

Ever
Progressing
System

The Clinical Service Provider
EPS Co., Ltd.

2011 Interim Business Report

October 1, 2010 to March 31, 2011



Message from the President



President & CEO
Yan Hao

Yan Hao was born in 1962 in Jiangsu Province, China. In 1979, he entered the Engineering Department of the University of Tianjin. In 1981, He came to Japan, where he entered the University of Yamanashi as a government scholar. After graduation, he majored in Biometrics and Medical Informatics at the University of Tokyo's graduate studies program and engaged in research and operation of clinical studies. In 1991, He established EPS Tokyo, now known as EPS Co., Ltd. In 2001, its 10-year anniversary, the Company made a successful initial public offering on the JASDAQ market. In 2006, the Company listed on the First Section of the Tokyo Stock Exchange Market.

We will continue to cooperate and devote our management efforts toward the recovery of the Japanese economy.

First of all, I would like to extend my deepest condolences to all the people who were affected by the recent Great East Japan Earthquake and tsunami. I sincerely hope that the affected area will recover as soon as possible.

The massive earthquake that occurred on March 11, 2011, devastated industries and livelihoods throughout the Tohoku region. It also precipitated a secondary disaster of historic proportions at the Fukushima Daiichi Nuclear Power Plant.

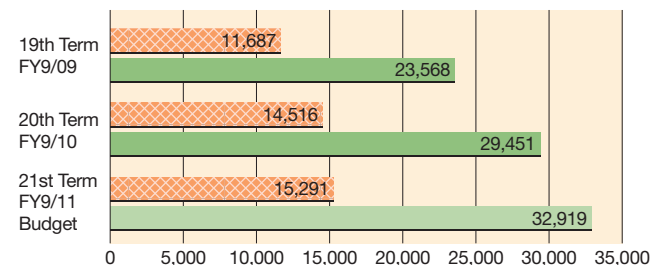
In the EPS Group, EP-Mint Co., Ltd., which operates

Business Trends

Net Sales

(Millions of yen)

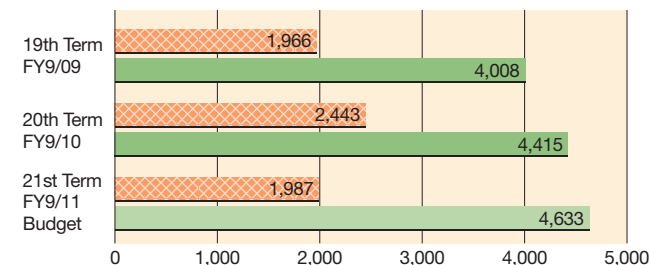
Interim Annual



Operating Income

(Millions of yen)

Interim Annual



in the SMO business, has branches and offices in the Tohoku region—in Sendai, Morioka, Yamagata and Koriyama. Fortunately, none of our people at these bases were injured. Operations at the Sendai branch were disrupted temporarily, but the branch has now recovered and operations have recommenced.

The Group has donated ¥30.0 million through the Japanese Red Cross Society and distributed contributions collected within the Group to employees of Group companies who were affected by the disaster.

We will apply the lessons learned from the recent earthquake by enhancing our crisis management system. In addition, we are strengthening our solidarity through groupwide efforts to help overcome the national crisis and set a course toward reconstruction and development. The outlook on the recovery of the affected areas and the resolution of the nuclear power station accidents is unclear. Under such circumstances,

the EPS Group will strive to conserve electricity and other forms of energy in line with national policy and help to rebuild the Japanese economy.

During the first half under review, sales increased but profits decreased from the corresponding quarter of the previous fiscal year. Net sales were ¥15,291 million on a consolidated basis. Operating income was ¥1,987 million, ordinary income was ¥1,994 million, and net income was ¥716 million.

We will continue to devote management efforts toward meeting the expectations of all our shareholders and investors. We appreciate your ongoing support and hope you will remain with us as we continue to grow.

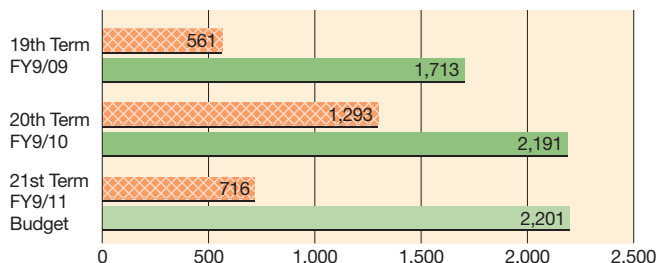
May 2011

Note: For management results, please refer to pages 8–9.

Net Income

(Millions of yen)

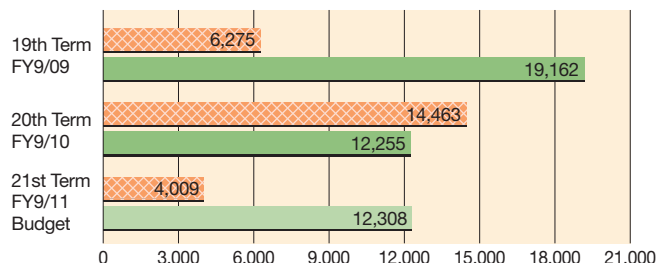
Interim Annual



Net Income per Share

(yen)

Interim Annual



History of the EPS Group 1

From establishment to listing

In 2011, the EPS Group celebrates its 20th anniversary of establishment. This timeline features the EPS Group's history from establishment through to the present in two parts. The first part covers the decade from the Company's establishment through its listing on JASDAQ.

Yan Hao, the current President & CEO, established the Company when he was 29 years old, starting in the contract research organization (CRO) business, which was just beginning, and then expanded into the SMO and CSO businesses.



30,000

20,000

1991

● Establishment

Current President & CEO Yan Hao set up E.P.S. Tokyo Co., Ltd., the predecessor of EPS Co., Ltd. The new company quickly looked to the CRO business, which was introduced in Japan in the previous year and began to develop and sell software for statistical analysis of data on clinical trials of pharmaceuticals. Initially, only three people were involved in the development. After that, the CRO market expanded rapidly.



Office at the time of foundation

1997

● CRO acquires legal status

As demand for the outsourcing of clinical studies grew, the CRO market quickly expanded in Japan. In response, then the Ministry of Health and Welfare enacted the "Ministerial Ordinance Concerning the Standard for the Conduct of Clinical Trials of Pharmaceuticals" in 1997. With the enactment of this ordinance, CRO became legally viable in Japan.

10,000

0

1991

Net Sales (Millions of yen) —

Number of Employees 3



1999

● **Launch of the SMO business**

In cooperation with Japan's largest temp staff agency, the EPS Group set up EP Link Co., Ltd.*, launching the SMO business, which dispatches experts in clinical studies to medical institutions and supports them in clinical study operations. With the SMO business, along with the CRO business, the Group established a system to reduce the personnel burden on medical institutions and support them in many aspects of clinical studies so that such studies could be conducted smoothly.

* EP Link Co., Ltd., currently named as EP- Mint Co.,Ltd. after merged with Mint Co.,Ltd.in 2005.

2000

● **Entry into the CSO (MR dispatching) business**

The EPS Group converted Cyber Medical Net, Inc.*, a provider of hospital management consulting and other services, to a subsidiary, entering the CSO business, which provides medical representative (MR) services to pharmaceutical companies. By using the new subsidiary's human resources, who provide accurate information based on extensive expertise, the Group expanded its business domain while meeting the outsourcing needs of the pharmaceutical industry.

* Cyber Medical Net, Inc., changed its name to EP Medical Co.,Ltd. in 2004, and merged with PHARMA NETWORK Co.,Ltd. in 2009.

2,400

1,800

2001

- **Shares listed on JASDAQ**
- **CRO subsidiary set up in China**
- **LSG Corporation becomes a Group company**
- **All Right Software Inc. established**

 LSG Corporation

 ALL RIGHT!
オンラインソフトウェア株式会社

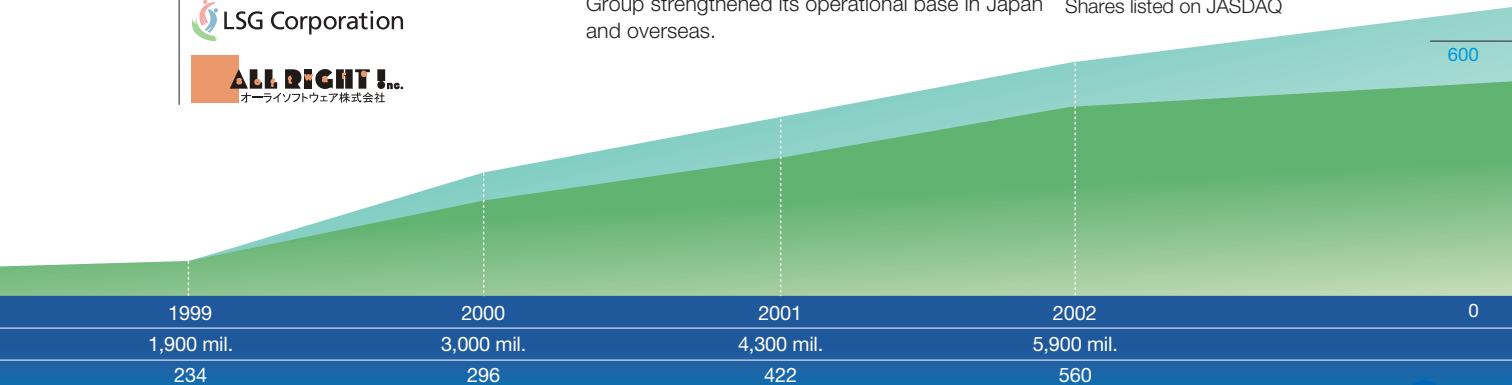
The Company listed its shares on JASDAQ, the first such move in the CRO industry, only 10 years after establishment. We took over LSG Corporation from Toyota Tsusho Corporation, expanding the business into preclinical studies. The Company also set up CRO subsidiary EPS International (China) Co., Ltd., and All Right Software Inc., which develops computer software in Japan and China. In these ways, the EPS Group strengthened its operational base in Japan and overseas.



Shares listed on JASDAQ

1,200

600



History of the EPS Group **2**

Overseas operations centering on China



2007

● Establishment of EPS International Co., Ltd.

With rising demand to outsource clinical studies overseas, the EPS Group established EPS International Co., Ltd., which supervises the overseas CRO business. The Group integrated EPS International (China) Co., Ltd., an overseas CRO subsidiary, under EPS International, forming a system that responds quickly to the needs of pharmaceutical companies in Japan and overseas.



This second part of the history covers the most recent decade.

Over the past 10 years, the globalization of new drug development has accelerated, and outsourcing of clinical studies has become more commonplace in many countries. The EPS Group expanded its operations overseas early on. In 1999, it took over a Group company* in China, becoming the first CRO in Japan to do so. Leveraging the expertise it gained through this experience, the Group is expanding operations internationally, centering on China, to meet growing demand.

* SunJapan (Beijing) Inc., which is engaged in system development and the CRO business, has changed its name to All Right Software (Beijing) Inc.

30,000

20,000

2003

● Establishment of EPS Singapore

The Group established EPS Singapore in response to the accelerating trend toward worldwide new drug development. This company drove the start of the CRO business and consulting services in Southeast Asia and Oceania.

10,000

2005

● Setup of EP-Mint Co., Ltd. ● Establishment of EPMate Co., Ltd.

The EPS Group set up EP-Mint, a leading Japanese SMO, by merging two companies* operating SMO businesses and conducting on-site support services. The Group also established EPMate and transferred its staffing services to this company from EP Medical Co., Ltd., thereby boosting its expertise in this area.

* EP Link Co., Ltd. and Mint Co., Ltd.



2006

● Listing on the First Section of the Tokyo Stock Exchange

The Company listed its shares on the First Section of the Tokyo Stock Exchange in September, five years after its initial listing on JASDAQ.



Shares listed on the First Section of the Tokyo Stock Exchange

● Establishment of e-Trial Co., Ltd.

In March, the EPS Group established e-Trial Co., Ltd., which provides electronic data capture (EDC) systems for clinical data, marking the full-scale launch of information technologies in clinical operations.

e-Trial Co., Ltd.

0

	2003	2004	2005	2006
Net Sales (Millions of yen)	8,900 mil.	10,900 mil.	13,000 mil.	15,200 mil.
Number of Employees	846	1,023	1,240	1,375

2008

Establishment of EPS China Co., Ltd.

The outbreak of a global financial crisis of unprecedented severity prompted many companies to reduce the scale of their overseas operations. The EPS Group, conversely, opted to make up-front investments, establishing EPS China in December as a wholly owned subsidiary. This move enabled the Group to strengthen its supervisory function in China, which is slated for steady ongoing market growth.

 益新(中国)有限公司
EPS China Co., Ltd.



EPS China Co., Ltd.

2010

Beginning of pharmaceutical sales in China

In 2010, EPS China began to sell ESPLINE influenza diagnosis kits imported from Japan, marking the EPS Group's first step into the sale of pharmaceuticals. The Group plans to increase its involvement in this business.



Party celebrating the launch of ESPLINE

2009

- **Commencement of full-scale operations in China**
- **Operations commence at newly established PHARMA NETWORK Co., Ltd.**
- **Medical Line Co., Ltd., becomes subsidiary**

During the year, EPS China prepared to launch such businesses as CRO and software development. Meanwhile, the EPS Group also strengthened its structure in Japan. The Group brought under its umbrella the new PHARMA NETWORK Co., Ltd., which was established through a merger between the former PHARMA NETWORK Co., Ltd., and EP-Medical Co., Ltd., a consolidated subsidiary of the Company, and Medical Line Co., Ltd., an operator of call centers for pharmaceuticals and medical treatment. Through such merger, the new PHARMA NETWORK became Japan's third largest CSO.

 PHARMA NETWORK
ファーマネットワーク

 株式会社メディカルライン
Medical Line

2007	2008	2009	2010	0
17,900 mil.	21,100 mil.	23,500 mil.	29,400 mil.	
1,595	1,905	2,139	2,802	

Operating Results

During the second quarter under review, both the CRO and SMO markets continued to grow steadily. The CSO market grew at a stable pace, although competition intensified, due partly to the market entry of foreign companies. Meanwhile, IT-related markets remained sluggish, affected by the economic recession.

Performance by business segment is described below. We reclassified business reporting segments, implementing management approach method due to adopting New Accounting standards in Japan from this year, so year-on-year comparisons of segment earnings are unofficial.

● CRO business

During the second quarter, sales of monitoring services were up from a year earlier, thanks partly to new orders. In addition, sales rose for statistical analysis, pharmacovigilance and medical writing services, while sales of registration and progress management services decreased slightly. Sales of data management and data center services and at the Clinical Coordination Center also declined. As a result, on a non-consolidated basis CRO business sales were up year-on-year, while profits decreased.

With regard to consolidated subsidiaries, in Japan EPMate, which handles the dispatched CRO business, saw both sales and profits increase year on year, bolstered by stronger demand for monitoring services. Meanwhile, start-up expenses were

incurred by EMS Co., Ltd., a business process outsourcing (BPO) service provider that was established in December 2010.

Overseas, the struggling EPS International and its group companies, strove to win orders, mainly in Asia. EPS China prepared for the full-scale provision of data management, drug creation and healthcare services in China.

The LSG Corporation Group, which provides preclinical services, enjoyed increases in sales and profits, due to revenue earned from agency services to introduce undertakings to overseas research institutions.

As a result, the CRO business segment also experienced higher sales but falling profits on a consolidated basis, with net sales climbing 3.9%, to ¥9,986 million, but operating income was down 26.8%, to ¥1,539 million.

● SMO business

EP-Mint generated an increase in new orders received during the second quarter under review, resulting in year-on-year increases in both sales and profits. Taiwan Total Management Consulting Limited worked to acquire new projects in its home country. As a result of these factors, the SMO business segment experienced year-on-year increases in both sales and profits, with consolidated net sales of ¥2,280 million, up 11.6%, and operating income of ¥430 million, up 7.1%.

● CSO business

PHARMA NETWORK saw sales increase substantially from a year earlier. Sales of Medical Line Co., Ltd., rose, but its profits fell, owing to up-front investments such as for the recruitment of pharmacists. Consequently, the CSO business segment posted consolidated net sales of ¥2,445 million, up 21.9%, and swung back into the black, with operating income of ¥23 million.

● Software development business

Sales of All Right Software decreased from a year earlier as its group companies in China were affected by the IT slump. However, the company managed to reduce its losses by curtailing costs. e-Trial saw both sales and profits increase, thanks to continued efforts to acquire new orders. As a result, the IT-related business segment posted consolidated net sales of ¥791 million, down 23.6%, and cost-reduction efforts succeeded in reducing the operating loss to ¥8 million.

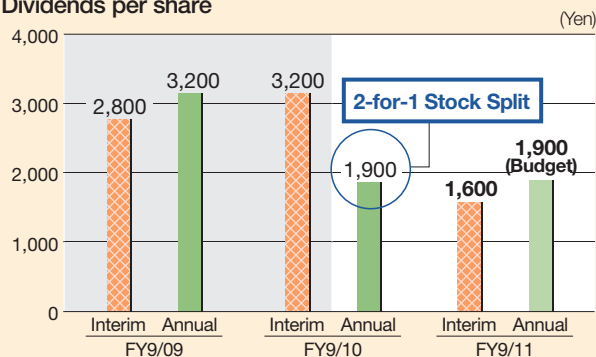
The management results outlined above include intersegment transactions. Excluding such transactions, overall consolidated net sales for the first half under review were ¥15,291 million, up 5.3% from a year earlier; operating income was ¥1,987 million, down 18.7%; ordinary income was ¥1,994 million, down 18.8%; and net income was ¥716 million, down 44.6%.

Dividends

We conducted a 2-for-1 stock split, with March 31, 2010 as the record date.

We plan to pay an annual dividend of ¥3,500 per share for the fiscal year ended September 2011 (21st term), comprising ¥1,600 as a second-quarter dividend and ¥1,900 as a year-end dividend.

Dividends per share



Financial Information

Consolidated Balance Sheets

(Thousands of yen)

	September 30, 2010	March 31, 2011
ASSETS		
CURRENT ASSETS	16,055,320	15,353,553
FIXED ASSETS		
Tangible Assets	714,020	1,133,767
Intangible Assets	840,439	947,975
Total investments and other assets	3,040,858	3,137,806
Total fixed assets	4,595,318	5,219,550
TOTAL ASSETS	20,650,639	20,573,104
LIABILITIES		
CURRENT LIABILITIES	5,619,828	4,742,380
LONG-TERM LIABILITIES	683,547	1,059,924
TOTAL LIABILITIES	6,303,376	5,802,305
NET ASSETS		
Total shareholders' equity	12,661,403	13,032,821
Total valuation and translation adjustments	(116,869)	(115,319)
Share option in consolidated subsidiary	6,528	3,264
Minority interests	1,796,201	1,850,032
TOTAL NET ASSETS	14,347,262	14,770,798
TOTAL LIABILITIES AND NET ASSETS	20,650,639	20,573,104

Consolidated Statements of Income

(Thousands of yen)

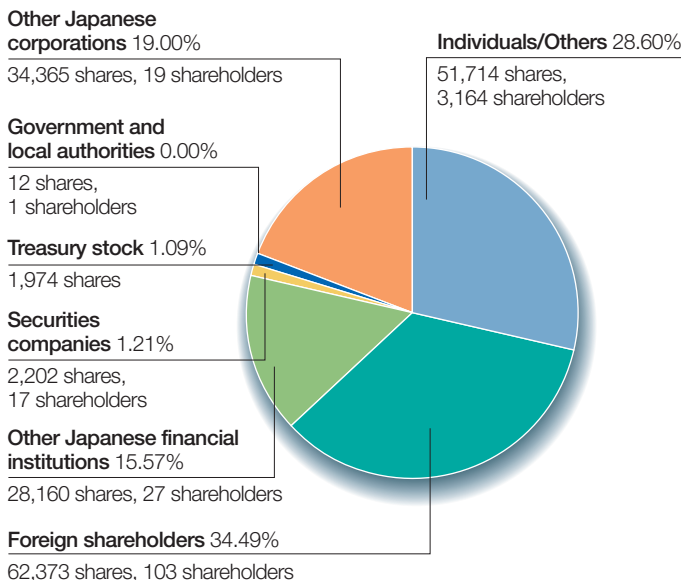
	Second quarter ended March 31, 2010	Second quarter ended March 31, 2011
NET SALES	14,516,843	15,291,843
COST OF SALES	9,735,533	10,548,207
Gross profit	4,781,310	4,743,635
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,337,616	2,755,766
Operating income	2,443,694	1,987,868
OTHER INCOME (EXPENSES)		
Interest income	11,250	4,141
Interest expenses	(5,279)	(3,459)
Foreign exchange gain or loss (loss)	(29,608)	(22,818)
Gain on cancellation of insurance	14,682	10,001
Refund of insurance surrender	25,320	13,611
Loss on sales and disposal of property and equipment	(6,566)	(29,615)
Loss on devaluation of investment securities	(45,174)	—
Impairment loss on goodwill	(10,000)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	(125,400)
Others- net	68,371	10,418
Other income (expenses)-net	22,996	(143,121)
Income before income taxes and minority interests	2,466,690	1,844,747
INCOME TAXES		
Current	1,027,226	634,451
Deferred	81,554	392,802
Total	1,108,781	1,027,254
Income before minority interests	1,357,909	817,493
MINORITY INTERESTS	64,840	100,506
NET INCOME	1,293,068	716,986

Authorized shares	648,000
Shares of common stock issued	180,800
Number of shareholders	3,332

Principal Shareholders

Shareholder	Shares held	Percentage of total
Y&G Limited	33,520	18.53
Yan Hao	20,540	11.36
BBH FOR MATTHEWS ASIA DIVIDEND FUND	12,876	7.12
State Street Bank and Trust Company	11,708	6.47
Japan Trustee Services Bank, Ltd. (Trust Account)	7,423	4.10
JPMorgan Chase Bank	5,510	3.04
Sumitomo Life Insurance Company	5,400	2.98
PLEASANT VALLEY	4,976	2.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,499	1.93
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	3,240	1.79

Shareholder Breakdown



Members of the Board and Statutory Auditors

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



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/en/index.html>

Locations: **Center Office**

Tsuruya Bldg.

2-23 Shimomiyabicho, Shinjuku-ku, Tokyo 162-0822

TEL: +81-3-5684-7801

Annex. 1

Sumitomo Fudosan Iidabashi Bldg. No.4

2-3-19 Koraku, Bunkyo-ku, Tokyo 112-0004

Annex. 2

Iidabashi MF Bldg.

1-1 Shinogawamachi, Shinjuku-ku, Tokyo 162-0814

Annex. 3

Daiichikangin Inagaki Bldg.

2-1 Shimomiyabicho, Shinjuku-ku, Tokyo 162-0822

Annex. 4

S&S Bldg.

6-36 Shinogawamachi, Shinjuku-ku, Tokyo 162-0814

Osaka Branch

Nissei Shin-osaka Bldg.

3-4-30 Miyahara, Yodogawa-ku, Osaka-shi, Osaka 532-0003

Nagoya Branch

Horiuchi Bldg.

3-25-9 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-0002



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Forward-Looking Statements

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