

2012 Interim
Business Report

October 1, 2011 to March 31, 2012





We contribute to the development of the health industry through the creation of valuable solutions.

Yan Hao, Representative Director, Chairman and President of EPS Corporation December 2011

Yan Hao was born in 1962 in Jiangsu Province, China.

In 1979, he entered the Engineering Department of Tianjin University. In 1981, he attended the University of Yamanashi as a government-sponsored exchange student from China and went on to specialize in medical statistics in a doctoral program at the University of Tokyo graduate school, pursuing research and the handling of clinical studies.

In May 1991, he established EPS Tokyo, the predecessor of EPS Corporation. In 2001, its 10-year anniversary, the company was listed on the JASDAQ market, and in 2006, it was listed on the First Section of the Tokyo Stock Exchange.

Q1 Could you provide a general overview of the first half of the fiscal year?

Although the Japanese economic outlook remained unclear during the first half of the fiscal year ending September 30, 2012, our business—which involves the contract research organization (CRO) and site management organization (SMO) fields—experienced solid growth. Competition has increased in the contract sales organization (CSO) industry due to the emergence of major overseas companies, but the market has been steadily expanding. Our pharmaceutical and medical IT businesses have grown strongly thanks to the expansion of the CRO and SMO industries. Under these circumstances, we experienced greater increases in consolidated net sales, operating income and ordinary income than we had expected at the

beginning of the term. During the first half, net sales reached ¥17,342 million, operating income was ¥2,750 million, ordinary income came to ¥2,631 million, and consolidated net income amounted to ¥1,182 million. Each of these figures represented significant growth compared with the corresponding period of the previous year.

Q2 Could you tell me about the progress of your operations in China?

Our operations in China are founded on three pillars: the business process outsourcing (BPO) business, the pharmaceutical product business and the healthcare business. We



EPS Building

constructed the EPS Building as our headquarters of china operation in Suzhou, China, in February 2012, and began providing BPO services in March 2012. Our BPO business provides data processing services, not only for clinical studies, but also for the much broader healthcare field. We will enhance the efficiency of our operations by introducing various tools, including IT technologies.



Providing BPO services

Q3

What is your outlook for the full fiscal year?

Our monitoring service in CRO business is delivering satisfactory results and ranks second in the industry in sales. With demand for the outsourcing of monitoring services increasing and these services being in very short supply, we will strive to take the first place in the industry by fostering human resources and meeting the needs of our customers.

Our data management service ranks first in the industry in terms of sales. Although we experienced a slight decrease in sales in 2010 and 2011, compared to their peak three years ago, we anticipate an upward trend in 2012. We will make

various efforts, including structural reforms and utilization of BPO functions in China, to improve our cost performance.

Our SMO business shows strong growth and ranks third in the industry. In this business, we will continue to secure the human resources needed to expand operations and boost market share.

The main services provided by the CSO business are call center and medical representative (MR) services. The call center service is growing steadily, but we expect the MR Service to be affected by lower demand for dispatch services due to the pharmaceutical industry's heightening of voluntary regulations on MR dispatch services beginning in the third quarter.

In our global operations, we are reinforcing our system for promoting multinational clinical studies. In October 2011, we established the Global Research Company (GRC division) in EPS, which supervises overseas CRO/SMO operations. Furthermore, we have developed a function-based system to conduct coordinated multinational clinical studies. We will also expand our operations not only in Asia but also in the United States and Europe, and promote global development through cooperation with local businesses and mergers and acquisitions (M&A).

By promoting the efforts mentioned above, for the full fiscal year we anticipate ¥35,070 million in consolidated net sales, ¥4,824 million in consolidated operating income, ¥4,795 million in consolidated ordinary income, and consolidated net income of ¥2,255 million.

CRO Business

The development of our CRO business centers on EPS. For monitoring services, clinical studies focused on anticancer drugs and therapeutic drugs for diabetes, high blood pressure and problems affecting the central nervous system delivered satisfactory results. In our data management, statistical analysis, pharmacovigilance services, medical writing, and registration/progress management businesses, we focused on existing projects as well as acquiring new projects.

Sales of registration/progress management services decreased only slightly from the previous fiscal year. However, sales of data management, statistical analysis, and pharmacovigilance and medical writing services increased. Due to the above-mentioned factors, EPS experienced year-on-year rises in both revenues and profits on a non-consolidated basis. Among our consolidated subsidiaries in Japan, EPMate Co.,

Ltd., which offers dispatch-style CRO services, developed its business according to plan and saw an increase in revenues, but profits fell due to up-front expenditures to secure human resources.

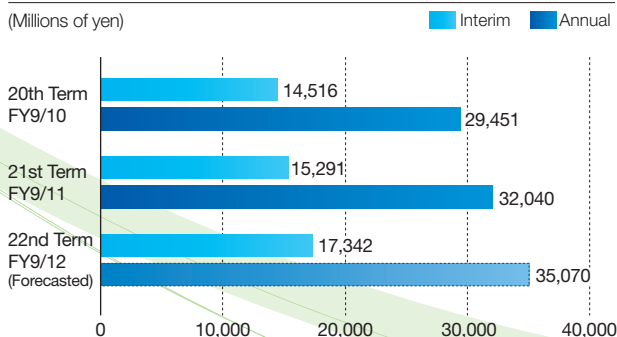
SCG Co., Ltd., which provides CRO and drug analysis services for generic drugs, focused on acquiring new contracts. EMS Co., Ltd., which provides BPO services, is carrying out existing projects and is preparing a system to outsource work to Group companies in China.

As for our overseas subsidiaries, our Global Research Company, which collaborates mainly with EPS International Co., Ltd., created a more workable system to provide clinical study services in China and other Asia-Pacific markets. Sales at EPS International (China) Co., Ltd. increased from the previous year and moved into the black as a result of efforts to expand the scope of our operations by carrying out existing projects and acquiring new contracts in Asia. EPS Singapore also saw increases both in revenues and profits

Business Trends

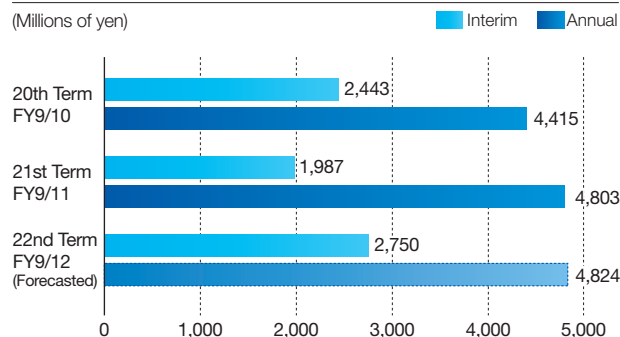
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)



compared to the previous year, which demonstrates the effect of Group synergies.

EPS China Co., Ltd., which promotes operations in China, is preparing for operations involving innovative drug discovery and the healthcare business, handling healthcare products in collaboration with our China business division at EPS. We also founded EPI (Suzhou) Co., Ltd., as a subsidiary of EPS China to establish a system to handle BPO services.

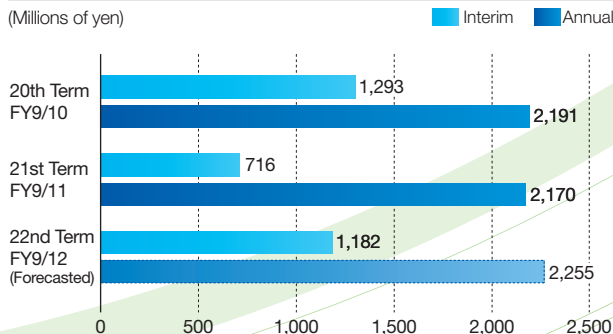
LSG Corporation, which provides pre-clinical services, performed smoothly and according to plan. The company experienced an increase in revenues compared with the previous year, but profits fell due to such factors as higher costs. As a result of these factors, our CRO business saw increases both in revenues and profits, with segment net sales of ¥11,342 million (a 13.6% increase from the previous year) and operating income of ¥1,961 million (up 27.4%).

SMO Business

Our SMO businesses are being developed by the EP-Mint group and Taipei-based Taiwan Total Management & Consulting Ltd. After sustained efforts to improve the systems to acquire new contracts and to streamline the implementation of existing projects, EP-Mint saw a substantial increase in revenues, but profits fell due to up-front expenditure to secure resources, including the manpower needed for future expansion. Taiwan Total Management & Consulting Ltd. focused on securing new contracts in collaboration with our Group companies. As a result of these factors, our SMO business experienced increases in revenues, with segment net sales of ¥2,919 million (a 28.0% increase from the previous year). However, profits decreased, with segment operating income amounting to ¥357 million (a 17.0% decrease from the previous year).

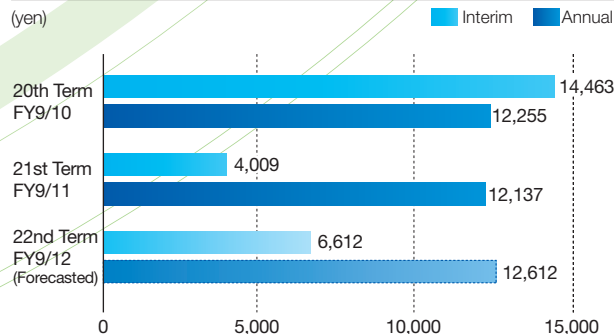
Net Income

(Millions of yen)



Net Income per Share

(yen)



CSO Business

Our CSO businesses are being developed by Pharma Network Co., Ltd., and Medical Line Co., Ltd. Pharma Network saw an increase in revenues after it focused on steadily carrying out existing projects and acquiring new contracts while establishing a system to handle contracts. This business also posted a significant increase in profits, as the expense of employing MRs was postponed until the third quarter. Medical Line Co., Ltd., increased its revenues from the previous year because it focused on acquiring new contracts mainly involving drug information (DI) and healthcare services for the medicinal drugs, medical products and healthcare products industries. As a result of these factors, our CSO business experienced an increase in revenues, with segment net sales amounting to ¥3,077 million (a 25.8% increase from the previous year) and a substantial increase in profits, with segment operating income of ¥413 million (up 1,655.3%).

Pharmaceutical and Medical IT Businesses

Our pharmaceutical and medical IT businesses are being developed mainly by e-Trial Co., Ltd. Due to its sustained efforts to obtain new contracts utilizing electronic data capturing (EDC), e-Trial saw an increase in revenues from the previous year, but profits fell due to such factors as increased labor costs.

Allright Software (Beijing) Co., Ltd. is in the process of shifting its business to the provision of pharmaceutical and medical IT services while cutting costs. Allright Software Co., Ltd., and Qingdao Tidever Software Co., Ltd., were restructured in the third quarter of the previous fiscal year and excluded from our consolidated financial statements. As a result of these factors, revenues from our pharmaceutical and medical IT businesses decreased significantly, with segment net sales amounting to ¥265 million (a 66.5% decrease from the previous year). However, the segment returned to profitability, delivering operating income of ¥7 million.

The consolidated net sales and consolidated operating income figures presented above for each business segment include internal transactions between segments. After deducting these transactions, consolidated net sales amounted to ¥17,342 million (an increase of 13.4% from the previous year), consolidated operating income was ¥2,750 million (up 38.4%), consolidated ordinary income came to ¥2,631 million (up 32.0%), and consolidated net income for the current term increased significantly, to ¥1,182 million (up 64.9%).

Providing a Full Range of Services in Pharmaceutical Product Development

(May 31, 2012)

		Established	President	Full-time Employees
 <p>Contract Research Organization</p> <ul style="list-style-type: none"> - Support for research and development by pharmaceutical companies (including generic drug manufacturers) and medical device manufacturers - Conduct of post-marketing surveillance - Support for safety information management 	EPS Corporation	1991	Yan Hao	1,434
	EPMate Co., Ltd.	2005	Yasuo Kiba	98
	SCG Co., Ltd.	1989	Masataka Kitamura	23
	EMS Co., Ltd.	2010	Hiroaki Abe	63
	LSG Corporation	2002	Takeshi Tadano	103 (Group)
	EPS USA, Inc.	1993	Shigeo Kisa	4
	EPS INTERNATIONAL Co., Ltd.	2011	Yan Hao	-
 <p>Site Management Organization</p> <ul style="list-style-type: none"> - Site operations support for clinical studies on drugs and medical devices and clinical research conducted by medical institutions - Recruitment of medical institutions to participate in clinical studies and support for review by institutions 	EP-Mint Co., Ltd.	1999	Hidetaka Ando	599
	Taiwan Total Management & Consulting Ltd.	2010	Tatsuhiko Ichiki	23
 <p>Contract Sales Organization</p> <ul style="list-style-type: none"> - Support for marketing drugs and medical devices - Support for conducting post-marketing surveillance 	Pharma Network Co., Ltd.	1997	Ezura Kataoka	392
	Medical Line Co., Ltd.	2006	Junichi Nishizuka	237
 <p>IT</p> <ul style="list-style-type: none"> - IT services for pharmaceutical companies - IT services for medical institutions 	e-Trial Co., Ltd.	2006	Satoru Kono	36
 <p>China</p> <ul style="list-style-type: none"> - BPO services for pharmaceutical companies - BPO services for medical institutions 	EPS China Co., Ltd.	2008	Xia Xiang Ming	164
	EPI (Suzhou) Co., Ltd.	2011	Hao Yunshan	-

Financial Information

Consolidated Balance Sheets

(Thousands of yen)

	September 30, 2011	March 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and time deposits	8,639,979	9,596,709
Notes and accounts receivable	6,968,466	6,922,939
Inventories and products	379,976	370,308
Works in progress	467,760	600,383
Others	1,425,294	1,705,103
Allowance for doubtful accounts	(3,998)	(4,231)
Total current assets	17,877,479	19,191,212
FIXED ASSETS		
Tangible Assets	1,432,529	1,958,391
Intangible Assets	861,025	1,030,552
Investments and other assets ;		
Investment securities	459,200	557,995
Deposits	1,266,543	1,242,275
Others	1,502,735	1,500,523
Total investments and other assets	3,228,479	3,300,795
Total fixed assets	5,522,035	6,289,739
TOTAL ASSETS	23,399,514	25,480,952

(Thousands of yen)

	September 30, 2011	March 31, 2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	286,066	231,678
Short-term debt	15,000	51,000
Current portion of long-term debt	100,000	100,000
Income taxes payable	1,331,746	1,316,011
Provision for bonuses	965,596	897,978
Provision for loss on order received	112,700	104,000
Others	2,247,035	3,129,937
Total current liabilities	5,058,144	5,830,605
LONG-TERM LIABILITIES		
Long-term debt	900,000	850,000
Provision for employees' retirement benefits	418,490	457,563
Provision for directors' retirement benefits	267,753	224,258
Asset retirement obligations	245,232	272,571
Others	85,553	94,732
Total long-term liabilities	1,917,030	1,899,126
TOTAL LIABILITIES	6,975,174	7,729,731
NET ASSETS		
Shareholders' equity		
Common stock	1,875,251	1,875,251
Additional paid-in capital	1,826,300	1,826,300
Retained earnings	10,820,222	11,663,002
Common stock for treasury	(317,258)	(317,258)
Total shareholders' equity	14,204,516	15,047,296
Accumulated other comprehensive income (or loss)		
Unrealized gain (or loss) on available-for-sale securities	(62,593)	(7,892)
Foreign currency translation adjustments	(180,589)	53,957
Total accumulated other comprehensive income (or loss)	(243,183)	46,064
Minority interests	2,463,006	2,657,859
TOTAL NET ASSETS	16,424,339	17,751,221
TOTAL LIABILITIES AND NET ASSETS	23,399,514	25,480,952

Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	Second quarter, ended March 31, 2011	Second quarter ended March 31, 2012
NET SALES	15,291,843	17,342,947
COST OF SALES	10,548,207	11,295,534
Gross profit	4,743,635	6,047,412
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,755,766	3,296,522
Operating income	1,987,868	2,750,890
Other income (expenses)-net	(143,121)	(114,683)
Income before income taxes and minority interests	1,844,747	2,636,206
INCOME TAXES		
Current	634,451	1,295,992
Deferred	392,802	(49,112)
Total	1,027,254	1,246,880
Income before minority interests	817,493	1,389,326
MINORITY INTERESTS	100,506	206,776
NET INCOME	716,986	1,182,549
Income before minority interests	817,493	1,389,326
OTHER COMPREHENSIVE INCOME	3,105	297,988
COMPREHENSIVE INCOME	820,598	1,687,315
Comprehensive income attributable to :		
Parent shareholders	717,434	1,471,798
Minority interests	103,164	215,516

Consolidated Statements of Cash Flows

(Thousands of yen)

	Second quarter ended March 31, 2011	Second quarter ended March 31, 2012
OPERATING ACTIVITIES	(680,589)	2,079,589
INVESTING ACTIVITIES	(605,943)	(1,034,833)
FINANCING ACTIVITIES	245,225	(719,172)
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	11,883	146,951
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,029,423)	472,534
BEGINNING OF BALANCE, CASH AND CASH EQUIVALENTS	7,805,981	8,627,744
ENDING OF BALANCE, CASH AND CASH EQUIVALENTS	6,776,557	9,100,279

Industry Segment Information
FY 2012 (October 1, 2011 to March 31, 2012)

(Thousands of yen)

	CRO	SMO	CSO	IT	Total	Eliminations/ Corporate	Consolidation
SALES							
Sales to customers	11,295,044	2,918,094	3,062,464	67,344	17,342,947	–	17,342,947
Intersegment sales	47,695	1,325	15,248	197,752	262,021	(262,021)	–
Total	11,342,740	2,919,419	3,077,712	265,096	17,604,968	(262,021)	17,342,947
Operating income	1,961,547	357,379	413,517	7,784	2,740,228	10,661	2,750,890

FY 2011 (October 1, 2010 to March 31, 2011)

(Thousands of yen)

	CRO	SMO	CSO	IT	Total	Eliminations/ Corporate	Consolidation
SALES							
Sales to customers	9,968,150	2,279,810	2,442,502	601,379	15,291,843	–	15,291,843
Intersegment sales	18,404	1,061	3,466	190,245	213,178	(213,178)	–
Total	9,986,555	2,280,872	2,445,969	791,625	15,505,021	(213,178)	15,291,843
Operating income	1,539,333	430,397	23,557	(8,454)	1,984,833	3,035	1,987,868

Stock Information

Authorized Shares	648,000
Shares of Common Stock Issued	180,800
Number of Shareholders	3,235

Principal Shareholders

Shareholder	Shares Held	Percentage of Total
Y&G Limited	33,520	18.53
Yan Hao	20,551	11.36
BBH FOR MATTHEWS ASIA DIVIDEND FUND	14,592	8.07
Japan Trustee Services Bank, Ltd. (Trust Account)	8,990	4.97
JP MORGAN CHASE BANK	5,510	3.04
Sumitomo Life Insurance Company	5,400	2.98
STATE STREET BANK AND TRUST COMPANY	5,382	2.97
PLEASANT VALLEY	4,976	2.75
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	3,240	1.79
GOLDMAN, SACHS & CO. REG	3,188	1.76

Members of the Board and Statutory Auditors

(as at April 1, 2012)

Chairman & President CEO	Yan Hao
Representative Director Executive Vice President	Shinrou Tashiro
Directors	Shuzo Orihashi
Directors	Kazuki Sekitani
Directors	Yasuharu Tamai
Directors	Yoshinori Ando
Statutory Auditors	Masaru Kuranaka
Statutory Auditors	Koichi Shibuya
Statutory Auditors	Haruo Funabashi

Shareholder Breakdown

Other Japanese Corporations 18.98%

34,330 shares, 20 shareholders

Treasury Stock 1.09%

1,974 shares

Securities Companies 1.42%

2,585 shares, 22 shareholders

Other Japanese Financial Institutions 16.49%

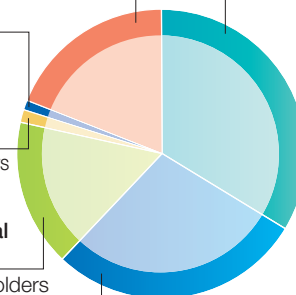
29,828 shares, 29 shareholders

Individuals / Others 28.27%

51,126 shares, 3,054 shareholders

Foreign Shareholders
33.71%

60,957 shares,
109 shareholders



Company Profile

Corporate Name : EPS Corporation

President & CEO : Yan Hao

Establishment : May 1991

Capital : ¥1,875.25 million

Main Services : CRO, SMO, CSO and IT business

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

Forward-Looking Statements

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