

**BUSINESS RESULTS FOR THE FIRST QUARTER  
ENDED SEPTEMBER 30, 2005 (Non-consolidated)**

November 11, 2005

Listed Company Name: Precision System Science Co., Ltd.  
 Stock Exchange Listing: Osaka Securities Exchange Hercules Market  
 Code Number: 7707  
 (URL <http://www.pss.co.jp>)  
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**1. Bases of the preparation of quarterly financial results**

Change of the matters relating to accounting standards during the latest consolidated fiscal year: No

Involvement from certified public accountants or audit: No

**2. Business results for the first quarter ended September 2005**

(From July 1, 2005 to September 30, 2005)

**(1) Business results (Non-consolidated)**

(Million yen, fractional amounts rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
1 <sup>st</sup> quarter of FY2006	534	(4.0)	(70)	–	(72)	–
1 <sup>st</sup> quarter of FY2005	556	21.5	(49)	–	(44)	–
Fiscal year ended June 2005	2,861	25.4	147	–	118	–

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
1 <sup>st</sup> quarter of FY2006	(310)	–	(7,490.68)	–
1 <sup>st</sup> quarter of FY2005	(45)	–	(1,094.20)	–
Fiscal year ended June 2005	102	–	2,474.10	2,394.36

(Notes)

1. Average number of shares outstanding  
 1<sup>st</sup> quarter of FY2006: 41,468 shares  
 1<sup>st</sup> quarter of FY2005: 41,468 shares  
 Fiscal year ended June 2005: 41,468 shares
2. Changes in accounting policies: None
3. The percentage indications under sales, operating income, ordinary income and net income, represent year-over-year basis changes.
4. Because negative operating income, ordinary income and net income were recorded for the first quarter of FY2006 and the first quarter of FY2005, year-on-year changes are not shown for these categories.
5. Net income per share on a fully diluted basis for the first quarter of FY2006 and the first quarter of FY2005 is not shown, because net loss was incurred in these periods. It should be noted however, that new share subscription rights remained outstanding.
6. The numbers given for the first quarter of FY2006 and the first quarter of FY2005 are not audited

**(2) Financial position (Non-consolidated)**

	Total assets		Shareholders' equity		Equity ratio	Shareholders' equity per share of common stock
	Million yen	%	Million yen	%	%	Yen
1 <sup>st</sup> quarter of FY2006	4,522		2,831		62.5	68,286.67
1 <sup>st</sup> quarter of FY2005	4,578		2,979		65.1	71,843.47
Fiscal year ended June 2005	4,604		3,140		68.2	75,737.14

(Notes) Number of shares outstanding at end of the term

1<sup>st</sup> quarter of FY2006: 41,468 shares

1<sup>st</sup> quarter of FY2005: 41,468 shares

Fiscal year ended June 2005: 41,468 shares

**3. Forecasts for fiscal year ending June 2006 (from July 1, 2005 to June 30, 2006)****(Non-consolidated)**

	Sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Interim period ending December 2005	1,370		(40)		(280)		(6,752.19)
Full year ending June 2006	2,930		10		(230)		(5,546.44)

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.

**Financial Statements for the First Quarter of FY2006 (Non-consolidated)**
**11. Balance sheet for the first quarter of FY 2006**

Category	The previous 1 <sup>st</sup> quarter of FY2005 (As of September 30, 2004)		The current 1 <sup>st</sup> quarter of FY2006 (As of September 30, 2005)		The previous fiscal year (As of June 30, 2005)		
	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)	
(Assets)							
I Current assets							
1. Cash and deposits	1,930,996		1,740,743		1,730,210		
2. Notes receivable	20,341		25,289		5,317		
3. Accounts receivable	559,552		550,943		784,129		
4. Merchandise	35,928		32,158		19,880		
5. Products	469,704		463,711		476,314		
6. Materials	6,321		9,240		8,238		
7. products in process	89,137		198,763		94,350		
8. Stored goods	12,626		4,405		4,587		
9. Advances	1,300		198		988		
10. Advanced payment	12,596		9,461		14,271		
11. Receivable consumption tax return	56,926		–		78,979		
12. Others	27,315		21,021		602		
13. Allowance for bad debt	(182)		(576)		(789)		
Total current assets	3,222,564	70.4	3,055,361	67.6	3,217,082	69.9	
II Fixed assets							
1. Plant, property, and equipment							
(1) Buildings	343,727		265,670		360,649		
Accumulated depreciation	75,955	267,772	38,095	227,574	86,667	273,981	
(2) Machinery and equipment	314,627		193,460		310,471		
Accumulated depreciation	198,958	115,669	137,121	56,339	222,657	87,813	
(3) Transportation vehicles	4,013		5,697		5,697		
Accumulated depreciation	3,288	725	3,933	1,764	3,791	1,906	
(4) Tools, furniture, and fixtures	350,707		407,756		478,868		
Accumulated depreciation	173,772	176,935	229,268	178,487	245,092	233,776	
(5) Land		431,250		309,330		431,250	
(6) Construction in progress		2,500		–		–	
Total plant, property, and equipment		994,853		773,496		1,028,727	22.3
2. Intangible fixed assets							
(1) Computer software		36,220		28,421		30,449	
(2) Others		1,019		1,019		1,019	
Total intangible fixed assets		37,239		29,441		31,468	0.7
3. Investments and other assets							
(1) Investments in securities		18,659		22,746		19,948	
(2) Stock of affiliates		197,985		532,935		197,985	

Category	The previous 1st quarter of FY2005 (As of September 30, 2004)		The current 1st quarter of FY2006 (As of September 30, 2005)		The previous fiscal year (As of June 30, 2005)	
	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)
(3) Investments		20		10		10
(4) Investment in affiliates		107,520		107,520		107,520
(5) Others		55		1,200		1,774
Total investments and other assets		324,240		664,412		327,239
Total fixed assets		1,356,333		1,467,350		1,387,434
Total assets		4,578,898		4,522,711		4,604,517
(Liabilities)						
I Current liabilities						
1. Accounts payable		299,933		370,115		293,417
2. Short-term borrowings		–		–		100,000
3. Long-term debt due within one year		484,390		355,115		323,688
4. Accrued liability		139,015		55,354		90,803
5. Accrued expense		9,375		10,276		7,416
6. Accrued taxes including corporate taxes		572		3,422		14,290
7. Deposit		3,106		3,562		8,378
8. Allowance for bonuses		15,850		17,223		4,305
9. Others		351		331		331
Total current liabilities		952,595		815,401		842,630
II Long-term liabilities						
1. Bond		–		250,000		–
2. Long-term borrowings		647,097		622,857		619,034
3. Deferred tax liability		–		1,595		465
4. Others		–		1,144		1,718
Total long-term liabilities		647,097		875,598		621,219
Total liabilities		1,599,693		1,690,999		1,463,849
(Shareholders' equity)						
I Common stock		2,024,978		2,024,978		2,024,978
II Additional paid-in capital						
1. Capital reserve	2,491,267		2,491,267		2,491,267	
Total additional paid-in capital		2,491,267		2,491,267		2,491,267
III Retained earnings						
1. Unappropriated deficit for the current year	1,524,235		1,686,888		1,376,264	
Total retained earnings		(1,524,235)		(1,686,888)		(1,376,264)
IV Other unrealized holding gains/losses on marketable securities		(12,805)		2,354		686
Total shareholders' equity		2,979,205		2,831,711		3,140,667
Total liabilities and shareholders' equity		4,578,898		4,522,711		4,604,517

**(2) Statement of income for the first quarter of FY 2006 (Non-consolidated)**

Category	The previous 1 <sup>st</sup> quarter of FY2005 (From July 1, 2004 to September 30, 2004)			The current 1 <sup>st</sup> quarter of FY2006 (From July 1, 2005 to September 30, 2005)			The previous fiscal year (From July 1, 2004 to June 30, 2005)		
	Amount (Thousand yen)		Percentage (%)	Amount (Thousand yen)		Percentage (%)	Amount (Thousand yen)		Percentage (%)
I Net sales									
1. Sales of products	367,095			428,592			2,163,001		
2. Sales of merchandises	89,538			105,687			402,689		
3. Other operating income	100,000	556,633	100.0	–	534,280	100.0	295,915	2,861,606	100.0
II Cost of sales									
1. Costs of sales of products									
(1) Inventory at beginning of the year	291,596			476,314			291,596		
(2) Cost of products manufactures	397,655			254,060			1,555,609		
Total	689,252			730,375			1,847,205		
(3) Transfer of other accounts	–			2,374			122,995		
(4) Inventory at end of the year	469,704			463,711			476,314		
Costs of sales of product	219,547			264,288			1,247,895		
2. Costs of sales of merchandise									
(1) Inventory at beginning of the year	37,380			19,880			37,380		
(2) Amount of purchase	55,167			79,590			244,004		
Total	92,548			99,471			281,384		
(3) Transfer of other account	3,349			987			14,056		
(4) Inventory at end of the year	35,928			32,158			19,880		
Costs of sales of merchandise	53,271			66,325			247,447		
3. Costs of Other operating income	66,666	339,485	61.0	–	330,613	61.9	66,666	1,562,009	54.6
Gross profit on sales		217,148	39.0		203,666	38.1		1,299,596	45.4
III Selling, general and administrative expenses									
1. Advertising	5,405			8,186			29,258		
2. Packing & shipping	12,118			11,248			53,421		
3. Transfer to allowance for doubtful accounts	–			–			607		
4. Compensation to directors	24,633			24,084			100,241		
5. Salaries & allowance	37,887			39,518			143,540		
6. Bonus	–			–			20,091		
7. Transfer to bonus reserve	4,619			5,283			1,761		
8. Statutory welfare	6,252			6,973			25,736		
9. Rents	1,475			1,552			5,753		
10. Depreciation	15,336			17,514			63,774		
11. Travel	11,405			7,179			36,105		
12. Communication	1,707			1,857			6,832		
13. Commission	31,852			16,842			100,246		
14. Development costs	87,567			99,438			427,771		
15. Others	26,274	266,534	47.9	34,545	274,225	51.3	137,246	1,152,388	40.3
Operating income or (loss)		(49,386)	(8.9)		(70,558)	(13.2)		147,208	5.1

Category	The previous 1 <sup>st</sup> quarter of FY2005 (From July 1, 2004 to September 30, 2004)		The current 1 <sup>st</sup> quarter of FY2006 (From July 1, 2005 to September 30, 2005)			The previous fiscal year (From July 1, 2004 to June 30, 2005)		
	Amount (Thousand yen)		Percent age (%)	Amount (Thousand yen)		Perce ntage (%)	Amount (Thousand yen)	
IV Non-operating income								
1. Interest income	60			7			230	
2. Dividend income	8			–			25	
3. Exchange gains	12,047			8,421			–	
4. Other revenue	63	12,180	2.2	340	8,769	1.6	464	720
V Non-operating expenses								
1. Interest expenses	7,389			6,178			26,247	
2. Exchange losses	–			–			2,866	
3. Bond issue expense	–			4,750			–	
4. Others	90	7,480	1.3	–	10,928	2.0	335	29,449
Ordinary income or (loss)		(44,686)	(8.0)		(72,717)	(13.6)		118,479
VI Extraordinary income								
1. Gain on sale of plant, property, and equipment	–			–			966	
2. Reversal of bad debt	–	–	–	213	213	0.0	–	966
VII Extraordinary loss								
1. Loss on sale of plant, property, and equipment	115			–			115	
2. Loss on retirement of plant, property, and equipment	–			43			1,776	
3. Unrealized holding losses on marketable securities	–			–			12,668	
4. Asset-impairment loss	–	115	0.0	237,503	237,546	44.5	–	14,560
Current net income or (loss) before tax adjustments		(44,801)	(8.0)		(310,051)	(58.1)		104,886
Corporate, local, and enterprises taxes		572	0.1		572	0.1		2,290
Current net income or (loss)		(45,374)	(8.1)		(310,623)	(58.2)		102,596
Losses brought forward from previous term		1,478,860			1,376,264			1,478,860
Current unappropriated loss		1,524,235			1,686,888			1,376,264