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Consolidated Earnings Report for the First Nine Months of Fiscal 2021 [Japanese GAAP]

August 3, 2021

| | |
|---|---|
| Company Name: | EPS Holdings, Inc. |
| Stock Listing: | First Section, Tokyo Stock Exchange |
| Code Number: | 4282 |
| URL: | http://www.eps-holdings.co.jp |
| Representative Director: | Yan Hao, Chairman & CEO |
| Inquiries: | Kazuki Sekitani, Board Member, Vice President and Corporate Officer |
| Tel: | +81-3-5684-7873 |
| Filing of Quarterly Securities Report: | May 15, 2021 |
| Scheduled Payment of Dividends: | June 8, 2021 |
| Supplementary explanatory materials prepared: | None |
| Explanatory meeting: | None |

(¥ millions are rounded down)

1. Consolidated Results for the First Nine Months of Fiscal 2021 (October 1, 2020 to June 30, 2021)

(1) Consolidated Operating Results

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

| First Six Months | Net sales | Operating income | Recurring profit | Profit attributable to owners of parent |
|------------------|---------------|------------------|------------------|---|
| Fiscal 2021 | 53,531 10.4% | 5,280 66.3% | 5,672 73.0% | 3,146 51.5% |
| Fiscal 2020 | 48,481 (3.3%) | 3,174 (17.2)% | 3,279 (15.8)% | 2,077 1.2% |

Note: Comprehensive income: June 30, 2021: ¥3,713 million [170.6%], June 30, 2020: ¥1,372 million [(40.9)%]

| First Six Months | Profit per share (¥) | Profit per share (diluted) (¥) |
|------------------|----------------------|--------------------------------|
| Fiscal 2021 | 71.26 | — |
| Fiscal 2020 | 45.98 | — |

(2) Consolidated Financial Position

(¥ millions)

| | Total assets | Net assets | Equity ratio (%) |
|--------------------|--------------|------------|------------------|
| June 30, 2021 | 80,424 | 49,255 | 57.2 |
| September 30, 2020 | 70,458 | 46,939 | 62.6 |

Note: Equity: June 30, 2021: ¥45,981 million, September 30, 2020: ¥44,106 million

2. Dividends

| | Dividend per share (¥) | | | | |
|------------------------|------------------------|----------------|---------------|----------|-----------|
| | First Quarter | Second Quarter | Third Quarter | Year End | Full Year |
| Fiscal 2020 | — | 10.00 | — | 10.00 | 20.00 |
| Fiscal 2021 | — | 12.50 | | | |
| Fiscal 2021 (forecast) | | | — | 0.00 | 12.50 |

Note: Revisions to recent dividend forecasts: None

Notes: The Second Quarter dividend for fiscal 2021 includes commemorative dividend of 2.5 yen per share.

3. Forecast of Consolidated Results for Fiscal 2021 (October 1, 2020 to September 30, 2021)

(¥ 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 | 75,000 | 12.5% | 5,500 | 20.8% | 5,900 | 18.5% | 3,300 | 65.4% | 74.67 |

Note: Revisions to recent consolidated results forecasts: None

*Notes

- (1) Changes to important subsidiaries during the first six months changes in specified subsidiaries resulting in revised scope of consolidation: None
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) 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

(4) Number of shares issued (common stock)

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

| | | | |
|---------------------|------------|-----------------|------------|
| Fiscal 2021, 3Q end | 46,311,389 | Fiscal 2020 end | 46,311,389 |
|---------------------|------------|-----------------|------------|

b. Number of treasury stock at end of period:

| | | | |
|---------------------|-----------|-----------------|-----------|
| Fiscal 2021, 3Q end | 2,122,003 | Fiscal 2020 end | 2,212,221 |
|---------------------|-----------|-----------------|-----------|

c. Average number of stock during the period:

| | | | |
|-----------------|------------|-----------------|------------|
| Fiscal 2021, 3Q | 44,162,175 | Fiscal 2020, 3Q | 45,188,533 |
|-----------------|------------|-----------------|------------|

Note: The number of treasury shares at end of period includes 93,090 shares of the Company held by EPS EKISHIN Co., Ltd.

* This financial report is outside the scope of the quarterly audit reviews performed by certified public accountants or auditing firms.

* Explanation concerning the appropriate use of financial forecasts and other notable matters.

Earnings forecasts and other forward-looking statements in this report are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may differ materially from these statements for various reasons.

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1. Qualitative Information Concerning Quarterly Financial Statements

(1) Explanation Regarding Consolidated Operating Results

Overview of Operating Results for the Nine Months Ended June 30, 2021

(¥ millions)

| | The First Nine Months of Fiscal 2020 | | The First Nine Months of Fiscal 2021 | | Change | |
|---|--------------------------------------|-------|--------------------------------------|-------|--------|------|
| | Amount | % | Amount | % | Amount | % |
| Net sales | 48,481 | 100.0 | 53,531 | 100.0 | 5,049 | 10.4 |
| Operating income | 3,174 | 6.5 | 5,280 | 9.9 | 2,105 | 66.6 |
| Recurring profit | 3,279 | 6.8 | 5,672 | 106 | 2,392 | 73.0 |
| Profit attributable to owners of parent | 2,077 | 4.3 | 3,146 | 5.9 | 1,069 | 51.5 |

Forward-looking statements contained in this document are based on the judgment of operating results as of June 30, 2021.

In the nine months ended June 30, 2021, both consolidated net sales and consolidated operating income for the entire Group were solid, and COVID-19 had only a slight impact on each business.

The Domestic Business reported year-on-year increases in sales and income, with the Contract Research Organization (CRO) Business maintaining high utilization rates especially for monitoring, the Site Management Organization (SMO) Business gradually being less impacted by COVID-19 in terms of the limitation of visits to medical institutions outside major metropolitan areas and decline in patients visiting hospitals, and the Contract Sales Organization (CSO) Business launching drug information (DI) services* and COVID-19 related services using contract medical representatives (MR) and also making steady progress with other services.

In the Overseas Business, the Global Research Business reported lower sales and income, reflecting the fiercely competitive environment for winning orders. The EKISHIN (China) Business temporarily suspended the operation of manufacturing lines in China in the first quarter of the previous fiscal year. The segment subsequently achieved sales growth following the resumption of operations, but incurred expenses for responding to the tightening of regulations in China.

As a result, consolidated net sales were ¥53,531 million, up 10.4% year on year.

Consolidated operating income rose 66.3% year on year, to ¥5,280 million, reflecting profit growth from increased net sales and the effect of reduced administrative expenses through cost structure reforms.

Operational segments are outlined as follows.

*Drug Information (DI) services: Call center services making the latest drug information available to health care professionals

Segment Overview

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

(¥ millions)

| | | | The First Nine Months of Fiscal 2020 | The First Nine Months of Fiscal 2021 | Change |
|-------------------|--------------------------|-------------------------|--------------------------------------|--------------------------------------|--------|
| Domestic Business | CRO | Net sales | 21,756 | 24,421 | 2,664 |
| | | Operating income | 2,767 | 5,005 | 2,237 |
| | SMO | Net sales | 9,961 | 10,280 | 318 |
| | | Operating income | 1,234 | 1,562 | 327 |
| | CSO | Net sales | 8,632 | 9,648 | 1,015 |
| | | Operating income | 720 | 1,199 | 478 |
| Overseas Business | Global Research | Net sales | 2,655 | 2,262 | (402) |
| | | Operating income | 124 | (63) | (187) |
| | EKISHIN (China) Business | Net sales | 6,046 | 6,784 | 737 |
| | | Operating income (loss) | (251) | (145) | 106 |

1) CRO Business

The CRO Business is conducted mainly by EPS Corporation, EP-CRSU Co., Ltd., and EP Mediate Co., Ltd. In this business, the Group aims to build an EPS platform which provides total solutions, and is engaged in a range of initiatives including the establishment of new services such as the creation of a virtual clinical trial framework

(Virtual Go) and the acquisition of new knowledge through joint research with academia.

On June 30, 2021, the Company completed the acquisition of CAC Croit Corporation (now EP Croit Co., Ltd), a CRO with expertise in information technology (IT), and by comprehensively utilizing the safety information management support knowhow and system development capabilities of EP Croit Co., Ltd, the Group aims to provide a wide range of support for safety information services.

Net sales in this segment came to ¥24,421 million, an increase of ¥2,664 million, or 12.2%, year on year, and segment operating income was ¥5,005 million, rising ¥2,237 million, or 80.8%, year on year.

Performance in the CRO Business by service is as follows.

Clinical trials and post-marketing surveillance (PMS) services

Factors including a high volume of orders received through alliances with multiple partners going beyond expectations, continuously high utilization rates of monitoring and data science services, and higher efficiency of low-profitability projects in data science operation resulted in growth in both sales and income.

Clinical research services

The Group is focusing on strengthening its service framework in face of increasingly diverse clinical research as well as on enhancing support services from upstream to downstream processes and strengthening sales. Clinical research services showed gains in sales and income, reflecting brisk inquiries centered on academic projects including investigator-initiated clinical trials, high utilization rates in clinical research monitoring services, and the effects of cost reductions.

Medical device and other services

The Group is seeking to integrate medical device services and CRO for health-functional food services to strengthen the non-pharmaceutical CRO business. Compared with the same period of the previous year, medical device services achieved steady sales expansion in line with market growth. Meanwhile health-functional food services posted year-on-year growth in both sales and income, reflecting an increase in orders mainly for functional foods..

2) SMO Business

The SMO Business is undertaken by EP-SOGO Co., Ltd.

In this business, the Group is striving to secure orders through proposal-based sales activities for existing and new services targeting clinical trial sponsors and through alliance contracts, and actively executing regional strategies such as concentrating resources on preferred facilities with good patient recruitment rates, among others.

Net sales in this segment were ¥10,280 million, a decrease of ¥318 million, or 3.2%, year on year. Segment operating income was ¥1,562 million, rising ¥327 million, or 26.6%, year on year.

In terms of operations, the Group is seeking to increase the efficiency of clinical trials and improve productivity by promoting the remote review system of the Institutional Review Board (IRB) through the digitalization of clinical trial related documentation including essential documents. In addition, the Group is deploying a new business model to alleviate the workload of clinical research coordinators (CRCs) through the central management of clinical trial data by Site Data Managers (SDMs) assigned to medical institutions, and to rapidly recruiting clinical trial patients and reduce clinical trial costs. Inquiries increased from the same period of the previous year and a number of projects are in operation. Profit increased, reflecting a gradual weakening of the impact of COVID-19 in terms of the limitation of visits to medical institutions outside major metropolitan areas and a decrease in patients visiting hospitals, and the appropriate allocation of personnel, reduction of management expenses, and other measures taken.

*Site Data Manager (SDM): To enable CRCs to focus on dealing with clinical trial patients and medical staff and recruiting clinical trial participants, the Group assigns a Clinical Research Associate (CRA) to a medical institution as an SDM who is exclusively in charge of carefully assessing data and inputting data into the system.

3) CSO Business

The CSO Business is undertaken by EP-PharmaLine Co., Ltd., EP-Force Co., Ltd., and ES-Link Co., Ltd.

Net sales in this segment were ¥9,648 million, an increase of ¥1,015 million, or 11.8%, year on year. Segment operating income was ¥1,199 million, an increase of ¥478 million, or 66.4%, year on year.

Performance in the CRO Business by service is as follows.

DI services

Sales increased, partly due to the launch of COVID-19-related services for pharmaceutical companies. Income

also rose, as utilization increased due to such projects.

Contract MR (CMR) services

Decline in demand for CMRs spurred by the pharmaceutical industry's ongoing MR reductions in recent years came to an end and inquiries are also on a recovery trajectory. The Group made steady progress with the allocation of personnel to new projects and utilization rates increased. As a result, CMR services registered gains in sales. Profit grew substantially owing to high utilization rates and promotion of remote activities.

Other services

Contracts for the preparation of academic materials increased due to an increase in web seminars. Steady progress in services such as support for post-marketing surveillance and pharmaceutical distribution management resulted in growth in both sales and income.

4) Global Research Business

The Global Research Business comprises EPS International Holdings Co., Ltd. and its overseas group companies, which conduct the CRO business in Japan, China and the Asia-Pacific region.

Net sales in this business were ¥2,262 million, a decrease of ¥402 million, or 15.1%, year on year. Operating losses were ¥63 million (¥124 million in operating losses posted in the same period of the previous fiscal year).

New orders from overseas for trials within Japan were weak due to intensified competition with global CROs.

In the CRO business in China, inquiries increased in tandem with market expansion, especially at Beijing Global Pharmaceutical Research Co., Ltd. (G&P), a Chinese CRO acquired in the previous fiscal year. However, the business was affected by delay in some clinical trials.

In the Asia-Pacific region, the Group focused on winning orders for projects in each country and continued to build a business base.

5) EKISHIN (China) Business

The EKISHIN (China) Business comprises the two regional holding companies EPS EKISHIN Co., Ltd. and EPS (China) Co., Ltd., and related overseas Group companies.

In this business, under a solid capital and business partnership with SUZUKEN Co., Ltd., the Group provides product-related services centered on pharmaceuticals and medical devices, international trade related services and peripheral support services and is working to further expand earnings.

Net sales in this business were ¥6,784 million, an increase of ¥737 million, or 12.2%, year on year, and operating losses were ¥145 million (¥251 million in operating losses posted in the same period of the previous fiscal year).

In the EKISHIN (China) Business, earnings are driven by pharmaceutical manufacturing and sales, and efforts are also being made to strengthen profitability through the careful selection of sales channels. Looking at sales and income, during the first quarter of the previous fiscal year, the temporary suspension of manufacturing lines had a negative impact. However, manufacturing operations have since resumed and, as a result, sales increased. In China, too, however, the number of patients visiting medical institutions has decreased since the outbreak of the COVID-19 pandemic and the negative impact on sales remains. In addition, various expenses were incurred to make improvements in response to the tightening of regulations on pharmaceutical manufacturing in China.

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

There have been no changes to the consolidated financial forecasts announced in the Consolidated Earnings Report for the First Six Months of Fiscal 2021 on May 7, 2021.

On July 27, 2021, the Company resolved to submit proposals regarding a share consolidation, abolition of provisions on share units and partial amendment to the Articles of Incorporation to the Company's extraordinary shareholders meeting to be held on August 27, 2021.

Approval of these proposals will result in the common shares of the Company (the "Company Shares") falling under the delisting criteria set out in the listing rules of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). Accordingly, the Company Shares will be delisted on September 17, 2021. Please note that, after being delisted, the Company Shares will no longer be tradable on the First Section of the Tokyo Stock Exchange.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(¥ million)

| | As of September 30, 2020 (Previous Fiscal Year-End) | As of June 30, 2021 (End of the First Nine Months) |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 22,127 | 22,511 |
| Notes and accounts receivable - trade | 16,313 | 18,528 |
| Marketable securities | 1,378 | 1,460 |
| Merchandise and finished goods | 1,002 | 1,253 |
| Work in process | 1,752 | 3,155 |
| Other current assets | 3,494 | 4,105 |
| Less: Allowance for doubtful accounts | (159) | (180) |
| Total current assets | 45,909 | 49,834 |
| Fixed assets | | |
| Property, plant and equipment | 7,244 | 9,437 |
| Intangible fixed assets | | |
| Goodwill | 5,984 | 9,631 |
| Other intangible fixed assets | 1,438 | 1,722 |
| Total intangible fixed assets | 7,422 | 11,353 |
| Investments and other assets | | |
| Investment securities | 3,690 | 4,183 |
| Lease and guarantee deposits | 1,984 | 2,213 |
| Other investments and other assets | 4,206 | 3,402 |
| Total investments and other assets | 9,880 | 9,799 |
| Total fixed assets | 24,548 | 30,590 |
| Total assets | 70,458 | 80,424 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 753 | 1,601 |
| Short-term loans | 3,465 | 9,947 |
| Current portion of long-term loans payable | 209 | 806 |
| Income taxes payable | 2,104 | 665 |
| Allowance for employees' bonuses | 3,554 | 1,550 |
| Provision for loss on order received | 296 | 277 |
| Other current liabilities | 9,835 | 11,153 |
| Total current liabilities | 20,219 | 26,002 |
| Non-current liabilities | | |
| Long-term debt | 204 | 150 |
| Allowance for directors' and corporate auditors' retirement benefits | 110 | 53 |
| Net defined benefit liability | 1,767 | 1,697 |
| Asset retirement obligations | 580 | 562 |
| Other non-current liabilities | 636 | 2,703 |
| Total non-current liabilities | 3,299 | 5,166 |
| Total liabilities | 23,518 | 31,169 |

(¥ million)

| | As of September 30, 2020 (Previous Fiscal Year-End) | As of June 30, 2021 (End of the First Nine Months) |
|---|--|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,888 | 3,888 |
| Additional paid-in capital | 13,382 | 12,828 |
| Retained earnings | 29,007 | 31,159 |
| Treasury common stock, at cost | (2,802) | (2,690) |
| Total shareholders' equity | 43,475 | 45,185 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 164 | (29) |
| Foreign currency translation adjustment | 559 | 885 |
| Remeasurements of defined benefit plans | (93) | (59) |
| Total accumulated other comprehensive income | 630 | 796 |
| Non-controlling interests | 2,833 | 3,274 |
| Total net assets | 46,939 | 49,255 |
| Total liabilities and net assets | 70,458 | 80,424 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(The nine months ended June 30, 2021)

(¥ millions)

| | First Nine Months of Fiscal 2020 (October 1, 2019 to June 30, 2020) | First Nine Months of Fiscal 2021 (October 1, 2020 to June 30, 2021) |
|---|--|--|
| Net sales | 48,481 | 53,531 |
| Cost of sales | 33,536 | 35,334 |
| Gross profit | 14,944 | 18,196 |
| Selling, general and administrative expenses | 11,770 | 12,916 |
| Operating income | 3,174 | 5,280 |
| Non-operating income: | | |
| Interest income | 83 | 71 |
| Dividend income | 59 | 55 |
| Foreign exchange gains | — | 226 |
| Gain on insurance cancellation | 56 | 135 |
| Other non-operating income | 182 | 212 |
| Total non-operating income | 381 | 701 |
| Non-operating expenses: | | |
| Interest expenses | 11 | 17 |
| Foreign exchange losses | 19 | — |
| Commission fees | — | 277 |
| Loss due to COVID-19 | 195 | — |
| Other non-operating expenses | 50 | 14 |
| Total non-operating expenses | 276 | 309 |
| Recurring profit | 3,279 | 5,672 |
| Extraordinary gains: | | |
| Surrender value of insurance | 668 | — |
| Total extraordinary gains | 668 | — |
| Extraordinary losses: | | |
| Business reorganization losses | 274 | — |
| Total extraordinary loss | 274 | — |
| Profit before income taxes | 3,673 | 5,672 |
| Income taxes | 1,053 | 1,653 |
| Income tax adjustment | 715 | 759 |
| Total income taxes | 1,769 | 2,412 |
| Profit | 1,904 | 3,259 |
| Profit (loss) attributable to non-controlling interests | (172) | 112 |
| Profit attributable to owners of parent | 2,077 | 3,146 |

Quarterly Consolidated Comprehensive Income
(The six months ended June 30, 2021)

(¥ millions)

| | First Nine Months of Fiscal 2020 (October 1, 2019 to June 30, 2020) | First Nine Months of Fiscal 2021 (October 1, 2020 to June 30, 2021) |
|--|--|--|
| Profit | 1,904 | 3,259 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | (615) | (193) |
| Foreign currency translation adjustment | (21) | 613 |
| Remeasurements of defined benefit plans | 103 | 33 |
| Share of other comprehensive income of entities accounted for using equity method | 1 | 0 |
| Total other comprehensive income | (532) | 453 |
| Comprehensive income | 1,372 | 3,713 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 1,549 | 3,312 |
| Comprehensive income attributable to non-controlling interests | (177) | 401 |

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning the Going Concern Assumption)

None

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

None

(Segment Information)

I. The First Nine Months of Fiscal 2020 (October 1, 2019 to June 30, 2020)

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

| | CRO | SMO | CSO | Global Research Business | EKISHIN (China) Business | Others | Total | Adjustment (Note 1) | Amount recorded on quarterly consolidated financial statements |
|-----------------------------------|--------|-------|-------|--------------------------|--------------------------|--------|--------|---------------------|--|
| Net sales | | | | | | | | | |
| Sales to outside customers | 20,697 | 9,938 | 8,569 | 2,528 | 6,032 | 714 | 48,481 | — | 48,481 |
| Inter-segment sales and transfers | 1,059 | 22 | 62 | 137 | 13 | 1,350 | 2,646 | (2,646) | — |
| Total | 21,756 | 9,961 | 8,632 | 2,665 | 6,046 | 2,065 | 51,127 | (2,646) | 48,481 |
| Segment operating income | 2,767 | 1,234 | 720 | 124 | (251) | 47 | 4,643 | (1,468) | 3,174 |

(¥ millions)

Notes: 1. Adjustment of ¥(1,468) million for segment operating income includes inter-segment transactions of ¥9 million and corporate expenses not allocated to each reportable segment of ¥(1,477) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. EPS Associates Co., Ltd. and EPS International Holdings Co., Ltd. merged on October 1, 2019. EPS Associates Co., Ltd. was the surviving company in the merger by absorption upon which its name was changed to EPS International Holdings Co., Ltd. Accompanying this, it was moved from the CRO Business to the Global Research Business segment. Segment information for the six months ended March 31, 2019 is disclosed based on the reporting segments for the six months ended March 31, 2020.

II. The First Nine Months of Fiscal 2021 (October 1, 2020 to June 30, 2021)

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

| | CRO | SMO | CSO | Global Research Business | EKISHIN (China) Business | Others | Total | Adjustment (Note) | Amount recorded on quarterly consolidated financial statements |
|-----------------------------------|--------|--------|-------|--------------------------|--------------------------|--------|--------|-------------------|--|
| Net sales | | | | | | | | | |
| Sales to outside customers | 24,070 | 10,266 | 9,628 | 2,014 | 6,765 | 786 | 53,531 | — | 53,531 |
| Inter-segment sales and transfers | 351 | 13 | 19 | 248 | 19 | 2,361 | 3,013 | (3,013) | — |
| Total | 24,421 | 10,280 | 9,648 | 2,262 | 6,784 | 13,147 | 56,544 | (3,013) | 53,531 |
| Segment operating income | 5,005 | 1,562 | 1,199 | (63) | (145) | (269) | 7,288 | (2,007) | 5,280 |

(¥ millions)

Notes: 1. Adjustment of ¥(2,007) million for segment operating income includes inter-segment transactions of ¥68 million and corporate expenses not allocated to each reportable segment of ¥(1,939) million. The main corporate expenses comprise expenses related to the Company (the holding company).

2. Information about impairment loss for noncurrent assets or goodwill, etc., by reportable segment

In the nine months ended June 30, 2021, the Company acquired the shares of Speed Apparel Holding Limited (now EPS Creative Health Technology Group Ltd), which was then newly included in the scope of consolidation. As a result, the amount of goodwill in the Others segment increased by 3,845 million yen. In addition, EPS Corporation, a consolidated subsidiary of the Company, acquired the shares of CAC Croit Corporation (now EP Croit Co., Ltd), which was then newly included in the scope of consolidation. As a result, the amount of goodwill in the CRO Business segment increased by 546 million yen. As allocation of the acquisition costs has not been completed, the amounts of goodwill are provisional estimates.

Important Subsequent Events

The Company resolved at a meeting of the Board of Directors held on May 27, 2021 to express its opinion in support of a Tender Offer (the "Tender Offer") for the common shares of the Company (the "Company Shares") to be conducted by Shinyou K.K. (the "Tender Offeror") as part of a so-called Management Buyout (MBO) and to recommend that the Company's shareholders apply for the Tender Offer.

The Tender Offer was concluded on July 8, 2021 and the Company received a report to the effect that the Tender Offer had been concluded from the Tender Offeror. The outcome of the Tender Offer was that the total number of the tendered shares (29,103,336 shares) exceeded the minimum planned purchase quantity (20,022,368 shares). Therefore, the Tender Offeror purchased all tendered shares on July 15, 2021 (the "Commencement Date of Settlement").

Although 29,103,336 shares of Company Shares were tendered, the Tender Offeror was unable to purchase all of the Company Shares (excluding, however, 9,414,000 shares of Company Shares owned by Y&G Limited, which is the parent company of the Tender Offeror, 26,632 shares of the Company Shares owned by Mr. Hao Yan, Mr. Junbo Song, Mr. Shinro Tashiro, Mr. Tatsuma Nagaoka and Mr. Shinji Hirosaki, who are officers and employees of the Company, 93,090 shares of the Company Shares owned by EPS EKISHIN Co., Ltd. ,which is a consolidated subsidiary of the Company, and the Company Shares owned by the Company) through the Tender Offer and, therefore, implemented the procedures described in "(4) Post-Tender Offer Reorganization Policy (Matters Regarding the So-called "Two-Step Acquisition"))" of "3 Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer" in "Notice Regarding MBO and Recommendation Application" published on May 27, 2021 and to make the Tender Offeror and Y&G Limited the sole shareholders of the Company.

Accordingly, the Company resolved at meeting of the Board of Directors held on July 27, 2021 to hold an extraordinary shareholders meeting on August 27, 2021 and to submit proposals regarding a share consolidation, abolition of provisions on share units and partial amendment to the Articles of Incorporation. The Company also resolved to cancel treasury shares on condition subject to approval of the proposal on share consolidation as originally proposed.

As a result, the Company Shares will be delisted via the prescribed procedure in accordance with the delisting criteria of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). After being delisted, the Company Shares will no longer be tradable on the First Section of the Tokyo Stock Exchange.