

**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS**  
**For Third Quarter of FY 2011**  
**(From January 1, 2011 to March 31, 2011)**

May 13, 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 9 months of fiscal year 2011, ending June 30, 2011**  
(From July 1, 2010 to March 31, 2011)

**(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	%
<b>9 months ended March 31, 2011</b>	<b>2,356</b>	<b>(49.8)</b>	<b>(249)</b>	<b>-</b>	<b>(231)</b>	<b>-</b>
9 months ended March 31, 2010	4,697	64.9	792	280.6	771	341.6

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
<b>9 months ended March 31, 2011</b>	<b>(227)</b>	<b>-</b>	<b>(2,492.55)</b>	<b>-</b>
9 months ended March 31, 2010	694	584.7	16,208.49	16,183.18

(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
<b>As of March 31, 2011</b>	<b>5,042</b>	<b>3,020</b>	<b>56.5</b>	<b>31,196.30</b>
As of June 30, 2010	5,238	3,370	60.7	69,741.46

(Reference) Equity: As of March 31, 2011: 2,846million 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 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> 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, 2011 (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 March 31, 2011;**

**45,630 at June 30, 2010**

b) **Number of treasury stocks at the end of period**

**None at March 31, 2011;**

**None at June 30, 2010**

c) **Average number of outstanding stocks**

**91,260 for 9 months ended at March 31, 2011;**

**42,845 for 9 months ended at March 31, 2010**

(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 9 months of FY2011 ended March 31, 2011. Net sales dropped by 49.8% compared to the same period of previous year to 2,356 million yen, while operating income became 249 million yen loss (792 million yen profit in previous year), ordinary income became 231 million yen loss (771 million yen profit in previous year) and net income became 227 million yen loss (694 million yen profit in previous year)

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

	9 months ended March. 31, 2010		9 months ended March 31, 2011		Year on year increase	FY2010 ended June 30, 2010	
	amount	ratio	amount	ratio	%	amount	ratio
<b>Roche Group</b>	2,499	53.2	<b>691</b>	<b>29.3</b>	<b>(72.3)</b>	2,960	52.5
<b>QIAGEN Group</b>	1,074	22.9	<b>570</b>	<b>24.2</b>	<b>(46.9)</b>	1,278	22.7
<b>Other OEMs</b>	864	18.4	<b>812</b>	<b>34.5</b>	<b>(6.0)</b>	1,072	19.0
<b>PSS brand</b>	258	5.5	<b>281</b>	<b>12.0</b>	<b>9.1</b>	326	5.8
<b>Total</b>	4,697	100.0	<b>2,356</b>	<b>100.0</b>	<b>(49.8)</b>	5,637	100.0

The shipment of DNA extractors to Roche Group and Qiagen Group sharply decreased for 9 month period, as negative reaction to the great expansion made last year related to swine influenza, while 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)

	9 months ended March 31, 2010		9 months ended March 31, 2011		Year on year increase	FY2010 ended June 30, 2010	
	amount	ratio	amount	ratio	%	amount	ratio
<b>DNA auto extractors</b>	3,115	66.3	<b>1,524</b>	<b>64.7</b>	<b>(51.1)</b>	3,458	61.3
<b>Other laboratory equipment</b>	28	0.6	<b>45</b>	<b>1.9</b>	<b>62.7</b>	28	0.5
<b>Other products</b>	389	8.3	<b>301</b>	<b>12.8</b>	<b>(22.6)</b>	551	9.8
<b>Merchandise (plastic consumables)</b>	1,163	24.8	<b>485</b>	<b>20.6</b>	<b>(58.3)</b>	1,598	28.4
<b>Total</b>	4,697	100.0	<b>2,356</b>	<b>100.0</b>	<b>(49.8)</b>	5,637	100.0

### a) DNA auto-extractors

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

During the 9 months ended March 31, 2011, the sales on this category decreased 51.1 % to 1,524 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	Third quarter
<b>Units sold</b>	298	435	643	197	<b>316</b>	<b>169</b>	<b>281</b>
<b>Amount</b>	691,500	1,063,716	1,360,228	343,436	<b>623,144</b>	<b>355,111</b>	<b>546,226</b>
<b>Unit price</b>	2,320	2,445	2,115	1,743	<b>1,971</b>	<b>2,101</b>	<b>1,943</b>

### 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 9 month period ended March 31, 2011, the sales of this category increased 62.7% year on year to 45 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 9 month period ended March 31, 2011, sales in this category amounted to 301 million yen (22.6% 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 9 months period ended March 31, 2011, sales in this category decreased 58.3% to 485 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 9 months period ended March 31, 2011, the sales in Japan decreased 47.2% compared to the same period of previous year to 1,989 million yen due to slow sales to Roche Group and Qiagen Group. As the operating expenses decreased to 2,158 million yen (30.7% decrease), the operating loss recoded 168 million yen (649 million yen operating income in the previous year).

**(2) USA**

The sales in the United States for the period increased 31.7% compared to the same period of previous year to 589 million yen. Operating expenses increased 42.6% to 567million yen and operating income decreased 55.1% to 22 million yen.

**(3) Germany**

The sales in Germany for the period decreased 64.2% to 1,301 million yen as shipments to Roche Group and Qiagen Group slowed. With operating expenses of 1,291 million yen (62.0% decrease), operating income for the 9 months period decreased 95.9% to 9 million yen.

## **2. Analysis of Financial Conditions:**

### **(1) Assets, Liabilities and Net Assets**

#### **(a) Assets**

As of March 31, 2011, total assets decreased 196 million yen compared with the amount as of June 30, 2010 to 5,042 million yen. Current assets decreased 328 million yen as cash and deposit decreased 142 million yen, bills receivable and accounts receivable decreased 116 million yen, while inventory decreased 21 million yen. Due to capital investment for mold, etc., tangible fixed assets increased 99 million yen and overall fixed assets increased 132 million yen.

#### **(b) Liabilities**

As of March 31, 2011, total liabilities increased 154 million yen to 2,022 million yen compared to 1,868 million yen at fiscal year end of June 30, 2010.

Long-term debts payable within 1 year increased 128 million yen, while bond payable within 1 year decreased 150 million yen and other current liabilities decreased 153 million yen; as a result, overall current liabilities decreased 105 million yen.

Long-term liabilities increased 489 million yen, while bond decreased 200 million yen, deferred tax liabilities decreased 29 million yen, etc; as a result, over all fixed liabilities increased 259 million yen.

#### **(c) Net Assets**

As of March 31, 2011, total net assets were 3,020 decreasing 350 million yen from 3,370 million yen of as of June 30, 2010.

Retained earnings decreased 364 million yen due to dividends as well as net loss, while minority interests decreased 14 million yen.

### **(2) Cash flows**

During 9 months period from July 1, 2010 to March 31, 2011, cash and cash equivalents decreased 142 million yen to 2,494 million yen.

**Cash flows from operating activities** decreased 230 million yen (353 million increase during the same period of previous year). There was cash flow increase due to decreases in depreciation (96 million yen) and account receivable (135 million yen), while there was cash flow decrease due to net loss before tax adjustment (225 million yen), decrease of account payables (100 million yen), income tax paid (108 million yen), etc.

**Cash flows from investing activities** decreased 160 million yen (136 million decrease during the same period of previous year). There was increase of 7 million yen due to sale of property, plant and equipment, while 142 million expenditure for purchase of property, plant and equipment and 22 million expense for intangible assets , etc.

**Cash flows from financing activities** increased 227 million yen (950 million increase during the same period of previous year). There was increase of long term borrowing (850 million yen), while there was decrease of repayment of long term debt (231 million yen), redemption of bond (350 million yen), payment of dividends (133 million yen), etc.

**3. Qualitative information on consolidated business forecast:**

Unchanged from the previous forecast at February 4, 2011.

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)

# Consolidated financial statements

## (1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2011	As of June 30, 2010
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	2,494,157	2,636,442
Notes and accounts receivable-trade	542,285	658,796
Inventories	729,932	750,947
Work in process	24,948	14,182
Raw materials and supplies	10,295	13,625
Deferred tax assets	---	9,000
Others	113,372	162,520
Allowance for doubtful accounts	(2,070)	(3,969)
<b>Total current assets</b>	<b>3,912,921</b>	<b>4,241,546</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	852,251	752,978
Intangible assets	24,807	4,095
Investments and other assets	256,458	239,910
<b>Total noncurrent assets</b>	<b>1,129,518</b>	<b>996,984</b>
<b>Total assets</b>	<b>5,042,440</b>	<b>5,238,531</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	239,244	231,554
short-term borrowings	100,000	---
Current portion of bonds	200,000	350,000
Current portion of long-term loans payable	348,145	219,706
Lease obligations	11,285	8,986
Income taxes payable	10,205	83,942
Provision for directors' bonuses	6,709	---
Provision for bonuses	32,282	5,666
Others	101,694	254,766
<b>Total current liabilities</b>	<b>1,049,568</b>	<b>1,154,623</b>
<b>Long-term liabilities</b>		
Bonds payable	---	200,000
Long-term loans payable	916,777	426,781
Lease obligations	16,416	16,088
Deferred tax liabilities	38,329	67,797
Negative goodwill	669	2,676
Others	447	166
<b>Total long-term liabilities</b>	<b>972,639</b>	<b>713,509</b>
<b>Total liabilities</b>	<b>2,022,207</b>	<b>1,868,132</b>

(Thousand yen)

	<b>As of March 31, 2011</b>	As of June 30, 2010
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	479,506	843,866
<b>Total shareholders' equity</b>	<b>2,948,699</b>	<b>3,313,060</b>
<b>Valuation and translation adjustments</b>		
Foreign currency translation adjustment	(101,726)	(130,757)
<b>Total valuation &amp; translation adjustments</b>	<b>(101,726)</b>	<b>(130,757)</b>
<b>Subscription rights to shares</b>	<b>1,544</b>	<b>1,544</b>
<b>Minority interest</b>	<b>171,713</b>	<b>186,551</b>
<b>Total net assets</b>	<b>3,020,232</b>	<b>3,370,398</b>
<b>Total liabilities and net assets</b>	<b>5,042,440</b>	<b>5,238,531</b>

## (2) Consolidated Income Statements

	For 9 months ended March 31, 2010	(Thousand yen) For 9 months ended March 31, 2011
<b>Net Sales</b>	4,697,006	2,356,871
<b>Cost of sales</b>	2,906,810	1,537,750
<b>Gross Profit</b>	1,790,196	819,120
<b>Selling, general and administrative expenses</b>	997,673	1,068,693
<b>Operating Income</b>	792,523	(249,572)
Non-operating income		
Interest income	2,687	899
Investment gain on equity method	9,864	14,529
Income from sponsorship	---	23,620
Others	5,725	5,962
<b>Total non-operating income</b>	18,276	45,012
Non-operating expenses		
Interest expenses	14,297	13,979
Foreign exchange losses	18,972	12,332
Issuance cost of subscription rights to shares	5,623	---
Others	692	532
<b>Total non-operating expenses</b>	39,585	26,843
<b>Ordinary profit and (loss)</b>	771,214	(231,403)
Extraordinary income		
Gain on sales of noncurrent assets	7,285	3,867
Reversal of allowance for doubtful accounts	---	2,131
Others	---	11
<b>Total extraordinary income</b>	7,285	6,011
Extraordinary loss		
Loss on disposal of noncurrent assets	26	561
Loss on valuation of investments securities	29,641	---
<b>Total extraordinary loss</b>	29,668	561
<b>Income (loss) before income taxes and others</b>	748,831	(225,954)
Income taxes-current	98,430	33,417
Income taxes-deferred	889	(17,064)
Total income taxes	99,319	16,353
<b>Income before minority interests</b>	---	(242,307)
<b>Minority interests</b>	(44,940)	(14,837)
<b>Net income</b>	694,452	(227,470)

### (3) Consolidated Statements of Cash flows

	For 9 months ended March 31, 2010	(Thousand yen) For 9 months ended March 31, 2011
<b>(Operating activities)</b>		
Income before income taxes	748,831	(225,954)
Depreciation and amortization	79,924	96,203
Amortization of goodwill	(2,007)	(2,007)
Increase (decrease) in provision	63,464	30,717
Interest and dividend income	(2,687)	(899)
Interest expenses	14,297	13,979
Issuance cost of subscription rights to shares	5,623	---
Loss (gain) on change in equity	(9,864)	(14,529)
Loss (gain) on sales of property, plant and equipment	(7,285)	(3,867)
Loss on disposal of property, plant and equipment	26	561
Loss (gain) on valuation of investment securities	29,641	---
Decrease (increase) in notes and accounts receivables	(638,210)	135,771
Decrease (increase) in inventories	65	(19,545)
Increase (decrease) in notes and accounts payable	107,608	(16,591)
Others	25,047	(100,226)
<b>Sub-total</b>	<b>414,476</b>	<b>(106,387)</b>
Interest and dividends income received	2,703	899
Interest expenses paid	(16,547)	(16,263)
Income taxes paid	(47,271)	(108,706)
<b>Net cash provided by operating activities</b>	<b>353,360</b>	<b>(230,458)</b>
<b>(Investing activities)</b>		
Decrease (increase) in time deposits	150,000	---
Purchase of property, plant and equipment	(56,196)	(142,027)
Proceeds from sales of property, plant and equipment	4,618	7,631
Purchase of non-tangible asset	(240)	(22,830)
Purchase of investment securities	(234,570)	(4,000)
Others	(20)	596
<b>Net cash provided by investing activities</b>	<b>(136,408)</b>	<b>(160,630)</b>
<b>(Financing activities)</b>		
Proceeds from short-term loans payable	600,000	100,000
Proceeds from long-term loans payable	500,000	850,000
Repayment of long-term loans payable	(271,140)	(231,565)
Redemption of bonds	---	(350,000)
Repayment of lease obligations	(264)	(7,207)
Cash dividends paid	---	(133,684)
Proceeds from minority stockholder (investment in Fund)	25,000	---
Expense of share warrant	(3,247)	---
Income receiving payment from minor shareholders	100,000	---
<b>Net cash provided by financing activities</b>	<b>950,348</b>	<b>227,543</b>

Effect of exchange rate change on cash and cash equivalents	(46,583)	21,259
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,120,715</b>	<b>(142,285)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,952,556</b>	<b>2,636,442</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,073,271</b>	<b>2,494,156</b>