Consolidated Earnings Report for the Fiscal Year Ended September 30, 2019
[Japanese GAAP]

November 7, 2019

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 20, 2019
Scheduled Payment of Dividends:	December 23, 2019
Filing of Securities Report:	December 20, 2019
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes (for institutional investors and analysts)

(¥ million are rounded down)

1. Consolidated Results for the Fiscal Year Ended September 30, 2019 (October 1, 2018 to September 30, 2019)

(1) Consolidated Operating Results (¥ million; 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 2019	69,009	4.9%	6,279	(12.7)%	6,271	(15.7)%	3,633	(17.2)%
Fiscal 2018	65,769	8.7%	7,193	(5.2)%	7,436	(4.8)%	4,388	(5.9)%

Note: Comprehensive income: Fiscal 2019: ¥2,727 million [(46.5)%], Fiscal 2018: ¥5,100 million [(17.7)%]

Fiscal years ended September 30	Profit per share (¥)	Profit per share (diluted) (¥)	Return on equity (ROE)	Recurring profit/ Total assets	Operating margin
Fiscal 2019	81.02	―	8.4%	9.5%	9.1%
Fiscal 2018	95.66	―	10.3%	11.5%	10.9%

Reference: Loss (gain) on entities accounted for using equity method: Fiscal 2019: ¥(0) million, Fiscal 2018: ¥(0) million

Note: 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 fiscal year ended September 30, 2019. Accordingly, the Company has retroactively applied these amendments to "recurring profit/total assets" for the fiscal year ended September 2018.

(2) Consolidated Financial Position (¥ million)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2019	66,566	46,337	65.1	976.58
September 30, 2018	65,405	46,743	66.6	961.84

Reference: Equity: September 30, 2019: ¥43,301 million, September 30, 2018: ¥43,534 million

Note: 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 fiscal year ended September 30, 2019. Accordingly, the Company has retroactively applied these amendments to total assets and the equity ratio for the fiscal year ended September 2018.

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

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 2019	5,725	(956)	(4,324)	19,141
Fiscal 2018	3,465	(3,489)	(4,259)	18,753

Dividends

	Dividend per share (¥)					Total dividend amount (¥ million)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year			
Fiscal 2018	―	12.00	―	17.00	29.00	1,323	30.3%	3.1%
Fiscal 2019	―	13.00	―	15.00	28.00	1,250	34.6%	2.9%
Fiscal 2020 (forecast)	―	13.00	―	15.00	28.00		36.2%	

Note: The year-end dividend for fiscal 2018 includes a special dividend of ¥4 per share.

3. Forecast of Consolidated Results for Fiscal 2020 (October 1, 2019 to September 30, 2020)

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

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent		Profit per share (¥)
Full year	72,500	5.1%	6,170	(1.7)%	6,320	0.8%	3,540	(2.6)%	77.39

Note: The Company plans to dispose of 1,400,000 shares of treasury stock to (Hongkong Tigermed Co., Ltd.) through a third-party allocation in December 2019.
Profit per share in the forecasts of consolidated results for the year ending September 30, 2020 has been calculated based on the number of shares reflecting the aforementioned disposal of shares.

***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 2019 end	46,311,389	Fiscal 2018 end	46,311,389
b. Number of treasury stock at end of period:	Fiscal 2019 end	1,971,195	Fiscal 2018 end	1,049,754
c. Average number of stock during the period:	Fiscal 2019	44,843,327	Fiscal 2018	45,871,729

Note: The number of treasury shares at end of the fiscal year ended September 30, 2019 includes 93,090 shares of the Company held by EPS EKISHIN Co., Ltd.

(Reference) Summary of Non-Consolidated Results for Fiscal 2019 (October 1, 2018 to September 30, 2019)

Non-Consolidated Results for Fiscal 2019 (October 1, 2018 to September 30, 2019)

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

	Net sales		Operating income		Recurring profit		Profit	
Fiscal 2019	4,321	19.0%	2,536	12.9 %	2,570	12.8%	3,060	35.0%
Fiscal 2018	3,630	(8.1)%	2,246	(18.5)%	2,277	(19.0)%	2,266	7.0%

	Profit per share (¥)	Profit per share diluted (¥)
Fiscal 2019	68.12	—
Fiscal 2018	49.41	—

(2) Financial Position (¥ million)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2019	43,675	32,773	75.0	737.59
September 30, 2018	40,250	32,667	81.2	721.75

Reference: Equity: September 30, 2019: ¥32,773 million, September 30, 2018: ¥32,667 million

Note: 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 fiscal year ended September 30, 2019. Accordingly, the Company has retroactively applied these amendments to total assets and the equity ratio for the fiscal year ended September 2018.

* 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....2
(1) Summary of Operating Results for the Fiscal Year Ended September 30, 2019....2
(2) Summary of Financial Position as of September 30, 2019....4
(3) Summary of Cash Flows for the Fiscal Year Ended September 30, 2019....5
(4) Outlook....5

2. Basic Policy Regarding Selection of Accounting Standards....7

3. Consolidated Financial Statements and Main Notes....8
(1) Consolidated Balance Sheets....8
(2) Consolidated Statements of Income and Comprehensive Income....10
Consolidated Statements of Income....10
Consolidated Statements of Comprehensive Income....11
(3) Consolidated Statements of Changes in Shareholders Equity....12
(4) Consolidated Statements of Cash Flow....14
(5) Notes Concerning Consolidated Financial Statements....16
(Notes Concerning the Going Concern Assumption)....16
(Additional Information)....16
(Segment Information)....16
(Per Share Information)....19
(Important Subsequent Events)....20

4. Other....21
(1) Orders Received....21

1. Summary of Operating Results and Other Matters
(1) Summary of Operating Results for the Fiscal Year Ended September 30, 2019

(¥ million)

	Fiscal 2018 (Year Ended September 30, 2018)		Fiscal 2019 (Year Ended September 30, 2019)		Change	
	Amount	%	Amount	%	Amount	%
Net sales	65,769	100.0	69,009	100.0	3,239	4.9
Operating income	7,193	10.9	6,279	9.1	(913)	(12.7)
Recurring profit	7,436	11.3	6,271	9.1	(1,164)	(15.7)
Profit attributable to owners of parent	4,388	6.7	3,633	5.3	(754)	(17.2)
Profit per share (¥)	95.66	—	81.02	—	—	—

Operating Results for the Fiscal Year Ended September 30, 2019

Forward-looking statements contained in this document are based on a judgment of operating results as of September 30, 2019.

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 seeing adverse changes such as a decrease in profitability due to trends such as the contraction of the domestic market due to population decline and the promotion of use of generic drugs and NHI drug price revisions under the Japanese government's policy to curtail social security expenditures. In this environment, companies are seeking to ensure profitability by achieving greater economies of scale through industry realignment such as acquisitions and business alliances. They are also trying various cost reduction measures, such as streamlining research and development activities and shortening development lead times through the application of cutting-edge technologies. Moreover, there is a growing market presence of biotech ventures specializing in regenerative medicine, specified drug discovery technologies, and therapeutic fields, as well as small- and medium-sized manufacturers.

In the market for outsourcing services for the healthcare industry, which spans the development of pharmaceutical and medical devices to post-market surveillance, there has been growing demand from customers such as pharmaceutical companies and medical device manufacturers to reduce development lead times and curtail development costs in an effort to enhance their competitiveness. These customers have also seen growing needs to address issues such as accelerating the development of new drugs for the treatment of cancer, for the central nervous system, and for intractable and orphan diseases. On the other hand, competition with global CROs (Contract Research Organizations) is becoming more intense with the globalization of pharmaceutical development bases and advances in international joint trials.

In this environment, in the three domestic segments undertaken by the EPS Group, specifically the CRO, 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 segment, 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, which operates the 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, and has seen growth particularly in the pharmaceutical manufacturing and sales business.

In the year ended September 30, 2019, the EPS Group posted consolidated net sales of ¥69,009 million, an increase of 4.9% year on year. The overall increase in net sales was mainly due to the acquisition of AC MEDICAL INC. and steady sales increases in segments other than the CRO Business and Global Research Business. The increase in sales was partially offset by the impacts of sluggish growth in newly awarded projects, which reflected intensified competition with global CROs in the CRO Business and Global Research Business, and the loss of large projects and the cancellation of clinical trials in operation amid a trend toward smaller scale trials.

Consolidated operating income declined by 12.7% year on year to ¥6,279 million. This overall decline was due to a decrease in capacity utilization rates, mainly reflecting impacts such as the loss of large projects in the CRO Business and Global Research business, and the cancellation of clinical trials in operation. It also reflects a high profit margin recorded in the previous fiscal year owing to favorable progress on projects in the CRO Business. The decline in consolidated operating income was partially offset by solid performances in the SMO Business, the CSO business, and the EKISHIN (China) Business.

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).

(¥ million)

			Fiscal 2018 (Year Ended September 30, 2018)	Fiscal 2019 (Year Ended September 30, 2019)	Change
Domestic Business	CRO	Net sales Operating income	31,004 6,651	32,362 5,459	1,358 (1,192)
	SMO	Net sales Operating income	14,297 1,269	14,339 1,679	42 410
	CSO	Net sales Operating income	7,813 384	9,399 489	1,585 105
Overseas Business	Global Research	Net sales Operating income (loss)	4,942 13	3,990 (3)	(951) (16)
	EKISHIN (China) Business	Net sales Operating income	11,093 121	11,543 381	450 259

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[*1], EPS Associates Co., Ltd., and AC MEDICAL INC.[*1]

b. Clinical research services: EP-CRSU Co., Ltd.

c. Pharmaceutical and medical IT services: EP-Techno Co., Ltd.[*2]

Looking at performance in the CRO Business by service, in clinical study services, net sales and operating income were both below forecasts, due to the impact of the loss of a large order for monitoring services, cancellations and delays of clinical trials and related issues, and the lack of growth in new orders, while resource management did not proceed as planned. In PMS and related services, net sales and operating income were both higher than forecast, as projects currently under way performed steadily.

In clinical research services, net sales were slightly below forecast as orders for new projects fell short of expectations. However, operating income was higher than forecast, reflecting an increase in capacity utilization by aggressive capture of orders for investigator-initiated clinical trials.

In pharmaceutical and medical IT services, net sales and operating income were both slightly below forecast due to a delayed start on a new project.

As a result, net sales were ¥32,362 million, an increase of ¥1,358 million, or 4.4%, year on year, partly reflecting the acquisition of AC MEDICAL INC., despite the impact of a trend towards smaller scale trials and a decrease in capacity utilization for monitoring services. Operating income decreased by ¥1,192 million, or 17.9%, to ¥5,459 million, strongly impacted by the decrease in capacity utilization for monitoring services.

2) SMO Business

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

In this business, the Group won a record amount of orders by bolstering the sales structure through such means as fully expanding proposal-based sales activities and by providing clinical trial administrative support. The Group increased the number of research subjects attending clinical trials by concentrating its resources on the best facilities with strong track records of case studies and by strengthening the project management system.

Moreover, the Group worked to reduce expenses through rationalizing, such as organizing internal systems and optimizing the allocation of personnel, training for CRC in fields such as oncology and dermatology, and develop new services.

As a result, in the SMO Business, net sales were rose ¥42 million, or 0.3%, year on year, to ¥14,339 million. Operating income was ¥1,679 million, an increase of ¥410 million, or 32.4%, year on year.

3) CSO Business

The CSO Business is undertaken by EP-PharmaLine Co., Ltd., AC MEDICAL INC.*1, and ES-Link Co., Ltd.

CMR (Contract Medical Representative) services for pharmaceuticals performed largely in line with forecasts, with the end of a downturn in demand for CMRs caused by an ongoing decrease in the number of MRs in the pharmaceutical industry over the past few years, and a recovery trend in inquiries. Moreover, the medical contact center and academic materials production businesses grew, while the BPO business performed largely in line with forecasts.

ES-Link Co., Ltd., a joint venture between the Group and SUZUKEN Co., LTD., seeks to strengthen sales of new services through the fusion of MS (marketing specialists) and call centers with BPO. The joint venture is working to widen recognition of its main service, ES Navi, and to prepare a structure for expanding orders.

Moreover, in March 2019, the Group integrated the CMR (Contract Medical Representative) services for pharmaceuticals (the UPSHE business) of AC MEDICAL INC. into the Group's CSO Business, enabling it to deliver high quality services by leveraging the abundant human resources of AC MEDICAL INC.

As a result, with a positive contribution from the acquisition of AC MEDICAL INC. in addition to growth in sales of existing business, net sales were ¥9,399 million, an increase of ¥1,585 million or 20.3% year on year, and operating income was ¥489 million, an increase of ¥105 million or 27.3% year on year.

4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and its overseas group companies. This business, which encompasses the CRO business in China, is primarily carried out in the Asia-Pacific region.

In the Asia-Pacific region, the Group has been focusing on winning new projects while laying solid business foundations in the region. However, net sales and operating income both were below forecasts, partly due to sluggish growth in new orders, which reflected intensified competition with global CROs. The Group has formed a strategic partnership with the Australian CRO George Clinical Pty Ltd and is working to strengthen its sales platform in the Asia-Pacific region. Concurrently, the Group is bolstering its quality control system and enhancing its business platform aiming for stable business performance in the Chinese CRO business.

As a result, net sales were ¥3,990 million, a decrease of ¥951 million or 19.3% year on year. Due partly to the impact of integrating into this segment the CRO business that is currently being rebuilt in China and that had been conducted by the EKISHIN (China) Business in the previous year, the Group recorded an operating loss of ¥3 million, compared to operating income of ¥13 million in the same period of 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., and related Group companies in China.

In this 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, specialist 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.

In the product-related services, the Group made steady progress with the continuous development of existing markets and cultivation of new regional markets. Notably, the Chinese domestic pharmaceutical manufacturing and marketing business contributed positively to increased earnings. Furthermore, the Group optimized its product portfolio and concentrated management resources in highly profitable products.

As a result, net sales were ¥11,543 million, up ¥450 million or 4.1% year on year, and operating income was ¥381 million, an increase of ¥259 million or 213.6% from the same period of the previous fiscal year.

*1. On February 28, 2019, the Company acquired all of the issued shares of AC MEDICAL INC., and incorporated each of its businesses into the CRO segment and CSO segment. In addition, on April 1, 2019, EPS Corporation absorbed EPMate Co., Ltd. through a merger.

*2. On April 1, 2019, e-Trial Co., Ltd. absorbed All Right Technology Inc. through a merger, and was renamed as EP-Techno Co., Ltd.

(2) Summary of Financial Position as of September 30, 2019

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 ¥40,834 million as of September 30, 2019, an increase of ¥507 million from the previous fiscal year-end. The main contributing factors were increases of ¥379 million in notes and accounts receivable – trade and ¥501 million in marketable securities. These increases were partly offset by a decrease of ¥574 million in cash and time deposits. Fixed assets amounted to ¥25,732 million, an increase of ¥653 million from the previous fiscal year-end. The main contributing factors were increases of ¥710 million in land, ¥133 million in goodwill, ¥200 million in lease and guarantee deposits, and ¥320 million in other under investments and other assets. These increases were partly offset by a decrease of ¥1,213 million in investment securities. As a result, total assets stood at ¥66,566 million, an increase of ¥1,161 million from the previous fiscal year-end.

In terms of liabilities, total liabilities amounted to ¥20,229 million as of September 30, 2019, an increase of ¥1,567 million compared with the previous fiscal year-end. This mainly reflected increases of ¥1,200 million short-term loans, ¥638 million in accounts payable – other, and ¥718 million in net defined benefit liability. These increases were partly offset by decreases of ¥845 million in other current liabilities and ¥493 million in long-term debt.

In terms of net assets, total net assets amounted to ¥46,337 million as of September 30, 2019, a decrease of ¥406 million from the previous fiscal year-end. This mainly reflected decreases of ¥317 million in foreign currency translation adjustment and ¥461 million in remeasurements of defined benefit plans, and an increase of ¥1,598 million in treasury common stock at cost. These factors were partly offset by an increase of ¥2,280 million in retained earnings.

(3) Summary of Cash Flows for the Fiscal Year Ended September 30, 2019

In the fiscal year ended September 30, 2019, net cash provided by operating activities was ¥5,725 million, net cash used in investing activities was ¥956 million and net cash used by financing activities was ¥4,324 million. These cash flows were adjusted for the effect of exchange rate change on cash and cash equivalents of ¥379 million and adjusted or an increase of cash and cash equivalents of ¥323 million due to a share exchange. As a result, cash and cash equivalents at September 30, 2019 stood at ¥19,141 million, an increase of ¥388 million from the previous fiscal year-end.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,725 million, an increase of ¥2,260 million from the previous fiscal year.

The main reasons for this increase in net cash provided by operating activities were an increase in provision for bonuses of ¥196 million (an increase of ¥343 million year on year), a decrease in notes and accounts receivable – trade of ¥177 million (an increase a decrease of ¥2,480 million year on year), an increase in notes and accounts payable – trade of ¥194 million (an increase of ¥851 million year on year), and income taxes paid of ¥2,741 million (a decrease of ¥860 million year on year).

(Cash flows from investing activities)

Net cash used in investing activities was ¥956 million, a decrease of ¥2,533 million year on year. The main reasons for this decrease in net cash used in investing activities were proceeds from withdrawal of time deposits of ¥528 million (not recorded in the previous fiscal year), and the purchase of investment securities of ¥460 million (a decrease of ¥373 million year on year), proceeds from sales of investment securities of 2,065 million (not recorded in the previous fiscal year), and the purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥663 million (a decrease of ¥458 million year on year). Cash was also reduced by purchase of shares of subsidiaries and associates of ¥497 million (not recorded in the previous fiscal year) and an outflow of ¥73 million in other, net (cash inflow of ¥501 million in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,324 million, a change an increase of ¥65 million year on year.

The main factors behind the increase in cash used in financing activities were decrease in short-term loans payable and repayment of long-term loans payable totaling ¥2,131 million (an increase of ¥1,217 million year on year) and purchase of treasury shares of ¥2,790 million (an increase of ¥801 million year on year). These increases were partially offset by an increase in short-term loans payable of ¥2,100 million.

(4) Outlook

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 and streamlining management operations, while strengthening its business operation functions as One EPS. In this way, we aim to realize "three aspects of growth": base growth, sound growth, and sustainable growth.

In terms of measures, under the "One EPS" concept, the Company will support each segment in identifying and understanding issues in its organization, business structure, and management, and resolving them. Moreover, the Group will conduct unified sales activities and promote project management across segments to further evolve and develop its core businesses.

Moreover, from a medium- to long-term, Groupwide perspective, the Group will expand its business and aggressively promote the necessary upfront investments. Specific measures including creation of added value through new businesses and new products and services, exploration of M&A opportunities with a view to business synergies, and capital participation, such as incubation investments to create new businesses.

Furthermore, on the human resources front, the Group will formulate Groupwide human resource measures, as well as strengthening development of management human resources and reforming the personnel structure for the entire Group.

The measures for each business segment are as follows:

1) CRO Business

In the CRO business, the Group will aim to realize solid base growth underpinned by its existing business models. At the same time, it will examine new business models in response to changes in the business environment and provide operations utilizing new technologies. The Group will also enhance its sales capabilities both domestically and overseas, and work to maximize profit by rigorously enforcing cost controls and promoting operating efficiency.

In clinical study and PMS services, the Group will take proactive steps to expand the range of new services in order to bolster its competitiveness. Specifically, it will utilize its capacity to provide high quality data science services, which are a strength of AC MEDICAL INC., enhance its specialization and therapeutic fields, and differentiate itself by its response to next-generation clinical studies and digitalization. On the earnings front, the Group will strengthen management through budget control, resource management, manpower management, and inquiry management, create a lean, rational organization, and execute operations utilizing new technologies.

In the fiscal year ended September 30, 2019, the Group 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 clinical research, investigator-initiated clinical trials, and database research. At the same time, the Group will expand its customer fields and strengthen relationships with existing customers by promoting academic alliances with leading university hospitals.

2) SMO Business

In the SMO Business, the Group will leverage its industry-leading business scale while making effective use of resources by executing regional and facility strategies and building an unrivaled position in areas of high customer need, such as oncology, dermatology, and central nervous system. The Group will focus its efforts in these fields and develop CRCs (Clinical Research Coordinators) with experience in them. Furthermore, the Group will make use of resources and promote the development of new business models through links with the CRO business. In addition, a new approach to IT will enable productivity gains for CRCs and quality improvements in clinical trials, as the Group aims to achieve higher customer satisfaction.

3) CSO Business

In the 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 continue improving the quality of its highly specialized operators, while aiming to develop and expand new services, such as expanding consultation recommendation 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 expanding new businesses such as field engineer and materials base services. In addition, the Group will utilize AC MEDICAL INC.'s strengths in academic materials production, education and training services, and specialization in the field of oncology, etc. to enhance synergies with the CSO Business.

Furthermore, at ES-Link Co., Ltd., a joint venture established with SUZUKEN Co., Ltd. the Company will combine its advanced specialization in virtual MR with SUZUKEN's driving power to promote distribution management as a measure in response to new needs related to promotion services and orphan drugs, as well as medical devices.

4) Global Research Business

In the Global Research Business, the Group merged EPS Associates Co., Ltd. in the CRO Business with EPS International Holdings Co., Ltd. in the Global Research Business in October 2019, aiming to create a firm foundation capable of responding rapidly to global clinical trials. The Global Research Business aims to become a CRO leader in the Asia-Pacific region, and will proceed to build a solid business base in Japan, Asia, and China. Specifically, the Group will increase the number of orders received by strengthening its sales and marketing capabilities through alliances with overseas CROs such as Hangzhou Tigermed Consulting Co., Ltd. and George Clinical Pty Ltd., as well as links with domestic CROs. In addition, the Group aims to achieve stable growth by providing high-quality products (services) required for international joint trials and by strengthening human resource management.

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.

The EKISHIN (China) Business comprises four core businesses, specifically the products-related business, the specialized services-related business, the international trading-related business, and the peripheral support-related business. At the same time, the Group will ensure sustained operating performance through stable management of its existing core businesses, while utilizing its internal resources and those of its partner companies. In product-related services, the Group revised and improved the production process for interferon manufacture at Shanghai Hua Xin High Biotechnology Co., Ltd. The Group will promote business development centered on the cultivation of sales markets and pioneering of new markets, and the introduction of new products.

Forecast of Operating Results for Fiscal 2020 (October 1, 2019 to September 30, 2020)

Fiscal 2020 Consolidated performance forecast	¥ million	Year-on-year change (%)
Net sales	72,500	5.1
Operating income	6,170	(1.7)
Recurring profit	6,320	0.8
Profit attributable to owners of parent	3,540	(2.6)

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

	Net sales (¥ million)	Year-on-year change (%)
CRO	32,705	1.1
SMO	15,000	4.6
CSO	10,800	14.9
Global Research	5,100	27.8
EKISHIN (China) Business	12,000	4.0

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

(¥ million)

	Fiscal 2018 As of September 30, 2018	Fiscal 2019 As of September 30, 2019
Assets		
Current assets:		
Cash and time deposits	17,857	17,283
Notes and accounts receivable – trade	15,746	16,125
Marketable securities	1,357	1,858
Merchandise and finished goods	849	992
Work in process	1,473	1,464
Other current assets	3,094	3,248
Less: Allowance for doubtful accounts	(51)	(137)
Total current assets	40,326	40,834
Fixed assets:		
Property, plant and equipment:		
Buildings:	4,589	4,623
Accumulated depreciation	(1,676)	(1,792)
Buildings, net	2,912	2,831
Furniture and fixtures:	1,826	2,004
Accumulated depreciation	(1,150)	(1,352)
Furniture and fixtures, net	675	652
Land	898	1,608
Other:	843	984
Accumulated depreciation	(438)	(417)
Other, net	405	566
Total property, plant and equipment	4,892	5,658
Intangible fixed assets:		
Goodwill	6,629	6,762
Other intangible fixed assets	773	991
Total intangible fixed assets	7,402	7,754
Investments and other assets:		
Investment securities	5,999	4,786
Long-term loans receivable	887	59
Lease and guarantee deposits	1,867	2,067
Deferred tax assets	2,526	2,697
Net defined benefit asset	147	160
Other investments and other assets	2,254	2,575
Less: Allowance for doubtful accounts	(898)	(27)
Total investments and other assets	12,784	12,319
Total fixed assets	25,078	25,732
Total assets	65,405	66,566

(¥ million)

	Fiscal 2018 As of September 30, 2018	Fiscal 2019 As of September 30, 2019
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	456	648
Short-term loans	65	1,265
Current portion of long-term loans payable	602	449
Accounts payable – other	4,307	4,946
Income taxes payable	1,251	1,302
Allowance for employees' bonuses	2,732	3,051
Provision for loss on order received	242	242
Other current liabilities	4,929	4,084
Total current liabilities	14,587	15,991
Non-current liabilities:		
Long-term debt	918	424
Allowance for directors' and corporate auditors' retirement benefits	453	395
Net defined benefit liability	1,428	2,146
Asset retirement obligations	556	614
Other non-current liabilities	716	656
Total non-current liabilities	4,073	4,238
Total liabilities	18,661	20,229
Net assets		
Shareholders' equity:		
Capital stock	3,888	3,888
Additional paid-in capital	13,601	13,669
Retained earnings	26,347	28,628
Treasury common stock, at cost	(2,167)	(3,765)
Total shareholders' equity	41,670	42,420
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,012	808
Foreign currency translation adjustment	861	544
Remeasurements of defined benefit plans	(9)	(470)
Total accumulated other comprehensive income	1,864	881
Non-controlling interests	3,209	3,035
Total net assets	46,743	46,337
Total liabilities and net assets	65,450	66,566

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(¥ million)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Net sales	65,769	69,009
Cost of sales	42,469	44,412
Gross profit	23,299	24,596
Selling, general and administrative expenses:		
Promotion expenses	4,283	5,063
Directors' compensations	774	592
Salaries and bonuses	4,209	4,928
Provision for bonuses	381	579
Provision for directors' retirement benefits	134	72
Retirement benefit expenses	85	134
Rent expenses	787	921
Commission fee	360	536
Other	5,088	5,487
Total selling, general and administrative expenses	16,106	18,316
Operating income	7,193	6,279
Non-operating income:		
Interest income	58	110
Gain on insurance cancellation	59	102
Commission fee	10	11
Subsidy income	77	37
Dividend income	52	55
Other non-operating income	95	28
Total non-operating income	354	345
Non-operating expenses:		
Interest expenses	18	16
Foreign exchange losses	62	248
Other	30	89
Total non-operating expenses	110	353
Recurring profit	7,436	6,271
Extraordinary gains:		
Gain on sales of investment securities	—	661
Gain on sales of shares of subsidiaries and associates	—	41
Gain on step acquisitions	—	198
Total extraordinary gains	—	901
Extraordinary losses:		
Loss on valuation of investment securities	24	228
Loss on transition of retirement benefit plans	184	84
Total extraordinary losses	208	313
Profit before income taxes	7,228	6,859
Income taxes	2,960	2,789
Income tax adjustment	(322)	93
Total income taxes	2,637	2,882
Profit	4,590	3,977
Profit attributable to non-controlling interests	202	344
Profit attributable to owners of parent	4,388	3,633

Consolidated Statements of Comprehensive Income

(¥ million)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Profit	4,590	3,977
Other comprehensive income:		
Valuation difference on available-for-sale securities	639	(204)
Foreign currency translation adjustment	(228)	(586)
Remeasurements of defined benefit plans	97	(460)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	509	(1,250)
Comprehensive income	5,100	2,727
(Breakdown)		
Comprehensive income attributable to owners of parent	4,979	2,650
Comprehensive income attributable to non-controlling interests	120	77

(3) Consolidated Statements of Changes in Shareholders Equity

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

	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 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 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

Fiscal 2019 (From October 1, 2018 to September 30, 2019) (¥ million)

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,888	13,601	26,347	(2,167)	41,670
Changes of items during period					
Change by share exchange		88		1,325	1,414
Changes in equity in consolidated subsidiaries		(37)			(37)
Dividends of surplus			(1,352)		(1,352)
Profit attributable to owners of parent			3,633		3,633
Purchase of treasury shares				(2,923)	(2,923)
Change of scope of consolidation		15			15
Net changes of items other than shareholders' equity					
Total changes of items during period	–	67	2,280	(1,598)	750
Balance at end of current period	3,888	13,669	28,628	(3,765)	42,420

	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	1,012	861	(9)	1,864	3,209	46,743
Changes of items during period						
Change by share exchange						1,414
Changes in equity in consolidated subsidiaries						(37)
Dividends of surplus						(1,352)
Profit attributable to owners of parent						3,633
Purchase of treasury shares						(2,923)
Change of scope of consolidation						15
Net changes of items other than shareholders' equity	(204)	(317)	(461)	(983)	(173)	(1,156)
Total changes of items during period	(204)	(317)	(461)	(983)	(173)	(406)
Balance at end of current period	808	544	(470)	881	3,035	46,337

(4) Consolidated Statements of Cash Flow

(¥ million)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Cash flow from operating activities		
Profit before income taxes	7,228	6,859
Depreciation	827	801
Amortization of goodwill	1,152	1,207
Increase (decrease) in provision for bonuses	(147)	196
Increase (decrease) in net defined benefit liability	279	242
Increase (decrease) in provision for directors' retirement benefits	(42)	(87)
Interest and dividend income	(111)	(165)
Interest expenses	18	16
Loss (gain) on sales of investment securities	—	(661)
Loss (gain) on valuation of investment securities	24	228
Loss on transition of retirement benefit plans	184	84
Subsidy income	(77)	37
Loss (gain) on cancellation of insurance contract	(59)	(102)
Gain on step acquisitions	—	(198)
Loss (gain) on sale of investments in capital of subsidiaries and associates	—	(41)
Decrease (increase) in notes and accounts receivable – trade	(2,302)	177
Decrease (increase) in inventories	457	(6)
Increase (decrease) in notes and accounts payable – trade	(656)	194
Increase (decrease) in other current liabilities	380	32
Other, net	(257)	(458)
Subtotal	6,896	8,356
Interest and dividend income received	111	165
Interest expenses paid	(18)	(18)
Subsidy received	77	(37)
Income taxes paid	(3,601)	(2,741)
Net cash provided by (used in) operating activities	3,465	5,725
Cash flow from investing activities		
Payments into time deposits	(134)	(80)
Proceeds from withdrawal of time deposits	—	528
Purchase of property, plant and equipment	(1,312)	(1,309)
Purchase of intangible assets	(195)	(306)
Purchase of investment securities	(833)	(460)
Purchase of shares of subsidiaries and associates	—	(497)
Proceeds from sales of investment securities	—	2,065
Payments for lease and guarantee deposits	(231)	(160)
Purchase of insurance funds	(161)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,121)	(663)
Other, net	501	(73)
Net cash provided by (used in) investing activities	(3,489)	(956)

(¥ million)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Cash flows from financing activities		
Increase in short-term loans payable	—	2,100
Decrease in short-term loans payable	—	(900)
Repayments of long-term loans payable	(914)	(1,231)
Purchase of treasury shares	(1,988)	(2,790)
Proceeds from sales of treasury shares	113	—
Proceeds from share issuance to non-controlling shareholders	456	14
Cash dividends paid	(1,476)	(1,352)
Dividends paid to non-controlling interests	(28)	(19)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(339)	(48)
Other, net	(81)	(97)
Net cash provided by (used in) financing activities	(4,259)	(4,324)
Effect of exchange rate change on cash and cash equivalents	(61)	(379)
Net increase (decrease) in cash and cash equivalents	(4,344)	64
Cash and cash equivalents at beginning of period	23,097	18,753
Increase in cash and cash equivalents by share exchanges	—	323
Cash and cash equivalents at end of period	18,753	19,141

(5) Notes Concerning Consolidated Financial Statements
(Notes Concerning the Going Concern Assumption)
None

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

(¥ million)

	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	27,557	16,425	3,445	1,854	14,111	1,383	64,777	627	65,405
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 ¥627 million includes intersegment transactions of ¥(6,865) million and non-attributable corporate assets not allocated to each segment of ¥7,492 million. The main corporate assets comprise assets related to the Company (the holding company).

Fiscal 2019 (From October 1, 2018 to September 30, 2019)

(¥ million)

	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	29,789	14,292	9,264	3,928	11,504	229	69,009	–	69,009
Inter-segment sales and transfers	2,573	47	135	62	38	1,762	4,620	(4,620)	–
Total	32,362	14,339	9,399	3,990	11,543	1,992	73,629	(4,620)	69,009
Segment operating income	5,459	1,679	489	(3)	381	46	8,054	(1,774)	6,279
Segment assets	30,020	17,133	4,451	2,632	14,002	1,204	69,444	(2,878)	66,566
Other items									
Depreciation	266	69	109	2	260	56	765	35	801
Amortization of goodwill	182	717	6	–	327	–	1,233	(26)	1,207
Investment in entities accounted for using the equity method	–	–	–	–	53	–	53	495	548
Increase in property, plant and equipment and intangible assets	1,971	160	79	14	91	46	2,362	718	3,081

Notes: 1. Eliminations/Corporate for operating income of ¥(1,774) million includes intersegment transactions of ¥9 million and non-attributable corporate expenses not distributed to each segment of ¥(1,784) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. Adjustment for segment assets of ¥(2,878)million includes intersegment transactions of ¥(10,511) million and non-attributable corporate assets not allocated to each segment of ¥7,633 million. The main corporate assets comprise assets related to the Company (the holding company).

(Per Share Information)

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Net assets per share	¥961.84	¥976.58
Amount of profit per share	¥95.66	¥81.02

Notes: 1. The amounts of diluted profit per share for the fiscal years ended September 30, 2018 and 2019 are not disclosed because there were no dilutive shares.

2. The Company introduced an Employee Stock Ownership Trust-type ESOP in its 24th consolidated fiscal year. The number of the Company's own shares remaining in the employees' shareholding trust 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, 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, 2019. The average number of the treasury shares during the period that were deducted for the purpose of calculating the amount of profit per share for the fiscal year ended September 30, 2018 was 14,600 shares.

3. The basis for calculating the amount of profit per share is as follows:

	Fiscal 2018 (October 1, 2017 to September 30, 2018)	Fiscal 2019 (October 1, 2018 to September 30, 2019)
Amount of profit per share		
Profit attributable to owners of parent (¥ million)	4,388	3,633
Amount not attributable to shareholders of common stock (¥ million)	—	—
Profit attributable to shareholders of common stock of the parent (¥ million)	4,388	3,633
Average number of common shares during the period	45,871,729	44,843,327
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)

Disposal of Treasury Stock through Third-Party Allocation

The Company resolved at a Board of Directors meeting held on October 29, 2019 to conduct a disposal of treasury stock by third-party allocation, with Hong Kong Tigermed Co., Limited. as the recipient.

1. Overview of the disposal

(1) Disposal period	December 2 to December 16, 2019
(2) Type and number of shares	1,400,000 shares of common stock
(3) Disposal price	¥1,377 per share
(4) Total amount of funds procured	¥1,927,800,000
(5) Subscription and disposal method (planned recipient of the disposal)	Disposal of all shares to Hong Kong Tiger Medical Technology Co., Ltd. by way of third-party allocation.
(6) Other	Payment is conditional upon receiving the necessary approval, etc. from the relevant Chinese authorities regarding the entry into force of the securities notification document in accordance with the Financial Instruments and Exchange Act and the execution of the disposal of treasury stock.

2. Purpose and reason for the disposal

The Company, which has a long history of dealing with Japanese pharmaceutical companies, and Hangzhou Tigermed Consulting Co., Ltd (Tiger Pharmaceuticals), which provides high quality services to European and U.S. pharmaceutical companies, entered into a strategic alliance in August 2017. Under this alliance, they aim to mutually develop the pharmaceutical medical data service and general CRO business in China, where the pharmaceutical and medical market is expected to expand. As part of this agreement, the Company will build a stronger relationship with Tiger Pharmaceuticals over the long-term and utilize the management resources and expertise of both companies, in the region of Asia, particularly China. The two companies will jointly undertake contracts for CRO services and engage in other business cooperation to develop the service. A further purpose is to promote the business of a joint venture established through the 2017 alliance (clinical data management, statistical processing, etc.). It was to achieve these purposes that the Company decided to conduct a disposal of treasury stock with Hong Kong Tiger Medical Technology Co., Ltd. as the recipient. Through the disposal of treasury stock, the Company will further strengthen its relationship with the Tiger Pharmaceuticals Group, paving the way to development and expansion of their business, leading to an increase in corporate value over the medium and long term.

4. Order

(1) Orders Received

(¥ million)

	Fiscal 2019 (October 1, 2018 to September 30, 2019)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business	30,834	116.7	43,461	111.8
SMO Business	16,095	102.5	21,220	109.3
CSO Business	9,720	134.4	10,085	127.4
Global Research Business	4,186	99.4	8,294	104.8
EKISHIN (China) Business	11,890	113.0	440	252.9
Others	228	105.2	6	82.7
Total	72,957	113.5	83,509	112.4

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