



Consolidated Earnings Report for the First Nine Months of Fiscal 2017 [Japanese GAAP]

August 1, 2017

Company Name:	EPS Holdings, Inc.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
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Filing of Quarterly Securities Report:	August 14, 2017
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

1. Consolidated Results for the Third Quarter of Fiscal 2017 (October 1, 2016 to June 30, 2017)

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

First Nine Months	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Fiscal 2017	44,637 16.9%	6,312 27.4%	6,513 25.9%	3,529 11.7%
Fiscal 2016	38,187 17.0%	4,953 37.7%	5,174 39.6%	3,158 100.6%

Note: Comprehensive income: June 30, 2017: ¥4,782 million (139.6%), June 30, 2016: ¥1,995 million (- 14.3%)

First Nine Months	Earnings per share (¥)	Net income per share (diluted) (¥)
Fiscal 2017	76.57	—
Fiscal 2016	74.46	—

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)
June 30, 2017	59,766	43,312	67.3
September 30, 2016	52,530	34,364	64.3

Note: Equity: June 30, 2017: ¥40,245million, September 30, 2016: ¥33,801 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2016	—	10.00	—	15.00	25.00
Fiscal 2017	—	10.00	—		
Fiscal 2017 (forecast)				12.00	—

Notes: 1. Revisions to recent dividend forecasts: None

2. Components of the fiscal 2016 interim dividend: Ordinary dividend of ¥8 per share and commemorative dividend of ¥2 per share (commemorative dividend to mark the 25th anniversary of the Company's founding)
 Components of the fiscal 2016 year-end dividend: Ordinary dividend of 10 yen per share and special dividend of 5 yen per share

3. Forecast of Consolidated Results for Fiscal 2017 (October 1, 2016 to September 30, 2017)

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

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Full year	58,000 10.1%	6,500 4.4%	6,500 (1.4)%	3,500 (11.7)%

Note: Revisions to recent consolidated results forecasts: None

***Notes**

- (1) Changes to important subsidiaries during the first six months changes in specified subsidiaries resulting in revised scope of consolidation): Yes
Newly included: 1 company (Name) Shanghai Hua Xin High Biotechnology Co., Ltd.
Excluded: – companies (Name)
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates and restatements
- ① Changes in accounting policies in conjunction with revisions to accounting standards: None
 - ② Other changes: None
 - ③ Changes in accounting estimates: None
 - ④ Restatements: None

(4) Number of shares issued (common stock)

① Number of shares issued at end of period (including treasury stock):	Fiscal 2017, 3Q end	46,311,389	Fiscal 2016 end	46,311,389
② Number of treasury stock at end of period:	Fiscal 2017, 3Q end	207,722	Fiscal 2016 end	1,703,017
③ Average number of stock during the period:	Fiscal 2017, 3Q	46,092,005	Fiscal 2016, 3Q	42,419,603

Note:

The total number of treasury shares included shares held by the employees' shareholding trust, specifically 136,600 shares as of September 30, 2016 and 69,300 shares as of June 30, 2017.

* This financial report is outside the scope of the quarterly audit review.

* 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 and Other Matters

(1) Explanation Regarding Consolidated Operating Results

Overview of Operating Results for the Nine Months Ended June 30, 2017

(¥ millions)

	The First Nine Months of Fiscal 2016		The First Nine Months of Fiscal 2017		Change	
	Amount	%	Amount	%	Amount	%
Net sales	38,187	100	44,637	100	6,449	16.9
Operating income	4,953	13.0	6,312	14.1	1,359	27.4
Recurring profit	5,174	13.5	6,513	14.6	1,339	25.9
Profit attributable to owners of parent	3,158	8.3	3,529	7.9	370	11.7

In the nine months ended June 30, 2017, the EPS Group as a whole posted consolidated net sales of ¥44,637 million, an increase of 16.9% year on year, mainly driven by higher sales across all businesses. Operating income rose by 27.4% year on year to ¥6,312 million, the highest ever for a nine-month period, mainly reflecting firm performance trends across all businesses except for the Global Research Business.

Operational segment are outlined as follows.

Segment Information

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

(¥ millions)

			The First Nine Months of fiscal 2016	The First Nine Months of fiscal 2017	Change
			Domestic Business	CRO	Net sales
Operating income	4,836	5,082			246
SMO	Net sales	7,891		10,581	2,689
	Operating income	440		1,495	1,054
CSO	Net sales	5,450		6,304	854
	Operating income	231		448	217
Overseas Business	Global Research	Net sales	2,954	3,495	541
		Operating loss (income)	247	(317)	(564)
	EKISHIN (China) Business	Net sales	2,793	4,600	1,806
		Operating income (loss)	(71)	288	359

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 and EPS Associates Co., Ltd.
- b. On-site CRO services: EPMate Co., Ltd.
- c. Pharmaceutical and medical IT services: e-Trial Co., Ltd.
- d. Clinical research services: EP- CRSU Co., Ltd. (EPI Japan Co., Ltd. and J-CRSU Co., Ltd. merged on April 1, 2017).

Looking at performance by service, in clinical study services, net sales and operating income were largely in line with forecasts, supported mainly by measures to strengthen management and promote the integration of internal management systems. In PMS and related services, net sales and operating income both surpassed forecasts as a result of measures to strengthen the organizational structure and rigorously enforce cost controls.

In on-site CRO services, net sales were below plan due to delays in securing resources, while operating income was largely in line with plan. In pharmaceutical and medical IT services, net sales and operating income both surpassed forecasts.

In clinical research services, net sales and operating income both increased year on year due to favorable progress on contract-based projects.

As a result, in the CRO Business, net sales were ¥21,637 million, an increase of 6.3% year on year, and operating income was ¥5,082 million, an increase of 5.1% year on year.

2) SMO Business

The SMO Business is undertaken by EP-SOGO Co., Ltd. and Sogo Rinsho Médéfi Co., Ltd.

In this business, the Group developed a management structure capable of realizing integration synergies with the former Sogo Rinsho Group, and strengthened the project management system. These and other measures facilitated steady progress on various projects.

In addition, given that the integration with the former Sogo Rinsho Group was implemented in the six months ended March 31, 2016, higher sales as a result of the integration are reflected in operating results for the nine months ended June 30, 2017. As a result, in the SMO Business, net sales rose sharply by 34.1% year on year to ¥10,581 million. Operating income was ¥1,495 million, a significant increase of 239.4% year on year, as higher earnings from the integration outweighed the amortization of goodwill.

3) CSO Business

The CSO Business is undertaken by EP-PharmaLine Co., Ltd.

In CMR services for pharmaceuticals (CMR: Contract Medical Representative), the Group strengthened its sales system and new customers are increasing, although the Company recorded only a slight increase year on year. In the pharmaceutical call center division, sales increased, reflecting continued strong performance in MR direct services, outbound e-detailing, and BCP response services, among others.

The PMS services and medical devices services both recorded significant year-on-year increases in sales, with BPO projects (monitoring MR, logistics management, etc.) in PMS services performing steadily alongside CMR and call center operations for medical devices.

As a result, in the CSO Business, net sales were ¥6,304 million, an increase of 15.7% year on year, and operating income was ¥448 million, an increase of 94.0% year on year.

4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and overseas Group companies. In this segment, the Group undertakes business primarily in East Asia, including China, and Southeast Asia.

In the Global Research Business, net sales rose 18.3% year on year to ¥3,495 million atop strong progress in current projects and contribution from newly awarded projects.

Meanwhile, on the earnings front, the Group recorded an operating loss of ¥317 million in the Global Research Business, compared with operating income of ¥247 million in the same period of the previous fiscal year. This loss mainly reflected an increase in recruitment activities and personnel expenses to continue strengthening the operating structure, and an increase in the outsourcing ratio to Group companies in Japan.

5) EKISHIN (China) Business

The EKISHIN (China) Business is undertaken by EPS EKISHIN Co., Ltd., EPS (China) Co., Ltd. and other overseas Group companies.

In the EKISHIN (China) Business, the Group is working to further expand earnings based on the business concept of providing specialist trading company functions between Japan and China in the healthcare field. The Group positions existing sales of medical devices as the core driver of net sales in this segment, along with providing peripheral services such as pharmaceutical- and investment-related services plus trading company services related to supplies and equipment for basic non-clinical research.

EPS Holdings, Inc. has entered into a capital and business partnership with SUZUKEN Co., Ltd., and EPS (China) Co., Ltd. has acquired a Chinese pharmaceutical manufacturer. As a result, the Group will work to strengthen the existing business platforms of both companies and their respective groups in China. In addition, the Group aims to create new added value in medical services, beginning with manufacturing support- and logistics-related services.

In terms of operating results, particularly in pharmaceutical-related services, the abovementioned Chinese pharmaceutical manufacturer (Shanghai Hua Xin High Biotechnology Co., Ltd.), which was acquired at the beginning of the fiscal year under review, posted strong operating results against forecasts. This led to higher net sales and earnings in the China Business.

On the earnings front, sales of medical devices declined slightly, while newly added pharmaceutical products-related operations also contributed. As a result, net sales were ¥4,600 million (up 64.7% year on year) with operating income of ¥288 million (operating loss of ¥71 million in the same period of the previous fiscal year).

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

The Group's consolidated results are performing well compared with its plans. However, the Group is currently examining whether or not there is a need to revise its full-year earnings forecast for the fiscal year ending September 2017. The result of the examination will be disclosed promptly as necessary once it is complete.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(¥ millions)

	As of September 30, 2016 (Previous Fiscal Year-End)	As of June 30, 2017 (End of the Third Quarter of Fiscal 2017)
Assets		
Current assets:		
Cash and time deposits	16,027	20,137
Trade notes and accounts receivable	12,071	12,068
Marketable securities	599	252
Merchandise and finished goods	1,120	1,155
Work in process	2,131	2,281
Other current assets	4,429	4,352
Less: Allowance for doubtful accounts	(47)	(51)
Total current assets	36,333	40,196
Fixed assets:		
Property, plant and equipment	2,886	4,046
Intangible fixed assets:		
Goodwill	6,603	7,404
Other intangible fixed assets	658	693
Total intangible fixed assets	7,261	8,098
Investments and other assets:		
Investment securities	1,670	3,569
Lease and guarantee deposits	1,669	1,704
Other investments and other assets	3,612	3,049
Less: Allowance for doubtful accounts	(905)	(898)
Total investments and other assets	6,047	7,425
Total fixed assets	16,196	19,570
Total assets	52,530	59,766

(¥ millions)

	As of September 30, 2016 (Previous Fiscal Year-End)	As of June 30, 2017 (End of the Third Quarter of Fiscal 2017)
Liabilities		
Current liabilities:		
Trade notes and accounts payable	1,404	1,119
Short-term loans	265	265
Current portion of long-term loans receivable	774	774
Income taxes payable	1,531	624
Allowance for employees' bonuses	2,515	1,101
Provision for loss on order received	21	171
Other current liabilities	6,883	7,938
Total current liabilities	13,395	11,994
Non-current liabilities:		
Long-term debt	2,544	1,903
Allowance for directors' and corporate auditors' retirement benefits	263	304
Net defined benefit liability	1,247	1,352
Asset retirement obligations	460	477
Other non-current liabilities	254	421
Total non-current liabilities	4,770	4,459
Total liabilities	18,165	16,454
Net assets		
Shareholders' equity:		
Common stock	3,888	3,888
Additional paid-in capital	12,107	13,762
Retained earnings	19,398	21,795
Treasury common stock, at cost	(2,014)	(253)
Total shareholders' equity	33,379	39,192
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	(56)	245
Foreign currency translation adjustment	730	1,024
Remeasurements of defined benefit plans	(252)	(216)
Total accumulated other comprehensive income	422	1,052
Non-controlling interests	563	3,066
Total net assets	34,364	43,312
Total liabilities and net assets	52,530	59,766

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income
(The nine months ended June 30, 2017)

(¥ millions)

	The First Nine Months of Fiscal 2016 (October 1, 2015 to June 30, 2016)	The First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)
Net sales	38,187	44,637
Cost of sales	26,442	30,016
Gross profit	11,745	14,620
Selling, general and administrative expenses	6,791	8,307
Operating income	4,953	6,312
Non-operating income:		
Interest income	28	52
Gain on consumption tax filing	248	—
Foreign exchange gains	—	129
Other non-operating income	143	108
Total non-operating income	420	290
Non-operating expenses		
Interest expenses	25	35
Provision of allowance for doubtful accounts	95	—
Foreign exchange losses	3	—
Share of loss of entities accounted for using equity method	56	20
Other non-operating expenses	19	34
Total non-operating expenses	200	89
Recurring profit	5,174	6,513
Extraordinary gains:		
Gain on sales of investment securities	196	10
Gain on step acquisitions	48	—
Total extraordinary gains	244	10
Extraordinary losses:		
Loss on sales of shares of subsidiaries and associates	4	—
Loss on change in equity	95	153
Total extraordinary losses	99	153
Income before income taxes	5,319	6,370
Income taxes	1,630	2,101
Income tax adjustment	498	431
Total income taxes	2,128	2,532
Profit	3,190	3,838
Profit attributable to owners of parent	31	309
Profit attributable to non-controlling interests	3,158	3,529

Quarterly Consolidated Comprehensive Income
(The nine months ended June 30, 2017)

(¥ millions)

	The First Nine Months of Fiscal 2016 (October 1, 2015 to June 30, 2016)	The First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)
Profit	3,190	3,838
Other comprehensive income:		
Valuation difference on available-for-sale securities	(28)	302
Foreign currency translation adjustment	(1,052)	559
Remeasurements of defined benefit plans	11	35
Share of other comprehensive income of entities accounted for using equity method	(125)	47
Total other comprehensive income	(1,194)	944
Comprehensive income	1,995	4,782
(Breakdown)		
Comprehensive income attributable to owners of parent	2,016	4,160
Comprehensive income attributable to non-controlling interests	(20)	622

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

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

On October 18, 2016, EPS EKISHIN Co., Ltd., a consolidated subsidiary of EPS Holdings, Inc. (the Company), received payment from SUZUKEN Co., Ltd. for a capital increase through a third-party allocation of shares.

On October 18, 2016, the Company disposed of 1,504,000 shares of its treasury stock through a third-party allocation to SUZUKEN Co., Ltd.

Moreover, the Company acquired 73,000 shares of treasury stock pursuant to a resolution passed by the Board of Directors at a meeting held on November 18, 2016.

As a result of the above, in the nine months ended June 30, 2017, additional paid-in capital increased by ¥1,655 million and common stock for treasury decreased by ¥1,761 million. Consequently, as of June 30, 2017, additional paid-in capital stood at ¥13,762 million and common stock for treasury stood at ¥253 million.

(Adoption of Special Accounting Treatment for the Preparation of Quarterly Consolidated Financial Statements)

None

(Changes in Accounting Policies and Changes in and Restatements of Accounting Estimates)

None

(Segment Information)

【Segment Information】

I. The First Nine Months of Fiscal 2016 (October 1, 2015 to June 30, 2016)

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	19,038	7,822	5,432	2,912	2,780	200	38,187	—	38,187
Inter-segment sales and transfers	1,318	69	17	41	13	809	2,271	(2,271)	—
Total	20,357	7,891	5,450	2,954	2,793	1,010	40,458	(2,271)	38,187
Segment operating income	4,836	440	231	247	(71)	(0)	5,683	(730)	4,953

Notes 1. Eliminations/Corporate for operating income of ¥(730) million includes intersegment transactions of ¥68 million and non-attributable corporate expenses not distributed to each segment of ¥(798) 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 six months ended March 31, 2017, Sogo Rinsho Holdings Co., Ltd. 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 SMO Business segment increased by ¥6,496 million.

The amount of goodwill is a provisional estimate, as the allocation of the acquisition cost has not yet been completed.

II. The First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)

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

(¥ millions)

	CRO	SMO	CSO	Global Research Business	China Business	Others	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements
Net sales									
Sales to outside customers	19,564	10,490	6,279	3,484	4,588	229	44,637	—	44,637
Inter-segment sales and transfers	2,072	90	25	11	11	1,041	3,253	(3,253)	—
Total	21,637	10,581	6,304	3,495	4,600	1,271	47,890	(3,253)	44,637
Segment operating income	5,082	1,495	448	(317)	288	57	7,055	(742)	6,312

Notes 1. Eliminations/Corporate for operating income of ¥(742) million includes intersegment transactions of ¥27 million and non-attributable corporate expenses not distributed to each segment of ¥(770) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. From the three months ended December 31, 2016, the Domestic CRO, Domestic SMO, and Domestic CSO segments have been renamed as the CRO Business, SMO Business and CSO Business, respectively. Segment information for the nine months ended June 30, 2016 is presented based on the revised names of the reportable segments.

2. Notes Concerning Changes in Reportable Segments

From the three months ended December 31, 2016, the Company has changed its method of disclosure for the CPO section, which had previously been included in the reportable segment “Others,” by including it in the CRO Business. This change was made because the main operations of the CPO section had become substantially identical to the CRO Business, as the business model of the CPO section had shifted from BPO (Business Processing Outsourcing) services related to pharmaceuticals and healthcare to various services related to the operation and management of clinical research.

Segment information for the nine months ended June 30, 2016 has been prepared based on the reclassified reportable segments.

3. Information Concerning Impairment Loss on Fixed Assets or Goodwill in Each Reportable Segment

In the three months ended December 31, 2016, EPS (China) Co., Ltd., a consolidated subsidiary of the Company, acquired the shares of China Genetic Limited. As a result, the amount of goodwill in the EKISHIN (China) Business segment increased by ¥1,453 million.

The amount of goodwill is a provisional estimate as the allocation of the acquisition cost has not yet been completed.

3. Supplementary Information

(1) Orders Received

(¥ millions)

	The First Nine Months of Fiscal 2017 (October 1, 2016 to June 30, 2017)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business				
Monitoring	12,828	140.6	20,799	119.1
Data Management	7,926	93.8	17,525	103.1
CRO Others	1,406	83.4	1,726	55.1
CRO Business total	22,161	115.1	40,051	106.6
SMO Business	7,820	104.8	16,697	91.8
CSO Business	5,402	102.0	6,018	92.2
Global Research Business	5,069	174.5	8,638	152.7
EKISHIN (China) Business	4,616	160.2	108	76.8
Others	230	113.5	10	101.7
Total	45,300	119.2	71,523	105.0

Notes:

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