

# Summary of Financial Status and Operating Results for First Quarter of Fiscal Year Ending September 2008

1-Feb-08



## Financial Highlights

### 1. INFORMATION OF EPS Co,Ltd & CONSOLIDATED SUBSIDIARIES 2007.12

(2007.10.1-2007.12.31)  
(UNAUDITED)

#### (1) CONSOLIDATED OPERATING RESULTS

( UNIT:JPY MILLION )

	Net sales	Operating Income	Ordinary Income	Net Income
Dec-07	4,956 ( 32.6% )	859 ( 211.4% )	878 ( 204.5% )	472 ( 124.7% )
Dec-06	3,738 ( 10.8% )	275 ( 102.7% )	288 ( 99.3% )	210 ( 272.9% )
Sep-07	17,980 -	2,980 -	3,042 -	1,384 -

	Net Income per Share (yen)	Net Income per Share,diluted (yen)
Dec-07	5,287.26	5,280.87
Dec-06	2,352.84	2,352.62
Sep-07	15,485.66	15,474.39

Note : 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	Net assets	Shareholders' Equity ratio (%)	Shareholders' Equity per share (yen)
Dec-07	13,323	9,900	66.8%	99,621.34
Dec-06	11,584	8,582	66.5%	86,207.40
Sep-07	14,537	9,710	60.0%	97,517.76

#### (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
Dec-07	398	290	281	4,295
Dec-06	17	133	228	3,691
Sep-07	2,697	605	637	5,260

#### (4) CONSOLIDATED SUBSIDIARIES

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

### 2.OVERALL SITUATION OF DIVIDEND DISTRIBUTION

( UNIT:JPY )

		Cash Dividends per share		
		Interim Dividend	Year end Dividend	Annual
Sep-07	(Result)	1,700.00	2,600.00	4,300.00
Sep-08	(Projection)	2,400.00	2,600.00	5,000.00

### 3. INFORMATION OF CONSOLIDATED BUDGET 2008.09 (2007.10.1-2008.9.30)

( UNIT:JPY MILLION )

	Net sales	Operating Income	Ordinary Income	Net Income
Mar-08	10,030 ( 18.4% )	1,284 ( 3.4% )	1,308 ( 3.3% )	621 ( 1.4% )
Sep-08	20,930 ( 16.4% )	3,205 ( 7.6% )	3,235 ( 6.3% )	1,602 ( 15.8% )

Budgeted net income per share :      Mar-08      6,955.84 yen  
    Sep-08      17,924.53

Notes :1 Above figures may differ from actual results as uncertain various factors may affect future earnings.

2 Percentages for net sales, operating income, ordinary income, and net income indicate growth ratio to previous year.

### 4. INFORMATION OF NON-CONSOLIDATED 2007.12 (2007.10.1-2007.12.31)

(UNAUDITED)

#### (1) OPERATING RESULTS

( UNIT:JPY MILLION )

	Net sales	Operating Income	Ordinary Income	Net Income
Dec-07	2,953 ( 29.1% )	604 ( 133.9% )	705 ( 130.6% )	457 ( 95.8% )
Dec-06	2,286 ( 19.3% )	258 ( 157.4% )	305 ( 112.0% )	233 ( 151.7% )
Sep-07	10,891 -	1,983 -	2,105 -	1,079 -

Note : Percentages for net sales, operating income, ordinary income, and net income indicate growth ratio to previous year.

	Net Income per Share (yen)
Dec-07	5,114.44
Dec-06	2,611.69
Sep-07	12,074.43

#### (2) FINANCIAL INFORMATION

( UNIT:JPY MILLION )

	Total Assets	Net assets	Shareholders' Equity ratio (%)	Shareholders' Equity per share (yen)
Dec-07	9,985	7,769	77.8%	86,909.91
Dec-06	9,019	6,914	76.7%	77,343.58
Sep-07	10,663	7,588	71.2%	84,883.88

### 5. INFORMATION OF NON-CONSOLIDATED BUDGET 2008.09 (2007.10.1-2008.9.30)

( UNIT:JPY MILLION )

	Net sales	Operating Income	Ordinary Income	Net Income
Mar-08	5,863 ( 14.1% )	815 ( 8.3% )	912 ( 5.4% )	492 ( 0.9% )
Sep-08	12,430 ( 14.1% )	2,052 ( 3.5% )	2,178 ( 3.5% )	1,170 ( 8.4% )

Budgeted net income per share :      Mar-08      5,509.22 yen  
    Sep-08      13,091.94

Notes :1 Above figures may differ from actual results as uncertain various factors may affect future earnings.

2 Percentages for net sales, operating income, ordinary income, and net income indicate growth ratio to previous year.

CONSOLIDATED BALANCE SHEETS  
December 31, 2007, 2006 and September 30, 2007

(UNAUDITED)

(IN THOUSANDS,JPY)

ASSETS	December 31.2007	December 31.2006	September 30.2007
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4,295,536	3,691,094	5,260,080
Notes and accounts receivable	3,873,527	3,365,597	4,126,574
Investment securities	400,515	-	200,012
Inventories	567,403	486,207	437,696
Others	595,566	598,654	931,877
Allowance for doubtful accounts	1,683	1,091	1,523
Total current assets	<u>9,730,865</u>	<u>8,140,462</u>	<u>10,954,717</u>
<b>FIXED ASSETS</b>			
Tangible Assets	398,406	325,472	376,393
Intangible Assets	328,834	363,680	345,077
Investments and other assets ;			
Investment securities	979,072	1,233,965	1,074,612
Deposits	710,742	599,986	681,724
Time deposits and banking arrangements other than cash equivalents	500,000	500,000	500,000
Others	685,860	421,312	614,722
Allowance for doubtful accounts	10,000	-	10,000
Total investments and other assets	<u>2,865,675</u>	<u>2,755,264</u>	<u>2,861,059</u>
Total fixed assets	<u>3,592,915</u>	<u>3,444,417</u>	<u>3,582,530</u>
<b>TOTAL ASSETS</b>	<u><u>13,323,780</u></u>	<u><u>11,584,880</u></u>	<u><u>14,537,247</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	305,148	288,426	201,903
Current portion of long-term debt	216,700	213,200	214,300
Income taxes payable	114,780	22,505	1,063,181
Provision for bonuses	171,979	122,207	649,722
Others	1,785,021	1,366,537	1,861,952
Total current liabilities	<u>2,593,629</u>	<u>2,012,876</u>	<u>3,991,058</u>
<b>LONG-TERM LIABILITIES</b>			
Long-term debt	350,000	616,700	405,700
Provision for employees' retirement benefits	281,296	228,603	258,448
Provision for directors' retirement benefits	186,631	134,612	155,023
Others	11,438	9,630	16,722
Total long-term liabilities	<u>829,367</u>	<u>989,546</u>	<u>835,895</u>
<b>TOTAL LIABILITIES</b>	<u><u>3,422,996</u></u>	<u><u>3,002,423</u></u>	<u><u>4,826,953</u></u>
<b>NET ASSETS</b>			
Common stock	1,875,251	1,875,251	1,875,251
Additional paid-in capital	1,825,298	1,825,298	1,825,298
Retained earnings	5,441,960	4,183,528	5,205,599
Common stock for treasury	322,080	322,080	322,080
Unrealized gain on available-for-sale securities	22,413	85,961	66,076
Deferred gain on hedges	-	-	485
Foreign currency translation adjustments	63,105	58,810	67,262
TOTAL SHAREHOLDERS' EQUITY	<u>8,905,948</u>	<u>7,706,769</u>	<u>8,717,892</u>
Minority interests	994,835	875,687	992,401
TOTAL NET ASSETS	<u>9,900,784</u>	<u>8,582,456</u>	<u>9,710,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>13,323,780</u></u>	<u><u>11,584,880</u></u>	<u><u>14,537,247</u></u>

**CONSOLIDATED STATEMENTS OF INCOME**  
For Three months ended December 31 2007, 2006 and the year ended September 30, 2007  
(UNAUDITED)

(IN THOUSANDS,JPY)	Three months ended December 31.2007	Three months ended December 31.2006	Year ended September 30.2007
NET SALES	4,956,705	3,738,855	17,980,875
COST OF SALES	3,297,036	2,775,659	12,046,656
Gross profit	1,659,668	963,196	5,934,218
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	800,656	687,382	2,953,488
Operating income	859,011	275,813	2,980,730
OTHER INCOME (EXPENSES)			
Interest income	9,358	11,778	38,069
Interest expenses	2,899	4,145	15,771
Gain on cancellation of life insurance	1,553	5,547	16,746
Service fee income	1,010	1,477	6,056
Gain on consumption tax	-	2,720	14,618
Payment to the Association for employment of persons with disabilities	514	2,800	5,350
Foreign exchange gain or loss ( loss)	5,675	2,706	739
Gain on sale of investments in securities	26,500	41,161	51,186
Gain on sale of other investments	4,567	-	-
Loss on sales and disposal of property and equipment	10,403	9,607	61,266
Loss on lease cancellation	2,076	-	-
Allowance for directors' retirement benefits	7,250	-	-
Equity in gains of associated companies	3,069	-	-
Others- net	2,145	778	303,562
Other income (expenses)-net	30,737	44,202	258,533
Income before income taxes and minority interests	889,749	320,016	2,722,197
INCOME TAXES			
Current	116,423	4,953	1,409,739
Deferred	257,060	106,333	255,795
Total	373,484	111,286	1,153,944
MINORITY INTERESTS	43,594	1,609	183,865
NET INCOME	472,670	210,339	1,384,387

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For Three months ended December 31, 2007 and 2006  
(UNAUDITED)

**2008**

(IN THOUSANDS,JPY)

	Attributable to equity holders of the Company				
	Common stock	Additional paid-in capital	Retained earnings	Common stock for treasury	Sub total
<b>Balance at 30 September 2007</b>	1,875,251	1,825,298	5,205,599	322,080	8,584,068
Changes during the period					
Cash dividends			232,434		232,434
Net income			472,670		472,670
Others			3,873		3,873
Net increase/decrease in evaluation, translation adjustment and minority interest					
Total changes during the period	-	-	236,361	-	236,361
<b>Balance at 31 December 2007</b>	1,875,251	1,825,298	5,441,960	322,080	8,820,430

	Evaluation and translation adjustment				Total Shareholders' equity	Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on Hedges	Foreign currency translation adjustments	Total evaluation and translation adjustments			
<b>Balance at 30 September 2007</b>	66,076	485	67,262	133,823	8,717,892	992,401	9,710,293
Changes during the period							
Cash dividends					232,434		232,434
Net income					472,670		472,670
Others					3,873		3,873
Net increase/decrease in evaluation, translation adjustment and minority interest	43,663	485	4,156	48,305	48,305	2,434	45,870
Total changes during the period	43,663	485	4,156	48,305	188,056	2,434	190,490
<b>Balance at 31 December 2007</b>	22,413	-	63,105	85,518	8,905,948	994,835	9,900,784

**2007**

(IN THOUSANDS,JPY)

	Attributable to equity holders of the Company				
	Common stock	Additional paid-in capital	Retained earnings	Common stock for treasury	Sub total
<b>Balance at 30 September 2006</b>	1,875,251	1,825,298	4,180,774	322,080	7,559,243
Changes during the period					
Cash dividends			205,615		205,615
Net income			210,339		210,339
Others			1,970		1,970
Net increase/decrease in evaluation, translation adjustment and minority interest					
Total changes during the period	-	-	2,753	-	2,753
<b>Balance at 31 December 2006</b>	1,875,251	1,825,298	4,183,528	322,080	7,561,997

	Evaluation and translation adjustment			Total Shareholders' equity	Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total evaluation and translation adjustments			
<b>Balance at 30 September 2006</b>	89,590	40,552	130,142	7,689,386	880,745	8,570,131
Changes during the period						
Cash dividends				205,615		205,615
Net income				210,339		210,339
Others				1,970		1,970
Net increase/decrease in evaluation, translation adjustment and minority interest	3,629	18,257	14,628	14,628	5,057	9,571
Total changes during the period	3,629	18,257	14,628	17,382	5,057	12,325
<b>Balance at 31 December 2006</b>	85,961	58,810	144,771	7,706,769	875,687	8,582,456

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For Three months ended December 31 2007, 2006 and the year ended September 30, 2007  
(UNAUDITED)

(IN THOUSANDS,JPY)

	Three months ended December 31.2007	Three months ended December 31.2006	Year ended September 30.2007
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	889,749	320,016	2,722,197
<b>Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:</b>			
Depreciation and amortization	47,353	40,490	171,336
Increase in provision for bonuses( Decrease)	478,052	300,690	226,430
Increase in allowance for retirement benefits for employees	22,848	999	30,844
Increase in allowance for retirement benefits for directors	31,608	4,113	24,524
Interest and dividends income	10,708	12,378	39,569
Interest expense	2,899	4,145	15,771
Gain on sale of investments in securities	26,500	41,161	51,186
Loss on sales and disposal of property and equipment	10,403	9,607	61,266
<b>Changes in operating assets and liabilities:</b>			
Decrease in accounts receivable-trade( Increase)	251,344	246,956	511,143
Increase in inventories	133,681	134,608	71,298
Increase in accounts payable -trade	105,050	103,520	16,734
Increase in other current liabilities( Decrease)	101,569	147,241	667,652
Others , Net	60,958	66,673	143,194
Subtotal	<u>549,786</u>	<u>321,579</u>	<u>3,406,754</u>
Interest and dividends received	16,064	17,561	37,797
Interest paid	2,874	4,108	15,749
Compensation for office removal	85,000	-	-
Income taxes paid	<u>1,046,724</u>	<u>352,377</u>	<u>731,149</u>
Net cash provided by (used in) operating activities	<u>398,748</u>	<u>17,344</u>	<u>2,697,652</u>
<b>INVESTING ACTIVITIES:</b>			
Disbursements for purchase of tangible fixed assets	72,437	35,732	178,665
Disbursements for purchase of intangible fixed assets	16,813	3,315	37,714
Payment for purchase of investments securities	200,326	-	439,793
Proceeds from sales of investments securities	48,000	75,161	95,186
Payment for deposit for rent office and others	43,648	48,753	197,211
Collection for deposit for rent office and others	14,783	115,700	173,885
Others , Net	19,842	30,659	20,696
Net cash provided by (used in) investing activities	<u>290,283</u>	<u>133,719</u>	<u>605,009</u>
<b>FINANCING ACTIVITIES:</b>			
Disbursements for repayment of long-term debt	53,300	53,300	263,200
Dividends paid	196,854	158,720	357,397
Dividends paid for minority stock holders	30,508	15,813	15,813
Others , Net	388	388	1,553
Net cash provided by (used in) financing activities	<u>281,050</u>	<u>228,222</u>	<u>637,964</u>
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	5,537	10,718	13,178
NET INCREASE IN CASH AND CASH EQUIVALENTS	964,544	101,128	1,467,856
BEGINNING OF BALANCE,CASH AND CASH EQUIVALENTS	<u>5,260,080</u>	<u>3,792,223</u>	<u>3,792,223</u>
ENDING OF BALANCE,CASH AND CASH EQUIVALENTS	<u>4,295,536</u>	<u>3,691,094</u>	<u>5,260,080</u>

## STATEMENT OF ORDER ENTRY AND SALES BY ITEMS

(UNAUDITED)

### (1) RESULT OF ORDER ENTRY

DIVISION	2007.12 <2007.10.1-2007.12.31> (IN THOUSANDS, JPY)			
	AMOUNT OF ORDER ENTRY	year-to-year comparison (%)	ORDER BACKLOG	year-to-year comparison (%)
<b>CRO</b>				
Monitoring	534,612	38.8	8,411,563	139.4
Data Management	837,405	88.4	4,966,995	112.5
CRO others	554,591	139.6	557,994	149.1
<b>TOTAL OF CRO</b>	<b>1,926,609</b>	<b>70.8</b>	<b>13,936,553</b>	<b>128.8</b>
<b>SMO</b>	<b>1,040,512</b>	<b>150.2</b>	<b>2,050,447</b>	<b>117.3</b>
<b>Preclinical Service</b>	<b>402,497</b>	<b>98.3</b>	<b>205,078</b>	<b>99.6</b>
<b>System Development</b>	<b>271,564</b>	<b>106.2</b>	<b>374,887</b>	<b>176.0</b>
<b>TOTAL</b>	<b>3,641,183</b>	<b>89.2</b>	<b>16,566,967</b>	<b>127.5</b>

\* These figures are expressed by sales price.

\* These above figures do not include the consumption tax.

### (2) RESULT OF SALES

DIVISION	2007.12 <2007.10.1-2007.12.31> (IN THOUSANDS, JPY)	year-to-year comparison (%)
<b>CRO</b>		
Monitoring	1,763,190	145.0
Data Management	1,231,685	121.2
CRO others	383,511	153.7
<b>TOTAL OF CRO</b>	<b>3,378,386</b>	<b>136.1</b>
<b>SMO</b>	<b>890,696</b>	<b>131.5</b>
<b>Preclinical Service</b>	<b>313,169</b>	<b>89.0</b>
<b>System Development</b>	<b>374,452</b>	<b>164.2</b>
<b>TOTAL</b>	<b>4,956,705</b>	<b>132.6</b>

## INDUSTRY SEGMENT

(UNAUDITED)

2008 (2007.10.1-2007.12.31)

(IN THOUSANDS, JPY)

	CRO	SMO	Preclinical Service	System Development	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>							
Sales to customers	3,378,386	890,696	313,169	374,452	4,956,705	-	4,956,705
Intersegment sales	5,177	3,466	1,035	14,258	23,937	(23,937)	-
<b>Total</b>	<b>3,383,564</b>	<b>894,162</b>	<b>314,204</b>	<b>388,710</b>	<b>4,980,642</b>	<b>(23,937)</b>	<b>4,956,705</b>
Operating expenses	2,765,815	711,604	321,112	326,656	4,125,188	(27,494)	4,097,693
Operating income	617,748	182,558	(6,908)	62,054	855,454	3,557	859,011

2007 (2006.10.1-2006.12.31)

(IN THOUSANDS, JPY)

	CRO	SMO	Preclinical Service	System Development	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>							
Sales to customers	2,481,801	677,140	351,887	228,027	3,738,855	-	3,738,855
Intersegment sales	5,891	8,627	2,552	8,538	25,608	(25,608)	-
<b>Total</b>	<b>2,487,692</b>	<b>685,767</b>	<b>354,439</b>	<b>236,565</b>	<b>3,764,464</b>	<b>(25,608)</b>	<b>3,738,855</b>
Operating expenses	2,220,372	664,669	359,110	248,652	3,492,805	(29,763)	3,463,042
Operating income	267,319	21,097	(4,671)	(12,086)	271,658	4,154	275,813

2007 (2006.10.1-2007.9.30)

(IN THOUSANDS, JPY)

	CRO	SMO	Preclinical Service	System Development	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>							
Sales to customers	12,232,620	3,315,293	1,251,190	1,181,770	17,980,875	-	17,980,875
Intersegment sales	21,501	60,617	8,251	69,118	159,488	(159,488)	-
<b>Total</b>	<b>12,254,122</b>	<b>3,375,910</b>	<b>1,259,441</b>	<b>1,250,889</b>	<b>18,140,364</b>	<b>(159,488)</b>	<b>17,980,875</b>
Operating expenses	10,096,860	2,732,511	1,182,427	1,161,162	15,172,962	(172,817)	15,000,144
Operating income	2,157,261	643,399	77,014	89,726	2,967,402	13,328	2,980,730

## 1. Qualitative Information regarding Consolidated Operating Results

The Japanese economy in the current period was affected by a downside risk in the U.S. economy against the backdrop of the subprime lending issue, soaring crude oil prices, and trends in interest rates, and the outlook about its recovery trend has been adding to uncertainty. Under such circumstances, our CRO (Contract Research Organization) industry and the SMO (Site Management Organizations) industry, in which one of our consolidated subsidiaries EP-Mint Co., Ltd. operates, are continuing to grow under the process of reorganization, and the pre-clinical study industry, in which our LSG Co., Ltd. group operates, is also performing steadily. Additionally, in the software development industry, in which our All Right Software Inc. group operates, business is brisk in spite of a shortage of IT engineers.

The CRO business is operated mainly by the Company.

As regards the monitoring service of the Company, the Clinical Development Division has been favorably performing clinical trials in both development and post-marketing stages, centering on existing projects, acquisition of new projects and testing for anti-cancer, diabetes and CNS drugs. The sales for the current quarter, with the enormous progress of contracted projects, increased substantially compared with the same period in last year. The medical device development service also showed a strong performance and achieved a considerable growth in sales compared with the same period in last year.

As for the registration & project management, data management and statistical analysis services, the Biometrics Division is showing a favorable performance in both existing projects and acquisition of new projects. In the medical writing and pharmacovigilance services, it is continuously making efforts to acquire more contracts, making an increase in turnover over the same period in last year.

The Clinical Coordination Center, which provides new business planning and associated services, reported decreased sales figures compared with the same period in last year as its post-marketing clinical trials for an anti-cancer drug having been tested over a long period are drawing to an end.

On an individual basis, the Company achieved a significant increase both in sales and profits compared with the same period in last year with a marked increase in sales under its smooth progress in contracted projects as well as its efforts to reduce expenses.

As regards our consolidated subsidiaries in Japan, e-Trial Co., Ltd., which was established for the purpose of acquiring clinical trial contracts using the EDC system, is continuously striving to acquire new contract orders and achieving good performance. EPMate Co., Ltd., engaged in the temporary staffing service (dispatched CRO business) for pharmaceutical companies, also increased its turnover.

Moreover, EPMedical Co., Ltd., providing a MR dispatching service (CSO business), has been improving its performance continuously adding dispatched MRs to implement a big project contracted during the previous period and deal with new contracts.

On the other hand, as for our overseas CRO business, EPS International Co., Ltd., together with its group companies, is continuing to improve a system to deal with increased demand for CRO services relating to clinical trials across countries borders (especially those in Asia).

Individually, EPS International Co., Ltd. is struggling due to delayed execution of contract, and EPS China Co., Ltd is making efforts to acquire new orders while conducting operations in the finishing stage of a big project carried on since the previous period. EPS Singapore has been smoothly performing contracts acquired in the previous period while promoting new customer acquisition activities on its own. ADM Korea Inc., providing a clinical trials contract service in Korea, is improving a structure for joint contracts in Korea and thus expanding its scale and activities. Furthermore, the Taiwan Branch of EPS International Co., Ltd. is also working on improving a structure for joint contracts.

Consequently, our consolidated net sales for the CRO business amounted to ¥3,383 million, up 36.0% on a year to year basis, and consolidated operating profit ¥617 million, up 131.1% on the same basis, posting a significant increase in both sales and profits.



The SMO business is operated by EP-Mint Co., Ltd.

EP-Mint Co., Ltd. has been continuously improving its performance underpinned by strong orders with improved sales and expense management effectiveness by enhancing the branch-based management system, centering on the site-supporting business by the clinical trial administration in cooperation with local trial sites, in addition to its CRC service.

Consequently, in our SMO business, we achieved significant growth in both sales and profits with the consolidated net sales of ¥894 million (up 30.4% on a year to year basis) and the consolidated operating profit of ¥182 million (up 765.3% on the same basis).

The pre-clinical study business is operated by LSG Corporation Group.

LSG Co., Ltd. is facing an uphill battle in performance due to the delay in the scheduled shipment of laboratory animals for the client's reason.

Consequently, in our pre-clinical study business, both sales and profits decreased, posting the consolidated net sales of ¥314 million (down 11.4% on a year to year basis) and the consolidated operating loss of ¥6 million (¥4 million a year earlier).

The software development business is operated by All Right Software Inc. Group.

All Right Software Inc. is continuing to promote a business making use of Chinese IT engineers and remarkably growing in its contract SE service relating to backbone systems for financial institutions and major companies.

Consequently, in our software development business, the consolidated net sales amounted to ¥388 million (up 64.3% on a year to year basis) and the consolidated operating profit ¥62 million (¥12 million operating loss a year earlier), posting a significant increase in both sales and profits.

After deducting inter-segmental transactions from the segmental figures shown above, the consolidated net sales amounted to ¥4,956 million (up 32.6% on a year to year basis), the consolidated operating profit ¥859 million (up 211.4% on the same basis), the consolidated ordinary profit ¥878 million (up 204.5% on the same basis), and the net profit ¥472 million (up 124.7% on the same basis), resulting in a significant increase in both sales and profits.

## 2. Qualitative Information regarding Consolidated Financial Status

The changes in the financial position for the current quarter from the end of the previous consolidated fiscal year are as follows:

Current assets at the end of the current quarter decreased by ¥1,223 million to ¥9,730 million due mainly to a decrease of ¥964 million in cash and cash equivalents, and of ¥253 million in notes and accounts receivable. Fixed assets increased by ¥10 million to ¥3,592 million due mainly to an increase of ¥71 million in others in investments and other assets, and of ¥29 million in deposits, respectively, in contrast to a decrease of ¥95 million in investment securities through sales, etc. Consequently, total assets at the end of the current quarter decreased by ¥1,213 million to ¥13,323 million.

As regards liabilities, due mainly to a decrease of ¥948 million in income taxes payable as the result of the payment thereof, and of ¥477 million in provision for bonuses, the total liabilities at the end of the current quarter decreased by ¥1,403 million to ¥3,422 million.

The net assets at the end of the current quarter increased by ¥190 million to ¥9,900 million due mainly to a ¥236 million increase in retained earnings in contrast to a ¥43 million decrease in unrealized gain on available-for-sale securities.

As for the cash flow status, the net cash flow used in operating activities was ¥398 million, as the result of ¥478 million decrease in provision for bonuses, and payment of ¥1,046 million for income taxes, despite income before income taxes of ¥889 million and income of ¥251 million mainly through a decrease in accounts receivable.

The net cash flow used in investing activities was ¥290 million due mainly to the payments of ¥89 million for the purchase of tangible and intangible fixed assets, of ¥200 million for the purchase of investment securities, and of ¥43 million for deposits, despite the proceeds of ¥48 million from sales of investment securities.

The net cash flow used in financing activities was ¥281 million, as the result of the repayment of ¥53 million for long-term debt and the payment of ¥227 million for dividends including those for minority stock holders.

Consequently, Cash and cash equivalents at the end of the current quarter decreased by ¥964 million to ¥4,295 million, with the effect of exchange difference on cash and cash equivalents.

### 3. Qualitative Information regarding Consolidated Business Forecasts

The future Japanese economy is expected to be directly and indirectly affected by the impact of downside factors such as the U.S. subprime lending issue and the soaring crude oil prices with continuing uncertainties about overseas economies and trends of interest rates.

The Company's CRO business is operated mainly by the Clinical Development Division, responsible for monitoring and clinical development concerning medical devices, etc., and the Biometrics Division, responsible for services such as data management, statistical analysis, registration & project management, medical writing, pharmacovigilance, together with the Clinical Coordination Center, in charge of new business planning and associated services, and the Business Development Division, which engages in information collection and order receiving activities. In addition to acquisition of new contracts, we will further focus on monitoring and data management services to achieve our full-year profit plan by enhancing the operating rate and reducing expenses.

As regards our domestic consolidated subsidiaries, e-Trial Co., Ltd. will continuously strive to acquire new orders centering on EDC based contracts from pharmaceutical companies and medical research facilities.

EPMate Co., Ltd., a dispatched CRO service provider, will continue to expand its business with focus on the Company and pharmaceutical companies. EPMedical Co., Ltd., providing CSO services including MR dispatching, is concentrating on performing existing contracts of a relatively substantial scale acquired during the previous fiscal year, and securing employees to deal with newly acquired contracts.

As for our overseas businesses, EPS International Co., Ltd., together with its group companies, will continue to improve the system for clinical trial contracts across countries borders. Individually, EPS International Co., Ltd. will strive to receive delayed orders and acquire new orders. On a group basis, it will endeavor to acquire new clinical trial contracts mainly in Asia aiming for the improvement of its overseas contract clinical trial services, continuously pursuing the synergy effect of its collaboration with EPS China Co., Ltd., EPS Singapore and ADM Korea Inc., as well as its Taiwan Branch.

EP-Mint Co., Ltd., which engages in SMO business, will continue to work on maintaining its high operating rate and acquiring new orders by strengthening its structure to acquire contracts and enhancing its branch-based management system.

LSG Co., Ltd., which engages pre-clinical study business, will expedite the delayed shipment of laboratory animals according to its plan and endeavor to acquire new orders.

All Right Software Inc., a software developer, will continue to promote contract SE services and offshore software development and to acquire more contracts for communication-, finance- and network-related software development, making use of Chinese IT engineers.

Accordingly, the Company does not revise its half and full consolidated forecasts for the fiscal year ending September 2008 announced on November 8, 2007.