

# SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

## FOR FY 2007 (from July 1, 2006 to June 30, 2007)

September 20, 2007

The English Edition is digested translation of Japanese financial statements, which are prepared in accordance with generally accepted accounting principles in Japan.

**Company Name:** Precision System Science Co., Ltd.  
**Listed on:** Hercules Market at Osaka Securities Exchange  
**Code Number:** 7707

### 1. Consolidated financial data for the fiscal year 2007 ended June 30, 2007 (From July 1, 2006 to June 30, 2007)

#### (1) Consolidated operating results

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

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
<b>Fiscal year ended June 30, 2007</b>	<b>3,698</b>	<b>1.7</b>	<b>(57)</b>	<b>-</b>	<b>(65)</b>	<b>-</b>
Fiscal year ended June 30, 2006	3,636	13.1	12	(90.4)	18	(83.1)

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
<b>Fiscal year ended June 30, 2007</b>	<b>(143)</b>	<b>-</b>	<b>(3,357.11)</b>	<b>-</b>
Fiscal year ended June 30, 2006	(250)	-	(5,926.68)	-

	Return on equity	Ordinary income ratio over total assets	Operating income ratio over net sales
	%	%	%
<b>Fiscal year ended June 30, 2007</b>	<b>(5.0)</b>	<b>(1.3)</b>	<b>(1.6)</b>
Fiscal year ended June 30, 2006	(8.3)	0.4	0.4

(Ref.) Gain/loss in equity method investment: (15 million yen loss for FY2007); none for FY 2006

#### (2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Assets per share of common stock
	Million yen	Million yen	%	Yen
<b>As of June 30, 2007</b>	<b>5,169</b>	<b>2,854</b>	<b>55.2</b>	<b>66,629.42</b>
As of June 30, 2006	4,884	2,928	59.9	68,414.70

#### (3) Consolidated cash flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of FY
	Million yen	Million yen	Million yen	Million yen
<b>Fiscal year ended June 30, 2007</b>	<b>(51)</b>	<b>(123)</b>	<b>420</b>	<b>1,478</b>
Fiscal year ended June 30, 2006	133	6	258	1,214

## 2. Forecasts for the fiscal year 2008 ending June 30, 2008

(From July 1, 2007 to June 30, 2008)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For 6 months ending December 31, 2007	1,800	6.2	(27)	-	(50)	-	(50)	-	(1,167.13)
For fiscal year ending June 30, 2008	4,000	8.2	95	-	70	-	30	-	700.28

## 3. Others

(1) Change in scope of consolidated subsidiaries: None

(2) Changes in accounting procedures relating to consolidated financial statements:

a) Changes according to accounting regulations: Yes

b) Other than a): None

(3) Number of outstanding stocks (common stocks)

a) Number of outstanding stocks as of June 30, 2007 (including treasury stock)

**42,840** (42,800 as of June 30, 2006)

b) Number of treasury stocks as of June 30, 2007

**None** (none as of June 30, 2006)

\* 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.

## **Operating results and financial conditions**

### **I. Analysis of operating results**

#### **1. Operating results**

During the fiscal year ended June 30, 2007, there were OEM agreements reached on auto DNA/RNA extractors with US companies; such as, Invitrogen Corporation (US) and Beckman Coulter, Inc. With another OEM agreement with NanoString Technologies, Inc. (US), the number of OEM partners has increased to 9 as of June 30, 2007.

There was a significant development in the protein area, where PSS has intensively focused along with DNA/RNA field, as the sales agreement on PSS brand protein purification system was reached with GE Healthcare Bio-Science K.K. in July 2007. In the agreement, GE Healthcare Bio-Science K.K. will sell the system and reagents exclusively in Japan.

The Bio-contents Fund LLC, co-managed by PSS Capital, Co., Ltd, was established in July 2006. The total fund amount has expanded to 2 billion yen and as first investment, 60 million yen was invested to Genetein Co., Ltd. in May, 2007.

In the fiscal 2007, the net sales expanded to 3,698 million yen (1.7% up year on year) as the sales to some major OEM partners were slow while sales to other OEM partners and of consumables and reagents increased.

Selling, general, and administrative expenses expanded to 1,629 million yen (12.4% up) due to the fact that number of employees increased and expenses for capital investment expanded. As a result, operating loss was 57 million yen and ordinary loss was 65 million yen and net loss became 143 million yen.

**Net sales according to customer are as follows:**

	Fiscal year ended June 30, 2006		Fiscal year ended June 30, 2007		Year-on- year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
ROCHE Group	1,870	51.4	<b>1,653</b>	<b>44.7</b>	(11.6)
QIAGEN Group	984	27.1	<b>1,022</b>	<b>27.7</b>	3.8
Mitsubishi Kagaku Medience, Inc.	364	10.0	<b>251</b>	<b>6.8</b>	(31.1)
Others	416	11.5	<b>770</b>	<b>20.8</b>	84.9
Total	3,636	100.0	<b>3,698</b>	<b>100.0</b>	1.7

As for the ROCHE Group, the sales of DNA auto-extractors were relatively weak, while sales of the plastic consumable expanded; overall sales declined 11.6% year on year to 1,653 million yen

As for the QIAGEN Group, both sales of systems and plastic consumables were strong and overall sales to the group expanded 3.8% year on year to 1,022 million yen.

As for Mitsubishi Kagaku Medience, Inc., due to the delay in shipment of compact immunochemical luminescence measuring systems, the sales decreased to 251 million yen (31.1% decrease year on year).

As specially ordered system sales to clinical test centers became strong, the sales to other customer increased 84.9% to 770 million yen.

**Information by business segments is as follows:**

From the fiscal year 2007, we disclose information by business segments as investment business started.

In bio-related business, the net sales increased 0.8% to 3,665 million yen, while operating income increase 528.0% to 80 million yen.

**The sales of bio-related business by each product category:**

	Fiscal year ended June 30, 2006		Fiscal year ended June 30, 2007		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
<b>DNA auto extractors</b>	2,120	58.3	<b>1,805</b>	<b>49.3</b>	(14.9)
<b>Other laboratory equipment</b>	185	5.1	<b>293</b>	<b>8.0</b>	57.9
<b>Other products</b>	301	8.3	<b>401</b>	<b>10.9</b>	33.2
<b>Merchandise (plastic consumables)</b>	1,029	28.3	<b>1,165</b>	<b>31.8</b>	13.2
<b>Total</b>	3,636	100.0	<b>3,665</b>	<b>100.0</b>	0.8

**1) DNA auto-extractors**

This category consists of automated systems utilizing the Company's internationally patented Magtration<sup>®</sup> Technology. In addition to DNA auto-extractors, this category includes immunochemical luminescent 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 fiscal year ended June 30, 2007, the sales to the ROCHE Group were weak, while those to the QIAGEN Group were steady. As the sales to Mitsubishi Kagaku Iidience, Inc. significantly decreased, the overall sales of this category resulted in 870 units or 1,805million yen (14.9% down year on year).

(Thousand yen)

	Fiscal year ended June 30, 2006			
	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Units sold</b>	189	359	275	258
<b>Amount</b>	376,358	653,827	558,781	531,153
<b>Unit price</b>	1,991	1,821	2,031	2,058

	Fiscal year ended June 30, 2007			
	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Units sold</b>	<b>190</b>	<b>231</b>	<b>191</b>	<b>258</b>
<b>Amount</b>	<b>389,197</b>	<b>486,681</b>	<b>421,369</b>	<b>507,934</b>
<b>Unit price</b>	<b>2,048</b>	<b>2,106</b>	<b>2,206</b>	<b>1,968</b>

## 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 FY2007, the sales of this category increased 57.9% year on year to 293 million yen specially ordered system sales to clinical test centers became strong. The sales in this category tend to be significantly impacted by the number of orders received for specially ordered systems.

## 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 FY2007, sales in this category amounted to 401 million yen (33.2% increase compared to 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 PSS manufactured DNA auto-extractors comprise the major part of this category.

During the FY2007, sales in this category increased to 1,165 million yen (13.2% increase compared to 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.

**In investment business, the net sales were 32 million yen and operating income was 19 million yen, respectively as management fee revenue was recorded in PSS Capital Co., Ltd., which co-manages Bio-contents fund LLP.**

### (Forecasts for FY 2008)

	Fiscal year ended June 30, 2007		Fiscal year ending June 30, 2008		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
Net sales	3,698	100.0	<b>4,000</b>	<b>100.0</b>	8.2
Operating income	(57)	(1.6)	<b>95</b>	<b>2.4</b>	-
Ordinary income	(65)	(1.8)	<b>70</b>	<b>1.8</b>	-
Net income	(143)	(3.9)	<b>30</b>	<b>0.8</b>	-

## **II. Analysis of Financial Conditions:**

As of June 30, 2007, total assets increased 284 million yen year over year to 5,169 million yen as current assets increased 136 million yen to 3,980 million yen, while fixed assets increased 147 million yen to 1,188 million yen.

Current liabilities increased 186 million yen to 1,149 million yen, while long-term liabilities increased 171 million yen to 1,165 million yen.

As a result, net assets as of June 30, 2007 amounted to 2,854 million yen. Total shareholders' equity ratio was 55.2%.

During the fiscal year from July 1, 2006 to June 30, 2007, cash flows from operating activities decreased 51 million yen; those from investing activities decreased 123 million yen; and those from financing activities increased 420 million yen. The cash and cash equivalents increased 263 in the fiscal year to 1,478 million yen as of June 30, 2007.

## PSS Group information

The PSS Group is comprised of Precision System Science Co., Ltd. and its four subsidiaries and an equity method application company(LLP).

The following is a summary of the subsidiaries and an equity method application company:

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
(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
(Consolidated subsidiary) PSS Capital Co., Ltd.	Matsudo-shi, Chiba-ken	¥30,000,000	Investment company	100%	Investment company for PSS group
(equity method application company) A LLP					

(Notes)

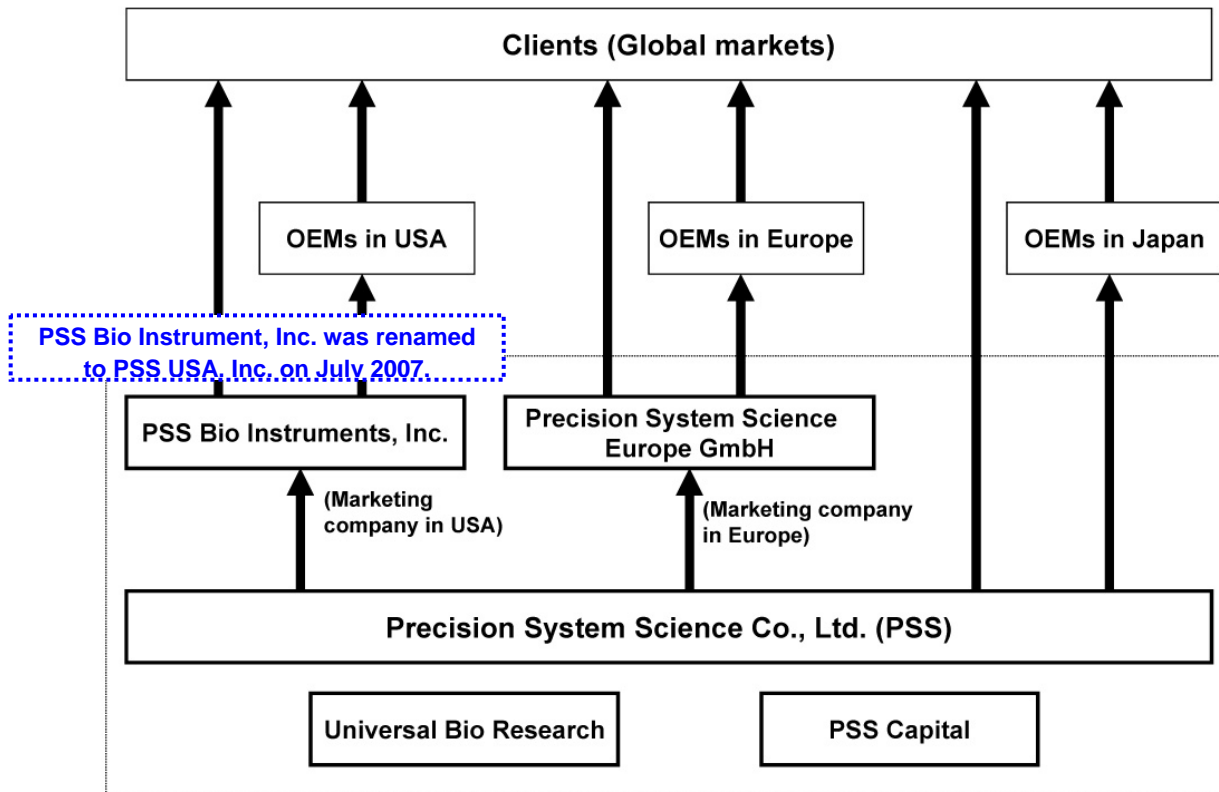
1. None of the above companies has submitted Securities Notifications or Securities Reports.
2. PSS Bio Instruments, Inc. was renamed to Precision System Science USA, Inc. on July 23, 2007.
3. Of the four consolidated subsidiaries mentioned above, PSS Bio Instruments, Inc. and Precision System Science Europe GmbH are the specified subsidiaries.
4. Sales from Precision System Science Europe GmbH account for more than 10% of all consolidated sales. (excluding intra-company sales)

Major profit/loss information	(1) Sales	2,574 million yen
	(2) Ordinary Income	143 million yen
	(3) Current Net Income	89 million yen
	(4) Net Assets	386 million yen
	(5) Total Assets	1,009 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. Our clients vary from universities, research institutions, clinical testing centers, and pharmaceutical manufacturers to chemical manufacturers.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Balance Sheet**

	As of June 30, 2006		As of June 30, 2007		
	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	
<b>(Assets)</b>					
<b>I Current Assets</b>					
1	Cash & bank deposits	2,229,337		2,452,765	
2	Notes and account receivables	848,395		690,606	
3	Inventories	649,024		658,263	
4	Others	117,952		184,111	
5	Allowance for doubtful accounts	(263)		(5,031)	
	<b>Sub-Total</b>	<b>3,844,447</b>	<b>78.7</b>	<b>3,980,714</b>	<b>77.0</b>
<b>II Fixed Assets</b>					
<b>1 Property, plant and equipment</b>					
(1)	Buildings & structures	364,644		359,283	
	Accumulated depreciations	50,522	314,122	63,807	295,476
(2)	Machinery/equipment and transportation vehicles	370,003		446,421	
	Accumulated depreciations	252,707	117,296	285,532	160,888
(3)	Tools, furniture, and fixtures	571,815		749,652	
	Accumulated depreciations	307,814	264,001	434,463	315,188
(4)	Land		294,582		297,555
	<b>Sub-Total</b>		<b>990,001</b>		<b>1,069,109</b>
			<b>20.3</b>		<b>20.7</b>
<b>2 Intangible assets</b>					
(1)	Software	22,844		17,481	
(2)	Others	1,019		875	
	<b>Sub-Total</b>		<b>23,863</b>		<b>18,357</b>
			<b>0.5</b>		<b>0.3</b>
<b>3 Investment &amp; other assets</b>					
(1)	Securities for investment	24,315		71,138	
(2)	Others	2,357		29,929	
	<b>Sub-total</b>		<b>26,673</b>		<b>101,067</b>
			<b>0.5</b>		<b>2.0</b>
	<b>Total fixed assets</b>		<b>1,040,538</b>		<b>1,188,533</b>
			<b>21.3</b>		<b>23.0</b>
	<b>Total assets</b>		<b>4,884,985</b>		<b>5,169,248</b>
			<b>100.0</b>		<b>100.0</b>

	As of June 30, 2006		As of June 30, 2007		
	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	
<b>(Liabilities)</b>					
<b>I Current liabilities</b>					
1	Account payables	488,875		265,105	
2	Short-term debt	-		200,000	
3	Long-term debt due within one year	285,852		338,232	
4	Accrued taxes including corporate taxes	25,883		77,995	
5	Allowance for bonuses	4,922		5,725	
6	Allowance for warranty	-		6,400	
7	Others	157,200		256,042	
	<b>Sub-total</b>	962,734	19.7	1,149,502	22.2
<b>II Long-term liabilities</b>					
1	Bond	350,000		550,000	
2	Long-term debt	640,253		611,191	
3	Deferred taxes	2,229		2,392	
4	Others	1,565		1,714	
	<b>Sub-total</b>	994,047	20.4	1,165,297	22.6
	<b>Total liabilities</b>	1,956,782	40.1	2,314,799	44.8
<b>(Net assets)</b>					
<b>I Owner's equity</b>					
1	Common stock	2,041,278	41.8	2,041,778	39.5
2	Capital surplus	2,507,844	51.3	2,508,354	48.5
3	Retained earnings	(1,664,477)	(34.1)	(1,808,244)	(35.0)
	<b>Sub-total</b>	2,884,644	59.0	2,741,887	53.0
<b>II Valuation and translation adjustments</b>					
1	Unrealized gains/losses on securities	3,289	0.1	16,197	0.3
2	Deferred gained/loses on hedges	(18)	△0.0	114	0.0
3	Foreign currency translation adjustments	40,233	0.8	96,204	1.9
	<b>Sub-total</b>	43,504	0.9	112,516	2.2
<b>III Stock option</b>					
		54	0.0	44	0.0
	<b>Total net assets</b>	2,928,203	59.9	2,854,448	55.2
	<b>Total liabilities and net assets</b>	4,884,985	100.0	5,169,248	100.0

### Consolidated Income Statements

		From July 1, 2005 to June 30, 2006			From July 1, 2006 to June 30, 2007			Increase/ decrease
		Amount (thousand yen)	(%)	Amount (thousand yen)	(%)			
I	Net Sales		3,636,933	100.0		3,698,177	100.0	61,243
II	Cost of sales		2,174,778	59.8		2,126,871	57.5	(47,906)
	Gross Profit		1,462,155	40.2		1,571,305	42.5	109,150
III	Selling, general and administrative expenses		1,449,334	39.9		1,629,281	44.1	179,947
	Operating Income/loss		12,820	0.3		(57,975)	(1.6)	(70,796)
IV	Non-operating income							
1	Interest income	10,364				12,565		
2	Dividend income	32				39		
3	Foreign exchange gain	22,180				27,250		
4	Other income	4,163	36,741	1.0	12,110	51,966	1.4	15,225
V	Non-operating expenses							
1	Interest expense	23,498				24,392		
2	New stock issuing expense	603				-		
3	Bond issuing expense	6,450				3,319		
4	Stock distribution expense	-				67		
5	Loss in equity method investment	-				15,474		
6	Loss on revaluation of inventories	-				15,290		
7	Other expenses	106	30,658	0.8	1,260	59,803	1.6	29,144
	Ordinary income/loss		18,903	0.5		(65,812)	(1.8)	(84,716)
VI	Extraordinary gains							
1	Gain on sale of property, plant and equipment	4,171				-		
2	Reversal of allowance for doubtful accounts	-	4,171	0.1	84	84	0.0	(4,086)
VII	Extraordinary losses							
1	Loss on sale of property, plant and equipment	-				5,106		
2	Loss on disposal of property, plant and equipment	288				535		
3	Loss on warranty for products	-				6,400		
4	Loss on revaluation	237,503	237,792	6.5	1,789	13,832	0.4	(223,960)
	Loss before taxes		214,717	(5.9)		79,560	(2.2)	135,157
	Income tax, local tax, etc.		35,554	1.0		64,207	1.7	28,652
	Net income		250,271	(6.9)		143,767	(3.9)	106,504

**Consolidated Statements of Changes in Net assets**  
**(July 1, 2006 to June 30, 2007)**

Thousand yen

	Owner's equity			Total owner's equity
	Common stock	Capital surplus	Retained earnings	
Balance as of June 30, 2006	2,041,278	2,507,844	(1,664,477)	2,884,644
Changes during the fiscal year				
Issuance of new stocks Implementation of stock option	500	510		1,010
Net income			(143,767)	(143,767)
Others (Net)				
Total changes during the fiscal year	500	510	(143,767)	(142,757)
Balance as of June 30, 2007	2,041,278	2,508,354	(1,808,244)	2,741,887

	Valuation and translation adjustments				Stock option	Total Net Asset
	Unrealized gains/losses on securities	Deferred gains/losses on hedges	Translation adjustments	Total valuation translation adjustments		
Balance as of June 30, 2006	3,289	(18)	40,233	43,504	54	2,928,203
Changes during the fiscal year						
Issuance of new stocks Implementation of stock option						1,010
Net income						(143,767)
Others-Net	12,907	133	55,971	69,012	(10)	69,002
Total changes during the fiscal year	12,907	133	55,971	69,012	(10)	(73,754)
Balance as of June 30, 2007	16,197	114	96,204	112,516	44	2,854,448

### Consolidated statements of Cash flows

	Fiscal year (From July 1, 2005 to June 30, 2006)	Fiscal year (From July 1, 2006 to June 30, 2007)
	Thousand yen	Thousand yen
<b>I. Cash flows from operating activities</b>		
Loss before taxes and other adjustments	(214,717)	(79,560)
Depreciation and amortization	169,767	208,491
Loss on impairment of fixed assets	237,503	1,789
Loss on revaluation of inventories	-	15,290
Increase(Decrease) in allowance for doubtful accounts	(4,521)	11,655
Interest and dividend income	(10,396)	(12,605)
Interest expense	23,498	24,392
New stock issuing expense	603	-
Stock distribution expense	-	67
Bond issuing expense	6,450	3,319
Loss in equity method investment	-	15,474
Gain on sale of property, plant and equipment	(4,171)	-
Loss on sale of property, plant and equipment	-	5,106
Loss on disposal of property, plant and equipment	288	535
Decrease (Increase) in notes and account receivables	(109,954)	227,204
Decrease(Increase) in inventories	(40,290)	(97,942)
Increase(Decrease) in notes and account payables	123,178	(299,848)
Others	(6,061)	(28,286)
Sub-total	171,177	(4,917)
Interest and dividends received	10,202	12,272
Interest paid	(21,376)	(21,369)
Taxes paid	(26,750)	(37,274)
<b>Net cash provided by operating activities</b>	<b>133,252</b>	<b>(51,289)</b>

	Fiscal year (From July 1, 2005 to June 30, 2006)	Fiscal year (From July 1, 2006 to June 30, 2007)
	Thousand yen	Thousand yen
<b>II. Cash flows from investing activities</b>		
Decrease in term deposits	-	(284,800)
Increase in term deposits	202,405	333,862
Purchases of Property, plant and equipment	(239,058)	(154,589)
Proceeds from sale of Property, plant and equipment	44,374	33,809
Purchases of intangible assets	(2,266)	(3,049)
Purchases of investment securities	-	(50,000)
Others	592	951
<b>Net cash provided by investing activities</b>	<b>6,047</b>	<b>(123,816)</b>
<b>III. Cash flows from financing activities</b>		
Increase(Decrease) in short-term debt	(100,000)	200,000
Proceeds from long-term debt	850,000	300,000
Repayment of long-term debt	(866,617)	(276,682)
Proceeds from bonds	343,550	196,681
Proceeds from stock option	31,996	932
<b>Net cash provided by financing activities</b>	<b>258,928</b>	<b>420,931</b>
<b>IV. Effects of exchange rates on cash and cash equivalents</b>	<b>20,392</b>	<b>17,945</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>418,621</b>	<b>263,770</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>796,219</b>	<b>1,214,841</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	<b>1,214,841</b>	<b>1,478,611</b>