

CONSOLIDATED BUSINESS RESULTS FOR THE THIRD QUARTER ENDED MARCH 31, 2005

MAY 13, 2005

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 Stock Exchange Listing: Osaka Securities Exchange Hercules Market
 Code Number: 7707
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1. Bases of the preparation of consolidated quarterly financial results

- (1) Change of the matters relating to accounting standards: No
 (2) Change of the matters relating to the scope of consolidation and the application of the equity method : No

2. Consolidated Business results for the third quarter ended March 2005

(From July 1, 2004 to March 31, 2005)

- (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	%
3 rd quarter of FY2005	2,123	44.1	(79)	—	(81)	—
3 rd quarter of FY2004	1,473	(16.3)	(207)	—	(249)	—
Fiscal year ended June 2004	2,506	3.0	(126)	—	(174)	—

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	yen	yen
3 rd quarter of FY2005	(95)	—	(2,292.97)	—
3 rd quarter of FY2004	(255)	—	(6,489.75)	—
Fiscal year ended June 2004	(181)	—	(4,539.04)	—

(Notes)

- Equity in earnings of companies accounted for using the equity method:
 3rd quarter of FY2005: ___million yen. 3rd quarter of FY2004: ___million yen. Fiscal year ended June 2004 ___million yen.
- Average number of shares outstanding (consolidated)
 3rd quarter of FY2005: 41,468 shares
 3rd quarter of FY2004: 39,352 shares
 Fiscal year ended June 2004: 39,877 shares
- Changes in accounting policies: None
- The percentage indications under Sales, Operating income, Ordinary income and Net income, represent year-over-year basis changes.
- Because negative operating income and ordinary income were recorded for the third quarter ended March 2005 and the third quarter ended March 2004, year-on-year changes are not shown for these categories.
- Net income per share on a fully diluted basis for the third quarter ended March 2005 and the third quarter ended March 2004 is not shown, because net loss was incurred in these periods. It should be noted however, that new share subscription rights remained outstanding.
- The numbers given for the current 3rd quarter under review and for the 3rd quarter in the previous fiscal year are not audited

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
	Million yen	Million yen	%	yen
3 rd quarter of FY2005	4,653	2,953	63.5	71,221.37
3 rd quarter of FY2004	4,490	2,958	65.9	71,372.38
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)

3rd quarter of FY2005: 41,468 shares

3rd quarter of FY2004: 41,448 shares

Fiscal year ended June 2004: 41,468 shares

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

	Sales	Operating income	Ordinary income	Net income f	Net income per share
	Million yen	Million yen	Million yen	Million yen	Million yen
Full year	2,900	(90)	(100)	(115)	—

* 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. Refer 3. Outlook for the fiscal year about detail of the above forecast.

CONSOLIDATED BUSINESS RESULTS FOR THE THIRD QUARTER ENDED MARCH 31, 2005

1. Operating results

	3 rd quarter of FY2004 (Same period of previous year)		3 rd quarter of FY2005 (Current period)		Year-over- year basis changes	(Cf.) Fiscal year ended June 2004 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Sales	1,473	100.0	2,123	100.0	44.1	2,506	100.0
Gross profit on sales	568	38.6	896	42.2	57.7	952	38.0
Operating loss	207	(14.1)	79	(3.7)	–	126	(5.0)
Ordinary loss	249	(16.9)	81	(3.8)	–	174	(7.0)
Net loss	255	(17.3)	95	(4.5)	–	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, the Company achieved a large-scale increase in earnings to post sales of 2,123 million yen (a 44.1% increase compared to the same period of the previous year). In addition to a rise in revenue, effective measures aimed at better profitability contributed to a significant increase in gross profit, which grew 57.7% year on year, to 896 million yen. Profit margin improved 3.6 percentage points, to 42.2%. This was attributable primarily to continuous efforts to suppress outsourcing costs, an increase in the unit price of products shipped to European OEM clients as a result of a weaker yen against the Euro, which generally stayed around 138 to 139 yen per Euro, and robust direct sales by PSS, which entail a wider profit margin.

On another front, with the increase in expenses, including the 284 million yen in development expenses (a 33.3% 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 975 million yen (a 25.7% increase compared to the same period of the previous year). In all, operating loss came to 79 million yen. Compared to the same period of the previous year, the deficit amount was cut by 128 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 17 million yen. However non-operating expenses of 20 million yen, including interest expense, resulted in the ordinary loss of 81 million yen. Compared to the same period of the previous year, the deficit amount was cut by 168 million yen.

Furthermore, the Company's holding of shares of Tepnel Life Sciences (our business partner) resulted in posting an extraordinary loss of 12 million yen from unrealized losses on investment securities, which in turn resulted in net loss of 95 million yen. Compared to the same period of the previous year, the deficit amount was cut by 160 million yen.

New Product: Handy Bio-Strand

Sales of Handy Bio-Strand, a new string-shaped DNA chip product, began in late March. Sales efforts are targeted to labs and institutes with which PSS has established relationships through joint research and other endeavors. The product, which comes as a set of four devices described below, is priced at 149 million yen (excluding tax). PSS expects to sell 50 sets during the first year of its launch. PSS plans to begin full-fledged sales efforts targeting domestic users after it stages a massive presentation for Handy Bio-Strand during BIO EXPO Japan to be held from May 18 through 20. Handy Bio-Strand has the advantage of allowing users to prepare their own DNA chips. Thus, it is positioned as an educational product that offers users a chance to confirm the usefulness of Bio-Strand. By allowing the use of the product, PSS plans to develop it into chips for gene testing with specific purposes.

- Handy Bio-Strand Stamper -The device for spotting samples onto Bio-Strand
- Handy Bio-Strand Spinner -The device for winding the spotted Bio-Strand onto the Core-pin.
- Handy Bio-Strand Rotator -The device for exposing the target material uniformly to the UV irradiation
- Handy Bio-Strand Scanner -The device for analyzing Bio-Strand Tip

The sales conditions of each product category are as follows:

(Net sales by product category)

	3 rd quarter of FY2004 (Same period of previous year)		3 rd quarter of FY2005 (Current period)		Year-over-year basis 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	852	57.8	1,309	61.7	53.7	1,723	68.8
Other laboratory equipment	121	8.3	75	3.6	(37.9)	146	5.8
Other products	113	7.7	155	7.3	37.2	136	5.5
Merchandise (plastic consumables)	386	26.2	482	22.7	25.0	499	19.9
Other operating income	–	–	100	4.7	–	–	–
Total	1,473	100.0	2,123	100.0	44.1	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 current period, brisk sales to the QIAGEN Group, our major OEM resulted in 614 units actually sold to post a net sales of 1,309 million yen (a 53.7% increase compared to the same period of the previous year). The quarterly results are as follows. 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.

Domestic sales of PATHFAST were officially launched by Mitsubishi Kagaku Iatron in April 2005. PATHFAST is a compact immunochemical luminescence measuring system PSS supplies to Mitsubishi under an OEM agreement. Because Mitsubishi is distributing the units purchased from PSS up till the end of the second quarter for its first round of shipments, no new shipment to Mitsubishi was made in the third quarter under review. However, PSS has received orders from Mitsubishi for additional units to be shipped from April 2005. Therefore, stable shipments to Mitsubishi are expected for the fourth and subsequent quarters. Moreover, preparation is underway for overseas sales of the product, which is scheduled to begin in the fall of this year. PSS expects that the product will make a significant contribution to its business results in the upcoming fiscal year.

(Unit: Thousand yen, units)

	Fiscal year ended June 2003		Fiscal year ended June 2004				Fiscal year ending June 2005 (Current period)		
	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter
ROCHE Group	278,599	338,875	170,680	182,498	196,165	594,508	140,965	150,943	163,194
QIAGEN Group	278,989	128,177	57,373	33,670	143,948	172,952	160,711	201,600	304,183
Mitsubishi Kagaku Iatron, Inc.	26,207	–	–	–	9,591	33,925	15,750	99,600	–
Others	22,290	14,650	27,727	6,943	23,598	69,538	6,217	14,300	52,476
Total	606,086	481,702	255,781	223,112	373,304	870,924	323,644	466,443	519,854
Units sold	276	176	89	101	161	297	150	232	232
Unit price	2,195	2,737	2,874	2,209	2,318	2,932	2,157	2,010	2,240

(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 instruments and systems used in institutions such as research facilities, as well as developmental projects commissioned by governmental ministries, agencies and affiliated organizations.

During the 3rd quarter, the Company posted net sales of 75 million yen (a 37.9% 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 period, the Company posted sales of 155 million yen (a 37.2% increase compared to the same period of the previous year). Since sales derived from spare parts and equipment maintenance tends 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 equipment. 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 482 million yen (a 25.0% increase compared to the same period of the previous year). Since sales derived from plastic consumables tend to increase in direct proportion to the cumulative number of equipment 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

Total assets decreased 221 million yen from the end of the previous consolidated fiscal year, to 4,653 million yen at the end of the third quarter.

Current assets decreased 155 million yen from the consolidated fiscal year-end, to 3,611 million yen, due to cash and cash equivalents decreasing by 335 million yen, notes and accounts receivable decreasing by 181 million yen, due to receipt of a large spot account receivable recorded at the previous year end, and inventories increasing by 364 million yen, due to increase of new OEM equipment and of backlog, among others. Fixed assets decreased 66 million yen to 987 million yen, due to amortization, among others.

Total liabilities decreased 142 million yen to 1,699 million yen, due to long-term borrowings decreasing by 84 million yen. Equity capital decreased 79 million yen to 2,953 million yen, due to net loss of 95 million yen in the current period. In the above, the ratio of owners' equity to net assets resulted in 63.5% (compared to 62.2% at the end of the fiscal year ended June 2004), therefore financial condition are kept at the proper level.

3. Outlook for the fiscal year

The outlook for the fiscal year is as below. The backlog at the end of the 3rd quarter in the current period under review for equipment including DNA auto-extractors stood at 587 million yen (a 30.7% 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. Since backlogs will be shipped within three to four months and by taking account of sales of plastic consumables and others, the business results for the fiscal year will achieve the approximate quantity of the forecasted net sales in the below table.

The development expenditure towards commercial production of "protein automatic composition equipment" which is underdeveloped with Post Genome Institute Co., Ltd., is planned. Therefore, a development-costs burden is expected to increase. Although the operating profit of the period from April to June serves as a deficit appropriation prospect of about 10 million yen, the outlook for the fiscal year does not have change.

Since the majority of the Company's exporting products will be materially affected by the euro market, we have assumed exchange rates of 138.85 yen to the euro as a premise of the product price in an order backlog. It is safe to assume that, as far as the current sales forecasts are concerned, a five-yen fluctuation in the basic exchange rate in the 4th quarter (April to June) of the fiscal year will affect net sales and gross profit on sales by 10 million yen (positive effect in case of a weak yen, negative effect in case of a strong yen).

	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)

End.

Consolidated Financial Statements for the Third Quarter of FY2005

1. Consolidated balance sheet for the third quarter of FY 2005

Category	The previous 3 rd quarter of FY2004 (As of March 31, 2004)		The current 3 rd quarter of FY2005 (As of March 31, 2005)		Condensed consolidated balance sheet as of the end of the previous fiscal year (As of June 30, 2004)	
	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	2,328,040		2,201,062		2,536,976	
2. Notes and accounts receivable	469,113		537,851		719,544	
3. Inventories	618,235		796,208		431,757	
4. Others	66,312		76,463		79,662	
5. Allowance for bad debt	(103)		(430)		(1,373)	
Total current assets	3,481,597	77.5	3,611,155	77.6	3,766,567	77.3
II Fixed assets						
1. Plant, property, and equipment						
(1) Buildings and structures	329,725		355,838		342,875	
Accumulated depreciation	69,687	260,038	82,883	272,955	72,905	269,970
(2) Machinery/equipment and transportation vehicles	367,290		417,407		398,936	
Accumulated depreciation	211,099	156,191	276,001	141,405	230,255	168,680
(3) Tools, furniture, and fixtures	243,624		369,649		337,665	
Accumulated depreciation	141,668	101,956	228,094	141,554	158,573	179,091
(4) Land		431,250		431,250		431,250
(5) Construction in progress		4,703		-		4,703
Total plant, property, and equipment		954,139		987,166		1,053,695
2. Intangible fixed assets						
(1) Computer software		7,150		32,064		7,007
(2) Computer software in progress		16,779		-		21,579
(3) Others		1,019		1,019		1,019
Total intangible fixed assets		24,948	0.6	33,083	0.7	29,605
3. Investments and other assets						
(1) Investments in securities		28,314		19,802		23,290
(2) Others		1,538		1,855		1,573
Total investments and other assets		29,853	0.7	21,658	0.5	24,864
Total fixed assets		1,008,941	22.5	1,041,907	22.4	1,108,165
Total assets		4,490,538	100.0	4,653,062	100.0	4,874,732

Category	The previous 3 rd quarter of FY2004 (As of March 31, 2004)		The current 3 rd quarter of FY2005 (As of March 31, 2005)		Condensed consolidated balance sheet as of the end of the previous fiscal year (As of June 30, 2004)	
	Amount (Thousand yen)	Percentage of total (%)	Amount (Thousand yen)	Percentage of total (%)	Amount (Thousand yen)	Percentage of total (%)
(Liabilities)						
I Current liabilities						
1. Accounts payable	226,271		411,935		437,511	
2. Short-term borrowings	100,000		100,000		100,000	
3. Long-term debt due within one year	445,737		391,608		490,939	
4. Accrued liability	86,924		55,911		102,442	
5. Accrued taxes including corporate taxes	3,200		9,727		2,290	
6. Allowance for bonuses	12,994		17,061		3,962	
7. Others	35,899		34,129		40,499	
Total current liabilities	911,028	20.3	1,020,373	21.9	1,177,645	24.2
II Long-term liabilities						
1. Long-term borrowings	621,267		678,939		664,193	
2. Deferred tax liability	–		342		–	
Total long-term liabilities	621,267	13.8	679,281	14.6	664,193	13.6
Total liabilities	1,532,296	34.1	1,699,654	36.5	1,841,839	37.8
(Shareholders' equity)						
I Common stock	2,024,728	45.1	2,024,978	43.5	2,024,978	41.5
II Additional paid-in capital	2,491,012	55.5	2,491,267	53.6	2,491,267	51.1
III Retained earnings	(1,552,953)	(34.6)	(1,573,659)	(33.8)	(1,478,574)	(30.3)
IV Other unrealized holding gains/losses on marketable securities	(1,877)	(0.0)	504	0.0	(8,173)	(0.2)
V Exchange adjustments	(2,667)	(0.0)	10,316	0.2	3,395	0.1
Total shareholders' equity	2,958,242	65.9	2,953,407	63.5	3,032,893	62.2
Total liabilities and shareholders' equity	4,490,538	100.0	4,653,062	100.0	4,874,732	100.0

2. Consolidated statement of income for the third quarter of FY 2005

Category	The previous 3 rd quarter of FY2004 (From July 1, 2003 to March 31, 2004)		The current 3 rd quarter of FY2005 (From July 1, 2004 to March 31, 2005)		Condensed consolidated statement of income for the previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)	
	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)
I Net sales		1,473,060		2,123,385		2,506,015
II Cost of sales		904,552		1,226,892		1,553,454
Gross profit on sales		568,507		896,492		952,560
III Selling, general and administrative expenses		776,184		975,499		1,078,996
Operating loss		207,676	(14.1)	79,006	(3.7)	126,436
IV Non-operating income						
1. Interest income	2,796		2,383		3,697	
2. Dividend income	23		17		26	
3. Exchange gains	-		11,286		-	
4. Other revenue	2,766	5,586	4,142	17,830	3,574	7,298
V Non-operating expenses						
1. Interest expenses	23,555		19,823		30,619	
2. Exchange losses	2,502		-		3,515	
3. New stock issue expenses	20,438		-		20,652	
4. Others	827	47,323	262	20,085	805	55,593
Ordinary loss		249,414	(16.9)	81,262	(3.8)	174,731
VI Extraordinary income						
1. Gain on sale of plant, property, and equipment	-		966		-	
2. Reversal of allowance for bonuses	1,016	1,016	-	966	-	-
VII Extraordinary loss						
1. Loss on sale of plant, property, and equipment	53		115		53	
2. Loss on retirement of plant, property, and equipment	3,758		363		3,752	
3. Unrealized holding losses on marketable securities	-		12,508		-	
4. Others	6	3,818	-	12,986	-	3,806
Current net loss before tax adjustments		252,216	(17.1)	93,282	(4.4)	178,537
Corporate, local, and enterprises taxes	1,895		1,802		2,467	
Taxes adjustment	1,272	3,167	-	1,802	-	2,467
Current net loss		255,384	(17.3)	95,084	(4.5)	181,005