Nomura Securities Co Ltd, Tokyo
Japanese Equity Research

First Look

Analyst impressions of breaking news

1 February 2008

Financial & Economic Research Center

EPS [4282] (Buy; ¥383,000)

Share price as of 1 February close

First look at 08/9 Q1 results—good performance

EPS released results for 08/9 Q1 on 1 February. The figures looked good, with sales rising 33% y-y to ¥5.0bn and operating profits increasing 3.1-fold to ¥860mn. At the mainstay contract research organization (CRO) segment, there was a solid increase in monitoring work for pharmaceuticals manufacturers, and the end-December 2007 order backlog at the segment increased 29% to ¥13.9bn.

Improvement in COGS-to-sales ratio as capacity utilization increases

The COGS-to-sales ratio in Q1 was 66.5%, an improvement from 74.2% in 07/9 Q1. We attribute this largely to an increase in staff capacity utilization at the CRO and site management organization (SMO) segments, continuing the trend seen in 07/9. In data management operations at the CRO segment, one of the company's strengths, it focuses on projects for cancer treatments and central nervous system drugs. Improved profits in data management operations appear to be contributing to earnings. In our opinion, 08/9 earnings might now exceed our current estimates, which are more bullish than the company's forecasts. (M. Watanabe Ph.D)

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EPS	4282 JP	383000.00 JPY	1 Feb 2008	Buy	49

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Sources: Nomura International plc, Nomura Securities Co. Ltd. and Nomura International (Hong Kong) Ltd. as at 31 December 2007.

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