



August 12, 2005

Name of Listed Company: Precision System Science Co., Ltd.
(Code Number 7707)
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Notice of Offering Stock Options_ New share subscription right

Precision System Science (PSS) reached a decision at the board of directors meeting on August 12, 2005 to submit a motion to offer new share subscription rights as stock options, under the Japanese Commercial Law Article 280 Section 20 and Article 280 Section 21, to our 20th ordinary shareholders meeting to be held on September 17, 2005 for its approval.

1. Purpose

The reason to grant stock options to directors and employees of PSS, its subsidiaries in order to strengthen morale and reward the contribution to the business performance of the PSS group as a whole, PSS is to grant stock options (new share subscription rights) to directors and employees of PSS and its subsidiaries in accordance with the details described in the item 2 below.

2. Details of the Stock Options

(1) Class and quantity of shares subject to the stock option.

The maximum limit of the shares subject to the aforementioned stock options shall be 800 shares of PSS' common stock.

A stock option shall provide a right to purchase a share (hereinafter "granted shares"). The quantity of the granted shares shall be adjusted using the calculation formula specified below, in the event PSS' common stocks shall be split or merged after the date of the new stock options (new share subscription right) being granted (hereinafter "grant date"). Note that only the granted options to purchase the stock that have not been exercised at the time of the stock split/merge are subject to the adjustment, fractions as the result of adjustment calculation will be rounded off.

$$(Granted\ shares\ after\ adjustment) = (Granted\ shares\ before\ adjustment) \times Split/Merge\ Ratio$$

Should an adjustment of quantity of the granted shares become necessary after the grant date, due to PSS' reasons including but not limited to reduction of capital, merger and acquisition, and/or divestiture, a reasonable adjustment shall be performed taking into consideration the terms and conditions of the reduced capital, merger and acquisition, or divestiture.

(2) Total number of stock options to be granted

The upper limit of the total number of stock options shall be 800.

(3) Issue price of each stock option

The stock options shall be granted and there shall be no charge.

(4) Cash requirement at the time of exercising the stock options

The cash requirement at the time of exercising each stock option shall be the payment amount per share

(hereinafter “exercise price”) to be issued or transferred as the result of exercising the options multiplied by the granted shares. The exercise price shall be determined as the average of the daily closing price of PSS’ common stock (hereinafter “closing price”) of the previous month of the grant date (excluding non-trading days) at Osaka Stock Exchange Hercules Market, multiplied by 1.025, and rounded-up the fraction, or the closing price of the grant date (or of most recent previous date to the grant date if there is no closing price on the grant date), whichever higher.

In the event PSS splits or merges its common stock after the grant date, the exercise price shall be adjusted using the following calculation formula, and the fraction as the result of this computation shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{pre-adjustment exercise price} * 1 / \text{split-merge ratio}$$

In the event PSS is to issue new shares of PSS common stock at a price lower than the fair market value (with exception of newly issuing shares under the “Law concerning Tentative Measures for Smooth Conduct of Specific New Businesses (the Law No. 59, 1988)” Article 8 Section 1, and exercising the warrants under the Commercial Law prior to the “Law partially revising laws including but not limited to the commercial law (the Law No. 128, 2001)” entering into effect and the subscription rights under the said law Article 280 Section 19), or to liquidate self-owned shares, the exercise price shall be adjusted using the following calculation formula, and the fraction as the result of this computation shall be rounded up.

Post-adjustment exercise price =

$$\text{Pre-adj. exerc. price} * \frac{\text{already issued shares} + \frac{\text{new issues shares} * \text{price per share}}{\text{market price per share}}}{\text{already-issued shares} + \text{new issues shares}}$$

In the above formula, “already-issued shares” refers to the total shares of PSS’ common stock that have been already issued subtracted from which the sum of PSS’ owned shares. In case of liquidation of self-owned shares, “new issues shares” shall be replaced with “number of self-owned shares to be liquidated”. Should re-pricing become necessary after the grant date, under circumstances including but not limited to PSS’ reduction of capital, merger and acquisition, or divestiture, the exercise price shall be adjusted within a reasonable range taking into consideration the terms and conditions of the said circumstances such as reduced capital, merger and acquisition, or divestiture.

(5) Life of the Stock Options

From April 1st, 2008 to March 31st, 2012

(6) Exercising Terms and Conditions of the Stock Option

(a) The optionee shall be required to be an director, auditor or employee of PSS or its subsidiary at the time of exercising the stock option. This requirement shall be waived when the option is to be exercised within a period determined by the PSS’ board of directors after the optionee losing the qualification stated above, and the optionee is deceased during the life of the option defined the item (5), or the board of directors permits the optionee to exercise the options after his disqualification.

(b) In the event the optionee is deceased during the life of the options defined in the item (5), his (or her) heir shall be able to exercise the options after the death of the optionee within the period defined by the PSS’ board of directors.

(c) Each option cannot be exercised partially.

(d) Other terms and conditions regarding exercising the stock options shall be determined by the PSS’ board of directors.

(7) Reasons and terms and conditions to cancel stock options

PSS shall have a right to cancel at any time, for free of charge, the unexercised stock options that PSS owns and holds.

(8) Restrictions on transfer of the stock options

It shall require an approval of the PSS' board of directors to transfer the stock options.

** The details of grant and allocation of the stock options shall be passed and approved at the 20th ordinary share holders meeting that is scheduled on September 17, 2005, and be accepted at the PSS' board of directors meeting that is to be held after the said share holders meeting.*

End