

Financial Results Overview for Second Quarter Ended March 31, 2018

May 22, 2018
EPS Holdings, Inc.



FY2018 : EPS Group Business Areas

*as of April 1, 2018

Domestic Business

CRO

EPS, EPS Associate, EPMate, e-Trial

SMO

EP-SOGO, EXAM

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.

その他

EPBiz

Positioning of FY2018 in the Mid-Term Business Plan

(¥ billion)

	FY2017 Results	FY2018			FY2019 Forecast	FY2021 Forecast
		First-Half Results	Second-Half Forecast	Full-Year Forecast		
Net Sales	60.4	32.7	33.3	66.0	75.0	100.0
Operating Income	7.59	3.83	3.02	6.85	9.00	12.50
(%)	12.6%	11.7%	9.0%	10.4%	12.0%	12.5%
Number of Employees	5,209	5,351				8,000
Overseas Ratio	18.2%	24.0%	21.8%	22.4%	25.3%	30.0%
CAGR	14.8%	7.5%				13.7%



FY2018/2Q

Financial Results Overview

Consolidated Results

(¥ million)

	FY2018/2Q Plan	FY2018/2Q Results	Versus plan Change	Change YoY
Net Sales	31,269	32,666	1,397	7.5%
Operating Income (Ratio)	2,762 (8.8%)	3,828 (11.7%)	1,066	-17.4%
Recurring Profit (Ratio)	2,837 (9.1%)	3,891 (11.9%)	1,054	-18.5%
Profit Attributable to Owners of Parent (Ratio)	1,672 (5.3%)	2,495 (7.6%)	823	-2.3%

Consolidated Results by Segment

			(Ratio)		(Ratio)	(¥ million)	
			FY2018/2Q Plan		FY2018/2Q Results	Versus plan Change	Change YoY
Domestic	CRO	Net Sales	13,828		14,363	535	3.3%
		Operating Income	2,799 (20.2%)		3,393 (23.6%)	594	-3.3%
	SMO	Net Sales	7,470		7,033	-437	-0.8%
		Operating Income	806 (10.8%)		503 (7.2%)	-303	-50.3%
	CSO	Net Sales	3,900		3,903	3	-6.1%
		Operating Income	136 (3.5%)		177 (4.5%)	41	-31.9%
	CPO	Net Sales	1,396		1,545	149	20.1%
		Operating Income	122 (8.7%)		305 (19.7%)	183	10.1%
Overseas	GR	Net Sales	1,801		2,660	859	11.6%
		Operating Income	-242 -		120 (4.5%)	362	-
	China	Net Sales	4,497		5,184	687	63.8%
		Operating Income	-352 -		-144 -	208	-
Others*	Net Sales	-1,623		-2,022	-399	-	
	Operating Income	-507 -		-526 -	-19	-	
Total	Net Sales	31,269		32,666	1,397	7.5%	
	Operating Income	2,762 8.8%		3,828 (11.7%)	1,066	-17.4%	

*Inter-segment transactions, holding company expenses, etc.

Summary of First-Half Results and Segment Overview

1. Overview of Financial Results (Versus plan)

Net sales : Net sales exceeded the plan across all segments except SMO due to internal growth (CRO, CPO, GR) and gross recognition of revenue of EKISHIN (Chine) Business

Operating income : Operating income exceeded the plan on a consolidated companywide basis and across all segments except SMO

2. Overview by Segment

CRO

- Clinical study services performed strongly due to measures to strengthen management and promote integration of internal management systems
- PMS services saw strong sales but profits were lower than planned due to an increase in start-up resources

SMO

On the earnings front, sales and profits both decreased due to lackluster orders received and losses at EXAM despite efforts to strengthen the project management, proposal-based sales, and quality control systems

Summary of Segment Overview

CSO

CMR (Contract Medical Representative) services for pharmaceuticals, the pharmaceutical call center, etc., performed generally as planned; however, sales declined due to the impact of a slump in demand for MRs in the pharmaceutical industry

CPO

In clinical research services, sales and profits both increased due to favorable progress in contract-based projects

GR

- Projects under execution performed steadily and new orders also contributed to increased sales
- Unification of Asia-Pacific management operations in Japan contributed to profits

China

- Worked to strengthen the business base through continuous development of existing markets and cultivation of new regional markets in the products business
- Rebuilt CRO services in China, which had faced adverse conditions



FY2018 Consolidated Results

Full-Year Forecast

(¥ million)

	FY2018 Initial Forecast	FY2018 Current	Change vs Initial Forecast	Change YoY
Net Sales	66,000	66,000	-	9.1%
Operating Income (Ratio)	6,850 (10.4%)	6,850 (10.4%)	-	-9.8%
Recurring Profit (Ratio)	7,000 (10.6%)	7,000 (10.6%)	-	-10.4%
Profit Attributable to Owners of Parent (Ratio)	4,200 (6.4%)	4,200 (6.4%)	-	-9.9%

Full-Year Targets by Segment

			(Ratio)	(Ratio)	(¥ million)	
			FY2018 Initial Forecast	FY2018 Full-Year Target	Change vs Initial Forecast	Change YoY
Domestic	CRO	Net Sales	28,700	28,700	-	2.4%
		Operating Income	5,775 (20.1%)	6,000 (20.9%)	225	-5.2%
	SMO	Net Sales	15,250	14,251	-999	1.7%
		Operating Income	1,580 (10.4%)	1,190 (8.3%)	-390	-30.0%
	CSO	Net Sales	8,400	8,400	-	1.2%
		Operating Income	550 (6.5%)	550 (6.5%)	-	13.2%
	CPO	Net Sales	2,600	2,600	-	8.9%
		Operating Income	180 (6.9%)	280 (10.8%)	100	-11.4%
Overseas	GR	Net Sales	4,100	4,100	-	-14.9%
		Operating Income	-200 -	-140 -	60	-
	China	Net Sales	10,700	10,700	-	72.6%
		Operating Income	-15 (4.0%)	35 (0.3%)	50	-86.1%
Others*	Net Sales	-3,750	-2,751	999	-	
	Operating Income	-1,020 -	-1,063 -	-43	-	
Total	Net Sales	66,000	66,000	-	9.1%	
	Operating Income	6,850 (10.4%)	6,850 (10.4%)	-	-9.8%	

Full-Year Targets Overview

1. Consolidated Full-Year Targets

Net sales and operating income are both below the initial forecast for SMO, but consolidated full-year targets are in line with the initial forecast

2. Full-Year Targets by Segment

CRO

Targeting higher operating income than initially forecast due to brisk performance in the monitoring division

SMO

Net sales and operating income have both been revised downward from initial forecasts, but are expected to recover in the second half

CSO

Poor performance in PMS services will be offset by strong growth in other divisions to perform in line with initial forecasts

CPO

Adverse conditions expected for the second half due to the impact of revised regulations; however, operating income is expected to exceed the initial forecast

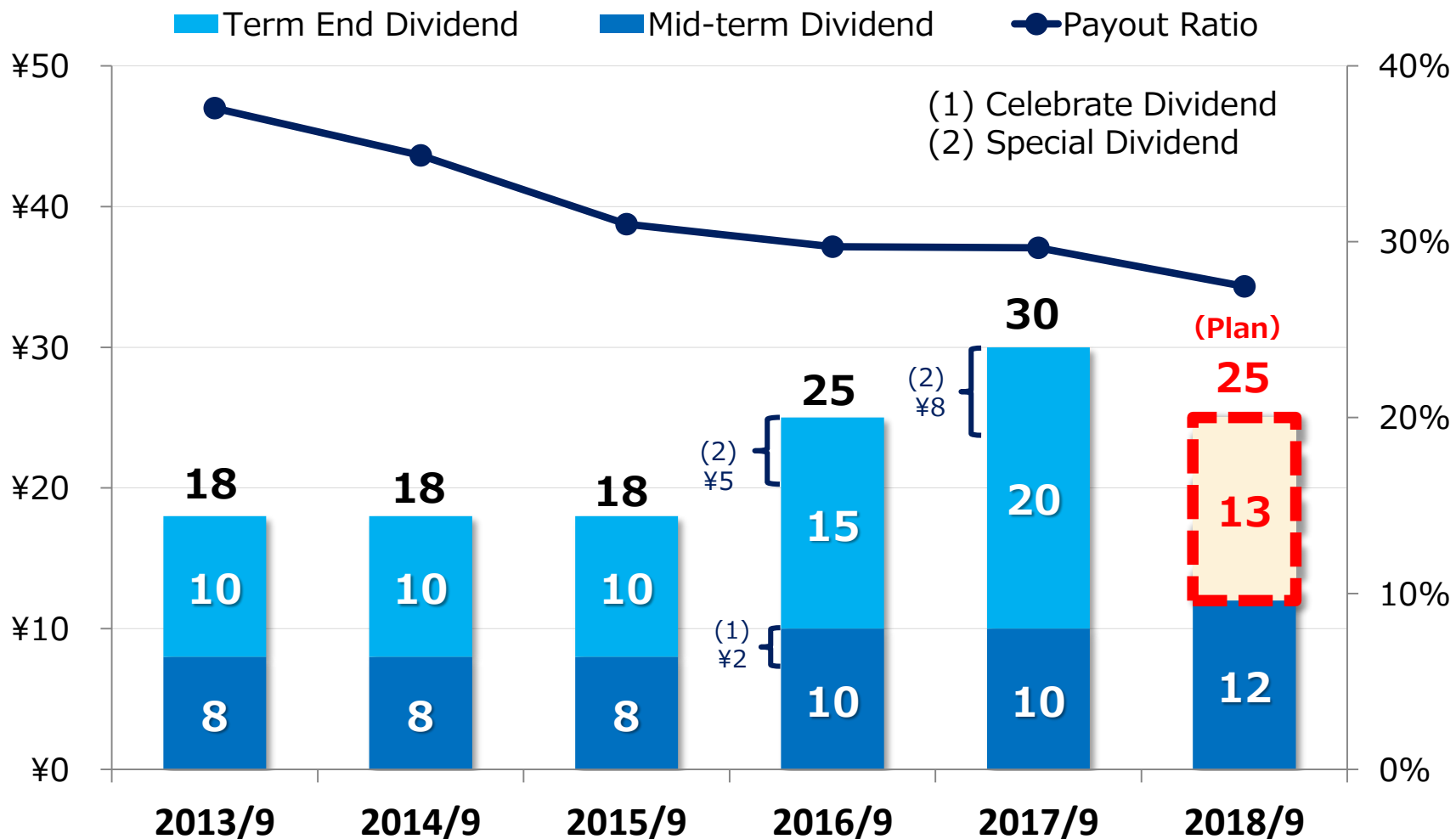
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Losses to improve with contribution from unification of Asia-Pacific management operations in Japan

China

Operating income to exceed the initial forecast slightly due to brisk performance in the products 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.

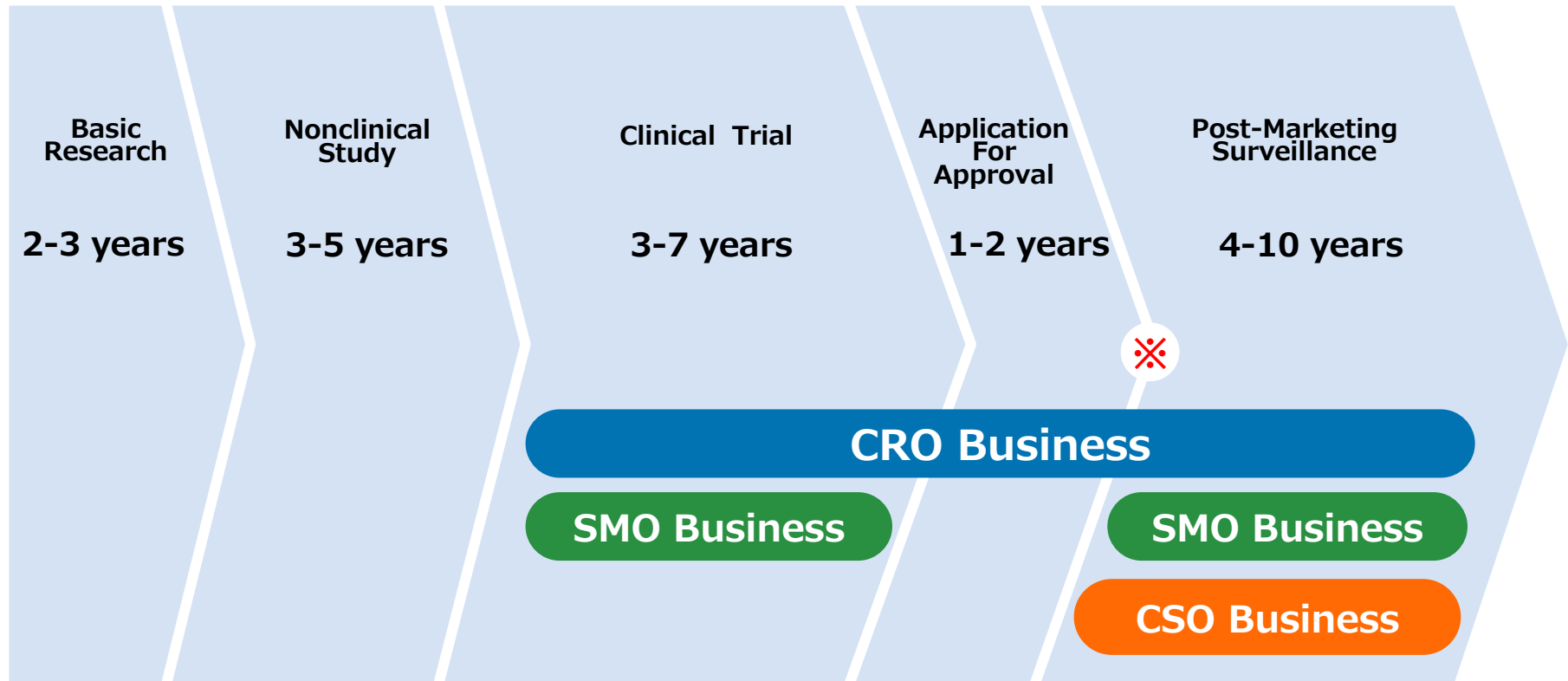


Business Introduction of EPS Group and Initiative

Drug & Medical Device Development of EPS Group

← Time to Placing on the Market : 9~17 years →

※placing on the market



▼ Support for Pharmaceutical & Medical Device Companies

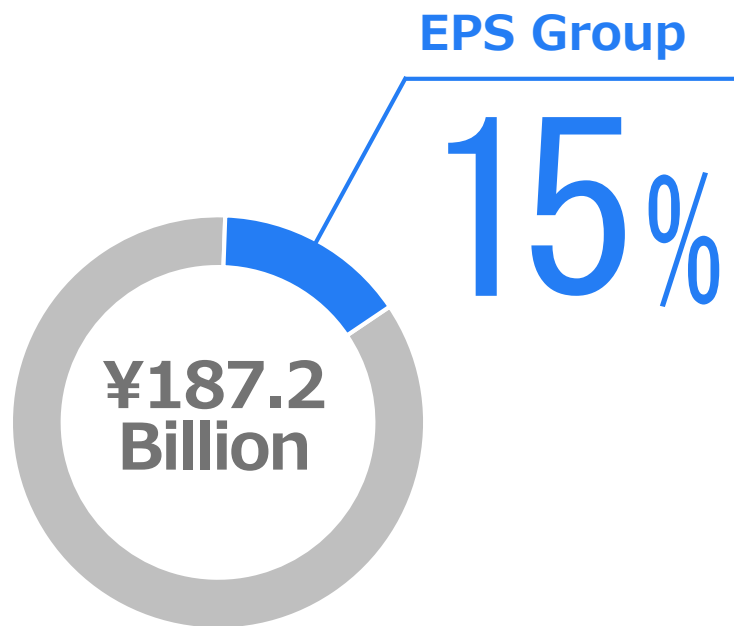
CRO Business

CSO Business

▼ Support for Medical Institution

SMO Business

Market & Share



Expert Staff

CRA

(Clinical Research Associate)

950

Advantage

- “Full Service System” which can be entrusted with all duties from Clinical Trial to PMS.
- Many achievements of Oncology & Brain/Neurology.
- Active introduction of IT solution of imaging, etc.

* Source: Estimated by EPS Holdings, Inc. based on materials published by MIC Research Institute Ltd. (2017), Yano Research Institute Ltd. (2018), and industry associations

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

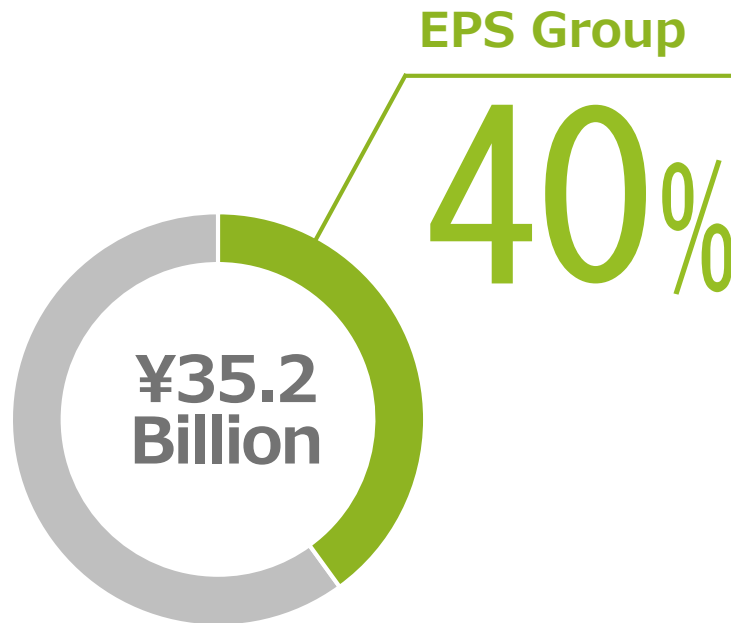
- **Medical Information Strategy Office: Establish new unit**

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.)**
- **Inter-segment reorganization collaboration and M&As with other companies**

SMO Business A Firm No.1 SMO Company

Market & Share



Expert Staff

CRC

(Clinical Research Coordinator)

1100

Advantage

- **Overwhelming No.1 market company with more than 40% share.**
- **Partnering with the industry's largest number of 6100 medical institutions.**
- **Over 1100 CRCs.**
- **Expand strengths into the oncology field, and also into dermatology, orthopedics, etc.**

* Source: Estimated by EPS Holdings, Inc. based on materials published by MIC Research Institute Ltd. (2017), Yano Research Institute Ltd. (2018), and industry associations

SMO Business **Key Initiatives**

1. Realize synergies from merger with EXAM (July)

- Promote appropriate allocation
- Strengthen sales activities tailored to regional characteristics

2. Improve quality

- Strengthen risk management using tools incorporating risk prediction functions based on machine learning

3. Generate profits by driving growth in the oncology field

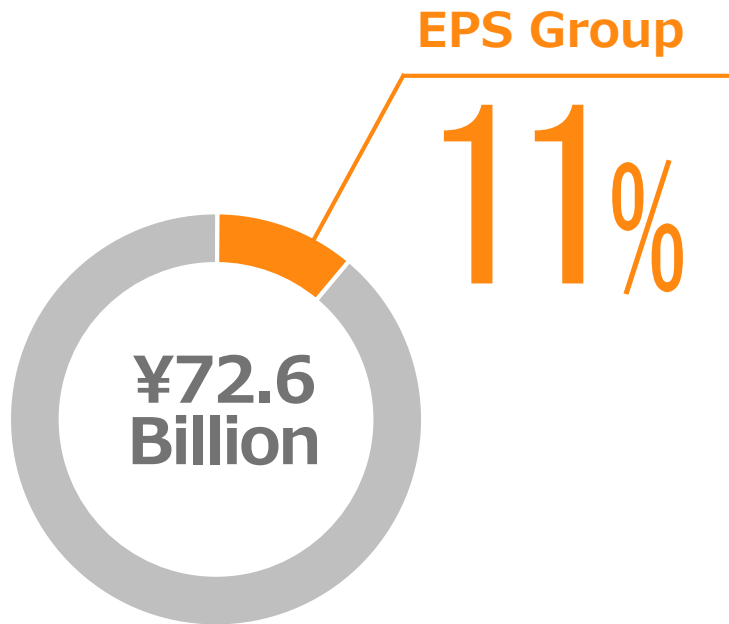
- Strengthen relationships with affiliated institutions
- Further develop CRCs with oncology experience

4. Maintain and expand the operating foundation

Initiatives for building a foundation that can support continued growth amid a changing environment (diversify organization structures and types of employment, etc.)

CSO Leading Company with Originality

Market & Share



Expert Staff

CMR

(Contract Medical Representative)

200

Pharmacists

470

Advantage

- **Scale of No.1 in the industry Medical Contact Center of DI (Drug Information) service.**
- **24 hours, 365 days, by Pharmacists & Clinical Nurse.**
- **No.1 in the Industry of Medical Device CS (Contract Sales) Human Resource supply.**
- **Industry No. 1 for PMS and BPO services (monitoring services)**

* Source: Estimated by EPS Holdings, Inc. based on materials published by MIC Research Institute Ltd. (2017), Yano Research Institute Ltd. (2018), and industry associations

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)
- Enhance specialization of BPO products (services), including DI services
- Promote a multi-channel approach based on MR Direct

2. Strengthen the organization

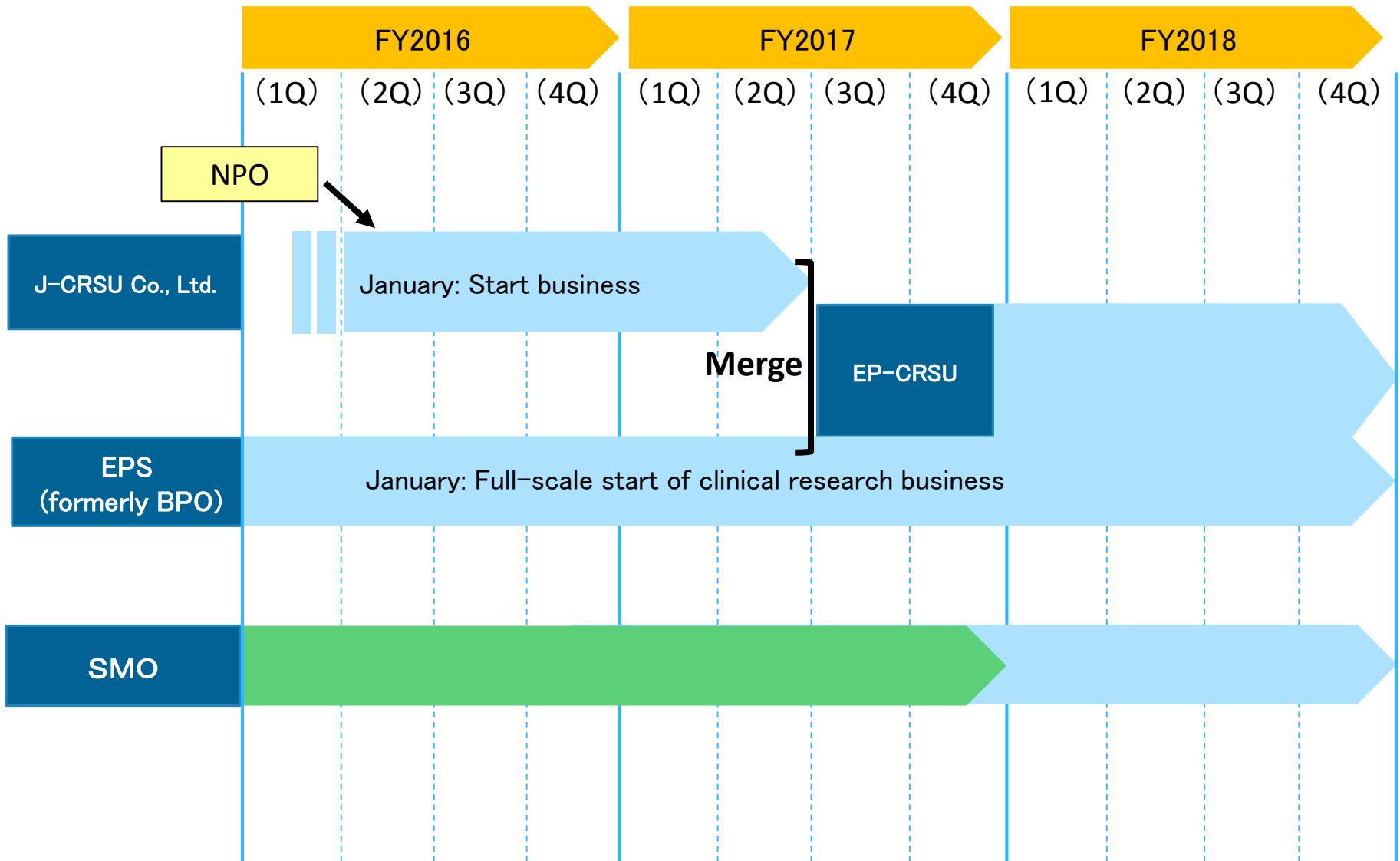
Form an organizational foundation befitting a group of expert staff far ahead of competitors

- Recruit expert staff in call centers and BPO services to bolster each department

3. External growth

- Establish joint venture with SUZUKEN CO., LTD. (planned for October)
- Advance M&A activity and alliances

CPO Business Transition of the CPO Segment



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

- Strengthen project management capabilities
- Strengthen the segment management structure

Global Research **Business Key Initiatives**

Business (Operations realigned into three regions)

- **Japan:**

 - Strengthen monitoring services

 - Seeking to balance the difficulty of projects and the quantity and quality of resources allocated to them

- **Asia-Pacific:**

 - Reallocate and promote sales by revising bases and optimizing 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

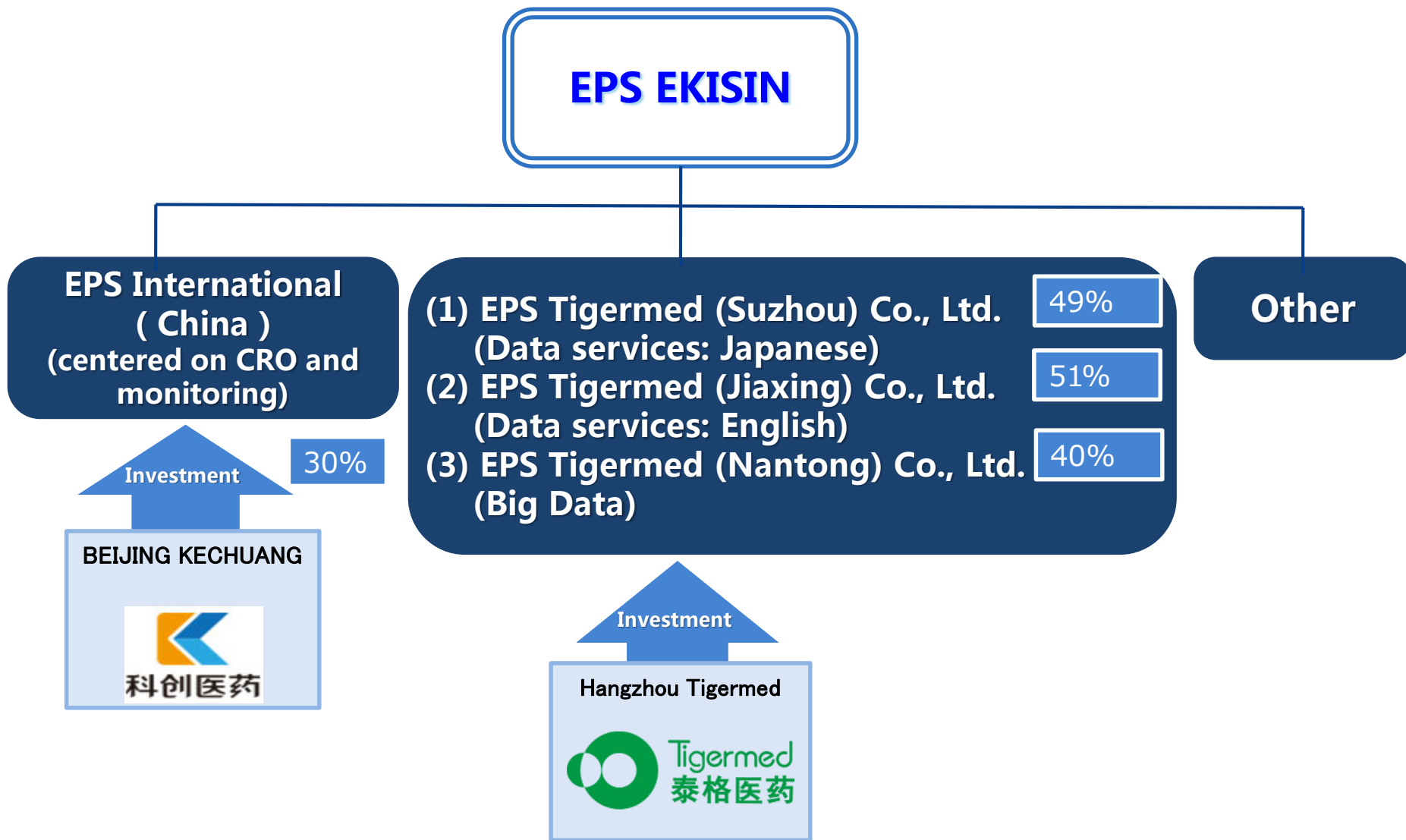
- **Asia-Pacific:**

 - Reconfigure with a view to streamlining the management structure

- **China:**

 - Develop the framework through management by China business

Specialized services business structure



China Business **Key Initiatives**

Business

- (1) Strengthen the existing products business + introduce new products
- (2) Redevelop the operating foundation for specialized services
- (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

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
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