

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Second Quarter of FY 2011
(From October 1, 2010 to December 31, 2010)

February 10, 2011

The English Edition is digested translation of Japanese financial statements, which are prepared in accordance with generally accepted accounting principles in Japan.

Company Name: Precision System Science Co., Ltd.
Listed on: JASDAQ (Standard)
Code Number: 7707

1. Consolidated financial data for the first six months of fiscal year 2011, ending June 30, 2011
(From June 1, 2010 to December 31, 2010)

(1) Consolidated operating results

(Million yen, fractional amounts rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Six months ended December 31, 2010	1,529	(43.9)	(153)	-	(162)	-
Six months ended December 31, 2009	2,724	45.3	429	183.4	409	389.4

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
Six months ended December 31, 2010	(158)	-	(1,738.79)	-
Six months ended December 31, 2009	363	-	8,495.09	-

(Note) Due to resolution by Board of Directors on May 14, 2010, the 2 for 1 stock split was conducted on July 1, 2010.

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Assets per share of common stock
	Million yen	Million yen	%	Yen
As of December 31, 2010	4,681	3,059	61.7	31,639.47
As of June 30, 2010	5,238	3,370	60.7	69,741.46

(Reference) Equity: As of December 31, 2010: 2,887million yen As of June 30, 2010: 3,182 million yen

(Note) Due to resolution by Board of Directors on May 14, 2010, the 2 for 1 stock split was conducted on July 1, 2010.

2. Dividend

	Dividend per share				
	1 st quarter	2 nd quarter	3rd quarter	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 25 ended June 30, 2010	-	0.00	-	3,000.00	3,000.00
FY 26 ending June 30, 2011	-	0.00			
Forecast for FY26			-	0.00	0.00

3. Forecasts for fiscal year ending June 30, 2010¹ (from July 1, 2010 to June 30, 2011)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For fiscal year ending June 30, 2011	3,200	(43.2)	(260)	-	(280)	-	(260)	-	(2,849.00)

4. Others

(1) Change in scope of consolidated subsidiaries: None

(2) Application of simplified accounting procedures to quarterly consolidated financial statements: Yes

(3) Changes in accounting principles and/or procedures relating to quarterly consolidated financial statements:

a) Changes according to accounting standards: None

b) Other than a): None

(4) Number of outstanding stocks (common stocks)

a) Number of outstanding stocks (including treasury stock)

91,260 at December 31, 2010;

45,630 at December 31, 2009

b) Number of treasury stocks at the end of period

None at December 31, 2010;

None at December 31, 2009

c) Average number of outstanding stocks

91,260 for six months ended at December 31, 2010;

42,840 for six months ended at December 31, 2009

(Note) Due to resolution by Board of Directors on May 14, 2010, the 2 for 1 stock split was conducted on July 1, 2010.

* The above forecast contains forward-looking statements based on information currently available. Consequently the Company's actual results may differ materially from the projected values due to various future factors.

Operating results and financial conditions

1. Analysis of operating results

As expanded demand for PSS products caused by swine influenza in the previous year ceased, there have been sizable excessive inventory of instruments and plastic consumables piled in some OEM partners, which has affected slow sales in the first six months of FY2010 ended December 31, 2010. Net sales dropped by 43.9% compared to the same period of previous year to 1,529 million yen, while operating income became 153 million yen loss (429 million yen profit in previous year), ordinary income became 162 million yen loss (409 million yen profit in previous year) and net income became 158 million yen loss (363 million yen profit in previous year)

Net sales by principal customers: (Unit: Million yen)

	Six months ended Dec. 31, 2009		Six months ended Dec. 31, 2010		Year on year increase	FY2010 ended June 30, 2010	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	1,487	54.6	432	28.3	(70.9)	2,960	52.5
QIAGEN Group	789	29.0	394	25.8	(50.0)	1,278	22.7
Other OEMs	289	10.6	519	33.9	79.3	1,072	19.0
PSS brand	157	5.8	183	12.0	16.1	326	5.8
Total	2,724	100.0	1,529	100.0	(43.9)	5,637	100.0

The shipment of DNA extractors to Roche Group and Qiagen Group largely decreased for six month period, as negative reaction to the great expansion made last year related to swine influenza, while the shipment to other OEM partners, the sales increased by large.

PSS brand sales increased in the period as the market for the PSS products expanded to the fields, such as, sample preparation before epigenetics analysis and before next generation sequencer analysis.

The sales by each product category: (Unit: Million yen)

	Three months ended Dec. 31, 2009		Three months ended Dec. 31, 2010		Year on year increase	FY2009 ended June 30, 2009	
	amount	ratio	amount	ratio	%	amount	ratio
DNA auto extractors	1,755	64.4	978	64.0	(44.3)	3,458	61.3
Other laboratory equipment	11	0.4	38	2.5	228.3	28	0.5
Other products	248	9.1	202	13.2	(18.6)	551	9.8
Merchandise (plastic consumables)	709	26.0	310	20.3	(56.2)	1,598	28.4
Total	2,724	100.0	1,529	100.0	(43.9)	5,637	100.0

a) DNA auto-extractors

This category consists of automated systems utilizing the PSS's internationally patented Magtration[®] Technology. In addition to DNA auto-extractors, this category includes immunochemical luminescent measuring system, an OEM product for Mitsubishi Kagaku Iidience, Inc. and Purelumn, auto protein purification system.

During the six months ended December 31, 2010, the sales on this category significantly decreased 44.3 % to 978 million yen due to negative reaction to rapid expansion in the previous year.

Quarterly sales of automated systems are shown in below charts.

(Unit: Thousand yen)

	Previous Fiscal year ended June 30, 2010				Current Fiscal year	
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
Units sold	298	435	643	197	316	169
Amount	691,500	1,063,716	1,360,228	343,436	623,144	355,111
Unit price	2,320	2,445	2,115	1,743	1,971	2,101

b) Other laboratory equipment

This category consists of automated instruments used in institutions such as research facilities, as well as development projects commissioned by governmental ministries, agencies and affiliated organizations.

During the six month period ended December 31, 2010, the sales of this category increased 228.3% year on year to 38 million yen. The sales in this category tend to be significantly impacted by the number of orders received for specially ordered systems.

c) Other products

This category includes sales generated from spare parts (replacement) and maintenance of equipment, pre-packaged reagents for the extraction and purification of nucleic acid used in the Company's DNA auto-extractors, and software development.

During the six month period ended December 31, 2010, sales in this category amounted to 202 million yen (18.6% decrease compared to the previous year). Since sales derived from spare parts and equipment maintenance tends to increase in direct proportion to the cumulative number of systems sold, steady growth in the sales of this category is expected.

d) Merchandise (plastic consumables)

This category consists of disposable plastic parts such as tips and cartridges consumed in the use of systems. Consumables designed exclusively for use in the PSS manufactured DNA auto-extractors comprise the major part of this category.

During the six month period ended December 31, 2010, sales in this category decreased 56.2% to 310 million yen. Although the shipment significantly dropped for the current period, the sales derived from plastic consumables fundamentally tend to increase in direct proportion to the cumulative number of systems sold, steady growth in the sales of this category is expected in the future.

Information by area segments is as follows:

(1) Japan

During the six month period ended December 31, 2010, the sales in Japan decreased 41.5% compared to the same period of previous year to 1,274 million yen due to slow sales to Roche Group and Qiagen Group. As the operating expenses decreased to 1,382 million yen (22.3% increase), the operating loss recoded 108 million yen (399 million yen operating income in the previous year).

(2) USA

The sales in the United States for the period increased 82.1% to 406 million yen. Operating expenses increased 65.0% and operating income of 18 million yen was recorded compared to 11 million yen loss in the same period of previous year.

(3) Germany

The sales in Germany for the period decreased 63.0% to 855 million yen as shipments to Roche Group and Qiagen Group slowed. With operating expenses of 842 million yen (61.4% decrease), operating income for the six month period decreased 90.3% to 12 million yen.

2. Analysis of Financial Conditions:

(1) Assets, Liabilities and Net Assets

(a) Assets

As of December 31, 2010, total assets decreased 557 million yen compared with the amount as of June 30, 2010 to 4,681 million yen. Current assets decreased 628 million yen as cash and deposit decreased 350 million yen, bills receivable and accounts receivable decreased 240 million yen, while inventory increased 25 million yen.

Due to capital investment for mold, etc., tangible fixed assets increased 50 million yen and, overall fixed assets increased 71 million yen.

(b) Liabilities

As of December 31, 2010, total liabilities decreased 246 million yen to 1,621 million yen compared to 1,868 million yen at fiscal year end of June 30, 2010.

Long-term debts payable within 1 year increased 39 million yen, while accounts payable decreased 82 million yen, bond payable within 1 year decreased 150 million yen and other current liabilities decreased 134 million yen; as a result, overall current liabilities decreased 325 million yen.

Long-term liabilities increased 311 million yen, while bond decreased 200 million yen, deferred tax liabilities decreased 31 million yen, etc; as a result, over all fixed liabilities decreased 79 million yen.

(c) Net Assets

As of December 31, 2010, total net assets were 3,059 decreasing 310 million yen from 3,370 million yen of as of June 30, 2010.

Retained earnings decreased 295 million yen due to dividends as well as net loss, while minority interests decreased 15 million yen.

(2) Cash flows

During the six month period from July 1, 2010 to December 31, 2010, cash and cash equivalents decreased 350 million yen to 2,285 million yen.

Cash flows from operating activities decreased 85 million yen (2 million increase during the same period of previous year). There was cash flow increase due to decreases in depreciation (78 million yen) and account receivable (243 million yen), while there was cash flow decrease due to net loss before tax adjustment (159 million yen), increase of inventory (53 million yen), decrease of account payable (83 million yen) and decrease of other assets (64 million yen).

Cash flows from investing activities decreased 127 million yen (284 million decrease during the same period of previous year). There was increase of 2 million yen due to sale of property, plant and equipment, while 126 million expenditure for purchase of t property, plant and equipment and 5 million expense for intangible assets , etc.

Cash flows from financing activities decreased 136 million yen (247 million increase during the same period of previous year). There was increase of long term borrowing (500 million yen), while there was

decrease of repayment of long term debt (148 million yen), redemption of bond (350), payment of dividends (132 million yen), etc.

3. Qualitative information on consolidated business forecast:

(1)Revision of business forecast for the fiscal year ending June 30, 2011:

	Net sales	Operating income	Ordinary income	Net income
Current fiscal year forecast	3,200	(260)	(280)	(260)
Previous fiscal year actual results	5,637	718	653	549

In the previous fiscal year, the demand for PSS DNA extractor and consumables significantly expanded responding to worldwide pandemic phenomenon of swine influenza. As the influenza ceased, there became large excessive inventory, the sales in the current fiscal year has been slow. Considering current situation of orders received, net sales seems to recover as the current second quarter at bottom.

Consolidated financial statements

(1) Consolidated Balance Sheets

(Thousand yen)

As of December 31,
2010

As of June 30, 2010

(Assets)		
Current assets		
Cash and deposits	2,285,456	2,636,442
Notes and accounts receivable-trade	418,656	658,796
Inventories	776,595	750,947
Work in process	29,793	14,182
Raw materials and supplies	11,031	13,625
Deferred tax assets	---	9,000
Others	92,636	162,520
Allowance for doubtful accounts	(967)	(3,969)
Total current assets	3,613,203	4,241,546
Noncurrent Assets		
Property, plant and equipment	803,871	752,978
Intangible assets	8,141	4,095
Investments and other assets	256,256	239,910
Total noncurrent assets	1,068,268	996,984
Total assets	4,681,472	5,238,531
(Liabilities)		
Current liabilities		
Accounts payable-trade	149,115	231,554
Current portion of bonds	200,000	350,000
Current portion of long-term loans payable	259,180	219,706
Lease obligations	10,016	8,986
Income taxes payable	74,927	83,942
Provision for directors' bonuses	4,313	---
Provision for bonuses	10,943	5,666
Others	120,665	254,766
Total current liabilities	829,161	1,154,623
Long-term liabilities		
Bonds payable	---	200,000
Long-term loans payable	738,359	426,781
Lease obligations	16,547	16,088
Deferred tax liabilities	35,993	67,797
Negative goodwill	1,338	2,676
Others	446	166
Total long-term liabilities	792,685	713,509
Total liabilities	1,621,846	1,868,132

(Thousand yen)

As of December 31,
2010

As of June 30, 2010

(Net assets)

Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	548,294	843,866
Total shareholders' equity	3,017,488	3,313,060
Valuation and translation adjustments		
Foreign currency translation adjustment	(130,070)	(130,757)
Total valuation & translation adjustments	(130,070)	(130,757)
Subscription rights to shares	1,544	1,544
Minority interest	170,663	186,551
Total net assets	3,059,625	3,370,398
Total liabilities and net assets	4,681,472	5,238,531

(2) Consolidated Income Statements

(Thousand yen)

	For six months ended December 30, 2009	For six months ended December 31, 2010
Net Sales	2,724,881	1,529,535
Cost of sales	1,647,104	986,291
Gross Profit	1,077,776	543,244
Selling, general and administrative expenses	648,588	697,083
Operating Income	429,187	(153,839)
Non-operating income		
Interest income	1,819	628
Equity in earnings of affiliates	6,104	7,466
Amortization of negative goodwill	1,606	1,606
Subsidy income	---	14,091
Others	2,757	2,520
Total non-operating income	12,287	26,313
Non-operating expenses		
Interest expenses	9,264	9,682
Foreign exchange losses	18,355	25,276
Issuance cost of subscription rights to shares	4,373	---
Others	278	441
Total non-operating expenses	32,271	35,400
Ordinary profit and (loss)	409,204	(162,926)
Extraordinary income		
Gain on sales of noncurrent assets	4,226	628
Reversal of allowance for doubtful accounts	---	3,105
Others	---	11
Total extraordinary income	4,226	3,746
Extraordinary loss		
Loss on disposal of noncurrent assets	7	42
Loss on valuation of investments securities	29,641	---
Total extraordinary loss	29,649	42
Income (loss) before income taxes and others	383,781	(159,223)
Income taxes-current	63,636	34,747
Income taxes-deferred	(9,233)	(19,400)
Total income taxes	54,402	15,346
Income before minority interests	329,379	(174,569)
Minority interests	(34,550)	(15,888)
Net income	363,929	(158,681)

(3) Consolidated Statements of Cash flows

(Thousand yen)

	For six months ended December 30, 2009	For six months ended December 31, 2010
(Operating activities)		
Income before income taxes	383,781	(159,223)
Depreciation and amortization	53,231	78,356
Amortization of goodwill	(1,338)	(1,338)
Increase (decrease) in provision	15,565	6,816
Interest and dividend income	(1,819)	(628)
Interest expenses	9,264	9,682
Issuance cost of subscription rights to shares	4,373	---
Loss (gain) on change in equity	(6,104)	(7,466)
Loss (gain) on sales of property, plant and equipment	(4,226)	(628)
Loss on disposal of property, plant and equipment	7	42
Loss (gain) on valuation of investment securities	29,641	---
Decrease (increase) in notes and accounts receivables	(467,956)	243,230
Decrease (increase) in inventories	(169,503)	(53,723)
Increase (decrease) in notes and accounts payable	169,554	(83,402)
Others	31,895	(64,265)
Sub-total	46,366	(32,548)
Interest and dividends income received	1,835	628
Interest expenses paid	(8,857)	(9,865)
Income taxes paid	(37,207)	(43,786)
Net cash provided by operating activities	2,137	(85,571)
(Investing activities)		
Decrease (increase) in time deposits	(50,080)	---
Purchase of property, plant and equipment	(54,854)	(126,058)
Proceeds from sales of property, plant and equipment	4,653	2,856
Purchase of non-tangible asset	---	(5,000)
Purchase of investment securities	(184,571)	---
Others	---	600
Net cash provided by investing activities	(284,853)	(127,601)
(Financing activities)		
Proceeds from long-term loans payable	300,000	500,000
Repayment of long-term loans payable	(152,967)	(148,948)
Redemption of bonds	---	(350,000)
Repayment of lease obligations	---	(4,640)
Cash dividends paid	---	(132,959)
Proceeds from minority stockholder (investment in Fund)	100,000	---
Net cash provided by financing activities	247,033	(136,547)
Effect of exchange rate change on cash and cash equivalents	(19,627)	(1,266)

Net increase (decrease) in cash and cash equivalents	(55,310)	(350,986)
Cash and cash equivalents at beginning of period	1,952,556	2,636,442
Cash and cash equivalents at end of period	1,897,246	2,285,455