June 2005 Term Kessan Tanshin Financial Report (Consolidated)

August 12, 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
Address all enquiries to: Jun Akimoto, Director and Executive Officer, General Manager, Finance and Administration Division
Telephone: (047) 303-4800
Date of Board of Directors' Meeting for approval of financial results: August 12, 2005
Adoption of U.S. accounting standards: No

1. Consolidated results for FY 2005 ended June 30, 2005
(From July 1, 2004 to June 30, 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	%
FY2005 ended June 2005	3,215	(28.3)	132	(-)	111	(-)
FY2004 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
FY2005 ended June 2005	64	(-)	1,552.25	1,502.22
FY2004 ended June 2004	(181)	(-)	(4,539.04)	──

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
FY2005 ended June 2005	2.1	2.3	3.5
FY2004 ended June 2004	(9.1)	(4.5)	(7.0)

(Notes)
1. P/L through equity accounting:
FY2005: ___million yen, FY2004: ___million yen
2. Average number of shares outstanding (consolidated)
FY2005: 41,468 shares, FY2004: 39,877 shares
3. Changes in accounting policies: None
4. The percentage indications under Sales, Operating income, Ordinary income, and Net income, represent year-on-year changes.
5. Net income per share on a fully diluted basis for FY2004 is not shown, because net loss was incurred in FY2004. It should be noted however, that new share subscription rights remained outstanding.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
	Million yen	Million yen	%	Yen
FY2005 ended June 2005	4,636	3,107	67.0	74,948.14
FY2004 ended June 2004	4,874	3,032	62.2	73,138.16

(Notes) Number of shares outstanding at end of the term (consolidated)
FY2005: 41,468 shares, FY2004: 41,468 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
FY2005 ended June 2005	(131)	(240)	(212)	796
FY2004 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 the fiscal year ending June 2006 (from July 1, 2005 to June 30, 2006)

	Sales	Ordinary income	Net income for the current fiscal year
	Million yen	Million yen	Million yen
Interim period ending December 2005	1,650	(40)	(280)
Full year ending June 2006	3,550	30	(270)

(Cf.) Estimated net income per share (full year): (6,511.04) 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.
Refer page 9 of the attached Outlook for the fiscal year about detail of the above forecast.

1. PSS 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 systems, 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 systems. Most notably, we consider our original systems 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	Roles of subsidiaries
(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, 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, interlocking managing directors

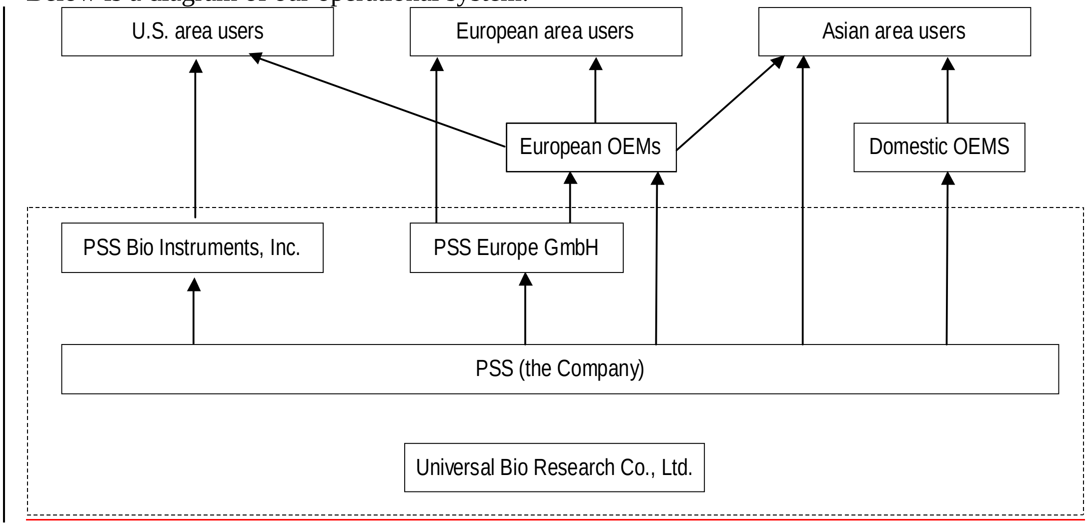
(Notes)

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. and Precision System Science Europe GmbH are the specified subsidiaries.
3. In accordance with the resolution of the Company's Board meeting held on May 14, 2004, the Company underwrote the full amount of the capital increase through rights issue (closing date: July 30, 2004, paid-in amount: 50,000,000 yen) undertaken by Universal Bio Research Co., Ltd, for the purpose of strengthening its financial foundation.
4. In July 2005, PSS Bio Instruments, Inc. and Precision System Science Europe GmbH moved to their respective new premises with new and improved facilities. The locations of the new premises are as follows:

PSS Bio Instruments, Inc.	California, U.S.A.
Precision System Science Europe GmbH	Woerrstadt, Germany

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 oriented venture business, the PSS Group has been engaged in product development and will continue to uphold those policies as a research/development oriented 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.
However we intend to repay our valued shareholders by making efforts to increase market capitalization by improving our earnings. To this end, the Company has adopted a stock option plan in order to

enhance the motivation of our directors and employees.

(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 systems. 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 systems. 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 systems, 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 seven (Consolidated current fiscal year).

3) Fortification of our research and development activities

In addition to fortifying our product line-up of systems 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 systems, 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.

Moreover in order to further enhance the world-wide sales of our devices including our DNA auto-extractors, it will become strategically crucial for the Company to offer and provide the Company's own reagents. This is due to the fact that the business of reagents as consumables is an extremely lucrative source of revenue, in addition to the Group's inherent obligation to possess the know-how to offer reagents tailor-made for various purposes if it were to attentively respond to the needs of its end-users. Until recently, reagents had simply been used for the purpose of extraction and purification of DNA and RNA. In the future, industry demand is expected to shift toward reagents and fully automated systems intended for specific purposes such as sample prepping and uniform processing systems for genetic expression analyses and SNPs typing. In order to accommodate these demands, the Company is currently making contact with various domestic and overseas manufacturers of reagents, collecting reagents, which are compatible with the Company's systems, and undertaking application development with a view to merchandising such reagents.

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) Basic principles regarding corporate governance and the implementation status thereof

(Basic approach toward corporate governance)

In light of the recent trend among the corporations to ascribe social significance to corporate governance, the Company maintains as its basic policy and purpose, the enforcement of corporate ethics and compliance and the promotion of enhanced internal controls, in addition to the improvement of corporate value by means of realizing a highly efficient, sound, and transparent business management, whereby the Company contributes to its stakeholders such as its shareholders, clients and employees.

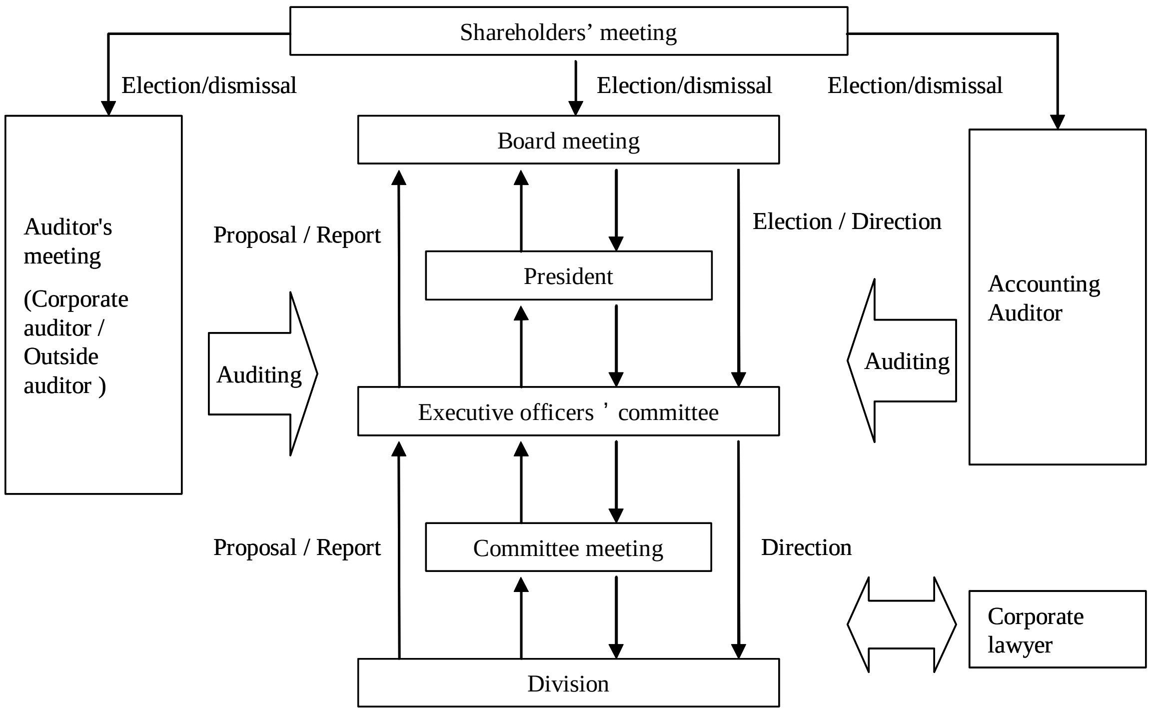
1) The state of the business management structure related to decision-making, execution, and supervision of business matters, and other corporate governance systems

a) Details of the Company's organization

The Company has adopted an auditing system. As of the end of the current fiscal year, the

Company has eight directors (of which one is an outside director) and three auditors (of which two are outside auditors).

The Board meeting oversees the decision-making on significant matters such as business policies and the business conduct of its execution. The Company has also adopted the Executive officers' committee as the structure for the execution of business. In addition, the Auditor's meeting has been adopted as the auditing structure. The specific relationships and the internal control systems are illustrated below:



b) The state of the improved internal control system

The Board meeting is comprised of eight directors including one outside director. In addition to the regular Board meetings held once a month, special Board meetings are convened as needed on a flexible basis, to decide on matters prescribed by law and significant matters concerning the business of the Company, as well as, to supervise the business conduct of its execution.

Worldwide strategic meetings are comprised of the Groups' President and its directors. As a company engaged in global activities under international rules, the Group is determined to adhere to a corporate rule based on transparency, impartiality, and speed. In order to reach a consensus on the direction of the Group and to realize a more efficient way of executing business, the Group holds said meetings every six months at various locales and at other times as needed by utilizing the phone conference system.

The Executive officers' committee is comprised of seven executive officers (of which five concurrently hold posts as directors) and the general managers. The committee meets regularly once a month, to assess the situation at hand and deliberate on specific matters, and to examine and implement specific measures, in accordance with the policies decided upon at the Board meeting.

Furthermore, in order to respond to the ever-changing business environment, each division holds weekly meetings and utilizes the in-house information network system to reach a consensus in the way business should be executed. Additionally the use of e-mails promotes the cross-sectional sharing of information within the Group, while simultaneously contributing to the constant impetus for quick decision-making.

As for the disclosure of information, the Group and its subsidiaries have enforced the thorough management of significant internal information and have from time to time undertaken the disclosure of information. Under the Company's system, the information management supervisor is promptly notified whenever significant information occurs at the Company or its subsidiaries. Thereupon the information management supervisor will determine the importance of the information and whether or not such information calls for disclosure, then report to the president, and disclose the said information as needed.

Through the system outlined above, the Group firmly requires from each of its directors and employees to be aware of one's mission as a member of a listed company, and to exhibit such awareness through his/her thoughts, actions, and responsibilities, thereby striving to enhance the Group's corporate governance.

c) The state of the improved risk management system

In addition to the risk management practiced by the Company at each of its divisions, each director is endeavoring to prevent the occurrence of risks before they can happen by constantly grasping the situation surrounding vital business matters (e.g., agreements, administration and protection of intellectual property, customer management, management of outsourcing contracts, quality control, information security, etc.) of the division for which he/she is responsible for. Moreover in the event of an emergency, the Company has instituted a system whereby measures, such as the formation of a task force centered on the division involved, are implemented toward the solution of the problem.

In regard to the mechanism for gathering and transmitting risk information, the Company is endeavoring to enhance and reform its intramural communications by such means as the regular division meetings and the cross-sectional project meetings, and to ensure that the necessary information is conveyed to the organization and the responsible directors at the appropriate times and by appropriate means.

As for legal risk, the Company seeks advice from its corporate attorney as needed.

d) The state of internal control and auditing by the corporate auditors

Because of its relatively small scale, the Company abides by the basic principle of management and supervision by the administrator of each division. The Company's main operation, which has been awarded the ISO 9001 (2001) certification for the international standard for quality management, is under regular scrutiny by both internal and outside audits, with respect to its status in executing its operations.

The corporate auditors examine the directors in their execution of their duties as well as the legality of the business operations and the soundness of the financial conditions of the Company and its subsidiaries. Specifically, the corporate auditors, in addition to, attending the Board meetings, performs audits on the directors' conducts in executing their duties and the business operations and the implementation status of compliance by the Company and its subsidiaries, by conducting hearings and inspections of each division, in accordance with the yearly audit policies/ schedules decided by the Auditor's meeting. Furthermore the Auditor's meeting has enhanced their mutual coordination with the audit corporation by such means as receiving reports on the audit schedules and the audit findings.

e) The state of accounting audit

Earnest & Young Shin Nihon, with which the Company has an audit contract, performs audits, as prescribed by the Commercial Code, and accounting audits, as prescribed by the Securities and Exchange Law, according to a yearly audit schedule.

Names of the certified public accountants who performed the accounting: Designated Member/Operations Execution Officer, Hiroshi Saito, Kazumi Okamoto

Assistants to the auditing duties: two certified public accountants, seven junior accountants

2) Summary of human relationships, capital, transaction and other relationships between the Company and the outside directors/outside auditors

There are no conflicts of interests including human relationships, capital, transactions and other relationships between the Company and the Company's one outside director and the two outside auditors.

3) Details of directors' remunerations

For the current fiscal year, remunerations to the Company's directors were paid as follows:

Remunerations paid to directors and auditors

Directors	85,673 thousand yen
(Outside director)	1,800 thousand yen
Auditors	14,568 thousand yen
Total	100,241 thousand yen

4) Details of audit fees

For the current fiscal year, audit fees paid to Earnest & Young Shin Nihon for audit operations, as prescribed in the Certified Public Accountant Law Article 2-1, by the Company were as follows:

Audit operations as prescribed by the Certified Public Accountant Law Article 2-1	13,200 thousand yen
Fees for other operations	- thousand yen

5) The Company's performance for the past year with respect to the improvement of corporate governance

During the current fiscal year, the Company addressed issues of corporate strategy and other significant tasks involving the Group as a whole, through the 18 Board Meetings, two Worldwide strategic meetings, and the monthly Executive officers' committees. Additionally each committee convened meetings at least once a month to deal with each of the topics raised.

Furthermore, with the approval of the 19th Ordinary General Shareholders' Meeting held on September 25, 2004, the Company appointed an outside director, thereby further enhancing the business structure of the Company.

In regard to issues concerning information disclosure, the Company actively pursued this end through the announcements of its financial results, its timely press releases, company presentation meetings (seven meetings held), and the renewal of its web page. Consequently the Company was able to better provide information to its shareholders and investors and to improve its stance toward information disclosure.

(7) Matters related to the parent company

Not applicable.

3. Operating results and financial conditions

(1) Operating results

	FY2004 (Previous consolidated fiscal year)		FY2005 (Current consolidated fiscal year)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Sales	2,506	100.0	3,215	100.0	28.3
Gross profit on sales	952	38.0	1,509	46.9	58.4
Operating income or (loss)	(126)	(5.0)	132	4.1	–
Ordinary income or (loss)	(174)	(7.0)	111	3.5	–
Net income or (loss)	(181)	(7.2)	64	2.0	–

The Company posted sales of 3,215 million yen (a 28.3% increase compared to the previous year) for the current consolidated fiscal year. The Company primarily conducts its sales through its OEMs (product sales through customer brands). Beginning this fiscal year, the Company added Mitsubishi Kagaku Iatron, Inc. to its two major OEMs, the Roche Group and the QIAGEN Group. As a result of brisk sales by the three major OEMS, the Company was able to secure a significant increase in income.

The Company also made great strides in its gross profit on sales by earning 1,509 million yen (a 58.4% increase compared to the previous year). Consequently the profit ratio rose 8.9 points from the previous year to 46.9%. This is largely attributed to the conclusion of the agreement to grant exclusive sales rights of the Company's next generation model to Roche Diagnostics GmbH ("RDG") and the 1,500,000 euro (204 million yen) in remuneration the Company received from this agreement. Since the previous year coincided with the start-up stage in the merchandising of the new models shipped to the Roche Group and to Mitsubishi Kagaku Iatron, Inc., production was plagued by specification modifications and a large number of uncertainties, resulting in the dip in the profit ratio. The current period under review, on the other hand, is showing signs of a favorable recovery. Additionally reduction of manufacturing cost and the weak yen on the euro-market further worked in the Company's favor. A comparison of the current period under review and the previous period shows that the exchange rate had a positive effect of 34 million yen on both the sales and the gross profit on sales amount, respectively.

Selling, general and administrative expenses amounted to 1,376 million yen (a 27.6% increase compared to the previous year). During the current period, development costs surged drastically to 440 million yen (a 50.7% increase compared to the previous year), reflecting the varied and substantial development activities geared toward future materialization taking place during the period under review, including the development of products for the Company's newest OEM, Mitsubishi Kagaku Iatron, Inc., the development of the Company's own product, the thread-like DNA chip, the Handy Bio-Strand and the sample preparation system for DNA micro array, the development of next generation models for RDG, and the development of a fully automatic protein synthesis system in conjunction with Post Genome Institute, Inc. Other expenses, such as salaries, also increased in response to the hiring of more personnel in order to keep up with the expansion of business.

Nevertheless the substantial increases in sales and gross profit on sales outlined above compensated for the increases in expenses. Consequently the Company was able to post an operating income of 132 million yen (the previous year reported an operating loss of 126 million yen) and an ordinary income of 111 million yen (the previous year reported an ordinary loss of 174 million yen), thereby making a turnaround to end up in the black.

In other developments, the Company's holding of the shares of its business partner, Tepnel Life Sciences, resulted in posting an extraordinary loss of 12 million yen from unrealized losses on investment

securities, while corporate taxes, local taxes and enterprise taxes totaled 33 million yen (beginning this period the German subsidiary became subject to an enterprise tax), all of which in turn resulted in the net income of 64 million yen (the previous year reported a net loss of 181 million yen).
Net sales according to customer are as follows:

	FY2004 (Previous consolidated fiscal year)		FY2005 (Current consolidated fiscal year)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Roche Group	1,513	60.4	1,456	45.3	(3.7)
QIAGEN Group	505	20.2	1,069	33.2	111.7
Mitsubishi Kagaku Iatron, Inc.	55	2.2	218	6.8	295.8
Others	432	17.2	471	14.7	9.0
Total	2,506	100.0	3,215	100.0	28.3

As for sales to the Roche Group, the Company had anticipated a drop for this period due to the one-time sales transaction of large-scale models to the Japanese Red Cross Society during the previous period. However as a result of the above-mentioned conclusion of the agreement to grant exclusive sales right for the next generation models to RDG and the ensuing income of 1,500,000 euro (204 million yen) in remuneration, decrease in sales remained at a negligible 3.7% compared to the previous year.

Sales to the QIAGEN group skyrocketed by an impressive 111.7% compared to the previous year. This massive increase is believed to be due to the fact that during the period under review, which marks the third year since the conclusion of the OEM agreement, the compact DNA auto- extractors had finally caught on among QIAGEN's users.

Sales to Mitsubishi Kagaku Iatron, Inc. rose by a drastic 295.8% compared to the previous year, as a direct result of the brisk shipment of the new OEM product, the compact immunochemical luminescence measuring system, the PATHFAST, which was formally launched this April.

Other sales include 100 million yen in remuneration earned by granting Korea's Finance & Technology International Co., Ltd five-year exclusive sales rights in the Asian region (excluding Japan) for the fully automatic protein synthesis system, being developed jointly with Post Genome Institute, Inc. However, due to losses in sales in custom-made laboratory instruments, sales of other laboratory equipment decreased by 65 million yen compared to the previous year.
The sales conditions of each product category are as follows:
(Net sales by product category)

	FY2004 (Previous consolidated fiscal year)		FY2005 (Current consolidated fiscal year)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Systems including DNA auto-extractors	1,723	68.8	1,928	60.0	11.9
Other laboratory equipment	146	5.8	81	2.5	(44.1)
Other products	136	5.5	221	6.9	61.6
Merchandise (plastic consumables)	499	19.9	679	21.1	36.1
Other operating income	-	-	304	9.5	-
Total	2,506	100.0	3,215	100.0	28.3

1) Systems including DNA auto-extractors

This category consists of automated systems utilizing the Company's internationally patented Magtration Technology. In addition to DNA auto-extractors, this category also includes immunochemiluminescent measuring system. 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 the period under review, shipments to the three major OEMs picked up momentum, so that the total number of units sold totaled 901 units, amounting to sales of 1,928 million yen (a 11.9% increase compared to the previous year). Sales to the QIAGEN Group, in particular, more than doubled from the previous year. Moreover, the Company anticipates brisk sales of the new products to Mitsubishi Kagaku Iatron, Inc., which was formally launched and introduced to the users in April.
The quarterly results are as follows. The unit price variation for each system (starting at one million yen to over 10 million yen) is reflected in the fluctuations in the unit price in the table below.

(Unit: Thousand yen, units)

	FY2004 (Previous consolidated fiscal year)				FY2005 (Current consolidated fiscal year)			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
ROCHE Group	170,680	182,498	196,165	594,508	140,965	150,943	163,194	263,795
QIAGEN Group	57,373	33,670	143,948	172,952	160,711	201,600	304,183	230,940
Mitsubishi Kagaku Iatron, Inc.	—	—	9,591	33,925	15,750	99,600	—	65,550
Others	27,727	6,943	23,598	69,538	6,217	14,300	52,476	58,494
Total	255,781	223,112	373,304	870,924	323,644	466,443	519,854	618,781
Units sold	89	101	161	297	150	232	232	287
Unit price	2,874	2,209	2,318	2,932	2,157	2,010	2,240	2,156

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

2)Other laboratory equipment

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

During the current fiscal year, the Company posted net sales of 81 million yen (a 44.1% 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 fiscal year, the Company posted sales of 221 million yen (a 61.6% 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 fiscal year witnessed a promising increase in earnings to post sales of 679 million yen (a 36.1% 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 systems sold, we may expect steady growth in this market in the future.

5) Other operating income
The incomes from the two afore-mentioned exclusive sales rights agreements have been accounted for separately. The agreement with Korea's Finance & Technology International Co., Ltd. brought in 100 million yen, while the agreement with RDG resulted in 204 million yen, for a total of 304 million yen. Although both incomes were generated from fees, the former agreement entailed sales costs of 66 million yen and development expenses of 28 million yen, for the development of the apparatus and for securing a procurement route for the necessary reagents, while the latter agreement resulted in the posting of 25 million yen in development expenses for the development of the apparatus.

(2) Outlook for the fiscal year ending June 30, 2006

	FY2005 (Current consolidated fiscal year)		FY2006 (Forecast)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Sales	3,215	100.0	3,550	100.0	10.4
Gross profit on sales	1,509	46.9	1,530	43.1	1.4
Operating income	132	4.1	50	1.4	(62.4)
Ordinary income	111	3.5	30	0.8	(73.1)
Net income or (loss)	64	2.0	(270)	(7.6)	-

The sales forecast by customer and the sales forecast according to product category are as follows:

	FY2005 (Current consolidated fiscal year)		FY2006 (Forecast)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Roche Group	1,456	45.3	1,200	33.8	(17.6)
QIAGEN Group	1,069	33.2	1,200	33.8	12.2
Mitsubishi Kagaku Iatron, Inc.	218	6.8	580	16.3	165.8
Others	471	14.7	570	16.1	20.9
Total	3,215	100.0	3,550	100.0	10.4

	FY2005 (Current consolidated fiscal year)		FY2006 (Forecast)		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Systems including DNA auto-extractors	1,928	60.0	2,260	63.7	17.2
Merchandise(plastic consumables) and Others	982	30.5	1,290	36.3	31.2
Other operating income	304	9.5	-	-	-
Total	3,215	100.0	3,550	100.0	10.4

Although sales for the current period reflect the special effects of the 304 million yen from other operating expenses, the Company predicts that further sales expansion in the coming year will compensate for the absence of a special income. The main factor for this anticipated increase will be the brisk sales of Mitsubishi Kagaku Iatron, Inc.'s compact immunochemical luminescence measuring device, the PATHFAST, which was formally launched in April. The Company is also in the final stages of closing a major deal for specially ordered specimen dispensers, which is expected to contribute to sales in FY 2006. The FY 2006 Sales to the Roche Group reflect the decrease due to the effects of the one-time transaction with RDG of granting exclusive sales rights during the current period.

Although gross profit on sales for the current period reflect the special increase in income from other operating income, the Company predicts that FY 2006 figures will remain at similar levels, due to the increase in earnings resulting from an expansion of sales to the extent that the absence of the special income will be compensated.

Increases in expenses are anticipated due to the reinforcement of personnel and the Company's implementation of the plan for facility expansion expressly for the purpose of setting up showrooms and experiment labs at its European subsidiaries. Consequently selling, general, and administrative expenses in FY 2006 are expected to total 1,480 million yen. However, development expenses, which had ballooned during the period under review, are expected to decrease to 400 million yen in FY 2006 (40 million yen decrease compared to the previous year).
In view of the above, the Company forecasts an operating income of 50 million yen for FY 2006. After adjustments, such as interest costs, ordinary income for FY 2006 is expected to amount to 30 million yen.

However the above forecast has been formulated on the assumption of continued sales of the current product line and does not take into account the new products and new OEMs presently under negotiation. The Company intends to make the greatest efforts to secure these contracts so that the Company's actual performance in the coming year will surpass the forecasted results.

Furthermore, beginning in FY 2006 the adoption of impairment loss accounting will entail an extraordinary loss of 237 million yen, which taken together with adjustments for taxes including corporate taxes will result in a net loss of 270 million yen for FY 2006. Impairment loss accounting will apply to the former research laboratory located in Matsudo-shi, which was acquired on February 8, 1990. The lab was used until March 2001, at which time it was closed to coincide with the move of the headquarters. Although the lab is currently being used as storage space for unused machinery and equipment, it is considered an idle asset. The Company, therefore, will recognize impairment losses on the difference between the carrying value and the fair value of the land/ buildings and the equipment/machinery not in use.

The above forecast has been formulated on the assumption of exchange rates of 110 yen to the dollar and 135 yen to the euro. The Company's sales are greatly impacted by the euro market. Based on the assumptions of the forecast for FY 2006, a yearly average fluctuation of five yen on the euro market could impact the Company's sales and income by 35 million yen, respectively (a weak yen will have positive effects, while a strong yen will have negative effects).

(3) Financial condition

The cash flow condition during the consolidated fiscal year is as follows:

Cash flow from operating activities:
The Company reported a current net profit before adjustments including taxes of 98 million yen, a significant increase compared to the previous year (the Company reported a net loss before adjustments including taxes of 178 million yen for the previous year). However, owing to such factors as the 119 million yen decrease in accounts payable-trade (previous year posted an increase of 187 million yen), the 19 million yen decrease in accounts receivable-trade (148 million yen increase in previous year), and the 176 million yen increase in inventories (187 million yen increase in previous year), overall net cash used in operating activities for the current year remained at 131 million yen (compared to 197 million yen for the previous year).

Cash flow from investment activities:
In order to improve the Company's research and development facilities, investments in plant, property, and equipment amounted to 170 million yen (compared to 157 million yen for the previous year). Overall net cash used in investment activities for the current year amounted to 240 million yen (compared to 1,255 million yen for the previous year).

Cash flow from financing activities:
As a result of incomes and expenditures from short-term and long-term borrowings, overall net cash used in financing activities came to 212 million yen (1,953 million yen was provided by financing activities for the previous year).

In addition to the above amount, adjustments for changes in the exchanges rate amounted to an increase of 4 million yen (compared to the 12 million yen decrease in the previous year), while cash and cash equivalents decreased by 580 million yen (compared to the 487 million increase in the previous year), resulting in the cash and cash equivalents at the end of period under review amounting to 796 million yen (compared to 1,376 million yen at the end of the previous year).

(4) Operational risks and other risks

The following are risks, which may affect the Group's operating results, share prices, financial condition, etc.
Please note that the forward-looking statements included below have been deemed to be true by the Group as at the end of the current consolidated fiscal year (June 30, 2005).

1) Dependence on devices including the DNA auto-extractors

The Group's dependence on systems including the DNA auto-extractors for its sales is high, at 60.0% (FY 2005) and is expected to continue for some time. Consequently, the Group's performance is likely to be impacted by changes in the users' demands toward said systems and by competition from products made by its rival companies.

Moreover, since the Group primarily conducts sales of the systems through its OEMs (product sales through customer brands) and since sales are largely dependent on the selling power of its OEMs, there is no denying that a substantial amount of uncertainty lies in the assumptions, upon which the Group decides on its business strategy. Similarly, for the same reason, past performance alone will not be suffice as decision-making material for matters concerning the Group's future performance. Furthermore, it is possible that expenditures and investments unforeseen by the Group will occur, altering the Group's operation strategies or affecting the performance of the financial condition of the Group.

2) Dependence on specific OEMs

Of the Group's sales, sales to the Roche Group, the QIAGEN Group, and to Mitsubishi Kagaku Iatron, Inc. make up 85.3% of the total (FY 2005). Although the Group relies heavily on specific corporate group, its OEM agreements are, by no means, exclusive agreements. Therefore the Company intends to acquire other OEMs and alleviate its dependence on specific OEMs.

However for the time being, there is no guarantee that the Group will be able to increase its OEMs as planned, and will continue to rely heavily on the three OEMs.

Although the Group recognizes that the above three companies are sound customers, there is no guarantee that such relationships will last. Moreover, since the Group's sales are heavily dependent on them at the present time, the Group's business strategies and performance will be significantly impacted by the performance, financial condition, and the business strategies of the above three companies.

3) OEM agreements

In regard to the systems including the DNA auto-extractors, the Company is currently contracted to six companies (FY 2005). According to each agreement, the OEM exclusively purchases the products customized to the specifications of the reagent manufacturers of the OEM. In principle, then, the Group is not restricted by the terms of the agreement from manufacturing, selling, and supplying its own products including standard products. Therefore, at this point in time, the Group is not under any restrictions with respect to manufacturing and selling its own products to other companies, nor is it restricted from concluding OEM agreement with other reagent manufacturers.

As explained above, the Group relies on its OEMs for the sales of its systems including the DNA auto-extractors. And in all likelihood the contents of these OEM agreements may be revised or cancelled in the future. In the event that these OEM agreements are revised or cancelled, the Group's heavy dependency on the specific OEMs for its sales at the present, will most likely have grave consequences on the Group's business strategies and performance. Although the Group is committed to expanding its operations and to mitigating risks by securing a greater number of OEMs, there is no guarantee that it will be able to successfully secure the OEMs as planned.

4) Exchange risks

The Group posted overseas sales of 2,592,467 thousand yen, which corresponds to 80.6% of its total sales (FY 2005). The greater part of the Group's overseas sales was generated through the two main OEMs, the Roche Group and the QIAGEN Group, which are both based in Europe. The market prices of the products are either denominated in euros or in yen according to the type of product. As for the yen-denominated prices, an agreement has been reached to the effect that should the effects of the exchange rate on the pricing exceed a certain prescribed percentage, the exchange gains/losses resulting from the portion exceeding the prescribed percentage will be split between the two companies and added to /subtracted from the market price. In any event, yen-denominate prices are inherently subject to the effects of the euro market.

In order to minimize the effects of the exchange rate, the Group's European subsidiaries, beginning from the fiscal year ended June 30, 2003, has commenced local manufacture and sales of a portion of its plastic consumables for the Roche Group and the QIAGEN Group, through its outside sources. Nevertheless the proportion of overseas sales remains high and depending on the trends of the exchange rates, the Group's performance could be materially affected.

5) Dependence on specific suppliers and outside sources
Being a small establishment without manufacturing facilities, the Group designs its own hardware but relies on outsourcing for the actual manufacture. Although the Group has begun to outsource the production of a portion of its plastic consumables to overseas manufacturers, the Group intends to pursue a policy of further diversifying its outside sources. The Group also intends to concentrate as much as possible on research and development, while leaving the actual manufacture to the cooperating factories and the maintenance to its business partners (the OEMs).

The outside sources mentioned above are considered to be cooperating factories with amicable relationships to the Group. However there are no capital relationships between the Group and the factories. For the purpose of cementing relations between the companies, capital relationships such as the mutual holding of each other' shares are possibilities worth pursuing. However, none are being actively pursued at the present time. In the event that the timely manufacture of the system is impaired due to factors such as the management conditions, the production capabilities, or the quality control abilities of the outside sources, or in cases where changes take place in the relationship between the Group and the outside sources, the Group's business strategies and performance could be adversely affected.

6) The future of the gene-related industry
The Group is engaged in the manufacture and sales of systems including the DNA auto-extractors in the domestic and overseas gene-related industry (bio market). Although, the Group anticipates that the bio market to which the group belongs will continue to expand, it is aware that the market is still at its initial and underdeveloped stage. Consequently, market trends are still shrouded in obscurity and uncertainty and there exists a serious lack of objective information. In light of these circumstances, it must be understood that there is no guarantee that the market will proceed according to the Group's predictions.

7) Legal regulations
The handling of medical equipment is regulated by a vast number of regulations, but its handling in Japan differs from that of the other countries.

In Japan, the Group's devices including the DNA auto-extractors are not classified as medical equipments. This is due to the fact that these devices are used purely for pre-processing purposes such as the extraction of DNA and not for diagnostic purposes. However, the moment a system indicates a numerical value, which in turn becomes the basis for a medical act, the system is classified as a medical equipment. Moreover if the system is fully automated and equipped with measuring features it will require the acquisition of relevant permits and licenses. Incidentally, since the Group manufactures immuno-measuring systems, it has acquired the permit for the manufacture of medical equipment.

In order to lay the groundwork for its eventual entry into the clinical diagnostic field, the Group is currently preparing for the acquisition of the necessary permits and licenses. However there is no guarantee that the Group will be successful in acquiring them. In the event that the Group is unsuccessful, the Group will have failed to capture the massive Japanese-U.S.-European clinical diagnostic market and such failure will be likely to have repercussions on the Group's business strategies and performance. Furthermore, if, in the future, the Group's operations become subject to a new set of legal regulations, it could also have an impact on the Group's business strategies and performance.

8) Research and development

The gene-related industry, to which the Group belongs, being in its early stage is constantly wrought with technological innovations. Subsequently in order to remain attentive to these constant market changes, it is imperative to maintain the agility of a flexible organization, to aptly propel its patented technology strategy, and to quickly zero in on relevant research and development themes. This nature of mutability and fluidity of the market is also the very reason why a venture business such as ours has a chance of competing with a host of large corporations in conquering the market.

To this end, the Group intends to be the pioneers in selling sophisticated products with a high degree of perfection, which anticipate market demands, and to promote research and development activities focused on establishing the de facto standards of these products.

Currently the Group is pursuing research and development projects in order to realize the above. However such activities require a copious amount of funds, effective facilities, and abundant personnel of the highest caliber. For this purpose, the Group intends to continue to supplement and secure the necessary management resources. Nevertheless there is no guarantee that the acquisition of the necessary management resources and the research and development activities will proceed according to the Group's plan. Moreover due to certain changes, such as those in the technology environment, each project may be left with no alternative than to change its original development objective, whereby its content and scale may no longer be compatible with the Group's corporate capabilities. In such cases, the research and development project will inevitably be delayed, which in turn could lead to delays in recovering invested capital and to the burden of excessive interest-bearing debt. In any event such circumstances would more than likely cause the Group to fall behind the technological innovations of the market and would have adverse effects on the business strategy and the performance of the Group.

9) The Group's clientele and competition in Japan and overseas

At the present time the market for the gene-related industry is centered in the U.S.A. and Europe. Consequently the Group must seek demand for its products in the overseas market. And in reality, exports take precedence over all operations of the Group. To the end of achieving further sales expansion both domestically and abroad, the Group acknowledges the significance of the maintenance system for the Company's own products, the mass production of the OEM products, and the local production of plastic consumables and is intent on strengthening its product supply system intended for the European and U.S. markets. However there is a possibility that due to factors such as the state of affairs, the legal system, or the commercial practices of the host countries, domestic and overseas business expansion may not proceed according to the Group's plans. In such cases the Group's business strategies and performance may be affected. Moreover since the Group operates both in the domestic and overseas markets, it could become subject to fierce competition from rival companies of not only Japan but of the whole world. Therefore it is highly probable that domestic and overseas competition will have serious consequences on the operation plans and the performance of the Group.

10) Intellectual property rights

a) The Group's patented technology strategy

As of the end of the current consolidated fiscal year, the Group has applied for 198 patents worldwide, including those for our Magtration Technology, related technologies and other technologies, of which the Group has already acquired 54 patents. Needless to say, these patents are considered extremely important for the business foundation of the Group.

However in the gene-related industry innovations in technology are taking place on a day-to-day basis. This means that even if we were to protect our technologies with patents, once a DNA extractor device with superior technology is invented, the Group would run the risk of its patented technology becoming redundant. Thus whenever a technology surpassing that of the Group is developed, it has the possibility of significantly affecting the Group's operation strategies and performance.

Furthermore the Group, so as not to infringe on the patents held by its business partners, has obtained licenses for their exclusive use. Based on this agreement, the Group, for every new licensee or OEM contracted, pays its business partners, a lump sum and a certain percentage of the sales of the devices such as the DNA auto-extractors as loyalty. Moreover, based on the Group's agreement with its business partners, sales to the Roche Group have been excluded for the loyalty calculations.

b) Litigations and claims on the Group's intellectual property rights

As of the end of the current consolidated fiscal year, there are no instances of litigations with or claims from third parties concerning the Group's intellectual property, including patents. However, since a large number of patent applications are being submitted for methods using magnetic particles, there is no denying that such problems will not arise in the future.

In order to prevent the occurrence of such problems, the Group, in its business operations, utilizes the patent attorney's office to conduct prior investigations into matters concerning infringements of intellectual property rights. However being a technology development-oriented company, the Group cannot completely eradicate the occurrence of problems concerning intellectual property rights.

In the event that the Group becomes embroiled in legal litigation with a third party, legal measures would be needed according to each specific case. Under such circumstances, regardless of the legitimacy of the third party's claims, settling the case would require huge amounts of time and money, which in turn could adversely affect the business strategies and the performance of the Group.

4. Statements including consolidated financial statements
(1) Consolidated financial statements
1) Consolidated balance sheet

	Previous consolidated fiscal year (As of June 3, 2004)			Current consolidated fiscal year (As of June 30, 2005)		
Category	Amount (Thousand yen)		%	Amount (Thousand yen)		%
(Assets)						
I Current assets						
1.Cash and deposits		2,536,976			2,012,719	
2.Notes and accounts receivable		719,544			698,218	
3.Inventories		431,757			608,364	
4.Others		79,662			98,817	
5.Allowance for bad debt		(1,373)			(354)	
Total current assets		3,766,567	77.3		3,417,767	73.7
II Fixed assets						
1.Plant, property, and equipment						
(1)Buildings and structures	342,875			421,858		
Accumulated depreciation	72,905	269,970		86,819	335,039	
(2)Machinery/equipment and transportation vehicles	398,936			424,247		
Accumulated depreciation	230,255	168,680		287,048	137,198	
(3)Tools, furniture, and fixtures	337,665			492,970		
Accumulated depreciation	158,573	179,091		253,593	239,377	
(4)Land		431,250			450,622	
(5)Construction in progress		4,703			-	
Total plant, property, and equipment		1,053,695	21.6		1,162,237	25.1
2. Intangible fixed assets						
(1)Computer software		7,007			30,770	
(2)Computer software in progress		21,579			-	
(3)Others		1,019			1,019	
Total intangible fixed assets		29,605	0.6		31,789	0.7
3.Investments and other assets						
(1)Investments in securities		23,290			19,948	
(2)Others		1,573			4,315	
Total investments and other assets		24,864	0.5		24,264	0.5
Total fixed assets		1,108,165	22.7		1,218,292	26.3
Total assets		4,874,732	100.0		4,636,059	100.0

	Previous consolidated fiscal year (As of June 3, 2004)		Current consolidated fiscal year (As of June 30, 2005)	
Category	Amount (Thousand yen)	%	Amount (Thousand yen)	%
(Liabilities)				
I Current liabilities				
1.Accounts payable	437,511		317,362	
2.Short-term borrowings	100,000		100,000	
3.Long-term debt due within one year	490,939		323,688	
4.Accrued liability	102,442		95,490	
5.Accrued taxes including corporate taxes	2,290		20,465	
6.Allowance for bonuses	3,962		9,124	
7.Others	40,499		40,758	
Total current liabilities	1,177,645	24.2	906,890	19.6
II Long-term liabilities				
1.Long-term borrowings	664,193		619,034	
2.Deferred tax liability	—		465	
3.Others	—		1,718	
Total long-term liabilities	664,193	13.6	621,219	13.4
Total liabilities	1,841,839	37.8	1,528,109	33.0
(Shareholders' equity)				
I Common stock	2,024,978	41.5	2,024,978	43.7
II Additional paid-in capital	2,491,267	51.1	2,491,267	53.7
III Retained earnings	(1,478,574)	(30.3)	(1,414,205)	(30.5)
IV Other unrealized holding gains/losses on marketable securities	(8,173)	(0.2)	686	0.0
V Exchange adjustments	3,395	0.1	5,222	0.1
Total shareholders' equity	3,032,893	62.2	3,107,949	67.0
Total liabilities and shareholders' equity	4,874,732	100.0	4,636,059	100.0

2) Consolidated statement of income

Category	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004) Amount (Thousand yen)		%	Current consolidated fiscal year (From July 1, 2004 to June 30, 2005) Amount (Thousand yen)		%
I Net sales		2,506,015	100.0		3,215,600	100.0
II Cost of sales		1,553,454	62.0		1,706,305	53.1
Gross profit on sales		952,560	38.0		1,509,295	46.9
III Selling, general and administrative expenses		1,078,996	43.0		1,376,429	42.8
Operating income or (operating loss)		(126,436)	(5.0)		132,865	4.1
IV Non-operating income						
1.Interest income	3,697			4,178		
2.Dividend income	26			25		
3.Exchange gains	3,574	7,298	0.2	5,186	9,390	0.3
V Non-operating expenses						
1.Interest expenses	30,619			26,247		
2.Exchange losses	3,515			4,036		
3.New stock issue expenses	20,652			—		
4.Others	805	55,593	2.2	335	30,619	0.9
Ordinary loss		(174,731)	(7.0)		111,636	3.5
VI Extraordinary income						
1.Reversal of allowance for bad debt	—	—	—	966	966	0.0
VII Extraordinary loss						
1.Loss on sale of plant, property, and equipment	53			115		
2.Loss on retirement of plant, property, and equipment	3,752			1,776		
3.Unrealized holding losses on marketable securities	—	3,806	0.1	12,668	14,560	0.5
Net income before tax adjustments or (net loss before tax adjustments)		(178,537)	(7.1)		98,043	3.0
Corporate, local, and enterprises taxes		2,467	0.1		33,674	1.0
Net income or (net loss)		(181,005)	(7.2)		64,368	2.0

3) Consolidated statement of retained earnings

Category	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004) Amount (Thousand yen)		Current consolidated fiscal year (From July 1, 2004 to June 30, 2005) Amount (Thousand yen)	
(Additional paid-in capital)				
I Additional paid-in capital at the beginning of the fiscal year		1,341,438		2,491,267
II Increase in additional paid-in capital				
1.Increase in capital through issue of new shares	1,149,829	1,149,829	-	-
III Additional paid-in capital at the end of the fiscal year		2,491,267		2,491,267
(Retained earnings)				
I Retained earnings at the beginning of the fiscal year		(1,297,569)		(1,478,574)
II Increase in retained earnings				
1.Net income	—	—	64,368	64,368
III Decrease in retained earnings				
1.Net loss	181,005	181,005	—	—
IV Retained earnings at the end of the fiscal year		(1,478,574)		(1,414,205)

4) Consolidated statement of cash flow

	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)	Current consolidated fiscal year (From July 1, 2004 to June 30, 2005)
Category	Amount (Thousand yen)	Amount (Thousand yen)
I Cash flow from operating activities		
Net income before adjustments including taxes or (net loss before adjustments including taxes)	(178,537)	98,043
Depreciation and amortization	141,319	180,870
Increase of allowances	1,834	4,094
Interest and dividend income	(3,724)	(4,204)
Interest paid	30,619	26,247
New stock issue expenses	20,652	-
Income on sale of fixed assets	-	(966)
Loss on sale of fixed assets	53	115
Loss on retirement of fixed assets	3,752	1,776
Unrealized holding losses on marketable securities	-	12,668
(Increase) or decrease in accounts receivable – trade	(148,987)	19,365
Increase in inventories	(187,069)	(176,301)
Decrease in other current assets	5,279	-
Increase or (decrease) in accounts payable – trade	163,583	(119,765)
Increase in accounts payable – others	13,429	-
Decrease in other current liabilities	(31,818)	-
Others	-	(123,850)
Total	(169,612)	(81,907)
Amount of interest and dividend income	3,703	4,177
Amount of interest paid	(29,592)	(25,935)
Amount of taxes paid including corporation tax	(2,467)	(27,498)
Net cash provided by operating activities	(197,969)	(131,164)

	Previous consolidated fiscal year (From July 1, 2003 to June 30, 2004)	Current consolidated fiscal year (From July 1, 2004 to June 30, 2005)
Category	Amount (Thousand yen)	Amount (Thousand yen)
II Cash flow from investment activities		
Income from withdrawal of time deposits	2,832,568	-
Expenditure for placement in time deposits	(3,910,500)	(56,000)
Income from sale of plant, property and equipment	445	2,576
Expenditure for acquisition of plant, property and equipment	(157,529)	(170,247)
Expenditure for acquisition of intangible fixed assets	(21,678)	(16,050)
Others	1,075	(961)
Net cash provided by investing activities	(1,255,618)	(240,683)
III Cash flow from financing activities		
Net increase/decrease in short-term borrowings	(330,000)	-
Income from long-term borrowings	500,000	320,000
Expenditure for repayment of long-term borrowings	(495,371)	(532,410)
Proceeds from stock issues	2,299,654	-
Expenditure for new stock issues	(20,652)	-
Net cash provided by financing activities	1,953,629	(212,410)
IV Effects of exchange rates on cash and cash equivalents	(12,462)	4,002
V Increase in cash and cash equivalents	487,579	(580,256)
VI Cash and cash equivalents at the beginning of the period	888,896	1,376,476
VII Cash and cash equivalents at the end of the interim period (end of the fiscal year)	1,376,476	796,219