

Ever
Progressing
System

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To our shareholders



EPS group consists of EPS and its 6 subsidiary companies and an affiliated company. The group provides a wide range of CRO and the related services that include the temporary employment agency services, the related system development services, SMO business operation which mainly renders CRC (Clinical Research Coordinator) services and the computer software development services utilizing human resources of skillful Chinese IT engineers. As new topics during the first 6 months of the current fiscal year, EPS China Co., Ltd, a Shanghai based subsidiary started comprehensive CRO services in China and LSG Corporation as affiliated company, which is Non-clinical study outsourcing agency joined EPS group, which brings about the diversification of the group's business.

In SMO business, EP Link Co., Ltd. has been significantly growing due to implementing its full scale operation for clinical study management services among a number of clinical sites, which make the company become the most important subsidiary in the group. In software development business, ALL RIGHT Inc. acquired 100% equity of ALL RIGHT (Beijing) Co., Ltd.,(the former EPS (Beijing) Co., Ltd.) to expand its business in China. In addition, Cyber Medical Net Co., Ltd. that once experienced a financial loss in the last fiscal year has turned the red ink into black ink due to concentrating on its temporary employment agency services.

EPS continues growing.

YAN Hao
Chairman of the Board and Chief Executive Officer

Business Strategy

1. The Policy and Strategy of EPS

Our mission is to explore and establish a system that is dedicated to improve the efficiency of our day-to-day operation while ensuring that the highest quality standards are adhered to with regard to observing current regulatory requirements. We believe this focus will lead to our achieving high levels of customer satisfaction.

Based on this mission, EPS “Ever Progressing System” will pursue the following strategies to expand its business. These strategies will carry EPS to leadership in the Japanese CRO industry.

1) Broadening services:

To meet the increasing number of pharmaceutical outsourcing needs for drug development in Japan, EPS will enhance its capabilities to offer a broader range of services from study design through regulatory affairs, including the operation of clinical studies.

EPS also expects to explore the possibility of business collaborations in both pre-clinical studies and Phase I clinical trials.

2) Expansion of SMO business:

Since the demand for CRC (Clinical Research Coordinators) is expected to increase, EPS will enhance the operation of our subsidiary company, EPLink, to enlarge our SMO (Site Management Organization) business. We believe this SMO operation will provide a significant synergistic effect to the CRO business of EPS.

3) Information Technology

EPS has a keen interest to implement web-based capabilities in Japan. This will bring about significant efficiencies in the Data Management and Clinical Monitoring process. In addition, EPS has significant experience in providing pharmaceutical companies and investigator sites with customized IT services.

4) Globalization

EPS will continue exploring business opportunities outside of Japan in responding to the increasing demands for the international drug development and the need to comply with ICH (International Conference on Harmonization). This includes utilizing the business alliance with our CRO partner in the USA and enhancing the operation of subsidiary companies in China.

5) New Business Opportunities

Based on the successful track record of both the CRO and SMO business, our subsidiary company, Cyber Medical Net will focus on temporary employment agency and hospital consultancy businesses. In addition, EPS will aggressively explore further business opportunities in the pharmaceutical and medical industry. Another new business opportunity is All Right Software Co., Ltd. This is our subsidiary company and is expected to grow in the field of software development business in both Japan and China.

2. The policy of sharing profit

As a company policy, EPS deems that sharing profits with its shareholders is significantly important. Our primary policy is to pay appropriate dividends based on the result of operations considering “Return on Equity” and “Payout Ratio” while retaining reasonable internal reserves for the strategic investment of the company in future.

3. A policy on the minimum unit price of company’s share for investors

The company’s minimum investment unit is currently one share per unit. Watching the trend of company’s share price, we will consider stock-split in future.

4. Management issues

As we expect the trend of outsourcing and globalization in our customers will still be strengthening, it is our long-term objective to improve the quality of our operations, which we intend to achieve through enhancing our QC/QA division, strict compliance with Standard Operating Procedures, training and education. It is also important to make our operation even more efficient in order to strengthen our price competitiveness. This will be achieved through the establishment of workflow management system starting from project initiation to the final report submission.

In addition, we will expand our business operation not only in China, but in other areas through the business alliance with local partners.

Review of Operation

In long-term post-marketing clinical studies, EPS continues providing Data Management and Monitoring services to the following clients;

- Sankyo Co., Ltd. for a cholesterol lowering agent
- Taiho pharmaceutical Co., Ltd. for an anti cancer agent
- Takeda pharmaceutical Co., Ltd. for a diabetes treatment agent
- Bristle Pharmaceuticals K.K., Kyowa Hakko Kogyo Co., Ltd. and Japan Eli Lilly K.K. for anti cancer agent

In addition, enhancing the Clinical Development Division has led to win a number of new clients and new projects in related to the clinical trials that are in the development status.

Besides, in other services including patient registration, project management, data management and statistical analysis, the Biometric Division has been mainly responsible to expand these businesses.

However, due to the delay of implementation of some new projects and the significant increase of expenses for our staff's training and education to improve study quality, the income before income tax and net income in the first 6 months of the current fiscal year fell short of our original budget.

On the other hand, in terms of improving the internal environment in the company, we have taken the following measures in order to meet various customers' needs;

- To enhance training and education for our staffs to improve study quality
- To set up Medical Device Development Department to provide comprehensive services for development and registration of medical device in Japan
- To initiate the Call Center operation to recruit the patients for participating in clinical studies
- To enhance the capability of our Osaka and Nagoya branches and move to new offices respectively
- To add LSG Corporation, Non-clinical study outsourcing agency into EPS group as an affiliated company to generate the vertical synergy effect

Cyber Medical Net Co., Ltd. that once experienced a financial loss in the last fiscal year has turned the red ink into black ink due to concentrating on its temporary employment agency services.

In software development business, ALL RIGHT Inc. acquired 100% equity of ALL RIGHT (Beijing) Co., Ltd., (the former EPS (Beijing) Co., Ltd.) to expand its business in China. Since it started its full scale operation utilizing the human resources of skillful and experienced Chinese IT engineers, the company has been significantly growing.

As a result, in the CRO business area, we generated ¥2.19 Billion Yen for the revenue and ¥116 Million Yen for the income from operations in the first 6 months of the current fiscal year.

With reference to the SMO business, EP Link Co., Ltd. not only offers the CRC (Clinical Research Coordinator) services, but the management services coordinated among local clinics for clinical trials. Especially, the recent reward of some large projects greatly contributed the remarkably high growth of EP Link.

As a result, in the SMO business area, we generated ¥556 Million Yen for the revenue and ¥166 Million Yen for the income from operations in the first 6 months of the current fiscal year.

Totally, on consolidated basis, we increased its revenue 37.2% to ¥2.732 Billion Yen, the income from operations 6.1% to ¥283 Million Yen, the ordinary income 10.0% to ¥307 Million Yen in the first 6 months of the current fiscal year compared to the same period of the previous fiscal year.

The above amount does not include consumption tax.

Remarks:

1. Clinical Monitoring Service:

As clinical trials are conducted in accordance with a study protocol, the required clinical data are recorded in CRFs (Case Report Forms). The protocol, which is developed by sponsors (usually pharmaceutical companies), is defines the purpose and endpoints of the study, study design, management system, responsible organization and the statistical analysis plan. CRAs (Clinical Research Associates) or Monitors visit medical sites to have face to face meetings with investigators for purposes such as explaining the content of the protocol, reviewing the status of studies and ensuring that the CRFs are completed correctly prior to collecting the CRFs.

2. Data Management Service:

Data Management Services include review and coding of CRF data collected from medical sites, data entry, database verification, statistical analysis and the creation of customized databases to meet each client's needs.

3. Forward-looking statements:

Forward-looking statements are based on judgments made with the information available to the EPS group at the date of their formulation and are subject to potential risks or uncertain factors. Various factors that form the basis of these forward-looking statements may differ from the EPS group's assumption and actual results may differ significantly from those presented here.

Selected Interim Consolidated Financial Data

The selected Interim Consolidated Statements of Operations (Six month ended March 31 2001and 2002) and Consolidated Balance Sheet (as of March 31 2001and 2002) set forth below are arranged to U.S style accounting form from audited Japanese statements for reference purpose only , therefore we don't obtain audited English statements.

INTERIM (SIX MONTH) ENDED MARCH 31
(IN THOUSANDS,JPY)

	2002	2001
Net revenue	2,732,454	1,991,493
Ordinary income	307,774	279,720
Income before income taxes and minority interest	305,227	225,039
Net income	146,826	99,094
Net income per share (*)	<u>5,438</u>	<u>3,670</u>

* These figures are computed from dividing net income with 27,000 shares which were provided with the stock split (the ratio 1 to 3) on 20th May 2002

AS OF MARCH 31
(IN THOUSANDS,JPY)

Cash and cash equivalents	1,485,765	480,459
Working capital	1,520,652	623,778
Total assets	3,383,711	1,988,528
Long- term debt including current portion	76,000	192,560
Shareholders'equity	2,100,417	999,202
Employees	481	332

Interim Consolidated Balance Sheets

(IN THOUSANDS,JPY)

ASSETS

	2002	2001
CURRENT ASSETS		
Cash and cash equivalents	1,485,765	480,459
Notes and accounts receivables	837,532	662,994
Inventories	63,071	73,622
Others	166,228	145,859
Allowance for doubtful accounts	2,352	2,406
Total current assets	<u>2,550,246</u>	<u>1,360,528</u>
FIXED ASSETS		
Tangible assets	93,208	83,385
Intangible assets	47,364	22,572
Investments and other assets		
Deposits	371,021	329,471
Others	333,325	223,874
Allowance for investments loss	11,454	31,304
Total investments and other assets	<u>692,892</u>	<u>522,041</u>
Total fixed assets	<u>833,465</u>	<u>627,999</u>
TOTAL ASSETS	<u><u>3,383,711</u></u>	<u><u>1,988,528</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	79,319	78,916
Current portion of long-term debt	74,100	116,560
Income taxes payable	160,713	173,324
Advance received	214,678	-
Provision for bonus	163,095	113,673
Others	337,687	254,275
Total current liabilities	<u>1,029,594</u>	<u>736,750</u>
LONG-TERM LIABILITIES		
Long-term debt less current portion	1,900	76,000
Provision for retirement	78,599	56,173
Provision for director's retirement	81,931	64,731
Total long-term liabilities	<u>162,430</u>	<u>196,904</u>
TOTAL LIABILITIES	<u><u>1,192,024</u></u>	<u><u>933,655</u></u>
Minority interests	91,268	55,670
Common stock	618,750	300,000
Additional paid-in capital	568,800	41,550
Retained earnings	909,414	657,488
Unrealized gain on available-for-sales securities	365	52
Foreign currency translation adjustments	<u>3,088</u>	<u>111</u>
TOTAL SHAREHOLDERS' EQUITY	<u>2,100,417</u>	<u>999,202</u>
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	<u><u>3,383,711</u></u>	<u><u>1,988,528</u></u>

Interim Consolidated Statements of Operations
(IN THOUSANDS,JPY)

	2002	2001
Net revenue	2,732,454	1,991,493
Cost of sales	<u>1,838,367</u>	<u>1,302,690</u>
Gross profits	894,086	688,803
Selling, General and Administrative Expenses	<u>611,007</u>	<u>422,103</u>
Income from operations	<u>283,078</u>	<u>266,699</u>
Other Income (Expense)		
Interest income	522	263
Interest expenses	(717)	(1,922)
Gain on investment to anonymous unions	10,284	8,616
Gain on cancellation of life insurance	3,569	3,312
Service fee income	5,550	2,576
Equity in earnings of affiliated companies	7,953	-
Foreign exchange loss	(2,289)	(1,036)
Loss on cancellation of lease contract	(2,424)	-
Organization cost	-	(878)
Reversal of allowance of doubtful accounts	1,625	447
Charge for full amount of transitional obligations for retirement benefits	-	(50,666)
Loss on sales and disposal of property and equipment	(4,172)	(4,461)
Other- net	<u>2,247</u>	<u>2,089</u>
Other income (expenses)-net	<u>22,149</u>	<u>(41,659)</u>
Income before income taxes and minority interests	305,227	225,039
Income taxes		
Current	161,761	173,967
Deferred	<u>(32,478)</u>	<u>(46,691)</u>
Total	<u>129,283</u>	<u>127,276</u>
Minority interests	<u>29,118</u>	<u>(1,330)</u>
Net Income	<u>146,826</u>	<u>99,094</u>
Net Income per share	<u>16,314.05</u>	<u>24,773.59</u>

EPS Group

The main subsidiaries and an affiliated company of EPS Co., Ltd. are as follows;

EP Link Co., Ltd.

The company provides SMO services as well as clinical trial supports for clinical (investigator) sites.

Location: Osaka, Nagoya, Fukuoka URL / <http://www.eplink.co.jp/>

Cyber Medical Net Co., Ltd.

The company provides temporary employment agency services mainly for monitoring division in pharmaceutical company and medical consulting including human resources introduction services for clinical sites.

URL / <http://www.c-medicalnet.co.jp/>

ALL RIGHT Inc.

The company operates computer software development utilizing human resources of skillful and experienced Chinese engineers and also provides consulting services.

URL / <http://allrightsoft.co.jp/>

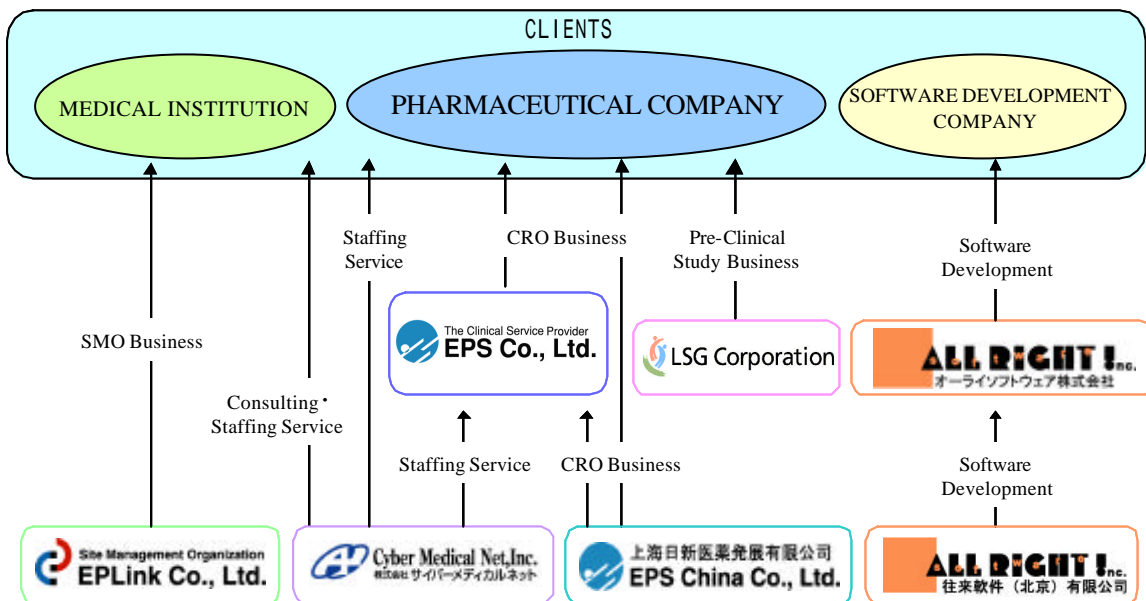
EPS China Co., Ltd.

The company provides CRO services in clinical trials in China.

Location: Shanghai, Beijing URL / <http://www.epscn.com>

LSG Co., Ltd.

The company, an affiliated company of EPS Co., Ltd. mainly provides pharmaceutical companies with services related to Non-clinical studies as marketing agent for several overseas CROs.



Remarks:

1. CRO (Contract Research Organization)
 Organization or individual providing pharmaceutical companies with a full range or part of services on clinical trials operation or management

2. CRC (Clinical Research Coordinator)
 Personnel who professionally supports investigators in medical sites to facilitate clinical trials under investigator's management or supervise.

3. SMO (Site Management Organization)
 Organization or individual providing investigators-sites with services to perform clinical trials on contract basis.

Company Profile

Capital ¥ 618.75 Million
Main Services CRO business and System Development
E-Mail info@eps.co.jp
URL www.eps.co.jp

Locations (Headquarter)

Shuwaiidabashi Bldg., 2-3-19 Koraku, Bunkyo-ku,
Tokyo 1120004 TEL. + 81-3-5684-7797 FAX. + 81-3-5684-4785

(Annex.1)

2nd floor, Hongo TK Bldg., 1-28-10 Hongo, Bunkyo-ku,
Tokyo 1130033 TEL. + 81-3-5800-7560 FAX. + 81-3-5800-7562

(Annex.2)

4th floor, Kyodo Bldg., 2-26 Shimomiyabi-cho, Shinjuku-ku,
Tokyo 1620822 TEL. + 81-3-5804-7744 FAX. + 81-3-5804-7827

(Annex.3)

3rd floor, S&S Bldg., 6-36 Shinogawa-cho, Shinjuku-ku,
Tokyo 1620814 TEL. + 81-3-5206-8697 FAX. + 81-3-5206-8698

(Osaka Branch)

11th floor, Nissei Shin-osaka Bldg., 3-4-30 Miyahara, Yodogawa-ku,
Osaka 5320003 TEL. + 81-6-4807-7107 FAX. + 81-6-4807-1035

(Nagoya Branch)

A-2 6th floor, Horiuchi Bldg., 3-25-9 Meieki, Nakamura-ku,
Nagoya 4500002 TEL. + 81-52-581-8887 FAX. + 81-52-581-8817

(Fukuoka Branch)

5th floor, Hakatamitui Bldg., 10-1 Kamigofukumachi, Hakata-ku,
Fukuoka 8120036 TEL. + 81-92-263-5480 FAX. + 81-92-263-5416

Members of the Board and Auditors

Chairman	Mr. Hao Yan
Executive Director	Mr. Koichi Jingu
Directors	Mr. Takeshi Adachi
	Mr. Kiyoshi Fujimaru
	Mr. Tomohiro Tominaga
	Mr. Yasuharu Tamai
Auditors	Mr. Kozo Okunaga
	Mr. Junichi Ishikawa
	Mr. Toshihiko Shichida

Current situation of shares

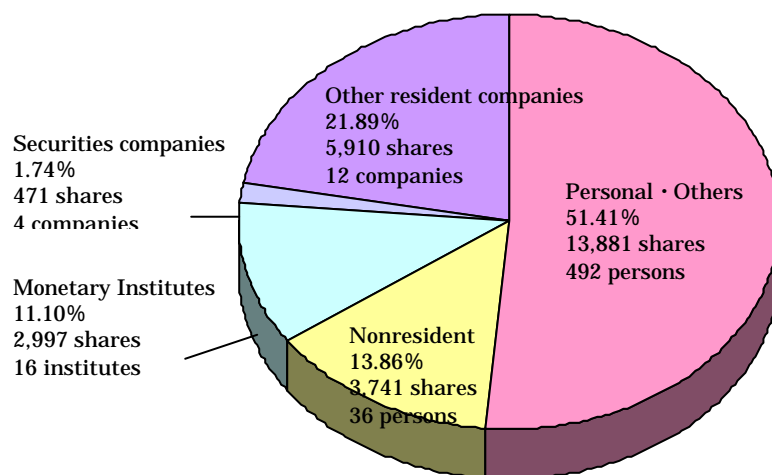
Authorized stocks	108,000
Share of common stock issued	27,000
Number of stockholders	560(as of 31st March 2002)

Principal shareholders

Shareholder	Share held	Percentage of total
Hao Yan	6,348	23.5%
Y&G Limited	5,766	21.4%
EPS employees shareholding union	1,473	5.5%
CMB Ireland Special Jasdec Lending A/C	945	3.5%
Sumitomo Life Insurance Mutual Co.	900	3.3%
UFJ Trust Bank Limited	630	2.3%
CMBL S.A. Re Mutual Funds	600	2.2%
Tokyo Marin & Fire Insurance	540	2.0%

Note: The above number of shares is revealed after stock split as of 20th May 2002

Classification of stockholders (as of 31st March 2002)



Guide of Stock

Yearend	End of September	
Annual general stockholders meeting	Within December	
The date stockholders are decided to be entitle to obtain dividends	Annual dividend	End of September
	Interim dividend	End of March
Official bulletin	Nikkei (newspaper)	

Transfer agent: The Chuo Mitsui Trust and Banking Co., Ltd.