



## Consolidated Earnings Report for the First Three Months of Fiscal 2019 [Japanese GAAP]

February 1, 2019

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>
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Filing of Quarterly Securities Report:	February 12, 2019
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

### 1. Consolidated Results for the First Three Months of Fiscal 2019 (October 1, 2018 to December 31, 2018)

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

First Three Months	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Fiscal 2019	16,162    2.5%	1,571    (12.2)%	1,586    (16.1)%	1,172    (7.0)%
Fiscal 2018	15,764    8.6%	1,790    (4.6)%	1,891    (8.1)%	1,260    43.9%

Note: Comprehensive income: December 31, 2018: ¥1,093 million [(35.7)%], December 31, 2017: ¥1,702 million [(21.7)%]

First Three Months	Profit per share (¥)	Profit per share (diluted) (¥)
Fiscal 2019	25.78	—
Fiscal 2018	27.33	—

#### (2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)
December 31, 2018	64,339	47,384	68.6
September 30, 2018	65,405	46,743	66.6

Notes: 1. Equity: December 31, 2018: ¥44,159 million, September 30, 2018: ¥43,534 million

2. The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.”

(Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the three months ended December 31, 2018. Accordingly, the Company has retroactively applied these amendments to total assets and the equity ratio for the fiscal year ended September 2018.

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2018	—	12.00	—	17.00	29.00
Fiscal 2019	—				
Fiscal 2019 (forecast)		13.00	—	15.00	28.00

Notes: 1. Revisions to recent dividend forecasts: None

2. The year-end dividend for fiscal 2018 includes a special dividend of ¥4 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

Notes: 1. Revisions to recent consolidated results forecasts: None

2. 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 first three 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 2019, 1Q end	46,311,389	Fiscal 2018 end	46,311,389
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b. Number of treasury stock at end of period:

Fiscal 2019, 1Q end	953,153	Fiscal 2018 end	1,049,754
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c. Average number of stock during the period:

Fiscal 2019, 1Q	45,476,799	Fiscal 2018, 1Q	46,133,577
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\* 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 Three Months Ended December 31, 2018

(¥ millions)

	The First Three Months of Fiscal 2018		The First Three Months of Fiscal 2019		Change	
	Amount	%	Amount	%	Amount	%
Net sales	15,764	100.0	16,162	100.0	398	2.5
Operating income	1,790	11.4	1,571	9.7	(219)	(12.2)
Recurring profit	1,891	12.0	1,586	9.8	(304)	(16.1)
Profit attributable to owners of parent	1,260	8.0	1,172	7.3	(88)	(7.0)

Forward-looking statements contained in this document are based on a judgment of operating results for the three months ended December 31, 2018.

In the three months ended December 31, 2018, the EPS Group posted consolidated net sales of ¥16,162 million, an increase of 2.5% year on year, mainly driven by higher sales in the EKISHIN (China) Business. Consolidated operating income declined by 12.2% year on year to ¥1,571 million, mainly due to a high profit margin on favorable projects in the previous fiscal year in the CRO Business. Meanwhile, both net sales and profit progressed largely in line with consolidated forecasts.

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 Three Months of fiscal 2018	The First Three Months of fiscal 2019	Change
Domestic Business	CRO	Net sales	7,372	7,282	(89)
		Operating income	1,934	1,352	(581)
	SMO	Net sales	3,507	3,470	(36)
		Operating income	221	477	256
	CSO	Net sales	1,933	1,952	18
		Operating income	69	99	30
Overseas Business	Global Research	Net sales	1,211	978	(232)
		Operating income (loss)	5	(57)	(63)
	EKISHIN (China) Business	Net sales	2,561	3,149	587
		Operating income (loss)	(170)	77	248

### 1) CRO Business

In the CRO Business, the Group conducts operations mainly 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.
- c. On-site CRO services: EPMate Co., Ltd.
- d. Pharmaceutical and medical IT services: e-Trial Co., Ltd. and All Right Technology Inc.

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 and operating income were both higher than forecast. In clinical research services, results were as forecast. In on-site CRO services, net sales fell short of the forecast due to delays in securing resources but operating income trended firmly due to appropriate management of costs. These results meant net sales were ¥7,282 million, a decrease of ¥89 million, or 1.2%, year on year, and operating income was ¥1,352 million, a decrease of ¥581 million, or 30.1%, year on year, due to a high profit margin on favorable projects and some projects being advanced in the previous fiscal 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 worked to strengthen the project management system and enhance business performance by bolstering the sales structure through such means as fully expanding proposal-based sales activities. Efforts were also made to enhance the quality control system. As a result, in the SMO Business, net sales were down ¥36 million to ¥3,470 million, a decrease of 1.0% year on year. Operating income was ¥477 million, a significant increase of ¥256 million, or 115.7%, year on year, as higher earnings arose from cost-cutting measures such as the promotion of appropriate allocation following the integration with EXAM Co., Ltd.

### 3) CSO Business

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

In CMR (Contract Medical Representative) services for pharmaceuticals, performance was largely in line with forecasts across all CMR services for pharmaceuticals, the pharmaceutical call center service, BPO services and CMR services for medical devices, though there was no change in the improvements for the CMR services for pharmaceuticals environment. Established on October 1, 2018 as a joint venture by the Group and SUZUKEN Co., Ltd., ES-Link Co., Ltd., which aims to create new added value through the fusion of marketing specialists (MS) and call centers with BPO, has attracted many inquiries and is projected to advance smoothly.

As a result, net sales were ¥1,952 million, an increase of ¥18 million, or 1.0%, year on year, and operating income was ¥99 million, an increase of ¥30 million, or 44.5%, year on year.

### 4) Global Research Business

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

In the Global Research Business, the Group is laying solid foundations for business in the Asia-Pacific region, strengthening sales and enhancing its reinforcement of administrative operations, as well as rigorously managing costs and aiming for stable performance. A convergence of large-scale projects resulted in net sales of ¥978 million, a decrease of ¥232 million, or 19.2%, year on year, and the impact of transferring the CRO business and related services that had been conducted by the EKISHIN (China) Business in the previous year caused an operating loss of ¥57 million compared to operating income of ¥5 million in the previous fiscal year.

### 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., as well as related Group companies in China.

In the EKISHIN (China) Business, under a solid capital and business partnership with SUZUKEN Co., Ltd., the Group provides four types of services, specifically product-related services centered on pharmaceuticals and medical devices, investment-related service, international trading-related service and peripheral support service. The Group is working to further expand earnings as a specialist trading company in the healthcare industry linking Japan and China.

In the product-related services, a contribution to increased earnings was made through the continuous development of existing markets and cultivation of new regional markets.

As a result, from a performance aspect, net sales were ¥3,149 million, up ¥587 million, or 22.9%, year on year, and operating income was ¥77 million compared to an operating loss of ¥170 million in 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, 2018 issued on November 7, 2018.

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

(¥ millions)

	As of September 30, 2018 (Previous Fiscal Year-End)	As of December 31, 2018 (End of the First Three Months)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	17,857	17,352
Notes and accounts receivable - trade	15,746	14,922
Marketable securities	1,357	1,214
Merchandise and finished goods	849	850
Work in process	1,473	1,795
Other current assets	3,094	3,748
Less: Allowance for doubtful accounts	(51)	(51)
<b>Total current assets</b>	<b>40,326</b>	<b>39,833</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>	<b>4,892</b>	<b>4,903</b>
<b>Intangible fixed assets:</b>		
Goodwill	6,629	7,459
Other intangible fixed assets	773	837
<b>Total intangible fixed assets</b>	<b>7,402</b>	<b>8,297</b>
<b>Investments and other assets:</b>		
Investment securities	5,999	5,079
Lease and guarantee deposits	1,867	1,873
Other investments and other assets	5,815	5,250
Less: Allowance for doubtful accounts	(898)	(898)
<b>Total investments and other assets</b>	<b>12,784</b>	<b>11,305</b>
<b>Total fixed assets</b>	<b>25,078</b>	<b>24,506</b>
<b>Total assets</b>	<b>65,405</b>	<b>64,339</b>

(¥ millions)

	As of September 30, 2018 (Previous Fiscal Year-End)	As of December 31, 2018 (End of the First Three Months)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable - trade	456	443
Short-term loans	65	65
Current portion of long-term loans payable	602	643
Income taxes payable	1,251	161
Allowance for employees' bonuses	2,732	1,132
Provision for loss on order received	242	195
Other current liabilities	9,237	10,401
<b>Total current liabilities</b>	<b>14,587</b>	<b>13,043</b>
<b>Non-current liabilities:</b>		
Long-term debt	918	847
Allowance for directors' and corporate auditors' retirement benefits	453	421
Net defined benefit liability	1,428	1,389
Asset retirement obligations	556	570
Other non-current liabilities	716	681
<b>Total non-current liabilities</b>	<b>4,073</b>	<b>3,911</b>
<b>Total liabilities</b>	<b>18,661</b>	<b>16,954</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	3,888	3,888
Additional paid-in capital	13,601	13,690
Retained earnings	26,347	26,750
Treasury common stock, at cost	(2,167)	(1,880)
<b>Total shareholders' equity</b>	<b>41,670</b>	<b>42,448</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,012	941
Foreign currency translation adjustment	861	774
Remeasurements of defined benefit plans	(9)	(5)
<b>Total accumulated other comprehensive income</b>	<b>1,864</b>	<b>1,710</b>
<b>Non-controlling interests</b>	<b>3,209</b>	<b>3,225</b>
<b>Total net assets</b>	<b>46,743</b>	<b>47,384</b>
<b>Total liabilities and net assets</b>	<b>65,405</b>	<b>64,339</b>



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statements of Income  
(The three months ended December 31, 2018)

(¥ millions)

	First Three Months of Fiscal 2018 (October 1, 2017 to December 31, 2017)	First Three Months of Fiscal 2019 (October 1, 2018 to December 31, 2018)
<b>Net sales</b>	15,764	16,162
Cost of sales	10,037	10,055
<b>Gross profit</b>	5,727	6,107
Selling, general and administrative expenses	3,936	4,536
<b>Operating income</b>	1,790	1,571
Non-operating income:		
Interest income	9	27
Dividend income	23	23
Gain on insurance cancellation	16	27
Foreign exchange gains	18	—
Other non-operating income	45	7
Total non-operating income	113	85
Non-operating expenses:		
Interest expenses	5	3
Foreign exchange losses	—	57
Other non-operating expenses	7	9
Total non-operating expenses	12	70
<b>Recurring profit</b>	1,891	1,586
Extraordinary gains:		
Gain on sales of investment securities	—	256
Gain on step acquisitions	—	198
Total extraordinary gains	—	454
<b>Profit (loss) before income taxes</b>	1,891	2,040
Income taxes	140	73
Income tax adjustment	511	659
Total income taxes	652	733
Profit	1,239	1,307
Profit (loss) attributable to non-controlling interests	(21)	134
Profit attributable to owners of parent	1,260	1,172

Quarterly Consolidated Comprehensive Income  
(The three months ended December 31, 2018)

(¥ millions)

	First Three Months of Fiscal 2018 (October 1, 2017 to December 31, 2017)	First Three Months of Fiscal 2019 (October 1, 2018 to December 31, 2018)
Profit	1,239	1,307
Other comprehensive income:		
Valuation difference on available-for-sale securities	339	(70)
Foreign currency translation adjustment	114	(146)
Remeasurements of defined benefit plans	6	3
Share of other comprehensive income of entities accounted for using equity method	2	0
Total other comprehensive income	463	(213)
Comprehensive income	1,702	1,093
(Breakdown)		
Comprehensive income attributable to owners of parent	1,671	1,018
Comprehensive income attributable to non-controlling interests	30	75

### (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 implemented a share exchange of 642,000 shares of treasury stock for the shareholders of All Right Technology Inc. to convert All Right Technology Inc. into a wholly owned subsidiary on the effective date of November 1, 2018.

The Company acquired 452,300 of its own shares in accordance with a resolution of the Board of Directors on March 27, 2018.

As a result, treasury shares decreased by ¥286 million during the three months ended December 31, 2018, to stand at ¥1,880 million as of December 31, 2018.

(Segment Information)

#### 【Segment Information】

I. The First Three Months of Fiscal 2018 (October 1, 2017 to December 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)	Amount recorded on quarterly consolidated financial statements	
Net sales										
Sales to outside customers	6,586	3,463	1,906	1,211	2,536	61	15,764	—	15,764	
Inter-segment sales and transfers	786	44	27	—	25	341	1,224	(1,224)	—	
Total	7,372	3,507	1,933	1,211	2,561	402	16,989	(1,224)	15,764	
Segment operating income	1,934	221	69	5	(170)	17	2,077	(286)	1,790	

Note: Eliminations/Corporate for operating income of ¥(286) million includes intersegment transactions of ¥12 million and non-attributable corporate expenses not distributed to each segment of ¥(298) million. The main corporate expenses comprise expenses related to the Company (the holding company).

II. The First Three Months of Fiscal 2019 (October 1, 2018 to December 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	6,623	3,443	1,929	962	3,142	61	16,162	—	16,162	
Inter-segment sales and transfers	659	26	23	16	7	417	1,150	(1,150)	—	
Total	7,282	3,470	1,952	978	3,149	478	17,313	(1,150)	16,162	
Segment operating income	1,352	477	99	(57)	77	2	1,952	(381)	1,571	

Note: Eliminations/Corporate for operating income of ¥(381) million includes intersegment transactions of ¥8 million and non-attributable corporate expenses not distributed to each segment of ¥(389) million. The main corporate expenses comprise expenses related to the Company (the holding company).

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

In the three months ended December 31, 2018, All Right Technology Inc. became a wholly owned subsidiary of the Company by means of a stock exchange with the Company. As a result, the amount of goodwill in the CRO Business segment increased by ¥1,164 million.

(Important Subsequent Events)

Purchase of treasury shares

At a Board of Directors meeting held on February 1, 2019, the Company resolved matters pertaining to the purchase of treasury stock pursuant to the provisions of Article 156 of the Companies Act, which replaces the provisions of Article 165, Paragraph 3 of the Companies Act.

1. Reason for purchase of treasury stock

To substantiate shareholder returns, enhance capital efficiency and implement capital policies that respond flexibly to changes in the management environment.

2. Details of acquisition

- (1) Type of stock acquired  
Common shares of the Company
- (2) Total number of shares acquired  
1,350,000 shares (maximum)
- (3) Total market capitalization of acquired shares  
¥2,500 million (maximum)
- (4) Acquisition period  
February 4-December 19, 2019
- (5) Acquisition method  
Market purchase