

**Financial Results  
Overview  
for the Fiscal Year  
Ended September 30,  
2019 (FY2019)**

**November 25, 2019  
EPS Holdings, Inc.  
Chairman & CEO  
Yan Hao**

- 1 | Overview for FY2019 Financial Results**
- 2 | FY2020 Full-Year Plan**
- 3 | Revision of Mid-Term Business Plan**
- 4 | Shareholder Returns**

# **1 | Overview for FY2019 Financial Results**

# FY2019 : EPS Group Business Areas



As of September 2019

Business Area	Business Area	Business Area	Business Area
Domestic Business	CRO	EPS, ACM(CRO)	EPS Associate
	SMO	EP-SOGO	ES-Link
	CSO	EP-PharmaLine, ACM(cso)	
	NRO	EP-CRSU, EP-Techno	EP Yamanashi 3 Chinese data service companies
Overseas Business	Global Research	EPS International Holdings	Chinese CRO operating companies Other overseas operating companies
	China	EPS EKISHIN, EPS (China)	Shanghai Hua Xin ET MEDICAL TECHNOLOGY (SUZHOU) CO., LTD. Other Chinese operating companies
	Others	EPBiz (Shared Services)	

Notes: 1. From March 2019, AC MEDICAL has been included in the CRO and CSO segments due to an M&A deal.  
2. From FY2019, former e-Trial has been reclassified from the CRO to the NRO segment and was renamed as EP-Techno upon absorbing All Right Technology in April 2019.

# FY2019 Consolidated Financial Results



(¥ million)

	FY2018 Results	FY2019 Initial Forecast	FY2019 Revised Plan (Announced August 1)	FY2019 Results	Percent Change vs Initial Forecast	Percent Change vs Revised Plan	Percent Change YoY
<b>Net Sales</b>	65,769	72,000	68,100	<b>69,009</b>	-4.2%	1.3%	4.9%
<b>Operating Income</b> <b>(Ratio)</b>	7,193 (10.9%)	7,200 (10.0%)	5,700 (8.4%)	<b>6,279</b> <b>(9.1%)</b>	-12.8%	10.2%	-12.7%
<b>Recurring Profit</b> <b>(Ratio)</b>	7,436 (11.3%)	7,350 (10.2%)	5,800 (8.5%)	<b>6,271</b> <b>(9.1%)</b>	-14.7%	8.1%	-15.7%
<b>Profit Attributable to Owners of Parent</b> <b>(Ratio)</b>	4,388 (6.7%)	4,700 (6.5%)	3,000 (4.4%)	<b>3,633</b> <b>(5.3%)</b>	-22.7%	21.1%	-17.2%

# FY2019 Financial Results by Business Segment

(¥ million)

			FY2019 Initial Forecast	FY2019 Results	Percent Change vs Initial Forecast	Percent Change vs Revised Plan	Percent Change YoY
Domestic	CRO	Net Sales	31,650	28,908	-8.7%	1.2%	0.3%
		Operating Income (%)	6,300 (19.9%)	5,031 (17.4%)	-20.1%	2.3%	-20.6%
	SMO	Net Sales	14,300	14,339	0.3%	0.3%	0.3%
		Operating Income (%)	1,450 (10.1%)	1,679 (11.7%)	15.8%	8.3%	32.3%
	CSO	Net Sales	8,500	9,399	10.6%	0.7%	20.3%
		Operating Income (%)	406 (4.8%)	489 (5.2%)	20.4%	1.9%	27.3%
	NRO	Net Sales	6,000	5,829	-2.9%	-1.2%	117.9%
		Operating Income (%)	355 (5.9%)	428 (7.3%)	20.6%	7.0%	41.3%
Overseas	GR	Net Sales	4,500	3,990	-11.3%	8.7%	-19.3%
		Operating Income (%)	10 (0.2%)	-3 (-)	-	-	-
	China	Net Sales	11,280	11,543	2.3%	-3.8%	4.1%
		Operating Income (%)	130 (1.2%)	381 (3.3%)	193.1%	-4.8%	214.9%

Notes: 1. The CRO segment in the earnings report (kessan tanshin) includes the NRO segment.

2. The calculation of segment operating income

- (1) Does not include management advisory fees for the holding company, and
- (2) Includes amortization of goodwill and outsourcing expenses for shared services.

## Overview of Consolidated Financial Results

### Net sales

- Net sales decreased by 4.2% as strong performance in CSO versus the initial forecast was offset by a significant shortfall in CRO and GR
- Net sales in GR were down year on year, mainly reflecting the impact of losing an order for a major project
- Net sales in the other segments increased due to strong performance and the effect of M&As

### Operating income

- Operating income was 12.8% lower than the initial forecast due to a significant shortfall in CRO
- In other segments, operating income increased, generally exceeding the forecast
- Year on year, operating income decreased, as strong performance in other segments was unable to absorb the decrease in the CRO segment

## CRO

### Net sales and operating income fell short of initial forecasts

- Loss of a large planned project, cancellation of inquiry projects, cancellation of trials in progress, and delayed starting times in monitoring services
- Sluggish orders received for new projects and shortage of outsourcing projects
- Delay in response of sales and management, leading to a drop in capacity utilization rates

## SMO

### Achieved sales target, exceeded initial forecast for operating income

- Strong performance in proposal-based sales activities achieved record-high new orders of ¥20.0 billion
- Number of case studies due to strengthening of the project management system
- Enhanced productivity through organization of internal systems and resource optimization in each region, etc.

## CSO

### Net sales and operating income exceeded initial forecasts

- Rebuilt links within operation systems to strengthen supply capability
- Expanded the existing operation scope for call centers and BPO to grow earnings
- Steady performance in academic materials production support through expanded scope of application for sales information provision guidelines and so forth



## **NRO**

### **Net sales slightly short of target, operating income exceeded initial forecast**

- Smaller scale clinical research projects and delays in progress of undertaken outsourcing projects
- Maintained capacity utilization rates due to steady orders received for investigator-initiated clinical trials
- In pharmaceutical IT, firm external sales of electronic data capture (EDC) systems such as e-Catch

## **GR**

### **Net sales and operating income fell short of initial forecasts**

- Intensified competition with global CROs, loss of large projects, and delays in development
- Started rebuilding CRO business in China
- Reduced losses by optimizing other overseas bases

## **China**

### **Net sales and operating income exceeded initial forecasts**

- Strong sales in the pharmaceutical business
- Sales of medical devices grew with progress in opening up the market
- Organized the product portfolio and concentrated management resources on profitable products

- **CRO and CSO Acquisition of AC MEDICAL INC.** (concluded on February 28, 2019)

For the purpose of expanding the Group's customer base, enhancing resources, and sharing technological knowledge

Acquisition of AC MEDICAL as a company that provides services with high added value with the blending of human resources and IT

- **NRO Acquisition of All Right Technology Inc.** (concluded on November 1, 2018)

Integrated specialized clinical research services and medical IT services to build a platform to support next-generation pharmaceutical development

- **GR Strategic partnership with George Clinical Pty Ltd (Australia)**  
(April 2019)

Concluded a strategic partnership with George Clinical Pty Ltd to pursue strengthened supply capability and to expand orders in the Asia-Pacific region

- **EKISHIN Owned of Suzuken (Shenzhen) in the group**

Built a value chain for spreading products made by Japanese pharmaceutical companies more efficiently and effectively in China by strengthening functions for academic sales promotion and distribution control in China

- **Capital participation in CRO (TTC) for health foods**

Entry into undeveloped clinical testing market for health foods, etc.

Development of new customers (markets) and relationship building through sales activities targeting food-related companies

# 2 | **FY2020 Full-Year Plan**

Domestic Business	CRO	EPS, ACM(CRO: merger planned)	
	SMO	EP-SOGO	
	CSO	EP-PharmaLine, ACM(CRO: merger planned)	ES-Link
	NRO	EP-CRSU, EP-Techno	EP Yamanashi 3 Chinese data service companies
Overseas Business	Global Research	EPS International Holdings <small>(absorption-type merger with the former EPS Associates Co., Ltd.)</small>	Chinese CRO operating companies Other overseas operating companies
	China	EPS EKISHIN, EPS (China)	Shanghai Hua Xin ET MEDICAL TECHNOLOGY (SUZHOU) CO., LTD. Suzuken (Shenzhen) Other Chinese operating companies
	Others	EPBiz (Shared Services)	

Notes: 1. EPS Associates merged with EPS International in October 2019  
2. Suzuken (Shenzhen) was added from the current fiscal year

# FY2020 Consolidated Annual Budget



(¥ million)

	FY2019 Results	FY2020 Forecast	Change YoY	Percent Change YoY
<b>Net Sales</b>	<b>69,009</b>	<b>72,500</b>	3,491	5.1%
<b>Operating Income</b> (Ratio)	<b>6,279</b> (9.1%)	<b>6,170</b> (8.5%)	-109	-1.7%
<b>Recurring Profit</b> (Ratio)	<b>6,271</b> (9.1%)	<b>6,320</b> (8.7%)	49	0.8%
<b>Profit Attributable to Owners of Parent</b> (Ratio)	<b>3,633</b> (5.3%)	<b>3,540</b> (4.9%)	-93	-2.6%

# FY2020 Annual Budget by Segment



(¥ million)

			FY2019 Results	FY2020 Forecast	Change YoY	Percent Change YoY
Domestic	CRO	Net Sales	28,908	<b>28,600</b>	-308	-1.1%
		Operating Income (%)	5,031 (17.4%)	<b>5,168 (18.1%)</b>	137	2.7%
	SMO	Net Sales	14,339	<b>15,000</b>	661	4.6%
		Operating Income (%)	1,679 (11.7%)	<b>1,757 (11.7%)</b>	78	4.6%
	CSO	Net Sales	9,399	<b>10,800</b>	1,401	14.9%
		Operating Income (%)	489 (5.2%)	<b>641 (5.9%)</b>	152	31.1%
	NRO	Net Sales	5,829	<b>6,500</b>	671	11.5%
		Operating Income (%)	428 (7.3%)	<b>450 (6.9%)</b>	22	5.1%
Overseas	GR	Net Sales	3,990	<b>5,100</b>	1,110	27.8%
		Operating Income (%)	-3 (-)	<b>50 (1.0%)</b>	53	-
	China	Net Sales	11,543	<b>12,000</b>	457	4.0%
		Operating Income (%)	381 (3.3%)	<b>150 (1.3%)</b>	-231	-60.6%

Notes: 1. The CRO segment in the earnings report (kessan tanshin) includes the NRO segment.

2. The calculation of segment operating income

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

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

3. EPS Associates that was in CRO in the previous fiscal year was transferred to GR

## 1. Overview of the Plan

- Net Sales : Internal growth in each segment through strengthening sales capabilities  
A decline in sales in the CRO segment is due to the impact of changes in its constituent companies (EPS Associates)
- Operating : Advance cost structure reforms in response to changes in the business environment  
Income : Strengthen management structure and execute upfront investments as needed  
Plan for level results year on year

## 2. Overview for Each Segment

- CRO** Strengthen sales capability and promote cost management and operation streamlining
- SMO** Effective use of resources by executing regional strategies and facility strategies
- CSO** Integrate unique services and differentiate with other companies
- NRO** Integrate specialized services and pharmaceutical IT services
- GR** Build a solid platform spanning Japan, Asia and China
- China** Expand business platform for products businesses

# 3 | Revision of Mid-Term Business Plan



# Revision of Mid-Term Business Plan (Consolidated)

(¥ million)

	First year	Second year	Third year	Fourth year	Fifth year	
	FY2017	FY2018	FY2019	FY2020	FY2021	
	Results	Results	Results	Forecast for 2020/9	Initial forecast	Revised plan
Net sale	60,482	65,769	69,009	72,500	100,000	80,000
Operating income	7,591	7,193	6,279	6,170	12,500	8,000
Operating Margin	12.6%	10.9%	9.1%	8.5%	12.5%	10.0%

# Revision of Mid-Term Business Plan (By Segment)

(¥ million)

	Third year		Fourth year		Fifth year	
	FY2019		FY2020		FY2021	
	Results	Percent Change YoY	Forecast	Percent Change YoY	Forecast	Percent Change YoY
<b>CRO</b>	28,908	0.3%	28,600	-1.1%	30,000	4.9%
<b>SMO</b>	14,339	0.3%	15,000	4.6%	16,000	6.7%
<b>CSO</b>	9,399	20.3%	10,800	14.9%	12,500	15.7%
<b>NRO</b>	5,829	117.9%	6,500	11.5%	8,000	23.1%
<b>GR</b>	3,990	-19.3%	5,100	27.8%	6,500	27.5%
<b>China</b>	11,543	4.1%	12,000	4.0%	14,000	16.7%

## Expand and Strengthen Core Businesses

- Proactive sales activities bringing together front line and management, segments and holding company
- Front-line driven improvement of existing services and development of new products
- Promote project management leveraging Group strengths
- Strengthen forecast and result management through links with front line
- Rejuvenate and invigorate segment management teams

## Explore New Services and New Businesses

- Commercialize high-end services, including formulating development plans
- Develop new business model
- Build a collaboration network in the academic domain and digitalize clinical studies and clinical research
- Develop and create peripheral business through utilization of human resources
- M&As and capital participation focused on business synergies

## Advance Platform Development in Overseas Business

### GR

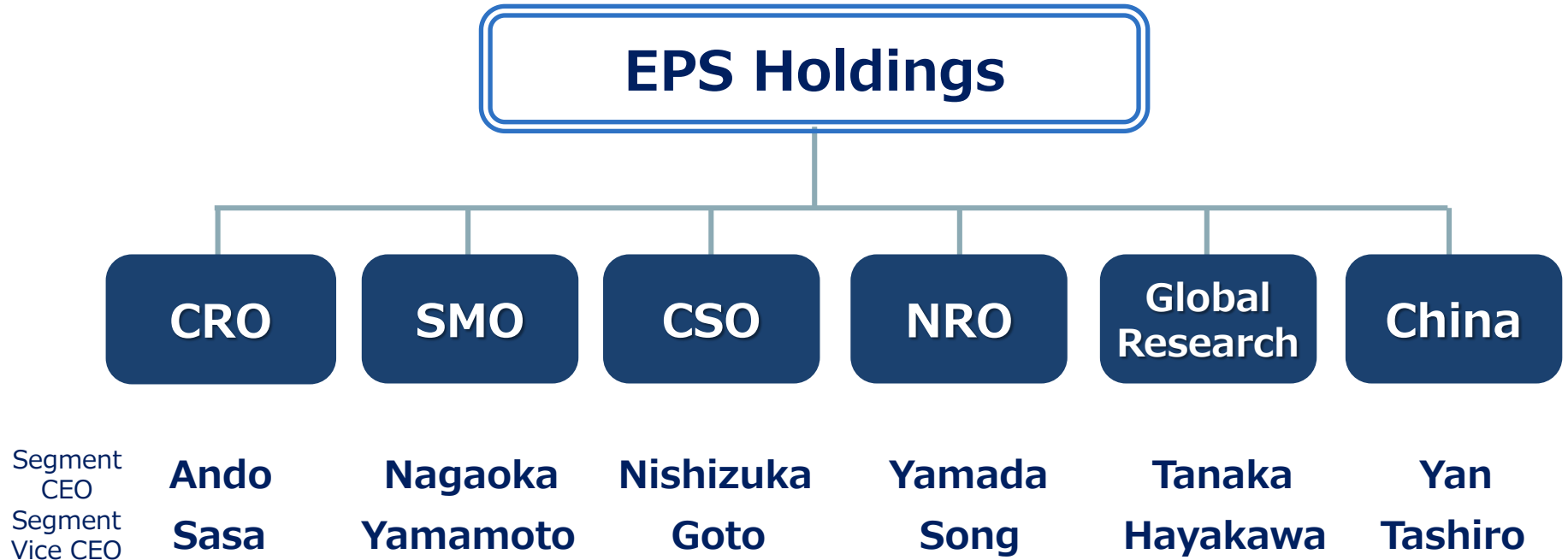
- Strengthen support systems for overseas clinical trials of Japanese customers
- Support for Japanese market entry of overseas customers, particularly ventures (including Chinese companies)
- Platform development for operations and management systems

### China

- Stable operation of existing products businesses (pharmaceuticals and medical devices)
- Evolve the specialist trading company concept to bridge the Japanese and Chinese healthcare industries
- Build a joint management structure for Japan and China

## Establish Group Management Structure

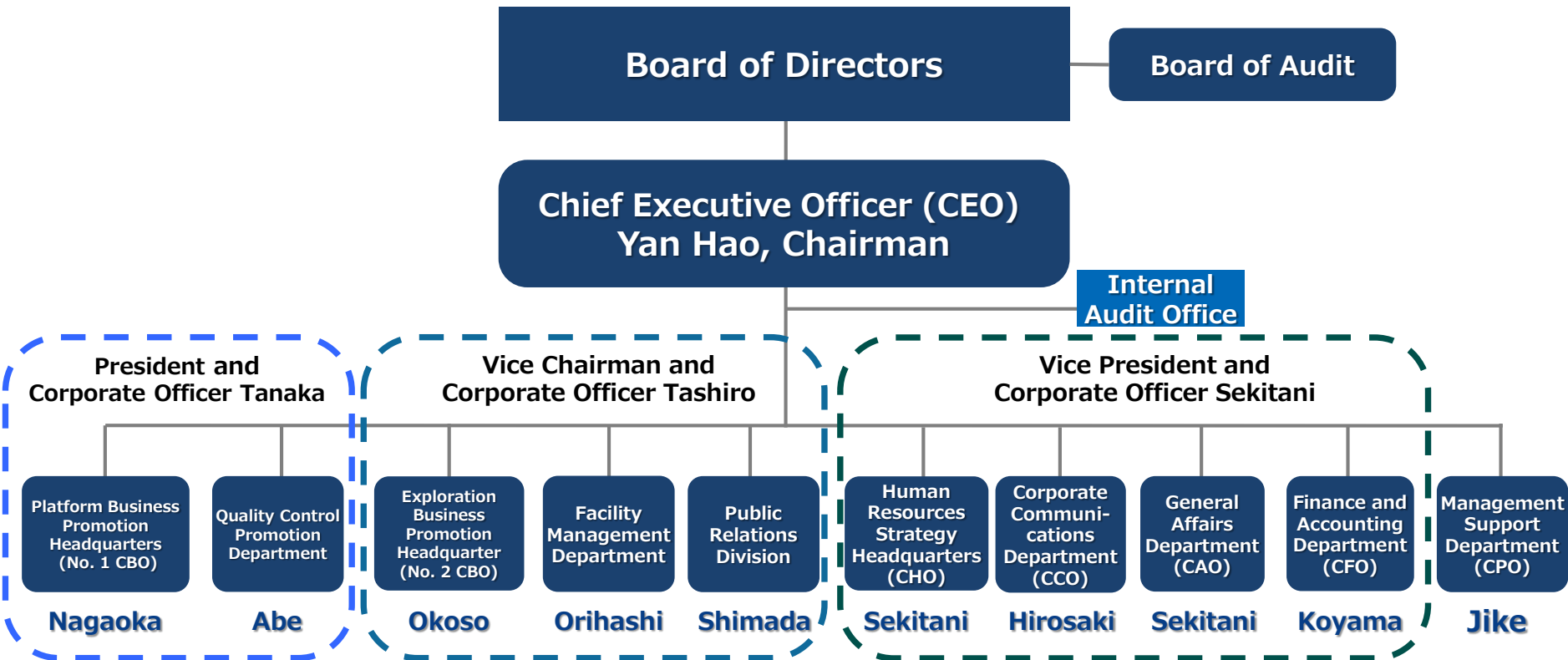
- Strengthen business management under “OneEPS” in the holding company
- Reform cost structure and improve administration and management functionality through personnel system reforms and other means
- Strengthen education of the next generation of management leaders



- Rejuvenate management at the segment level by appointing young, next-generation personnel
- Divide segments into business units of appropriate size dedicated to daily operations, and control them

# FY2020 Business Management Structure

【Horizontal Dimension】



- The holding company will function as the central command point for the OneEPS structure, strengthening the planning, adjustment, and promotion functions for the entire group
- Proactively appoint next-generation personnel from segments to concurrent positions



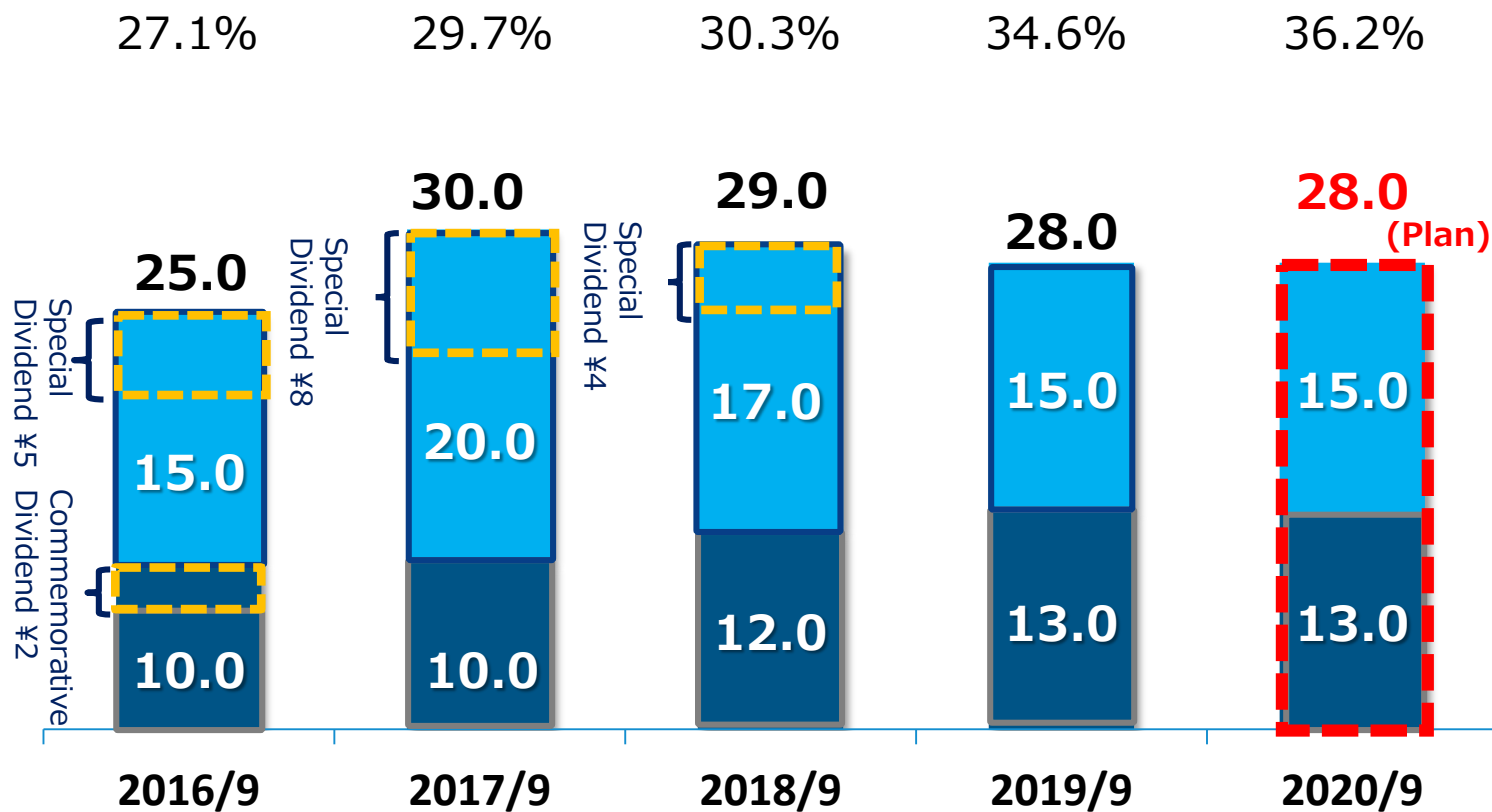
- 1. Establish a position as a Solutions Provider in the Healthcare Industry** (Solutions provided as infrastructure)
- 2. Build up business scale to compete effectively with the major global players and strengthen global business expansion**
- 3. Extend independent and autonomous business management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

# 4 | Shareholder Returns

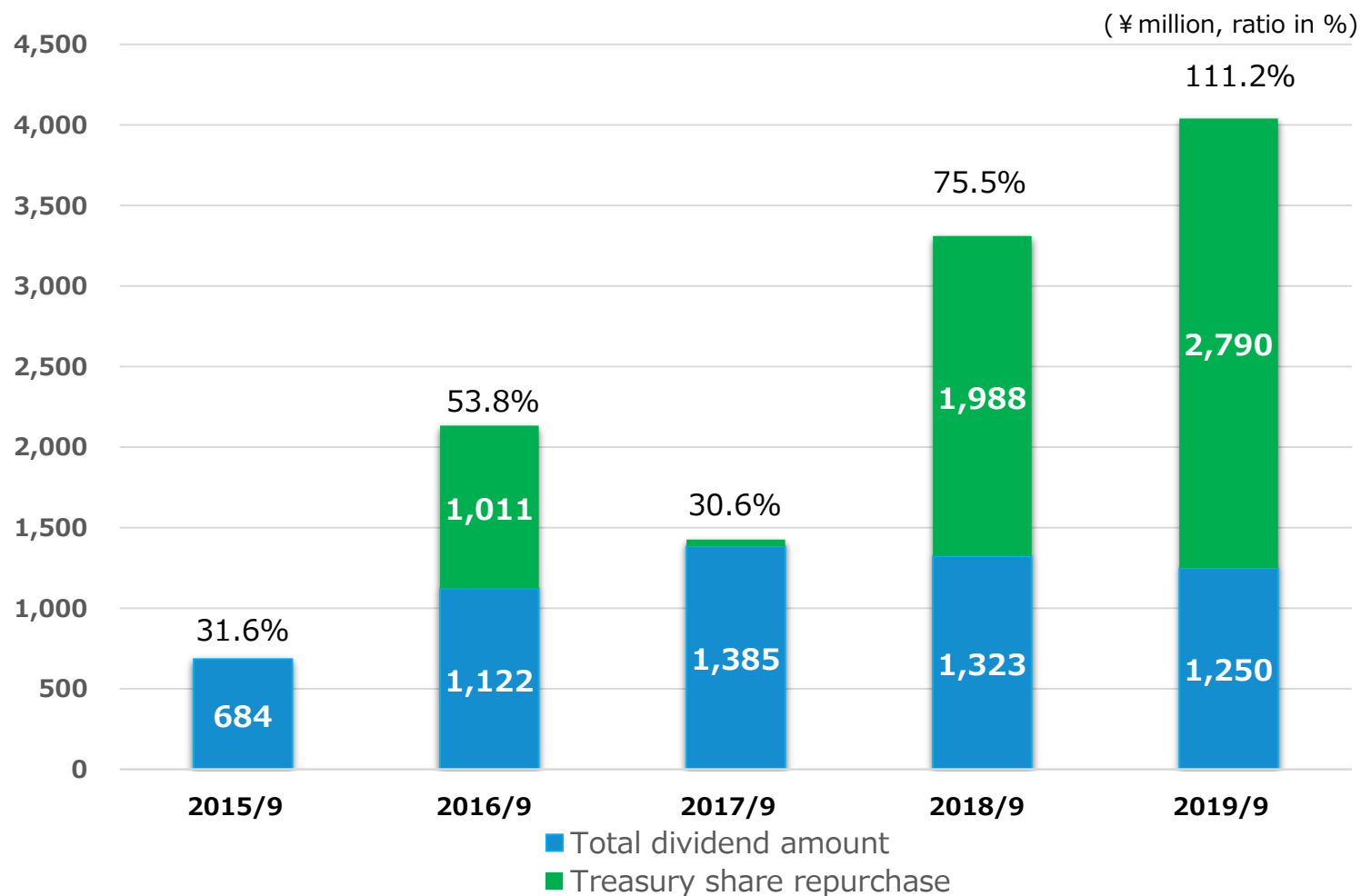
# Dividend Per Share

■ Term End Dividend ■ Mid-term Dividend

(Consolidated payout ratio)



# Total Return Ratio



# **Thank you for your attention.**

**Please direct inquiries to  
Investor Relations, Finance and Accounting Department,  
EPS Holdings, Inc.**

**Phone: +81-3-5684-7873 / Email : [ir@eps.co.jp](mailto:ir@eps.co.jp)**

## **EPS Holdings, Inc.**

The earnings forecasts and future predictions described in the document are made by our company based on the available information at the time of the creation of the document, and contain potential risks and uncertainties. Therefore, due to various factors such as changes in the business environment, it is possible that actual earnings results may differ greatly from the future outlook mentioned or described herein.

We have approached the creation of this document with caution, to ensure correctness. However, it is not a guarantee of completeness. Our company cannot be held liable for any problems or damages arising as a result of the information in this document. We appreciate your understanding.

- For inquiries about this document  
Investor Relations, Finance and Accounting  
Department, EPS Holdings, Inc.  
Phone: +81-3-5684-7873  
e-mail: [ir@eps.co.jp](mailto:ir@eps.co.jp)



**EPS**

**EPSホールディングス株式会社**