.

(2) Types of services in each reportable segment

In the CRO Business, the Group provides various specialized services concerning the operation and management of clinical studies based on service contracts with pharmaceutical companies and other entities in connection with the implementation of clinical studies (including post-marketing surveillance (PMS) and studies) in Japan.

In the SMO Business, the Group primarily provides specialized services centered on the assignment of CRCs (Clinical Research Coordinators), who assist medical institutions with the implementation of clinical trials, to medical institutions and the provision of clinical study administrative support and related services.

In the CSO Business, the Group is contracted by pharmaceutical companies to provide services related to the sale of pharmaceuticals. The Group primarily provides contract-based MR (Medical Representative) services and undertakes the assignment of MRs. Their main duties are to provide information on the quality, efficacy, safety and other attributes of pharmaceuticals and collect and communicate information on side effects and other matters to medical professionals, for the purpose of ensuring the proper use and widespread adoption of pharmaceuticals. In addition, the Group provides pharmaceutical-related information and support services.

In the Global Research Business, the Group provides a variety of services in connection with the implementation of clinical studies (including post-market surveillance (PMS) services and studies) overseas, primarily in Asia.

In the EKISHIN (China) Business, the Group mainly provides optimal business solutions in China in the healthcare field, including the research, development, manufacture and sales of pharmaceuticals, as well as the manufacture and sales of medical devices.

2. Information Concerning the Calculation Method for the Amounts of Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

The accounting treatment method for reportable segments is largely the same as the accounting treatment methods used in the preparation of the Consolidated Financial Statements.

The segment operating income is based on the operating income.

Inter-segment net sales are generally based on reasonable transaction prices.

3. Information Concerning the Amounts of Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

Fiscal 2017 (From October 1, 2016 to September 30, 2017)

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements
Net sales									
Sales to outside customers	27,053	13,898	8,251	4,800	6,183	294	60,482	—	60,482
Inter-segment sales and transfers	2,950	118	52	15	15	1,389	4,542	(4,542)	—
Total	30,004	14,016	8,303	4,816	6,199	1,683	65,024	(4,542)	60,482
Segment operating income	6,653	1,698	486	(536)	251	67	8,621	(1,029)	7,591
Segment assets	25,765	18,235	3,481	2,404	11,347	1,040	62,274	2,071	64,345
Other items									
Depreciation	292	119	116	17	155	20	722	40	762
Amortization of goodwill	123	656	11	—	334	—	1,125	(27)	1,098
Investment in entities accounted for using the equity method	—	—	—	—	34	—	34	—	34
Increase in property, plant and equipment and intangible assets	334	65	70	5	1,586	91	2,154	7	2,161

Notes:

1. Eliminations/Corporate for operating income of ¥(1,029) million includes intersegment transactions of ¥30 million and non-attributable corporate expenses not distributed to each segment of ¥(1,060) million. The main corporate expenses comprise expenses related to the Company (the holding company).
2. Adjustment for segment assets of ¥2,071 million includes intersegment transactions of ¥(3,474) million and non-attributable corporate assets not allocated to each segment of ¥5,546 million. The main corporate assets comprise assets related to the Company (the holding company).
3. From the Fiscal Year Ended September 30, 2017, the Domestic CRO, Domestic SMO, and Domestic CSO segments have been renamed as the CRO Business, SMO Business, and CSO Business, respectively.

Fiscal 2018 (From October 1, 2017 to September 30, 2018)

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements
Net sales									
Sales to outside customers	27,738	14,237	7,718	4,930	10,923	220	65,769	—	65,769
Inter-segment sales and transfers	3,266	59	95	11	170	1,447	5,050	(5,050)	—
Total	31,004	14,297	7,813	4,942	11,093	1,667	70,819	(5,050)	65,769
Segment operating income	6,651	1,269	384	13	121	61	8,501	(1,308)	7,193
Segment assets	27,578	16,425	3,445	1,854	14,111	1,383	64,798	651	65,450
Other items									
Depreciation	371	86	108	9	166	46	789	38	827
Amortization of goodwill	122	717	11	—	338	—	1,189	(37)	1,152
Investment in entities accounted for using the equity method	—	—	—	—	57	—	57	—	57
Increase in property, plant and equipment and intangible assets	363	717	26	2	111	43	1,265	909	2,174

Notes:

1. Eliminations/Corporate for operating income of ¥(1,308) million includes intersegment transactions of ¥37 million and non-attributable corporate expenses not distributed to each segment of ¥(1,345) million. The main corporate expenses comprise expenses related to the Company (the holding company).
2. Adjustment for segment assets of ¥651million includes intersegment transactions of ¥(6,865) million and non-attributable corporate assets not allocated to each segment of ¥7,516 million. The main corporate assets comprise assets related to the Company (the holding company).

(Per Share Information)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Net assets per share	¥906.64	¥961.84
Amount of profit per share	¥101.17	¥95.66

Notes:

1. The amounts of diluted profit per share for the fiscal years ended September 30, 2017 and 2018 are not disclosed because there were no dilutive shares.
2. The number of the Company's own shares remaining in the employees' shareholding trust, which are recorded as "treasury common stock, at cost" under shareholders' equity, is included in the treasury shares that are deducted from the calculation of the average number of shares during the period for the purpose of calculating the amount of profit per share. Moreover, these Company shares are included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share.
   Since the employees' shareholding trust sold all of its shares during the fiscal year ended September 30, 2018, there were no shares held in the trust as of September 30, 2018.
   The average number of the treasury shares during the period that were deducted for the purpose of calculating the amount of profit per share was 85,500 shares in the fiscal year ended September 30, 2017 and 14,600 shares in the fiscal year ended September 30, 2018. The average number of the treasury shares during the period that were deducted for the purpose of calculating net assets per share was 47,600 shares in the fiscal year ended September 30, 2017.
3. The basis for calculating the amount of profit per share is as follows:

	Fiscal 2017 (October 1, 2016 to September 30, 2017)	Fiscal 2018 (October 1, 2017 to September 30, 2018)
Amount of profit per share		
Profit attributable to owners of parent (¥ million)	4,663	4,388
Amount not attributable to shareholders of common stock (¥ million)	—	—
Profit attributable to shareholders of common stock of the parent (¥ million)	4,663	4,388
Average number of common shares during the period	46,099,267	45,871,729
Dilutive stocks that were not included in the calculation of profit per share after adjustment for dilution, because they do not have a dilutive effect	―――	―――

(Important Subsequent Events)
Business combination due to acquisition
At a meeting of the Board of Directors held on September 25, 2018, the Company passed a resolution to implement a share exchange (hereinafter, "the Share Exchange") to convert All Right Technology Inc. (hereinafter, "All Right Technology") into a wholly owned subsidiary of the Company. Under the terms of the Share Exchange, the Company will become the wholly owning parent company of All Right Technology, while All Right Technology will become a wholly owned subsidiary of the Company.
The Share Exchange was undertaken on the effective date of November 1, 2018, following approval of the Share Exchange by an extraordinary meeting of shareholders of All Right Technology held on September 25, 2018, and without obtaining the approval of the general meeting of shareholders of the Company according to the procedures for a simplified share exchange pursuant to Article 796, Paragraph 2 of the Companies Act of Japan.

(1) Outline of the business combination
1) Name of the acquired company and its business lines
Name of the acquired company: All Right Technology Inc
Business lines: Sales, integration, operation and maintenance of IT devices and development, sales and provision of services for medical IT-related packages
2) Main reasons for the business combination
To enhance the Group's existing services related to pharmaceutical development, the post-market stage and other such areas, and to strengthen the Group's ability to develop new services and build IT infrastructure.
3) Business combination date
November 1, 2018
4) Legal form of the business combination
Share exchange
5) Name of company after the business combination
There was no change in the name of the company after the business combination.
6) Voting interest after acquisition
Voting interest held before the share exchange 14.5%
Additional voting interest acquired on the business combination date 85.5%
Voting interest after the acquisition 100.0%
7) Main rationale for determining the target company
The Company acquired 100% of the voting interest of the target company through a share exchange and converted it into a wholly owned subsidiary.

(2) Exchange ratio by class of shares as well as the calculation method and number of shares delivered
1) Exchange ratio by class of shares
1 common share of All Right Technology: 321 common shares of the Company
2) Calculation method for the share exchange ratio
In order to ensure the fairness and appropriateness of the share exchange ratio for the Share Exchange, the Company appointed Curation Partners Inc. (hereinafter "Curation Partners"), a third-party appraiser independent of the Company and All Right Technology, to calculate the share exchange ratio for the Share Exchange.
Based on an analysis of the financial information of the Company and All Right Technology and the conditions of the Share Exchange, Curation Partners performed its valuation of the Company using the market share price method, because the Company's common shares are listed on stock exchanges and therefore have market share prices. In addition, Curation Partners used the discounted cash flow method (hereinafter, "the DCF method") to ensure that future business activities are reflected in the valuation. Meanwhile, Curation Partners performed its valuation of All Right Technology using the comparable peer company method, because there are several comparable publicly listed companies and it is possible to estimate the share value through a comparison with peer companies. In addition, Curation Partners used the DCF method to ensure that future business activities are reflected in the valuation.
3) Number of shares delivered
642,000 shares

4. Order

(1) Orders Received

(¥ millions)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business	26,412	89.0	38,875	96.7
SMO Business	15,697	141.3	19,417	117.7
CSO Business	7,234	74.2	7,916	94.2
Global Research Business	4,213	62.3	7,916	91.7
EKISHIN (China) Business	10,523	167.3	174	30.3
Others	216	73.4	7	66.9
Total	64,299	100.6	74,306	100.0

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