

# II. Management Policy

## (1) Basic Management Policy

At the core of our basic management policy, our Group maintains the goal of providing various services that satisfy the needs of our customers and help them to find resolutions to contradictory propositions which comply with laws, and are efficient and high in quality.

In the future, we will exert every effort to expand the scope of our business based on these management principles, while at the same time maintaining our position as a leader of the industry. We will also strive to fortify our compliance structure and live up to our name, “Ever Progressing System”.

## (2) Our Basic Policy Regarding Distribution of Profits

We seek to strengthen our corporate structure by improving our earnings generating capability, while at the same time maintaining a fair profit distribution policy to our shareholders. With regards to distribution of profits, we seek to strike a balance between the need to establish a solid financial foundation to be able to quickly respond to rapidly changing market conditions and the desire to maintain a stable level of profit distribution. Therefore we have established a target dividend payout ratio of 30%.

Moreover even after the implementation of the new corporate law we expect to continue to pay dividends at both the end of the interim and full year periods.

## (3) Our Policy Regarding Reductions in the Minimum Share Trading Lot

We may consider offering stock splits depending upon the trading of our shares.

## (4) Our Management Targets

We maintain the management target for the next three years as below.

Sales growth rate:	Approximately 15%
Ordinary profit rate:	Approximately 13%

In order to achieve the targets outlined above, we will implement the various management strategies outlined below.

## **(5) Intermediate to Long-Term Management Strategy**

Our Group maintains the CRO and SMO business at the core of our operations. In addition to these core businesses in Japan, we will also promote CSO, the personnel dispatch, pre-clinical testing business, and drug and medical information system development businesses, and also will expand our operating territory by promoting the CRO in China, East Asia and Southeast Asia, and software development businesses with Chinese IT engineers. We also seek to extract synergies between these various services to grow our business a step further. More specifically we will implement the strategies outlined below.

### **(5)-1) Further Strengthen Our CRO Business**

In response to the growing outsourcing needs related to drug development, we will fortify our planning and drug approval functions in addition to our clinical trial operation capabilities.

Additionally we seek to maintain our position as a leading company within the industry by offering effective total support services to not only medical doctors involved with the drug development, but also to medical equipment and the specially designated health foods manufacturers.

### **(5)-2) Promotion of Our SMO Business**

While the clinical trial support services provided to medical institutions is already rapidly expanding. Consequently we have been strengthening the internal structure of EP-Mint Co., Ltd. since its merger to take full advantage of the merger to expand this business, and to become one of the top three companies within the industry.

### **(5)-3) Overseas Business Expansion**

In order to be able to respond to international simultaneous development amidst the growing trend of ICH\*, we continue to explore the possibilities of our overseas business expansion.

As part of strengthen our overseas service in current fiscal year, we have formed a joint marketing agreement with Progenitor International Research (Germany) which develops proposed type CRO business in Europe.

### **(5)-4) Entering the New Drug Development Business**

In the new drug development business area, we have made the strategic decision to seek the cooperation of bio-venture and other partners to form joint ventures, and to provide consulting and CRO business in this area rather than trying to develop the market on our own.

With regards to China, our regional subsidiary will seek to obtain local approval for various medical products licensed to us from pharmaceutical companies in the United States, Europe and Japan.

### **(5)-5) Fortification of Our Group**

Currently our company and its 14 subsidiaries, which comprise the EPS Group, provide various services to the medical product development industry.

To ensure the smooth expansion in the breadth of our business, securing high quality staff, training them, and deploying them effectively is crucial. Furthermore we seek to pursue various synergies that exist within our Group and to fortify it through M&A and new business planning activities.

\* ICH is an acronym for the “International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use.” This Conference maintains a goal of standardizing the various documentation and procedures required for new drug approval in the United States, Europe and Japan to help eliminate unnecessary duplication of clinical and laboratory testing while securing the safety and effectiveness of drugs.

### **(6) Key Topics**

Amidst the growing trends of outsourcing of various tasks, and of globalization of our clients’ operations, our Group seeks to raise our overall service quality levels through the fortification of our QC and QA divisions, the strict abidance and adherence to standardized guidelines, and the training and education of our staff designed to raise their skill levels.

At the same time, we will seek to establish an efficient and well defined structure to manage the business processes of projects, ranging from order to delivery, in order to be able to maintain our leading position despite the increasingly fierce pricing competition with the industry.

### **(7) Basic Policy Regarding Relationships with Our Parent Company**

We are not a subsidiary or affiliate and therefore do not have a parent company.