

Consolidated Earnings Report for the Fiscal Year Ended September 30, 2017 [Japanese GAAP]



November 7, 2017

Company Name:	EPS Holdings, Inc.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	4282
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Scheduled date of General Stockholders' Meeting:	December 22, 2017
Scheduled Payment of Dividends:	December 25, 2017
Filing of Securities Report:	December 22, 2017
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes (for institutional investors and analysts)

(¥ millions are rounded down)

1. Consolidated Results for the Fiscal Year Ended September 30, 2017 (October 1, 2016 to September 30, 2017)

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

Fiscal years ended September 30	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2017	60,482	14.8%	7,591	22.0%	7,809	18.5%	4,663	17.6%
Fiscal 2016	52,703	16.6%	6,224	13.5%	6,589	22.9%	3,966	83.4%

Note: Comprehensive income: September 30, 2017: ¥6,196 million [165.3%], September 30, 2016: ¥2,335 million [(20.2)%]

Fiscal years ended September 30	Profit per share (¥)	Profit per share (diluted) (¥)	Return on equity (ROE)	Recurring profit/ Total assets	Operating margin
Fiscal 2017	101.17	—	12.3%	13.4%	12.6%
Fiscal 2016	92.32	—	13.9%	14.3%	11.8%

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2017	64,345	44,862	65.0	906.64
September 30, 2016	52,530	34,364	64.3	757.73

Note: Equity: September 30, 2017: ¥41,818 million, September 30, 2016: ¥33,801 million

(3) Status of Consolidated Cash Flows (¥ millions)

Fiscal years ended September 30	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, ending balance
Fiscal 2017	7,835	(3,726)	2,005	23,097
Fiscal 2016	5,186	(1,315)	(2,515)	16,607

2. Dividends

	Dividend per share (¥)					Total dividend amount (¥ millions)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year			
Fiscal 2016	—	10.00	—	15.00	25.00	1,122	27.1%	3.3%
Fiscal 2017	—	10.00	—	20.00	30.00	1,385	29.7%	3.6%
Fiscal 2018 (forecast)	—	12.00	—	13.00	25.00		—	

Notes: Components of the fiscal 2016 interim dividend: Ordinary dividend of 8 yen per share and commemorative dividend of 2 yen 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

Components of the fiscal 2017 year-end dividend: Ordinary dividend of 12 yen per share and special dividend of 8 yen per share

3. Forecast of Consolidated Results for Fiscal 2018 (October 1, 2017 to September 30, 2018)

(¥ 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	66,000 9.1%	6,850 (9.8)%	7,000 (10.4)%	4,200 (9.9)%	91.06

Note: Revisions to recent consolidated results forecasts: None

*Notes

(1) Changes to important subsidiaries during the period (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) 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

(3) Number of shares issued (common stock)

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

Fiscal 2017, end	46,311,389	Fiscal 2016 end	46,311,389
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b. Number of treasury stock at end of period:

Fiscal 2017, end	186,899	Fiscal 2016 end	1,703,017
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c. Average number of stock during the period:

Fiscal 2017	46,099,267	Fiscal 2016	42,965,500
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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 47,600 shares as of September 30, 2017.

(Reference) Summary of Non-Consolidated Results for Fiscal 2017

(1) Operating Results

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

	Net sales		Operating income		Recurring profit		Profit	
Fiscal 2017	3,949	18.2%	2,757	22.6%	2,813	27.5%	2,118	(10.9)%
Fiscal 2016	3,340	(44.0)%	2,249	196.0%	2,206	133.2%	2,375	—%

	Profit per share (¥)	Profit per share diluted (¥)
Fiscal 2017	45.94	—
Fiscal 2016	55.30	—

(2) Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Fiscal 2017	37,517	33,156	88.4	718.84
Fiscal 2016	36,889	29,780	80.7	667.60

Note: Equity: September 30, 2017: ¥33,156 million, September 30, 2016: ¥29,780 million

* This financial report is outside the scope of the 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. Please see “1. Summary of Operating Results and Other Matters” on page 2 of the Supplementary Materials for information on the assumptions behind the earnings forecasts and cautionary statements regarding the use of earnings forecasts and related matters.

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1. Summary of Operating Results and Other Matters

(1) Summary of Operating Results for the Fiscal Year Ended September 30, 2017

(¥ millions)

	Fiscal 2016 (Year Ended September 30, 2016)		Fiscal 2017 (Year Ended September 30, 2017)		Change	
	Amount	%	Amount	%	Amount	%
Net sales	52,703	100.0	60,482	100.0	7,778	14.8
Operating income	6,224	11.8	7,591	12.6	1,366	22.0
Recurring profit	6,589	12.5	7,809	12.9	1,220	18.5
Profit attributable to owners of parent	3,966	7.5	4,663	7.7	697	17.6
Profit per share (¥)	92.31	—	101.17	—	—	—

Operating Results for the Fiscal Year Ended September 30, 2017

In the pharmaceutical and medical devices industry, which has a major bearing on the consolidated operating results of the EPS Group, the external environment is being reshaped by changes such as NHI drug price revisions, the emergence of generic drugs, and increases in development costs for new drugs. Against this backdrop, and under the Japanese government's policy of promoting the development of pharmaceuticals and medical devices originating in Japan, the EPS Group continued to vigorously undertake activities targeting the fields of oncology, the central nervous system, and intractable and orphan diseases as growth fields for the development of new drugs.

Meanwhile, in the market for outsourcing services for the healthcare industry, which spans the development of pharmaceutical and medical devices to post-market surveillance, inquiries from customers such as pharmaceutical companies and medical device manufacturers continued to surge, as these customers implemented policies to reduce development lead times and curtail development costs in an effort to enhance their competitiveness. The market remains on a growth track both in Japan and elsewhere around the world. Concurrently, however, it has also become an urgent priority for service providers to further enhance the quality and efficiency of outsourcing services for the healthcare industry.

In this environment, in the three domestic segments undertaken by the EPS Group, specifically the CRO (Contract Research Organization), SMO (Site Management Organization), and CSO (Contract Sales Organization) segments, the Group strove to carefully identify customer needs, regulatory changes, and the future course of innovation in tandem with bolstering its organization, with a view to both maintaining its high operating efficiency and providing high-quality services. Turning to the Group's overseas segments, in the Global Research Business, the Group has been working to strengthen its sales activities that target global pharmaceutical companies, and in the EKISHIN (China) Business, the Group has been working to establish an operating foundation as a specialist trading company in the healthcare industry.

As a result, in the year ended September 30, 2017, the EPS Group as a whole delivered record-high results surpassing its forecasts. The Group posted consolidated net sales of ¥60,482 million, up 14.8% year on year, and consolidated operating income of ¥7,591 million, up 22.0% year on year. Consolidated recurring profit rose by 18.5% year on year to ¥7,809 million and profit attributable to owners of parent increased 17.6% year on year to ¥4,663 million.

Operational segment are outlined as follows.

Segment Overview

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

(¥ millions)

			Fiscal 2016 (Year Ended September 30, 2016)	Fiscal 2017 (Year Ended September 30, 2017)	Change
Domestic Business	CRO	Net sales	28,123	30,004	1,880
		Operating income	5,985	6,653	668
	SMO	Net sales	10,961	14,016	3,055
		Operating income	610	1,698	1,087
	CSO	Net sales	7,509	8,303	793
		Operating income	426	486	59
Overseas Business	Global Research	Net sales	4,060	4,816	756
		Operating income (loss)	183	(536)	(720)
	EKISHIN (China) Business	Net sales	3,957	6,199	2,241
		Operating income (loss)	(31)	251	283

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 both surpassed forecasts, supported mainly by measures to strengthen project management and to promote the integration of management systems for monitoring services and data management services. In PMS and related services, net sales and operating income were both above 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 exceeded forecast due to rigorous enforcement of cost controls. In pharmaceutical and medical IT services, net sales and operating income both surpassed their forecasts. In clinical research services, net sales and operating income both exceeded forecasts due to favorable progress on contract-based projects.

As a result, in the CRO Business, net sales were ¥30,004 million, an increase of ¥1,880 million, or 6.7%, year on year, and operating income was ¥6,653 million, an increase of ¥668 million, or 11.2%, year on year.

2) SMO Business

The SMO Business is undertaken primarily 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 led to steady progress on case registrations. Incidentally, given that the integration with the former Sogo Rinsho Group was implemented in the six months ended March 31, 2016, integration benefits for only nine months were reflected in operating results for the fiscal year ended September 30, 2016. However, integration benefits for the full fiscal year were reflected in operating results for the fiscal year ended September 30, 2017. This factor significantly increased net sales in the fiscal year under review.

As a result, in the SMO Business, net sales rose sharply by ¥3,055 million, or 27.9%, year on year to ¥14,016 million. Operating income was ¥1,698 million, a significant increase of ¥1,087 million, or 178.1%, year on year, as higher earnings from the integration outweighed the amortization of goodwill and profitability improved.

3) CSO Business

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

In CMR services for pharmaceuticals (CMR: Contract Medical Representatives), although the number of new customers is increasing due to measures to strengthen sales activities, net sales decreased substantially as foreign-based pharmaceutical companies implemented policies to reduce their MR staff. In the pharmaceutical call center division, amid changes in the sales techniques utilized by the MRs of pharmaceutical companies, net sales increased, reflecting a strong performance in MR direct services (detailing services provided mainly over the telephone by personnel with MR qualifications), multi-channel e-detailing services, and BCP response services, among others.

In PMS services, net sales increased significantly year on year as a result of the start of a major project involving monitoring MRs closely tied to local communities, and a steady performance by BPO services. In medical devices services,

net sales were up sharply in line with an increase in projects integrating CS (Contract Sales) services and help desk services provided by call centers.

As a result, in the CSO Business, net sales were ¥8,303 million, an increase of ¥793 million, or 10.6%, year on year, and operating income was ¥486 million, an increase of ¥59 million, or 14.1%, year on year.

4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and its overseas Group companies.

In the Global Research Business, net sales rose ¥756 million, or 18.6%, year on year to ¥4,816 million atop strong progress on current projects and a contribution from newly awarded major projects. Meanwhile, on the earnings front, the Group recorded an operating loss of ¥536 million in the Global Research Business, compared with operating income of ¥183 million in the previous fiscal year. This loss mainly reflected higher costs due primarily to the end of a major project in Asia, 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 comprises the two regional holding companies EPS EKISHIN Co., Ltd. and EPS (China) Co., Ltd., and their respective overseas Group companies.

In the EKISHIN (China) Business, under a solid capital and business partnership with SUZUKEN Co., Ltd., the Group provides five types of services, specifically, pharmaceutical-related services, medical device-related services, investment-related services, 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 the fiscal year ended September 30, 2017, the Group strengthened its operating foundation through the acquisition of a Chinese pharmaceutical manufacturer (Shanghai Hua Xin High Biotechnology Co., Ltd.), which contributed to both business development and earnings growth.

As a result, in terms of operating results, net sales were ¥6,199 million, up ¥2,241 million, or 56.6%, year on year. The Group recorded operating income of ¥251 million in the EKISHIN (China) Business, compared with an operating loss of ¥31 million in the previous fiscal year. In investment-related services, the Group realized an investment gain by divesting some of its shareholdings.

(2) Summary of Financial Position as of September 30, 2017

Status of Assets, Liabilities and Net Assets

Changes in the Group's financial position during the fiscal year under review, compared with the previous fiscal year-end, are outlined as follows:

Current assets amounted to ¥44,023 million as of September 30, 2017, an increase of ¥7,689 million from the previous fiscal year-end. The main contributing factors were increases of ¥6,745 million in cash and time deposits, and ¥1,047 million in trade notes and accounts receivable. Fixed assets amounted to ¥20,322 million, an increase of ¥4,125 million from the previous fiscal year-end. The main contributing factors were increases of ¥1,258 million in property, plant and equipment, ¥503 million in goodwill, and ¥2,369 million in investment securities. As a result, total assets stood at ¥64,345 million, an increase of ¥11,815 million from the previous fiscal year-end.

In terms of liabilities, total liabilities amounted to ¥19,483 million as of September 30, 2017, an increase of ¥1,317 million compared with the previous fiscal year-end. This mainly reflected increases of ¥374 million in income taxes payable, ¥324 million in allowance for employees' bonuses and ¥1,482 million in other current liabilities. These increases were partly offset by decreases of ¥284 million in trade notes and accounts payable and ¥1,084 million in short-term loans and long-term debt.

In terms of net assets, total net assets amounted to ¥44,862 million as of September 30, 2017, an increase of ¥10,497 million from the previous fiscal year-end. This mainly reflected increases of ¥1,344 million in additional paid-in capital, ¥4,038 million in retained earnings, and ¥2,480 million in non-controlling interests, along with a decrease of ¥1,783 million in treasury common stock, at cost.

(3) Summary of Cash Flows for the Fiscal Year Ended September 30, 2017

In the fiscal year ended September 30, 2017, net cash provided by operating activities was ¥7,835 million, net cash used in investing activities was ¥3,726 million and net cash provided by financing activities was ¥2,005 million. These cash flows were adjusted for the effect of exchange rate change on cash and cash equivalents of ¥375 million. As a result, cash and cash equivalents at the end of September 30, 2017 stood at ¥23,097 million, an increase of ¥6,490 million from the previous fiscal year-end.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,835 million, an increase of ¥2,648 million from the previous fiscal year.

The main contributing factors were profit before income taxes of ¥8,034 million (an increase of ¥1,276 million year on year), amortization of goodwill of ¥1,098 million (an increase of ¥379 million year on year), a decrease in inventories of ¥639 million (a change of ¥1,017 million from an increase in inventories of ¥378 million in the previous fiscal year), an

increase in other current liabilities of ¥786 million (an increase of ¥201 million year on year), income taxes paid of ¥3,114 million (a decrease of ¥797 million year on year) and an increase in provision for bonuses of ¥310 million (a decrease of ¥436 million year on year). These positive factors were partly offset by an increase in notes and accounts receivable-trade of ¥534 million (an increase of ¥369 million year on year), a decrease in notes and accounts payable-trade of ¥464 million (a decrease of ¥1,159 million year on year) and gain on sale of subsidiaries and associates of ¥300 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,726 million, an increase of ¥2,410 million year on year. The main uses of cash were the purchase of investment securities of ¥1,997 million (an increase of ¥1,986 million year on year), purchase of property, plant and equipment and intangible assets of ¥810 million (an increase of ¥240 million year on year), purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥899 million. Meanwhile, these cash outflows were partly offset by proceeds from sales and redemption of investment securities of ¥900 million (an increase of ¥585 million year on year).

(Cash flows from financing activities)

Net cash provided by financing activities was ¥2,005 million, an increase of ¥4,521 million year on year.

The main contributing factors were proceeds from sales of treasury shares of ¥2,139 million (an increase of ¥2,012 million year on year), proceeds from issuance of common shares of ¥2,700 million, and proceeds from long-term loans payable of ¥49 million (a decrease of ¥250 million year on year). These positive factors were partly offset by the purchase of treasury shares of ¥104 million (a decrease of ¥906 million year on year), cash dividends paid of ¥1,131 million (an increase of ¥303 million year on year), and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥442 million.

(4) Outlook

In the fiscal year ended September 30, 2017, the EPS Group outperformed its forecasts for consolidated net sales, consolidated operating income, and consolidated recurring profit. In the fiscal year ending September 30, 2018, the EPS Group will strengthen Group management capabilities across both the horizontal and vertical dimensions of the organization by encouraging autonomous activities in each segment, in tandem with efforts to further enhance the holding company structure.

In terms of initiatives, the Group will proactively advance business expansion and make the necessary upfront investments through such means as creating new added value and exploring further M&A opportunities, with a view to achieving the goals of the Mid-Term Business Plan devised in the previous fiscal year.

The outlook for each business segment is as follows:

1) CRO Business

In the CRO Business, the Group aims to achieve Group-wide growth by working to further strengthen collaboration with other business segments. At the same time, the Group will work to maximize profit by bolstering relationships of trust with customers and by rigorously enforcing cost controls. Efforts will also be made to build an unwavering system by enhancing specialization and establishing new business models with customers and other partners. Moreover, the Group will also set its sights on M&As and alliances targeting existing services and new business development.

In clinical study services, the Group will work to ensure quality and enhance productivity through measures to strengthen management of overall clinical development and integrate internal management. In addition, the Group will also take proactive steps to expand the range of new services.

In PMS and related services, the Group will work to generate steady profits by rigorously instilling an awareness of stand-alone profitability through measures to strengthen the organizational structure. In addition, the Group will seek to expand the scale of business by conducting vigorous activities to win orders by expanding the range of services.

In terms of cost, the Group will continue to proactively deploy expenses such as upfront investments to achieve medium-term growth. Following on from the previous fiscal year, in order to respond to the growing number of customer inquiries, measures will be taken to secure CRA (Clinical Research Associates) and other specialists, and to upgrade and expand personnel and offices to address a full range of customer services. In parallel, the Group will reorganize administrative divisions in an effort to strengthen their capabilities and boost efficiency.

2) SMO Business

In the SMO Business, the Group will work to spur further development by vigorously realizing integration synergies and conducting activities to create new businesses. In addition, the Group will strive to enhance operating results by taking proactive initiatives including promoting quality control and project management in order to enhance customer satisfaction, expanding oncology facilities and nurturing CRCs (Clinical Research Coordinators) with experience in the oncology field, fully expanding proposal-based sales activities, and reassigning personnel to optimal positions.

On October 2, 2017, EP-SOGO Co., Ltd. acquired all of the shares of EXAM CO., LTD. EXAM CO., LTD. is a fellow SMO business operating in the same industry as EP-SOGO Co., Ltd. EXAM conducts business primarily in the Hokkaido, Kanto, Kinki, and Kyushu regions, and has an extensive track record in clinical study support services in the field of dermatology. The conversion of EXAM into an EPS Group company will enable the Group to reinforce various support platforms for clinical studies and is expected to lead to further business expansion.

3) CSO Business

In the CSO Business, particularly CMR services for pharmaceuticals, the Group will work to differentiate itself from competitors by bolstering internal structures and enhancing personnel capabilities in line with customer needs. In the pharmaceutical call center division, the Group will strive to reinforce its DI (Drug Information) services, in conjunction with further expanding peripheral services, such as the production of academic materials and compliance review services. In PMS services and medical devices services, the Group will endeavor to increase sales and profits with an emphasis on expanding existing services and developing new BPO services.

4) Global Research Business

In the Global Research Business, the Group will push ahead with laying solid foundations for becoming the leading CRO company in the Asia-Pacific region covering over 10 countries. The first priority will be to provide superior products (services) to fulfill the sophisticated requests of customers in Japan and overseas. With this in mind, the Group will strive to reinforce its operating foundation centered on Japan and to conduct prudent sales activities, with the aim of improving profitability.

5) EKISHIN (China) Business

In the EKISHIN (China) Business, the Group will work to bolster its foundations and expand earnings as a specialist trading company in the healthcare industry linking Japan and China.

In terms of systems, the Group will integrate pharmaceutical-related services and medical device-related services into product-related services, as part of efforts to further develop this service area. In addition, the Group will consolidate its CRO business and related services in China into the EKISHIN (China) Business under the specialized services category, as a means of laying a new foundation to put the Group on a growth trajectory. Through these and other measures, in the EKISHIN (China) Business, the Group will seek to drive further evolution in the business based on a new system with five service categories, specifically, products-related services, specialized services, international trading-related services, investment-related services and peripheral support services.

Forecast of operating results for fiscal 2018 (October 1, 2017 to September 30, 2018)

Fiscal 2018 Consolidated performance forecast	¥ millions	Year-on –year change (%)
Net sales	66,000	9.1
Operating income	6,850	(9.8)
Recurring profit	7,000	(10.4)
Profit attributable to owners of parent	4,200	(9.9)

(Segment Outlook)

Forecasts of net sales for each segment include inter-segment transactions.

	Net sales (¥ millions)	Year-on –year change (%)
CRO	31,300	4.3
SMO	15,250	8.8
CSO	8,400	1.2
Global Research	4,100	(14.9)
EKISHIN (China) Business	10,700	72.6

2. Basic Policy Regarding Selection of Accounting Standards

The EPS Group prepares its consolidated financial statements based on Japanese accounting standards, taking into consideration the need to ensure the comparability of the consolidated financial statements between different accounting periods and between different companies.

The Group intends to appropriately address the issue of adopting International Financial Reporting Standards (IFRS) based on consideration of various conditions in Japan and abroad.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(¥ millions)

	Fiscal 2016 As of September 30, 2016	Fiscal 2017 As of September 30, 2017
Assets		
Current assets:		
Cash and time deposits	16,027	22,773
Notes and accounts receivable - trade	12,071	13,119
Marketable securities	599	662
Merchandise and finished goods	1,120	1,052
Work in process	2,131	1,756
Deferred tax assets	1,272	1,706
Other current assets	3,157	3,004
Less: Allowance for doubtful accounts	(47)	(52)
Total current assets	36,333	40,023
Fixed assets:		
Property, plant and equipment		
Buildings	3,029	4,387
Accumulated depreciation	(877)	(1,504)
Buildings, net	2,151	2,883
Furniture and fixtures	1,370	1,737
Accumulated depreciation	(832)	(997)
Furniture and fixtures, net	537	739
Other	378	954
Accumulated depreciation	(181)	(432)
Other, net	197	522
Total property, plant and equipment	2,886	4,145
Intangible fixed assets:		
Goodwill	6,603	7,107
Other intangible fixed assets	658	726
Total intangible fixed assets	7,261	7,834
Investments and other assets:		
Investment securities	1,670	4,039
Long-term loans receivable	889	887
Lease and guarantee deposits	1,669	1,704
Deferred tax assets	566	542
Net defined benefit asset	37	42
Other investments and other assets	2,119	2,024
Less: Allowance for doubtful accounts	(905)	(898)
Total investments and other assets	6,047	8,342
Total fixed assets	16,196	20,322
Total assets	52,530	64,345

(¥ millions)

	Fiscal 2016 As of September 30, 2016	Fiscal 2017 As of September 30, 2017
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	1,404	1,120
Short-term loans	265	65
Current portion of long-term loans payable	774	774
Income taxes payable	1,531	1,905
Allowance for employees' bonuses	2,515	2,840
Provision for loss on order received	21	215
Other current liabilities	6,883	8,365
Total current liabilities	13,395	15,287
Non-current liabilities:		
Long-term debt	2,544	1,660
Allowance for directors' and corporate auditors' retirement benefits	263	320
Net defined benefit liability	1,247	1,245
Asset retirement obligations	460	497
Other non-current liabilities	254	472
Total non-current liabilities	4,770	4,195
Total liabilities	18,165	19,483
Net assets		
Shareholders' equity:		
Capital stock	3,888	3,888
Additional paid-in capital	12,107	13,451
Retained earnings	19,398	23,437
Treasury common stock, at cost	(2,014)	(230)
Total shareholders' equity	33,379	40,545
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(56)	372
Foreign currency translation adjustment	730	1,007
Remeasurements of defined benefit plans	(252)	(107)
Total accumulated other comprehensive income	422	1,272
Non-controlling interests	563	3,043
Total net assets	34,364	44,862
Total liabilities and net assets	52,530	64,345

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(¥ millions)

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Net sales	52,703	60,482
Cost of sales	37,175	41,406
Gross profit	15,527	19,075
Selling, general and administrative expenses		
Directors' compensations	727	765
Salaries and bonuses	3,458	4,102
Provision for bonuses	363	437
Provision for directors' retirement benefits	65	64
Retirement benefit expenses	103	126
Rent expenses	680	716
Commission fee	528	508
Other	3,376	4,760
Total selling, general and administrative expenses	9,303	11,484
Operating income	6,224	7,591
Non-operating income:		
Interest income	39	66
Gain on insurance cancellation	79	49
Commission fee	10	10
Gain on consumption tax filing	351	—
Dividend income	18	31
Foreign exchange gains	—	124
Other non-operating income	108	50
Total non-operating income	608	334
Non-operating expenses		
Interest expenses	33	40
Provision of allowance for doubtful accounts	95	—
Share of loss of entities accounted for using equity method	67	26
Other non-operating expenses	47	48
Total non-operating expenses	243	115
Recurring profit	6,589	7,809
Extraordinary gains:		
Gain on sales of investment securities	196	10
Gain on sales of investments in capital	70	—
Gain on sales of shares of subsidiaries and associates	—	300
Gain on step acquisitions	48	—
Total extraordinary gains	315	311
Extraordinary losses:		
Loss on change in equity	95	86
Loss on valuation of investment securities	37	—
Other	13	—
Total extraordinary losses	146	86
Income before income taxes	6,758	8,034
Income taxes	2,962	3,423
Income tax adjustment	(243)	(366)
Total income taxes	2,719	3,057
Profit	4,038	4,977
Profit attributable to non-controlling interests	72	313
Profit attributable to owners of parent	3,996	4,663

Consolidated Statements of Comprehensive Income

(¥ millions)

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Profit	4,038	4,977
Other comprehensive income:		
Valuation difference on available-for-sale securities	(121)	429
Foreign currency translation adjustment	(1,185)	651
Remeasurements of defined benefit plans	(259)	145
Share of other comprehensive income of entities accounted for using equity method	(136)	(6)
Total other comprehensive income	<u>(1,703)</u>	<u>1,218</u>
Comprehensive income	<u>2,335</u>	<u>6,196</u>
(Breakdown)		
Comprehensive income attributable to owners of parent	2,324	5,514
Comprehensive income attributable to non-controlling interests	(10)	681

(3) Consolidated Statements of Changes in Shareholders Equity

Fiscal 2016 (From October 1, 2015 to September 30, 2016)

(¥ millions)

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,875	3,593	16,260	(572)	21,155
Changes of items during period					
Increase by share exchanges	2,012	8,521			10,534
Capital increase of consolidated subsidiaries		(8)			(8)
Dividends of surplus			(827)		(827)
Profit (loss) attributable to owners of parent			3,966		3,966
Purchase of treasury shares				(1,545)	(1,545)
Disposal of treasury shares		0		103	103
Net changes of items other than shareholders' equity					
Total changes of items during period	2,012	8,513	3,138	(1,441)	12,223
Balance at end of current period	3,888	12,107	19,398	(2,014)	33,379

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	65	1,990	7	2,063	370	23,590
Changes of items during period						
Increase by share exchanges						10,534
Capital increase of consolidated subsidiaries						(8)
Dividends of surplus						(827)
Profit (loss) attributable to owners of parent						3,966
Purchase of treasury shares						(1,545)
Disposal of treasury shares						103
Net changes of items other than shareholders' equity	(121)	(1,259)	(259)	(1,641)	192	(1,449)
Total changes of items during period	(121)	(1,259)	(259)	(1,641)	192	10,774
Balance at end of current period	(56)	730	(252)	422	563	34,364

Consolidated Statements of Changes in Shareholders Equity
Fiscal 2017 (From October 1, 2016 to September 30, 2017)

(¥ millions)

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,888	12,107	19,398	(2,014)	33,379
Changes of items during period					
Changes in equity in consolidated subsidiaries		1,135			1,135
Change of scope of equity method			507		507
Dividends of surplus			(1,132)		(1,132)
Profit (loss) attributable to owners of parent			4,663		4,663
Purchase of treasury shares				(104)	(104)
Disposal of treasury shares		208		1,888	2,097
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,344	4,038	1,783	7,166
Balance at end of current period	3,888	13,451	23,437	(230)	40,545

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(56)	730	(252)	422	563	34,364
Changes of items during period						
Changes in equity in consolidated subsidiaries						1,135
Change of scope of equity method						507
Dividends of surplus						(1,132)
Profit (loss) attributable to owners of parent						4,663
Purchase of treasury shares						(104)
Disposal of treasury shares						2,097
Net changes of items other than shareholders' equity	429	276	145	850	2,480	3,331
Total changes of items during period	429	276	145	850	2,480	10,497
Balance at end of current period	372	1,007	(107)	1,272	3,043	44,862

(4) Consolidated Statements of Cash Flow

(¥ millions)

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Cash flow from operating activities		
Profit before income taxes	6,758	8,034
Depreciation	587	762
Amortization of goodwill	719	1,098
Share of loss (gain) of entities accounted for using equity method	67	26
Increase (decrease) in provision for bonuses	747	310
Loss (gain) on sales of shares of subsidiaries and associates	—	(300)
Increase (decrease) in net defined benefit liability	120	209
Increase (decrease) in provision for directors' retirement benefits	33	57
Interest and dividend income	(57)	(97)
Interest expenses	33	40
Loss (gain) on sales of investment securities	(196)	(10)
Loss (gain) on valuation of investment securities	37	—
Gain on sale of investments in capital	(70)	—
Gain on step acquisitions	(48)	—
Loss (gain) on change in equity	95	86
Decrease (increase) in notes and accounts receivable - trade	(165)	(534)
Decrease (increase) in inventories	(378)	639
Increase (decrease) in notes and accounts payable - trade	694	(464)
Increase (decrease) in other current liabilities	585	786
Other, net	(488)	254
Subtotal	9,075	10,899
Interest and dividend income received	57	95
Interest expenses paid	(34)	(44)
Income taxes paid	(3,911)	(3,114)
Net cash provided by (used in) operating activities	5,186	7,835
Cash flow from investing activities		
Payments into time deposits	(8)	(327)
Proceeds from withdrawal of time deposits	35	20
Purchase of property, plant and equipment	(443)	(629)
Purchase of intangible assets	(125)	(180)
Purchase of investment securities	(11)	(1,997)
Proceeds from redemption of investment securities	—	300
Proceeds from sales of investment securities	314	600
Payments for lease and guarantee deposits	(108)	(148)
Proceeds from collection of lease and guarantee deposits	78	115
Purchase of insurance funds	(144)	(151)
Payments for investments in capital	(375)	(423)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(899)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	13
Other, net	(526)	(17)
Net cash provided by (used in) investing activities	(1,315)	(3,726)

Consolidated Statements of Cash Flow

(¥ millions)

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Cash flows from financing activities		
Increase in short-term loans payable	6,697	3,060
Decrease in short-term loans payable	(7,050)	(3,260)
Proceeds from long-term loans payable	300	49
Repayments of long-term loans payable	(867)	(949)
Purchase of treasury shares	(1,011)	(104)
Proceeds from sales of treasury shares	126	2,139
Proceeds from issuance of common shares	—	2,700
Proceeds from share issuance to non-controlling shareholders	—	46
Cash dividends paid	(827)	(1,131)
Dividends paid to non-controlling interests	(5)	(41)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(442)
Other, net	122	(61)
Net cash provided by (used in) financing activities	(2,515)	2,005
Effect of exchange rate change on cash and cash equivalents	(553)	375
Net increase (decrease) in cash and cash equivalents	801	6,490
Cash and cash equivalents at beginning of period	14,692	16,607
Increase in cash and cash equivalents through share exchanges	1,113	—
Cash and cash equivalents at end of period	16,607	23,097

(5) Notes Concerning Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

(Changes in Accounting Policies)

None

(Segment Information)

【Segment Information】

1. Summary of Reportable Segment

(1) Method of Determining Reportable Segments

The EPS Group's reportable segments are components of the Group for which discrete financial information is available and which the Board of Directors reviews regularly to make decisions about the allocation of resources and to assess business performance.

The EPS Group operates in industries related to pharmaceuticals development, primarily serving pharmaceutical companies worldwide. The Group provides various services incidental to various stages of pharmaceuticals development, along with services associated with healthcare, pharmaceuticals, BPO and related areas in China. The Group has five reportable segments: the CRO Business, SMO Business, CSO Business, Global Research Business, and EKISHIN (China) Business.

(2) Types of services in each reportable segment

In the CRO Business, the Group provides various specialized services concerning the operation and management of clinical studies based on service contracts with pharmaceutical companies and other entities in connection with the implementation of clinical studies (including post-marketing surveillance (PMS) and studies) in Japan.

In the SMO Business, the Group primarily provides specialized services centered on the assignment of CRCs (Clinical Research Coordinators), who assist medical institutions with the implementation of clinical trials, to medical institutions and the provision of clinical study administrative support and related services.

In the CSO Business, the Group is contracted by pharmaceutical companies to provide services related to the sale of pharmaceuticals. The Group primarily provides contract-based MR (Medical Representative) services and undertakes the assignment of MRs. Their main duties are to provide information on the quality, efficacy, safety and other attributes of pharmaceuticals and collect and communicate information on side effects and other matters to medical professionals, for the purpose of ensuring the proper use and widespread adoption of pharmaceuticals. In addition, the Group provides pharmaceutical-related information and support services.

In the Global Research Business, the Group provides a variety of services in connection with the implementation of clinical studies (including post-market surveillance (PMS) services and studies) in various countries in Asia, Europe and the Americas, to address the global development activities of pharmaceutical companies.

In the EKISHIN (China) Business, the Group mainly provides optimal business solutions in line with the diverse needs of customers in China in the healthcare field, including the research, development, manufacture and sales of pharmaceuticals, as well as the manufacture and sales of medical devices.

(3) Notes Concerning Changes in Reportable Segments

From the fiscal year ended September 30, 2017, 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 fiscal year ended September 30, 2016 has been prepared based on the reclassified reportable segments.

2. Information Concerning the Calculation Method for the Amounts of Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

The accounting treatment method for reportable segments is the same as the method described in the section "Important Matters as the Basis for Preparation of Consolidated Financial Statements."

The segment operating income is based on the operating income.

Inter-segment net sales are generally based on reasonable transaction prices.

3. Information Concerning the Amounts of Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

Fiscal 2016 (From October 1, 2015 to September 30, 2016)

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements
Net sales									
Sales to outside customers	26,157	10,874	7,480	4,006	3,939	244	52,703	—	52,703
Inter-segment sales and transfers	1,966	87	29	53	17	1,108	3,262	(3,262)	—
Total	28,123	10,961	7,509	4,060	3,957	1,353	55,966	(3,262)	52,703
Segment operating income	5,985	610	426	183	(31)	9	7,183	(959)	6,224
Segment assets	23,160	17,244	3,248	2,906	8,463	609	55,634	(3,104)	52,530
Other items									
Depreciation	245	136	113	13	44	9	563	24	587
Amortization of goodwill	125	487	12	4	116	—	746	(27)	719
Investment in entities accounted for using the equity method	—	—	—	—	557	—	557	—	557
Increase in property, plant and equipment and intangible assets	259	6,624	55	34	75	36	7,086	14	7,101

Notes:

1. Adjustment for segment operating income of ¥(959) million includes intersegment transactions of ¥80 million and non-attributable corporate expenses not allocated to each segment of ¥(1,040) million. The main corporate expenses comprise expenses related to the Company (holding company)
2. Adjustment for segment assets of ¥(3,104) million includes intersegment transactions of ¥(5,450) million and non-attributable corporate assets not allocated to each segment of ¥2,346 million. The main corporate assets comprise assets related to the Company (holding company).

Fiscal 2017 (From October 1, 2016 to September 30, 2017)

(¥ millions)

	CRO	SMO	CSO	Global Research Business	EKISHIN (China) Business	Others	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements
Net sales									
Sales to outside customers	27,053	13,898	8,251	4,800	6,183	294	60,482	—	60,482
Inter-segment sales and transfers	2,950	118	52	15	15	1,389	4,542	(4,542)	—
Total	30,004	14,016	8,303	4,816	6,199	1,683	65,024	(4,542)	60,482
Segment operating income	6,653	1,698	486	(536)	251	67	8,621	(1,029)	7,591
Segment assets	25,765	18,235	3,481	2,404	11,347	1,040	62,274	2,071	64,345
Other items									
Depreciation	292	119	116	17	155	20	722	40	762
Amortization of goodwill	123	656	11	—	334	—	1,125	(27)	1,098
Investment in entities accounted for using the equity method	—	—	—	—	34	—	34	—	34
Increase in property, plant and equipment and intangible assets	334	65	70	5	1,586	91	2,154	7	2,161

Notes:

1. Adjustment for segment operating income of ¥(1,029) million includes intersegment transactions of ¥30 million and non-attributable corporate expenses not allocated to each segment of ¥(1,060) million. The main corporate expenses comprise expenses related to the Company (holding company).
2. Adjustment for segment assets of ¥2,071 million includes intersegment transactions of ¥(3,474) million and non-attributable corporate assets not allocated to each segment of ¥5,546 million. The main corporate assets comprise assets related to the Company (holding company).
3. From the fiscal year ended September 30, 2017, 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 fiscal year ended September 30, 2016 is presented based on the revised names of the reportable segments.

(Per Share Information)

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Net assets per share	¥757.73	¥906.64
Amount of profit per share	¥92.31	¥101.17

Notes:

- The amounts of diluted profit per share for the fiscal years ended September 30, 2016 and 2017 are not disclosed because there were no dilutive shares.
- The number of the Company's own shares remaining in the employees' shareholding trust, which are recorded as "treasury common stock, at cost" under shareholders' equity, is included in the treasury shares that are deducted from the calculation of the average number of shares during the period for the purpose of calculating the amount of profit per share. Moreover, these Company shares are included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share. The average number of the treasury shares during the period that were deducted for the purpose of calculating the amount of profit per share was 178,500 shares in the fiscal year ended September 30, 2016 and 85,500 shares in the fiscal year ended September 30, 2017. The average number of the treasury shares during the period that were deducted for the purpose of calculating net assets per share was 136,600 shares in the fiscal year ended September 30, 2016 and 47,600 shares in the fiscal year ended September 30, 2017.
- The basis for calculating the amount of profit per share is as follows:

	Fiscal 2016 (October 1, 2015 to September 30, 2016)	Fiscal 2017 (October 1, 2016 to September 30, 2017)
Amount of profit per share		
Profit attributable to owners of parent (¥ million)	3,966	4,663
Amount not attributable to shareholders of common stock (¥ million)	—	—
Profit attributable to shareholders of common stock of the parent (¥ million)	3,966	4,663
Average number of common shares during the period	42,965,500	46,099,267
Dilutive stocks that were not included in the calculation of profit per share after adjustment for dilution, because they do not have a dilutive effect	—	—

(Important Subsequent Events)

None

4. Other

(1) Orders Received

(¥ millions)

	Fiscal 2017 (October 1, 2016 to September 30, 2017)			
	New orders	YoY (%)	Backlog	YoY (%)
CRO Business				
Monitoring	16,144	133.2	20,079	117.6
Data Management	11,389	103.1	18,178	108.8
CRO Others	2,069	67.3	1,746	47.7
CRO Business total	29,603	112.8	40,003	106.8
SMO Business	11,187	95.7	16,692	86.2
CSO Business	9,756	126.5	8,400	121.8
Global Research Business	6,871	127.4	9,124	129.4
EKISHIN (China) Business	6,186	155.4	83	103.3
Others	295	119.5	11	110.2
Total	63,900	115.6	74,315	104.9

Notes:

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