June 2005 Term Interim Kessan Tanshin Financial Report (Consolidated)

February 15, 2005

Listed Company Name: Precision System Science Co., Ltd.
Stock Exchange Listing: Osaka Securities Exchange Hercules Market
Code Number: 7707
Location of headquarters (prefecture): Chiba-ken
(URL http://www.pss.co.jp)
Representative: Hideji Tajima, President
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Date of Board of Directors' Meeting for approval of financial results: February 15, 2005
Adoption of U.S. accounting standards: No

1. Consolidated results for the interim period ended December 2004
(From July 1, 2004 to December 31, 2004)

(1) Consolidated business results (Million yen, fractional amounts rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Interim period ended December 2004	1,395	(51.8)	(99)	(–)	(93)	(–)
Interim period ended December 2003	919	(8.4)	(175)	(–)	(210)	(–)
Fiscal year ended June 2004	2,506		(126)		(174)	

	Interim (current) net income		Interim (current) net income per share	Interim (current) net income per share adjusted for full dilution
	Million yen	%	yen	yen
Interim period ended December 2004	(109)	(–)	(2,644.45)	——
Interim period ended December 2004	(215)	(-)	(5,611.55)	——
Fiscal year ended June 2004	(181)		(4,539.04)	

(Notes)
1. P/L through equity accounting:
   Interim period ended December 2004 ___million yen, interim period ended December 2003 ___million yen, fiscal year ended June 2004 ___million yen.
2. Average number of shares outstanding (consolidated)
   Interim period ended December 2004: 41,468 shares
   Interim period ended December 2003: 38,316 shares
   Fiscal year ended June 2004: 39,877 shares
3. Changes in accounting policies: None
4. The percentage indications under Sales, Operating income, Ordinary income, and Interim (current term) net income, represent year-on-year changes

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
	Million yen	Million yen	%	yen
Interim period ended December 2004	4,493	2,939	65.4	70,895.42
Interim period ended December 2003	4,612	3,008	65.2	72,580.80
Fiscal year ended June 2004	4,874	3,032	62.2	73,138.16

(Notes) Number of shares outstanding at end of the term (consolidated)
Interim period ended December 2004: 41,468 shares
Interim period ended December 2003: 41,448 shares
Fiscal year ended June 2004: 41468 shares

(3) Consolidated statement of cash flow

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Interim period ended December 2004	(97)	(68)	(156)	1,066
Interim period ended December 2003	(280)	(1,382)	1,939	1,153
Fiscal year ended June 2004	(197)	(1,255)	1,953	1,376

(4) Scope of consolidation and application of equity accounting

Consolidated subsidiaries: 3
Non-consolidated subsidiaries accounted for under equity accounting: 0
Affiliated company accounted for under equity accounting: 0

(5) Change in scope of consolidation and application of equity accounting

Consolidation (new): 0 (elimination): 0
Equity accounting (new): 0 (elimination): 0

2. Consolidated forecasts for fiscal year ending June 2005 (from July 1, 2004 to June 30, 2005)

	Sales	Operating income	Ordinary income	Net income for the current fiscal year
	Million yen	Million yen	Million yen	Million yen
Full year	2,900	(90)	(100)	(115)

(Cf.) Estimated net loss per share for the current period under review: 2,773.22 yen

* 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.

1. Group information

The PSS Group ("the Group") is comprised of Precision System Science Co., Ltd. ("the Company") and its three subsidiaries. The Group's main business is the research and development in the gene/proteome analysis-related field, the development, manufacture, and sales of automated devices, other laboratory equipment, and software, etc., used in the application of the results of the above research, as well as the manufacture and sales of reagents and plastic consumables used in the automated devices. Most notably, we consider our original devices including the DNA auto-extractors, which were developed utilizing our own-patented technology, to be our main product line and we commenced full-scale sales in August 1996. Since then we have entered into OEM contracts with such global companies as the Roche Group and the QIAGEN Group and our products have been supplied world-wide.

The following is a summary of our subsidiaries:

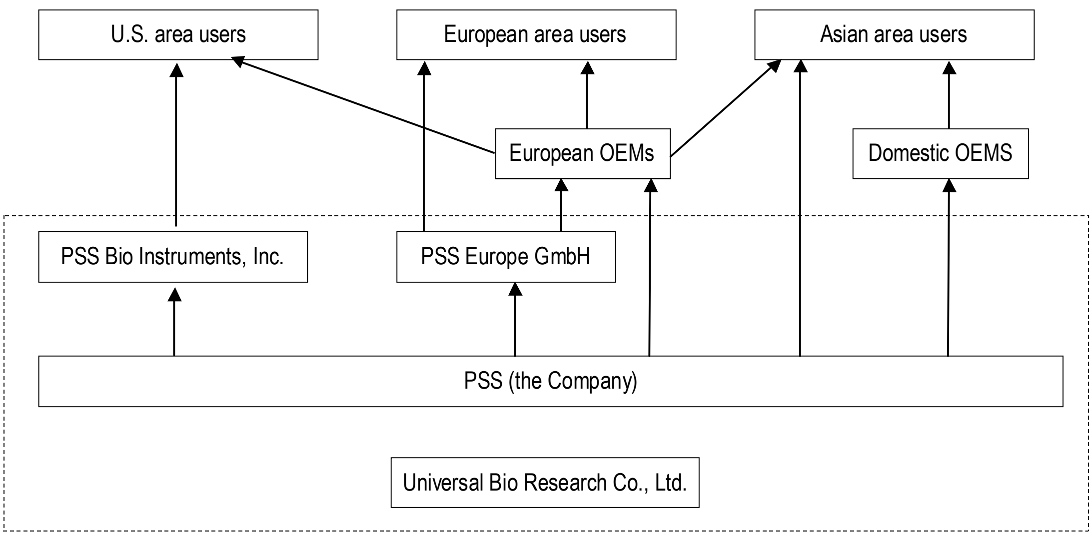
(Consolidated subsidiaries)

Name	Location	Capital or investment in subsidiary	Main line of business	Ratio of voting rights or investment ratio	Details of relationship
(Consolidated subsidiary) PSS Bio Instruments, Inc.	California, U.S.A.	US$3,579,537.95	U.S. sales company	100%	Sales company for our products intended for the U.S. market, two interlocking managing directors
(Consolidated subsidiary) Precision System Science Europe GmbH	Mainz, Germany	Eur1,000,000.00	European sales company	100%	Sales company for our products intended for the European market
(Consolidated subsidiary) Universal Bio Research Co., Ltd.	Matsudo-shi, Chiba-ken	¥35,000,000	Management company for intellectual property	100%	Administrative and management company for the Company's intellectual property, two interlocking managing directors

(Notes)
1. None of the above companies has submitted Securities Notifications or Securities Reports.
2. Of the three consolidated subsidiaries mentioned above, PSS Bio Instruments, Inc. is a specified subsidiary.

PSS Bio Instruments, Inc. is engaged in activities such as developing new business partnerships and OEMs in the U.S., marketing our products to universities and research institutions, and the exchange of technology information through participation in exhibitions and academic conferences. In addition to the activities mentioned above for PSS Bio Instruments, Inc., PSS Europe GmbH is also involved in the strengthening of partnerships with the OEMs of Europe.

Below is a diagram of our operational system:



The above diagram illustrates the main flow of our products. The users in the various areas refer to institutions including universities, research institutions, clinical testing centers, pharmaceutical manufacturers, and chemical manufacturers.

2. Management Policies

(1) Basic policies for corporate management

As a research/development type of venture business, the PSS Group has been engaged in product development and will continue to uphold those policies as a research/development type of business in the expansion of our operations. We, at the Group, believe that it is of the utmost importance to pursue our business activities, by targeting the world as our market, and by continuously developing a multitude of products tailor-made to the needs of our customers, while keeping in mind the key concepts of *bio, DNA, genes* and *proteome analysis-related*.

Biotechnology, which has been heralded as the key technology of the 21st century, has not only promoted progress in the fields of life sciences and healthcare sciences, but has come to play a vital role in offering solutions to such varied problems as the social problem of aging, environmental/food problems, and energy-related problems. We, at the Group, hope to uphold our corporate ideal of *contributing to the health and happiness of mankind through our role as a Total System Integrator of the bio industry*, and by becoming conducive to the development of the world-wide bio industry, realize our own medium to long term development and growth, and make our contributions to our stakeholders, including our shareholders, clients, and employees.

(2) Basic policy regarding distribution of profits

The Group recognizes that returning profit to shareholders is an important task at hand. However, at present the gene/proteome analysis-related industry is in the phase of market expansion and we, at the Group, must also continue to aggressively invest in research and development. Accordingly, for the time being, our basic policy will be to maintain sufficient internal reserves in preparation for future business expansion. Consequently, we will suspend dividend payments to our shareholders for the time being.

(3) Principles and policy of reducing the investment unit

Based on our desire for the wide distribution of our Company's shares among the general public, we believe that the per share price should be 500,000 yen or less. In the event that the per share price greatly exceeds 500,000 yen for any extended length of time, our policy will dictate a consideration of a stock split.

(4) Targeted performance indices and essential tasks at hand

The Group is a venture business in the gene/proteome analysis-related industry; an industry with a highly anticipated growth potential. Consequently, in order to answer to our shareholders, we are aware that we must continuously realize stable growth as a listed company.

Although, at present, we are not posting any specific performances indices, such as ROEs, we are of one mind to maintain our continuous growth, by increasing sales of our devices, including the DNA auto-extractors, by expanding the global market through our overseas subsidiaries, by cultivating new OEMs, and by fortifying the cooperation with our existing OEMs.

At the same time, since research and development activities geared toward the future are also an integral part of our field of gene/proteome analysis related businesses, we will fortify our structure by securing development funds and development personnel.

(5) Medium and long term management strategy

In regard to the devices such as the DNA auto-extractors, which utilize our patented technology, the *Magtration Technology*, we distribute our products worldwide through multiple OEM contracts. Currently we are at the dawn of the new age of the gene/proteome analysis-related industry and demand has only begun to surface for these devices. Consequently, we believe that expectation for even greater expansion of the market is not totally unfounded. Building on our core business strategy of fully utilizing our European or U.S. subsidiaries, we, at the Group, will strive to achieve the global standards for the DNA extraction/purification devices. Furthermore, not limiting ourselves to DNA auto-extractors, we are planning to strengthen our research and development activities, by undertaking the development of the fully automated gene analysis system, as well as of the SNP and proteome analysis devices, and of reagents: In the medium to long range, we hope to transform ourselves into a company offering a comprehensive infrastructure to the gene-related industry. In order to achieve this end, we will implement the specific strategies enumerated below:

1) Product line-up of devices including the DNA auto-extractors

In order to establish the Company's product as the standard product in the field of DNA auto-extractor devices, we must meet the diverse needs encountered in the field of genetic research. To this end an expansive product line-up is essential and we already have more than twenty different models on the market, including our OEM models. In the future we intend to meet our customers' diverse demands with standard models, personal type models, and models designed for large volumes of specimens.

2) Mass marketing strategy through OEM distribution

We believe that the most efficient method of penetrating the worldwide market with our products is through OEM sales to large corporations. The Company adheres to a basic policy of open alliance with a number of corporations and we have concluded OEM contracts with seven companies including the Roche Group, the QIAGEN Group, and Mitsubishi Kagaku Iatron, Inc. and a patented-technology royalty contract with one company, bringing the total of companies we have entered into contracts with to eight.

3) Fortification of our research and development activities

In addition to fortifying our product line-up of devices including DNA auto-extractors, we are strengthening our research and development activities both funds-wise and personnel-wise for the eventual realization of a fully automated DNA analysis device, with the development of the Bio-Strand and the Fluorescent Bar Coded Beads to be used in the automation of the gene measuring process.

In gene measuring the importance of each specific measurement item (contents) cannot be overemphasized. An example of such a use would be the preventive diagnosis of genetic diseases for specific illnesses. Another example would be the realization of tailor-made medical treatment using specific medications. We will need to aggressively pursue collaborations with universities, research institutions, and private sector corporations, which are in possession of these contents.

4) The construction of a structure for global expansion

Since rapid progress has been taking place on a worldwide scale in the gene/proteome analysis-related industry, it is imperative for us to implement our business strategy on the U.S. and European markets, both of which are advanced in this field. We, at the Group, have established subsidiaries in the U.S, and Europe and are building structures whereby we will be able to forge new business partnerships and joint research opportunities, fortify partnerships with existing OEMs, and aggressively pursue marketing possibilities with universities and research institutions.

(6) Improvement of the business management organization (including the upgrading of corporate governance)

As a company engaged in global activities under international rules, we, at the Group, are determined to establish corporate governance based on transparency, impartiality and speed. Although our two overseas subsidiaries keep us abreast with their monthly activities' reports, they are basically allowed discretionary powers with emphases on the decision-making of the managing directors. Nevertheless, from time to time the Group convenes worldwide meetings through phone conferences, as a means of reaching a consensus on the direction of the Group and of efficiently executing business.

At the Company, decision-making on business strategies is done at the Board of Directors' Meetings. A supplementary General Managers' Meeting is held once a month to decide on the specific implementation of those strategies. The Company has adopted the Executive Officer System for the purpose of upgrading the structures for corporate governance and for the execution of business through the designation of the Board of Directors as the makers of business strategy decisions and the supervisors of the execution of business. Additionally, in order to respond to the ever-changing business environment, each division holds weekly meetings for the sharing of information and to reach a consensus in the direction of business execution. Furthermore, the use of e-mails promotes the cross-sectional sharing of information within the Group, as well as, the constant impetus for quick decision-making. The Company also recognizes its role as a listed company: Subsequently the Company demands from its Directors an awareness of actions and responsibilities, and will continue to strive to improve the quality of the Board of Directors' Meetings and worldwide meetings.

3. Operating results and financial conditions

(1) Operating results

	Interim period ended June 2004 (Same period of previous year)		Interim period ending June 2005 (Current interim period)		Year-on-year changes	(Cf.) Fiscal year ended June 2004 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Sales	919	100.0	1,395	100.0	51.8	2,506	100.0
Gross profit on sales	360	39.2	551	39.5	53.1	952	38.0
Operating loss	175	(19.1)	99	(7.1)	–	126	(5.0)
Ordinary loss	210	(22.9)	93	(6.7)	–	174	(7.0)
Interim (current) net loss	215	(23.4)	109	(7.9)	–	181	(7.2)

As a result of favorable factors such as brisk sales of the devices including DNA auto-extractors to one of our major OEMs, the QIAGEN Group, and increased sales of plastic consumables sold by our German subsidiary to our OEMs, together with the effects of the sales rights contract with Korea's Finance & Technology International Co., Ltd., which were posted in the sales of the first quarter, the Company achieved a large-scale increase in earnings to post sales of 1,395 million yen (a 51.8% increase compared to the same period of the previous year). Subsequently, the Company was able to secure a massive increase in earnings to post a gross profit on sales of 551 million yen (a 53.1% compared to the same period of the previous year).

However, with the increase in expenses, including the 190 million yen in development expenses (a 16.0% increase compared to the same period of the previous year), the Company was burdened with a massive cost increase to post selling, general and administrative expenses of 650 million yen (a 21.4% increase compared to the same period of the previous year). In all, operating loss came to 99 million yen. Compared to the same period of the previous year, the deficit amount was cut by 76 million yen.

As for non-operating income/loss, factors such as profits from the changes in the exchange rates contributed to the non-operating income of 19 million yen. However non-operating expenses of 14 million yen, including interest expense, resulted in the ordinary loss of 93 million yen. Compared to the same period of the previous year, the deficit amount was cut by 117 million yen.

Furthermore, the Company's holding of shares of Tepnel Life Sciences (our business partner) resulted in posting an extraordinary loss of 14 million yen from unrealized losses on investment securities, which in turn resulted in the interim net loss of 109 million yen. Compared to the same period of the previous year, the deficit amount was cut by 105 million yen.

Behind the increase in selling, general and administrative expenses, there are a number of overlapping factors, centering on the increase of development expenses. The main factors may be summarized as follows:

1) Although the PATHFAST, the compact immunochemical luminescence measuring system being jointly developed with Mitsubishi Kagaku Iatron, Inc., had been slated for marketing by December 2004, its software has been requiring an unexpectedly long time to develop and verify, and additional development expenses have occurred. Consequently, it will be another three or four months before the system is put on the market. However, from the viewpoint of securing the necessary initial inventory, the Company has already begun shipment of the hardware (devices) to Mitsubishi Kagaku Iatron, Inc. Full-scale sales are scheduled to commence upon completion of the software verification process.

2) As for the Handy Bio-Strand, the thread-like DNA chips, which had also been scheduled for marketing from December 2004, we were somehow able to develop a marketable product and were able to exhibit it at the December conference of the Molecular Biology Society of Japan. However, in the mass production process, we have encountered additional development expenses. Currently we are in the midst of manufacturing the fifty systems needed as inventory for initial sales and full-scale sales is scheduled to commence from March.

3) Marketing related to the reagents used in the Company's systems has shown an increase in the number of testing items to be developed for each reagent. Until recently, reagents were used exclusively for DNA and RNA extraction and purification purposes. However the demands of today's market necessitate the development of reagents and the corresponding fully automated systems for specific purposes, such as sample preps and integrated pre-processing systems for genetic expression analysis and SNP analysis. In light of these circumstances, we have been approaching domestic and overseas reagent manufacturers, collecting reagents applicable to the Company's systems, and developing applications for those reagents as marketable products.

4) The Company has encountered additional development expenses in the process of developing the All Process in Tip Technology (note 1). In addition to the Magtration Technology - the reaction process control technology using magnetic materials, which is already operational as the Company's patented technology - the Company has been focusing on non-magnetic materials and for the past year has been developing tips with various non-magnetic materials and their corresponding systems. The purpose of this development is to offer systems including that of gene expression analysis, quantitative assay of efficient proteins, and multiplex assay of biomarkers, of the post-comprehensive gene analysis phase, which will be in tune with full-fledged demands for systems anticipated in the future. This will also mark the beginning of the development for the practical application of the Magtration + α, which had long been in development. We are currently in the process of forming a partnership with a company possessing non-magnetic materials technology and hope to expand this segment into another major pillar of our business.

(Note 1) The Tips refer to the tip of the pipette, which sucks in the liquid and exclusively controls the amount of liquid (Not to be confused with DNA chips). By enclosing various materials inside the tip, all reactions will take place within the tip, which, in turn, will enable the construction of a simple and streamlined system.

The sales conditions of each product category are as follows:
(Net sales by product category)

	Interim period ended June 2004 (Same period of the previous year)		Interim period ended June 2005 (Current interim period)		Year-on-year changes	(Cf.) Fiscal year ended June 2004 (Full year)	
	Amount	Percentage of total	Amount	Percentage of total		Amount	Percentage of total
	Million yen	%	Million yen	%	%	Million yen	%
Devices including DNA auto-extractors	478	52.1	790	56.6	65.0	1,723	68.8
Other laboratory equipment	106	11.6	75	5.4	(29.2)	146	5.8
Other products	84	9.1	93	6.7	11.4	136	5.5
Merchandise (plastic consumables)	249	27.2	336	24.1	34.8	499	19.9
Other operating income	–	–	100	7.2	–	–	–
Total	919	100.0	1,395	100.0	51.8	2,506	100.0

1) Devices including DNA auto-extractors

This category consists of automated devices utilizing the Company's internationally patented Magtration Technology. In addition to DNA auto-extractors, this category also includes immunochemiluminescent measuring devices. With progress being made in the bioresearch field and the ensuing need for speedy processing of multiple specimens, we believe that this category has strong potential for future market growth.

During this interim period, brisk sales to the QIAGEN Group, our major OEM, and the commencement of shipment to Mitsubishi Kagaku Iatron, Inc., our new OEM, resulted in 382 units actually sold to post a net sales of 790 million yen (a 65.0% increase compared to the same period of the previous year).

The half-yearly sales results are as follows: Sales to the Roche and QIAGEN Groups, our major OEMs, have followed the annual tendency to be concentrated in the second half rather than the first half. The unit price variation for each system (starting at one million yen to over 30 million yen) is reflected in the fluctuations in the unit price in the table below.

(Unit: Thousand yen, units)

	Fiscal year ended June 2003		Fiscal year ended June 2004		Current interim period
	First half	Second half	First half	Second half	
Roche Group	178,632	617,475	353,179	790,673	291,909
QIAGEN Group	220,298	407,166	91,044	316,901	362,312
Mitsubishi Kagaku Iatron, Inc.	58,506	26,207	-	43,516	115,350
Others	65,790	36,940	34,670	93,136	20,517
Total	523,227	1,087,788	478,894	1,244,228	790,088
Units sold	202	452	190	458	382
Unit price	2,590	2,406	2,520	2,717	2,068

(Note) Sales to Mitsubishi Kagaku Iatron, Inc. for the Fiscal year ended June 2003 and for the Fiscal year ended June 2004 consist of sales of in-house experimental models. Sales of actual products began during this interim period.

2) Other laboratory equipment

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

During the current interim period, the Company posted net sales of 75 million yen (a 29.2% decrease compared to the same period of the previous year). Net sales in this category tend to be highly impacted by the number of specially commissioned developmental projects. Since the Company is currently focusing in the expansion of our DNA auto-extractor businesses, we expect the sales share of this category to diminish for the time being.

3) Other products

This category includes sales generated from spare (replacement) parts 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 current interim period, the Company posted sales of 93 million yen (a 11.4% increase compared to the same period of the previous year). Since sales derived from spare parts and equipment maintenance tend to increase in direct proportion to the cumulative number of devices sold, we may expect steady growth in this market in the future.

4) Merchandise (plastic consumables)

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

The current interim period witnessed a promising increase in earnings to post sales of 336 million yen (a 34.8% increase compared to the same period of the previous year). Sales of consumables to European OEMs by our German subsidiary, in particular, marked a sharp increase. Since sales derived from plastic consumables tend to increase in direct proportion to the cumulative number of devices sold, we may expect steady growth in this market in the future.

5) Other operating income

Other operating income refers to income derived from the granting of exclusive sales rights to Korea's Finance & Technology International Co., Ltd., upon conclusion of the contract for the exclusive sales rights for the Asian area (excluding Japan) to the Automatic Protein Synthesis System, which had been developed under joint partnership with Post Genome Institute Co., Ltd. However, since the said income has been reinvested into equipment development and the securing of procurement channels for reagents, its effects on profit will be minimal.

(2) Financial condition

The cash flow condition for the interim consolidated accounting period under review is as follows:

Cash flow for operating activities resulted in an interim net loss of 108 million yen before adjustments including taxes (compared to 213 million yen for the same period of the previous year). Although inventories increased by 186 million yen (compared to the 300 million yen increase for the same period of the previous year), with the accounts receivable decreasing by 215 million yen (compared to the 182 million yen decrease for the same period of the previous year), net cash used in operating activities remained at 97 million yen (compared to 280 million yen for the same period of the previous year).

Expenditures such as payments for the acquisition of tangible fixed assets amounting to 54 million yen (compared to 58 million yen for the same period of the previous year), and 300 million deposited in time deposits (compared to 1,503 million yen for the same period of the previous year) resulted in the net cash of 68 million yen used in investment activities (compared to 1,382 million yen for the same period of the previous year).

Expenditures such as the 256 million yen repayment of long-term debt (compared to the 274 million yen for the same period of the previous year), and the loss resulting from the cessation of proceeds from the new shares issues (compared to the 2,299 million yen income for the same period of the previous year), resulted in the net cash of 156 million yen used in financing activities (compared to the 1,939 million yen income of the same period of the previous year).

In addition to the above amount, adjustments for changes in the exchange rate amounted to an increase of 12 million yen (compared to the 10 million yen decrease for the same period of the previous year), while cash and cash equivalents decreased by 309 million yen (compared to the 264 million yen increase for the same period of the previous year), resulting in the cash and cash equivalents at the end of the interim period under review amounting to 1,066 million yen (compared to 1,153 million yen for the same period of the previous year).

(3) Outlook for the fiscal year

The backlog at the end of the interim period under review for devices including DNA auto-extractors stood at 641 million yen (a 11.6% decrease compared to same period of the previous year). This year-on-year decrease is due to the fact that the order for the large-type models to the Japanese Red Cross Society was recorded in the backlog as of the end of same period of the previous year. However, the backlog for the current period has been increasing favorably with an 18.8% increase compared to the 539 million yen backlog as of the end of the first quarter of the current period. Since backlogs will be shipped within three to four months, the outlook for the fiscal year will remain the same as the revised forecast announced on February 4, 2005.

	Forecasted net sales	Forecasted operating income	Forecasted ordinary income	Forecasted net income
	Million yen	Million yen	Million yen	Million yen
Consolidated forecast of business results	2,900	(90)	(100)	(115)
Non-consolidated forecast of business results	2,570	(80)	(95)	(110)

The forecasted net sales by client are as follows: There is an annual tendency for sales to the two leading OEMs to be concentrated in the second half rather than in the first half.

1) As far as the Roche Group is concerned, we had anticipated from the start a year-on-year decrease, due to the large order to the Japanese Red Cross Society in the previous year. In light of these circumstances together with the state of backlog, we are forecasting net sales of 1,200 million yen (100 million yen decrease compared to initial forecast).

2) As for the QIAGEN Group, sales have been particularly brisk. Furthermore, in view of the current backlog, strong sales are expected to continue and accordingly we are forecasting net sales of 1,000 million yen (300 million yen increase compared to the initial forecast).

3) Sales to Mitsubishi Kagaku Iatron, Inc. consisted of shipment of hardware (devices) in the first half of the period in tune with the policy for securing initial inventory. However, as the marketing date has been postponed, sales in the second quarter are expected to dwindle and consequently we are forecasting net sales of 200 million yen (100 million yen decrease compared to the initial forecast).

4) Under other clients, we have included in the first half of the period under review sales of 100 million generated from the contract to grant exclusive sales rights to a Korea corporation. However, the amount is expected to decrease in the second half of the period under review and consequently we have maintained forecasted sales at 500 million yen.

(Unit: Million yen, %)

	Results for current interim period	Forecast for second half	Full year forecast for fiscal year ending June 2005 (total)		Results for first half of fiscal year ended June 2004		Year-on-year changes ratio
			Amount	Percentage of total	Amount	Percentage of total	
Roche Group	568	631	1,200	41.4	1,513	60.4	(20.7)
QIAGEN Group	431	568	1,000	34.5	505	20.2	97.9
Mitsubishi Kagaku Iatron, Inc.	127	72	200	6.9	55	2.2	262.7
Others	268	231	500	17.2	432	17.2	15.7
Total	1,395	1,505	2,900	100.0	2,506	100.0	15.7

In view of the most recent market prices, we have assumed exchange rates of 107 yen to the dollar and 135 yen to the euro. Since the majority of the Company’s products will be materially affected by the euro market, it is safe to assume that, as far as the current sales forecasts are concerned, a five-yen fluctuation in the basic exchange rate during the second half of the fiscal year will affect net sales and gross profit on sales by 20 million yen (positive effect in case of a weak yen, negative effect in case of a strong yen).

4. Statements including consolidated interim financial statements

(1) Consolidated interim financial statements

1) Consolidated interim balance sheet

		End of previous consolidated interim fiscal year (December 31, 2003)			End of current consolidated interim fiscal year (December 31, 2004)			Condensed consolidated balance sheet as of the end of the previous fiscal year (June 30, 2004)		
Category	Number of note	Amount (Thousand yen)		Percentage of total (%)	Amount (Thousand yen)		Percentage of total (%)	Amount (Thousand yen)		Percentage of total (%)
(Assets)										
I Current assets										
1. Cash and deposits			2,161,350			2,230,283			2,536,976	
2. Notes and accounts receivable	*3		390,557			509,521			719,544	
3. Marketable securities			400,003			–			–	
4. Inventories			589,607			616,694			431,757	
5. Others			58,616			53,874			79,662	
Allowance for bad debt			(63)			(445)			(1,373)	
Total current assets			3,600,072	78.0		3,409,929	75.9		3,766,567	77.3
II Fixed assets										
1. Plant, property, and equipment	* 1 2									
(1) Buildings and structures		262,915			275,847			269,970		
(2) Machinery/equipment and transportation vehicles		169,949			156,994			168,680		
(3) Tools, furniture, and fixtures		104,538			164,851			179,091		
(4) Land		431,250			431,250			431,250		
(5) Construction in progress		–			–			4,703		
Total plant, property, and equipment			968,653	21.0		1,028,943	22.9		1,053,695	21.6
2. Intangible fixed assets			8,777	0.2		35,360	0.8		29,605	0.6
3. Investments and other assets			34,817	0.8		18,775	0.4		24,864	0.5
Total fixed assets			1,012,248	22.0		1,083,080	24.1		1,108,165	22.7
Total assets			4,612,320	100.0		4,493,009	100.0		4,874,732	100.0
(Liabilities)										
I Current liabilities										
1. Accounts payable			267,817			327,292			437,511	
2. Short-term borrowings	*2		145,000			100,000			100,000	
3. Long-term debt due within one year	*2		412,027			415,524			490,939	
4. Accrued taxes including corporate taxes			2,107			6,484			2,290	
5. Allowance for bonuses			3,248			4,265			3,962	
6. Others			109,346			116,319			142,941	
Total current liabilities			939,546	20.4		969,886	21.6		1,177,645	24.2
II Long-term liabilities										
1. Long-term borrowings	*2		663,763			583,030			664,193	
2. Others			681			201			–	
Total long-term liabilities			664,445	14.4		583,231	13.0		664,193	13.6
Total liabilities			1,603,991	34.8		1,553,118	34.6		1,841,839	37.8

		End of previous consolidated interim fiscal year (December 31, 2003)		End of current consolidated interim fiscal year (December 31, 2004)		Condensed consolidated balance sheet as of the end of the previous fiscal year (June 30, 2004)	
Category	Number of note	Amount (Thousand yen)	Percentage of total (%)	Amount (Thousand yen)	Percentage of total (%)	Amount (Thousand yen)	Percentage of total (%)
(Shareholders' equity)							
I Common stock		2,024,728	43.9	2,024,978	45.0	2,024,978	41.5
II Additional paid-in capital		2,491,012	54.0	2,491,267	55.4	2,491,267	51.1
III Retained earnings		(1,512,581)	(32.8)	(1,588,234)	(35.3)	(1,478,574)	(30.3)
IV Other unrealized holding gains/losses on marketable securities		1,005	0.0	296	0.0	(8,173)	(0.2)
V Exchange adjustments		4,164	0.1	11,583	0.3	3,395	0.1
Total shareholders' equity		3,008,328	65.2	2,939,891	65.4	3,032,893	62.2
Total liabilities and shareholders' equity		4,612,320	100.0	4,493,009	100.0	4,874,732	100.0

2) Consolidated interim statement of income

Category	Number of note	Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003) Amount (Thousand yen)		Percentage (%)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004) Amount (Thousand yen)		Percentage (%)	Condensed consolidated statement of income for the previous consolidated fiscal year (From July 1, 2003 to June 30, 2004) Amount (Thousand yen)		Percentage (%)
I Net sales			919,105	100.0		1,395,591	100.0		2,506,015	100.0
II Cost of sales			559,095	60.8		844,556	60.5		1,553,454	62.0
Gross profit on sales			360,009	39.2		551,034	39.5		952,560	38.0
III Selling, general and administrative expenses										
1. Advertising and general publicity expenses		13,500			19,405			28,728		
2. Freight		25,709			27,307			56,722		
3. Directors' remunerations		46,935			51,234			96,201		
4. Salary		96,389			120,896			202,314		
5. Transfer of allowances for bonuses		9,847			1,844			1,625		
6. Legal welfare		11,988			17,938			29,485		
7. Rent		4,254			3,396			7,644		
8. Depreciation		27,138			43,823			57,988		
9. Travel expenses		19,840			24,709			34,036		
10. Communications expenses		3,787			4,434			7,770		
11. Commission paid		45,855			58,130			114,805		
12. Development expenses		164,220			190,427			292,055		
13. Transfer of allowance for bad debt		–			336			14		
14. Others		65,929	535,397	58.2	86,340	650,227	46.6	149,603	1,078,996	43.0
Operating loss			175,387	(19.0)		99,192	(7.1)		126,436	(5.0)
IV Non-operating income										
1. Interest income		1,788			1,458			3,697		
2. Dividend income		–			8			26		
3. Exchange gains		–			15,168			–		
4. Others		2,092	3,881	0.4	3,206	19,841	1.4	3,574	7,298	0.2
V Non-operating expenses										
1. Interest expenses		17,036			13,846			30,619		
2. Exchange losses		1,276			–			3,515		
3. New stock issue expenses		20,438			–			20,652		
4. Others		595	39,346	4.3	290	14,136	1.0	805	55,593	2.2
Ordinary loss			210,852	(22.9)		93,487	(6.7)		174,731	(7.0)
VI Extraordinary income										
1. Reversal of allowance for bad debt		29			–			–		
2. Reversal of allowance for bonuses		1,016	1,046	0.1	–	–	–	–	–	–
VII Extraordinary loss										
1. Loss on sale of plant, property, and equipment	*1	53			115			53		
2. Loss on retirement of plant, property, and equipment	*2	3,826			–			3,752		
3. Unrealized holding losses on marketable securities		–	3,879	0.4	14,826	14,941	1.1	–	3,806	0.1
Interim (current) net loss before tax adjustments			213,686	(23.2)		108,429	(7.8)		178,537	(7.1)
Corporate, local, and enterprises taxes		1,326	1,326	0.1	1,231	1,231	0.1	2,467	2,467	0.1
Interim (current) net loss			215,012	(23.3)		109,660	(7.9)		181,005	(7.2)

[3] Consolidated interim statement of retained earnings

		Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)		Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)		Condensed statement of retained earnings from the previous consolidated fiscal year (From July 1, 2003 to June 31, 2004)	
Category	Number of note	Amount (Thousand yen)		Amount (Thousand yen)		Amount (Thousand yen)	
(Additional paid-in capital)							
I Additional paid-in capital at the beginning of the term			1,341,438		2,491,267		1,341,438
II Increase in additional paid-in capital							
1. Increase in capital through issue of new shares		1,149,574	1,149,574	–	–	1,149,829	1,149,829
III Additional paid-in capital at the end of the interim period (end of the fiscal year)			2,491,012		2,491,267		2,491,267
(Retained earnings)							
I Retained earnings at the beginning of the term			(1,297,569)		(1,478,574)		(1,297,569)
II Decrease in retained earnings							
1. Interim (current) net loss		215,012	215,012	109,660	109,660	181,005	181,005
III Retained earnings at the end of the interim period (end of the fiscal year)			(1,512,581)		(1,588,234)		(1,478,574)

[4] Consolidated interim statement of cash flow

		Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Condensed interim statement of cash flow for the previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
Category	Number of note	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
I Cash flow from operating activities				
Interim (current) net loss before adjustments including taxes		(213,686)	(108,429)	(178,537)
Depreciation and amortization		65,918	86,090	141,319
Increase or decrease of allowances		(199)	(670)	1,834
Interest and dividend income		(1,801)	(1,466)	(3,724)
Interest paid		17,036	13,846	30,619
Unrealized holding losses on marketable securities		–	14,826	–
New stock issue expenses		–	–	20,652
Loss on sale of fixed assets		53	115	53
Loss on retirement of fixed assets		3,826	–	3,752
Increase or decrease in accounts receivable – trade		182,688	215,773	(148,987)
Increase in inventories		(300,493)	(185,079)	(187,069)
Decrease in other current assets		35,381	25,072	5,279
Increase or decrease in accounts payable – trade		(11,855)	(121,673)	163,583
Increase or decrease in accounts payable – others		(2,680)	(20,872)	13,429
Decrease in other current liabilities		(37,856)	(945)	31,818
Total		(263,669)	(83,412)	(169,612)
Amount of interest and dividend income		1,761	1,442	3,703
Amount of interest paid		(16,397)	(13,207)	(29,592)
Amount of taxes paid including corporation tax		(2,471)	(2,376)	(2,467)
Net cash provided by operating activities		(280,777)	(97,553)	(197,969)

		Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Condensed interim statement of cash flow for the previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
Category	Number of note	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
II Cash flow from investment activities				
Income from withdrawal of time deposits		578,068	–	2,832,568
Expenditure for placement in time deposits		(1,503,000)	(3,000)	(3,910,500)
Income from sale of plant, property and equipment		–	25	445
Expenditure for acquisition of plant, property and equipment		(58,434)	(54,887)	(157,529)
Expenditure for acquisition of intangible fixed assets		(407)	(10,400)	(21,678)
Expenditure for acquisition of marketable securities		(400,000)	–	–
Others		1,009	–	1,075
Net cash provided by investing activities		(1,382,764)	(68,262)	(1,255,618)
III Cash flow from financing activities				
Net increase/decrease in short-term borrowings		(285,000)	-	(330,000)
Income from long-term borrowings		200,000	100,000	500,000
Expenditure for repayment of long-term borrowings		(274,714)	(256,578)	(495,371)
Proceeds from stock issues		2,299,149	-	2,299,654
Expenditure for new stock issues		-	-	(20,652)
Net cash provided by financing activities		1,939,434	(156,578)	1,953,629
IV Effects of exchange rates on cash and cash equivalents		(10,938)	12,701	(12,462)
V Increase in cash and cash equivalents		264,954	(309,692)	487,579
VI Cash and cash equivalents at the beginning of the period		888,896	1,376,476	888,896
VII Cash and cash equivalents at the end of the interim period (end of the fiscal year)		1,153,850	1,066,783	1,376,476

Significant assumptions underlying the preparation of consolidated interim financial statements

Item	Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
1. Item relating to scope of consolidation	(1) All subsidiaries have been consolidated (2) Number of consolidated subsidiaries: 4 (3) Name of consolidated subsidiaries PSS Bio Instruments, Inc. Bio-Strand, Inc. Precision System Science Europe GmbH Universal Bio Research Co., Ltd.	(1) All subsidiaries have been consolidated Bio-Strand, Inc., which had been included in the scope of consolidation in the previous fiscal year, was made into the surviving company, PSS Bio Instruments, Inc., a consolidated subsidiary and was then merged as of June 25, 2004 (2) Number of consolidated subsidiaries: 3 (3) Name of consolidated subsidiaries PSS Bio Instruments, Inc. Precision System Science Europe GmbH Universal Bio Research Co., Ltd.	(1) All subsidiaries have been consolidated Bio-Strand, Inc., which had been included in the scope of consolidation in the previous fiscal year, was made into the surviving company, PSS Bio Instruments, Inc., a consolidated subsidiary and was the merged as of June 25, 2004. Subsequently, it is not included in the above-mentioned number of consolidated subsidiaries. However the financial statements prior to merger have been consolidated. (2) Number of consolidated subsidiaries: 3 (3) Name of consolidated subsidiaries PSS Bio Instruments, Inc. Precision System Science Europe GmbH Universal Bio Research Co., Ltd.
2. Items related to equity accounting	Not applicable	Same as left column	Same as left column
3. Items related to matters including the interim fiscal year end (the fiscal year end) of consolidated subsidiaries	The interim fiscal year end of all consolidated subsidiaries coincide with the consolidated interim fiscal year end.	Same as left column	The end of the fiscal year of all consolidated subsidiaries coincide with the consolidated fiscal year end.

Item	Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
4. Items related to accounting standards			
(1) Valuation standards and valuation methods of important assets	1) Marketable securities and other securities: Marketable securities Stated at fair value at the interim fiscal year end (unrealized holding gains/losses are included in shareholders' equity net of income taxes and sales cost is calculated by the moving-average method.) Non-marketable securities Stated at cost using the moving-average method	1) Marketable securities and other securities: Marketable securities: Same as left column ————	1) Marketable securities and other securities: Marketable securities: Stated at fair value at the fiscal year end (Unrealized holding gains/losses are included in shareholders' equity, net of income taxes and sales cost is calculated by the moving-average method.) ————
	2) Inventories: While merchandise, finished goods, raw materials, work in progress, and stored goods are basically valued at cost, using the gross average method, a number of the overseas subsidiaries calculate value at cost, by the moving average method.	2) Inventories: Same as left column	2) Inventories: Same as left column
(2) Depreciation method of important depreciable assets	1) Plant, property, and equipment: While plant, property, and equipment are basically calculated on the declining balance method (buildings, excluding fixtures, acquired after April 1, 1998 are calculated on the straight-line method) a number of the overseas subsidiaries use the straight-line method.	1) Plant, property, and equipment: (Same as the left column)	1) Plant, property, and equipment: (Same as the left column)
	2) Intangible fixed assets: Computer software for in-house use is amortized using the straight-line method over the estimated useful lives of 5 years.	2) Intangible fixed assets: Computer software for in-house use is amortized using the straight-line method over the estimated useful lives of 3 to 5 years.	2) Intangible fixed assets: (Same as the left column)
(3) Standards for important allowances	1) Allowance for bad debt: Allowances for bad debt are provided as follows: For claims to general debtors, an allowance is provided based on historical loan losses experiences. For other doubtful accounts, allowance is provided for the estimated uncollectable amount, based on the collectability of individual claims.	1) Allowance for bad debt: (Same as the left column)	1) Allowance for bad debt: (Same as the left column)

Item	Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
	2) Allowance for bonuses: In order to provide for the payment of employee bonuses, allowance is made based on estimated payment amounts for this interim fiscal year.	2) Allowance for bonuses: (Same as the left column)	2) Allowance for bonuses: (Same as the left column)
(4) Accounting for significant lease transactions	Finance lease transactions, excluding those transactions, which transfer ownership of leased property to the lessee, are accounted for as transactions under ordinary rental transactions.	(Same as the left column)	(Same as the left column)
(5) Other basic assumptions underlying the preparation of the consolidated interim financial statements (consolidated financial statements)	Accounting for consumption tax: The tax segregation method was applied	Accounting for consumption tax: (Same as the left column)	Accounting for consumption tax: (Same as the left column)
5. Scope of funds in the consolidated interim statement of cash flow (consolidated statement of cash flow	Funds denote cash on hand, demand deposit, and short-term investments maturing within three months from the date of their acquisition, which, in addition, must be easily converted to cash and subject to minimal risk of price fluctuations.	(Same as the left column)	(Same as the left column)

(Additional information)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
————	(Business (External Standard) Scale Taxation) Since the publication of The 12th Report of the Practical Solution Standing Committee on the Practical Aspects of the Reporting of the Business Scale Taxation Portion of the Corporate Enterprise Tax in the Statement of Income, by the Accounting Standard Board of Japan on February 13, 2004, beginning from the current consolidated interim fiscal year, the Company, based on the said report, has accounted for the 5,340,000 yen equivalent of the value-added tax based and paid-in capital/capital reserve portion of the corporate enterprise tax under Others in Selling, General and Administrative Expenses.	————

(Notes related to the consolidated interim balance sheet)

<table>
<tr><th>Item</th><th>End of previous consolidated interim fiscal year
(December 31, 2003)</th><th>End of current consolidated interim fiscal year
(December 31, 2004)</th><th>End of previous consolidated fiscal year
(June 30, 2004)</th></tr>
<tr><td>*1 Accumulated depreciation on plant, property, and equipment</td><td>(Thousand yen)
388,599</td><td>(Thousand yen)
545,772</td><td>(Thousand yen)
461,734</td></tr>
<tr><td>*2 Assets provided as collateral and borrowings against collateral</td>
<td>The following assets were offered as collateral:
(Thousand yen)
Buildings 254,183
Land 431,250
Total 685,433

Borrowings secured by the above collateral are as follows:
(Thousand yen)
Short-term borrowings 100,000
Long-term debt due within one year 114,427
Long-term borrowings 457,413
Total 671,840</td>
<td>The following assets were offered as collateral:
(Thousand yen)
Buildings 272,397
Land 431,250
Total 703,647

Borrowings secured by the above collateral are as follows:
(Thousand yen)
Short-term borrowings 100,000
Long-term debt due within one year 118,582
Long-term borrowings 419,384
Total 637,967</td>
<td>The following assets were offered as collateral:
(Thousand yen)
Buildings 267,403
Land 431,250
Total 698,653

Borrowings secured by the above collateral are as follows:
(Thousand yen)
Short-term borrowings 100,000
Long-term debt due within one year 90,847
Long-term borrowings 403,501
Total 594,349</td></tr>
<tr><td>*3 Accounting for notes reaching maturity on the last day of the consolidated interim fiscal year</td>
<td>Notes reaching maturity on the last day of the consolidated interim fiscal year are accounted for on the date, on which they are cleared. As the last day of the current consolidated interim fiscal year fell on a bank holiday, the notes reaching maturity on the last day of the following consolidated interim fiscal year were included in the end of the current consolidated fiscal year balance.

Notes receivable: 2,262 thousand yen</td>
<td>Notes reaching maturity on the last day of the consolidated interim fiscal year are accounted for on the date, on which they are cleared. As the last day of the current consolidated interim fiscal year fell on a bank holiday, the notes reaching maturity on the last day of the following consolidated interim fiscal year were included in the end of the current consolidated fiscal year balance.

Notes receivable: 1,814 thousand yen</td>
<td>―――</td></tr>
</table>

(Notes related to the consolidated interim statement of income)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
*1 Itemized account of loss on sale of plant, property, and equipment Tools, furniture, and fixtures: 53 thousand yen	*1 Itemized account of loss on sale of plant, property, and equipment Tools, furniture, and fixtures: 115 thousand yen	*1 Itemized account of loss on sale of plant, property, and equipment Tools, furniture, and fixtures: 53 thousand yen
*2 Itemized account of loss on retirement of plant, property, and equipment Tools, furtniture, and fixtures: 3,826 thousand yen	——	*2 Itemized account of loss on retirement of plant, property, and equipment Machinery: 3,752 thousand yen

(Notes related to the consolidated interim statement of cash flow)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
Relationship between the balance of cash and cash equivalents as of the end of the consolidated interim fiscal year with the amounts itemized in the consolidated interim balance sheet	Relationship between the balance of cash and cash equivalents as of the end of the consolidated interim fiscal year with the amounts itemized in the consolidated interim balance sheet	Relationship between the balance of cash and cash equivalents as of the end of the consolidated fiscal year with the amounts itemized in the consolidated interim balance sheet
(As of December 31, 2003)	(As of December 31, 2004)	(As of June 30, 2004)
(Thousand yen)	(Thousand yen)	(Thousand yen)
Cash and deposit accounts 2,161,350	Cash and deposit accounts 2,230,283	Cash and deposit accounts 2,536,976
Time deposits with terms exceeding three months (1,007,500)	Time deposits with terms exceeding three months (1,163,500)	Time deposits with terms exceeding three months (1,160,500)
Cash and cash equivalents 1,153,850	Cash and cash equivalents 1,066,783	Cash and cash equivalents 1,376,476

(Notes related to lease transactions)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)

1. Finance lease transactions not entailing the transfer of ownership rights
(1) Equivalent amounts of acquisition cost, accumulated depreciation, and the net book value of leased property at the end of the consolidated interim fiscal year

	Equivalent amount of acquisition cost (Thousand yen)	Equivalent amount of accumulated depreciation (Thousand yen)	Equivalent amount of the net book value of the leased property at the end of the consolidated interim fiscal year (Thousand yen)
Machinery/ equipment and transportation vehicles	3,120	104	3,016
Tools, furniture, and fixtures	10,576	4,331	6,245
Total	13,696	4,435	9,261

(Note)
The equivalent amount of acquisition cost is calculated including interest cost since the percentage of the balance of unearned lease payments at the end of the consolidated interim fiscal year is immaterial compared to the total plant, property, and equipment at the end of the consolidated interim fiscal year.

(2) Equivalent amount of the balance of unearned lease payments at the end of the consolidated interim fiscal year

	(Thousand yen)
Due within one year	2,739
Due after one year	6,521
Total	9,261

(Note)
The equivalent amount of unearned leased payments at the end of the consolidated interim fiscal year is calculated including interest cost since the percentage of the balance of unearned lease payments at the end of consolidated interim fiscal year is immaterial compared to the total plant, property, and equipment at the end of the consolidated interim fiscal year.

(3) Lease payments and equivalent amount of depreciation

	(Thousand yen)
Lease payments	1,820
Equivalent amount of depreciation	1,820

(4) Method of calculating equivalent amount of depreciation
Equivalent amount of depreciation is calculated on the straight-line method, assuming that the lease period is equivalent to the estimated useful life without residual value.

Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)

1. Finance lease transactions not entailing the transfer of ownership rights
(1) Equivalent amounts of acquisition cost, accumulated depreciation, and the net book value of leased property at the end of the consolidated interim fiscal year

	Equivalent amount of acquisition cost (Thousand yen)	Equivalent amount of accumulated depreciation (Thousand yen)	Equivalent amount of the net book value of the leased property at the end of the consolidated interim fiscal year (Thousand yen)
Machinery/ equipment and transportation vehicles	3,120	728	2,392
Tools, furniture, and fixtures	10,576	5,788	4,788
Total	13,696	6,516	7,180

(Note)
Same as the left column

(2) Equivalent amount of the balance of unearned lease payments at the end of the consolidated fiscal year

	(Thousand yen)
Due within one year	2,739
Due after one year	4,441
Total	7,180

(Note)
Same as the left column

(3) Lease payments and equivalent amount of depreciation

	(Thousand yen)
Lease payments	1,396
Equivalent amount of depreciation	1,396

(4) Method of calculating equivalent amount of depreciation
Same as the left column

Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)

1. Finance lease transactions not entailing the transfer of ownership rights
(1) Equivalent amounts of acquisition cost, accumulated depreciation, and the net book value of leased property at the end of the consolidated fiscal year

	Equivalent amount of acquisition cost (Thousand yen)	Equivalent amount of accumulated depreciation (Thousand yen)	Equivalent amount of net book value of leased property at the end of the consolidated fiscal year (Thousand yen)
Machinery/ equipment and transportation vehicles	3,120	416	2,704
Tools, furniture, and fixtures	10,576	4,730	5,846
Total	13,696	5,416	8,550

(Note)
The equivalent amount of acquisition cost is calculated including interest cost since the percentage of the balance of unearned lease payments at the end of consolidated fiscal year is immaterial compared to the total plant, property, and equipment at the end of the fiscal year.

(2) Equivalent amount of the balance of unearned lease payments at the end of the consolidated fiscal year

	(Thousand yen)
Due within one year	2,739
Due after one year	5,811
Total	8,550

(Note)
The equivalent amount of unearned lease payments at the end of the consolidated fiscal year is calculated including interest cost since the percentage of the balance of unearned lease payments at the end of the fiscal year is immaterial compared to the total plant, property, and equipment at end of the fiscal year.

(3) Lease payments and equivalent amount of depreciation

	(Thousand yen)
Lease payments	2,531
Equivalent amount of depreciation	2,531

(4) Method of calculating equivalent amount of depreciation
Same as the left column

(Note related to marketable securities)

End of previous consolidated interim fiscal year (as of December 31, 2003)

1. Other marketable securities

	Acquisition cost (Thousand yen)	Amount stated on consolidated interim balance sheet (Thousand yen)	Unrealized holding gains/losses (Thousand yen)
Stock	31,464	33,151	1,687
Total	31,464	33,151	1,687

2. Detail of major non-marketable securities

	Amount stated on consolidated interim balance sheet (Thousand yen)
Other securities	
Free financial fund	300,003
Negotiable certificate of deposit	100,000

End of current consolidated interim fiscal year (as of December 31, 2004)

1. Other marketable securities

	Acquisition cost (Thousand yen)	Amount stated on consolidated interim balance sheet (Thousand yen)	Unrealized holding gains/losses (Thousand yen)
Stock	16,637	17,135	498
Total	16,637	17,135	498

(Note) During the current consolidated interim period, an impairment loss of 14,826 thousand yen was recorded on other marketable securities. Impairment loss was charged on said securities, whose fair value had declined more than 50% and had been deemed significantly declined.

2. Details of major non-marketable securities

Not applicable

End of previous consolidated fiscal year (as of June 30, 2004)

1. Other marketable securities

	Acquisition cost (Thousand yen)	Amount stated on consolidated balance sheet (Thousand yen)	Unrealized holding gains/losses (Thousand yen)
Stock	31,464	23,290	(8,173)
Total	31,464	23,290	(8,173)

2. Details of major non-marketable securities

Not applicable

(Notes related to derivative transactions)

Previous consolidated interim fiscal year (from July 1, 2003 to December 31, 2003), Current consolidated interim fiscal year (from July 1, 2004 to December 31, 2004), and Previous consolidated fiscal year (from July 1, 2003 to June 30, 2004)

Since the Group does not utilize any derivative transactions, this item is not applicable.

(Segment information)

[Segment information according to the type of business]

The Group's main business is the research and development in the gene/proteome analysis-related field, the development, manufacture, and sales of automated devices, other laboratory equipment, software, etc., used in the application of the results of the above research, as well as the manufacture and sales of plastic consumables used in the automated devices. Therefore the Group is a single segment entity and subsequently segment information according to the type of business is not included.

[Segment information according to location]

Previous consolidated interim fiscal year (from July 1, 2003 to December 31, 2003)

	Japan (Thousand yen)	U.S.A. (Thousand yen)	Germany (Thousand yen)	Total (Thousand yen)	Eliminations or corporate assets (Thousand yen)	Consolidation (Thousand yen)
Net sales						
(1) Net sales to external customers	658,219	37,503	223,382	919,105	–	919,105
(2) Intersegment net sales	140,335	8,899	1,384	150,619	(150,619)	–
Total	798,554	46,402	224,767	1,069,724	(150,619)	919,105
Operating expenses	943,748	92,058	212,403	1,248,209	(155,148)	1,093,061
Operating income or operating loss	(145,193)	(45,655)	12,364	(178,484)	4,529	(173,955)

(Note) Areas have been classified by country.

Current consolidated interim fiscal year (from July 1, 2004 to December 31, 2004)

	Japan (Thousand yen)	U.S.A. (Thousand yen)	Germany (Thousand yen)	Total (Thousand yen)	Eliminations or corporate assets (Thousand yen)	Consolidation (Thousand yen)
Net sales						
(1) Net sales to external customers	1,105,428	15,264	274,898	1,395,591	–	1,395,591
(2) Intersegment net sales	114,804	1,758	2,881	119,444	(119,444)	–
Total	1,220,232	17,023	277,779	1,515,035	(119,444)	1,395,591
Operating expenses	1,320,497	54,075	237,221	1,611,793	(117,010)	1,494,783
Operating income or operating loss	(100,264)	(37,051)	40,558	(96,758)	(2,434)	(99,192)

(Note) Areas have been classified by country.

Previous consolidated fiscal year (from July 1, 2003 to June 30, 2004)

	Japan (Thousand yen)	U.S.A. (Thousand yen)	Germany (Thousand yen)	Total (Thousand yen)	Eliminations or corporate assets (Thousand yen)	Consolidation (Thousand yen)
I Net sales and operating income/loss						
(1) Net sales to external customers	1,841,709	62,496	601,809	2,506,015	–	2,506,015
(2) Intersegment net sales	439,438	13,464	4,570	457,473	(457,473)	–
Total	2,281,148	75,960	606,379	2,963,488	(457,473)	2,506,015
Operating expenses	2,343,467	179,278	582,138	3,104,884	(472,433)	2,632,451
Operating income or operating loss	(62,319)	(103,317)	24,240	(141,395)	14,959	(126,436)

(Note) Areas have been classified by country.

[Overseas net sales]

Previous consolidated interim fiscal year (from July 1, 2003 to December 31, 2003)

	Germany	Switzerland	Others	Total
I Overseas net sales (Thousand yen)	429,103	123,432	41,850	594,385
II Consolidated net sales (Thousand yen)	–	–	–	919,105
III Ratio of overseas net sales to consolidated net sales (%)	46.7	13.4	4.6	64.7

(Note) 1. Areas have been classified by country.
2. Sweden, U.S.A., South Korea, Taiwan, and Hong Kong are included in Others

Current consolidated interim fiscal year (from July 1, 2004 to December 31, 2004)

	Germany	Switzerland	Others	Total
I Overseas net sales (Thousand yen)	593,992	346,978	119,658	1,060,629
II Consolidated net sales (Thousand yen)	–	–	–	1,395,591
III Ratio of overseas net sales to consolidated net sales (%)	42.6	24.9	8.6	76.0

(Notes) 1. Areas have been classified by country.
2. South Korea, U.S.A., Sweden, and Taiwan are included in Others

Previous consolidated fiscal year (from July 1, 2003 to June 30, 2004)

	Germany	Switzerland	Others	Total
I Overseas net sales (Thousand yen)	1,128,181	456,487	80,233	1,664,903
II Consolidated net sales (Thousand yen)	–	–	–	2,506,015
III Ratio of overseas net sales to consolidated net sales (%)	45.0	18.2	3.2	66.4

(Notes) 1. Areas have been classified by country.
2. South Korea, U.S.A., Sweden, and Taiwan are included in Others

(Per share information)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
Per share net assets amount 72,580.80 yen Per share interim net loss amount 5,611.55 yen	Per share net assets amount 70,895.42 yen Per share interim net loss amount 2,644.45 yen	Per share net assets amount 73,138.16 yen Per share net loss for the current fiscal year 4,539.04 yen
Although the Company recognized certain outstanding balances of new stock issue warrants and projected outstanding balances of new stock issues through stock options, the interim net income per share adjusted for full dilution was not included, since an interim net loss was recorded.	Same as the left column	Although the Company recognized certain outstanding balances of new stock issue warrants and projected outstanding balances of new stock issues through stock options, the current net income per share adjusted for full dilution was not included, since a net loss for the current fiscal year was recorded.

(Note) The basis for the calculation of the amount of interim (current) net loss is as follows:

	Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
Amount of per share interim (current) net loss			
Interim (current) net loss (Thousand yen)	215,012	109,660	181,005
Amount not belonging to common stock holder (Thousand yen)	–	–	–
Interim (current) net loss related to common stock (Thousand yen)	215,012	109,660	181,005
Average number of shares outstanding (shares)	38,316	41,468	39,877
Summary of residual stock without dilutive effects not included in the calculation of the diluted interim (current) net income per share	One issue name of corporate bonds with stock issue warrants (outstanding balance of purchase warrants 33,600 thousand yen), new stock issue warrants (224 shares), and subscription rights (917)	Subscription rights (1,279)	–

(Significant subsequent events)

Previous consolidated interim fiscal year (From July 1, 2003 to December 31, 2003)	Current consolidated interim fiscal year (From July 1, 2004 to December 31, 2004)	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)
———	———	———

(2) Others

Not applicable

5. State of production, orders received, and sales

(1) Production results

The production results for the current consolidated interim fiscal year according to product category are as follow:

Product category	Production output (Thousand yen)	Year-on-year change (%)
Devices including DNA auto-extractors	640,403	50.1
Other laboratory equipment	64,430	13.5
Others	77,814	12.5
Total	782,648	41.6

(Notes) 1. The above amounts have been calculated based on cost of goods manufactured for the current consolidated interim fiscal year.
2. The above amounts are exclusive of taxes including consumption tax.
3. In addition to the above, the Company made purchases for plastic consumables, amounting to 194,978 thousand yen (a 12.0% increase compared to the same period of the previous year).

(2) State of orders received

The state of orders received during the current consolidated interim fiscal year is as follows: Production of the Group's main product line, devices including DNA auto-extractor, is done primarily on an on-demand basis, centering on those products intended for our OEMs. Since our main OEMs, namely the Roche Group and the QIAGEN Group have agreed to place confirmed orders three months in advance, the backlog of orders received, indicated below correspond to roughly three to four months worth.

Product category		Orders received (Thousand yen)	Year-on-year changes (%)	Backlog of orders received (Thousand yen)	Year-on-year changes (%)
Product	Devices including DNA auto-extractors	1,048,530	17.4	641,573	(11.6)
	Other laboratory equipment	28,704	182.5	6,391	(45.8)
	Others	93,562	11.4	–	–
Merchandise	Plastic consumables	336,306	34.8	–	–
Total		1,507,104	21.9	647,964	(12.1)

(Note) The above amounts are exclusive of taxes including consumption tax

(3) Sales performance

Sales by product category for the current consolidated interim fiscal year are as follows:

Product category		Sales (Thousand yen)	Year-on-year changes (%)
Product	Devices including DNA auto-extractors	790,088	65.0
	Other laboratory equipment	75,560	(29.2)
	Others	93,636	11.4
Merchandise	Plastic consumables	336,306	34.8
Other operating revenue		100,000	–
Total		1,395,591	51.8

(Notes) 1. The above amounts are exclusive of taxes including consumption tax
2. Sales to major clients and their percentage on total sales are indicated below:

Clients	Previous consolidated interim fiscal year		Current consolidated interim fiscal year	
	Sales (Thousand yen)	Percentage (%)	Sales (Thousand yen)	Percentage (%)
Roche Diagnostics GmbH	427,181	46.4	521,603	37.4
QIAGEN Instruments AG	91,502	10.0	346,978	24.9
Mitsubishi Kagaku Iatron, Inc.	3,726	0.4	127,911	9.2