



**EPS Holdings, Inc.**

**Financial Results Overview  
for the Second Quarter  
Ended March 31, 2021**

**May 19, 2021  
EPS Holdings, Inc.  
Board Member  
President and Corporate Officer  
Tatsuma Nagaoka**

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

Domestic Business

**CRO**

**EPS**

EP-CRSU (clinical IT has been brought in)  
 EP Mediate  
 (medical devices + health-function food)  
 EP Yamanashi

**SMO**

**EP-SOGO**

**CSO**

**EP-PharmaLine**

EP-Force  
 (provision of pharmaceutical information)  
 ES-Link

Overseas Business

**Global Research**

**EPS International Holdings**

Chinese CRO operating companies  
 Other overseas operating companies

**EKISHIN**

**EPS EKISHIN,  
 EPS (China)**

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

**Others**

**EPS Digital-Share** (IT, promotion of shared services)

**EPBiz** (creation of peripheral business)

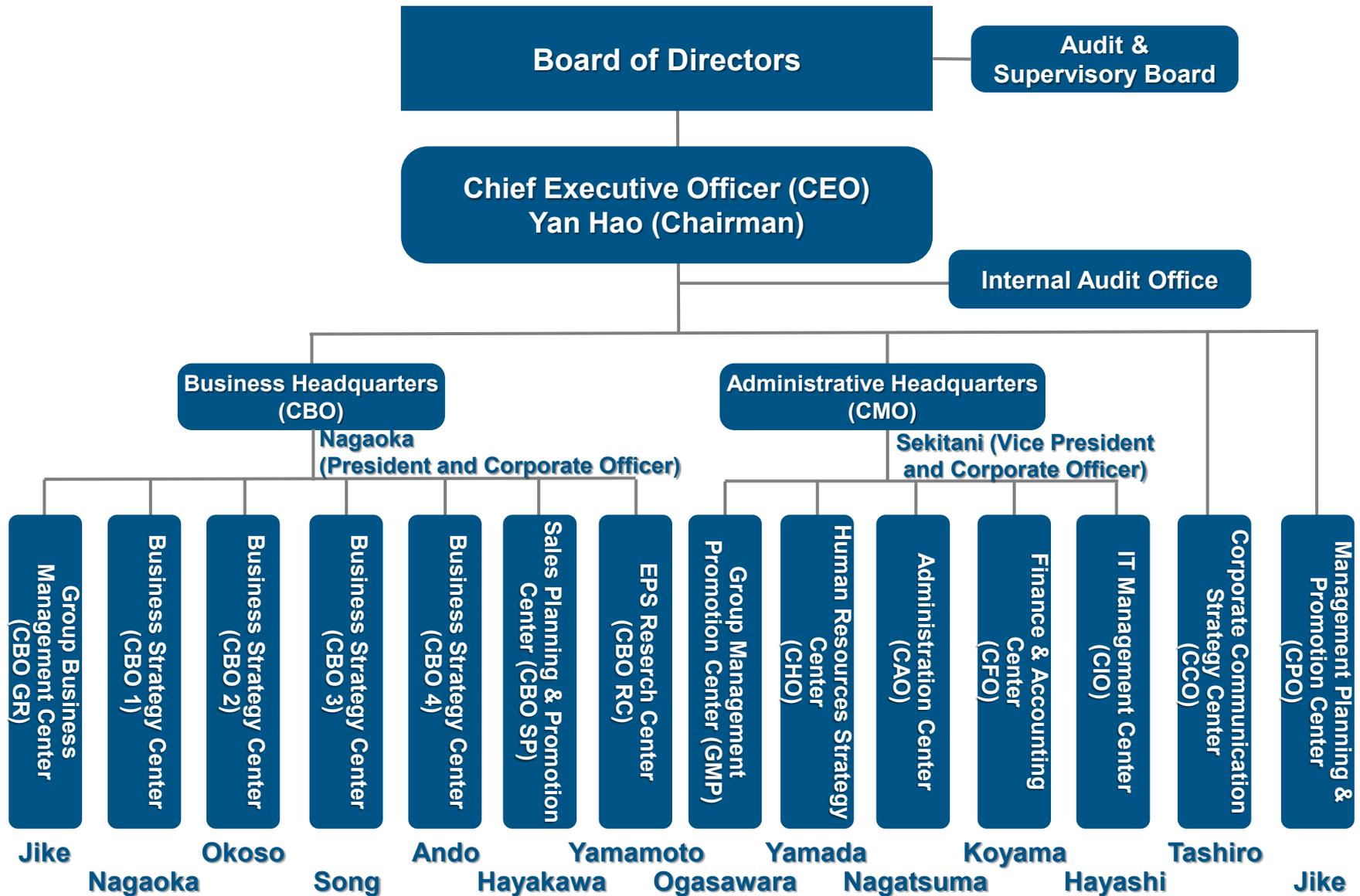


# FY2021 Business Management Structure (Vertical Dimension)



- Next-generation members (including women) have been promoted to senior management at the segment level.
- The Business Division (CBO) is positioned as a headquarters function for four segments.

# FY2021 Business Management Structure (Horizontal Dimension)



## 2 | **FY2021/2Q Financial Results Overview**

# FY2021 Consolidated Financial Results



(¥million)	FY2020/2Q Results	FY2021/2Q Initial Forecast	FY2021/2Q Results	Change vs Initial Forecast	Percent Change vs Forecast	Percent Change YoY
<b>Net Sales</b>	<b>33,663</b>	<b>33,506</b>	<b>35,390</b>	<b>1,884</b>	<b>5.6%</b>	<b>5.1%</b>
<b>Operating Income (Ratio)</b>	<b>2,684 (8.0%)</b>	<b>1,848 (5.5%)</b>	<b>3,807 (10.8%)</b>	<b>1,959</b>	<b>106.0%</b>	<b>41.9%</b>
<b>Recurring Profit (Ratio)</b>	<b>2,823 (8.4%)</b>	<b>1,960 (5.8%)</b>	<b>4,326 (12.2%)</b>	<b>2,366</b>	<b>120.7%</b>	<b>53.2%</b>
<b>Profit Attributable to Owners of Parent (Ratio)</b>	<b>1,917 (5.7%)</b>	<b>1,029 (3.1%)</b>	<b>2,617 (7.4%)</b>	<b>1,588</b>	<b>154.3%</b>	<b>36.5%</b>

# FY2021 Financial Results by Business Segment



		(¥million)	FY2020/2Q Results	FY2021/2Q Initial Forecast	FY2021/2Q Results	Change vs Initial Forecast	Percent Change vs Initial Forecast	Percent Change YoY
Domestic	CRO	Net Sales	15,595	15,466	16,717	1,251	8.1%	7.2%
		Operating Income (Ratio)	2,438 (15.6%)	2,220 (14.4%)	3,566 (21.3%)	1,346	60.6%	46.3%
	SMO	Net Sales	6,917	6,800	6,700	-100	-1.5%	-3.1%
		Operating Income (Ratio)	911 (13.2%)	646 (9.5%)	940 (14.0%)	294	45.5%	3.2%
	CSO	Net Sales	5,663	5,780	6,336	556	9.6%	11.9%
		Operating Income (Ratio)	399 (7.0%)	361 (6.3%)	807 (12.7%)	446	123.5%	102.1%
Overseas	GR	Net Sales	1,889	1,402	1,583	181	12.9%	-16.2%
		Operating Income (Ratio)	99 (5.2%)	-109 (—)	17 (1.1%)	126	—	-82.2%
	EKIS HIN	Net Sales	4,084	3,988	4,331	343	8.6%	6.1%
		Operating Income (Ratio)	-257 (—)	-159 (—)	-181 (—)	-22	—	—

## Vs. Initial Forecast

Regarding the impact of COVID-19, it was assumed that the situation in the fourth quarter of the previous fiscal year would continue.

### Net sales vs. initial forecast: 5.6%

- Net sales in Japan remained strong with an increase in orders received, which is attributed mainly to an increase of new customers, offsetting the impact of COVID-19 on SMO.
- Net sales from clinical trials for overseas customers fell short of the forecast due to sluggish contracts. Manufacturing and sales in China exceeded the forecast.

### Operating income vs. initial forecast : 106.0%

- Effect of net sales in Japan exceeding the forecast (CRO and CSO), control of administrative cost enabled through cost restructuring

## Year on Year

### Net sales year on year: 5.1%

- Regarding net sales in Japan, the impact of COVID-19 on SMO was offset by the high operating rate of monitoring services in CRO and steady growth of operations in CSO.
- Sales from clinical trials for overseas customers decreased due to a decrease in ongoing projects.
- Net sales in EKISHIN Business increased following a rebound from the impact of the suspension of production lines in the previous fiscal year.

### Operating income year on year: 41.9%

- Effect of sales increase, control of administrative costs enabled through cost restructuring

## CRO

- In monitoring services, orders received continued to increase, and operating rate remained high, due to the effect of new alliances.
- In data science services, operations made good progress, and less profitable projects improved.
- Businesses other than monitoring services also mostly exceeded the forecast.

## SMO

- Trial patients decreased due to COVID-19. Above all, medical institutions outside major metropolitan areas struggled.
- Operating income increased due to appropriate allocation of CRC and tightened control of costs and SG&A expenses.
- Backlog was a record high, reflecting brisk inquiries.

## CSO

- Growth of the medical call center business, which is attributed in part to the development of new customers and contracts for operations related to COVID-19
- Higher operating rate of CMR, attributed to progress in the allocation of human resources to new projects
- Increase in sales, mainly reflecting the increase in web seminars

## GR

- Japan: New orders were weak due to intensifying competition with global CROs.  
Sales exceeding the forecast were moved up to the second half.
- China: Inquiries were strong due to the expansion of the market, but some trials were delayed.
- Asia (excluding China): Costs and SG&A expenses were controlled.

## EKISHIN

- In manufacturing and sales of pharmaceuticals, sales increased from the previous fiscal year due to the resumption of supply.
- In import and sales of products (for China), sales increased steadily.
- In research materials (for Japan), sales decreased because sales to major customers, which existed in the previous fiscal year, were absent in the current fiscal year.

## 1. Acquisition of CAC Croit\*

Acquired CAC Croit Corporation, which has strengths in pharmacovigilance (PV) operations, with the plan to apply the company's excellent information technologies and expertise in operations based on its extensive track record.

\* The acquisition is planned to be completed in June 2021.

## 2. Acquisition of Speed Apparel\*, which is listed on the Main Board of Hong Kong Exchanges and Clearing

Multilateral operations including drug development will be promoted, with Speed Apparel Holding Limited (EPS Creative) being the core of product business between Japan and China.

\* The acquisition was completed in April 2021, and it is planned to rename the company EPS Creative Health Technology Group Ltd.

## 3. A comprehensive partnership agreement concluded with the city government of Tsuchiura

A framework for cooperating with the city government to respond to disasters (dispatching human resources), promote good health (advice to increasing cancer screening rate, establishment of a vaccination system), and accomplish other goals was built.

# 3 | FY2021 Full-Year Performance Forecast

# FY2021 Consolidated Annual Forecast



	FY2020 Results	FY2021 Initial Forecast	FY2021 Revised Forecast	Change vs Initial Forecast	Percent Change vs Forecast	Percent Change vs Previous Fiscal Year (Revised Forecast)
(¥million)						
<b>Net Sales</b>	<b>66,689</b>	<b>69,800</b>	<b>75,000</b>	<b>5,200</b>	<b>7.4%</b>	<b>12.5%</b>
<b>Operating Income (Ratio)</b>	<b>4,553 (6.8%)</b>	<b>4,800 (6.9%)</b>	<b>5,500 (7.3%)</b>	<b>700</b>	<b>14.6%</b>	<b>20.8%</b>
<b>Recurring Profit (Ratio)</b>	<b>4,978 (7.5%)</b>	<b>5,000 (7.2%)</b>	<b>5,900 (7.9%)</b>	<b>900</b>	<b>18.0%</b>	<b>18.5%</b>
<b>Profit Attributable to Owners of Parent (Ratio)</b>	<b>1,995 (3.0%)</b>	<b>2,600 (3.7%)</b>	<b>3,300 (4.4%)</b>	<b>700</b>	<b>26.9%</b>	<b>65.4%</b>

# FY2021 Annual Forecast by Segment

			FY2020 Results	FY2021 Initial Forecast	FY2021 Revised Forecast	Change vs Initial Forecast	Percent Change vs Previous Fiscal Year (Revised Forecast)
			(¥million)				
Domestic	CRO	Net Sales	30,504	31,400	33,100	1,700	8.5%
		Operating Income (Ratio)	4,360 (14.3%)	4,760 (15.2%)	5,500 (16.6%)	740	26.1%
	SMO	Net Sales	13,220	13,900	13,500	-400	2.1%
		Operating Income (Ratio)	1,541 (11.7%)	1,300 (9.4%)	1,600 (11.9%)	300	3.8%
	CSO	Net Sales	11,424	11,600	12,300	700	7.7%
		Operating Income (Ratio)	849 (7.4%)	740 (6.4%)	1,370 (11.1%)	630	61.4%
Overseas	GR	Net Sales	3,540	2,900	2,930	30	-17.2%
		Operating Income (Ratio)	41 (1.2%)	20 (0.7%)	-60 (—)	-80	—
	EKIS HIN	Net Sales	8,613	8,800	8,600	-200	-0.2%
		Operating Income (Ratio)	-210 (—)	-200 (—)	-370 (—)	-170	—

Note: The calculation of segment operating income

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

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

## Net Sales

- The operating rate will remain high in CRO, and net sales in CSO will also grow. However, SMO will be affected by a decrease in clinical trial patients visiting hospitals, attributed to the COVID-19 pandemic.
- It will be difficult for GR to receive new orders due to intensifying competition with global CROs.
- In China, manufacturing lines will resume operations, but recovery of demand will be delayed.
- Net sales will increase due to the effects of acquiring the two companies.

## Operating Income

- Operating income will increase due to administrative costs being controlled.
- Expenses for securing human resources will be generated due to the number of orders received being larger than assumed.
- Up-front investments will be made to build IT infrastructure including systems.

# FY2021 Overview of Performance Forecast by Segment

## CRO

- In monitoring services, expenses for securing human resources will be generated to respond to a larger number of orders than assumed.
- Data science services and clinical research are expected to exceed the initial forecast.
- In clinical IT, sales and income are expected to fall a little short of the forecast.

## SMO

- The initial forecast will not be achieved due to COVID-19, but it is expected that both sales and income will increase.
- CRC productivity will improve using SDM and others.
- Expenses for activities will be revised significantly assuming the promotion of remote operations.

## CSO

- Medical call center business will grow due to contracts for operations related to COVID-19, among others.
- CMR will be between projects due to the end of a major project.
- More web seminars will be held.

## GR

- Japan: Net sales will be moved up to the first half. Marketing and proposal capability will be strengthened to receive more orders.
- China: Some trials were delayed in the first half but will make progress. Orders for local projects will increase.
- Asia (excluding China): Costs and SG&A expenses will be controlled by downsizing or eliminating loss-generating bases and other measures.

## EKISHIN

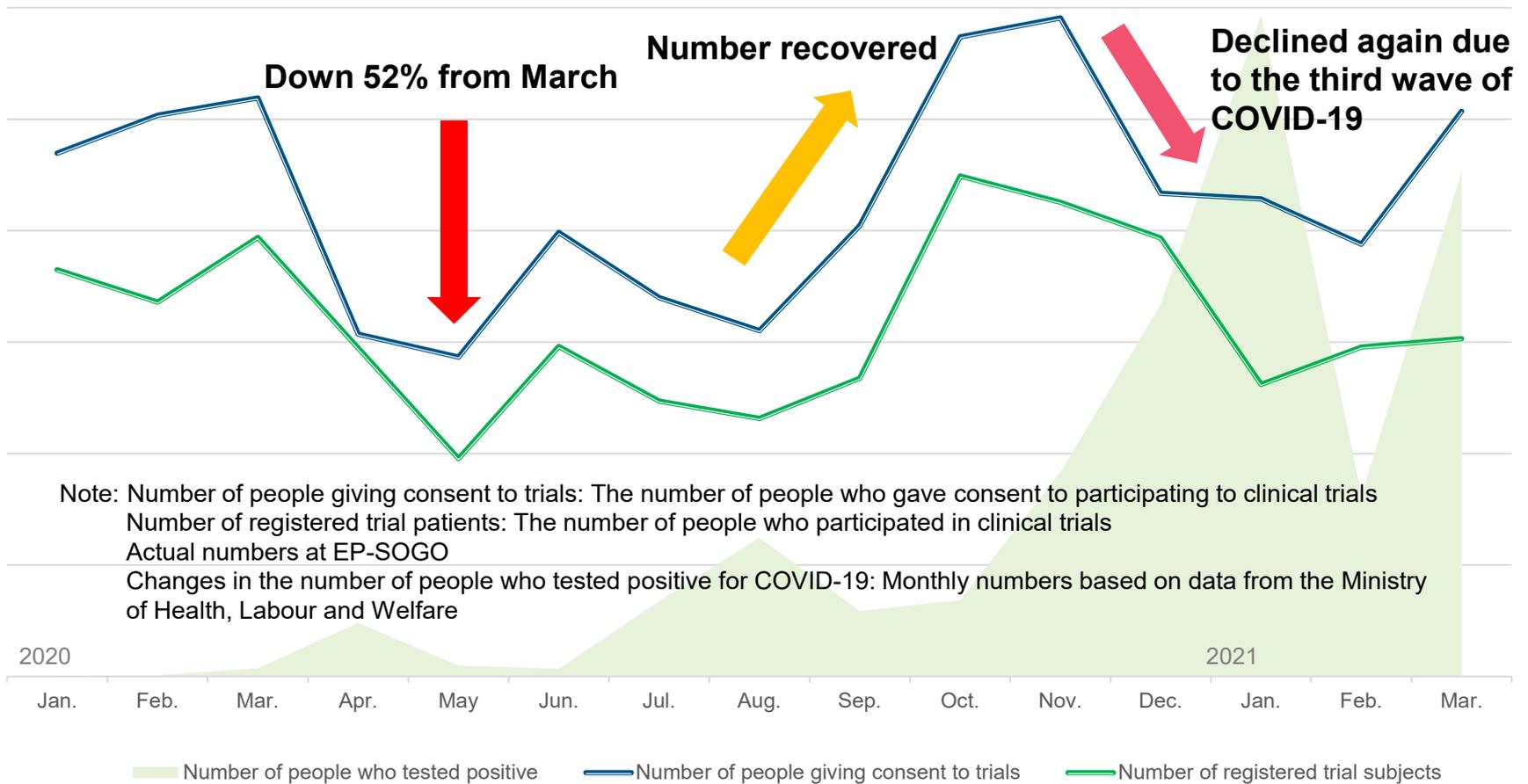
- In the pharmaceutical business, the approval of manufacturing lines based on new standards will be delayed, and the production volume of products for sale will decrease because samples will be supplied for examination by authorities.
- In international trade, sales of research materials and the number of items for sale will increase.
- Investments in drug development and reorganization will be promoted.

# FY2021 Orders by Segment

		FY2020 First Half	FY2021	FY2021 First Half			
		Orders Received	Initial Backlog	Orders Received	Percent Change YoY	Backlog	Percent Change vs Beginning of the Fiscal Year
		(¥million)					
Domestic	CRO	11,307	44,365	24,307	+115.0%	52,196	+17.7%
	SMO	6,844	21,831	8,204	+19.9%	23,346	+6.9%
	CSO	6,085	10,538	6,013	-1.2%	10,226	-3.0%
Overseas	GR	-834	5,811	978	—	5,366	-7.6%
	EKISHIN	3,703	158	4,385	+18.4%	224	+41.8%
Others		295	30	147	-50.2%	23	-23.3%
Total		27,401	82,737	44,037	+60.7%	91,384	+10.5%

Notes: 1. The negative value for orders received in the GR segment in the previous fiscal year reflects the cancellation of orders that resulted.  
2. Values for initial backlog are after the segment adjustment.

## People giving consent to trials and registered subjects



# 4 | FY2021 Key Initiatives

## Business Activation ~Product Innovation~

1. **Combining existing products flexibly to develop new products** (e.g. hybrid CRC/CRA)
2. **Strengthening development strategy planning capabilities**
3. **Promoting virtual clinical trials and using AI and big data**
4. **Promoting one stop service** (service ranging from development to sales at a high level of expertise)
5. **Expanding into new fields, including devices and health-function food**

## **Business Activation ~Business Structure Innovation~**

- 1. Restructuring operations for which needs are falling and operations where profitability is low**
- 2. Strengthening relationships with partners in markets in Europe and the United States**
- 3. Reorganizing the CRO business in China and Asia**
- 4. Searching for new business models for academia and drug development ventures (e.g. incentive fee model)**
- 5. Moving the EKISHIN business to the next stage**

## Organization Activation

- 1. Changing the personnel system, including trials for new ways of working**
  - Building work systems for a variety of ways of working
  - Increasing the mobility of human resources and creating personnel systems for assigning the right person in the right place
  - Changing the personnel system to accelerate changes in businesses and organizations
- 2. Promoting digitization and shared service**
  - Improving operational efficiency using IT
  - Promoting concentration of Group management operations (improving efficiency in shared service)
- 3. Promoting efficient and effective use of offices**
- 4. Creating Group management patterns**
  - Establishing matrix management
  - Creating management patterns by repeatedly thinking and practicing
  - Making management patterns permeate the Group and establishing them, using training systems

## 30th anniversary project

1. 30th anniversary ceremonies and symposiums (communication with customers and employees)
2. CI, company history (rebuilding identity)
3. Enlargement and revision of EPSWAY (penetration and establishment of management)

## Formulating a new business plan

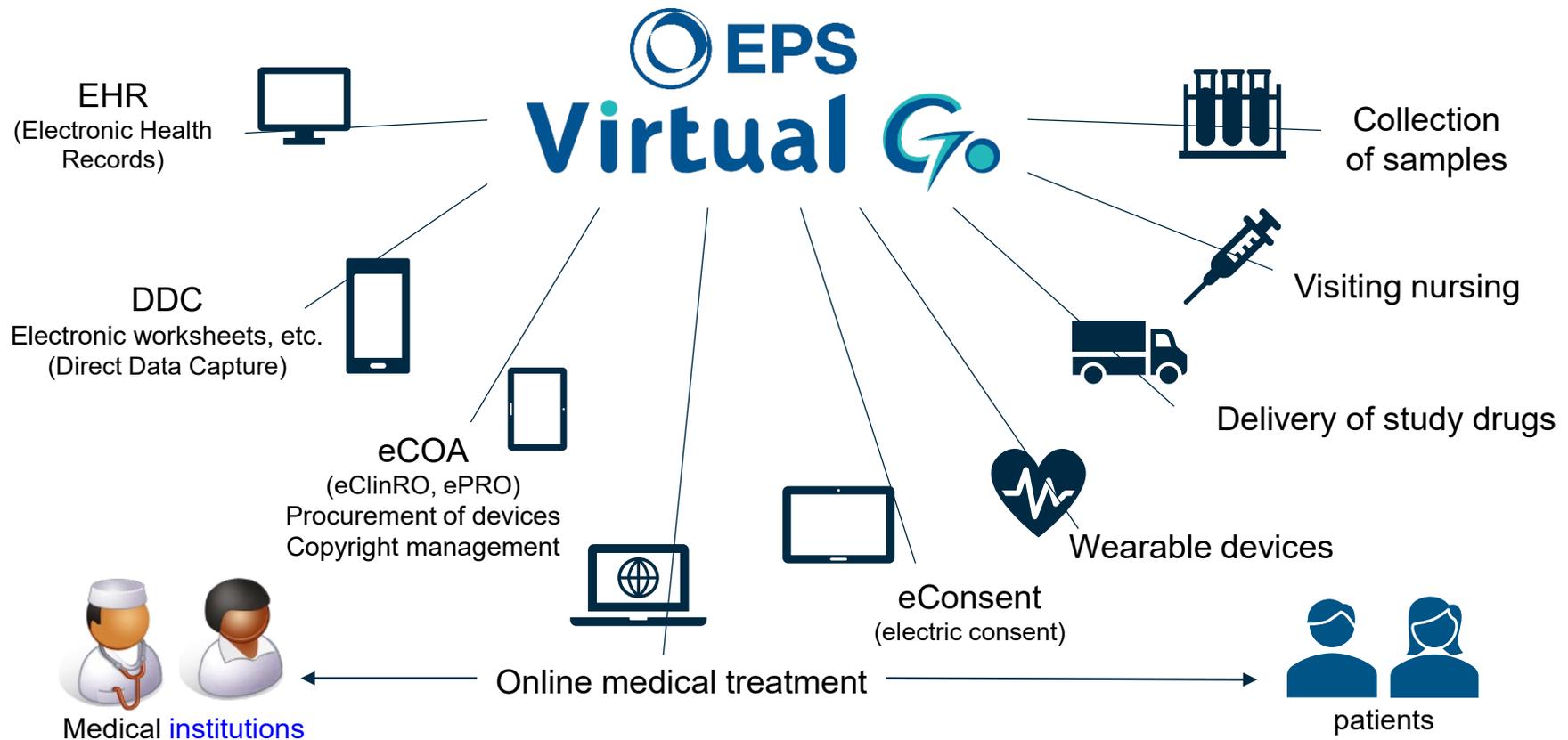


Tsukudo project

Monitors do not need to visit facilities.  
**Virtualization**  
Improving efficiency in monitoring  
and reducing workload



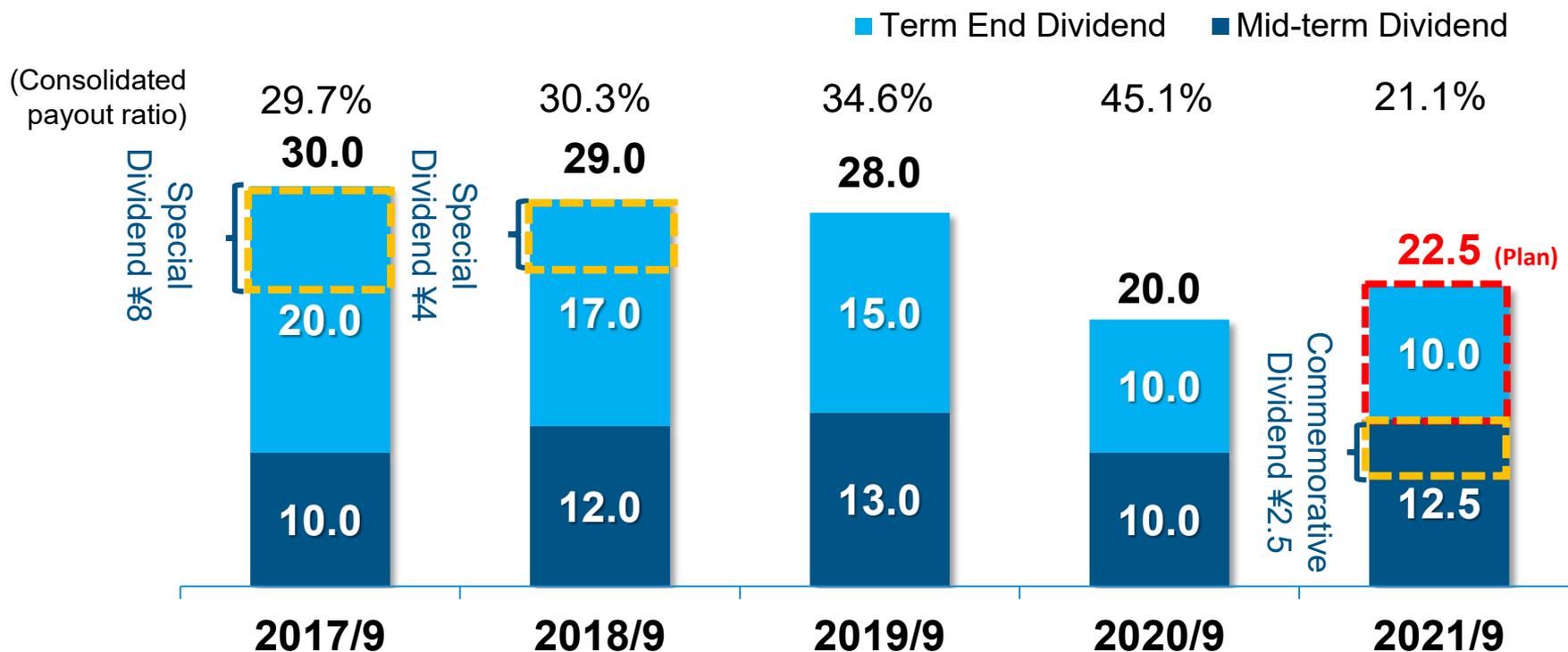
Subjects do not need to visit hospitals.  
**Virtualization**  
Improving the convenience and  
satisfaction of patients



# 5 | 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
- 30th Anniversary Commemorative Dividend of ¥2.5 was added to the mid-term dividend.
- The amount of term end dividend will be determined based on performance trends.



# **Thank you for your attention.**

**Please direct inquiries to  
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## **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.

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ANNIVERSARY

新しいEPS  
はじまります