



July 29, 2005

Name of Listed Company: Precision System Science Co., Ltd.

(Code Number 7707)

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Announcement on changes in financial forecasts

Reflecting recent sales activity, the financial forecasts for FY2005 announced on February 4, 2005 is adjusted as follow.

1. Revision of Consolidated Forecasts (July 1, 2004 - June 30, 2005)

(Unit: Millions of yen, %)

	Net Sales	Ordinary profit	Net Profit
Previous forecasts (A)	2,900	-100	-115
Current revised forecasts (B)	3,215	111	64
Change (B-A) (Amount)	315	211	179
Change (B-A)/A (Percentage)	10.9	--	--
(Cf.) Previous fiscal year (FY 2004)	2,506	-174	181

2. Revision of Non-consolidated Forecasts (July 1, 2004 - June 30, 2005)

(Unit: Millions of yen, %)

	Net Sales	Ordinary profit	Net Profit
Previous forecasts (A)	2,570	-95	-110
Current revised forecasts (B)	2,861	118	102
Change (B-A) (Amount)	291	213	212
Change (B-A)/A (Percentage)	11.3	—	—
(Cf.) Previous fiscal year (FY 2004)	2,281	-117	-410

3. Reason for revision

An upward revision has been made both for sales and earnings, reflecting the substantial impact of better-than-expected sales to our principal OEM clients: the ROCHE and QIAGEN Groups and Mitsubishi Kagaku Iatron. Projected sales by client are indicated in the table below.

(Unit: Millions of yen, %)

	Previous forecasts for FY2005 (A)	Current revised forecasts for FY2005 (B)	Change (B-A)	Previous year (FY 2004)	Year-over-year basis changes
ROCHE group	1,200	1,456	256	1,513	-3.7
QIAGEN group	1,000	1,069	69	505	111.7
Mitsubishi Kagaku Iatron	200	218	18	55	295.8
Others	500	471	-29	432	9.0
Total	2,900	3,215	315	2,506	28.3

An increase in the projected sales to the ROCHE Group from the previous announcement is due primarily to the conclusion of an agreement dated June 30, 2005 with Roche Diagnostics GmbH (RDG), involving the granting of an exclusive sales right. This agreement entails the commercialization of a next-generation model of the DNA auto-extractor supplied to RDG under an OEM deal and the granting to RDG of an exclusive right to sell the said model over the next five years in exchange for 1,500 thousand euros.

Sales of the DNA auto-extractors, which are shipped at a pace faster than what the earlier forecasts called for, also contributed to the current upward revision. Sales forecasts by product category are indicated in the table below.

(Unit: Millions of yen, %)

	Previous forecasts for FY2005 (A)	Current revised forecasts for FY2005 (B)	Change (B-A)	Previous year (FY 2004)	Year-over-year basis changes
Devices including DNA auto-extractors	1,800	1,928	128	1,723	11.9
Plastic consumables and Others	1,000	982	-18	782	25.6
Other operating income	100	304	204	—	—
Total	2,900	3,215	315	2,506	28.3

Note: Other operating income refers to income derived from the granting of exclusive sales rights to Korea's

4. Forecasts regarding the new fiscal year, which ends in June 2006

Forecasts for the fiscal year that ends in June 2006 will be officially announced concurrently with the publication of business results of the fiscal year that ended in June 2005. Highlights of the forecasts for the new fiscal years are outlined below.

In the new fiscal year, sales will grow at a pace that will more than offset the year-on-year decrease in non-operating profit expected in the wake of the 304-million yen non-operating profit posted in the fiscal year that ended in June 2005 due to special factors. Major growth factors include the robust shipment to Mitsubishi Kagaku Iatron of the PATHFAST, a compact immunochemical luminescence measuring system designed for the OEM partner, whose sales were officially launched in April 2005.

Gross profit is expected to remain at or around the level of the fiscal year that ended in June 2005. Although non-operating profit will decrease in the absence of special factors, it will be offset by an increase in profit to be generated by an increase in sales.

SG&A is expected to rise by some double-digit million yen figure, as overseas subsidiaries in the United States and Europe are strengthening their personnel and expanding facilities to build showrooms and laboratories. Therefore, ordinary profit is expected to be marginal.

It should be noted, however, that the above forecasts are based on the scenario that the present lines of products are to be offered on an on-going basis, with no consideration for new products and OEM deals currently under negotiations. PSS is redoubling its effort in the new fiscal year to increase contract wins in an attempt to exceed the forecasts.

Net loss for the new fiscal year is expected reflecting the introduction of impairment loss accounting, which will allow PSS to claim 237 million yen in extraordinary loss for the new fiscal year. The assets to be impaired are those located at the former laboratory site of PSS in Matsudo City in Chiba, which PSS purchased in August 1990. The site, which was used as a lab building until March 2001, was closed at the time of the head-office relocation. Currently used as a warehouse for unused equipment and instruments, the idle asset will be reviewed, and impairment charge will be recognized for the amount by which the carrying amount of the land and property exceeds their fair value and as well as for unused equipment and instruments.

End.