



## Consolidated Earnings Report for the First Six Months of Fiscal 2020 [Japanese GAAP]

May 8, 2020

Company Name: **EPS Holdings, Inc.**  
 Stock Listing: First Section, Tokyo Stock Exchange  
 Code Number: 4282  
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 Filing of Quarterly Securities Report: May 15, 2020  
 Scheduled Payment of Dividends: June 8, 2020  
 Supplementary explanatory materials prepared: Yes  
 Explanatory meeting: Yes (for institutional investors and analysts)

(¥ millions are rounded down)

### 1. Consolidated Results for the First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)

#### (1) Consolidated Operating Results

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

First Six Months	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2020	33,663	0.5%	2,684	(15.6)%	2,823	(13.8)%	1,917	(7.2)%
Fiscal 2019	33,501	2.6%	3,179	(17.0)%	3,275	(15.8)%	2,065	(17.2)%

Note: Comprehensive income: March 31, 2020: ¥1,175 million [(54.6)%], March 31, 2019: ¥2,592 million [0.2%]

First Six Months	Profit per share (¥)	Profit per share (diluted) (¥)
Fiscal 2020	42.39	—
Fiscal 2019	45.61	—

#### (2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)
March 31, 2020	68,274	48,687	67.0
September 30, 2019	66,566	46,337	65.1

Note: Equity: March 31, 2020: ¥45,774 million, September 30, 2019: ¥43,301 million

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2019	—	13.00	—	15.00	28.00
Fiscal 2020	—	10.00			
Fiscal 2020 (forecast)			—	—	—

Note: Revisions to recent dividend forecasts: Yes

The dividend forecast is to be determined. For details, please refer to “Notice of Revision to Earnings Forecast and Dividend Forecast” released today (May 8, 2020).

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

(¥ 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	62,000 ~65,000	(10.2)% ~(5.8)%	1,000 ~2,000	(84.1)% ~(68.2)%	1,200 ~2,200	(80.9)% ~(64.9)%	900 ~1,500	(75.2)% ~(58.7)%	19.72~32.86

Note: Revisions to recent consolidated results forecasts: Yes

Regarding the consolidated earnings forecast, please refer to “Notice of Revision to Earnings Forecast and Dividend Forecast” released today (May 8, 2020).

#### \*Notes

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

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

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

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

b. Other changes: None

c. Changes in accounting estimates: None

d. Restatements: None

(4) Number of shares issued (common stock)

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

Fiscal 2020, 2Q end	46,311,389	Fiscal 2019 end	46,311,389
b. Number of treasury stock at end of period:			
Fiscal 2020, 2Q end	660,953	Fiscal 2019 end	1,971,195
c. Average number of stock during the period:			
Fiscal 2020, 2Q	45,229,182	Fiscal 2019, 2Q	45,281,728

Note: The number of treasury shares at end of period includes 93,090 shares of the Company held by EPS EKISHIN Co., Ltd.

\* 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

### (1) Explanation Regarding Consolidated Operating Results

Overview of Operating Results for the Six Months Ended March 31, 2020

(¥ millions)

	The First Six Months of Fiscal 2019		The First Six Months of Fiscal 2020		Change	
	Amount	%	Amount	%	Amount	%
Net sales	33,501	100.0	33,663	100.0	162	0.5
Operating income	3,179	9.5	2,684	8.0	(495)	(15.6)
Recurring profit	3,275	9.8	2,823	8.4	(452)	(13.8)
Profit attributable to owners of parent	2,065	6.2	1,917	5.7	(148)	(7.2)

Forward-looking statements contained in this document are based on a judgment of operating results for the six months ended March 31, 2020.

In the six months ended March 31, 2020, the EPS Group posted consolidated net sales of ¥33,663 million, an increase of 0.5% year on year. This growth in sales was broadly in line with the forecast. Although shipments in the EKISHI (China) Business were affected by the temporary suspension of manufacturing lines stemming from China's Revised Drug Administration Law and there was impact on the Global Research Business from the conclusion of a large-scale project in the previous fiscal year, the CSO Business was strong. Additionally, consolidated operating income declined 15.6% year on year to ¥2,684 million, but was significantly higher than the forecast. The decrease in income owes primarily to a decline in supply due to production line suspension in the EKISHI (China) Business and the conclusion of a highly profitable monitoring project and a large-scale clinical study in the previous fiscal year.

Operational segments are outlined as follows.

#### Segment Overview

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

(¥ millions)

			The First Six Months of Fiscal 2019	The First Six Months of Fiscal 2020	Change
Domestic Business	CRO	Net sales	15,352	15,595	243
		Operating income	2,835	2,438	(397)
	SMO	Net sales	7,123	6,917	(206)
		Operating income	815	911	95
	CSO	Net sales	4,070	5,633	1,593
		Operating income	168	399	230
Overseas Business	Global Research	Net sales	2,388	1,889	(498)
		Operating income	18	99	80
	EKISHIN (China) Business	Net sales	5,785	4,084	(1,700)
		Operating income (loss)	140	(257)	(398)

EPS Associates Co., Ltd., which was in the CRO Business, merged with EPS International Holdings Co., Ltd. in the Global Research Business on October 1, 2019. For the year-on-year comparisons above, consolidated figures for the six months ended March 31, 2019 have been reclassified into their business segments following the merger.

#### 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
- b. Clinical research services: EP- CRSU Co., Ltd.
- c. Pharmaceutical and medical IT services: EP-Techno Co., Ltd.

Looking at performance in the CRO Business by service, net sales and operating income in contract-based services including clinical studies and PMS services met forecasts, reflecting solid progress on alliance contracts with business partners. In monitoring, sales and income declined, mainly owing to high-value projects wrapping up in the previous fiscal year as well as sluggish inquiries in the previous six months having an effect on the period under review.

In clinical research services, results were largely in line with forecasts. Although net sales and income decreased year on year due to the conclusion of a large-scale clinical trial in the previous fiscal year, proactive acceptance of physician-led clinical trial orders resulted in good operating rates.

In pharmaceutical and medical IT services, the Group is promoting digitization in the CRO business. Also, the Group is making headway with academic alliances but struggling with product sales.

As a result, net sales were ¥15,595 million, an increase of ¥243 million, or 1.6%, year on year, and operating income was ¥2,438 million, a decrease of ¥397 million, or 14.0%, year on year.

## 2) SMO Business

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

In this business, the Group is striving to fully deploy proposal-based sales activities targeting clinical trial sponsors, secure orders through alliance contracts, and concentrate resources on preferred facilities with good patient recruitment rates, among other things.

At the same time, the Group is bolstering education focused on specialties such as cancer, mental illness, and dermatology while enhancing profitability and efficiency through appropriate placement of personnel such as clinical research coordinators (CRCs) and site management associates (SMAs), giving consideration to maintenance of internal frameworks and regionality. In CRC services, difficulty securing new orders and delayed progress on clinical trials due to COVID-19 impact led to net sales below the forecast, but cost controls and higher productivity resulted in income above the forecast.

In addition, the Group launched a collaborative project between the CRO Business and the Global Research Business in the previous fiscal year, and is deploying a new business model with the aim of rapidly recruiting clinical trial participants and reducing clinical trial costs. Specifically, site data managers (SDMs) that have received training in CRO visit medical facilities and perform operations such as data entry to increase the time CRCs spend on patient recruitment, enhance efficiency, and so forth.

As a result, net sales were ¥6,917 million, a decrease of ¥206 million, or 2.9%, year on year. The initiatives noted above are benefitting operating income, which rose ¥95 million, or 11.7%, year on year, to ¥911 million.

## 3) CSO Business

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

CMR (Contract Medical Representative) business performance was broadly in line with forecasts since the decline in demand for CMRs spurred by the pharmaceutical industry's ongoing MR reductions in recent years wound down, the Group was able to increase CMR service personnel along with inquiries also on a recovery trajectory.

The medical call center business, which handles call center operations for medical facilities, exceeded forecasts due partly to contracts for highly profitable spot projects. Academic materials production business performance surpassed forecasts as progress was made shifting from variable, volume-based charges to contracts with fixed monthly fees and earnings stabilized. In addition, the BPO business was broadly in line with forecasts.

As a result, net sales were ¥5,663 million, an increase of ¥1,593 million, or 39.2%, year on year. The increase was mainly due to growth in the medical call center division. Operating income was ¥399 million, an increase of ¥230 million, or 136.7%, 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 continues to strengthen the business base and is focusing on orders for projects in each country. Further, the Group aims to bolster CRO business operations in China where inquiries are rising in tandem with market expansion.

Orders from overseas for trials within Japan experienced a decrease in sales, owing to the conclusion of a large-scale project in the previous fiscal year, suspension of an existing project, and sluggish new orders. As a result, net sales were ¥1,889 million, a decrease of ¥498 million, or 20.9%, year on year. Operating income started to see the effects of business base improvement, and came to ¥99 million, an increase of ¥80 million, or 425%, year on year.

## 5) EKISHIN (China) Business

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

In this business, under a solid capital and business partnership with SUZUKEN Co., Ltd., the Group provides product-related services centered on pharmaceuticals and medical devices, 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 product-related services, sales and profit declined in earnings-driving pharmaceutical manufacturing and sales. This owes to impact from sweeping inspections and examinations being carried out at existing manufacturers accompanying the announcement of revisions to China's Drug Administration Law in August 2019, as well as temporary suspension of manufacturing lines at a Group company in China. Although the affected manufacturing lines resumed operations in December 2019, logistics and sales operations were affected by COVID-19. Moreover, supply could continue to be affected moving ahead.

In medical device sales, new business development advanced steadily and sales and profit grew.

Additionally, product sales were firm in international trading business.

As a result, net sales were ¥4,084 million, a decrease of ¥1,700 million, or 29.4%, year on year, and operating losses were ¥257 million (¥140 million in operating income posted in the same period of the previous fiscal year).

## **(2) Explanation Concerning Forward-Looking Statements such as Consolidated Financial Forecasts**

Based on its recent performance, the Company has revised the earnings forecast for the fiscal year ending September 30, 2020 announced on November 7, 2019. For details, please refer to “Notice of Revision to Earnings Forecast and Dividend Forecast” released today (May 8, 2020).

## **(3) Risk Information Concerning COVID-19**

The Group supports pharmaceutical development, mainly for pharmaceutical companies, and conducts clinical trials at medical facilities for new drug development. Clinical trials require the participation of subjects (patients).

As a basic principle, the Group makes ensuring the safety of employees, clinical trial subjects, medical facility personnel, and clients a top priority in business operations. However, the Group believes there are risks such as those noted below of the current COVID-19 situation affecting its financial position, operating results, and other matters.

Once it has recognized a risk, the Group’s policy is to work to avoid or mitigate the risk. However, the Group could be affected substantially by a variety of factors that could arise going forward.

Forward-looking statements contained in this document are based on a judgment of operating results for the six months ended March 31, 2020.

### **① Risk of employees contracting COVID-19**

Since much of the Group’s business entails direct work with medical institutions, we are exercising extreme care in taking steps to prevent employees from contracting COVID-19. However, in the event that it becomes difficult for a long period of time to continue operations, owing to events such as Group employees contracting the virus and an inability to secure alternative personnel, the Group’s financial position, operating results, and other matters could be affected.

### **② Risk of clients suspending or postponing development due to COVID-19**

In the event that there is a prolonged situation wherein clients postpone or suspend activities such as clinical trials that are planned or underway with a view to preventing the spread of COVID-19, the Group’s financial position, operating results, and other matters could be affected.

### **③ Risk of medical institutions becoming unable to conduct clinical trials and so forth due to COVID-19**

In the event that medical facilities become unable to continue clinical trials for a long period of time due to the status of the COVID-19 outbreak, the Group’s financial position, operating results, and other matters could be affected.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(¥ millions)

	As of September 30, 2019 (Previous Fiscal Year-End)	As of March 31, 2020 (End of the First Six Months)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	17,283	20,325
Notes and accounts receivable—trade	16,125	16,263
Marketable securities	1,858	686
Merchandise and finished goods	992	911
Work in process	1,464	1,779
Other current assets	3,248	3,525
Less: Allowance for doubtful accounts	(137)	(214)
Total current assets	<u>40,834</u>	<u>43,278</u>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>	5,658	6,496
<b>Intangible fixed assets:</b>		
Goodwill	6,762	7,040
Other intangible fixed assets	991	1,298
Total intangible fixed assets	<u>7,754</u>	<u>8,338</u>
<b>Investments and other assets:</b>		
Investment securities	4,786	3,982
Lease and guarantee deposits	2,067	2,216
Other investments and other assets	5,492	3,990
Less: Allowance for doubtful accounts	(27)	(26)
Total investments and other assets	<u>12,319</u>	<u>10,161</u>
Total fixed assets	<u>25,732</u>	<u>24,996</u>
<b>Total assets</b>	<u>66,566</u>	<u>68,274</u>

(¥ millions)

	As of September 30, 2019 (Previous Fiscal Year-End)	As of March 31, 2020 (End of the First Six Months)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	648	820
Short-term loans	1,265	1,465
Current portion of long-term loans payable	449	294
Income taxes payable	1,302	1,363
Allowance for employees' bonuses	3,051	2,689
Provision for loss on order received	242	137
Other current liabilities	9,030	9,062
<b>Total current liabilities</b>	<b>15,991</b>	<b>15,832</b>
<b>Non-current liabilities:</b>		
Long-term debt	424	309
Allowance for directors' and corporate auditors' retirement benefits	395	100
Net defined benefit liability	2,146	2,109
Asset retirement obligations	614	565
Other non-current liabilities	656	669
<b>Total non-current liabilities</b>	<b>4,238</b>	<b>3,754</b>
<b>Total liabilities</b>	<b>20,229</b>	<b>19,586</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	3,888	3,888
Additional paid-in capital	13,669	12,876
Retained earnings	28,628	29,880
Treasury common stock, at cost	(3,765)	(1,156)
<b>Total shareholders' equity</b>	<b>42,420</b>	<b>45,487</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	808	117
Foreign currency translation adjustment	544	581
Remeasurements of defined benefit plans	(470)	(412)
<b>Total accumulated other comprehensive income</b>	<b>881</b>	<b>286</b>
<b>Non-controlling interests</b>	<b>3,035</b>	<b>2,912</b>
<b>Total net assets</b>	<b>46,337</b>	<b>48,687</b>
<b>Total liabilities and net assets</b>	<b>66,566</b>	<b>68,274</b>



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

Quarterly Consolidated Statements of Income

(The six months ended March 31, 2020)

(¥ millions)

	First Six Months of Fiscal 2019 (October 1, 2018 to March 31, 2019)	First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)
<b>Net sales</b>	33,501	33,633
Cost of sales	21,542	22,982
<b>Gross profit</b>	11,958	10,681
Selling, general and administrative expenses	8,778	7,996
<b>Operating income</b>	3,179	2,684
Non-operating income:		
Interest income	51	62
Dividend income	23	30
Gain on insurance cancellation	63	47
Other non-operating income	20	69
Total non-operating income	158	209
Non-operating expenses:		
Interest expenses	7	7
Foreign exchange losses	39	25
Loss on liquidation of investments	—	15
Other non-operating expenses	14	21
Total non-operating expenses	62	69
<b>Recurring profit</b>	3,275	2,823
Extraordinary gains:		
Gain on sales of investment securities	263	—
Gain on step acquisitions	198	—
Surrender value of insurance	—	637
Total extraordinary gains	461	637
Extraordinary losses:		
Business reorganization losses	—	274
Total extraordinary loss	—	274
<b>Profit before income taxes</b>	3,737	3,186
Income taxes	1,357	1,117
Income tax adjustment	102	306
Total income taxes	1,460	1,423
Profit	2,277	1,762
Profit (loss) attributable to non-controlling interests	211	(154)
Profit attributable to owners of parent	2,065	1,917

Quarterly Consolidated Comprehensive Income  
(The six months ended March 31, 2019)

(¥ millions)

	First Six Months of Fiscal 2019 (October 1, 2018 to March 31, 2019)	First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)
<b>Profit</b>	2,277	1,762
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	362	(690)
Foreign currency translation adjustment	(51)	44
Remeasurements of defined benefit plans	4	58
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	314	(587)
<b>Comprehensive income</b>	2,592	1,175
(Breakdown)		
Comprehensive income attributable to owners of parent	2,387	1,322
Comprehensive income attributable to non-controlling interests	204	(147)

### (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 disposed of 1,400,000 treasury shares through a third-party allocation to Hongkong Tigermed Co., Limited on December 12, 2019 based on a resolution at the Board of Directors meeting held on October 29, 2019.

In addition, the Company disposed of 35,463 treasury shares for restricted stock compensation on January 17, 2020 based on a resolution at the Board of Directors meeting held on December 20, 2019.

Furthermore, the Company acquired 124,700 treasury shares on based on a resolution at the Board of Directors meeting held on February 1, 2019 and March 18, 2020.

As a result, treasury shares decreased by ¥2,608 million during the six months ended March 31, 2020, to stand at ¥1,156 million as of March 31, 2020.

(Segment Information)

I. The First Six Months of Fiscal 2019 (October 1, 2018 to March 31, 2019)

1. Information Concerning Net Sales and Operating Income for Each Segment

	(¥ millions)								
	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales									
Sales to outside customers	14,261	7,092	4,022	2,237	5,765	122	33,501	—	33,501
Inter-segment sales and transfers	1,090	31	47	151	19	865	2,206	(2,206)	—
Total	15,352	7,123	4,070	2,388	5,785	987	35,707	(2,206)	33,501
Segment operating income	2,835	815	168	18	140	38	4,018	(838)	3,179

Note: Adjustment of ¥(838) million for segment operating income includes inter-segment transactions of ¥10 million and corporate expenses not allocated to each reportable segment of ¥(849) 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.

II. The First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)

1. Information Concerning Net Sales and Operating Income for Each Segment

	(¥ millions)								
	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales									
Sales to outside customers	14,770	6,903	5,614	1,782	4,075	517	33,663	—	33,663
Inter-segment sales and transfers	825	14	49	107	8	948	1,952	(1,952)	—
Total	15,595	6,917	5,663	1,889	4,084	1,466	35,616	(1,952)	33,663
Segment operating income	2,438	911	399	99	(257)	73	3,664	(980)	2,684

Notes: 1. Adjustment of ¥(980) million for segment operating income includes inter-segment transactions of ¥8 million and corporate expenses not allocated to each reportable segment of ¥(988) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. EPS Associates Co., Ltd. and EPS International Holdings Co., Ltd. merged on October 1, 2019. EPS Associates Co., Ltd. was the surviving company in the merger by absorption upon which its name was changed to EPS International Holdings Co., Ltd. Accompanying this, it was moved from the CRO Business to the Global Research Business segment. Segment information for the six months ended March 31, 2019 is disclosed based on the reporting segments for the six months ended March 31, 2020.

### 3. Supplementary Information

#### (1) Main Data related to Consolidated Cash Flows

(¥ millions)

	First Six Months of Fiscal 2019 (October 1, 2018 to March 31, 2019)	First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)
I Cash flows from operating activities	3,190	1,567
II Cash flows from investing activities	(377)	(1,359)
III Cash flows from financing activities	(2,903)	958
IV Effect of exchange rate change on cash and cash equivalents	(2)	31
V. Net increase (decrease) in cash and cash equivalents	(92)	1,197
VI Cash and cash equivalents at beginning of period	18,753	19,141
VII Increase in cash and cash equivalents due to share exchange	323	—
VIII Cash and cash equivalents at end of period	18,984	20,339
Depreciation	403	493
Amortization of goodwill	621	606

#### (2) Orders Received

(¥ millions)

Segment	The First Six Months of Fiscal 2020 (October 1, 2019 to March 31, 2020)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business	11,307	72.4	39,542	90.4
SMO Business	6,844	82.2	21,162	102.5
CSO Business	6,085	153.1	10,557	110.2
Global Research Business	(834)	(25.4)	6,134	67.5
EKISHIN (China) Business	3,703	64.0	67	90.4
Others	295	244.4	603	9,574.2
Total	27,401	73.8	78,066	93.9

Notes: 1. In the Global Research Business, there were order cancellations associated with project suspensions, and those amounts are included in new orders.

2. Figures represent sales prices.

3. The above figures do not include consumption taxes.