



**INTERIM BUSINESS REPORT**  
**Fiscal year ending September 30, 2004**

**E**ver  
**P**rogressing  
**S**ystem

## CONTENTS

An Interview with the President .....	3
Topics.....	8
EPS Group .....	9
Review of Operation.....	11
Financial Data .....	13
Company Profile .....	19
Members of the Board and Statutory Auditors.....	19
Guide of Stock .....	21

## An Interview with the President on our line of business and perception about the future of CRO industry



**Question 1:** I have heard that EPS is one of the leading companies in the Japanese CRO industry, but I assume that CRO is still unfamiliar in Japan. So, first of all, tell us about CRO business.

CRO stands for Contract Research Organization that helps pharmaceutical companies with the development of drug products. First of all, I would like to explain the process of developing pharmaceutical products to deepen your understanding of CRO.

There are five main stages, and the first stage is basic research for the development of a new drug. It includes screening, also called drug discovery, through which drug candidates are found. The next stage is nonclinical or preclinical study to see if the drug is really effective and to find out how it works in animal testing. The third stage is clinical trials to check if the drug works on actual patients, to examine how well the treatment works and to discover possible side effects. This is followed by the fourth stage, called NDA submission, which is application to manufacture the drug to the Health, Labor and Welfare Ministry. After approval, it is put on the market. But approval is not the end of the process. Next comes the fifth stage, post-marketing surveillance, which continuously examines the efficacy and side effects of the drug, and how the drug is used in clinics and hospitals.

CROs cover all these stages except for the first stage, drug discovery, from preclinical trials to post-marketing surveillance, and we provide all of the services, or some of the services, in the above-mentioned fields for pharmaceutical and bio-venture companies.

**Question 2:** What particular services do you provide for clients?

For example, we help to draw up “Protocol,” in which specific rules are laid down on how to conduct clinical trials, such as purpose of study, design, method, organizational structure, etc. We also provide a “Monitoring” service, which is progress management to check if the trial is conducted conforming to protocol and related regulations, and this is one of our main services. “Data management and Statistical Analysis,” which is data entry and analysis accumulated from the trials, is one of our services, too. We also provide all kinds of relevant services such as the preparation of related documents, etc, and we aim to become a full-service CRO while always improving quality.

**Question 3: Is it true that the CRO industry is fairly new?**

Yes, it's true. There are actually two types of CRO, non-clinical and clinical, but people usually have 'clinical' in mind when they think about CROs in Japan. The so-called clinical CROs started to be established in the early 90s in Japan, and we are one of those. On the other hand, CROs of US started in the late 70s, and American CROs have grown remarkably with the presence of bio-venture companies behind the scenes. Bio-ventures play a role in drug discovery, the first stage of drug development, and there are 3 main ways of finding drug candidates and putting them on the market.

Working jointly with pharmaceutical companies is one way. This has low risk but low returns because pharmaceutical companies enjoy most of the profit after sales of the new drug.

The second way is conducting the whole process by themselves. But because they are originally drug-discovery companies, investing a lot of human resources and conducting the whole process is not at all suitable. So, outsourcing the whole process after drug discovery to CROs became mainstream. American CROs offer services to many bio-venture companies and take responsibility for the whole process except for drug discovery.

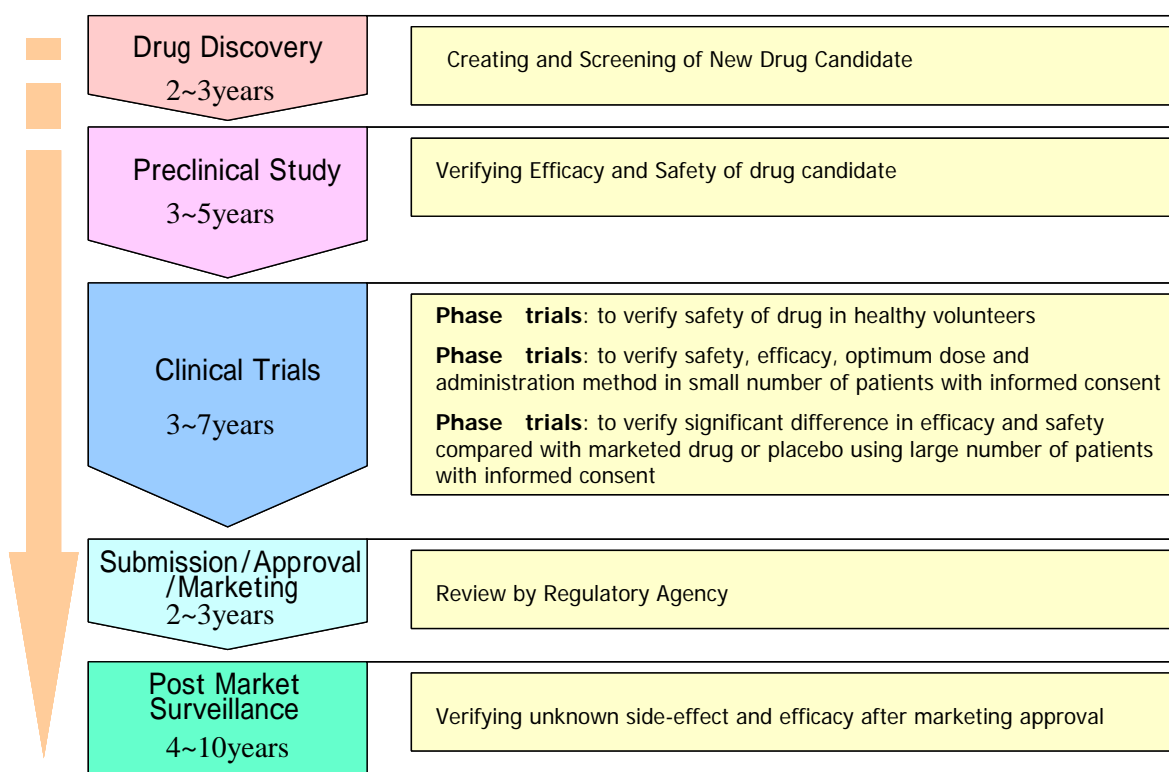
In addition, the pharmaceutical industry became a highly competitive market, and it costs a lot to develop a new product; for these reasons, they started to outsource as much of the drug development process as possible.

~ Column ~

**What are the strengths of EPS in the CRO industry?**

First of all, we are one of the top three CROs in Japan. Next, we have an efficient system of providing a full range of services from the preclinical stage, and in clinical trials through to post-marketing surveillance. This is the best weapon to enhance our market share. Third, we have a great deal of experience in large-scale and long-term trials, especially in the fields of oncology and cardiovascular medicine, areas related to two of the three major causes of death in Japan, and where new drugs are expected to be continuously developed. We have also achieved a lot in data management since we started business with software development before entering the CRO business.

Figure 1: Process of Pharmaceutical Development



\* Note that the number of years indicated above varies depending on the nature of the clinical trial.)

**Question 4:** When pharmaceutical companies outsource these processes to CROs, they have the advantage of efficient drug development, lower cost, high quality and neutrality. So, do the prospects of the Japanese CRO industry look good?

Annual research and development expenditure by the Japanese pharmaceutical industry increased from 700 billion yen in 2000 to 900 billion yen in 2002 (Source: Science and Technology Survey Reports 2002 and 2003, respectively, published by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications). In this environment, the contract research organization (CRO) market grew from 15 billion yen in fiscal 2000 to approximately 50 billion yen in fiscal 2003 (Source: Japanese CRO Association Performance Reports 2001 and 2003, respectively, published on the association's website). The percentage of outsourced research during the same period grew from approximately 2.1% to approximately 5.5%. At the same time, in the United States, which has a history of outsourcing research, the proportion of outsourced research in fiscal 2004 is expected to reach 40%, approximately 60% of which will be outsourced to contract research organizations (Source: Market Research Company website, January, 2004.) If the outsourcing of pharmaceutical research in Japan were to reach the levels observed in the United States, a market of over 200 billion yen would be created.

Figure 2: Comparison of CRO activities in the US and Japan

	In the US	In Japan
Start	latter half of 1970s	first half of 1990s
Number of CROs	about 500	about 50
Number of employees per CRO	several thousand	several hundred
Sales per CRO (JPY)	in two-digit billions	in single-digit billions
% outsourced to CRO by pharmaceutical companies	ca, 24%	ca, 5.5%

(As of 2004, researched by EPS)

**Question 5:** The Japanese government has decided to introduce a new pharmaceutical law, and the approval of new drug product will change from manufacturing approval to manufacturing and sales authorization. Does this influence the CRO industry?

I think it will affect various aspects of the whole pharmaceutical industry, rather than just the CRO industry. The image of pharmaceutical companies is that they are in charge of the whole process from drug discovery to sales, but I believe this will soon change.

For one thing, the trend of outsourcing part of the drug development to CROs, the manufacturing divisions of companies that specialize in this area, etc., will rapidly increase, and there will be companies that only manufacture drugs. This is in fact the case in the United States.

Major CROs in the United States have begun to enter the relevant areas, and the sales of non-CRO areas have also been successful. CSOs, Contract Sales Organizations, take on sales and marketing, while CMOs, Contract Manufacturing Organizations, undertake manufacturing.

When a new pharmaceutical law takes effect, the concepts held in America in this area will take effect in Japan. If so, just as in America, bio-venture companies will receive much more attention in Japan. When there are great achievements in drug discovery, the process thereafter such as development, manufacturing and sales can be outsourced and gain maximum profit. Then, CROs such as ourselves will be able to undertake our part of the business, providing business opportunities to expand our service areas.

**Question 6** The EPS group is actively moving into new business. What vision do you have?

I consider new fields as part of the total services related to clinical trials. For instance, our consolidated subsidiary, EP Link, which is a SMO (or Site Management Organization) is one such case, and EP Medical, which is also a consolidated subsidiary, is another. EP Medical has been providing medical consultation and staffing services for pharmaceutical companies, and has just entered the CSO (Contract Sales Organization) business, dispatching medical representatives, in December 2003.

Additionally, we took over the LSG Corporation from the Toyota Tsusho Corporation in November 2001, which is engaged in the pre-clinical trial business. It is a marketing agent for overseas preclinical facilities, and is in charge of the breeding, import, and sales of animals for clinical trials. This has smoothly increased its sales volume. I consider all the services of these three companies as an extension of clinical trials, and hope to establish an efficient system of providing a full service for drug development. In addition, we set up a medical device department in April 2003. Moreover, we have All Right Software, a consolidated subsidiary, which is a software development company both in Japan and China. This company is not related to current clinical trials; it can be considered as a contribution to a system necessary for CRO to provide service, but it is more likely to take advantage of the Chinese system that uses engineering resources. So, it is not actually related to the CRO business, but I believe it meets the diverse needs of our customers.

**Question 7:** What is your policy for return of profit to shareholders?

Our fundamental policy is to strengthen our organizational structure to secure higher corporate profitability as well as maintaining proper profit sharing with our shareholders. To respond to stock prices, which are subject to rapid changes in the market, we ensure that the financial ground is secure, so dividends are stably distributed to stockholders.



**YAN Hao**  
President and Chief Executive Officer

## Topics

- **Business Collaboration with SOIKEN (February 2004)**

EPS and Soiken, a contract research organization for specialized health foods, announced a collaboration agreement to establish a partnership between them. EPS intends to exploit Soiken's experience and its knowledge of clinical trials on foods for specified health use. Soiken will take advantage of EPS's experience and its experience in clinical trials for pharmaceutical products. We will utilize both services to meet the growing needs of our clients.

- **Business Collaboration with and Capital Injection into SOSEI (November 2003)**

EPS announced a business collaboration with and capital injection into Sosei, a Biotech Company for drug development. EPS receives Sosei's drug development plans on a preferential basis in return for offering its overall support to Sosei to realize a more efficient system for drug development. We also offer a range of services for overseas drug development.

- **Business Collaboration with and Capital Injection into RDDA (November 2003)**

EPS announced a business collaboration with and capital injection into RDDA, a CRO headquartered in South Africa, to provide clinical research services including multinational studies. We can now provide clinical research services not only in Asia but also in other areas, to expand their business as much as possible.

## EPS Group

### Aim of the group:

Establishment of an efficient system to provide a full service for drug development

The core business of the EPS Group is with CRO services. We aim from all aspects to establish a system that can fully support pharmaceutical companies with entire drug development, from preclinical trials through regulatory submission. In synergy with our group company, we also provide services such as SMO, staffing, and the preclinical study business.

Our mid-term targets include the promotion and expansion of existing businesses, the further development of overseas activities, the exploration of new businesses, as well as improving service quality for customers worldwide.



**EPLink Co., Ltd.**

This company provides SMO services as well as clinical trial support for clinical sites and investigators.

Located in Tokyo, Hokkaido, Nagoya, Osaka, Kobe, Hiroshima, Fukuoka and Miyazaki

URL <http://www.eplink.co.jp>



**EPS China Co., Ltd.**

This company provides CRO services for clinical trials in China.

Located in Shanghai and Beijing

URL <http://www.epscn.com>



**EPS Singapore**

A strategic base for EPS in Southeast Asia to accommodate growing local needs

Full local name: Ever Progressing System Pte, Ltd.



**LSG Corporation**

Marketing agent for overseas pre-clinical and clinical CROs, mainly providing pharmaceutical companies with services for pre-clinical studies

Located in Tokyo, the US (Chicago) and the Philippines (Makati)

URL <http://www.lsg.co.jp>



This company provides staffing, consulting and CSO services for pharmaceutical companies as well as for clinical sites.

URL <http://www.epmedical.co.jp>

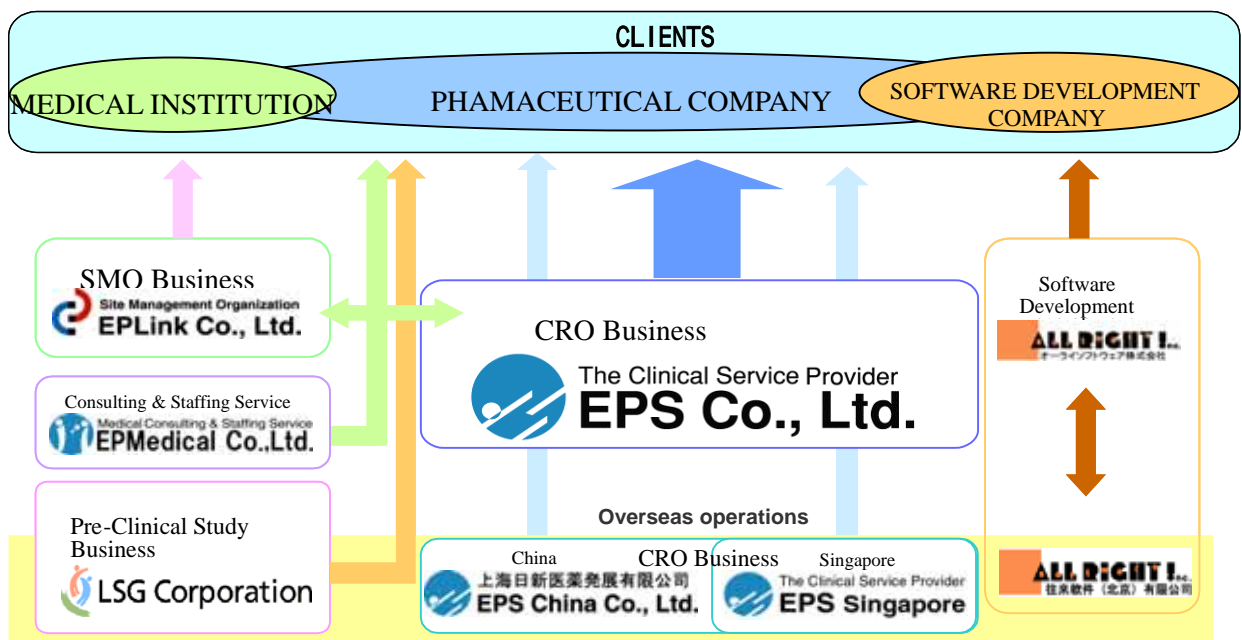
\*Previously, the name of this company was Cyber Medical Net, Inc. until it was renamed on January 1, 2004



This company develops computer software utilizing skilled, experienced Chinese engineers. It is also engaged in providing consulting services.

Located in Tokyo and Beijing

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



## Review of Operation

### Interim Report

The Japanese economy is still suffering from prolonged business stagnation although there are finally signs of recovery such as an increase in export and production. Under these circumstances, CRO (contract research organization) businesses in which EPS participates, and SMO (site management organization) businesses in which our EPLink is actively working, as well as the pre-clinical study business, are growing steadily.

In the CRO business, we continue to provide long-term, large-scale data management and monitoring services for the post-marketing clinical trials of drugs including medicine for antihyperlipemia and diabetes.

For trials of drugs still under development, we have followed up projects carried over from previous fiscal years while aiming to obtain new projects. In addition, we have been preparing projects for bio-venture companies since fiscal 2002 that are now in operation.

In the field of Patient Registration, Data Management and Statistics Analysis, the Data Center and Biometrics Division is continuously aiming to expand its market share.

After a collaboration agreement with two bio-venture companies this interim term, the Clinical Development and Clinical Research Division is also aiming to expand its business.

The sales volume of medical devices has progressively increased in call centers that recruit candidates for trials and pharmacovigilance services.

As consolidated subsidiaries, EP Medical provides services in medical consulting and staffing, and has just started preparing for a new service, MR dispatching.

All Right Software Co., Ltd. and its subsidiary in Beijing is proceeding with its system development business using the skills of Chinese IT engineers. Their performance, however, has been somewhat limited due to the current general decline in software development demand.

As a result, during the interim term 2004 in the CRO business, the consolidated net revenue was ¥3,665 million, an increase of 30.4 %, and the consolidated operating income showed an increase of 62.0%, amounting to ¥422 million compared to the previous interim term.

Our SMO business is handled by EPLink Co., Ltd. The CRC (clinical research coordinator) operation is rising, coupled with the site support services that they provide for clinical trials in collaboration with local medical institutions. However, their profit level during this interim term has been low because they are preparing for coming operations and due to the prior investment required such as hiring personnel for the operation.

As a result, in the SMO business field, the consolidated net revenue was ¥862 million, an increase of 24.7%, while the consolidated operating income was ¥38 million, a decrease of 47.5% over the previous interim term.

In the pre-clinical field, the business of LSG Corporation has been steady with good profitability. However, in terms of profit, because we had some high-margin projects last term, profit has decreased compared with the previous term.

As a result, in the pre-clinical field, the consolidated net revenue reached ¥683 million, up 12.3 %, while the consolidated operating income reached ¥90 million, down 19.2%.

On the whole, the interim consolidated net revenue of the fiscal year increased to ¥5,185 million, 27.4% up, the interim consolidated operating income increased to ¥550 million, 26.6% up, and the interim ordinary income increased to ¥568 million, 29.1% up over the previous term.

The above figures do not include consumption tax, etc.

## Interim Financial Data

### 1 INFORMATION OF EPS Co.,Ltd AND CONSOLIDATED SUBSIDIARIES 2004.03 (2003.10.1-2004.3.31) (UNAUDITED)

#### (1) OPERATING RESULTS

( UNIT:JPY MILLION )			
	Sales	Operating Income	Ordinary Income
Mar-04	5,185	550	568
Mar-03	4,070	435	440

( UNIT:JPY MILLION )		( UNIT:JPY )	
	Net Income	Net Income Per Share(*)	
Mar-04	281	3,237.63	
Mar-03	202	2,505.11	

#### (2) FINANCIAL INFORMATION

( UNIT:JPY MILLION )			
	Gross Asset	Stockholders' Equity	Stockholders' Equity ratio
Mar-04	7,151	4,562	63.8%
Mar-03	4,431	2,561	57.8%

( UNIT:JPY )	
	Stockholders' Equity Per Share(*)
Mar-04	52,446.00
Mar-03	31,621.84

(\*) These figures are computed from dividing net income with 87,000 shares which were provided with the stock split (the ratio 1 to 3) on 20th November 2003

#### (3) INFORMATION OF CONSOLIDATED CASH FLOW

( UNIT:JPY MILLION )				
	Net cash provided by (used in) operating activities	Net cash (used in) provided by investing activities	Net cash provided by (used in) financing activities	Ending balance of cash and cash equivalents
Mar-04	349	819	143	2,735
Mar-03	130	56	41	1,385

### 2 INFORMATION OF CONSOLIDATED BUDGET 2004.09 (2003.10.1-2004.9.30)

( UNIT:JPY MILLION )			
	Sales	Ordinary Income	Net Income
Sep-04	11,468	1,547	816

1 INFORMATION OF NON-CONSOLIDATED 2004.03 (2003.10.1-2004.3.31)  
(UNAUDITED)

(1) OPERATING RESULTS

	( UNIT:JPY MILLION )		
	Sales	Operating Income	Ordinary Income
Mar-04	3,260	419	458
Mar-03	2,470	237	272

	( UNIT:JPY MILLION )	( UNIT:JPY )
	Net Income	Net Income Per Share(*)
Mar-04	257	2,960.20
Mar-03	151	1,867.52

(2) OVERALL SITUATION OF DIVIDEND DISTRIBUTION

	( UNIT:JPY )
	Interim Dividend Per Share(*)
Mar-04	500
Mar-03	333

(3) FINANCIAL INFORMATION

	( UNIT:JPY MILLION )		
	Gross Asset	Stockholders' Equity	Stockholders' Equity ratio
Mar-04	5,628	4,327	76.9%
Mar-03	3,275	2,387	72.9%

	( UNIT:JPY )
	Stockholders' Equity Per Share(*)
Mar-04	49,792.45
Mar-03	29,469.96

2 INFORMATION OF NON-CONSOLIDATED BUDGET 2004.09 (2003.10.1-2004.9.30)

	( UNIT:JPY MILLION )		
	Sales	Ordinary Income	Net Income
Sep-04	7,021	1,071	650

	( UNIT:JPY )
	Dividend Per Share(*)
Sep-04	700

(\*) These figures are computed from dividing net income with 87,000 shares which were provided with the stock split (the ratio 1 to 3) on 20th November 2003

CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2004 AND MARCH 31, 2003  
(UNAUDITED)

(IN THOUSANDS, JPY)

ASSETS	2004	2003
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,735,011	1,385,209
Notes and accounts receivable	1,968,318	1,633,459
Inventories	182,767	140,402
Others	382,390	272,467
Allowance for doubtful accounts	1,115	4,608
Total current assets	<u>5,267,371</u>	<u>3,426,931</u>
<b>FIXED ASSETS</b>		
Tangible Assets	195,253	187,983
Intangible Assets	85,556	66,952
Investments and other assets		
Deposits	500,158	453,340
Time deposits and banking arrangements other than cash equivalents	500,000	
Others	602,841	296,042
Allowance for doubtful accounts		38
Total investments and other assets	<u>1,603,000</u>	<u>749,344</u>
Total fixed assets	<u>1,883,810</u>	<u>1,004,280</u>
<b>TOTAL ASSETS</b>	<u><u>7,151,182</u></u>	<u><u>4,431,211</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	323,543	188,305
Short-term debt	200,000	68,000
Current portion of long-term debt	26,400	28,300
Income taxes payable	276,727	198,448
Provision for bonuses	298,325	230,518
Others	821,480	584,645
Total current liabilities	<u>1,946,476</u>	<u>1,298,217</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	25,000	51,400
Provision for retirement	146,515	103,364
Provision for director's retirement	106,390	97,570
Others	420	5,176
Total long-term liabilities	<u>278,325</u>	<u>257,511</u>
<b>TOTAL LIABILITIES</b>	<u>2,224,802</u>	<u>1,555,729</u>
<b>MINORITY INTERESTS</b>		
Common stock	1,325,250	618,750
Additional paid-in capital	1,275,300	568,800
Retained earnings	1,942,761	1,363,958
Unrealized gain on available-for-sale securities	52,272	13,179
Foreign currency translation adjustments	<u>32,781</u>	<u>3,318</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>4,562,802</u>	<u>2,561,369</u>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<u><u>7,151,182</u></u>	<u><u>4,431,211</u></u>

**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2004 AND 2003**  
**(UNAUDITED)**

(IN THOUSANDS,JPY)	2004	2003
NET SALES	5,185,529	4,070,362
COST OF SALES	<u>3,683,228</u>	<u>2,860,260</u>
Gross profit	1,502,301	1,210,102
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>951,370</u>	<u>775,075</u>
Operating income	<u>550,931</u>	<u>435,026</u>
OTHER INCOME (EXPENSES)		
Interest income	6,513	3,469
Interest expenses	(1,714)	(3,008)
Gain on cancellation of life insurance	3,287	2,736
Service fee income	2,335	2,095
Equity in earnings of associated companies		204
Equity in losses of associated companies	(498)	
Payment to the Association for employment of persons with disabilities	(1,100)	(650)
Foreign exchange loss	(28)	(6,391)
Amortization of negative goodwill	5,191	3,079
Gain on sales of property and equipment	276	1,942
Reversal of allowance for doubtful accounts	3,699	
Loss on sales and disposal of property and equipment	(5,342)	(1,992)
Other - net	<u>3,992</u>	<u>4,041</u>
Other income (expenses) - net	<u>16,611</u>	<u>5,526</u>
Income before income taxes and minority interests	567,543	440,552
INCOME TAXES		
Current	283,133	205,087
Deferred	<u>(23,330)</u>	<u>(18,186)</u>
Total	<u>259,802</u>	<u>186,900</u>
MINORITY INTERESTS	<u>26,066</u>	<u>50,737</u>
NET INCOME	<u><u>281,673</u></u>	<u><u>202,914</u></u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2004 AND MARCH 31, 2003**  
**(UNAUDITED)**

(IN THOUSANDS,JPY)

	2004	2003
<b>OPERATING ACTIVITIES:</b>		
Income before income taxes and minority interests	567,543	440,552
Depreciation and amortization	36,081	26,459
Increase in provision for bonuses	14,737	8,020
Increase in allowance for retirement benefits for employees	22,604	13,120
Increase in allowance for retirement benefits for directors	786	7,864
Interest and dividends income	6,513	3,494
Interest expense	1,714	3,008
Increase in accounts receivable	23,652	226,889
Increase in inventories	69,475	5,224
Increase in accounts payable ( Decrease)	146,078	29,453
Increase in advance received( Decrease)	39,417	16,451
Increase in other current liabilities	42,181	89,291
Other	66,495	39,168
Subtotal	<u>705,008</u>	<u>267,636</u>
Interest and dividends received	2,628	2,983
Interest paid	1,546	3,006
Income tax paid	<u>356,317</u>	<u>398,333</u>
Net cash provided by (used in) operating activities	<u>349,772</u>	<u>130,719</u>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from deposit received	36,033	681
Proceeds from collections of loans	7,903	20,302
Disbursements for purchase of tangible fixed assets	41,428	60,623
Disbursements for purchase of intangible fixed assets	20,069	17,542
Disbursements for loans	6,836	18,323
Payment for purchase of investments in securities	203,000	19,300
Payment for purchase of consolidated subsidiaries		192,543
Payment for deposit for rent office and others	54,858	34,454
Payment for time deposits and banking arrangements other than cash equiva	500,000	
Increase in other investments and other assets	37,949	8,046
Others	614	1,313
Net cash (used in) provided by investing activities	<u>819,590</u>	<u>56,549</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowing short-term debt	450,000	252,200
Proceeds from borrowing long-term debt		77,800
Proceeds from issuance of common stock to minority stock holder	14,000	34,000
Disbursements for repayments of short-term debt	250,000	347,420
Disbursements for repayment of long-term debt	13,200	23,740
Dividends paid	42,845	22,684
Dividends paid for minority stock holder	14,925	11,600
Net cash provided by (used in) financing activities	<u>143,029</u>	<u>41,444</u>
EFFECT OF EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALEN	13,157	16
NET INCREASE IN CASH AND CASH EQUIVALENTS	339,944	115,598
BEGINNING OF BALANCE,CASH AND CASH EQUIVALENTS	<u>3,074,955</u>	<u>1,500,808</u>
ENDING OF BALANCE,CASH AND CASH EQUIVALENTS	<u>2,735,011</u>	<u>1,385,209</u>

## STATEMENT OF ORDER ENTRY AND SALES BY ITEMS

(UNAUDITED)

### (1) RESULT OF ORDER ENTRY

DIVISION	2004.03 <2003.10.1-2004.3.31> (JPY thousand)			
	AMOUNT OF ORDER ENTRY	year-to-year comparison (%)	ORDER BACKLOG	year-to-year comparison (%)
<b>CRO</b>				
Data Management	1,908,877	162.7	2,733,455	111.5
Monitoring	1,376,886	154.2	3,827,093	173.5
System Development	646,328	100.6	259,152	101.6
TOTAL OF CRO	3,932,091	145.2	6,819,700	138.8
<b>SMO</b>	994,663	164.4	1,155,487	160.6
<b>Preclinical Service</b>	799,343	109.6	203,114	88.5
TOTAL	5,726,097	141.6	8,178,301	139.5

\* These figures are expressed by sales price.

\* These above figures does not include the sale tax.

### (2) RESULT OF SALES

DIVISION	2004.03 <2003.10.1-2004.3.31> (JPY thousand)	
	AMOUNT OF SALES	year-to-year comparison (%)
<b>CRO</b>		
Data Management	1,612,264	131.6
Monitoring	1,335,678	149.1
System Development	702,120	107.5
TOTAL OF CRO	3,650,063	131.6
<b>SMO</b>	853,978	123.4
<b>Preclinical Service</b>	681,488	112.8
TOTAL	5,185,529	127.4

## INDUSTRY SEGMENT

(UNAUDITED)

2003 (2002.10.1-2003.3.31)

(Unit: JPY THOUSAND)

	CRO	SMO	Preclinical Service	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>						
Sales to customers	2,774,379	691,685	604,297	4,070,362	-	4,070,362
Intersegment sales	36,256	-	4,240	40,496	(40,496)	-
Total	2,810,636	691,685	608,537	4,110,858	(40,496)	4,070,362
Operating expenses	2,549,652	619,235	496,728	3,665,616	(30,280)	3,635,335
Operating income	260,983	72,450	111,808	445,242	(10,216)	435,026

2004 (2003.10.1-2004.3.31)

(Unit: JPY THOUSAND)

	CRO	SMO	Preclinical Service	Total	Eliminations/ Corporate	Consolidation
<b>SALES</b>						
Sales to customers	3,650,063	853,978	681,488	5,185,529	-	5,185,529
Intersegment sales	15,930	8,325	2,070	26,326	(26,326)	-
Total	3,665,994	862,303	683,558	5,211,856	(26,326)	5,185,529
Operating expenses	3,243,121	824,258	593,229	4,660,609	(26,010)	4,634,598
Operating income	422,872	38,045	90,328	551,246	(315)	550,931



## Current Situation of Shares

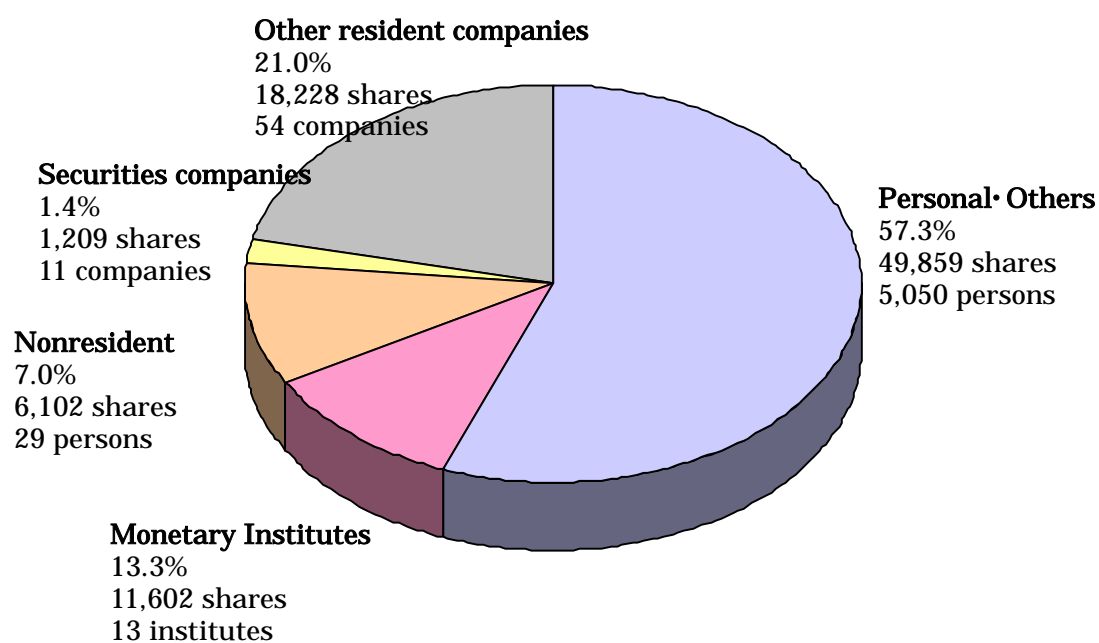
(as of 31<sup>st</sup> March, 2004)

Authorized stocks	324,000
Share of common stock issued	87,000
Number of stockholders	5,157

## Principal Shareholders

Shareholder	Share held	Percentage of total
Hao Yan	17,736	20.3%
Y&G Limited	17,258	19.8%
Japan Trustee Services Bank	2,813	3.2%
Sumitomo Life Insurance Mutual Co	2,700	3.1%
The Master Trust Bank of Japan	2,359	2.7%
Tokyo Marine & Fire Insurance	1,620	1.8%
Ping Xu	1,284	1.4%

## Classification of Shareholders



## Guide of Stock

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

Transfer agent: The Chuo Mitsui Trust and Banking Company, Limited

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