



Consolidated Financial Report for the First Three Months of Fiscal 2021 [Japanese GAAP]

February 2, 2021

Company Name:	EPS Holdings, Inc.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
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Filing of Quarterly Securities Report:	February 12, 2021
Scheduled Payment of Dividends:	–
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ million are rounded down)

1. Consolidated Results for the First Three Months of Fiscal 2021 (October 1, 2020 to December 31, 2020)

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

First Three Months	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2021	16,618	10.4%	1,449	95.6%	1,709	91.5%	1,004	104.5%
Fiscal 2020	15,053	(6.9)%	740	(52.9)%	892	(43.7)%	491	(58.1)%

Note: Comprehensive income: Fiscal 2021, 1Q: ¥1,224 million [1,554.0%], Fiscal 2020, 1Q: ¥74 million [(93.2)%]

First Three Months	Profit per share (¥)	Profit per share (diluted) (¥)
Fiscal 2021	22.78	–
Fiscal 2020	10.97	–

(2) Consolidated Financial Position

(¥ million)

	Total assets	Net assets	Equity ratio (%)
December 31, 2020	68,052	47,605	65.7
September 30, 2020	70,458	46,939	62.6

Reference: Equity: December 31, 2020: ¥44,702 million, September 30, 2020: ¥44,106 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2020	–	10.00	–	10.00	20.00
Fiscal 2021	–				
Fiscal 2021 (forecast)		10.00	–	10.00	20.00

Notes: Revisions to recent dividend forecasts: None

3. Forecast of Consolidated Results for Fiscal 2021 (October 1, 2020 to September 30, 2021)

(¥ 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	69,800	4.7%	4,800	5.4%	5,000	0.4%	2,600	30.3%	58.96

Notes: Revisions to recent consolidated results forecasts: None

***Notes**

(1) Changes to important subsidiaries during the first three months under review (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 the period (including treasury stock):

Fiscal 2021, 1Q end	46,311,389	Fiscal 2020 end	46,311,389
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b. Number of treasury stock at end of the period:

Fiscal 2021, 1Q end	2,212,284	Fiscal 2020 end	2,212,221
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c. Average number of stock during the period:

Fiscal 2021, first three months	44,099,165	Fiscal 2020, first three months	44,779,375
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Note: The number of treasury shares at end of the 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 Three Months Ended December 31, 2020

	The First Three Months of Fiscal 2020		The First Three Months of Fiscal 2021		Change	
	Amount (¥ million)	%	Amount (¥ million)	%	Amount (¥ million)	%
Net sales	15,053	100.0	16,618	100.0	1,564	10.4
Operating income	740	4.9	1,449	8.7	708	95.6
Recurring profit	892	5.9	1,709	10.3	816	91.5
Profit attributable to owners of parent	491	3.3	1,004	6.0	513	104.5

Forward-looking statements contained in this document are based on the judgment of operating results as of December 31, 2020.

In the three months ended December 31, 2020, both net sales and operating income for the entire Group were solid, and the impact of COVID-19 on each business was only slight.

The Domestic Business reported year-on-year increases in sales and income in the Contract Research Organization (CRO) Business, where utilization rates improved, especially for monitoring, and in the Contract Sales Organization (CSO) Business, where every service made steady progress, especially contract medical representative (MR) and drug information (DI) services* for pharmaceutical companies. The Site Management Organization (SMO) Business posted slight declines in sales and income due to the effects of COVID-19, especially restrictions on visits to medical institutions outside major metropolitan areas and a decrease in patients visiting hospitals.

In the Overseas Business, the Global Research Business reported lower sales and income, reflecting the fiercely competitive environment for winning orders. The EKISHIN (China) Business achieved sales growth, with the resumption of operations at manufacturing lines in China following a temporary suspension in the first quarter of the previous fiscal year.

As a result, consolidated net sales were ¥16,618 million, up 10.4% year on year.

Consolidated operating income rose 95.6% year on year, to ¥1,449 million, reflecting a boost from increased net sales and the effects of implementation of cost structure reforms and reduction of administrative expenses.

* Drug Information (DI) services: Call center services making the latest drug information available to health care professionals

Operational segment is outlined as follows.

Segment Overview

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

			The First Three Months of Fiscal 2020	The First Three Months of Fiscal 2021	Change
			(¥ million)	(¥ million)	(¥ million)
Domestic Business	CRO	Net sales	6,926	7,246	319
		Operating income	787	1,246	459
	SMO	Net sales	3,509	3,356	(152)
		Operating income	471	402	(68)
	CSO	Net sales	2,831	3,184	352
		Operating income	226	411	184
Overseas Business	Global Research	Net sales	1,016	856	(159)
		Operating income	70	25	(44)
	EKISHIN (China)	Net sales	1,160	2,135	975
		Operating loss	(355)	(87)	268

1) CRO Business

The CRO Business is conducted mainly by EPS Corporation, EP-CRSU Co., Ltd., EP Mediate Co., Ltd., and TTC Co., Ltd. In this business, the Group aims to build an EPS platform which provides total solutions, and is engaged in a range of initiatives including the establishment of new services such as the creation of a virtual clinical trial framework (Virtual Go) and the acquisition of new knowledge through joint research with academia.

Net sales in this segment came to ¥7,246 million, an increase of ¥319 million, or 4.6%, year on year, and segment operating income was ¥1,246 million, rising ¥459 million, or 58.4%, year on year.

Performance in the CRO Business by service is as follows.

Clinical trials and post-marketing surveillance (PMS) services

Utilization rates remained high, reflecting steady progress in winning orders under alliance contracts with business partners. In contrast to struggling sales, reflecting sluggish inquiries in the same period of the previous year, clinical trials and PMS services saw increases in sales and income on the back of significant improvement in utilization rates, especially for monitoring services and data science services.

Clinical research services

The Group is focusing on strengthening its service framework in face of increasingly diverse clinical research as well as on enhancing support services from upstream to downstream processes and strengthening sales. Clinical research services showed gains in sales and income, reflecting brisk inquiries centered on academic projects including investigator-initiated clinical trials, high utilization rates in clinical research monitoring services, and the effects of cost reductions.

Medical device and other services

The Group is seeking to integrate medical device services and CRO for health-functional food services to strengthen the non-pharmaceutical CRO business. Compared with the same period of the previous year, medical device services achieved steady sales expansion in line with market growth. New inquiries about CRO for health-functional food services were also brisk.

2) SMO Business

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

In this business, the Group is striving to secure orders through proposal-based sales activities for existing and new services targeting clinical trial sponsors and through alliance contracts, and actively executing regional strategies such as concentrating resources on preferred facilities with good patient recruitment rates, among others.

Net sales in this segment were ¥3,356 million, a decrease of ¥152 million, or 4.4%, year on year. Operating income decreased ¥68 million, or 14.5%, year on year, to ¥402 million.

In terms of operations, the Group is seeking to increase the efficiency of clinical trials and improve productivity by promoting the remote review system of the Institutional Review Board (IRB) through the digitalization of clinical trial related documentation including essential documents. In addition, the Group is deploying a new business model to alleviate the workload of clinical research coordinators (CRCs) through the central management of clinical trial data by Site Data Managers (SDMs) assigned to medical institutions, and to rapidly recruiting clinical trial patients and reduce clinical trial costs. Despite brisk inquiries and a large number of projects in progress, the SMO Business posted slight year-on-year declines in sales and income due to the effects of COVID-19, especially restrictions on visits to medical institutions outside major metropolitan area and a decrease in patients visiting hospitals.

* Site Data Manager (SDM): To enable CRCs to focus on dealing with clinical trial patients and medical staff and recruiting clinical trial participants, the Group assigns a Clinical Research Associate (CRA) to a medical institution as an SDM who is exclusively in charge of carefully assessing data and inputting data into the system.

3) CSO Business

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

Net sales in this segment were ¥3,184 million, an increase of ¥352 million, or 12.4%, year on year. Segment operating income was ¥411 million, an increase of ¥184 million, or 81.5%, year on year.

Performance in the CRO Business by service is as follows.

DI services

DI services registered higher sales, reflecting an increase in new clients who had not outsourced DI operations previously and the Group's ability to offer pharmaceutical companies value-added services suitable for the turbulent times created by COVID-19. DI services suffered a slight drop in income in the absence of the effect of highly profitable spot projects like those seen in the same period of the previous fiscal year.

Contract MR (CMR) services

Decline in demand for CMRs spurred by the pharmaceutical industry's ongoing MR reductions in recent years came to an end and inquiries are also on a recovery trajectory. The Group made steady progress with the allocation of personnel to new projects and utilization rates increased. As a result, CMR services registered gains in sales and income.

Other services

Other services posted increased in sales and income, reflecting the implementation of initiatives in the academic materials production business, including efforts to strengthen the supply framework both in terms of quality and volume, and good progress in other services such as post-marketing surveillance support services and pharmaceutical distribution management.

4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and its overseas group companies, which conduct the CRO business in Japan, China and the Asia-Pacific region.

Net sales in this business were ¥856 million, a decrease of ¥159 million, or 15.7%, year on year. Operating income came to ¥25 million, a decrease of ¥44 million, or 63.3%, year on year.

New orders from overseas for trials within Japan were weak due to intensified competition with global CROs.

In the CRO business in China, inquiries increased in tandem with market expansion, especially at Beijing Global Pharmaceutical Research Co., Ltd. (G&P), a Chinese CRO acquired the previous fiscal year. However, business was affected by the postponement of some clinical trials.

In the Asia-Pacific region, the Group focused on winning orders for projects in each country and the effects of building a business base became evident.

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 trade related services and peripheral support services and is working to further expand earnings.

Net sales in this business were ¥2,135 million, an increase of ¥975 million, or 84.1%, year on year, and operating losses were ¥87 million (¥355 million in operating losses posted in the same period of the previous fiscal year).

In the EKISHIN business, earnings are driven by pharmaceutical manufacturing and sales, and efforts are also being made to strengthen profitability through the careful selection of sales channels. Looking at sales and income, during the first quarter of the previous fiscal year, the temporary suspension of manufacturing lines had a negative impact. However, manufacturing operations have since resumed and, as a result, sales increased. In China, same as in other countries, the number of patients visiting medical institutions has decreased since the outbreak of the COVID-19 pandemic and sales continue to be negatively impacted.

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

There have been no changes to the consolidated financial forecasts announced in the financial report for the fiscal year ended September 30, 2020 issued on November 5, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(¥ million)

	As of September 30, 2020 (Previous Fiscal Year-End)	As of December 31, 2020 (End of the First Three Months)
Assets		
Current assets		
Cash and time deposits	22,127	19,537
Notes and accounts receivable - trade	16,313	15,855
Marketable securities	1,378	1,479
Merchandise and finished goods	1,002	989
Work in process	1,752	2,340
Other current assets	3,494	3,957
Less: Allowance for doubtful accounts	(159)	(168)
Total current assets	45,909	43,992
Fixed assets		
Property, plant and equipment	7,244	7,311
Intangible fixed assets		
Goodwill	5,984	5,687
Other intangible fixed assets	1,438	1,439
Total intangible fixed assets	7,422	7,126
Investments and other assets		
Investment securities	3,690	4,281
Lease and guarantee deposits	1,984	2,011
Other investments and other assets	4,206	3,327
Total investments and other assets	9,880	9,621
Total fixed assets	24,548	24,059
Total assets	70,458	68,052
Liabilities		
Current liabilities		
Accounts payable - trade	753	959
Short-term loans	3,465	3,765
Current portion of long-term loans payable	209	159
Income taxes payable	2,104	134
Allowance for employees' bonuses	3,554	1,455
Provision for loss on order received	296	263
Other current liabilities	9,835	10,546
Total current liabilities	20,219	17,284
Non-current liabilities		
Long-term debt	204	202
Allowance for directors' and corporate auditors' retirement benefits	110	71
Net defined benefit liability	1,767	1,703
Asset retirement obligations	580	578
Other non-current liabilities	636	607
Total non-current liabilities	3,299	3,162
Total liabilities	23,518	20,446

(¥ million)

	As of September 30, 2020 (Previous Fiscal Year-End)	As of December 31, 2020 (End of the First Three Months)
Net assets		
Shareholders' equity		
Capital stock	3,888	3,888
Additional paid-in capital	13,382	13,373
Retained earnings	29,007	29,570
Treasury common stock, at cost	(2,802)	(2,802)
Total shareholders' equity	43,475	44,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	164	175
Foreign currency translation adjustment	559	575
Remeasurements of defined benefit plans	(93)	(78)
Total accumulated other comprehensive income	630	672
Non-controlling interests	2,833	2,902
Total net assets	46,939	47,605
Total liabilities and net assets	70,458	68,052

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(¥ million)

	First Three Months of Fiscal 2020 (October 1, 2019 to December 31, 2019)	First Three Months of Fiscal 2021 (October 1, 2020 to December 31, 2020)
Net sales	15,053	16,618
Cost of sales	10,889	11,205
Gross profit	4,164	5,412
Selling, general and administrative expenses	3,423	3,963
Operating income	740	1,449
Non-operating income		
Interest income	26	30
Dividend income	19	27
Gain on insurance cancellation	25	105
Foreign exchange gains	61	31
Other non-operating income	51	70
Total non-operating income	184	265
Non-operating expenses		
Interest expenses	3	4
Other	28	0
Total non-operating expenses	32	5
Recurring profit	892	1,709
Profit before income taxes	892	1,709
Income taxes	(203)	59
Income tax adjustment	748	525
Total income taxes	545	584
Profit	347	1,124
Profit (loss) attributable to non-controlling interests	(144)	119
Profit attributable to owners of parent	491	1,004

Quarterly Consolidated Statements of Comprehensive Income

(¥ million)

	First Three Months of Fiscal 2020 (October 1, 2019 to December 31, 2019)	First Three Months of Fiscal 2021 (October 1, 2020 to December 31, 2020)
Profit	347	1,124
Other comprehensive income		
Valuation difference on available-for-sale securities	(449)	10
Foreign currency translation adjustment	147	74
Remeasurements of defined benefit plans	29	15
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(273)	99
Comprehensive income	74	1,224
(Breakdown)		
Comprehensive income attributable to owners of parent	154	1,046
Comprehensive income attributable to non-controlling interests	(80)	177

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

(Notes Concerning Significant Changes in the Amount of Shareholders' Equity)

None

(Segment Information)

I. The First Three Months of Fiscal 2020 (From October 1, 2019 to December 31, 2019)

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

(¥ million)

	CRO	SMO	CSO	Global Research	EKISHIN (China)	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated statements of income
Net sales									
Sales to outside customers	6,522	3,500	2,802	957	1,158	113	15,053	–	15,053
Inter-segment sales and transfers	404	8	29	59	1	419	922	(922)	–
Total	6,926	3,509	2,831	1,016	1,160	532	15,976	(922)	15,053
Segment operating income	787	471	226	70	(355)	30	1,230	(489)	740

Notes: 1. Adjustment for operating income of ¥(489) million includes intersegment transactions of ¥7 million and non-attributable corporate expenses not distributed to each segment of ¥(497) 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.

II. The First Three Months of Fiscal 2021 (From October 1, 2020 to December 31, 2020)

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

(¥ million)

	CRO	SMO	CSO	Global Research	EKISHIN (China)	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated statements of income
Net sales									
Sales to outside customers	7,118	3,350	3,179	769	2,130	70	16,618	–	16,618
Inter-segment sales and transfers	127	6	4	87	5	730	961	(961)	–
Total	7,246	3,356	3,184	856	2,135	800	17,579	(961)	16,618
Segment operating income	1,246	402	411	25	(87)	(7)	1,992	(542)	1,449

Note: Adjustment for operating income of ¥(542) million includes intersegment transactions of ¥3 million and non-attributable corporate expenses not distributed to each segment of ¥(546) million. The main corporate expenses comprise expenses related to the Company (the holding company).