June 2006 Term Interim Kessan Tanshin Financial Report (Consolidated)

February 10, 2006

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: February 10, 2006
Adoption of U.S. accounting standards: No

1. Consolidated results for the interim period ended December 2005

(From July 1, 2005 to December 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	%
Interim period ended December 2005	1,643	17.8	(41)	—	(42)	—
Interim period ended December 2004	1,395	51.8	(99)	—	(93)	—
Fiscal year ended June 2005	3,215		132		111	

	Interim (current) net income		Interim (current) net income per share	Interim (current) net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
Interim period ended December 2005	(301)	—	(7,231.84)	—
Interim period ended December 2004	(109)	—	(2,644.45)	—
Fiscal year ended June 2005	64		1,522.25	1,502.22

(Notes)

1. P/L through equity accounting:
   Interim period ended December 2005 ___million yen, interim period ended December 2004 ___million yen, fiscal year ended June 2005___million yen.
2. Average number of shares outstanding (consolidated)
   Interim period ended December 2005: 41,711 shares
   Interim period ended December 2004: 41,468 shares
   Fiscal year ended June 2005: 41,468 shares
3. Changes in accounting policies: None
4. The percentage indications under Sales, Operating income, Ordinary income, and Interim (current) net income, represent year-on-year changes

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
	Million yen	Million yen	%	Yen
Interim period ended December 2005	4,801	2,859	59.5	67,545.51
Interim period ended December 2004	4,493	2,939	65.4	70,895.42
Fiscal year ended June 2005	4,636	3,107	67.0	74,948.14

(Notes) Number of shares outstanding at end of the term (consolidated)
Interim period ended December 2005: 42,328 shares
Interim period ended December 2004: 41,468 shares
Fiscal year ended June 2005: 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
Interim period ended December 2005	29	119	445	1,415
Interim period ended December 2004	(97)	(68)	(156)	1,066
Fiscal year ended June 2005	(131)	(240)	(212)	796

(4) Scope of consolidation and application of equity accounting

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

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

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

2. Consolidated forecasts for fiscal year ending June 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
Full year	3,550	30	(270)

(Ref.) Estimated net loss per share for the current period under review: 6,378.76 yen

* The above forecast contains forward-looking statements based on information currently available. Consequently the Company's actual results may differ materially from the projected values due to various future factors.

1. 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 have entered into OEM contracts with such global companies as the ROCHE Group and the QIAGEN Group and our products have been supplied world-wide.

The following is a summary of our subsidiaries:

(Consolidated subsidiaries)

Name	Location	Capital or investment in subsidiary	Main line of business	Ratio of voting rights or investment ratio	Details of relationship
(Consolidated subsidiary) PSS Bio Instruments, Inc.	California, U.S.A.	US$6,579,537.95	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	Woerrstadt, 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 June 21, 2005, the Company underwrote the full amount of the capital increase through rights issue (closing date: September 22, 2005, paid-in amount: US$3,000,000) undertaken by PSS Bio Instruments, Inc., 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 previous premises are as follows:

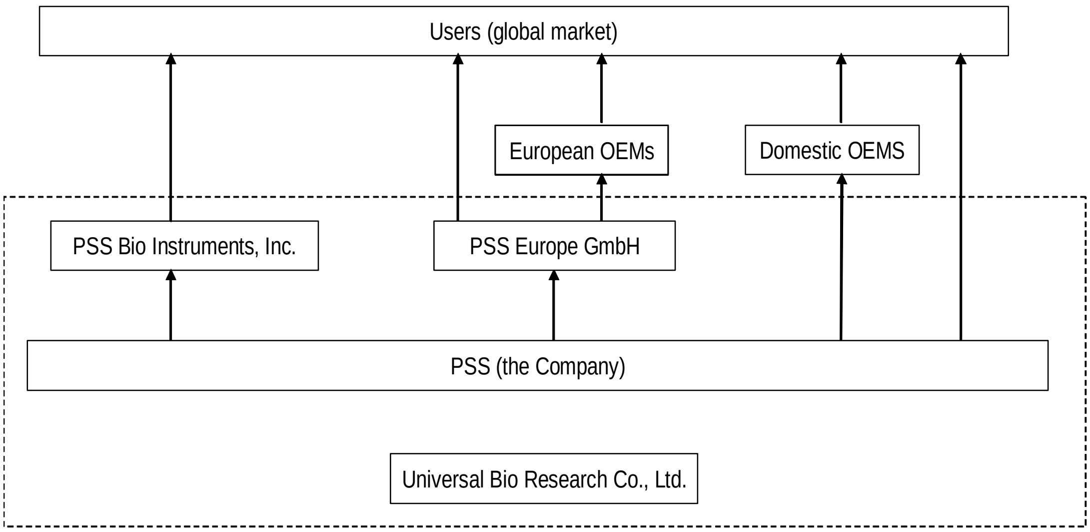
PSS Bio Instruments, Inc.	California, U.S.A.
Precision System Science Europe GmbH	Mainz, Germany

5. Sales from Precision System Science Europe GmbH account for more than 10% of all consolidated sales (Excluding intra-companysales)

Major profit/loss information	(1) Sales	1,133 million yen
	(2) Ordinary Income	61 million yen
	(3) Current Net Income	37 million yen
	(4) Net Assets	226 million yen
	(5) Total Assets	932 million yen

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.

Moreover beginning from the latest consolidated fiscal year, Precision System Science Europe GmbH has become the single sales contact for all European OEMs.

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 ROE, 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 intensifying 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 and 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 automated systems including the DNA auto-extractors

In order to establish the Company's product as the standard product in the field of DNA auto-extractor systems, 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) Intensifying of our research and development activities

In addition to increasing of 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 system, with the development of the Bio-Strand and the Fluorescent Bar Coded Beads to be used in the automation of the gene detection process.

In gene detection of the importance of each specific detective 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 systems 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)

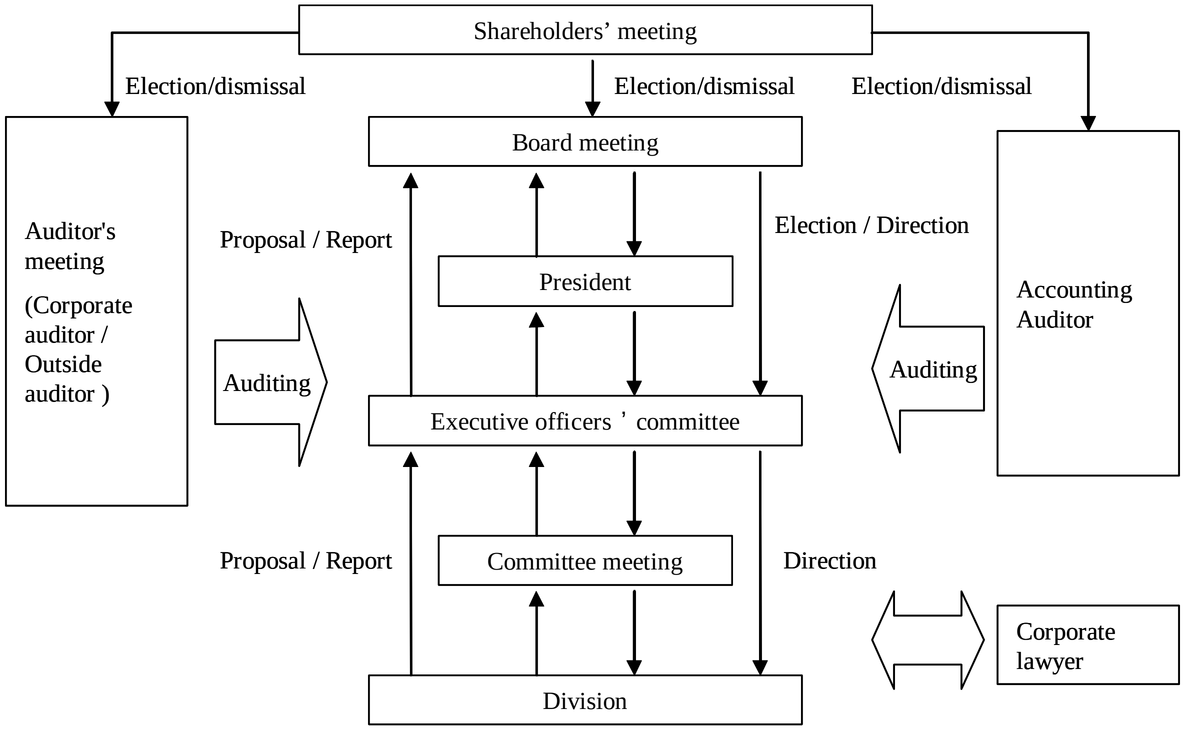
In light of the recent trend among the corporations to ascribe social significance to corporate governance, the Company maintains as its basic policy and purpose, the enforcement of corporate ethics and compliance and the promotion of enhanced internal controls, in addition to the improvement of corporate 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 interim period, 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 and the ISO 13485 (2003) 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, Kiyokazu Tashiro, Kazumi Okamoto

Assistants to the auditing duties: one certified public accountants, four 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) The Company's performance for the past year with respect to the improvement of corporate governance

During the current interim consolidated fiscal year, the Company addressed issues of corporate strategy and other significant tasks involving the Group as a whole, through the 10 Board 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.

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 (four meetings held), IR events (two events held) and information delivery using 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

	The previous interim consolidated fiscal year ended December 31 2004		The current interim consolidated fiscal year ended December 31 2005		Year-on-year changes	(Cf.) Previous consolidated fiscal year ended June 2005 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Sales	1,395	100.0	1,643	100.0	17.8	3,215	100.0
Gross profit on sales	551	39.5	654	39.8	18.8	1,509	46.9
Operating income or (loss)	(99)	(7.1)	(41)	(2.5)	—	132	4.1
Ordinary income or (loss)	(93)	(6.7)	(42)	(2.6)	—	111	3.5
Interim net (loss) or current net income	(109)	(7.9)	(301)	(18.4)	—	64	2.0

Reflecting the need to secure initial inventory necessitated by the commencement of overseas sales, PATHFAST, the compact immunochemical luminescence measuring system, recorded a major increase in sales through our OEM, Mitsubishi Kagaku Iatron; brisk sales was recorded for the systems including the DNA auto-extractors to one of our leading OEMs, the ROCHE Group; plastic consumables manufactured and sold by our German subsidiary to our OEMs also recorded significant sales. As a result of the above factors, the Company, for the latest interim consolidated fiscal year, recorded significant increases in revenue to post consolidated sales of 1,643 million yen (17.8% increase compared to the same period of the previous year). This was accompanied by a major increase in earnings for the Company to post a gross profit on sales of 654 million yen (18.8% increase compared to the same period of the previous year).

Selling, general, and administrative expenses, on the other hand, rose to 696 million yen (7.1% increase compared to the same period of the previous year), due to increases in expenses accompanying personnel increases and facility expansion in its overseas subsidiaries. Yet, despite the Company recording an operating loss of 41 million yen, the deficit was reduced by 57 million yen compared to the same period of the previous year. Moreover development expenses decreased slightly to 186 million yen (2.3% decrease compared to the same period of the previous year).

As far as non-operating profit/loss is concerned, the 18 million yen non-operating profit earned through interest income and exchange gains was offset against the 19 million non-operating expenses spent on interest payments and bond issues, to ultimately record an ordinary loss of 42 million yen. However this constitutes a deficit decrease of 51 million yen compared to the same period of the previous year.

Moreover an extraordinary loss of 237 million yen was recorded as a result of the adoption of impairment accounting, which began from the current consolidated fiscal year. Impairment accounting was applied to the former research laboratory and its facilities in Matsudo-shi, which were acquired in August 1990. The lab, which was used until March 2001, was closed to coincide with the move of the headquarters and became an idle asset. In October 2005, the lab was sold and gains from the sales of plant, property, and equipment, to the amount of 3 million yen was recorded. Consequently, impairment losses will not be incurred on said assets in the future. Furthermore, as a result of posting 25 million yen as an adjustment amount for taxes including income taxes, the Company recorded an interim net loss of 301 million yen (191 million yen increase compared to the same period of the previous year).

Net sales according to customer are as follows:

(Unit: Thousand yen, units)

	The previous interim consolidated fiscal year ended December 31 2004		The current interim consolidated fiscal year ended December 31 2005		Year-on-year changes	(Cf.) Previous consolidated fiscal year ended June 2005 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
ROCHE Group	568	40.7	800	48.7	40.9	1,456	45.3
QIAGEN Group	431	30.9	405	24.7	(6.0)	1,069	33.2
Mitsubishi Kagaku Iatron, Inc.	127	9.2	303	18.4	137.1	218	6.8
Others	268	19.2	134	8.2	(49.8)	471	14.7
Total	1,395	100.0	1,643	100.0	17.8	3,215	100.0

The Company's main products, namely the systems including the DNA auto-extractors (also including the immunochemical luminescence measuring systems), are sold worldwide through its OEMs. The Company recognizes the ROCHE Group, the QIAGEN Group, and Mitsubishi Kagaku Iatron, Inc. as its three leading OEMs. The plastic consumables used exclusively in the operation of these systems are also being distributed through the Company's OEMs.

The ROCHE Group, through the sales of the systems including the DNA auto-extractors and the plastic consumables, produced sales results far exceeding that of the same period of the previous year, to record sales of 800 million yen (40.9% increase compared to the same period of the previous year).

The QIAGEN Group, despite its sales for the interim consolidated fiscal year falling short of sales from the same period of the previous year to 405 million yen (6.0 % decrease compared to the same period of the previous year), anticipates that, owing to favorable turns in the orders currently being received, sales for the entire year will recover to levels comparable to the previous year.

From the perspective of securing initial inventory in order to cope with the commencement of overseas sales of the compact immunochemical luminescence measuring systems, massive shipments were made to Mitsubishi Kagaku Iatron, Inc., which, in turn, contributed to their sales of 303 million yen (137.1% increase compared to same period of the previous year).

As for transactions with our other business partners, an income of 100 million yen was recorded in the previous interim consolidated fiscal year, as remuneration for the granting of exclusive sales rights in the Asian region (excluding Japan) to a South Korean corporation for the fully automatic protein synthesis system. However, lacking such a source of income in the current interim consolidated fiscal year, combined with the decrease in the orders received for specially commissioned systems by independent administrative agencies, such as universities and research institutions, sales decreased to 134 million yen (49.8% decrease compared to the same period of the previous year).

The sales conditions of each product category are as follows:

	The previous interim consolidated fiscal year ended December 31 2004		The current interim consolidated fiscal year ended December 31 2005		Year-on-year changes	(Cf.) Previous consolidated fiscal year ended June 2005 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Systems including DNA auto-extractors	790	56.6	1,030	62.7	30.4	1,928	60.0
Other laboratory equipment	75	5.4	36	2.2	(51.5)	81	2.5
Other products	93	6.7	138	8.4	47.6	221	6.9
Merchandise (plastic consumables)	336	24.1	438	26.7	30.4	679	21.1
Other operating income	100	7.2	–	–	–	304	9.5
Total	1,395	100.0	1,643	100.0	17.8	3,215	100.0

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 current interim consolidated fiscal year, smooth shipments to our OEMs, the ROCHE Group and Mitsubishi Kagaku Iatron, Inc., resulted in 548 units solid and sales of 1,030 million yen (30.4% increase compared to the same period of the previous year).

The interim sales results are indicated in the following table. Sales to the Company’s main OEMs, the ROCHE Group and the QIAGEN Group, usually have the tendency to concentrate in the latter, rather than the earlier, half of the year. The fluctuations in unit price reflect the variation in the unit prices of each system, which ranges in price from one million yen per unit to over 30 million yen per unit. Moreover, as more inexpensive products, such as the compact-type DNA auto-extractors and the compact immunochemical luminescence measuring systems, make up for greater portions of sales, the unit prices also tend to drop.

(Unit: Thousand yen, units)

	The consolidated fiscal year ended June 2004		The consolidated fiscal year ended June 2005		The current interim consolidated fiscal year ended December 31 2005
	First half	Second half	First half	Second half	
Units sold	190	458	382	519	548
Amount	478,894	1,244,228	790,088	1,138,635	1,030,185
Unit price	2,520	2,717	2,068	2,194	1,880

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 interim consolidated fiscal year, the Company posted sales of 36 million yen (51.5% decrease compared to the same period of the previous year). Sales in this category tend to be significantly impacted by the number of orders received for specially commissioned systems. Since the Company has left an order backlog of 69 million yen, at the current consolidated fiscal year end, sales in this category for the entire fiscal year is expected to exceed sales of the previous year.

3) Other products

This category includes sales generated from spare parts (replacement) and maintenance of equipment, pre-packaged reagents for the extraction and purification of nucleic acid used in the Company's DNA auto-extractors, and software development.

During the current interim consolidated fiscal year, sales in this category amounted to 138 million yen (47.6% 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 systems sold, steady growth in the sales of this category is expected.

4) Merchandise (plastic consumables)

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

The current interim consolidated fiscal year witnessed a promising increase in earnings to record sales of 438 million yen (30.4% increase compared to the same period of the previous year). Since the sales derived from plastic consumables tend to increase in direct proportion to the cumulative number of systems sold, steady growth in the sales of this category is expected in the future.

5) Other operating income

During the current interim consolidated fiscal year, there were no sources of income, similar to the aforementioned income generated from the granting of the exclusive sales rights of the previous interim consolidated fiscal year.

(2) Financial conditions

1) State of assets, liabilities, and shareholders' equity

a. Summary

At the current interim consolidated fiscal year end, assets amounted to 4,801 million yen (308 million yen increase compared to the same period of the previous year), liabilities amounted to 1,942 million yen (389 million yen increase compared to the same period of the previous year), and shareholder's equity totaled 2,859 million yen (80 million yen decrease compared to the same period of the previous year).

b. Current assets

At the current interim consolidated fiscal year end, current assets amounted to 3,886 million yen (476 million yen increase compared to the same period of the previous year). This increase is attributable mainly to the 293 million yen increase in cash and deposits and the 193 million yen increase in notes receivable and accounts receivable-trade.

c. Fixed assets

At the current interim consolidated fiscal year end, plant, property, and equipment amounted to 915 million yen (167 million yen decrease compared to the same period of the previous year). This decrease is attributable mainly to the impairment loss declared on the former headquarters building and the adjoining facilities, which were classified as idle assets, as a result of the adoption of impairment accounting from the current consolidated fiscal year.

d. Current liabilities

At the current interim consolidated fiscal year end, current liabilities amounted to 802 million yen (167 million yen decrease compared to the same period of the previous year). This decrease is attributable mainly to the 100 million yen repayment of short-term debt and the 77 million yen decrease in long-term debt due within one year.

e. Long-term liabilities

At the current interim consolidated fiscal year end, long-term liabilities amounted to 1,140 million yen (556 million yen increase compared to the same period of the previous year). This increase is attributable to that fact that as a result of raising funds for the purpose of solidifying the financial foundations of the Company, bonds increased by 350 million yen (none in the previous year), while long-term borrowings increased by 203 million yen.

f. Shareholders' equity

Shareholders' equity at the current interim consolidated fiscal year end amounted to 2,859 million yen (80 million yen decrease compared to the same period of the previous). This decrease is attributable to the 127 million yen decrease in retained earnings and the 24 million yen increase in exchange adjustments.

2) Cash Flow

Cash flow for the current interim consolidated fiscal year is as follows:

Cash flow from operating activities: Despite the Company reporting a net loss before adjustments including taxes of 276 million yen (the net loss before adjustments including taxes for the same period of the previous year was 108 million yen), most of the losses recorded had only minimal effects on the cash flow, such as the 237 million yen valuation loss as a result of impairment accounting of fixed assets (none occurred in the previous year) and the 77 million yen depreciation expenses (86 million yen during the same period of the previous year). When taken into account with the other increases/decreases, cash flow from operating activities, on the whole, improved significantly from the same period of the previous year to provide 29 million yen, a vast improvement from the 97 million yen used in operating activities during the previous year.

Cash flow from investment activities: Investment activities provided cash in the form of 117 million yen in proceeds (3 million yen expenses for the same period of the previous year) acquired from the difference between withdrawing cash from time deposits and the expenses for time deposits, as well as, the 43 million yen proceeds (none occurred in the previous year) from sales of plant, property, and equipment, including the former lab, while 39 million yen (54 million yen was spent for the same period of the previous year) was spent on the acquisition of plant, property, and equipment as capital expenditure. As a result of these activities, cash flow provided by investment activities amounted to 119 million yen (68 million yen was spent for the same period of the previous year).

Cash flow from financing activities: Financing activities provided 343 million yen through a private placement bond underwritten by a bank (not undertaken in the previous year) and 850 million yen through long-term borrowings (100 million yen was provided in the previous year), while 100 million yen in expenses were incurred due to the decrease in short-term borrowings (none in the previous year) and 668 million yen was spent for the repayment of long-term borrowings (256 million yen was spent in the previous year). However, the repayment of long-term borrowings also includes refinancing to lower interest rates (prepayment before due). As a result of these activities, cash flow provided by financing activities amounted to 445 million yen (156 million yen was spent in the previous year).

The 20 million yen proceeds from capital increases resulted from the exercise of subscription rights on the stock options and incentive warrants previously issued by the Company.

After adding the translation difference of 25 million to the above (12 million yen translation difference was added in the previous year), cash and cash equivalents increased by 619 million yen (309 million yen decrease in the previous year) to total 1,415 million yen (1,066 million yen in the previous year) for the current interim consolidated fiscal year.

3) Consolidated the fiscal year forecast

As of the current interim consolidated fiscal year end, the order backlog of systems including DNA auto-extractors totaled 757 million yen (18.1% increase compared to the same period of the previous year), the shipment of which are expected to be completed in the next three to four months. With added sales of plastic consumables, the Company anticipates promising sales for the third quarter.

Comparison of the results from the current interim consolidated fiscal year with initial projections indicate that despite the fluctuations in sales by customer, overall sales are well within the scope of the forecast. Moreover expenses, including selling, general, and administrative expenses are generally on course as planned. Therefore, as indicated below, there will be no revisions to the projected forecast for the fiscal year announced at the time of closing of accounts on August 12, 2005.

Outlook for the fiscal year ending June 30, 2006

The fiscal year ending June 30 2006	Net sales	Ordinary income	Net income or (loss)
	Million yen	Million yen	Million yen
Consolidated business forecasts	3,550	30	(270)
Non-consolidated business forecasts	2,930	10	(230)

(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 interim consolidated fiscal year (December 31, 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 62.7% (the current interim consolidated fiscal year) 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. With the same reason, the past performance alone will not be sufficient as decision-making parameters to determine 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 91.8% of the total (the current interim consolidated fiscal year). 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 (end of the current interim consolidated fiscal year) as OEMs. 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) Currency exchange risks

The Group posted overseas sales of 1,165,874 thousand yen, which corresponds to 70.9% of its total sales (the current interim consolidated fiscal year). 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 contract sales 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 equally between the two companies and added to /subtracted from the contract sales 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 equipment. 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 203 patents worldwide, including those for our Magtration Technology, related technologies and other technologies, of which the Group has already acquired 56 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. Consolidated interim financial statements

(1) Consolidated interim financial statements

1) Consolidated interim balance sheet

	End of the previous interim consolidated fiscal year (December 31, 2004)			End of the currents interim consolidated fiscal year (December 31, 2005)			(Cf.) The end of the previous consolidated fiscal year (June 30, 2005)		
Category	Amount (Thousand yen)		(%)	Amount (Thousand yen)		(%)	Amount (Thousand yen)		(%)
(Assets)									
I Current assets									
1. Cash and deposits		2,230,283			2,523,770			2,012,719	
2. Notes and accounts receivable		509,521			702,777			698,218	
3. Inventories		616,694			603,921			608,364	
4. Others		53,874			56,044			98,817	
Allowance for bad debt		(445)			(402)			(354)	
Total current assets		3,409,929	75.9		3,886,110	80.9		3,417,767	73.7
II Fixed assets									
1. Plant, property, and equipment									
(1) Buildings and structures	275,847			291,717			335,039		
(2) Machinery/ equipment and transportation vehicles	156,994			90,994			137,198		
(3) Tools, furniture, and fixtures	164,851			185,666			239,377		
(4) Land	431,250			293,663			450,622		
Total plant, property, and equipment		1,028,943			862,041			1,162,237	
2. Intangible fixed assets		35,360			28,130			31,789	
3. Investments and other assets		18,775			25,489			24,264	
Total fixed assets		1,083,080	24.1		915,661	19.1		1,218,292	26.3
Total assets		4,493,009	100.0		4,801,772	100.0		4,636,059	100.0

Category	End of the previous interim consolidated fiscal year (December 31, 2004) Amount (Thousand yen)		(%)	End of the current interim consolidated fiscal year (December 31, 2005) Amount (Thousand yen)		(%)	(Cf.) The end of the previous consolidated fiscal year (June 30, 2005) Amount (Thousand yen)		(%)
(Liabilities)									
I Current liabilities									
1. Accounts payable		327,292			283,176			317,362	
2. Short-term borrowings		100,000			–			100,000	
3. Long-term debt due within one year		415,524			337,852			323,688	
4. Accrued taxes including corporate taxes		6,484			–			–	
5. Allowance for bonuses		4,265			4,585			9,124	
6. Others		116,319			177,031			156,715	
Total current liabilities		969,886	21.6		802,646	16.7		906,890	19.6
II Long-term liabilities									
1. Bonds		–			350,000			–	
2. Long-term borrowings		583,030			786,249			619,034	
3. Others		201			3,810			2,184	
Total long-term liabilities		583,231	13.0		1,140,059	23.8		621,219	13.4
Total liabilities		1,553,118	34.6		1,942,705	40.5		1,528,109	33.0

Category	End of the previous interim consolidated fiscal year (December 31, 2004) Amount (Thousand yen)	(%)	End of the current interim consolidated fiscal year (December 31, 2005) Amount (Thousand yen)	(%)	(Cf.) The end of the previous consolidated fiscal year (June 30, 2005) Amount (Thousand yen)	(%)
(Shareholders' equity)						
I Common stock	2,024,978	45.0	2,035,378	42.4	2,024,978	43.7
II Capital surplus	2,491,267	55.4	2,501,826	52.1	2,491,267	53.7
III Retained earnings	(1,588,234)	(35.3)	(1,715,853)	(35.7)	(1,414,205)	(30.5)
IV Other unrealized holding gains/losses on marketable securities	296	0.0	1,862	0.0	686	0.0
V Exchange adjustments	11,583	0.3	35,851	0.7	5,222	0.1
Total shareholders' equity	2,939,891	65.4	2,859,066	59.5	3,107,949	67.0
Total liabilities and shareholders' equity	4,493,009	100.0	4,801,772	100.0	4,636,059	100.0

2) Consolidated interim statement of income

	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004)			The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005)			(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005)		
Category	Amount (Thousand yen)		(%)	Amount (Thousand yen)		(%)	Amount (Thousand yen)		(%)
I Net sales		1,395,591	100.0		1,643,658	100.0		3,215,600	100.0
II Cost of sales		844,556	60.5		989,165	60.2		1,706,305	53.1
Gross profit on sales		551,034	39.5		654,492	39.8		1,509,295	46.9
III Selling, general and administrative expenses									
1. Advertising and general publicity expenses	19,405			–			–		
2. Freight	27,307			–			–		
3. Directors' remunerations	51,234			–			–		
4. Salary	120,896			–			–		
5. Transfer of allowances for bonuses	1,844			–			–		
6. Legal welfare	17,938			–			–		
7. Rent	3,396			–			–		
8. Depreciation	43,823			–			–		
9. Travel expenses	24,709			–			–		
10. Communications expenses	4,434			–			–		
11. Commission paid	58,130			–			–		
12. Development expenses	190,427			–			–		
13. Transfer of allowance for bad debt	336			–			–		
14. Others	86,340	650,227	46.6	–	696,127	42.3	–	1,376,429	42.8
Operating income or (loss)		(99,192)	(7.1)		(41,634)	(2.5)		132,865	4.1

Category	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004) Amount (Thousand yen)		(%)	The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005) Amount (Thousand yen)		(%)	(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005) Amount (Thousand yen)		(%)
IV Non-operating income									
1. Interest income	1,458			4,279			4,178		
2. Dividend income	8			10			25		
3. Exchange gains	15,168			11,048			—		
4. Others	3,206	19,841	1.4	3,007	18,345	1.1	5,186	9,390	0.3
V Non-operating expenses									
1. Interest expenses	13,846			12,213			26,247		
2. Exchange losses	—			—			4,036		
3. New stock issue expenses	—			457			—		
4. Bonds issue expenses	—			6,450			—		
5. Others	290	14,136	1.0	12	19,134	1.2	335	30,619	0.9
Ordinary income or (loss)		(93,487)	(6.7)		(42,422)	(2.6)		111,636	3.5
VI Extraordinary income									
1. Gain on sale of fixes assets	—	—		3,964	3,964	0.2	966	966	0.0
VII Extraordinary loss									
1. Loss on sale of fixed assets	115			—			115		
2. Loss on retirement of fixes assets	—			85			1,776		
3. Unrealized holding losses on marketable securities	14,826			—			12,668		
4. Impairment loss	—	14,941	1.1	237,503	237,588	14.4	—	14,560	0.5
Interim net (loss) or current net income before tax adjustments		(108,429)	(7.8)		(276,047)	(16.8)		98,043	3.0
Corporate, local, and enterprises taxes	1,231	1,231	0.1	25,600	25,600	1.6	33,674	33,674	1.0
Interim net (loss) or current net income		(109,660)	(7.9)		(301,647)	(18.4)		64,368	2.0

3) Consolidated interim statement of retained earnings

Category	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004) Amount (Thousand yen)		The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005) Amount (Thousand yen)		(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005) Amount (Thousand yen)	
(Capital surplus)						
I Capital surplus at the beginning of the term		2,491,267		2,491,267		2,491,267
II Increase in capital surplus						
1. Increase in capital through issue of new shares	—	—	10,558	10,558	—	—
III Capital surplus at the end of the interim/current fiscal year		2,491,267		2,501,826		2,491,267
(Retained earnings)						
I Retained earnings at the beginning of the term		(1,478,574)		(1,414,205)		(1,478,574)
II Increase in retained earnings						
1. Current net income	–	–	–	–	64,368	64,368
III Decrease in retained earnings						
1. Interim net loss	109,660	109,660	301,647	301,647	–	–
IV Retained earnings at the end of the interim/current fiscal year		(1,588,234)		(1,715,853)		(1,414,205)

4) Consolidated interim statement of cash flow

	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004)	The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005)	(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005)
Category	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
I Cash flow from operating activities			
Interim net (loss) or current income before adjustments including taxes	(108,429)	(276,047)	98,043
Depreciation and amortization	86,090	77,725	180,870
Impairment loss	–	237,503	–
Increase or (decrease) of allowances	(670)	(4,490)	4,094
Interest and dividend income	(1,466)	(4,289)	(4,204)
Interest paid	13,846	12,213	26,247
New stock issue expenses	–	457	–
Bonds issue expenses	–	6,450	–
Gains on sale of fixed assets	–	(3,964)	(966)
Loss on sale of fixed assets	115	–	115
Loss on retirement of fixed assets	-	85	1,776
Unrealized holding losses on marketable securities	14,826	–	12,668
Decrease in accounts receivable – trade	215,773	10,925	19,365
(Increase) or decrease in inventories	(185,079)	5,250	(176,301)
Decrease in other current assets	25,072	–	–
Decrease in accounts payable – trade	(121,673)	(59,095)	(119,765)
Decrease in accounts payable – others	(20,872)	–	–
Decrease in other current liabilities	(945)	–	–
Others	–	60,224	(123,850)

Category	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004) Amount (Thousand yen)	The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005) Amount (Thousand yen)	(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005) Amount (Thousand yen)
Sub total	(83,412)	62,949	(81,907)
Amount of interest and dividend income	1,442	4,025	4,177
Amount of interest paid	(13,207)	(10,481)	(25,935)
Amount of taxes paid including corporation tax	(2,376)	(27,095)	(27,498)
Net cash provided by operating activities	(97,553)	29,397	(131,164)
II Cash flow from investment activities			
Net increase/decrease in time deposits	(3,000)	117,677	(56,000)
Income from sale of tangible fixed assets	25	43,497	2,576
Expenditure for acquisition of tangible fixed assets	(54,887)	(39,955)	(170,247)
Expenditure for acquisition of intangible fixed assets	(10,400)	(1,793)	(16,050)
Others	–	279	(961)
Net cash provided by investing activities	(68,262)	119,705	(240,683)
III Cash flow from financing activities			
Net increase/decrease in short-term borrowings	–	(100,000)	–
Income from long-term borrowings	100,000	850,000	320,000
Expenditure for repayment of long-term borrowings	(256,578)	(668,621)	(532,410)
Income from bond issues	–	343,550	–
Income from stock issues	–	20,342	–
Net cash provided by financing activities	(156,578)	445,270	(212,410)

	The previous interim consolidated fiscal year (From July 1, 2004 to December 31, 2004)	The current interim consolidated fiscal year (From July 1, 2005 to December 31, 2005)	(Cf.) The previous consolidated fiscal year (From July 1, 2004 to June 30, 2005)
Category	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
IV Effects of exchange rates on cash and cash equivalents	12,701	25,117	4,002
V Increase in cash and cash equivalents	(309,692)	619,490	(580,256)
VI Cash and cash equivalents at the beginning of the period	1,376,476	796,219	1,376,476
VII Cash and cash equivalents at the end of the interim /current fiscal year	1,066,783	1,415,710	796,219