CONSOLIDATED BUSINESS RESULTS FOR THE THIRD QUARTER ENDED MARCH 31, 2006

May 12, 2006

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)
Representative: Hideji Tajima, President
Address all enquiries to: Jun Akimoto, Director and General Manager,
Finance and Administration Division
Telephone: (047) 303-4800

1. Bases of the preparation of consolidated quarterly financial results

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

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

(3) Involvement from certificed public accountants or auditors : No

2. Consolidated Business results for the third quarter ended March 2006
(From July 1, 2005 to March 31, 2006)

(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	%
3rd quarter of FY2006	2,538	19.6	(46)	–	(45)	–
3rd quarter of FY2005	2,123	44.1	(79)	–	(81)	–
Fiscal year ended June 2005	3,215	28.3	132	–	111	–

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
3rd quarter of FY2006	(322)	–	(7,675.02)	–
3rd quarter of FY2005	(95)	–	(2,292.97)	–
Fiscal year ended June 2005	64	–	1,552.25	1,502.22

(Notes)

1. Equity in earnings of companies accounted for using the equity method:
   3rd quarter of FY2006: ___million yen. 3rdquarter of FY2005: ___million yen. Fiscal year ended June 2005 ___million yen.
2. Average number of shares outstanding (consolidated)
   3rd quarter of FY2006: 42,038 shares
   3rd quarter of FY2005: 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 net income, represent year-over-year basis changes.
5. Because negative operating income, ordinary income and net income were recorded for the third quarter of FY2006 and the third quarter of FY2005, year-over-year changes are not shown for these categories.
6. Net income per share on a fully diluted basis for the third quarter of FY2006 and the third 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.
7. The numbers given for the third quarter of FY2006 and the third quarter of FY2005 are not audited.

[Qualitative information regarding consolidated business results]

	3rd quarter of FY2005 (Same period of previous year)		3rd quarter of FY2006 (Current period)		Year-over-year basis changes	(Cf.) Fiscal year ended June 2005 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Sales	2,123	100.0	2,538	100.0	19.6	3,215	100.0
Gross profit on sales	896	42.2	1,026	40.4	14.5	1,509	46.9
Operating income	(79)	(3.7)	(46)	(1.8)	–	132	4.1
Ordinary income	(81)	(3.8)	(45)	(1.8)	–	111	3.5
Net income	(95)	(4.5)	(322)	(12.7)	–	64	2.0

During the current third quarter of FY2006, brisk sales was recorded for the systems including the DNA auto-extractors to one of our leading OEMs, the ROCHE Group; PATHFAST, the compact immunochemical luminescence measuring system, recorded a major increase in sales through our OEM, Mitsubishi Kagaku Iatron; 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 2,538 million yen (a 19.6% 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 1,026 million yen (a 14.5% increase compared to the same period of the previous year).

Selling, general, and administrative expenses, on the other hand, rose to 1,073 million yen (a 10.0% 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 46 million yen, the deficit was reduced by 32 million yen compared to the same period of the previous year. Development expenses increased to 290 million yen (a 2.1% increase compared to the same period of the previous year).

As far as non-operating profit/loss is concerned, the 26 million yen non-operating profit earned through interest income and exchange gains was offset against the 25 million non-operating expenses spent on interest payments and bond issues, to ultimately record an ordinary loss of 45 million yen. However, this constitutes a deficit decrease of 36 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 asset-impairment accounting, which began from the current consolidated fiscal year. Asset-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 43 million yen as an adjustment amount for taxes including income taxes, the Company recorded a net loss of 322 million yen (227 million yen increase compared to the same period of the previous year).

Net sales by customers are as follows:

	3rd quarter of FY2005 (Same period of previous year)		3rd quarter of FY2006 (Current period)		Year-over-year basis changes	(Cf.) Fiscal year ended June 2005 (Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
ROCHE Group	837	39.4	1,306	51.5	56.1	1,456	45.3
QIAGEN Group	787	37.1	678	26.7	(13.8)	1,069	33.2
Mitsubishi Kagaku Iatron, Inc.	141	6.7	352	13.9	148.0	218	6.8
Others	357	16.8	201	7.9	(43.6)	471	14.7
Total	2,123	100.0	2,538	100.0	19.6	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.

With the ROCHE Group, through the sales of the systems including the DNA auto-extractors and the plastic consumables, the Company produced sales results far exceeding that of the same period of the previous year, recording sales of 1,306 million yen (a 56.1% increase compared to the same period of the previous year).

With the QIAGEN Group, sales of 678 million yen (a 13.8 % decrease compared to the same period of the previous year) was recorded for the current third quarter of FY2006. The Company had recorded a significant increase in sales of 111.7% for FY2005 (compared to the sales for FY2004). Although, in the current third quarter, there is a steady flow of orders of the systems and consumables, the Company anticipates a slight decrease in sales for the full year compared to that in the previous year.

With the overseas sales of the compact immunochemical luminescence measuring systems through Mitsubishi Kagaku Iatron, Inc. which started in April of the previous year, the Company expects to gain year-round sales of 352 million yen (a 148.0% increase compared to same period of the previous year) which far exceeds the sales of the same period of the previous year.

As for transactions with our other business partners, an income of 100 million yen was recorded in the same period of the previous 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 3rd quarter, 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 201 million yen (43.6% decrease compared to the same period of the previous year).

The sales conditions of each product category are as follows:

	3rd quarter of FY2005 (Same period of previous year)		3rd quarter of FY2006 (Current period)		Year-over-year basis changes	(Cf.) Fiscal year ended June 2005(Full year)	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
	Million yen	%	Million yen	%	%	Million yen	%
Systems including DNA auto-extractors	1,309	61.7	1,588	62.6	21.3	1,928	60.0
Other laboratory equipment	75	3.6	38	1.5	(48.6)	81	2.5
Other products	155	7.3	206	8.2	33.3	221	6.9
Plastic consumables	482	22.7	704	27.7	45.8	679	21.1
Other operating income	100	4.7	–	–	–	304	9.5
Total	2,123	100.0	2,538	100.0	19.6	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 immunochemical luminescence measuring systems. 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 third quarter, brisk sales were recorded through the ROCHE Group, the Company's leading OEM, and Mitsubishi Kagaku Iatron, Inc., with 823 units sold and sales of 1,588 million yen (a 21.3% increase compared to the same period of the previous year).

The quarterly results are as follows. The unit price variation for each system (starting at one million yen to over 10 million yen) is reflected in the fluctuations in the unit price in the table below. 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)

	FY2004		FY2005				FY2006(current period)		
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Units sold	161	297	150	232	232	287	189	359	275
Total amount	373,304	870,924	323,644	466,443	519,854	618,781	376,358	653,827	558,781
Unit price	2,318	2,932	2,157	2,010	2,240	2,156	1,991	1,821	2,031

2) Other laboratory equipment

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

During the current third quarter, the Company posted sales of 38 million yen (a 48.6% decrease compared to the same period of the previous year) for this category. Sales in this category tend to be greatly impacted by the number of orders received for specially commissioned developmental projects. For the current fourth quarter, the Company anticipates the sales for specially commissioned developmental projects such as systems including preprocessing systems for protein analyses and systems for sample handling, dispensing and delivering, and forecasts the sales for the full year to exceed that of the previous year.

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 third quarter, sales from this category amounted to 206 million yen (a 33.3% 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, a steady growth in the sales of this category is expected.

4) Plastic consumables

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

The current period witnessed an increase in earnings to post sales of 704 million yen (a 45.8% increase compared to the same period of the previous year). Especially, the consumables sold for the European OEMs through the German subsidiary, posted brisk sales. Since sales derived from plastic consumables tend to increase in direct proportion to the cumulative number of systems sold, we may expect a steady growth in this market in the future.

5) Other operating income

During the current third quarter, there were no sources of income, such as the aforementioned income generated from the granting of the exclusive sales rights for the same period as the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
	Million yen %	Million yen %	%	Yen
3rd quarter of FY2006	4,888	2,860	58.5	66,844.98
3rd quarter of FY2005	4,653	2,953	63.5	71,221.37
Fiscal year ended June 2005	4,636	3,107	67.0	74,948.14

(Notes) Number of shares outstanding at the end of the term (consolidated)
3rd quarter of FY2006: 42,800 shares
3rd quarter of FY2005: 41,468 shares
Fiscal year ended June 2005: 41,468 shares

[Qualitative information regarding consolidated financial position]

Total assets as of the end of the current third quarter increased by 252 million yen compared to the end of the previous consolidated fiscal year to total 4,888 million yen.

Under current assets, cash and deposits increased by 222 million yen, notes and accounts receivable increased by 177 million yen, and inventory increased by 147 million yen, consequently, total current assets decreased by 555 million yen to total 3,973 million yen. Owing to factors such as the adoption of asset-impairment accounting and depreciation accounting, total fixed assets decreased by 303 million yen to amount to 915 million yen.

Under current liabilities, accounts payable increased by 145 million yen, short term borrowings decreased by 100 million yen. As a result, total current liabilities increased by 62 million yen to total 969 million yen. Long-term liabilities increased by 436 million yen to total 1,057 million yen due to factors such as the private placement bond issue underwritten by Bank and long-term borrowings.

With a decrease of 322 million yen as a result of the losses recorded for the current third quarter, an increase of 32 million yen in common stocks and additional paid-in cash obtained by exercising stock options, and an increase of 41 million yen in exchange interest adjustment, total shareholders' equity decreased by 246 million yen to total 2,860 million yen. Consequently the equity ratio for the current period came to 58.5%, which was somewhat lower than the 67.0% at the end of the previous consolidated fiscal year, but the scope of its fluctuation is still considered negligible.

3. Consolidated forecasts for fiscal year ending June 2006 (from July 1, 2005 to June 30, 2006)

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Full year ending June 2006	3,550	30	(270)	(6,308.41)

* 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.

[Qualitative information regarding consolidated forecasts]

At the end of the current third quarter, the order backlog of systems including DNA auto-extractors, including those from Mitsubishi Kagaku Iatron, Inc., amounted to 604 million yen (a 2.9% increase compared to the same period of the previous year), the shipments of which are expected to be made in the next three to four months. In the area of other laboratory equipments, sales of 150-175 million yen is anticipated for specially commissioned projects such as systems including preprocessing systems for protein analyses and systems for sample handling, dispensing and delivering. With the addition of sales from plastic consumables, spare parts and maintenance, which is expected to amount to around 300 million yen, the Company anticipates increases in the fourth quarter sales.

When comparing the actual results of the current third quarter and the initial projections for the quarter, despite the ups and downs in the sales for each customer, the overall sales are shifting within the projected range. The actual and projected figures for each quarter of the current consolidated financial year are shown in the table below. As regards the forecasts of the fourth quarter, it is believed possible to secure profitability that exceeds that of the third quarter, based on the recent strong Euro, weak Yen climate. In addition, since there is no plan to spend significant amounts as a development expense, the Company expects that it is possible to keep the level of the expenses same as those of the second quarter. Moreover, expenses, including selling, general, and administrative expenses, are generally on course as planned. Therefore, as the Company produces results within the scope of the initial projections, there will be no revisions to the projected forecasts announced at the time of the closing of accounts on August 12, 2005.

	1st quarter of FY2006 (Actual)	2nd quarter of FY2006 (Actual)	3rd quarter of FY2006 (Actual)	4th quarter of FY2006 (Projected)	Fiscal year ended June 2006 (Full year) (Projected)
Sales	Million yen 653	Million yen 990	Million yen 895	Million yen 1,011	Million yen 3,550
Gross profit on sales	268	385	372	433	1,460
profit ratio %	41.2%	38.9%	41.6%	42.8%	41.1%
Develop. expense	101	84	103	80	370
Other expenses	236	273	273	276	1,060
Selling, general, and administrative expenses	338	357	377	356	1,430
Operating income	(69)	28	(5)	76	30
Ordinary income	(73)	30	(2)	75	30
Net income	(314)	12	(20)	52	(270)

Consolidated Financial Statements for the Third Quarter of FY2006

(1) Consolidated balance sheet for the third quarter of FY2006

Category	The previous 3rd quarter of FY2005 (As of March 31, 2005)		The current 3rd quarter of FY2006 (As of March 31, 2006)		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	2,201,062		2,253,361		2,012,719	
2. Notes and accounts receivable	537,851		875,357		698,218	
3. Inventories	796,208		755,650		608,364	
4. Others	76,463		107,017		98,817	
5. Allowance for bad debt	(430)		(339)		(354)	
Total current assets	3,611,155	77.6	3,973,047	81.3	3,417,767	73.7
II Fixed assets						
Tangible fixed assets						
(1)Buildings and structures	272,955		316,165		335,039	
(2)Machinery/equipment and transportation vehicles	141,405		87,919		137,198	
(3)Tools, furniture, and fixtures	141,554		166,719		239,377	
(4)Land	431,250		294,097		450,622	
Total tangible fixed assets	987,166		864,901		1,162,237	
2. Intangible fixed assets	33,083		26,234		31,789	
3. Investments and other assets	21,658		24,148		24,264	
Total fixed assets	1,041,907	22.4	915,284	18.7	1,218,292	26.3
Total assets	4,653,062	100.0	4,888,331	100.0	4,636,059	100.0

Category	The previous 3rd quarter of FY2005 (As of March 31, 2005)		The current 3rd quarter of FY2006 (As of March 31, 2006)		The previous fiscal year (As of June 30, 2005)	
	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)	Amount (Thousand yen)	Percentage (%)
(Liabilities)						
I Current liabilities						
1. Accounts payable	411,935		462,926		317,362	
2. Short-term borrowings	100,000		–		100,000	
3. Long-term debt due within one year	391,608		315,452		323,688	
4. Allowance for bonuses	17,061		18,341		9,124	
5. Others	99,768		172,773		156,715	
Total current liabilities	1,020,373	21.9	969,494	19.8	906,890	19.6
II Fixed liabilities						
1. Bond	–		350,000		–	
2. Long-term borrowings	678,939		705,066		619,034	
3. Others	342		2,806		2,184	
Total fixed liabilities	679,281	14.6	1,057,872	21.7	621,219	13.4
Total liabilities	1,699,654	36.5	2,027,366	41.5	1,528,109	33.0
(Shareholders' equity)						
I Common stock	2,024,978	43.5	2,041,278	41.8	2,024,978	43.7
II Additional surplus capital	2,491,267	53.6	2,507,844	51.3	2,491,267	53.7
III Retained earnings	(1,573,659)	(33.8)	(1,736,848)	(35.5)	(1,414,205)	(30.5)
IV Other unrealized holding gains/losses on marketable securities	504	0.0	1,633	0.0	686	0.0
V Exchange adjustments	10,316	0.2	47,057	0.9	5,222	0.1
Total shareholders' equity	2,953,407	63.5	2,860,965	58.5	3,107,949	67.0
Total liabilities and shareholders' equity	4,653,062	100.0	4,888,331	100.0	4,636,059	100.0

(2) Consolidated statement of income for the third quarter of FY2006

Category	The previous 3rd quarter of FY2005 (From July 1, 2004 to March 31, 2005)			The current 3rd quarter of FY2006 (From July 1, 2005 to March 31, 2006)			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		2,123,385	100.0		2,538,717	100.0		3,215,600	100.0
II Cost of sales		1,226,892	57.8		1,511,913	59.6		1,706,305	53.1
Gross profit on sales		896,492	42.2		1,026,803	40.4		1,509,295	46.9
III Selling, general and administrative expenses		975,499	45.9		1,073,470	42.3		1,376,429	42.8
Operating income or (loss)		(79,006)	(3.7)		(46,667)	(1.8)		132,865	4.1
IV Non-operating income									
1. Interest income	2,383			6,830			4,178		
2. Dividend income	17			10			25		
3. Exchange gains	11,286			15,695			–		
4. Other revenue	4,142	17,830	0.8	4,003	26,540	1.0	5,186	9,390	0.3
V Non-operating expenses									
1. Interest expenses	19,823			15,890			26,247		
2. Bond interest	–			2,136			–		
3. Exchange losses	–			–			4,036		
4. New stock issue expenses	–			603			–		
5. Bond issue expense	–			6,450			–		
6. Others	262	20,085	0.9	24	25,105	1.0	335	30,619	0.9
Ordinary income or (loss)		(81,262)	(3.8)		(45,231)	(1.8)		111,636	3.5
VI Extraordinary income									
Gain on sale of tangible fixed assets	966	966	0.0	3,966	3,966	0.2	966	966	0.0
VII Extraordinary loss									
1. Loss on sale of tangible fixed assets	115			–			115		
2. Loss on retirement of tangible fixed assets	363			85			1,776		
3. Unrealized holding losses on marketable securities	12,508			–			12,668		
4. Asset-impairment loss	–	12,986	0.6	237,503	237,588	9.4	–	14,560	0.5
Current net income or (loss) before tax adjustments		(93,282)	(4.4)		(278,854)	(11.0)		98,043	3.0
Corporate, local, and enterprises taxes		1,802	0.1		43,787	1.7		33,674	1.0
Current net income or (loss)		(95,084)	(4.5)		(322,642)	(12.7)		64,368	2.0