

Ever
Progressing
System

The Clinical Service Provider
EPS Co., Ltd.

2010 Interim Business Report

October 1, 2009 to September 30, 2010





EPS is reinforcing its overseas business to meet growing demand for the outsourcing of clinical studies.

The number of companies that outsource clinical studies to overseas contract research organizations (CROs) is increasing, as they seek to shorten the period required to obtain approvals for pharmaceutical products and medical equipment. In response to this trend, the EPS Group is reinforcing its service offerings through its pan-Asia network.

Hao Yan, President and CEO

Hao Yan was born in 1962 in Suzhou province, China. In 1979, he entered the Engineering Department of the University of Tianjin. In 1981, he came to Japan as a governmental scholar and entered the University of Yamanashi. Following his graduation, he majored in Biometrics and Medical Informatics at the University of Tokyo's graduate studies program and engaged in research and the operation of clinical studies. In 1991, he established EPS Tokyo, now EPS Co., Ltd. In 2001, the Company's 10th anniversary, EPS listed on the JASDAQ market. This was followed by its listing on the First Section of the Tokyo Stock Exchange in 2006.

Q1 Please outline your progress in overseas business.

A In 1999, EPS Co., Ltd., became the first Japanese CRO to establish operations in China. In 2007, we established EPS International Co., Ltd., which now operates in Beijing, Shanghai, Guangzhou, Hong Kong, Taiwan, Singapore and Seoul. We also established EPS China Co., Ltd. in Suzhou province, China, in 2008 to coordinate Group business and reinforce our operations there.

Q2 Why is EPS focusing on China when reinforcing its overseas business?

A There are two main reasons. The first is that the market has solid growth potential. In 2009, the market for pharmaceutical products grew faster in China than anywhere else in the world. This expansion prompted Japanese companies to enter the market. We provide these companies with a wide range of services that leverage our broad China-based network and technological aptitude.

The second reason is human resources. In Japan, post-marketing research is growing larger in scale and more complicated, and human resources



are in short supply. Meanwhile, our subsidiary in China meet such needs with numerous personnel who are well versed in medicine, pharmacology, information technology (IT) and other fields.

Q3 Please describe your outlook regarding business expansion in China.

A We are planning to create a business model that creates synergy between Japanese pharmaceutical companies that are expanding into China and our CRO business. We will introduce Japanese pharmaceutical products to China while protecting their intellectual property. We will play a

leading role in helping Japanese pharmaceutical companies to enter the Chinese market by providing comprehensive services: conducting clinical studies, filing approval applications, referring contract manufacturers and selecting sales partners.

EPS China Co., Ltd., which coordinates all our business in China, will also contribute to the expansion of the EPS Group and help invigorate Asian economies through the Group's wealth of human resources and excellent industrial infrastructure.

Management Results

● The CRO business

Our CRO business is handled mainly by EPS Co., Ltd. The Clinical Development Division handles the monitoring of existing projects involving cancer treatment, diabetes, high blood pressure and the central nervous system (CNS), the acquisition of new projects and clinical trials both at the development and the post-marketing stages. Sales from this business were up steadily compared with the preceding fiscal year.

All sales from our data management, statistical analysis, pharmacovigilance, registration and

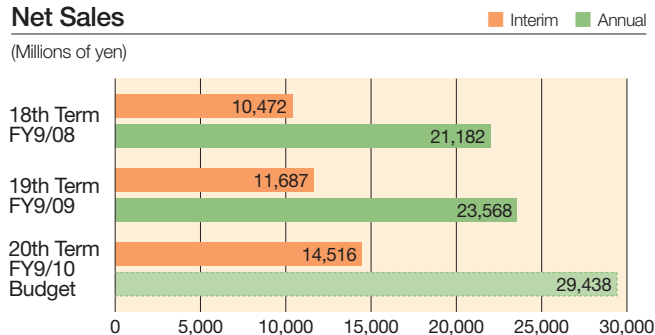
project management services increased year on year. However, medical writing service revenues were down slightly. The data center service, which in the past concentrated mainly on post-marketing studies, steady developed business involving drug use investigation. As a result, sales from this service increased from the previous term. Sales of medical device services were also up from the same period of last year, following the reorganization of these services.

At consolidated subsidiaries in Japan, sales were up year on year at E-trial Co., Ltd., a

Business Trends

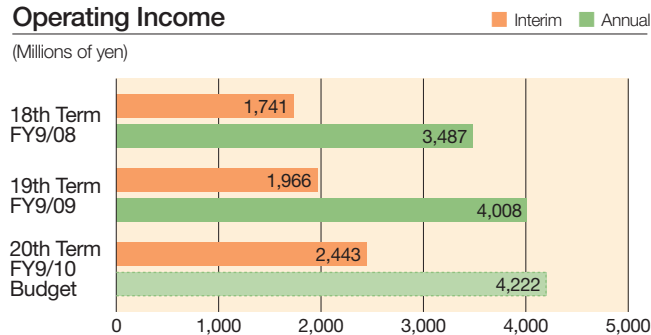
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)



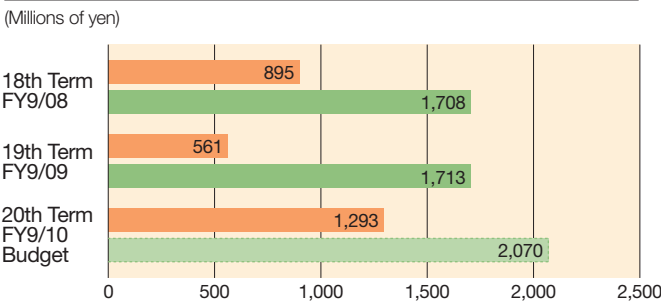
company that uses the EDC system to electronically accumulate and leverage the results of clinical trials, owing to new orders. EP-Mate Co., Ltd., which dispatches staff for the CRO business, delivered year-on-year increases in sales and income.

Pharma Network Co., Ltd., dispatches MRs for the CSO business. In 2009, this company merged with EPMedical Co., Ltd., and consequently sales increased significantly compared with the previous year. However, profits fell as the company concentrated on

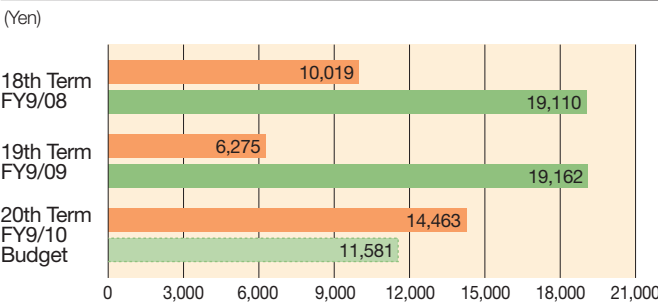
streamlining its corporate structure following the merger.

Medical Line Co., Ltd., which became a consolidated subsidiary in 2009, dispatches staff—mainly pharmacists—and provides drug information service. The company’s performance improved steadily during the year thanks to new orders for drug information (DI)—a core area of expertise, as well as strong showings in other businesses. These include contact center services involving campaigns to enhance public awareness of diseases.

Net Income



Net Income per Share



In the overseas CRO business, EPS International Co., Ltd., and its group companies sought to improve their structure for handling higher demand for multilateral CRO services in Asia.

EPS Hong Kong Limited is in preparing to begin full-scale operations.

EPS China Co., Ltd., which is in charge of the CRO, IT and drug discovery businesses, as well as the coordination of all business in China, made progress in creating a contracting structure for EPS data management projects. EPS China also succeeded in obtaining a license to sell medical devices in Suzhou province, China, such as influenza testing kits, and is in the process of developing sales channels.

●The SMO business

EP-Mint Co., Ltd., is working to enhance its branch-based management system, centering on clinical administration support provide on-site in

cooperation with local trials. As patient registrations exceeded expectations, sales and profits were up significantly.










●The Pre-clinical study business

The LSG Group faced an uphill battle, due to falling business involving laboratory animals. Consequently, the pre-clinical study business posted sales and profit decreases.

●The Software development business

All Right Software Inc.'s visual communication business developed steadily thanks to large contract wins. Conversely, the economic recession affected the software development business. Consequently, this company's operations are struggling, and its group companies, All Right Software Beijing Co., Ltd., and Qingdao Tidever Software Co., Ltd., are in similar straits.

Providing full-service in drug development contracts

Business	Company name	Established year	CEO	Employees	CRO	CRO (pre-clinical)	SMO	Human resources	IT	Drug discovery	Call center
Domestic drug service	 The Clinical Service Provider EPS Co., Ltd.	1991	Hao Yan	1,164	○						
	 Site Management Organization EP-Mint Co., Ltd.	1999	Shinro Tashiro	413			○				
	e-Trial Co., Ltd.	2006	Satoru Kono	23	○						
Overseas drug service	 EPS International The Clinical Service Provider	2007	Tatsuhiko Ichiki	127	○						
	 LSG Corporation	2002	Takeshi Tadano	116		○					
Human resources service	 PHARMA NETWORK ファーマネットワーク	1997	Makoto Enokido	233				○			
	 Medical Staffing Service EPMate Co., Ltd.	2005	Yasuo Kiba	44				○			
	 株式会社 メディカルライン Medical Line	2006	Junichi Nishizuka	163							○
IT Service	 ALL RIGHT!. オンラインソフトウェア株式会社	2001	Hao Yan	215					○		
Chinese business	 益新(中国)有限公司 EPS China Co., Ltd.	2008	XIA XiangMing	40	○				○	○	

Financial Information

Consolidated Balance Sheets

(Thousands of yen)

	September 30, 2009	March 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and time deposits	6,607,331	6,819,488
Notes and accounts receivable	5,211,905	6,120,494
Inventories and products	231,824	287,226
Works in progress	253,598	310,349
Others	1,140,119	1,260,436
Allowance for doubtful accounts	(2,108)	(2,870)
Total current assets	13,442,670	14,795,124
FIXED ASSETS		
Tangible Assets	445,165	548,902
Intangible Assets	364,189	967,961
Investments and other assets		
Investment securities	881,700	714,956
Deposits	1,012,144	1,105,801
Others	1,160,990	1,167,976
Total investments and other assets	3,054,836	2,988,734
Total fixed assets	3,864,190	4,505,597
TOTAL ASSETS	17,306,861	19,300,722

(Thousands of yen)

	September 30, 2009	March 31, 2010
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	204,226	301,188
Short-term debt	150,000	200,000
Current portion of long-term debt	200,000	100,000
Income taxes payable	944,772	1,068,161
Provision for bonuses	1,145,169	1,050,252
Provision for loss on order received	75,650	47,600
Others	1,899,275	2,152,540
Total current liabilities	4,619,093	4,919,742
LONG-TERM LIABILITIES		
Provision for employees' retirement benefits	307,137	346,168
Provision for directors' retirement benefits	247,397	258,329
Others	25,378	47,380
Total long-term liabilities	579,912	651,879
TOTAL LIABILITIES	5,199,006	5,571,621
NET ASSETS		
Shareholders' equity		
Common stock	1,875,251	1,875,251
Additional paid-in capital	1,825,431	1,825,431
Retained earnings	7,657,862	8,664,850
Common stock for treasury	(321,437)	(321,437)
Total shareholders' equity	11,037,108	12,044,096
Valuation and translation adjustments		
Unrealized gain (or loss) on available-for-sale securities	(39,782)	(60,034)
Deferred gain (or loss) on hedges	(2)	—
Foreign currency translation adjustments	(65,647)	(32,110)
Total valuation and translation adjustments	(105,431)	(92,145)
Share option in consolidated subsidiary	—	6,528
Minority interests	1,176,178	1,770,621
TOTAL NET ASSETS	12,107,854	13,729,100
TOTAL LIABILITIES AND NET ASSETS	17,306,861	19,300,722

Consolidated Statements of Income

(Thousands of yen)

	Second quarter ended March 31, 2009	Second quarter ended March 31, 2010
NET SALES	11,687,577	14,516,843
COST OF SALES	7,966,361	9,735,533
Gross profit	3,721,215	4,781,310
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,754,850	2,337,616
Operating income	1,966,364	2,443,694
OTHER INCOME (EXPENSES)		
Interest income	15,841	11,250
Interest expenses	(5,519)	(5,279)
Foreign exchange gain or loss (loss)	(7,063)	(29,608)
Gain on cancellation of insurance	—	14,682
Gain on sale of investments in securities	8,320	—
Gain on change in equity by merger of consolidated subsidiary	—	34,961
Refund of insurance surrender	—	25,320
Loss on sales and disposal of property and equipment	(8,078)	(6,566)
Loss on devaluation of investment in securities	(107,548)	(45,174)
Impairment loss on goodwill	(125,666)	(10,000)
Others- net	(3,027)	33,409
Other income (expenses)-net	(232,741)	22,996
Income before income taxes and minority interests	1,733,623	2,466,690
INCOME TAXES		
Current	698,104	1,027,226
Deferred	427,127	81,554
Total	1,125,232	1,108,781
MINORITY INTERESTS	47,356	64,840
NET INCOME	561,034	1,293,068

Consolidated Statements of Cash Flows

(Thousands of yen)

	Second quarter ended March 31, 2009	Second quarter ended March 31, 2010
OPERATING ACTIVITIES	911,904	926,118
INVESTING ACTIVITIES	(162,792)	(752,594)
FINANCING ACTIVITIES	(406,989)	(398,396)
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	38,718	26,090
NET INCREASE IN CASH AND CASH EQUIVALENTS	303,403	(198,781)
BEGINNING OF BALANCE, CASH AND CASH EQUIVALENTS	5,638,984	6,607,331
INCREASE IN CASH AND CASH EQUIVALENTS BY MERGER OF CONSOLIDATED SUBSIDIARY	—	205,600
ENDING OF BALANCE, CASH AND CASH EQUIVALENTS	5,942,388	6,614,150

Industry Segment Information

2010 (October 1, 2009 to March 31, 2010)

(Thousands of yen)

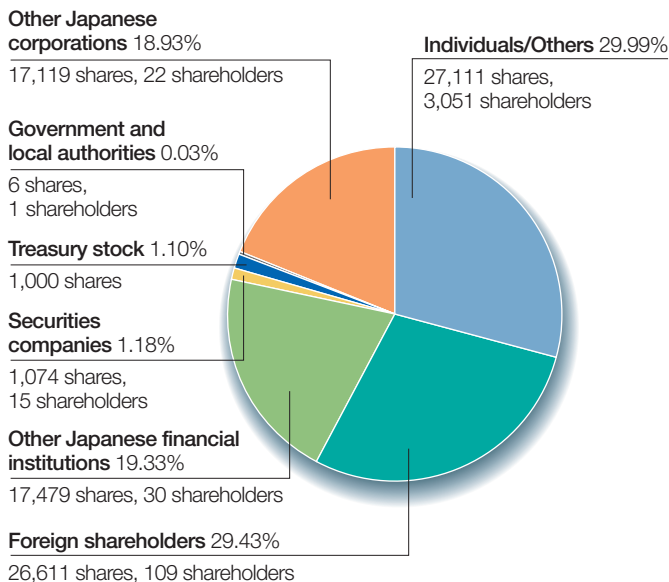
	CRO	SMO	Preclinical Service	System Development	Total	Eliminations/ Corporate	Consolidation
SALES							
Sales to customers	11,290,014	2,040,977	405,355	780,495	14,516,843	—	14,516,843
Intersegment sales	9,621	2,265	2,070	62,265	76,222	(76,222)	—
Total	11,299,636	2,043,242	407,425	842,760	14,593,066	(76,222)	14,516,843
Operating income	2,127,371	401,704	(11,378)	(79,623)	2,438,074	5,619	2,443,694

Authorized shares	324,000
Shares of common stock issued	90,400
Number of shareholders	3,229

Principal Shareholders

Shareholder	Shares held	Percentage of total
Y&G Limited	16,760	18.53
Hao Yan	11,166	12.35
State Street Bank and Trust Company	7,391	8.17
Japan Trustee Services Bank, Ltd. (Trust Account)	6,939	7.67
JPMorgan Chase Bank	3,015	3.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,988	3.30
Sumitomo Life Insurance Company	2,800	3.09
BBH FOR MATTHEWS ASIA DIVIDEND FUND	2,065	2.28
Trust & Custody Services Bank, Ltd. (Trust Account)	1,726	1.90
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	1,620	1.79

Shareholder Breakdown



Members of the Board and Statutory Auditors

President & CEO	Hao Yan
Directors	Tatsuhiko Ichiki
	Koichi Jingu
	Yasuharu Tamai
	Hidetaka Ando
Statutory auditors	Hiroaki Abe
	Masaaki Anzai
	Kozo Okunaga
	Koichi Shibuya

Company Profile

Corporate Name: EPS Co., Ltd.

President & CEO: Hao Yan

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/en/index.html>

Locations: Center Office

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2-23 Shimomiyabicho, Shinjuku-ku, Tokyo
162-0822
TEL: +81-3-5684-7797

Annex. 1

Sumitomo Fudosan Iidabashi Bldg. No.4
2-3-19 Koraku, Bunkyo-ku, Tokyo
112-0004

Annex. 2

2, 3, 4, 5F, Iidabashi MF Bldg.
1-1 Shinogawamachi, Shinjuku-ku, Tokyo
162-0814

Annex. 3

6F, Daiichikangin Inagaki Bldg.
2-1 Shimomiyabicho, Shinjuku-ku, Tokyo
162-0822

Annex. 4

2F, S&S Bldg.
6-36 Shinogawamachi, Shinjuku-ku, Tokyo
162-0814

Osaka Branch

9, 11F, Nissei Shin-osaka Bldg.
3-4-30 Miyahara, Yodogawa-ku, Osaka
532-0003

Nagoya Branch

4F, Horiuchi Bldg.
3-25-9 Meieki, Nakamura-ku, Nagoya-shi, Aichi
450-0002

Forward-Looking Statements

The items in this report include descriptions of future plans and forecasts. Actual performances may differ substantially due to various factors.



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