





# September 2007 Edition of Accounting Briefing

## 1. Management Results

### (1) Analysis on Management Results

(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 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.

(Outlook for the next term)

Though it is assumed that the Japanese economy will remain strong, we expect that various concerns are yet to be confirmed, including the exchange rate, overseas economies, raised interest, etc.

Our CRO business is mainly composed of the Clinical Development Division engaging in clinical development related to monitoring, medical devices, etc. and the Biometrics Division engaging in data management, statistical analysis, registration and progress management, medical writing, pharmacovigilance services, etc., supplemented by the Clinical Coordination Center planning and offering services for new projects, the Business Development Division engaging in information collection and order reception, and other divisions. As we have split the International Division engaging in overseas clinical trial-related services in the previous consolidated fiscal year, we concentrates on winning new domestic projects related to clinical trials, as well as are pushing hard for increased operating rate, cost reduction, monitoring and data management for achieving the full-year profit plan.

As for our consolidated subsidiaries, e-Trial Co., Ltd. continues to be committed to winning new projects from pharmaceutical companies and medical institutions. We expect that the establishment of partnership with Medidata Solutions, Inc. (New York, U.S.A.; Product name: Medidata Rave), which has a good track record in the software for global clinical trials, in October 2007 will give e-Trial Co., Ltd. an impetus to win new projects.

EP-Mate Co., Ltd. engaging in the dispatched CRO services will aim for full-scale business development mainly for the Company and pharmaceutical companies. EPMedical Co., Ltd. engaging in the CSO services such as MR dispatch continues to makes efforts to generate profit, working towards the performance of relatively large-scale projects contracted in the previous consolidated fiscal year and the acquisition of new projects.

As for overseas businesses, EPS International Co., Ltd. will continue to take a leadership in developing the system for the contract of multi-national clinical trials, and its group companies such as EPS China Co., Ltd., Ever Progressing System Pte. Ltd., ADM Korea Inc., as well as the Taiwan Branch of EPS International will pursue the synergetic effect through collaboration to enhance their overseas clinical trial contract services, focusing on winning new clinical trial contracts mainly in Asia.

EP-Mint Co., Ltd. engaging in the SMO business will continue to be involved in the reinforcement of the system for winning contracts and the development of the management system according to branch, working towards maintaining its high operating rate and acquiring new projects.

LSG Corporation involved in the pre-clinical study business intends to increase its agent revenue through the increased contracts with new partners such as overseas pre-clinical study institutions, and to expand its operation in new fields such as supply of experimental animals and special animal feeds.

All Right Software Inc., involved in the software development business, will continue to utilize Chinese IT engineers to promote contract SE services and offshore software development and to acquire new development projects of communication, financial and network software industries.

## (2) Analysis on Financial Status

### 1) Analysis on status of assets, liabilities, net assets and cash flow

The following describes the changes of the financial status during the current consolidated fiscal term since the end of the previous consolidated fiscal year.

The current assets for the current consolidated accounting term increased to 10,954 million yen by 2,553 million yen, with the increases by 1,467 million yen in cash and cash equivalents, 518 million yen in notes and accounts receivables, 200 million yen in investment securities, and 138 million yen in deferred income tax assets. The fixed assets increased to 3,582 million yen by 9 million yen, as a result of the decreases by 68 million yen due to amortization of goodwill and 200 million yen due to sales and valuation loss on investment securities, with the increases by 61 million yen due to new acquisition of tangible fixed assets and 132 million yen in deferred income tax assets (long term). Consequently, the total assets at the end of the current consolidated fiscal year were 14,537 million yen, an increase by 2,563 million yen compared to the previous consolidated fiscal year.

As for liabilities, the increases by 687 million yen in income tax payable, 690 million yen in other current liabilities, and 227 million yen in provision for bonuses, and the decreases by 263 million yen in long-term debts by repayment, the total liabilities of 4,826 million yen for the current consolidated fiscal year, an increase by 1,423 million yen compared to the previous consolidated fiscal year.

As for net assets, the increases by 1,024 million yen in retained earnings and 111 million yen in minority interest left us with the net assets of 9,710 million yen in the current consolidated fiscal year, an increase by 1,140 million yen compared to the total net assets of the previous consolidated fiscal year.

### 2) Analysis on consolidated cash flow status

As for the cash and cash equivalents (hereinafter referred to as “capitals”) for the current consolidated fiscal year, the cash inflow generated through operating activities reached 2,697 million yen, while the cash outflow incurred through investing and financing activities were 605 million yen and 637 million yen, respectively. As a result, the capitals for the current consolidated fiscal year reached 5,260 million yen (increase by 1,467 million yen compared to the previous consolidated fiscal year) with the addition of the exchange difference related to the cash and cash equivalents.

#### (Cash flow from operating activities)

The capitals acquired through operating activities reached 2,697 million yen, an increase by 1,340 million yen compared to the previous consolidated fiscal year.

This increase of inflow is mainly attributable to the current net income before income taxes reaching 2,722 million yen (increase by 881 million yen from the previous consolidated fiscal year), the adjustments of the valuation loss on investment securities and the loss on sales and disposal of fixed assets with 345 million yen (increase by 258 million yen on the same basis) and 61 million yen (increase by 46 million yen on the same basis) respectively, the inflow of 667 million yen (increase by 484 million yen on the same basis) from the increase in other current liabilities, the outflow of 511 million yen (increase by 603 million yen on the same basis) associated with the increase in notes and accounts receivables, and the payment of income taxes of 731 million yen (decrease by 275 million yen on the same basis).

#### (Cash flow from investing activities)

The capital outflow by investing activities was 605 million yen, a decrease by 534 million yen compared to the previous consolidated fiscal year. This decrease was mainly attributable

to the outflow of 340 million yen incurred through the business assignment in the previous consolidated fiscal year, and the inflow of 95 million yen from the sales of investment securities in the current consolidated fiscal year.

(Cash flow from financing activities)

The capital outflow by financing activities was 637 million yen, an increase by 2,247 million yen compared to the previous consolidated fiscal year.

This is mainly due to the inflow of 1,997 million yen from the issuance of corporate bonds and 1,092 million yen from a new loan, and the redemption of corporate bonds of 900 million yen in the previous consolidated fiscal year.

### (3) Basic profit distribution policy and dividends for the current and next terms

The Company considers it an important management agenda to improve the profit return to the shareholders while reinforcing the business structure for the enhancement of profitability. As for profit distribution, we basically intend to distribute the profit steadily considering the improvement of our financial infrastructure to respond to rapid market change, with the yearly targeted dividend payout ratio set to 30%.

The Company intends to continue to pay out dividends twice a year as interim and year-end dividends even after the implementation of the Corporate Law.

## 2. Status of Corporate Group

### Businesses of Our Group

We and our Group companies (excluding the All Right Group) belong to the drug development-related industry composed mainly by pharmaceutical companies. The pharmaceutical companies make vast efforts in the development of so-called “new drugs”, spending enormous amounts of money and time. “New drugs” are required to be subjected to clinical trials by the medical institutions consigned by pharmaceutical companies before they are approved as pharmaceutical products.

Clinical trials require subjects (patients) who give their informed consent. In other words, clinical trials are conducted by three parties of pharmaceutical companies, medical institutions and subjects.

As of September 30, 2007, our Group is composed of the Company, 14 consolidated subsidiaries and 3 associates subject to equity method, engaging in four businesses of CRO, SMO, pre-clinical study and software development.

The Company engages in the CRO business, offering various professional services related to operation and management of clinical trials under contract with pharmaceutical companies in conducting clinical trials (including Post-Marketing Study Practice).

The services include support for preparation of clinical trial protocols and case reports, case registration and progress management, data management and statistic analysis, monitoring, preparation of summary reports, support for pharmaceutical applications, and construction of the management system associated with these services.

EPMedical Co., Ltd. engages in the CSO services such as MR dispatch, and EP-Mate Co., Ltd. dispatches staff to the Company and pharmaceutical companies (dispatched CRO services).

e-Trial Co., Ltd. offers the system development and support services for EDC-based clinical trials to pharmaceutical companies and medical research institutions.

As for overseas businesses, EPS International Co., Ltd. will continue to take a leadership in developing the system for the contract of multi-national clinical trials, and its Group companies and branches as described below will pursue the synergetic effect through collaboration to enhance their overseas clinical trial contract services, focusing on winning new clinical trial contracts mainly in Asia.

EPS China Co., Ltd. offers contract clinical trial services mainly in China while Ever Progressing System Pte. Ltd. mainly in East and Southeast Asia. In South Korea, ADM Korea Inc. (Seoul, South Korea; voting right ratio: 35.0%), an associate subject to equity method, operating clinical trial contract services, develops the system for contract clinical trials. The Taiwan Branch of EPS International Co., Ltd. was established in July 2007 to develop the system for contract clinical trials in Taiwan.

EP-Mint Co., Ltd. operates the SMO business. The subsidiary provides professional services such as CRC dispatch to medical institutions and clinical trial bureaus under contract with medial institutions which conduct clinical trials.

LSG Corporation engages in the pre-clinical study business such as mediating of various safety tests in pre-clinical study phases and supply of research materials and experimental animals.

All Right Software Co., Ltd. operates the software development business, offering offshore software development and contract SE services to major software developers and clients.

### 3. Management Policy

#### (1) Basic Management Policy of Our Group

Our Group has managed our businesses, making it our basic management philosophy to provide the satisfactory services for costumers by pursuing, implementing and establishing our business style of solving the contradicting matters in high efficiency and high quality, with various legal compliance.

We are committed to managing our businesses to be “Ever Progressing System” as the Company name suggests, for the purpose of further expanding our businesses and playing a role as the industry leader under the above management philosophy.

#### (2) Target Management Index

Our Group defines the management targets as below:

Sales growth rate of approximately 15%, and

Ordinary profit rate of about 13-15%.

Our Group is promoting the following management strategies to achieve the above targets.

#### (3) Mid and Long-term Corporate Management Strategies

Our Group has managed our businesses, making it our basic management philosophy to provide the satisfactory services for costumers by pursuing, implementing and establishing our business style of solving the contradicting matters in high efficiency and high quality, with various legal compliance.

We are committed to managing our businesses to be “Ever Progressing System” as the Company name suggests, for the purpose of further expanding our businesses and playing a role as the leading company under the above management philosophy. Our Group has adopted the following specific management strategies.

##### 1) Establishment of CRO business

In order to fully respond to full-scale outsourcing of the development of pharmaceutical products, we will not only manage clinical trials but also promote the construction of the full-service system ranging from planning to pharmaceutical applications.

We also aim to establish our leading position in this industry as the CRO which can provide total support for the development of pharmaceutical products including development of medical devices and specified health foods as well as active response to bioventure- and doctor-led clinical trials.



## 2) Promotion of SMO business

As the clinical trial support service for medical institutions expands, EP-Mint Co., Ltd, our consolidated subsidiary, develops the internal system after the merger, pursuing the merger effect and expanding its scope of SMO business, with the aim of being ranked as top 3 in the industry.

## 3) Promotion of overseas businesses

EPS International Co., Ltd. will continue to take a leadership in responding to the shift to international simultaneous development and its Group companies and branches will pursue the synergetic effect through collaboration and continue to develop the system for the contract of multi-national clinical trials, with a view towards enhancing clinical trial contract services in overseas (especially East Asia). We also maintain a marketing partnership with Progenitor International Research, GmbH (based on Germany) which develops the proposal-based CRO business in Europe, as a part of our reinforcement of overseas services.

## 4) Entry into drug discovery and development business

In Japan, we intend to engage in the drug discovery business through capital investment, consulting and contracting of development services under partnership with bioventures, rather than being directly involved in this business alone.

In China, we plan to develop our own strategy in drug discovery and development business through collaboration with bioventures utilizing our local subsidiaries.

## 5) Reinforcement of group management

Currently, the EPS Group is composed of the Company and 14 consolidated subsidiaries that belong to the industry related to the development of pharmaceutical products.

We consider it essential to recruit, develop and effectively allocate human resources as expanding our scope of business. We also intend to reinforce the group management by pursuing the synergetic effect of launching of new business promotion and M&A.

## (4) Agendas to be addressed by the Company

As the outsourcing from customers and their international diversification are expected to increase in the future, the entire Group will work together to improve the quality via the reinforcement of QC/QA divisions, compliance with standardized operating procedures and enhanced skills through education and training.

As a part of these efforts, our divisions and departments handling clinical trial information (CRO services including pharmaceutical products, medical devices and specified health foods, etc.) have been awarded ISO 27001 certification (valid until December 8, 2009) by the international certification institution. We will continue to develop our system to enhance the security of information management and to win more trust from our customers.

In order to respond to increasingly intensive cost competition, we will promptly establish the process management system ranging from receipt of orders to delivery, improving the efficiency of our businesses.

CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006  
(UNAUDITED)

(IN THOUSANDS,JPY)

ASSETS	2007	2006
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	5,260,080	3,792,223
Notes and accounts receivable	4,126,574	3,607,909
Investment securities	200,012	-
Inventories	437,696	339,862
Deferred tax assets	391,347	252,655
Pocket through expense	243,601	145,275
Others	296,927	264,222
Allowance for doubtful accounts	1,523	1,411
Total current assets	<u>10,954,717</u>	<u>8,400,737</u>
<b>FIXED ASSETS</b>		
Tangible Assets ;		
Leasehold improvements	383,711	344,453
Accumulated depreciation	200,747	180,245
Furniture and fixtures	238,233	203,274
Accumulated depreciation	143,660	131,006
Others	175,931	133,053
Accumulated depreciation	77,075	54,723
Total property and equipment	<u>376,393</u>	<u>314,805</u>
Intangible Assets ;		
Goodwill	247,666	315,666
Others	97,410	67,993
Total intangible assets	<u>345,077</u>	<u>383,660</u>
Investments and other assets ;		
Investment securities	1,074,612	1,275,110
Long-term loans receivable	47,268	45,617
Deposits	681,724	666,687
Time deposits and banking arrangements other than cash equivalents	500,000	500,000
Deferred tax assets	320,997	188,142
Others	246,456	198,961
Allowance for doubtful accounts	10,000	-
Total investments and other assets	<u>2,861,059</u>	<u>2,874,519</u>
Total fixed assets	<u>3,582,530</u>	<u>3,572,985</u>
<b>TOTAL ASSETS</b>	<u><u>14,537,247</u></u>	<u><u>11,973,723</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	201,903	182,795
Current portion of long-term debt	214,300	213,200
Income taxes payable	1,063,181	375,282
Provision for bonuses	649,722	422,541
Others	1,861,952	1,171,583
Total current liabilities	<u>3,991,058</u>	<u>2,365,403</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	405,700	670,000
Provision for employee's retirement benefits	258,448	227,604
Provision for director's retirement benefits	155,023	130,499
Deferred tax liabilities	2,518	4,258
Others	14,204	5,825
Total long-term liabilities	<u>835,895</u>	<u>1,038,188</u>
<b>TOTAL LIABILITIES</b>	<u>4,826,953</u>	<u>3,403,591</u>
<b>NET ASSETS</b>		
Common stock	1,875,251	1,875,251
Additional paid-in capital	1,825,298	1,825,298
Retained earnings	5,205,599	4,180,774
Common stock for treasury	322,080	322,080
Unrealized gain on available-for-sale securities	66,076	89,590
Deferred gain on hedges	485	-
Foreign currency translation adjustments	67,262	40,552
Total shareholders' equity	<u>8,717,892</u>	<u>7,689,386</u>
Minority interests	992,401	880,745
<b>TOTAL NET ASSETS</b>	<u>9,710,293</u>	<u>8,570,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>14,537,247</u></u>	<u><u>11,973,723</u></u>

**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**  
**(UNAUDITED)**

(IN THOUSANDS,JPY)	2007	2006
NET SALES	17,980,875	15,257,985
COST OF SALES	<u>12,046,656</u>	<u>10,892,074</u>
Gross profit	5,934,218	4,365,911
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,953,488</u>	<u>2,407,205</u>
Operating income	<u>2,980,730</u>	<u>1,958,705</u>
OTHER INCOME (EXPENSES)		
Interest income	38,069	27,690
Interest expenses	(15,771)	(20,682)
Gain on cancellation of life insurance	16,746	10,919
Service fee income	6,056	3,317
Gain on consumption tax filing	14,618	7,988
Incentive on re-investment in overseas subsidiaries	-	7,711
Payment to the Association for employment of persons with disabilities	(5,350)	(3,050)
Foreign exchange loss	-	(3,884)
Equity in losses of associated companies	(5,708)	(9,213)
Gain on sales of property and equipment	584	995
Gain on sale of investments in securities	51,186	-
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	(61,266)	(14,743)
Loss on devaluation of investment in securities	(345,918)	(87,593)
Impairment loss	-	(3,635)
Loss on devaluation of software	-	(28,083)
Provision for doubtful accounts	(10,000)	-
Others- net	<u>(2,860)</u>	<u>(9,830)</u>
Other income (expenses)-net	<u>(258,533)</u>	<u>(118,093)</u>
Income before income taxes and minority interests	2,722,197	1,840,612
INCOME TAXES		
Current	1,409,739	782,199
Deferred	<u>(255,795)</u>	<u>(89,728)</u>
Total	<u>1,153,944</u>	<u>692,470</u>
MINORITY INTERESTS	<u>183,865</u>	<u>69,055</u>
NET INCOME	<u><u>1,384,387</u></u>	<u><u>1,079,085</u></u>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED)

**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			357,592		357,592
Net income			1,384,387		1,384,387
Others			1,970		1,970
Net increase/decrease in valuation, translation adjustment and minority interest					
Total changes during the period	-	-	1,024,824	-	1,024,824
<b>Balance at 30 September 2007</b>	1,875,251	1,825,298	5,205,599	322,080	8,584,068

	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 2006</b>	89,590	-	40,552	130,142	7,689,386	880,745	8,570,131
Changes during the period							
Cash dividends					357,592		357,592
Net income					1,384,387		1,384,387
Others					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	23,514	485	26,709	3,681	1,028,505	111,655	1,140,161
<b>Balance at 30 September 2007</b>	66,076	485	67,262	133,823	8,717,892	992,401	9,710,293

**2006**

(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 2005</b>	1,325,250	1,275,300	3,336,628	321,251	5,615,927
Changes during the period					
Issuance of new stocks	550,001	549,998			1,100,000
Cash dividends			232,508		232,508
Net income			1,079,085		1,079,085
Acquisition of treasury stock				1,041	1,041
Retirement of treasury stock			212	212	-
Others			2,219		2,219
Net increase/decrease in valuation, translation adjustment and minority interest					
Total changes during the period	550,001	549,998	844,145	829	1,943,316
<b>Balance at 30 September 2006</b>	1,875,251	1,825,298	4,180,774	322,080	7,559,243

	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 2005</b>	366,394	18,085	384,480	6,000,407	836,187	6,836,595
Changes during the period						
Issuance of new stocks				1,100,000		1,100,000
Cash dividends				232,508		232,508
Net income				1,079,085		1,079,085
Acquisition of treasury stock				1,041		1,041
Retirement of treasury stock				-		-
Others				2,219		2,219
Net increase/decrease in valuation, translation adjustment and minority interest	276,803	22,466	254,337	254,337	44,557	209,780
Total changes during the period	276,803	22,466	254,337	1,688,979	44,557	1,733,536
<b>Balance at 30 September 2006</b>	89,590	40,552	130,142	7,689,386	880,745	8,570,131

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED)

(IN THOUSANDS,JPY)

	2007	2006
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	2,722,197	1,840,612
<b>Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:</b>		
Depreciation and amortization	109,352	133,848
Impairment loss	-	3,635
Amortization of Goodwill	61,983	15,802
Increase in provision for bonuses	226,430	50,769
Increase in allowance for retirement benefits for employees	30,844	22,058
Increase in allowance for retirement benefits for directors	24,524	8,163
Interest and dividends income	39,569	28,890
Interest expense	15,771	20,682
Gain on sale of investments in securities	51,186	-
Loss on devaluation of investments in securities	345,918	87,593
Loss on sales and disposal of property and equipment	61,266	14,743
<b>Changes in operating assets and liabilities:</b>		
Decrease in accounts receivable-trade ( Increase)	511,143	92,792
Increase in inventories	71,298	109,861
Increase in pocket through expense	97,874	45,255
Increase in accounts payable -trade	16,734	24,351
Increase in other current liabilities	667,652	182,905
Others , Net	104,848	43,109
Subtotal	<u>3,406,754</u>	<u>2,357,062</u>
Interest and dividends received	37,797	27,986
Interest paid	15,749	20,682
Income taxes paid	731,149	1,006,887
Net cash provided by (used in) operating activities	<u>2,697,652</u>	<u>1,357,478</u>
INVESTING ACTIVITIES:		
Disbursements for purchase of tangible fixed assets	178,665	146,885
Disbursements for purchase of intangible fixed assets	37,714	25,686
Payment for purchase of investments securities	439,793	477,290
Proceeds from sales of investments securities	95,186	-
Payment for deposit for rent office and others	197,211	82,086
Collection of deposits for rent office and others	173,885	-
Payment for insurance reserve fund	52,289	45,897
Payment for acquisition of goodwill	-	340,000
Others , Net	31,592	21,192
Net cash provided by (used in) investing activities	<u>605,009</u>	<u>1,139,038</u>
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	263,200	295,624
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	357,397	231,444
Dividends paid for minority stock holders	15,813	18,794
Others , Net	1,553	4,018
Net cash provided by (used in) financing activities	<u>637,964</u>	<u>1,609,198</u>
EFFECT OF EXCHANGE DIFFERENCE ON CASH & CASH EQUIVALENTS	13,178	17,722
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,467,856	1,845,361
BEGINNING OF BALANCE, CASH AND CASH EQUIVALENTS	<u>3,792,223</u>	<u>1,946,862</u>
ENDING OF BALANCE, CASH AND CASH EQUIVALENTS	<u>5,260,080</u>	<u>3,792,223</u>

## STATEMENT OF ORDER ENTRY AND SALES BY ITEMS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

(UNAUDITED)

### (1) RESULT OF ORDER ENTRY

DIVISION	2007.09 <2006.10.1-2007.9.30> (In Thousands, JPY)			
	AMOUNT OF ORDER ENTRY	year-to-year comparison (%)	ORDER BACKLOG	year-to-year comparison (%)
<b>CRO</b>				
Monitoring	9,761,380	231.7	9,640,141	164.2
Data Management	5,784,498	115.2	5,361,274	119.5
CRO others	1,492,121	146.5	386,914	170.8
TOTAL OF CRO	17,038,000	166.2	15,388,331	145.4
<b>SMO</b>	3,483,043	111.1	1,900,632	109.7
<b>Preclinical Service</b>	1,218,658	103.9	115,750	78.1
<b>System development</b>	1,474,089	149.8	477,775	257.6
<b>TOTAL</b>	<b>23,213,791</b>	<b>149.3</b>	<b>17,882,488</b>	<b>141.4</b>

\* These figures are expressed by sales price.

\* These above figures do not include consumption tax.

### (2) RESULT OF SALES

DIVISION	2007.09 <2006.10.1-2007.9.30> (In Thousands,JPY)	year-to-year comparison (%)
<b>CRO</b>		
Monitoring	5,992,628	122.6
Data Management	4,908,245	111.2
Others	1,331,747	135.6
TOTAL OF CRO	12,232,620	119.0
<b>SMO</b>	3,315,293	112.8
<b>Preclinical Service</b>	1,251,190	105.0
<b>System development</b>	1,181,770	140.0
<b>TOTAL</b>	<b>17,980,875</b>	<b>117.8</b>

## INDUSTRY SEGMENT

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)

### 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)	-
Total	12,254,122	3,375,910	1,259,441	1,250,889	18,140,364	(159,488)	17,980,875
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

### 2006 (2005.10.1-2006.9.30)

(In Thousands,JPY)

	CRO	SMO	Preclinical Service	System Development	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>							
Sales to customers	10,281,994	2,939,705	1,192,139	844,145	15,257,985	-	15,257,985
Intersegment sales	26,017	42,738	4,735	77,866	151,357	(151,357)	-
Total	10,308,011	2,982,444	1,196,874	922,012	15,409,343	(151,357)	15,257,985
Operating expenses	8,592,823	2,893,671	1,124,926	854,777	13,466,198	(166,917)	13,299,280
Operating income	1,715,188	88,773	71,948	67,234	1,943,144	15,560	1,958,705