

Ever
Progressing
System

The Clinical Service Provider
EPS Co., Ltd.

2007
Business Report
October 1, 2006 ~ September 30, 2007



We support international research and development in Asia

In 1999 we became the first Japanese CRO to establish a subsidiary in China and have since started planning, regulatory submissions and project management of clinical trials in Asia. We

have numerous medical professionals and expert staff well versed in clinical trial regulations who provide high quality clinical trial services in China and Southeast Asia. We currently support local

Profile of the President & CEO of EPS Co., Ltd.



EPS Co., Ltd. President & CEO
YAN HAO

Yan Hao was born in Jiangsu Province, China in 1962. He enrolled in University of Tianjin in 1979, and then, came to Japan in 1981, as a Chinese governmental scholar. After completion of a master course majoring in Computer Science at University of Yamanashi, he advanced to Ph.D. Course at the University of Tokyo, to major in Biometrics and Medical Informatics.

In 1991 when he was still a graduate student at the University of Tokyo, Yan established EPS Co., Ltd. as one of the few CRO (Contract Research Organizations) in Japan at that time. EPS Co., Ltd. made a successful IPO on the JASDAQ market, Tokyo, in 2001, becoming the first public CRO company in Japan. Also, EPS Listed a stock on the Second Section of the Tokyo Stock Exchange in 2004, and Listed a stock on the First Section of the Tokyo Stock Exchange in 2006.

submissions and clinical investigations for submission in Japan and clinical research for EBM through partnerships with EPS China Co., Ltd. (Shanghai, Beijing, Guangzhou), EPS Singapore (Ever Progressing System Pte Ltd.), and other partners.

Through partnership with leading world CROs based in Europe and the U.S., we also support global development of domestic and overseas pharmaceutical companies. Based on our clinical development know-how and experience cultivated as a CRO, in the future we intend to reinforce such consultation capabilities as licensing and marketing strategies, with a view toward business expansion to pharmaceutical companies and bio-venture companies in Asia, especially new businesses in product development utilizing Chinese market characteristics, in order to further enrich our services.

Major Services

- Regulatory consultation/development of clinical trials
- Support for development of documents for regulatory submission and regulatory application on behalf of clientele
- Development of trial-related documents such as protocol and CRFs
- Drug randomization
- Monitoring
- Data management
- Statistical analysis
- Medical writing
- Various marketing surveys and marketing promotion consultation

EPS Overseas Network



Countries and Regions to which We can Respond:

China, Taiwan, Korea, Singapore, Malaysia, US, South Africa

Our Contract Experience Includes Achievements in:

[Therapeutic Areas]

Cardiovascular drugs, ophthalmic drugs, metabolic drugs, CNS drugs, PNS drugs, allergic drugs, external dermatological drugs, tumor drugs, antibiotics, chemotherapies (antivirus agents), digestive organ drugs, revitalizers, etc.

[Services]

Strategic consultation, regulatory application, clinical trial planning and monitoring, statistical consultation, data management, statistical analysis, medical writing, distribution channel exploration, various investigations, etc.

Advantage of EPS

- 1.** The number of staff totals over 100 employees with medical and pharmaceutical career backgrounds and experience in DM and statistical analysis.
- 2.** Our company is one of the largest CROs in China and, with its unique web-based case enrollment and data management systems, is capable of large-scale clinical trials intended for EBM.
- 3.** Local staff can speak both Japanese and English. They can give detailed responses appropriate to client requests.
- 4.** Utilizing our extensive network with local administration and medical sites, we realize efficient clinical trials.



Aim of the group: Establishment of an efficient system to provide a full service for drug development

The core business of the EPS Group is with CRO services. We aim from all aspects to establish a system that can fully support pharmaceutical companies with entire drug development, from preclinical trials through regulatory submission. In synergy with our group company, we also provide services such as SMO, staffing, and the preclinical study business.

Our targets include the promotion and expansion of existing businesses, the further development of overseas activities, the exploration of new businesses, as well as improving service quality for customers worldwide.



Outline of Business: Global Contract Research Organization
Office: Tokyo



Office: Beijing / Shanghai / Guangzhou
URL: <http://www.epscn.com/>



Office: Singapore



Office: Korea



Outline of Business: CRO / Temporary Staffing
Office: Tokyo / Osaka
URL: <http://www.epmate.co.jp/>

e-Trial Co.,Ltd.

Outline of Business: Software & CRO Coordination
Office: Tokyo
URL: <http://www.e-trial.co.jp/>



Outline of Business: CSO
Office: Tokyo
URL: <http://www.c-medicalnet.co.jp/>



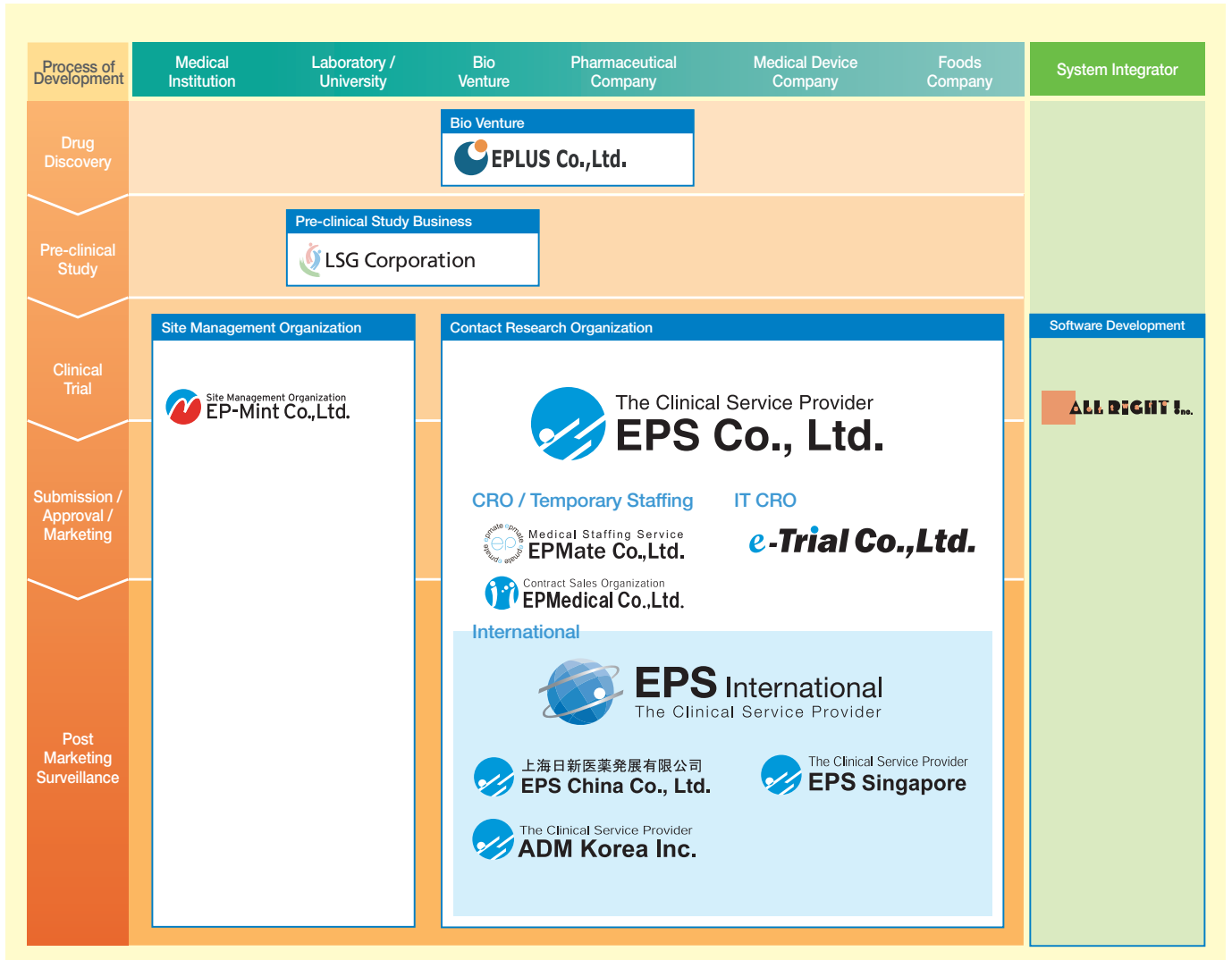
Outline of Business: SMO
Office: Hokkaido / Tohoku / Tokyo / Chubu / Kansai / Chugoku / Kyusyu
URL: <http://www.epmint.co.jp/>



Outline of Business: Pre-clinical Study Agent
Office: Tokyo / Chicago (US) / Makati (Philippines)
URL: <http://www.lsg.co.jp>



Outline of Business: Software Development
Office: Tokyo / Beijing
URL: <http://www.allrightsoft.co.jp/>



Review of Business Performance

Management results for the current term

Though the Japanese economy in this consolidated fiscal year has causes for concern such as the trends in US economy and crude oil prices, and raised interest, the corporate earnings still maintain strength on upward trends in capital investment and personal consumption, leading to a mild increase in business. In such circumstances, the CRO (Contract Research Organization) business to which EPS Co., Ltd belongs to and the SMO (Site Management Organization) business in which EP-Mint Co., Ltd., our consolidated subsidiary, is operating are growing through restructuring, with the pre-clinical study business in which LSG Corporation is developing its business maintaining a steady performance. Also, the software development business in which All Right Software Inc. is operating is

booming in spite of the shortage of IT engineers.

The CRO business is mainly operated by EPS Co., Ltd.

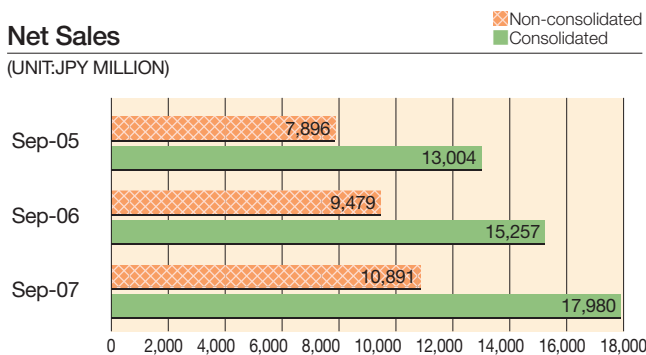
Our monitoring business is developing favorably in both development stage trials and post-marketing clinical trials, with focus on performance of existing projects, acquisition of new projects, and trials of drugs for cancers, diabetes and central nerves, under the control of the Clinical Development Division. In the medical device development business, the business assignment in the previous consolidated fiscal year contributed to the significant growth in sales compared to the previous consolidated fiscal year.

In the services of registration, progress management, data management and statistics analysis businesses, the

Change of Business Performance

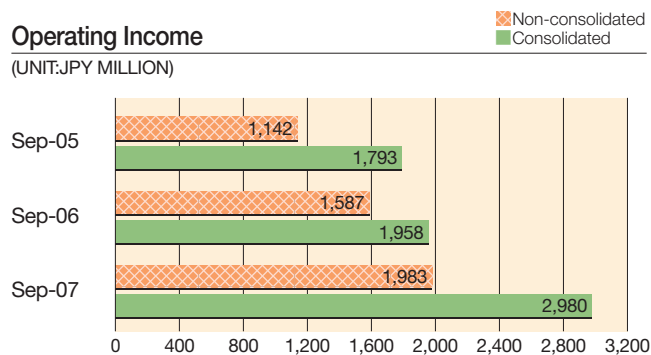
Net Sales

(UNIT:JPY MILLION)



Operating Income

(UNIT:JPY MILLION)



Biometrics Division is also doing well in both performance of the existing projects and acquisition of new projects. In this consolidated fiscal year, the operating rate has increased due to the development of the system to respond to contract projects flexibly, increase in cases of existing projects and acquisition of new projects. We are pushing hard to win orders for medical writing and pharmacovigilance businesses, whose sales has grown compared to the previous consolidated fiscal year.

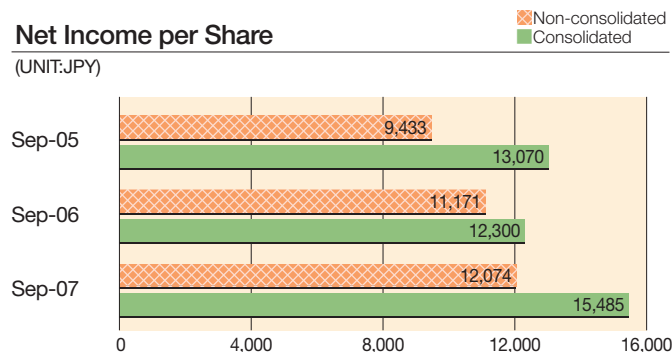
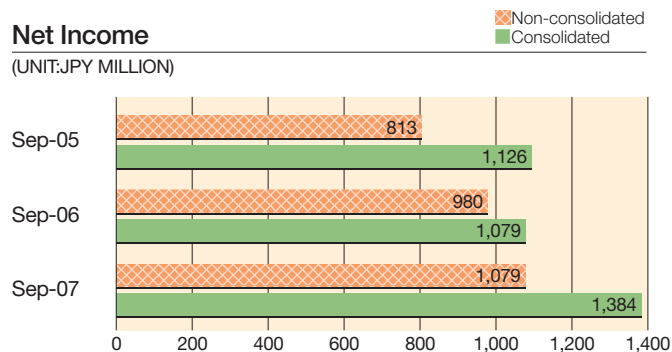
The Clinical Coordination Center which plans and offers services for new projects engages in performance of existing projects and acquisition of new projects, recording a significant increase in its sales compared to the previous consolidated fiscal year.

On the non-consolidated basis, the valuation loss on

investment securities is reported as extraordinary loss. However, the sales of each division rose steadily, posting increases in both profit and revenue compared to the previous consolidated fiscal year due to increased sales, enhanced operating rate associated with more efficient services, and cost saving efforts.

As for our consolidated subsidiaries, e-Trial Co., Ltd, which was established in the previous consolidated fiscal year to contract EDC-based clinical trials in Japan, concentrates on winning new contracts, improving its performance steadily. EP-Mate Co., Ltd, which dispatches staff to pharmaceutical companies (dispatched CRO services), is also improving its results favorably.

EPMedical Co., Ltd, which dispatches MRs (CSO services), has increased the number of MRs to be dispatched



through acquisition of new projects, though it has incurred prior investment expenses.

The overseas CRO business was succeeded by EPS International Co., Ltd. (Voting right ratio 100%) which was established in April 2007 through the company split to provide rapid, professional and appropriate services to customers in response to the increasing demand for clinical trials in overseas (especially Asia) with each passing year. The subsidiary is promoting with overseas subsidiaries the development of the system to correspond to the increase in demand for CRO businesses associated with clinical trials across the countries.

In this overseas subsidiary group, EPS China Co., Ltd., though ending of the large-scale project contracted in China, its profit and revenue are on the rise compared to the previous consolidated fiscal year. Ever Progressing System Pte. Ltd. has reduced its profit and revenue compared to the previous consolidated fiscal year in spite of its efforts to acquire new customers independently. ADM Korea Inc. has joined the Group since this consolidated fiscal year and is operating contract clinical trial services in Korea (an associate subject to equity method, located in Seoul, South Korea; capitalized at 153 million won (approximately 19 million yen); voting right ratio: 35.0%). The associate is developing the system for joint contract projects in Korea. EPS International Co., Ltd. established its Taiwan Branch in July 2007 to develop the system for joint

contract projects there.

EPLUS Co., Ltd. has become a 100% subsidiary through the transfer of proprietary right from Sosei Group Corporation in June 2007.

As a result, the consolidated sales of the CRO business reached 12,254 million yen (increase of 18.9% compared to the previous consolidated fiscal year) and the consolidated operating profit was 2,157 million yen (increase of 25.8% on the same basis), leading to a steady increase of profit and revenue.

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

EP-Mint Co., Ltd, while continuing to engage in the CRC business, is developing the internal organization after the merger with focus on the site support business for clinical trial bureaus in cooperation with local medical organizations, making available the management system according to branch with the result of enhanced sales and cost management.

Sogo Mediplus Co., Ltd., an associate subject to equity method established on November 1, 2005 to promote the partnership with Sogo Clinical Holdings Co., Ltd (Voting right ratio of EP-Mint: 20%, the same of Sogo Clinical Holdings: 80%), has terminated its role and completed liquidation on July 31, 2007.

As a result, the consolidated sales of the SMO business was 3,375 million yen (increase of 13.2% compared to the

previous consolidated fiscal year) with the consolidated operating profit of 643 million yen (increase of 624.8% on the same basis), achieving a significant increase in profit and revenue.

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

LSG Corporation has been an uphill struggle under the influence of the group reorganization of overseas pre-clinical study contractors in the previous consolidated fiscal year, though the agent service for new overseas pre-clinical study contractors is looking up.

As a result, the consolidated sales of the pre-clinical study business reached 1,259 million yen (increase of 5.2% compared to the previous consolidated fiscal year) with the consolidated operating profit of 77 million yen (increase of 7.0% on the same basis), leading to enhanced profit and revenue.

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

All Right Software Inc. continues to promote the business using Chinese IT engineers, and the contract SE service for the backbone system for financial institutions and major companies is growing significantly.

As a result, the consolidated sales of the software development business reached 1,250 million yen (increase

of 35.7% compared to the previous consolidated fiscal year) with the consolidated operating profit of 89 million yen (increase of 33.5 % on the same basis), leading to a significant increase in profit and revenue.

The above-mentioned consolidated sales and operating profits by segment include those for the internal transactions between segments. Therefore, after deducting them, the current consolidated sales was 17,980 million yen (increase of 17.8% compared to the previous consolidated fiscal year) with the consolidated operating profit of 2,980 million yen (increase of 52.2% on the same basis) and the consolidated ordinary profit of 3,042 million yen (increase of 53.7% on the same basis), leading to a significant increase in profit and revenue. Despite the extraordinary loss of 345 million yen due to the valuation loss on investment securities, the current consolidated net profit was 1,384 million yen (increase of 28.3% on the same basis) resulting in enhanced profit and revenue.



Financial Information

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, JPY)

	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,792,223	5,260,080
Notes and accounts receivable	3,607,909	4,126,574
Investment securities	—	200,012
Inventories	339,862	437,696
Deferred tax assets	252,655	391,347
Pocket through expense	145,275	243,601
Others	264,222	296,927
Allowance for doubtful accounts	△ 1,411	△ 1,523
Total current assets	8,400,737	10,954,717
FIXED ASSETS		
Tangible Assets ;		
Leasehold improvements	344,453	383,711
Accumulated depreciation	△ 180,245	△ 200,747
Furniture and fixtures	203,274	238,233
Accumulated depreciation	△ 131,006	△ 143,660
Others	133,053	175,931
Accumulated depreciation	△ 54,723	△ 77,075
Total property and equipment	314,805	376,393
Intangible Assets ;		
Goodwill	315,666	247,666
Others	67,993	97,410
Total intangible assets	383,660	345,077
Investments and other assets ;		
Investment securities	1,275,110	1,074,612
Long-term loans receivable	45,617	47,268
Deposits	666,687	681,724
Time deposits and banking arrangements other than cash equivalents	500,000	500,000
Deferred tax assets	188,142	320,997
Others	198,961	246,456
Allowance for doubtful accounts	—	△ 10,000
Total investments and other assets	2,874,519	2,861,059
Total fixed assets	3,572,985	3,582,530
TOTAL ASSETS	11,973,723	14,537,247

	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	182,795	201,903
Current portion of long-term debt	213,200	214,300
Income taxes payable	375,282	1,063,181
Provision for bonuses	422,541	649,722
Others	1,171,583	1,861,952
Total current liabilities	2,365,403	3,991,058
LONG-TERM LIABILITIES		
Long-term debt	670,000	405,700
Provision for employee's retirement benefits	227,604	258,448
Provision for director's retirement benefits	130,499	155,023
Deferred tax liabilities	4,258	2,518
Others	5,825	14,204
Total long-term liabilities	1,038,188	835,895
TOTAL LIABILITIES	3,403,591	4,826,953
NET ASSETS		
Common stock	1,875,251	1,875,251
Additional paid-in capital	1,825,298	1,825,298
Retained earnings	4,180,774	5,205,599
Common stock for treasury	△ 322,080	△ 322,080
Unrealized gain on available-for-sale securities	89,590	66,076
Deferred gain on hedges	—	485
Foreign currency translation adjustments	40,552	67,262
Total shareholders' equity	7,689,386	8,717,892
Minority interests	880,745	992,401
TOTAL NET ASSETS	8,570,131	9,710,293
TOTAL LIABILITIES AND NET ASSETS	11,973,723	14,537,247

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, JPY)

	FOR THE YEAR ENDED SEPTEMBER 30, 2006	FOR THE YEAR ENDED SEPTEMBER 30, 2007
NET SALES	15,257,985	17,980,875
COST OF SALES	10,892,074	12,046,656
Gross profit	4,365,911	5,934,218
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,407,205	2,953,488
Operating income	1,958,705	2,980,730
OTHER INCOME (EXPENSES)		
Interest income	27,690	38,069
Interest expenses	(20,682)	(15,771)
Gain on cancellation of life insurance	10,919	16,746
Service fee income	3,317	6,056
Gain on consumption tax filing	7,988	14,618
Incentive on re-investment in overseas subsidiaries	7,711	—
Payment to the Association for employment of persons with disabilities	(3,050)	(5,350)
Foreign exchange loss	(3,884)	—
Equity in losses of associated companies	(9,213)	(5,708)
Gain on sales of property and equipment	995	584
Gain on sale of investments in securities	—	51,186

	FOR THE YEAR ENDED SEPTEMBER 30, 2006	FOR THE YEAR ENDED SEPTEMBER 30, 2007
Compensation for office removal	—	61,080
Gain on decrease of shares in associated company	4,001	—
Loss on sales and disposal of property and equipment	(14,743)	(61,266)
Loss on devaluation of investment in securities	(87,593)	(345,918)
Impairment loss	(3,635)	—
Loss on devaluation of software	(28,083)	—
Provision for doubtful accounts	—	(10,000)
Others- net	(9,830)	(2,860)
Other income (expenses)-net	(118,093)	(258,533)
Income before income taxes and minority interests	1,840,612	2,722,197
INCOME TAXES		
Current	782,199	1,409,739
Deferred	(89,728)	(255,795)
Total	692,470	1,153,944
MINORITY INTERESTS	69,055	183,865
NET INCOME	1,079,085	1,384,387

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(IN THOUSANDS, JPY)

	Attributable to equity holders of the company					Evaluation and translation adjustment				Total Shareholders' equity	Minority interest	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Common stock for treasury	Sub total	Unrealized gain on available-for-sale securities	Deferred gain on hedges	Foreign currency translation adjustments	Total evaluation and translation adjustments			
Balance at 30 September 2006	1,875,251	1,825,298	4,180,774	△ 322,080	7,559,243	89,590	—	40,552	130,142	7,689,386	880,745	8,570,131
Changes during the period												
Cash dividends			△ 357,592		△ 357,592					△ 357,592		△ 357,592
Net income			1,384,387		1,384,387					1,384,387		1,384,387
Others			△ 1,970		△ 1,970					△ 1,970		△ 1,970
Net increase/decrease in valuation, translation adjustment and minority interest						△ 23,514	485	26,709	3,681	3,681	111,655	115,337
Total changes during the period	—	—	1,024,824	—	1,024,824	△ 23,514	485	26,709	3,681	1,028,505	111,655	1,140,161
Balance at 30 September 2007	1,875,251	1,825,298	5,205,599	△ 322,080	8,584,068	66,076	485	67,262	133,823	8,717,892	992,401	9,710,293

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS, JPY)

	FOR THE YEAR ENDED SEPTEMBER 30, 2006	FOR THE YEAR ENDED SEPTEMBER 30, 2007
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	1,840,612	2,722,197
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	133,848	109,352
Impairment loss	3,635	—
Amortization of Goodwill	15,802	61,983
Increase in provision for bonuses	50,769	226,430
Increase in allowance for retirement benefits for employees	22,058	30,844
Increase in allowance for retirement benefits for directors	8,163	24,524
Interest and dividends income	△ 28,890	△ 39,569
Interest expense	20,682	15,771
Gain on sale of investments in securities	—	△ 51,186
Loss on devaluation of investments in securities	87,593	345,918
Loss on sales and disposal of property and equipment	14,743	61,266
Changes in operating assets and liabilities:		
Decrease in accounts receivable-trade (△Increase)	92,792	△ 511,143
Increase in inventories	△ 109,861	△ 71,298
Increase in pocket through expense	△ 45,255	△ 97,874
Increase in accounts payable-trade	24,351	16,734
Increase in other current liabilities	182,905	667,652
Others , Net	43,109	△ 104,848
Subtotal	2,357,062	3,406,754
Interest and dividends received	27,986	37,797
Interest paid	△ 20,682	△ 15,749
Income taxes paid	△ 1,006,887	△ 731,149
Net cash provided by (used in) operating activities	1,357,478	2,697,652

	FOR THE YEAR ENDED SEPTEMBER 30, 2006	FOR THE YEAR ENDED SEPTEMBER 30, 2007
INVESTING ACTIVITIES:		
Disbursements for purchase of tangible fixed assets	△ 146,885	△ 178,665
Disbursements for purchase of intangible fixed assets	△ 25,686	△ 37,714
Payment for purchase of investments securities	△ 477,290	△ 439,793
Proceeds from sales of investments securities	—	95,186
Payment for deposit for rent office and others	△ 82,086	△ 197,211
Collection of deposits for rent office and others	—	173,885
Payment for insurance reserve fund	△ 45,897	△ 52,289
Payment for acquisition of goodwill	△ 340,000	—
Others , Net	△ 21,192	31,592
Net cash provided by (used in) investing activities	△ 1,139,038	△ 605,009
FINANCING ACTIVITIES:		
Disbursements for repayments of finance leases	△ 43,678	—
Proceeds from borrowing long-term debt	1,092,000	—
Disbursements for repayment of long-term debt	△ 295,624	△ 263,200
Proceeds from issuance of bonds	1,997,743	—
Disbursements for redemption of bonds	△ 900,000	—
Disbursement for acquisition of treasury stock	△ 1,041	—
Proceeds from issuance of common stock to minority stock holders	14,055	—
Dividends paid	△ 231,444	△ 357,397
Dividends paid for minority stock holders	△ 18,794	△ 15,813
Others , Net	△ 4,018	△ 1,553
Net cash provided by (used in) financing activities	1,609,198	△ 637,964
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	17,722	13,178
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,845,361	1,467,856
BEGINNING OF BALANCE, CASH AND CASH EQUIVALENTS	1,946,862	3,792,223
ENDING OF BALANCE, CASH AND CASH EQUIVALENTS	3,792,223	5,260,080

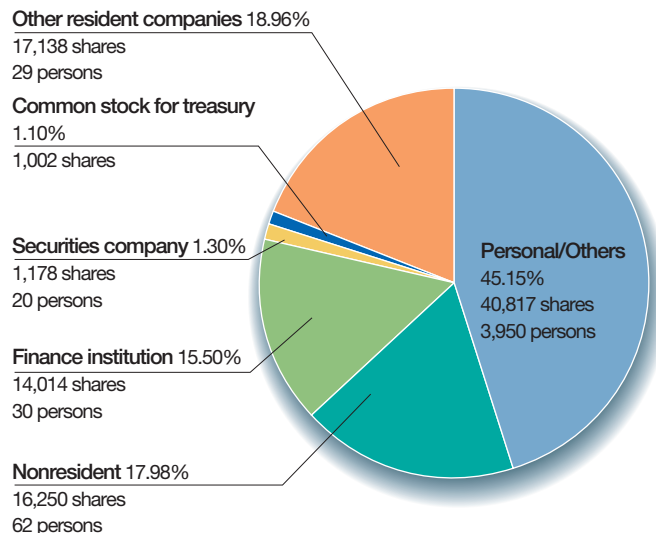
Current Situation of Shares

Authorized stocks	324,000
Share of common stock issued	90,400
Number of shareholders	4,091

Principal Shareholders

Name of shareholders	Number of share held	Percentage of total(%)
Hao Yan	17,654	19.52
Y & G Limited	16,760	18.53
The Bank of New York for GCM Client Accounts (E) ISG	5,029	5.56
Sumitomo Life Insurance Company	2,700	2.98
Japan Trustee Services Bank, Ltd., T.	2,527	2.79
Nomura Trust and Banking Co., Ltd., Inv. T.	2,128	2.35
The Master Trust Bank of Japan, Ltd.	1,839	2.03
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,620	1.79
The Chase Manhattan Bank N. A., London SL Omnibus Account	1,567	1.73
Mellon Bank Treaty Clients Omnibus	1,533	1.69

Classification of Shareholders



Note: Self-name is not included in the number of shareholders.

Members of the Board and Statutory Auditors

President & CEO	Mr. Yan Hao
Executive Directors	Mr. Koichi Jingu
Executive Directors	Mr. Tatsuhiko Ichiki
Directors	Mr. Tomohiro Tominaga
Directors	Mr. Yasuharu Tamai
Statutory Auditors	Mr. Koza Okunaga
Statutory Auditors	Mr. Junichi Ishikawa
Statutory Auditors	Mr. Koichi Shibuya

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>

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