



2006 BUSINESS REPORT

The year ended September 30, 2006

Ever
Progressing
System

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I. Acknowledgment

- Upon the Public Listing on the 1st Section of TSE –

As of today September 1, 2006, our company EPS Co., Ltd., is publicly listed on the first section of the Tokyo Stock Exchange (TSE).

Our company began its history in 1991 at a small office with a few members that could be even counted all on one hand. In 15 years, we have come a long way going through trials and tribulations. When I look back, it was like a voyage with no navigational charts.

At this momentous day, thousands of thoughts are going through my head and I cannot contain myself for deep emotion. Above all others, “Gratitude” is the word comes uppermost in my mind. I attribute this achievement primarily to all these people's dedicated efforts, hearty support and encouragement: our all employees, those who have devoted themselves to support our company's ever progress since the establishment, including the ones no longer with us; our all clients, those who have given us severe but warm advice and guidance; our all stockholders, those who have understood our endeavor and had their expectations of our performance; and all others involved. It is a cliché, but my true feeling and not in the least an exaggeration to say. Therefore, I would like to take this occasion to express my profound sense of gratitude to you all.

Our company's listing on such a prestigious and traditional market as the first section of the TSE represents the fact that a certain social approbation has just granted us for our business. That is a genuine pleasure to all of us and we will not hesitate to relish it well.



However, metaphorically speaking, it never means that we had reached a safe and peaceful shore to stay; I would say, we have just sailed into even rougher seas for another voyage instead. As we consider our company's present situation this way, we here with courage reaffirm our commitment to confront any challenges and difficulties and never to cease our progress towards our next goal.

We sincerely hope that your continued support would extend to us as ever.

September 1, 2006
Yan Hao, President and CEO

II. Management Policy

(1) Basic Management Policy

At the core of our basic management policy, our Group maintains the goal of providing various services that satisfy the needs of our customers and help them to find resolutions to contradictory propositions which comply with laws, and are efficient and high in quality.

In the future, we will exert every effort to expand the scope of our business based on these management principles, while at the same time maintaining our position as a leader of the industry. We will also strive to fortify our compliance structure and live up to our name, "Ever Progressing System".

(2) Our Basic Policy Regarding Distribution of Profits

We seek to strengthen our corporate structure by improving our earnings generating capability, while at the same time maintaining a fair profit distribution policy to our shareholders. With regards to distribution of profits, we seek to strike a balance between the need to establish a solid financial foundation to be able to quickly respond to rapidly changing market conditions and the desire to maintain a stable level of profit distribution. Therefore we have established a target dividend payout ratio of 30%.

Moreover even after the implementation of the new corporate law we expect to continue to pay dividends at both the end of the interim and full year periods.

(3) Our Policy Regarding Reductions in the Minimum Share Trading Lot

We may consider offering stock splits depending upon the trading of our shares.

(4) Our Management Targets

We maintain the management target for the next three years as below.

Sales growth rate:	Approximately 15%
Ordinary profit rate:	Approximately 13%

In order to achieve the targets outlined above, we will implement the various management strategies outlined below.

(5) Intermediate to Long-Term Management Strategy

Our Group maintains the CRO and SMO business at the core of our operations. In addition to these core businesses in Japan, we will also promote CSO, the personnel dispatch, pre-clinical testing business, and drug and medical information system development businesses, and also will expand our operating territory by promoting the CRO in China, East Asia and Southeast Asia, and software development businesses with Chinese IT engineers. We also seek to extract synergies between these various services to grow our business a step further. More specifically we will implement the strategies outlined below.

(5)-1) Further Strengthen Our CRO Business

In response to the growing outsourcing needs related to drug development, we will fortify our planning and drug approval functions in addition to our clinical trial operation capabilities.

Additionally we seek to maintain our position as a leading company within the industry by offering effective total support services to not only medical doctors involved with the drug development, but also to medical equipment and the specially designated health foods manufacturers.

(5)-2) Promotion of Our SMO Business

While the clinical trial support services provided to medical institutions is already rapidly expanding. Consequently we have been strengthening the internal structure of EP-Mint Co., Ltd. since its merger to take full advantage of the merger to expand this business, and to become one of the top three companies within the industry.

(5)-3) Overseas Business Expansion

In order to be able to respond to international simultaneous development amidst the growing trend of ICH*, we continue to explore the possibilities of our overseas business expansion.

As part of strengthen our overseas service in current fiscal year, we have formed a joint marketing agreement with Progenitor International Research (Germany) which develops proposed type CRO business in Europe.

(5)-4) Entering the New Drug Development Business

In the new drug development business area, we have made the strategic decision to seek the cooperation of bio-venture and other partners to form joint ventures, and to provide consulting and CRO business in this area rather than trying to develop the market on our own.

With regards to China, our regional subsidiary will seek to obtain local approval for various medical products licensed to us from pharmaceutical companies in the United States, Europe and Japan.

(5)-5) Fortification of Our Group

Currently our company and its 14 subsidiaries, which comprise the EPS Group, provide various services to the medical product development industry.

To ensure the smooth expansion in the breadth of our business, securing high quality staff, training them, and deploying them effectively is crucial. Furthermore we seek to pursue various synergies that exist within our Group and to fortify it through M&A and new business planning activities.

* ICH is an acronym for the “International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use.” This Conference maintains a goal of standardizing the various documentation and procedures required for new drug approval in the United States, Europe and Japan to help eliminate unnecessary duplication of clinical and laboratory testing while securing the safety and effectiveness of drugs.

(6) Key Topics

Amidst the growing trends of outsourcing of various tasks, and of globalization of our clients’ operations, our Group seeks to raise our overall service quality levels through the fortification of our QC and QA divisions, the strict abidance and adherence to standardized guidelines, and the training and education of our staff designed to raise their skill levels.

At the same time, we will seek to establish an efficient and well defined structure to manage the business processes of projects, ranging from order to delivery, in order to be able to maintain our leading position despite the increasingly fierce pricing competition with the industry.

(7) Basic Policy Regarding Relationships with Our Parent Company

We are not a subsidiary or affiliate and therefore do not have a parent company.

III Business Performance and Financial Position

1. Business Performance

(1) Review of the Current Term

During the current fiscal year, the Japanese economy continued to grow on support of strong exports, higher corporate profits, brisk consumption and despite various uncertainties such as anticipation of a rise of interest rate caused by release of quantitative easing policy in money market, higher oil prices and overseas economy. Against this backdrop, and despite a slight slowing in our markets we serve, we were able to see continued growth in the CRO business, which is serviced primarily by our company, and the SMO business, which is serviced primarily by our subsidiary EP-Mint, as well as in our pre-clinical testing business.

EPS operates primarily in the CRO business realm.

With regards to our monitoring services, the clinical trial and planning division, which performs clinical trial in the developmental and post market stages, saw favorable trends in its existing project implementation, new project acquisition, anti-cancer, diabetes and central nervous system related drug testing businesses.

With regards to our registration and clinical information processing division also saw continued expansion in its project progress management, data management, and data analysis services. During current fiscal year, we were able to achieve higher capacity utilization rates due to increases in the number of both existing and new projects.

In the area of medical equipment development, medical writing, and safety information services, we were able to increase both our orders and sales compared to the previous fiscal year despite difficult market conditions.

And EPS was transferred developing business of medical devices from Nihon Americare Co., LTD in June 2006 for share expansion of our medical device development section and enterprise base strengthen.

Moreover, we have established a clinical research promotion center to develop new demand such as investigator-initiated clinical trial, post-marketing study, and specially designated health foods.

Looking at our company, both sales and ordinary income of our clinical planning development division and clinical information processing division grew compared to the previous fiscal year.

With regards to our consolidated subsidiaries in Japan, e-Trial Co., Ltd. (shareholding ratio: 100%), which was established in March 2006 for the purpose of being entrusted with the clinical trial utilized EDC, is having a favorable start.

With regards to our overseas consolidated subsidiaries, EPS China has started to operate in earnest with a large project received in China and contributed to achievements, and recorded increased sales and profit compared to the previous fiscal year. EPS Singapore has been performing their own original way to capture orders from new clients, and recorded increased sales and profit compared to the previous fiscal year.

Moreover, EPLUS Co., Ltd. (shareholding ratio: EPS 60%, Sosei Group 40%) acquired the business license in China and is preparing its business operations.

At the same time, EP Medical Co., Ltd. provides MR dispatch services (CSO), and the dispatched MR services are increasing for the new orders. However, EP Medical had front-loading of costs associated with the acquisition of personnel to help fuel the future growth in this business.

EP Mate Co., Ltd. which is performing temporary staffing business (dispatched CRO business) for pharmaceutical companies has been developing achievements favorably.

With regards to our system development services, All Right Software Inc. and their consolidated subsidiaries All Right (Beijing) are promoting their businesses by leveraging the Chinese IT engineers to develop new clients, and recorded increased sales and profit compared to the previous fiscal year.

All Right Software Inc. was transferred a business from M-net Co., Ltd. in order to strengthen business scale expansion and development organization in April, 2006.

Consequently in our CRO business consolidated sales were ¥11,151 million, up 22.9% over the previous fiscal year, with consolidated operating income of ¥1,787 million, up 37.1% over the previous fiscal year.

EP-Mint Co., Ltd. handles our SMO business.

EP-Mint Co., Ltd. efforts to fortify the internal structure since its merger, and performs mainly site support business such as clinical trial administration with local medical institutions in addition to CRC business. However, the operating ratio is falling while they are still maintaining the internal structure and could not obtain new order as expected.

Therefore, in order to attain the increase in efficiency by consolidating our Group and pursuit better service suits for the clients' needs, EP-Mint Co., Ltd. operates all our SMO business in our Group. Japan SMO Co., Ltd., mainly engaged in the site support service was decided on dissolution in the extraordinary shareholders' meeting on July 12, 2006, and it is on liquidation at present.

Consequently in the SMO business, sales were ¥2,982 million, up 14.8% over the previous fiscal year, with consolidated operating income of ¥88 million, down 66.7% from the previous fiscal year.

LSG Corporation operates the pre-clinical business. LSG Corporation is facing difficulties such as cancellation of a contract with a research organization caused by reorganization at pre-clinical testing business organization group in first- half term. However, they have been promoting to contract with overseas partners and expand sales of new products.

Consequently in the pre-clinical business, sales were ¥1,196 million, down 13.4% from the previous fiscal year, with consolidated operating income of ¥71 million, down 66.9% from the previous fiscal year.

The above sales and operating income by segment in each business are recorded including internal transactions between segments. After deducting them, for current fiscal year, sales were ¥15,257 million, up 17.3% over the previous fiscal year, with operating income of ¥1,958 million, up 9.2% over the previous fiscal year, and ordinary profit of ¥1,979 million, up 9.3% over the previous fiscal year. However, since ¥606 million was recorded for profit by proceeding investment securities in previous fiscal year, net profit was ¥1,079 million, down 4.2% from the previous fiscal year.

(2) Earnings Projections for the Next Fiscal Year

We anticipate the Japanese economy to continue to trend strongly, however these are numerous uncertainties on the horizon including higher oil prices, conditions in overseas economies, and volatility in the domestic stock market, JPY exchange rate.

Our company seeks to achieve our earning projections in the next year through the mainly promoting of both the Biometrics division, which includes data management, statistic analysis, registration and project progress management, medical writing and pharmacovigilance, and Clinical development division, which includes monitoring, and medical device products' clinical trial development services. Furthermore we will also

promote information capturing and order activities in our Business development department, overseas clinical trial related services in our International business department, and our Clinical research promotion center for new business proposal and other services.

With regards to our consolidated subsidiaries, E-Trial Co., Ltd., which was established in March 2006 for the purpose of performing global clinical trial for pharmaceutical companies based primarily on EDC, will begin full-scale operation, and will leverage the synergies which exist between the various overseas companies within our Group.

In overseas markets, EPS China Co., Ltd., which performs CRO business seeks our new clinical trial orders in China. And mainly in East Asia and Southeast Asia, EPS Singapore cultivates orders from new clients for clinical trial. Additionally EPLUS Co., Ltd. is working to quickly locate potential new drug development work and to establish a structure to proceed it.

EP Medical Co., Ltd. is responsible for CSO business such as MR dispatch and is acquiring new orders. And EP Mate Co., Ltd. performs dispatched type CRO services and focuses its efforts upon expanding new staff dispatch business for pharmaceutical companies.

All Right Software Inc., which provides software development services utilizing Chinese IT engineers, is pursuing new orders for software development from clients in the communications, finance and network related industries. All Right Software Beijing Limited as its subsidiary also focuses its efforts upon developing new clients as well as generating more business from existing clients.

EP-Mint Co., Ltd., which is responsible for our SMO business, will pursuit the effect of its merger and will perform to obtain new orders with their employee efficiently.

Additionally LSG Corporation, which performs pre-clinical testing services, will seek new business partners, and will expand its business by performing as a domestic agent of pre-clinical testing services and providing animals for studies by adding growing markets such as mouse cages and special animal feeds.

The earnings projections for the fiscal year to September 2007 are as follows.

(Non-consolidated)

Units: Yen million

	Sales	Ordinary income	Net income	Dividend per share (JPY)		
				Interim	Year end	Total
FY9/06 Results	9,479	1,664	980	1,000	2,300	3,300
FY9/07 Projections	10,852	1,750	1,031	1,200	2,300	3,500
Change	1,373	85	51			
% Change	14.5	5.1	5.2			

(Consolidated)

Units: Yen million

	Sales	Ordinary income	Net income
FY9/06 Results	15,257	1,979	1,079
FY9/07 Projections	17,700	2,400	1,267
Change	2,443	421	188
% Change	16.0	21.3	17.4

2. Financial Position

(1) Changes in Our Assets, Liabilities, and Equity

We describe changes in our financial position during the current fiscal year from the end of the previous fiscal year below.

During the current fiscal year, our consolidated current assets increased by ¥1,909 million to ¥8,400 million due to a ¥1,845 million rise in cash and cash equivalents, which was due the issuance of convertible bonds and new loan, and a ¥121 million increase in inventories. Our fixed assets rose by ¥519 million to ¥3,572 million due primarily to a ¥315 million increase in intangible fixed assets, which was due acquisition of goodwill, and a ¥172 million increase in deferred tax assets. Consequently our total consolidated assets at the end of the fiscal year rose by ¥2,428 million to ¥11,973 million from the end of the previous fiscal year.

With regards to liabilities, income taxes payable declined by ¥233 million from the end of the previous fiscal year due mainly to reduction of non-deductible expenses, and long-term debt increased by ¥796 million, and other current liabilities increased by ¥193 million. Consequently total consolidated liabilities at the end of the fiscal year grew by ¥694 million to ¥3,403 million from the end of the previous fiscal year.

With regards to net assets, both capital and additional paid-in capital rose by ¥550 million and ¥549 million respectively due to issuance of new shares, and retained earnings grew by ¥844 million, despite unrealized gain on available-for-sale securities declined by ¥276 million. Consequently net assets at the end of the current fiscal year rose by ¥1,733 million to ¥8,570 million from the end of the previous fiscal year.

(2) Consolidated Cash Flow Conditions

During the fiscal year, consolidated cash and cash equivalents rose by ¥1,845 million from the end of the previous fiscal year to ¥3,792 million, on the back of cash inflow of ¥1,357 million and ¥1,609 million from operating and financing activities respectively, which more than offset a ¥1,139 million outflow of cash from investing activities.

(Cash Flow from Operating Activities)

At the end of the fiscal year, consolidated cash flow derived from operating activities grew by ¥1,647 million from the previous fiscal year to ¥1,357 million. The main sources for this increase include ¥1,840 million in income before income taxes (a decline of ¥396 million from the previous fiscal year), which reflects a decline due to ¥1,006 million payment of income tax (an increase of ¥188 million from the previous fiscal year), ¥606 million in extraordinary profits derived from the proceeding of investment securities in the previous fiscal year, an inflow resulting from a decline in accounts receivables of ¥92 million (a ¥984 million increase from the previous fiscal year), an inflow of ¥24 million (a ¥122 million increase from the previous fiscal year) due to increase in accounts payable-trade, and an inflow of ¥182 million (an increase of ¥551 million from the previous fiscal year) due to increase in other current liabilities.

(Cash Flow from Investing Activities)

We saw a net outflow of cash from our investing activities of ¥1,139 million during the fiscal year, which represents an increase in the outflow of ¥1,277 million from the previous fiscal year. The main factors for this increase include a ¥132 million increase for the acquisition of tangible fixed assets and investment securities during the current fiscal year, an inflow of ¥702 million for proceeding of investment securities in the previous fiscal year, and an outflow of ¥340 million for acquisition of goodwill during the current fiscal year.

(Cash Flow from Financing Activities)

We saw a cash inflow from our financing activities increase by ¥2,360 million from the previous fiscal year to ¥1,609 million. The main reasons for this increase were the inflows of ¥1,997 million from the issuance of convertible bonds and ¥1,092 million of new loan during the current fiscal year, the outflows of ¥323 million due to acquisition of treasury stocks in the previous fiscal year, a ¥103 increase due to repayment of finance lease and payment of dividends, and a ¥900 million of redemption of convertible bonds in the current fiscal year.

Trends in Our Cash Flow Related Indexes

	FY9/02	FY9/03	FY9/04	FY9/05	FY9/06
Equity Ratio	62.3%	65.8%	63.6%	62.9%	64.2%
Public stock market value ratio	347.3%	156.2%	380.7%	292.8%	189.6%
Debt redemption period (years)	0.0	0.2	0.1	—	0.7
Interest coverage ratio (times)	651.9	67.0	205.4	—	65.6

Equity ratio: Shareholder's equity / total assets

Public stock market value ratio: Public stock market value / total assets

Debt redemption period: Interest bearing liabilities / Operating cash flow

Interest coverage: Operating cash flow / Interest payments

* All indexes are based on consolidated financial data

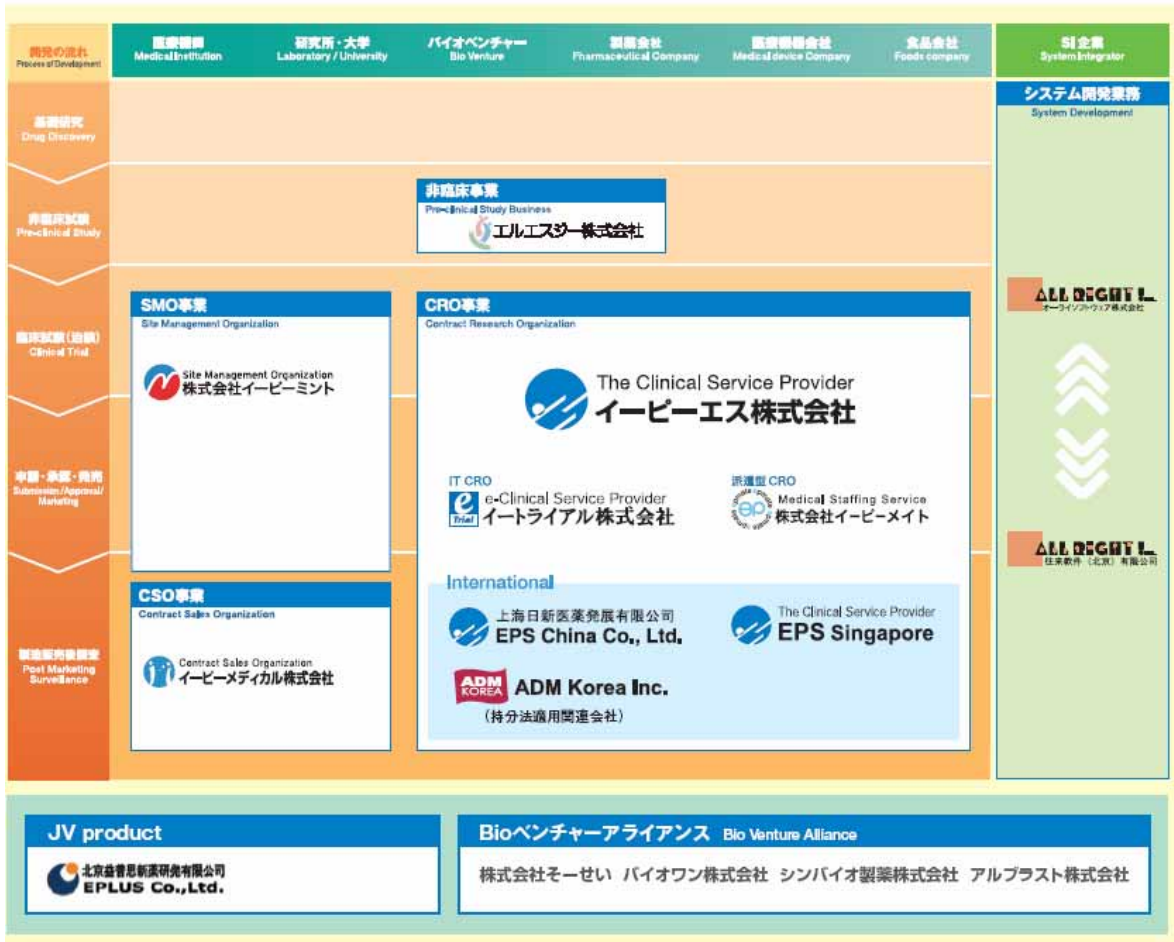
* Public stock market value is calculated by the closing share price multiplied with the number of outstanding shares at the end of the fiscal year (excluding treasury stock)

* Operating cash flow is based on consolidated cash flow from operating activities at the end of the fiscal year. Interest bearing liabilities include all liabilities on the consolidated balance sheet at the end of the fiscal year upon which interest is paid. Interest payments are based on interest payments taken from the consolidated cash flow statement at the end of the fiscal year.

IV EPS Group

Providing Full-service Support for Drug Development Outsourcing

As the core of the EPS Group's CRO business, we provide a wide range of services supporting pharmaceutical companies' drug development process, including SMO operations, personnel dispatch, and non-clinical trial operations (including various services outsourced from pharmaceutical companies in the stages prior to clinical trials). As part of our full-service support business, our Group also provides services ranging from planning to new medical applications. Additionally, as our medium-term management objectives, we aim to expand overseas, build new businesses, and raise the quality and efficiency of our operations while at the same time growing our existing businesses.



V Financial Highlights

1. INFORMATION OF EPS Co,Ltd & CONSOLIDATED SUBSIDIARIES 2006.09

(2005.10.1-2006.9.30)

(UNAUDITED)

(1) CONSOLIDATED OPERATING RESULTS

(UNIT:JPYMILLION)

	Net sales	Operating Income	Ordinary Income	Net Income
Sep-06	15,257 (17.3%)	1,958 (9.2%)	1,979 (9.3%)	1,079 (4.2%)
Sep-05	13,004 (19.0%)	1,793 (27.1%)	1,811 (23.6%)	1,126 (47.0%)

	Net Income per Share (yen)	Return on Stockholders' equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Sep-06	12,300.92	15.8	18.4	13.0
Sep-05	13,070.99	19.8	20.1	13.9

Notes:

- Average number of shares issued and outstanding during the period :
 Sep-06 87,724 shares Sep-05 86,204 shares
- Percentages for net sales, operating income, ordinary income, and net income indicate growth ratio to previous year

(2) CONSOLIDATED FINANCIAL INFORMATION

(UNIT:JPY MILLION)

	Total Assets	Stockholders' Equity	Stockholders' Equity ratio (%)	Stockholders' Equity per share (yen)
Sep-06	11,973	7,689	64.2	86,012.96
Sep-05	9,545	6,000	62.9	69,772.18

Note : Total shares issued and outstanding as of :

Sep-06 89,398 shares Sep-05 86,000 shares

(3) CONSOLIDATED CASH FLOW INFORMATION

(UNIT:JPY MILLION)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Ending balance of cash and cash equivalents
Sep-06	1,357	1,139	1,609	3,792
Sep-05	290	138	751	1,946

(4) CONSOLIDATED SUBSIDIARIES

Consolidated subsidiaries : 14 companies
 Associated companies by equity accounting method : 3 companies

2. INFORMATION OF CONSOLIDATED BUDGET 2007.09 (2006.10.1-2007.9.30)

(UNIT:JPY MILLION)

	Sales	Ordinary Income	Net Income
Mar-07	8,182	729	371
Sep-07	17,700	2,400	1,267

Budgeted net income per share : 14,177.14 yen

Note: Above figures may differ from actual results as uncertain various factors may affect future earnings.

1. INFORMATION OF NON-CONSOLIDATED 2006.09 (2005.10.1-2006.9.30)

(UNAUDITED)

(1) OPERATING RESULTS

(UNIT:JPY MILLION)

	Net sales	Operating Income	Ordinary Income	Net Income
Sep-06	9,479 (20.0%)	1,587 (38.8%)	1,664 (36.3%)	980 (20.5%)
Sep-05	7,896 (12.6%)	1,142 (10.9%)	1,221 (10.5%)	813 (23.1%)

	Net Income per Share (yen)	Return on Stockholders' equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Sep-06	11,171.96	16.1	20.2	17.6
Sep-05	9,433.09	15.7	17.8	15.5

Notes:

- Average number of shares issued and outstanding during the period :
 Sep-06 87,724 shares Sep-05 86,204 shares
- Percentages for net sales, operating income, ordinary income, and net income indicate growth ratio to previous year

(2) OVERALL SITUATION OF DIVIDEND DISTRIBUTION

(UNIT:JPY)

	Cash Dividends per share		
	Total	Interim Dividend per share	Year end Dividend per share
Sep-06	3,300	1,000	2,300
Sep-05	2,700	1,000	1,700

Note : Total shares issued and outstanding as of :
 Sep-06 89,398 shares Sep-05 86,000 shares

(3) FINANCIAL INFORMATION

(UNIT:JPY MILLION)

	Total Assets	Stockholders' Equity	Stockholders' Equity ratio (%)	Stockholders' Equity per share (yen)
Sep-06	9,365	6,890	73.6	77,072.49
Sep-05	7,088	5,320	75.1	61,865.47

2. INFORMATION OF NON-CONSOLIDATED BUDGET 2007.09 (2006.10.1-2007.9.30)

(UNIT:JPY MILLION)

	Sales	Ordinary Income	Net Income
Mar-07	4,890	531	322
Sep-07	10,852	1,750	1,031

(UNIT:JPY)

	Total	Interim Dividend per share	Year end Dividend per share
Mar-07	-	1,200	-
Sep-07	3,500	-	2,300

Budgeted net income per share : 11,535.09 yen

Note: Above figures may differ from actual results as uncertain various factors may affect future earnings.

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND SEPTEMBER 30, 2005 (UNAUDITED)

(IN THOUSANDS, JPY)

ASSETS:	CURRENT ASSETS	2006	2005
	Cash and cash equivalents	3,792,223	1,946,862
	Notes and accounts receivable	3,607,909	3,695,254
	Inventories	339,862	218,801
	Deferred tax assets	252,655	267,989
	Pocket through expense	145,275	99,413
	Others	264,222	264,627
	Allowance for doubtful accounts	1,411	1,237
	Total current assets	<u>8,400,737</u>	<u>6,491,710</u>
	FIXED ASSETS		
	Tangible Assets ;		
	Leasehold improvements	344,453	301,797
	Accumulated depreciation	180,245	155,734
	Furniture and fixtures	203,274	183,032
	Accumulated depreciation	131,006	116,945
	Others	133,053	85,953
	Accumulated depreciation	54,723	46,228
	Total property and equipment	<u>314,805</u>	<u>251,874</u>
	Intangible Assets ;		
	Goodwill	315,666	-
	Others	67,993	107,090
	Total intangible assets	<u>383,660</u>	<u>107,090</u>
	Investments and other assets ;		
	Investment securities	1,275,110	1,358,169
	Long-term loans receivable	45,617	51,547
	Deposits	666,687	641,653
	Time deposits and banking arrangements other than cash equivalents	500,000	500,000
	Deferred tax assets	188,142	15,796
	Others	198,961	127,768
	Total investments and other assets	<u>2,874,519</u>	<u>2,694,936</u>
	Total fixed assets	<u>3,572,985</u>	<u>3,053,902</u>
	TOTAL ASSETS	<u>11,973,723</u>	<u>9,545,612</u>
LIABILITIES:	CURRENT LIABILITIES		
	Accounts payable	182,795	157,906
	Current portion of long-term debt	213,200	86,824
	Income taxes payable	375,282	608,911
	Provision for bonuses	422,541	370,813
	Others	1,171,583	978,387
	Total current liabilities	<u>2,365,403</u>	<u>2,202,842</u>
	LONG-TERM LIABILITIES		
	Long-term debt	670,000	-
	Provision for employee's retirement benefits	227,604	205,545
	Provision for director's retirement benefits	130,499	122,335
	Deferred tax liabilities	4,258	128,788
	Others	5,825	49,504
	Total long-term liabilities	<u>1,038,188</u>	<u>506,174</u>
	TOTAL LIABILITIES	<u>3,403,591</u>	<u>2,709,017</u>
	NET ASSETS		
	Common stock	1,875,251	1,325,250
	Additional paid-in capital	1,825,298	1,275,300
	Retained earnings	4,180,774	3,336,628
	Common stock for treasury	322,080	321,251
	Unrealized gain on available-for-sale securities	89,590	366,394
	Foreign currency translation adjustments	40,552	18,085
	TOTAL SHAREHOLDERS' EQUITY	<u>7,689,386</u>	<u>6,000,407</u>
	Minority interests	880,745	836,187
	TOTAL NET ASSETS	<u>8,570,131</u>	<u>6,836,595</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>11,973,723</u>	<u>9,545,612</u>

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)

(IN THOUSANDS,JPY)	2006	2005
NET SALES	15,257,985	13,004,141
COST OF SALES	<u>10,892,074</u>	<u>9,155,319</u>
Gross profit	4,365,911	3,848,821
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,407,205</u>	<u>2,054,850</u>
Operating income	<u>1,958,705</u>	<u>1,793,970</u>
OTHER INCOME (EXPENSES)		
Interest income	27,690	20,134
Interest expenses	(20,682)	(2,890)
Gain on cancellation of life insurance	10,919	12,327
Service fee income	3,317	4,410
Gain on consumption tax filing	7,988	-
Incentive on re-investment in overseas subsidiaries	7,711	-
Payment to the Association for employment of persons with disabilities	(3,050)	(4,200)
Foreign exchange loss	(3,884)	(16,032)
Equity in losses of associated companies	(9,213)	-
Expense for treasury stock acquisition	-	(2,159)
Amortization of consolidated adjustment account	-	(56,032)
Gain on sales of property and equipment	995	1,075
Gain on sale of investments in securities	-	606,114
Gain on decrease of shares in associated company	4,001	-
Loss on sales and disposal of property and equipment	(14,743)	(27,265)
Office removal expenses of consolidated subsidiary	-	(25,556)
Loss on liquidation of consolidated subsidiary	-	(48,541)
Loss on devaluation of investment in securities	(87,593)	-
Impairment loss	(3,635)	-
Loss on devaluation of software	(28,083)	-
Other- net	<u>(9,830)</u>	<u>(18,453)</u>
Other income (expenses)-net	<u>(118,093)</u>	<u>442,929</u>
Income before income taxes and minority interests	<u>1,840,612</u>	<u>2,236,900</u>
INCOME TAXES		
Current	782,199	907,384
Deferred	<u>(89,728)</u>	<u>106,069</u>
Total	<u>692,470</u>	<u>1,013,454</u>
MINORITY INTERESTS	<u>69,055</u>	<u>96,673</u>
NET INCOME	<u><u>1,079,085</u></u>	<u><u>1,126,771</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

(UNAUDITED)

(IN THOUSANDS,JPY)

	Attributable to equity holders of the Company				
	Common stock	Additional paid-in capital	Retained earnings	Common stock for treasury	Sub total
Balance at 30 Sep 2005	1,325,250	1,275,300	3,336,628	321,251	5,615,927
Changes during the period					
Issuance of new stocks	550,001	549,998			1,100,000
Cash dividends			232,508		232,508
Net income			1,079,085		1,079,085
Acquisition of treasury stock				1,041	1,041
Retirement of treasury stock			212	212	-
Others			2,219		2,219
Net increase/decrease in valuation, translation adjustment and minority interest					
Total changes during the period	550,001	549,998	844,145	829	1,943,316
Balance at 30 Sep 2006	1,875,251	1,825,298	4,180,774	322,080	7,559,243

	Evaluation and translation adjustment			Total Stockholders' equity	Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total evaluation and translation adjustments			
Balance at 30 Sep 2005	366,394	18,085	384,480	6,000,407	836,187	6,836,595
Changes during the period						
Issuance of new stocks				1,100,000		1,100,000
Cash dividends				232,508		232,508
Net income				1,079,085		1,079,085
Acquisition of treasury stock				1,041		1,041
Retirement of treasury stock				-		-
Others				2,219		2,219
Net increase/decrease in valuation, translation adjustment and minority interest	276,803	22,466	254,337	254,337	44,557	209,780
Total changes during the period	276,803	22,466	254,337	1,688,979	44,557	1,733,536
Balance at 30 Sep 2006	89,590	40,552	130,142	7,689,386	880,745	8,570,131

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2006 AND SEPTEMBER 30, 2005 (UNAUDITED)

(IN THOUSANDS,JPY)

	2006	2005
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	1,840,612	2,236,900
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	133,848	71,087
Impairment loss	3,635	-
Increase in provision for bonuses	50,769	25,007
Amortization of consolidated adjustment account	15,802	63,794
Loss on liquidation of consolidated subsidiary	-	48,541
Gain on sale of investments in securities	-	606,114
Loss on devaluation of investments in securities	87,593	-
Increase in allowance for retirement benefits for employees	22,058	30,308
Increase in allowance for retirement benefits for directors	8,163	7,500
Interest and dividends income	28,890	20,134
Interest expense	20,682	2,890
Loss on sales and disposal of property and equipment	14,743	27,265
Changes in operating assets and liabilities:		
Decrease in accounts receivable-trade (Increase)	92,792	891,401
Increase in inventories	109,861	52,292
Increase in accounts payable -trade (Decrease)	24,351	97,806
Increase in pocket through expense	45,255	6,979
Increase in other current liabilities (Decrease)	182,905	369,093
Others , Net	43,109	44,104
Subtotal	2,357,062	513,577
Interest and dividends received	27,986	17,774
Interest paid	20,682	2,890
Income taxes paid	1,006,887	818,838
Net cash provided by (used in) operating activities	1,357,478	290,377
INVESTING ACTIVITIES:		
Proceeds from sales of investments securities	-	702,161
Disbursements for purchase of tangible fixed assets	146,885	102,425
Disbursements for purchase of intangible fixed assets	25,686	11,659
Payment for insurance reserve fund	45,897	40,918
Payment for purchase of investments securities	477,290	389,623
Payment for deposit for rent office and others	82,086	114,557
Payment for acquisition of goodwill	340,000	-
Others , Net	21,192	95,678
Net cash provided by (used in) investing activities	1,139,038	138,654
FINANCING ACTIVITIES:		
Proceeds from borrowing short-term debt	-	520,000
Proceeds from borrowing long-term debt	1,092,000	-
Proceeds from issuance of bonds	1,997,743	-
Proceeds from issuance of common stock to minority stock holders	14,055	33,000
Disbursements for repayments of short-term debt	-	520,000
Disbursements for repayments of finance leases	43,678	-
Disbursements for repayment of long-term debt	295,624	277,264
Disbursements for redemption of bonds	900,000	-
Disbursement for acquisition of treasury stock	1,041	323,410
Dividends paid	231,444	171,155
Dividends paid for minority stock holders	18,794	12,475
Others , Net	4,018	-
Net cash provided by (used in) financing activities	1,609,198	751,304
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	17,722	9,791
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,845,361	893,236
BEGINNING OF BALANCE,CASH AND CASH EQUIVALENTS	1,946,862	2,394,225
INCREASE IN CASH AND CASH EQUIVALENTS BY MERGER OF CONSOLIDATED SUBSIDIARY	-	445,873
ENDING OF BALANCE,CASH AND CASH EQUIVALENTS	3,792,223	1,946,862

STATEMENT OF ORDER ENTRY AND SALES BY ITEMS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006
 (UNAUDITED)
 (1) RESULT OF ORDER ENTRY

DIVISION	2006.09 <2005.10.1-2006.9.30> (JPY thousand)			
	AMOUNT OF ORDER ENTRY	year-to-year comparison (%)	ORDER BACKLOG	year-to-year comparison (%)
CRO				
Data Management	4,295,950	103.8	4,121,784	108.5
Monitoring	4,213,504	88.4	5,871,389	89.7
Software development	984,368	133.4	185,457	412.0
Others	1,744,526	130.4	589,778	220.1
TOTAL OF CRO	11,238,349	102.4	10,768,408	101.1
SMO	3,134,016	116.8	1,732,881	112.6
Preclinical Service	1,172,474	88.6	148,282	88.3
TOTAL	15,544,840	103.7	12,649,572	102.3

* These figures are expressed by sales price.

* These above figures do not include consumption tax.

(2) RESULT OF SALES

DIVISION	2006.09 <2005.10.1-2006.9.30> (JPY thousand)	year-to-year comparison (%)
CRO		
Data Management	3,973,159	120.5
Monitoring	4,886,316	133.4
Software development	843,924	113.5
Others	1,422,739	106.6
TOTAL OF CRO	11,126,140	123.1
SMO	2,939,705	113.6
Preclinical Service	1,192,139	86.6
TOTAL	15,257,985	117.3

2005 (2004.10.1-2005.9.30)

(Unit: JPY THOUSAND)

	CRO	SMO	Preclinical Service	Total	Eliminations/ Corporate	Consolidation
SALES						
Sales to customers	9,038,313	2,588,444	1,377,383	13,004,141	-	13,004,141
Intersegment sales	34,388	8,628	4,140	47,157	(47,157)	-
Total	9,072,702	2,597,072	1,381,523	13,051,298	(47,157)	13,004,141
Operating expenses	7,768,857	2,330,694	1,164,199	11,263,751	(53,580)	11,210,170
Operating income	1,303,844	266,378	217,324	1,787,546	6,423	1,793,970

2006 (2005.10.1-2006.9.30)

(Unit: JPY THOUSAND)

	CRO	SMO	Preclinical Service	Total	Eliminations/ Corporate	Consolidation
SALES						
Sales to customers	11,126,140	2,939,705	1,192,139	15,257,985	-	15,257,985
Intersegment sales	25,568	42,738	4,735	73,042	(73,042)	-
Total	11,151,709	2,982,444	1,196,874	15,331,028	(73,042)	15,257,985
Operating expenses	9,363,803	2,893,671	1,124,926	13,382,401	(83,120)	13,299,280
Operating income	1,787,905	88,773	71,948	1,948,626	10,078	1,958,705

VI Company Profile

Corporate Name: EPS Co., Ltd.
President & CEO: Yan Hao
Establishment: May 1991
Capital: ¥ 1875.25 Million
Main Services: CRO business and System Development
E-Mail: info@eps.co.jp
URL: <http://www.eps.co.jp>

Locations

(Center Office)

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1620822
Tel: +81-3-5684-7801

(Annex.1)

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1120004
TEL. + 81-3-5684-7797

(Annex.2)

K.I.S Iidabashi Bldg., 2-3-28 Koraku, Bunkyo-ku Tokyo
1120004
TEL. + 81-3-5804-7369

(Osaka Branch)

Nissei Shin-osaka Bldg., 3-4-30 Miyahara, Yodogawa-ku, Osaka
5320003
TEL. + 81-6-4807-7107

(Nagoya Branch)

Horiuchi Bldg., 3-25-9 Meieki, Nakamura-ku, Nagoya
4500002
TEL. + 81-52-581-8887

Members of the Board and Statutory Auditors

(As of September 30, 2006)

President & CEO	Mr. Yan Hao
Executive Directors	Mr. Koichi Jingu Mr. Tatsuhiko Ichiki
Directors	Mr. Tomohiro Tominaga Mr. Yasuharu Tamai Mr. Akihiro Shimosaka
Statutory Auditors	Mr. Kozo Okunaga Mr. Junichi Ishikawa Mr. Toru Ebihara Mr. Koichi Shibuya

Current Situation of Shares

(As of September 30, 2006)

Authorized stocks	324,000
Share of common stock issued	90,400
Number of stockholders	6,044