

Financial Results Overview for the Fiscal Year Ended September 30, 2017 (FY2017)

November 20, 2017
EPS Holdings, Inc.



Disclaimer

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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Overview for FY2017

Financial Results

FY2017 : EPS Group Business Areas

*as of September 30, 2017

Domestic Business

CRO

EPS, EPS Associate, EPMate, e-Trial

SMO

EP-SOGO, Sogo Rinsho Médéfi

CSO

EP-PharmaLine

CPO

EP-CRSU, EPI (Suzhou), EPI Yamanashi

* EPI Japan Co., Ltd. and J-CRSU Co., Ltd. merged on April 1, 2017

Overseas Business

**Global
Research**

EPS International Holdings etc.

China

EPS EKISHIN, EPS (China) etc.

Others

EPBiz

FY2017: Consolidated Financial Results

(¥ million)

	FY2016 Results	FY2017 Initial Forecast	FY2017 Results	Versus plan	Change YoY	YoY
Net Sales	52,703	58,000	60,482	104.3%	7,778	14.8%
Operating Income (Ratio)	6,224 (11.8%)	6,500 (11.2%)	7,591 (12.6%)	116.8%	1,366	22.0%
Recurring Profit (Ratio)	6,589 (12.5%)	6,500 (11.2%)	7,809 (12.9%)	120.1%	1,220	18.5%
Profit attributable to owners of parent (Ratio)	3,966 (7.5%)	3,500 (6.0%)	4,663 (7.7%)	133.2%	697	17.6%

FY2017: Financial Results by Business Segment

(¥ million)

			FY2016 Results		FY2017 Results		Change YoY	YoY
Domestic	CRO	Net Sales	26,895		28,040		1,145	4.3%
		Operating Income(%)	6,099	(22.7%)	6,326	(22.6%)	227	3.7%
	SMO	Net Sales	10,961		14,016		3,055	27.9%
		Operating Income(%)	610	(5.6%)	1,698	(12.1%)	1,087	178.1%
	CSO	Net Sales	7,509		8,303		793	10.6%
		Operating Income(%)	426	(5.7%)	486	(5.9%)	59	14.1%
	CPO	Net Sales	1,552		2,388		836	53.9%
		Operating Income(%)	-120	-	316	(13.2%)	436	-
Overseas	GR	Net Sales	4,060		4,816		756	18.6%
		Operating Income(%)	183	(4.5%)	-536	-	-720	-
	China	Net Sales	3,957		6,199		2,241	56.6%
		Operating Income(%)	-31	-	251	(4.0%)	283	-
HD Others	Net Sales	-2,231		-3,280		-1,049	-	
	Operating Income(%)	-943		-950		-7	-	
Total	Net Sales	52,703		60,482		7,778	14.8%	
	Operating Income(%)	6,224	(11.8%)	7,591	(12.6%)	1,366	22.0%	

FY2017: Financial Results by Business Segment

(Includes management support fees)

(¥ million)

			FY2016 Results	FY2017 Results	Change YoY	YoY
Domestic	CRO	Net Sales	26,895	28,040	1,145	4.3%
		Operating Income(%)	5,660 (21.0%)	5,819 (20.8%)	159	2.8%
	SMO	Net Sales	10,961	14,016	3,055	27.9%
		Operating Income(%)	424 (3.9%)	1,463 (10.4%)	1,039	245.0%
	CSO	Net Sales	7,509	8,303	793	10.6%
		Operating Income(%)	304 (4.0%)	344 (4.1%)	40	13.2%
	CPO	Net Sales	1,552	2,388	836	53.9%
		Operating Income(%)	-143 -	287 (12.0%)	430	-
Overseas	GR	Net Sales	4,060	4,816	756	18.6%
		Operating Income(%)	133 (3.3%)	-612 -	-745	-
	China	Net Sales	3,957	6,199	2,241	56.6%
		Operating Income(%)	-101 -	176 (2.8%)	277	-
HD Others	Net Sales	-2,231	-3,280	-1,049	-	
	Operating Income(%)	-53 -	114 -	167	-	
Total	Net Sales	52,703	60,482	7,778	14.8%	
	Operating Income(%)	6,224 (11.8%)	7,591 (12.6%)	1,366	22.0%	

FY2017: Overview of Financial Results

1. Overview of Financial Results (Versus Initial Budget)

Net sales : Net sales rose nearly ¥8.0 billion due to an almost evenly balanced contribution from internal and external growth. M&A and related initiatives: SMO, China, CPO)

Operating income : Highest-ever operating income since our founding atop higher earnings, despite a loss posted by GR. The higher earnings mainly reflected earnings growth in segments other than GR, particularly SMO and CPO.

2. Overview by Business Segment (Key Initiatives)

CRO

Strengthened project management and promoted collaboration with clients

SMO

Developed a framework for realizing integration synergies and strengthened the oncology field

CSO

Actively promoted outbound call center services, steadily executed PMS services

CPO

Established a solid operating foundation, along with capturing new projects and improving utilization rates

G R

Proactively captured global testing business, including Asian business

China

Benefited from the positive impacts of the acquisition of Shanghai Hua Xin High Biotechnology Co., Ltd. and promoted the business partnership with SUZUKEN Co., Ltd.



FY2018 Annual Budget

FY2018: EPS Group Business Areas

*as of October 31, 2017

Domestic Business

CRO

EPS, EPS Associate, EPMate, e-Trial

SMO

EP-SOGO, EXAM CO., LTD.

* Consolidated on October 2, 2017

CSO

EP-PharmaLine

CPO

EP-CRSU, EPI Yamanashi, Sogo Rinsho Médéfi

Overseas Business

**Global
Research**

EPS International Holdings etc.

China

EPS EKISHIN, EPS (China) etc.

EPS International (China), EPS Tigermed (Suzhou)

Others

EPBiz

FY2018 Annual Budget (Consolidated)

(¥ million)

	FY2017 Results	FY2018 Forecast	Change YoY	YoY
Net Sales	60,482	66,000	5,518	9.1%
Operating Income (Ratio)	7,591 (12.6%)	6,850 (10.4%)	-741	-9.8%
Recurring Profit (Ratio)	7,809 (12.9%)	7,000 (10.6%)	-809	-10.4%
Profit attributable to owners of parent (Ratio)	4,663 (7.7%)	4,200 (6.4%)	-463	-9.9%

FY2018 Annual Budget by Segment

(¥ million)

			FY2017 Results		FY2018 Forecast		Change YoY	YoY
Domestic	CRO	Net Sales	28,040		28,700		660	2.4%
		Operating Income(%)	6,326	(22.6%)	5,775	(20.1%)	-551	-8.7%
	SMO	Net Sales	14,016		15,250		1,234	8.8%
		Operating Income(%)	1,698	(12.1%)	1,580	(10.4%)	-118	-6.9%
	CSO	Net Sales	8,303		8,400		97	1.2%
		Operating Income(%)	486	(5.9%)	550	(6.5%)	64	13.2%
	CPO	Net Sales	2,388		2,600		212	8.9%
		Operating Income(%)	316	(13.2%)	180	(6.9%)	-136	-43.0%
Overseas	GR	Net Sales	4,816		4,100		-716	-14.9%
		Operating Income(%)	-536	-	-200	-	336	-
	China	Net Sales	6,199		10,700		4,501	72.6%
		Operating Income(%)	251	(4.0%)	-15	-	-266	-
HD Others		Net Sales	-3,280		-3,750		-470	-
		Operating Income(%)	-950		-1,020		-70	-
Total		Net Sales	60,482		66,000		5,518	9.1%
		Operating Income(%)	7,591	(12.6%)	6,850	(10.4%)	741	-9.8%

FY2018 Annual Budget and Initiatives

1. Outline of Annual Budget

- Net sales : Net sales are projected to increase, driven by internal growth (CRO, CSO, CPO) and external growth (M&A activity at SMO). Significant top-line growth is projected at China business in view of the transition to gross recognition of revenue.
- Operating income : Operating income is projected to decrease by a combined ¥0.8 billion for the CRO and SMO businesses. However, overseas, operating income will benefit from growth of ¥0.1 billion in higher-earning projects and the execution of proactive upfront investments.

2. Outline by Segment (Main Initiatives)

CRO

Reinforce the management structure and execute upfront investments to expand new services

SMO

Integrate EXAM CO., LTD. at an early stage, along with strengthening sales and exploring new businesses

CSO

Build an organization with a view to nurturing professionals, along with expanding and executing new services

CPO

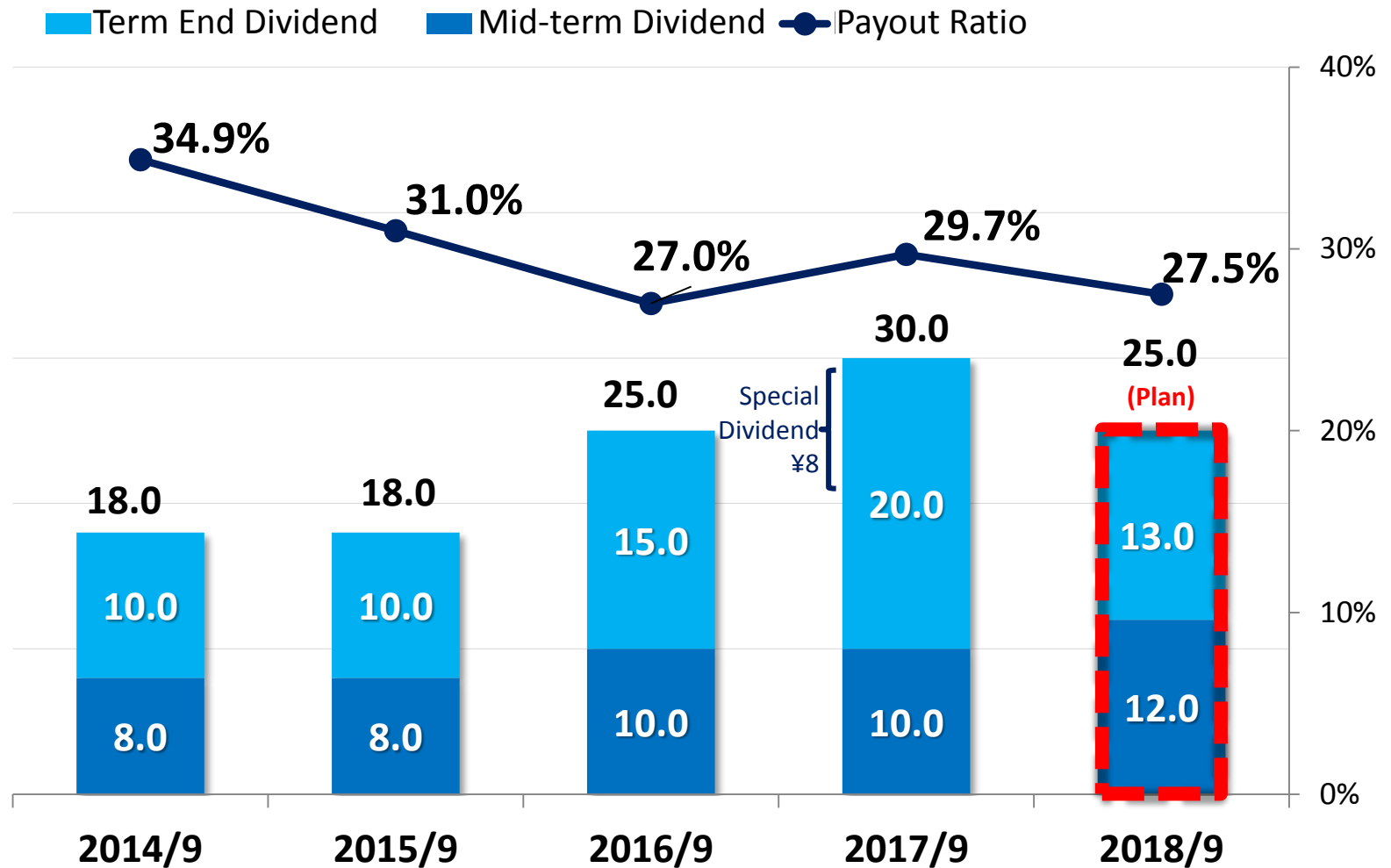
Develop product and supply systems, strengthen project management capabilities
Reinforce the operating foundation centered on Japan and advance sales activities

G R

China

Strengthen the foundation of the new system (products business and specialized services business)

Dividend Per Share



*The dividend conditions shown in the above graph reflects retroactive revised data that takes into considering the effect of stock splits.

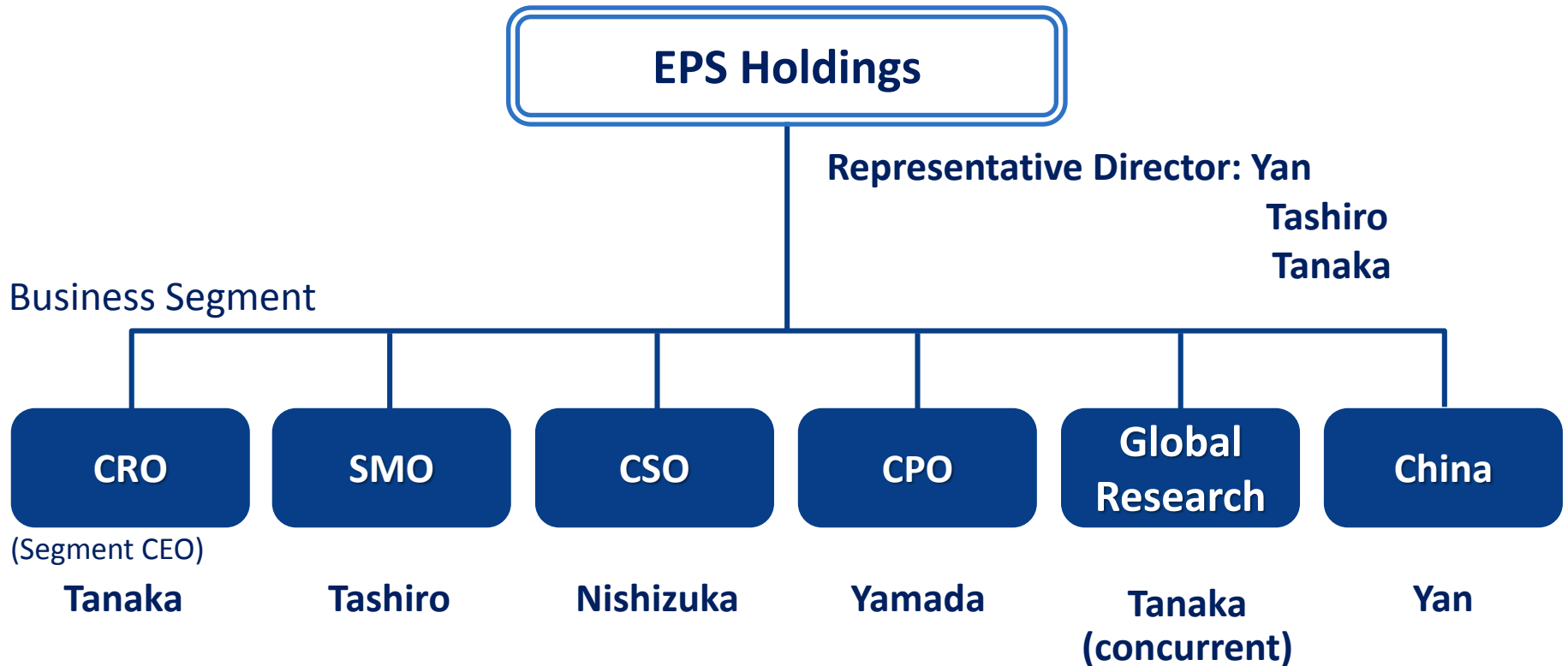


EPS

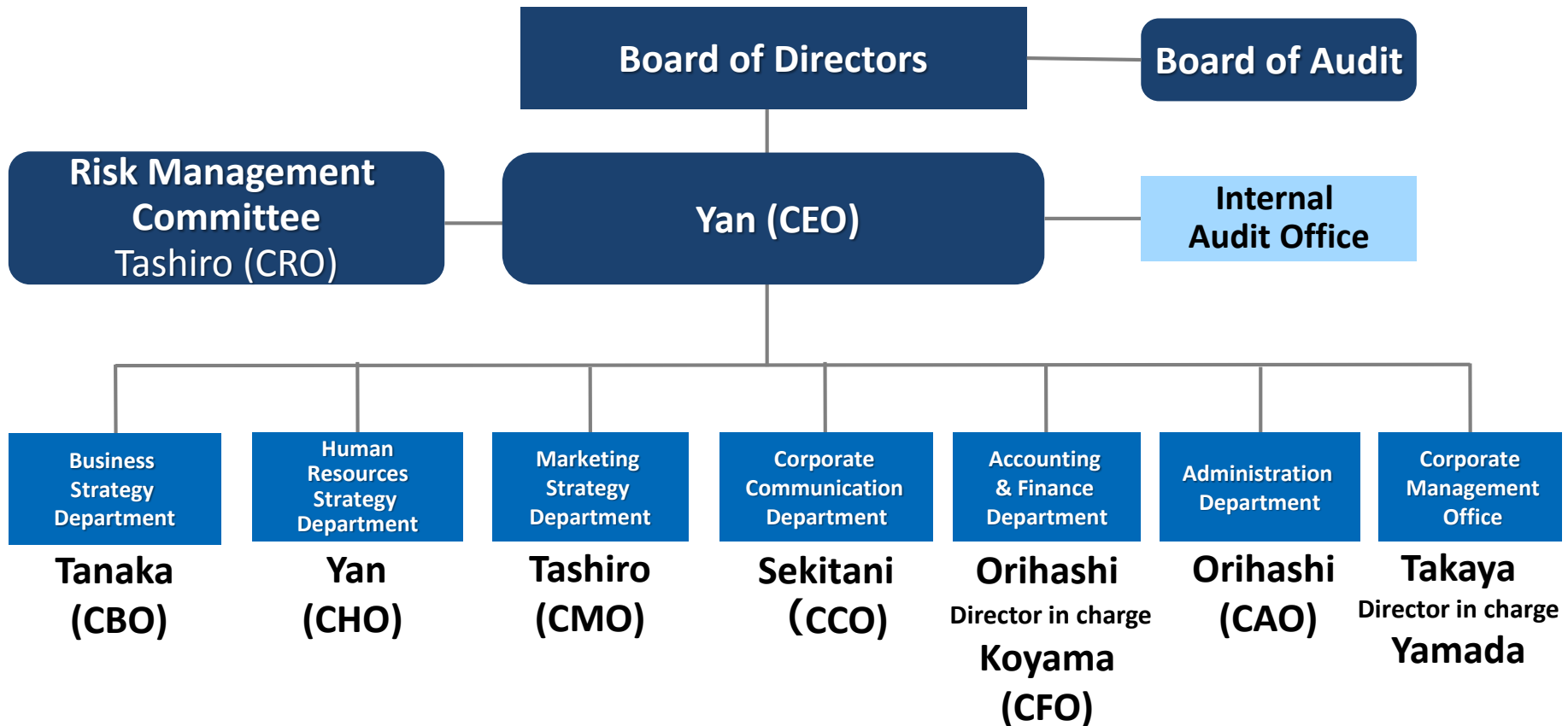
Group Management Structure

FY2018: EPS Group Management Structure

Management Structure (Business Management)

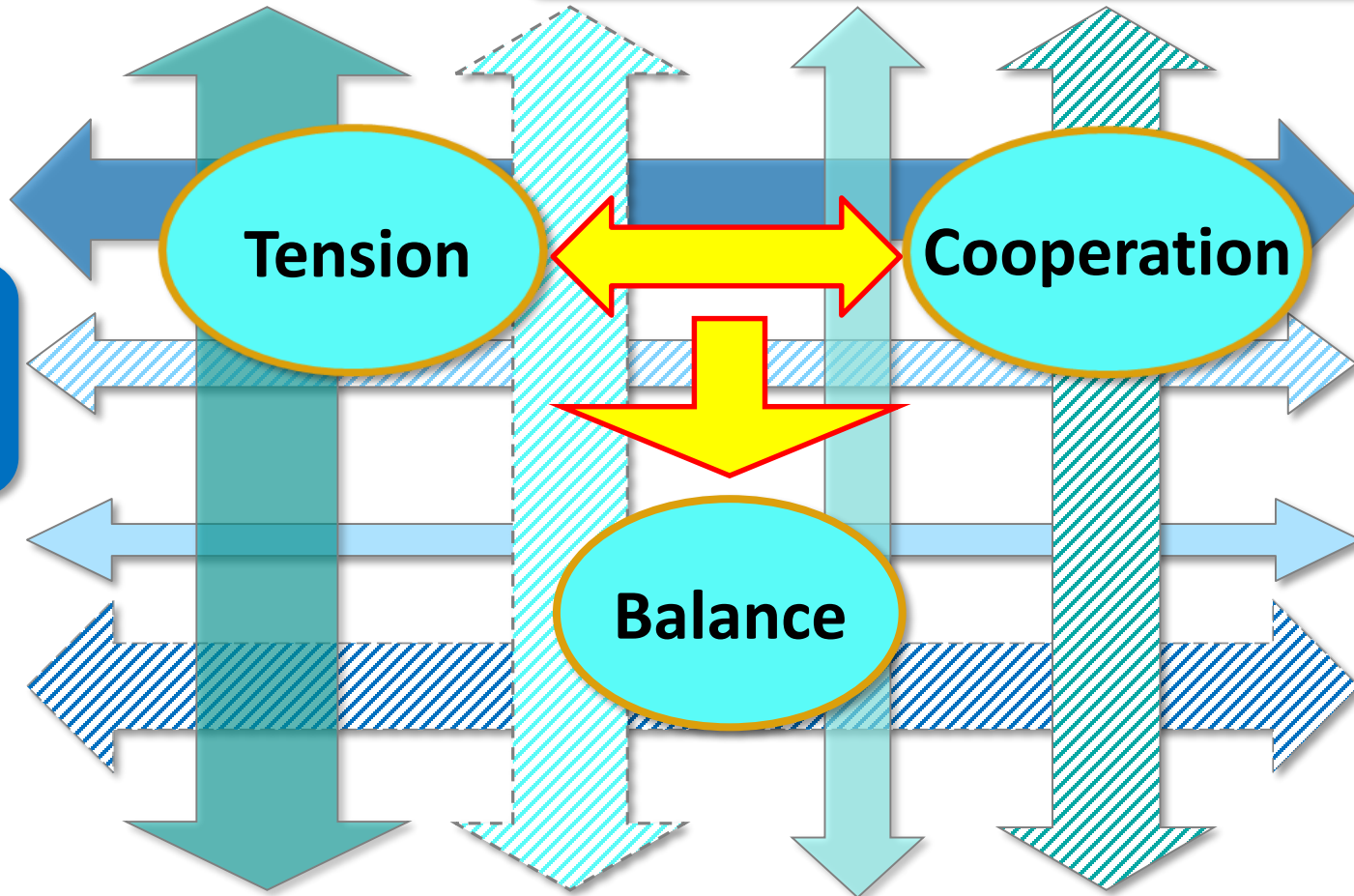


Corporate Management Structure (As of October 1)



Matrix Management

Business segments: Independent and autonomous management





Business Introduction of EPS Group and Initiatives Ahead

CRO Business Initiatives as a Leading CRO Company

1. Continue to expand existing businesses

- Strengthen project management
- Enhance quality and specialization

2. Brush up the organization

- Strengthen management personnel
- Promote the delegation of authority

3. New initiatives to drive further growth

- **Medical Information Strategy Office: Establish new unit**

Construction of a Platform for Intractable Diseases: Participate as a joint research partner in research projects led by the Japan Agency for Medical Research and Development (AMED)

- **Promote the regenerative medicine business**
- **Support and collaboration to build the China Clinical Data Center (collaboration with Hangzhou Tigermed Consulting Co., Ltd.)**
- **Participate in the Research Complex Promotion Program (Tonomachi site)**

Seek to contribute to the program through the planning, implementation, and operation of training programs for young researchers and companies

1. Maintain and expand the operating foundation

- Enhance profitability by revising contracted facilities
- Generate profits by driving growth in the oncology field, an area of expertise

2. Strengthen the organization and human resources

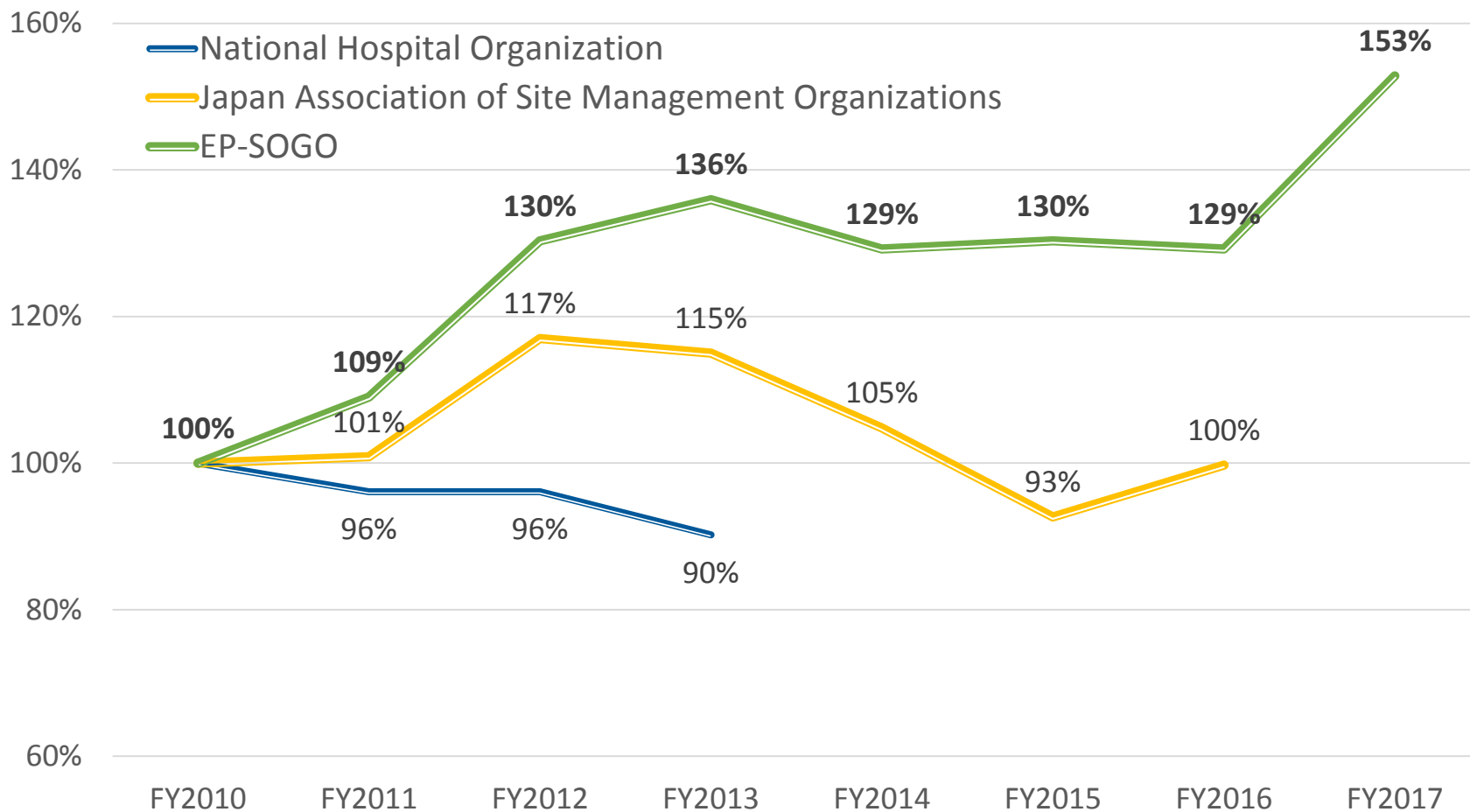
- Appoint human resources with a view to strengthening the management level
- Upgrade the skills of Clinical Research Coordinators (CRCs)

3. Drive further growth through M&As and other initiatives

- Realize synergies through integration with EXAM at an early stage
- Capture the industry's top market share (40% or above)
- Create new services

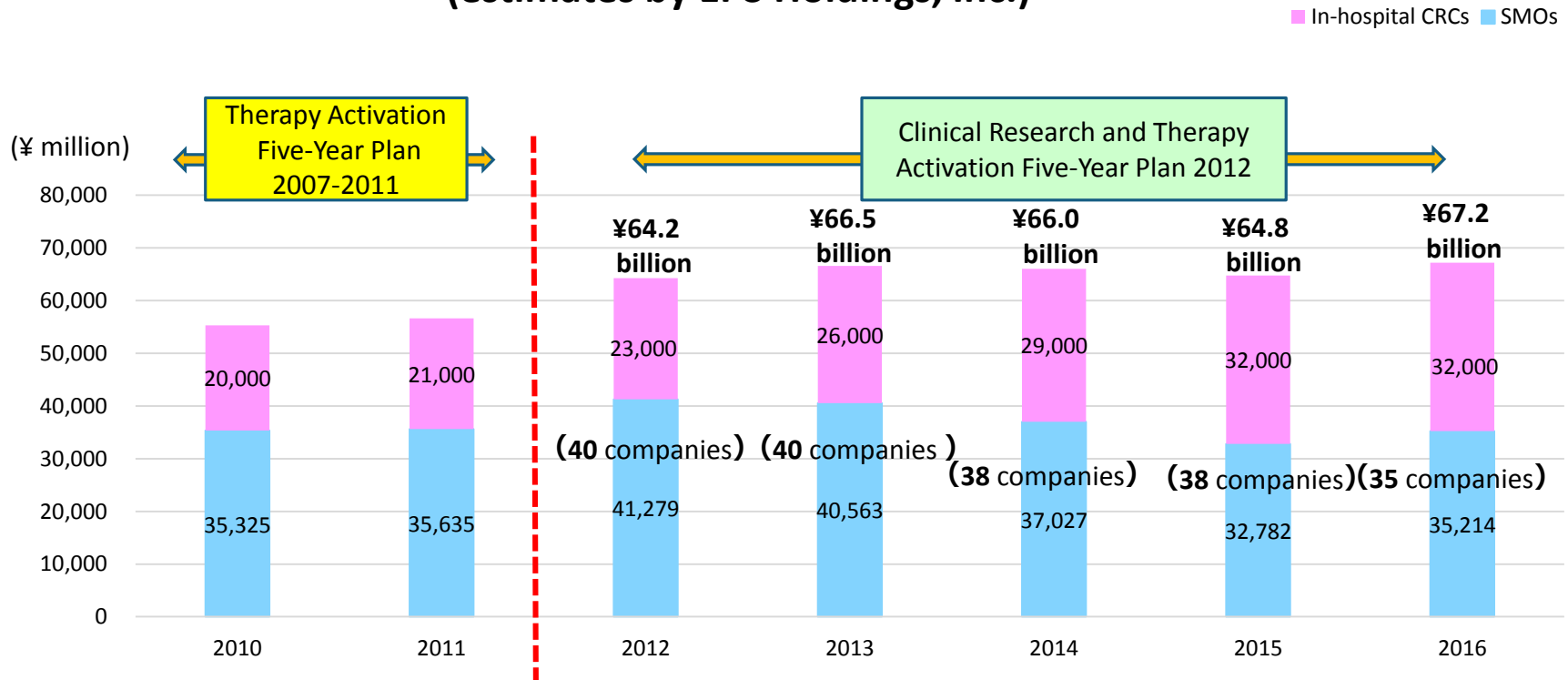
SMO Business Trends in the SMO Market

(Annual trends in relevant industry bodies and companies with FY2010 as the base year)



SMO Business SMO Market Environment

Trends in Japan Association of Site Management Organizations and in-hospital CRC market (estimates by EPS Holdings, Inc.)



(Remarks)

If the SMO market is considered to be the market for CRC services, the size of the market would amount to approximately ¥65.0 billion, including in-hospital CRC services. On this basis, the market has remained largely flat.

1. Revise and promote products (services)

- Promote selection and concentration based on verification of profitability and growth potential
- Realign the sales organization to strengthen our ability to expand products (services)

2. Strengthen the organization

Form an organizational foundation befitting a group of expert staff far ahead of competitors

- Recruit expert staff in call centers and BPO services to bolster each department
- Enhance specialization of BPO products (services), including Drug Information (DI) services
- Promote a multi-channel approach based on MR Direct

3. External growth

- Advance M&A activity and alliances

1. Develop product and supply systems

To pursue quality and growth in step with changes in the external environment, we will:

- Arrange product lineups and develop new products in step with laws and regulations and customer needs.
- Streamline the service supply system and enhance quality

2. Strengthen management capabilities (in anticipation of a 500-strong workforce)

- Strengthen project management capabilities
- Strengthen the segment management structure

Business (Operations realigned into three regions)

Japan:

Strengthen monitoring services

Secure higher orders by seeking to balance the difficulty of projects and the amount and quality of resources allocated to them

Asia-Pacific:

Review and plan resource allocations aimed at optimizing sites and resources

China:

Strengthen collaboration with China business and establish a joint business platform

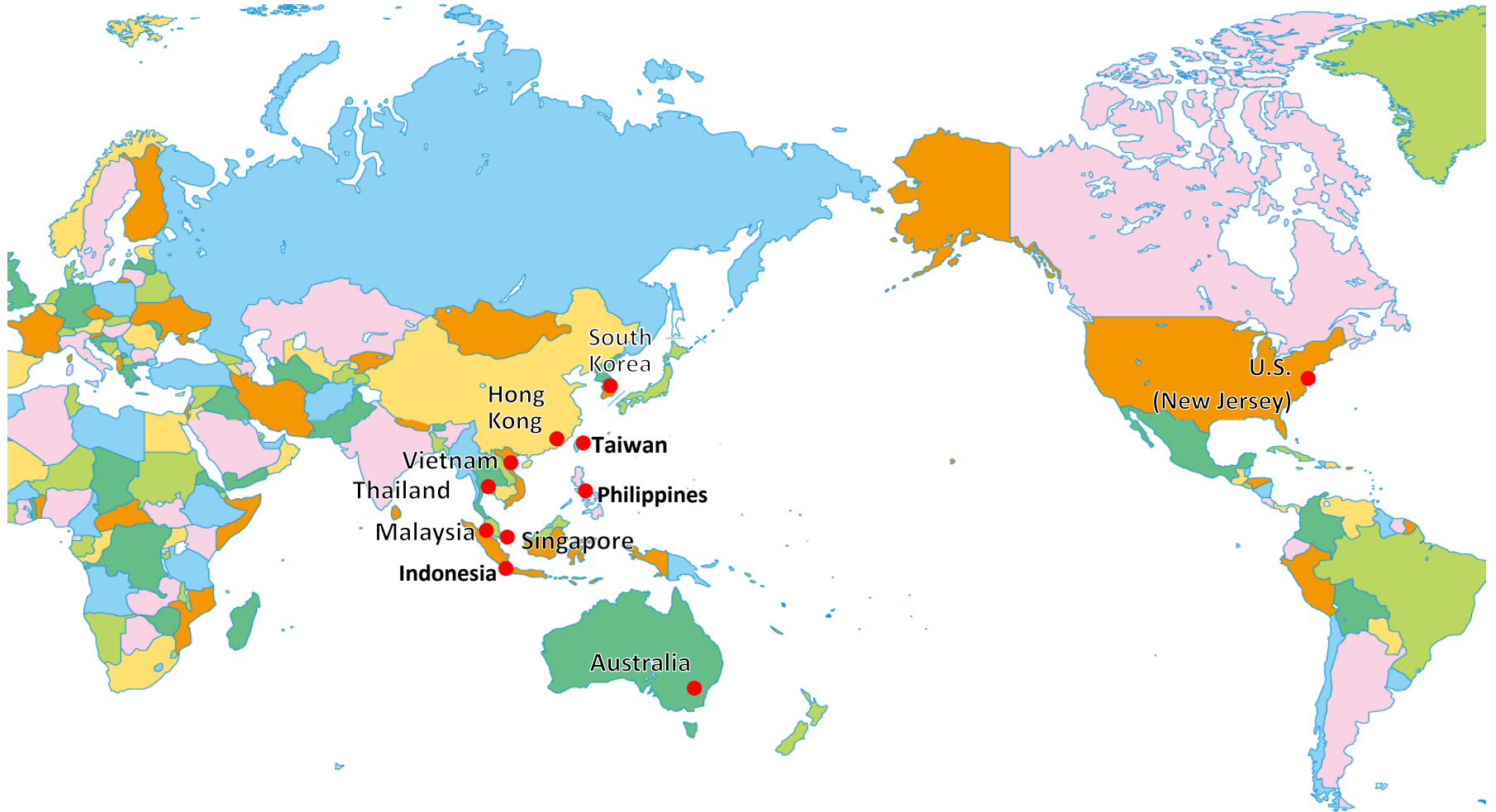
Management

Japan: Unify and centralize GR's management control functions at Tokyo

Asia-Pacific: Reconfigure with a view to streamlining the management structure

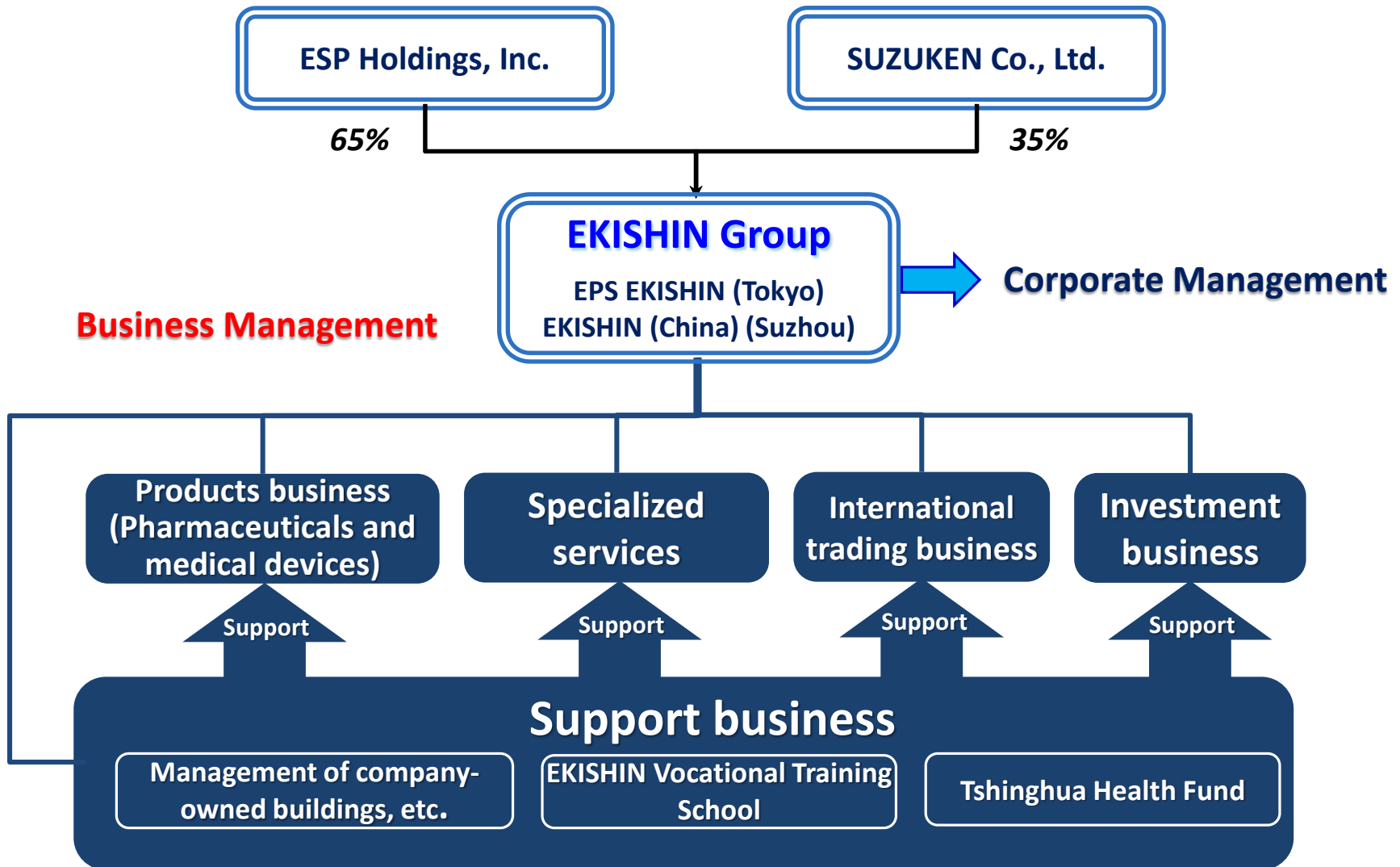
China: Develop the framework through management by China business

Global Research Business Service regions



Management Structure (Business Management)

China business



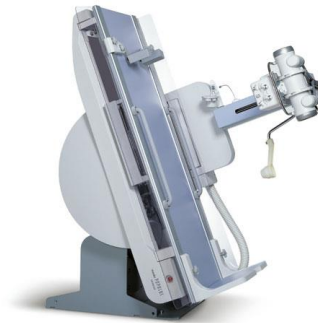
Shanghai Hua Xin High Biotechnology Co., Ltd.



(Recombinant Human Interferon α 2b
Vaginal Effervescent Capsules)

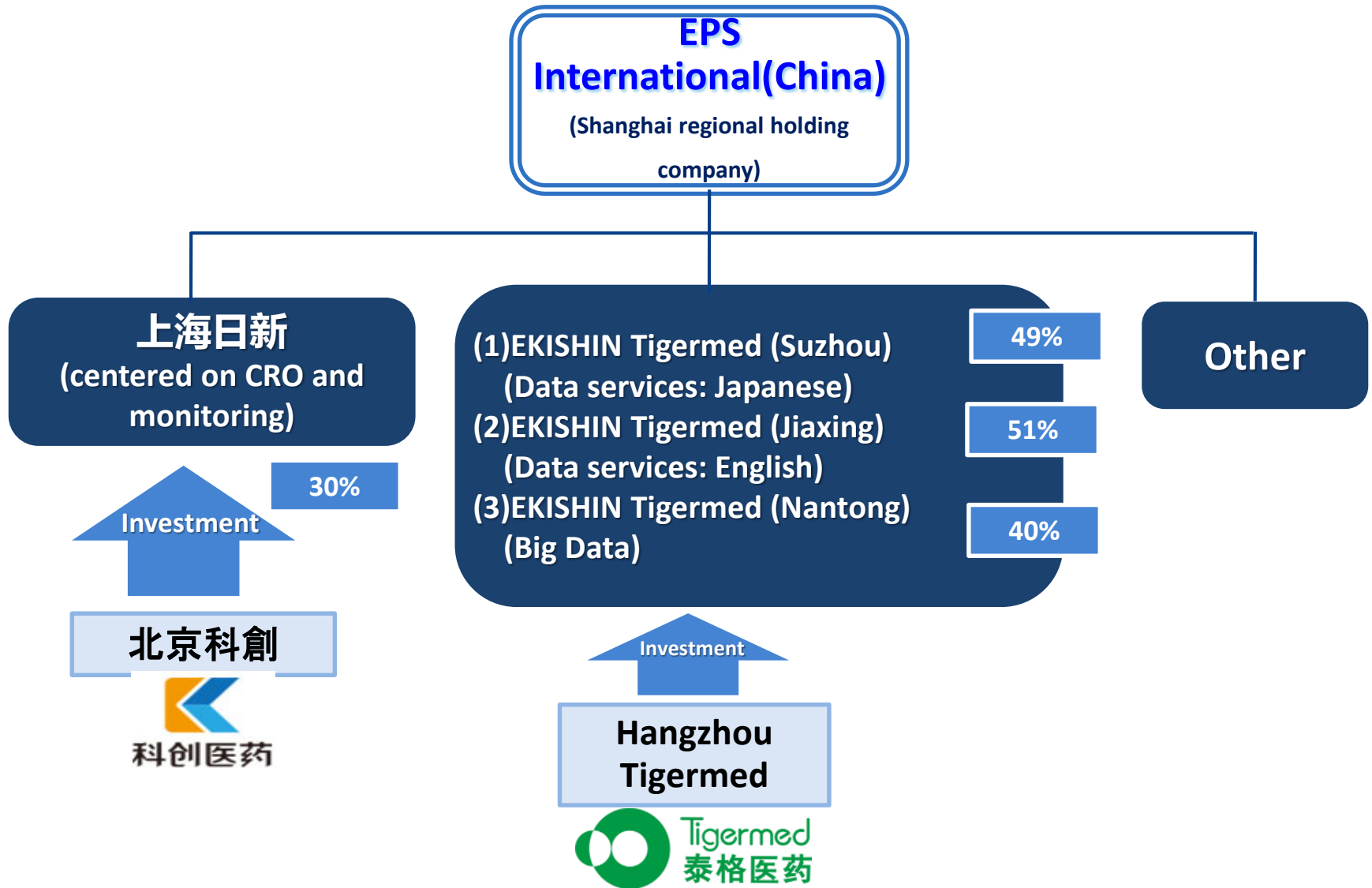


ET MEDICAL TECHNOLOGY (SUZHOU) CO., LTD. (Sales)



ET MEDICAL TECHNOLOGY (NANTONG) CO., LTD. (Manufacturing)





Business

- (1) Strengthen the existing products business + introduce new products**
- (2) Redevelop the operating foundation for CRO+**
- (3) Investment + support ⇒ Incubation**

Corporate

- (1) Advance the Matrix Management Structure (vertical and horizontal dimensions)**
- (2) Create a corporate culture through a fusion of Japanese and Chinese cultures**
- (3) Identify and nurture the next generation of human resources**



Mid-Term Business Plan (Vision30)

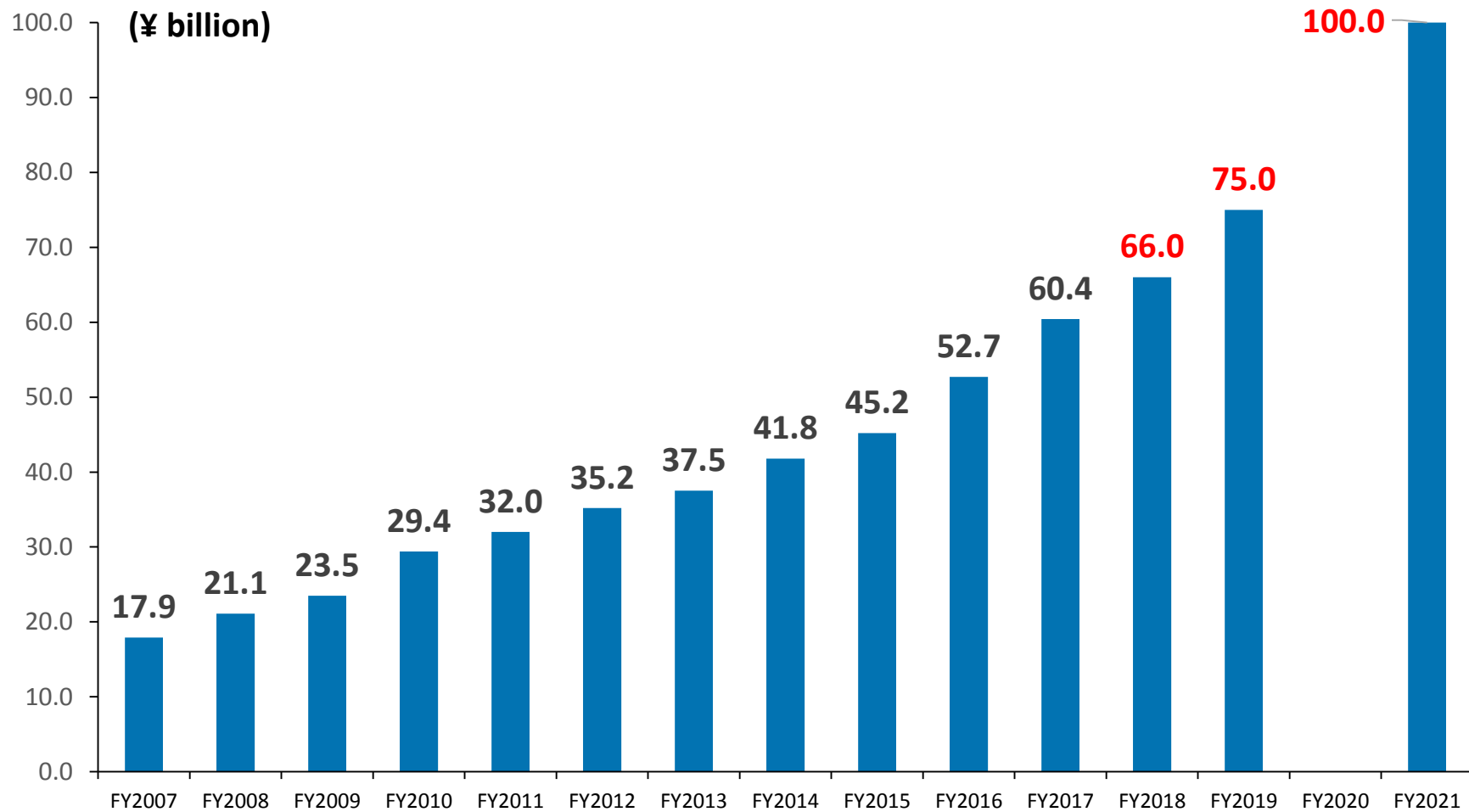
Positioning of FY2017 in the Mid-Term Business Plan

(¥ billion)

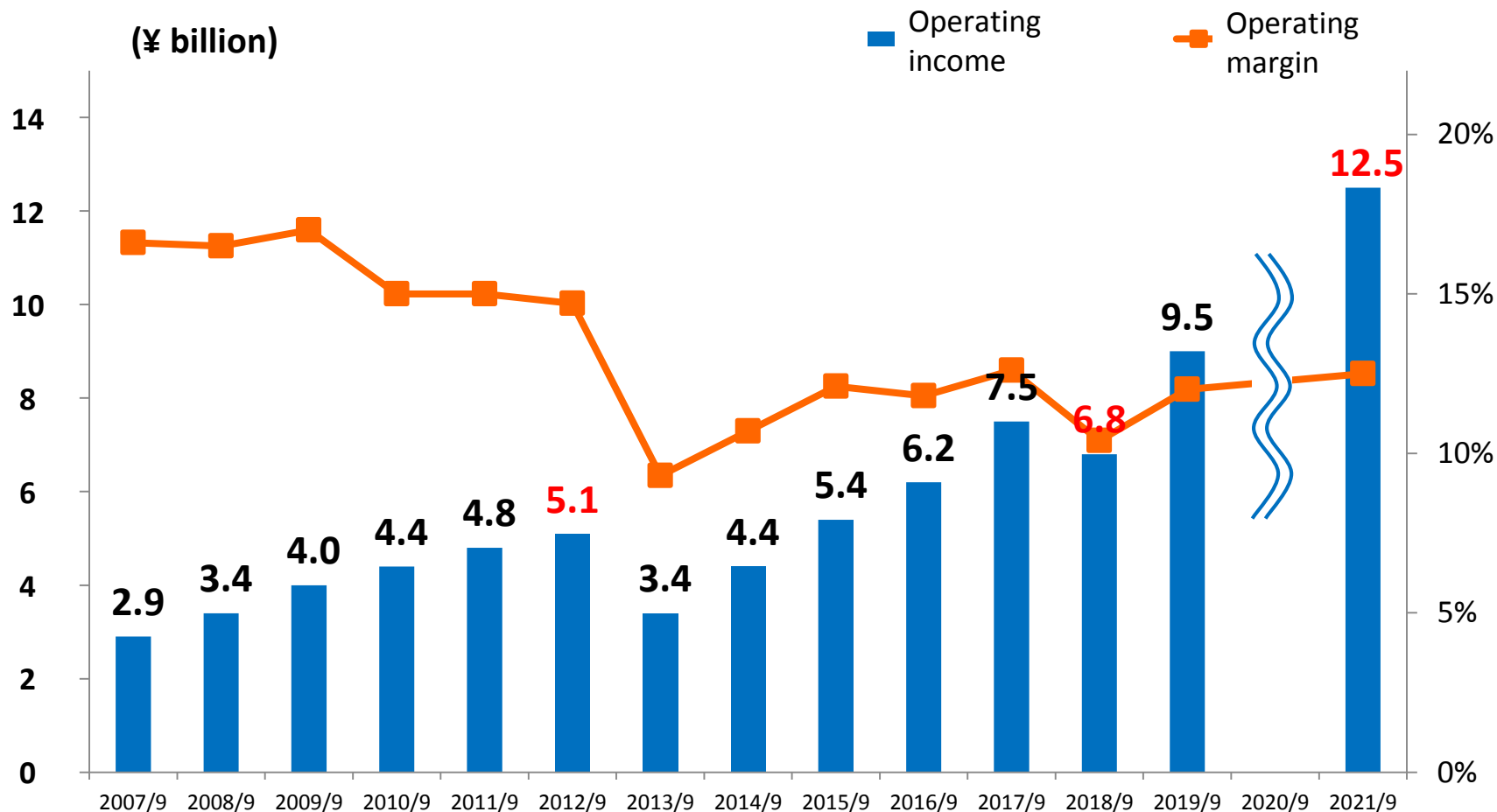
	FY2016	FY2017		Achievement rate	FY2019	FY2021
	Results	Budget	Results		Forecasts	Forecasts
Net sales	52.7	58.0	60.4	104%	75.0	100.0
Operating income	6.2	6.5	7.5	116%	9.0	12.5
(Ratio)	11.8%	11.2%	12.6%		12.0%	12.5%
Number of employees	4,890	-	5,210			8,000
Overseas ratio	15.1%	19.1%	18.2%		25.3%	30.0%
CAGR		10.0%	14.8%			13.7%

Solid progress in the first year of the Mid-term Business Plan

Trend in Net Sales (from FY2007 to FY2021)



Trend in Operating Income and Operating Margin (from FY2007 to FY2021)



Objectives of Vision30

- 1. Establish a position as a Solutions Provider in the Healthcare Industry (Solutions provided as infrastructure)**
- 2. Build up business scale to compete effectively with the major global players and strengthen global business expansion**
- 3. Extend independent and autonomous business management and promote Group management**
- 4. Make the EPS Way transparent and instill it in the organization (build a corporate culture)**
- 5. Nurture the next generation of management leaders**

Thank you for your attention.

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

Phone: +81-3-5684-7873 / Email : ir@eps.co.jp