

**Financial Results Over  
View  
for Second Quarter  
Ended March 31, 2020**

**May 21, 2020  
EPS Holdings, Inc.  
Director and Vice President  
Kazuki Sekitani**

- 1 | Business Areas and Management Structure**
- 2 | FY2020/2Q Financial Results Overview**
- 3 | FY2020 Full-Year Earnings Forecast**
- 4 | Shareholder Returns**

# **1 | Business Areas and Management Structure**

\*as of May 2020

Domestic Business

**CRO**

**EPS** EP Mediate

**SMO**

**EP-SOGO**

**CSO**

**EP-PharmaLine** EP-Force ES-Link

**NRO**

**EP-CRSU, EP-Techno**

EP Yamanashi 3 Chinese data service companies

Overseas Business

**Global Research**

**EPS International Holdings**

Chinese CRO operating companies Other oversea operating companies

**EKISHIN**

**EPS EKISHIN, EPS (China)**

Shanghai Hua Xin ET MEDICAL TECHNOLOGY (SUZHOU)  
EP Trading Other Chinese operating companies

**Others**

**EPBiz** (Shared Services) TTC

Notes:

1. AC MEDICAL has been included in EPS (continuing CRO business) and EP-Force (continuing CSO business)
2. EP Mediate Co., Ltd. split off from EPS in April
3. TTC was made a subsidiary in January

# FY2020 Business Management Structure

(Vertical Dimension)

(From April 1)

## EPS Holdings

Business Strategy Division (No. 1 CBO)  
advances management, support, planning

CRO

SMO

CSO

NRO

Global  
Research

EKISHIN

(Segment CEO) **Sasa**

**Yamamoto**

Nishizuka  
Goto

Yamada  
Song

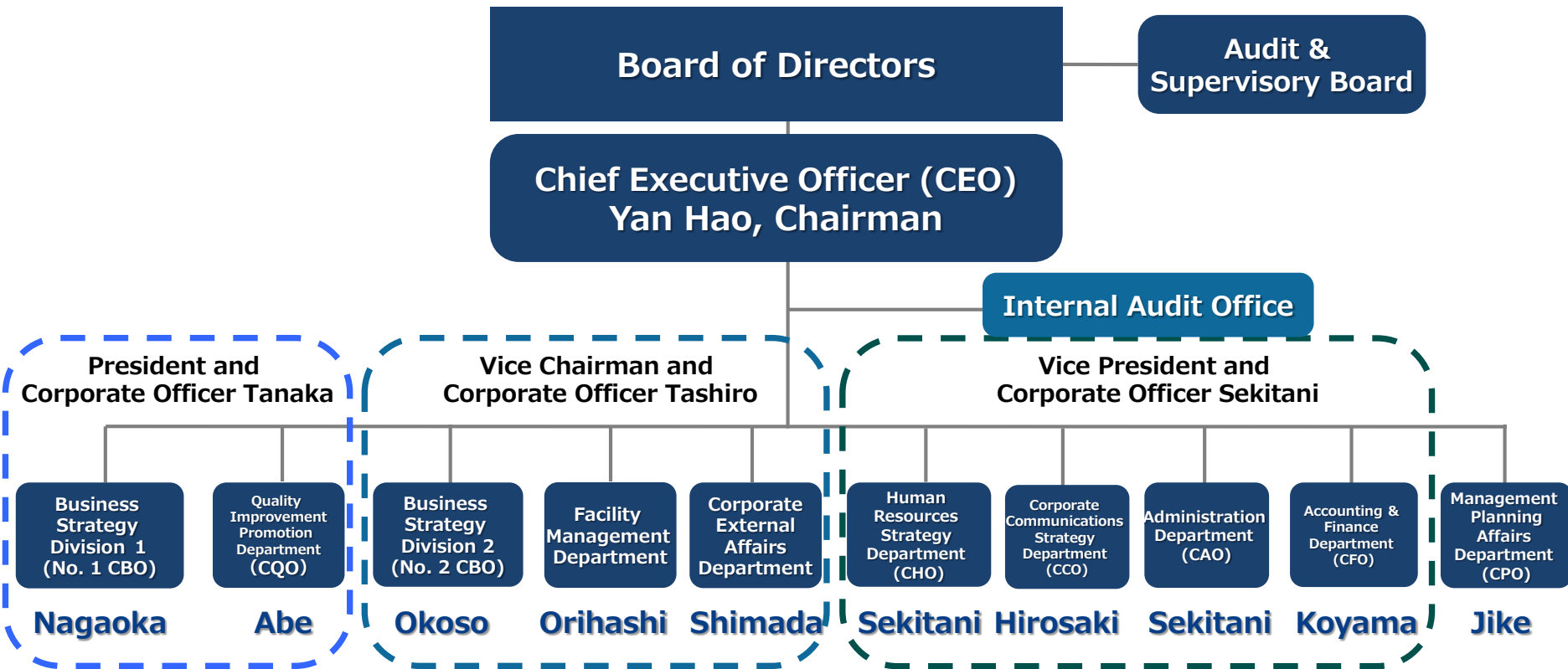
Tanaka  
Hayakawa

Yan  
Tashiro

(Segment Vice CEO)

- Rejuvenate management at the segment level by appointing young, next-generation personnel
- Divide segments into business units of appropriate size dedicated to daily operations and control them
- Business Strategy Division (No. 1 CBO) functions as headquarters and positioning for five segments

# FY2020 Business Management Structure (Horizontal Dimension)



- The holding company will function as the central command point for the OneEPS structure, strengthening the planning, coordination, and promotion functions for the entire group
- Proactively appoint next-generation personnel from segments to concurrent positions

## 2 | **FY2020/2Q Financial Results Overview**

# FY2020/2Q Consolidated Financial Results



(¥ million)

	FY2019/2Q Results	FY2020/2Q Initial Forecast	FY2020/2Q Results	Change vs Plan	Percent Change vs Plan	Percent Change YoY
Net Sales	33,501	33,830	<b>33,663</b>	-167	-0.5%	0.5%
Operating Income  (Ratio)	3,179  (9.5%)	2,153  (6.4%)	<b>2,684</b>  <b>(8.0%)</b>	531	24.7%	-15.6%
Recurring Profit  (Ratio)	3,275  (9.8%)	2,074  (6.1%)	<b>2,823</b>  <b>(8.4%)</b>	749	36.1%	-13.8%
Profit Attributable to Owners of Parent  (Ratio)	2,065  (6.2%)	1,254  (3.7%)	<b>1,917</b>  <b>(5.7%)</b>	663	52.9%	-7.2%



# FY2020/2Q Financial Results by Business Segment



(¥ million)

			FY2020/2Q Initial Forecast	FY2020/2Q Results	Change vs Initial Forecast	Percent Change vs Initial Forecast	Percent Change YoY
Domestic	CRO	Net Sales	<b>13,877</b>	<b>13,903</b>	26	0.2%	3.1%
		Operating Income (%)	<b>2,233</b> (16.1%)	<b>2,312</b> (16.6%)	79	3.5%	-6.8%
	SMO	Net Sales	<b>7,100</b>	<b>6,917</b>	-183	-2.6%	-2.9%
		Operating Income (%)	<b>741</b> (10.5%)	<b>911</b> (13.2%)	170	22.9%	11.7%
	CSO	Net Sales	<b>5,359</b>	<b>5,663</b>	304	5.7%	39.2%
		Operating Income (%)	<b>306</b> (5.7%)	<b>399</b> (7.0%)	93	30.4%	136.7%
	NRO	Net Sales	<b>2,954</b>	<b>2,904</b>	-50	-1.7%	-4.1%
		Operating Income (%)	<b>71</b> (2.4%)	<b>122</b> (4.2%)	51	71.8%	-65.6%
Overseas	GR	Net Sales	<b>2,250</b>	<b>1,889</b>	-361	-16.0%	-20.9%
		Operating Income (%)	<b>-35</b> (—)	<b>99</b> (5.2%)	134	—	425.0%
	EKISIN	Net Sales	<b>4,785</b>	<b>4,084</b>	-701	-14.6%	-29.4%
		Operating Income (%)	<b>-156</b> (—)	<b>-257</b> (—)	-101	—	—

\* 1. The CRO segment in the earnings report (kessan tanshin) includes the NRO segment.

2. The calculation of segment operating income:

(1) Does not include management advisory fees for the holding company

(2) Includes amortization of goodwill and outsourcing expenses for shared services

3. Figures for EPS associates follow adjustment of previous fiscal year's results

## Overview of Financial Results

### Net sales

- Net sales fell 0.5% short of the initial plan due to factors such as the impact of COVID-19, the conclusion of a large-scale project in GR and the temporary suspension of manufacturing lines in the EKISHIN (China) Business, despite the strong performance of CSO
- GR and EKISHIN (China) had significant decreases in revenue year on year, CSO grew and increased sales

### Operating income

- Domestic segments performed as planned, increasing by 24.7% even though overseas business struggled in terms of the initial plan
- Operating income fell as decreases in CRO and EKISHIN outweighed significant year-on-year increases in SMO and CSO

## CRO

### Net Sales, operating income achieved plan

- Initially felt the impact of sluggish orders received from the previous fiscal year but inquiries moved toward recovery in monitoring services
- Departments other than monitoring services progressed as planned
- Pharmacovigilance (PV) improved low-earning projects

## SMO

### Net sales were lower than planned, but operating income exceeded targets

- Orders received struggled following a rebound from a strong performance in the previous fiscal year, but this was covered by sales focusing on existing clinical trials
- Visits to medical facilities restricted and new orders halted or postponed due to COVID-19
- Secured operating income through appropriate allocation of CRC and tightened controls of costs and SG&A expenses

## CSO

### Sales and operating income exceeded forecasts

- Medical call center business growth due in part to responding to urgent product recalls
- Slumping demand for MRs in the pharmaceutical industry ended, CMR maintained results
- Steady performance in support for producing academic materials through the full application of the Drug Sales Promotion Guidelines

## **NRO**

### **Sales fell below target, operating income exceeded plan**

- In clinical research services, impact on planned project contracts and delayed progress
- In pharmaceutical IT, orders received decreased for electronic data capture (EDC) systems such as e-Catch
- In data science services, sales fell short of the target due to cancellations of existing projects and delays in progress due to the impact of COVID-19

## **GR**

### **Sales fell below target, operating income exceeded plan**

- Decreased due to the end of a large-scale project in the previous fiscal year
- Japan: Sluggish orders received due to intensified competition with global CRO, cancellation of large-scale projects
- China: Inquiries strong, main operations ended before the impact of COVID-19
- Asia (excluding China): Contribute to existing projects from Japan, control costs and SG&A expenses

## **EKISHIN**

### **Net sales and operating income fell short of forecasts**

- Pharmaceutical business undersupplied due to the impact of a temporary halt in manufacturing lines
- Sales activities, demand and logistics stopped inside China due to the impact of COVID-19
- In research materials, sales of main products grew due to progress in developing the market

- **CRO (TCC) for functional foods made into a subsidiary**

Entry into undeveloped study market for functional foods, etc.

Development of new customers (markets) and relationship building through sales activities targeting food-related companies

- **Participated in joint development of DNA vaccine for COVID-19**

Participated as an institution supporting pharmaceutical development in joint development of a DNA vaccine for COVID-19 carried out by Osaka University and AnGes, Inc.

# 3 | FY2020 Full-Year Earnings Forecast

- Due to the spread of COVID-19, factors such as limited visits to medical facilities and a decrease in the number of patients visiting hospitals will cause delays in clinical trials and postponements of new clinical trials
- In China, due to pharmaceutical lines in the manufacturing business for pharmaceuticals being temporarily halted, and the impact of COVID-19

## 【Upper limit range】

If the State of Emergency is lifted in by end of May 2020 and thereafter restrictions eased on visits to medical facilities in large cities in particular, and implementation system put in place in hospitals.

## 【Lower limit range】

If the COVID-19 pandemic does not end and restrictions continue from June onward on visits to medical facilities in large cities in particular, and difficult to conduct clinical trials in hospitals.

# FY2020 Consolidated Financial Forecasts



(¥ million)

	FY2019 Results	FY2020 Initial Forecast	Revised Plan (Range)	Change vs Plan	Percent Change YoY
Net Sales	69,009	72,500	65,000	-7,500	-5.8%
			~62,000	~-10,500	~-10.2%
Operating Income (Ratio)	6,279 (9.1%)	6,170 (8.5%)	2,000	-4,170	-68.2%
			~1,000	~-5,170	~-84.1%
Recurring Profit (Ratio)	6,271 (9.1%)	6,320 (8.7%)	2,200	-4,120	-64.9%
			~1,200	~-5,120	~-80.9%
Profit Attributable to Owners of Parent (Ratio)	3,633 (5.3%)	3,540 (4.9%)	1,500	-2,040	-58.7%
			~900	~-2,640	~-75.2%



# FY2020 Financial Forecasts by Business Segment



( ¥ million )

		FY2019 Results	FY2020 Initial Forecast	Revised Plan (Range)	Change vs Plan (Range)	
Domestic	CRO	Net Sales	27,719	28,600	26,000 ~25,000	-2,600 ~-3,600
	SMO	Net Sales	14,339	15,000	13,000 ~12,000	-2,000 ~-3,000
	CSO	Net Sales	9,399	10,800	10,800 ~10,400	0 ~-400
	NRO	Net Sales	5,829	6,500	5,800 ~5,400	-700 ~-1,100
Overseas	GR	Net Sales	4,848	5,100	3,500 ~3,400	-1,600 ~-1,700
	EKISHIN	Net Sales	11,543	12,000	9,000 ~8,500	-3,000 ~-3,500

\* 1. The CRO segment in the earnings report (kessan tanshin) includes the NRO segment.  
 2. Figures for EPS associates follow adjustment of previous fiscal year's results

## Overview of Consolidated Financial Forecasts

- Net Sales**
- Net sales to decrease due to factors including limits on visits to medical facilities, decrease in the number of clinical trial subjects visiting hospitals and delays in development of new clinical trials
  - Net sales to decrease due to undersupply caused by temporary halt of manufacturing lines in the Chinese manufacturing business and a delay in the recovery of demand
  - Orders received from overseas customers to struggle due to intensified competition with global CRO
  - Steady inquiries for four domestic businesses
- Operating Income**
- Operating income to decrease due to inability to offset decrease in sales despite controlling fixed costs

## CRO

- Restricted visits, delays in progress on existing projects and postponed starts on new projects in monitoring services
- Impact of delayed data collection in existing projects and postponed starts on new projects in operations other than monitoring services

## SMO

- Delays in existing clinical trials due to decrease in the number of patients visiting hospitals
- Postponed starts to new projects
- Contribution to sales by expanding the scope of CRC operations in response to restrictions on monitoring services visits

## CSO

- Shrink due to restriction on CMR visits to medical facilities
- Call center services expanded e-detailing in response to restrictions on CMR visits
- Reduction in study groups had an impact on academic materials production support

## NRO

- In clinical research, progress was delayed due to the impact of COVID-19
- In pharmaceutical IT, electronic data capture (EDC) systems sales were sluggish
- Actively contracted to research COVID-19

## GR

- Japan: Net sales down due to impact of sluggish orders received
- China: Focus on securing human resources as inquiries from Japan are strong
- Asia (excluding China): Delayed starts to new projects from Japan due to the impact of COVID-19

## EKISHIN

- Chinese market affected by COVID-19
- Sales of research materials may shrink as customers' research stagnates

## Business Activation Project (1)~Product Innovation~

Domestic business innovation

- Maintain and develop existing products
- Promote collaboration with academia and digitalization

Build, implement and develop new business models

## Business Activation Project (2)~Business Structure Innovation~

Innovate the business structure through internal reorganization and external collaboration, etc.

Conduct training for next-generation human resources

## Organization Activation Project

Review the personnel system and its operations, various types of costs, etc. by linking to COVID-19 pandemic response and promoting organizational activation and structural innovation

## Measures to Minimize Reductions in Sales and Profits

- While working closely with customers, actively acquire postponed clinical trials
- Maintain and continue operational system through rigorous measures against transmission
- Control costs through cost restructuring
- Support COVID-19 drug treatment, clinical trials for a vaccine
- Mental healthcare business for “COVID-19 depression”

## Post-COVID-19 Response

- Online diagnoses, consider new service jointly with vendors for virtual clinical trials
- Start new services by promoting remote operations for clinical trials

## Three Viewpoints

- Prevent transmission, spread
- Maintain and improve employees' employment and lifestyles
- Prioritize customer needs and maintain and develop business

## Response Measures

1. Strengthen employee/workplace response
2. Implement special work systems
  - (1) Consider those physically in the workplace
  - (2) Work from home/reduce workplace attendance frequency through leave
  - (3) Introduce a complete flextime system
3. Reduce compensation for some management level personnel, etc.

## Initiatives for Society

- Joint development of a DNA vaccine for COVID-19 carried out by Osaka University and AnGes, Inc.
- Contributed medical supplies to the government's "mask team," academia and regional medical facilities, etc.
- Social contribution activities using Group medical human assets with specialized qualifications (nurses, clinical technologists, etc.)



# 4 | Shareholder Returns

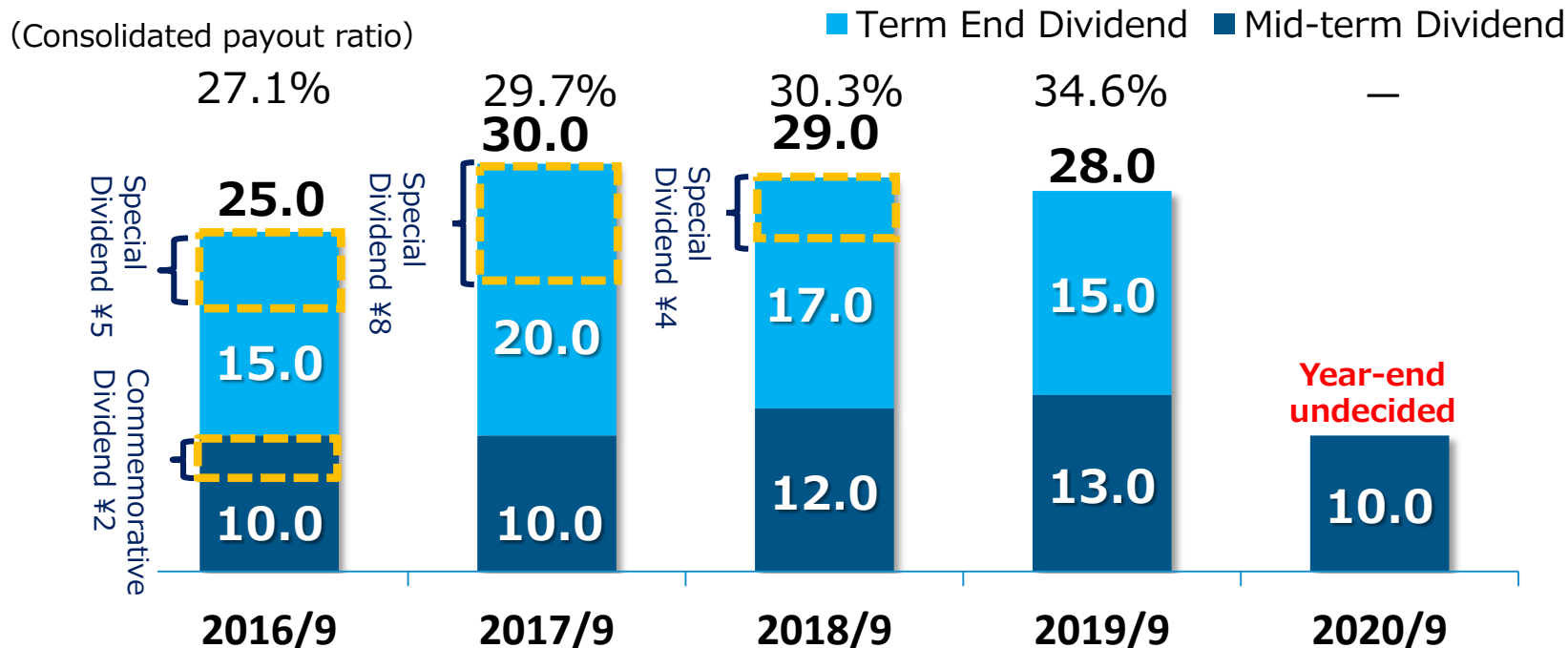
## Basic Dividend Policy

Secure the necessary retained earnings to strengthen the business structure for future business development and improved earning capability

Continue to enhance shareholder returns

## Revision to Dividend Forecast

The COVID-19 pandemic is expected to have a significant impact on results going forward and uncertainties exist regarding the assumptions used for the business forecast, therefore the interim dividend will be ¥10 per share and the year-end dividend remains undecided



**Thank you for your attention.**

**Please direct inquiries to Investor Relations, Corporate Communication  
Department, EPS Holdings, Inc.**

**Phone: +81-3-5684-7873 / Email : [ir@eps.co.jp](mailto:ir@eps.co.jp)**

**EPS Holdings, Inc.**

The earnings forecasts and future predictions described in the document are made by our company based on the available information at the time of the creation of the document, and contain potential risks and uncertainties. Therefore, due to various factors such as changes in the business environment, it is possible that actual earnings results may differ greatly from the future outlook mentioned or described herein.

We have approached the creation of this document with caution, to ensure correctness. However, it is not a guarantee of completeness. Our company cannot be held liable for any problems or damages arising as a result of the information in this document. We appreciate your understanding.

- For inquiries about this document  
Investor Relations, Corporate Communication  
Department, EPS Holdings, Inc.  
Phone: +81-3-5684-7873  
e-mail: [ir@eps.co.jp](mailto:ir@eps.co.jp)



**EPS**

**EPSホールディングス株式会社**