

**SUMMARY OF COSOLIDATED FINANCIAL STATEMENTS**  
**For First Half of FY 2008 (from July 1, 2007 to December 31, 2007)**

February 14, 2008

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 6 months ended December 31, 2007**

(From July 1, 2007 to December 31, 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>6 months ended December 31, 2007</b>	<b>1,478</b>	<b>(12.8)</b>	<b>(210)</b>	-	<b>(273)</b>	-
6 months ended December 31, 2006	1,694	3.1	(128)	-	(133)	-
Fiscal year ended June 30, 2007	3,698	1.7	(57)	-	(65)	-

	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>(399)</b>	-	<b>(9,316.57)</b>	-
6 months ended December 31, 2006	(164)	-	(3,848.11)	-
Fiscal year ended June 30, 2007	(143)	-	(3,357.11)	-

**(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 December 31, 2007</b>	<b>4,570</b>	<b>2,437</b>	<b>53.3</b>	<b>56,900.46</b>
As of December 31, 2006	4,641	2,798	60.3	65,356.30
As of June 30, 2007	5,169	2,854	55.2	66,629.42

**(3) Consolidated cash flow**

	Net cash flow from operating activities	Net cash flow from investing activities	Net cash flow from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
<b>Fiscal year ended June 30, 2007</b>	<b>8</b>	<b>(87)</b>	<b>(66)</b>	<b>1,331</b>
6 months ended December 31, 2006	(49)	113	57	1,356
Fiscal year ended June 30, 2007	(51)	(123)	420	1,478

## 2. Forecasts for fiscal year 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	%	
<b>For fiscal year ending June 30, 2008</b>	3,400	(8.1)	(180)	-	(270)	-	(420)	-	(9,803.92)

### **2. 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: None**

**b) Other than a): Yes**

**(3) Number of outstanding stocks (common stocks)**

**a) Number of outstanding stocks as of December 31, 2007 (including treasury stock)**

**42,840 (42,840 as of June 30, 2007)**

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

**None (none as of June 30, 2007)**

\* 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 6 months ended December 31, 2007, there was change in accounting method on sales recognition for an oversea OEM client from FOB to DDU standard. Due to this change, there was 117 million yen reduction in sales compared to the amount in previous accounting method. As the timing of upgrading for major instruments is approaching, shipment of DNA extractors to OEM clients was slower than expected. Due to the those negative effects for sales, which are unusual factors limited to this fiscal year, net sales for the 6 months declined to 1,478 million yen (down 12.8% compared with same period in previous year). Affected by sales decline, the gross profit decreased to 607 (down 13.4% yoy)

Selling, general and administrative expenses reduced by 1.4% to 817 million yen; as a result, operating loss expanded to 210 million yen.

Due to 47 million yen loss on revaluation of inventories along with losses of interest and foreign exchange, ordinary loss was 273 million yen.

As extraordinary loss, 73 million yen due to loss on disposal of equipment and 25 million yen due to loss on revaluation of inventories, were recognized, net loss for the 6 months was 399 million yen.

Net sales according to customer are as follows:

	6 months ended December 31, 2006		6 months ended December 31, 2007		Year-on-year changes	Fiscal year ended June 30, 2007	
	Amount		Amount			Amount	
	Million yen	%	Million yen	%		Million yen	%
ROCHE Group	806	47.6	523	35.4	(35.1)	1,653	44.7
QIAGEN Group	441	26.1	398	26.9	(9.8)	1,022	27.7
Mitsubishi Kagaku Medience, Inc.	135	8.0	248	16.8	83.7	251	6.8
Others	311	18.3	308	20.9	(1.1)	770	20.8
Total	1,694	100.0	1,478	100.0	(12.8)	3,698	100.0

As for the ROCHE Group, the sales were affected by the sales recognition change. Furthermore, the sales of DNA extractor (current models) to both ROCHE Group and QIAGEN Group became slow as the introduction of new models was expected soon; consequently, the overall sales to the both groups declined compared to the previous year. As for Mitsubishi Kagaku Medience, Inc., the sales increase just as expected, while sales to other customers were almost same level as the previous year.

(Achievements by segments)

**In bio-related business, the net sales for the 6 months were 1,465 million yen, while operating loss was 137 million yen.**

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

	6 months ended December 31, 2006		6 months ended December 31, 2007		Year-on- year changes	Fiscal year ended June 30, 2007	
	Amount		Amount		Amount	Amount	
	Million yen	%	Million yen	%	%	Million yen	%
<b>DNA auto extractors</b>	875	51.9	<b>593</b>	<b>40.5</b>	(32.2)	1,805	49.3
<b>Other laboratory equipment</b>	108	6.4	<b>99</b>	<b>6.8</b>	(7.6)	293	8.0
<b>Other products</b>	190	11.3	<b>214</b>	<b>14.6</b>	12.2	401	10.9
<b>Merchandise (plastic consumables)</b>	512	30.4	<b>558</b>	<b>38.1</b>	9.0	1,165	31.8
<b>Total</b>	1,686	100.0	<b>1,465</b>	<b>100.0</b>	(13.1)	3,665	100.0

**(a) 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 and (from this 6 months period) Purelumn, auto protein purification system, for which we have had exclusive sales agreement with GE Healthcare Bio Science Inc.

During the 6 month period, the sales on this category declined 32.2% to 593 million yen due to the change of sales recognition for an OEM client and sluggish sales of current models in expecting entries of new models. Sales of each quarter are shown below charts.

(Amount: Thousand yen)

	Fiscal year ended June 30, 2006			
	1Q	2Q	3Q	4Q
<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			
	1Q	2Q	3Q	4Q
<b>Units sold</b>	190	231	191	258
<b>Amount</b>	389,197	486,681	421,369	507,934
<b>Unit price</b>	2,048	2,106	2,206	1,968

	Fiscal year ending June 30, 2008			
	1Q	2Q	3Q	4Q
<b>Units sold</b>	113	220		
<b>Amount</b>	210,315	383,145		
<b>Unit price</b>	1,861	1,741		

**(b) 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 6 months period, the sales of this category decreased 7.6% year on year to 99 million yen. The sales in this category tend to be significantly impacted by the number of orders received for specially ordered systems.

**(c) Other products**

This category includes the sales generated from spare parts (replacement) and maintenance of equipment, reagents, software development, etc.

During the 6 months period, sales in this category expanded to 214 million yen (12.2% increase compared to the previous year). Since the 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.

**(d) 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 period, sales in this category increased to 558 million yen (9.0% 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 12 million yen and operating income was 5 million yen, respectively as management fee revenue was recorded in PSS Capital Co., Ltd., which co-manages Bio-contents fund LLP.**

Companies invested	Date invested	Amount
Genetein Co., Ltd.	May, 2007	60,000,000
	(Additional investment) September, 2007	60,000,000
Haplo Pharma Inc.	August, 2007	30,030,000
Total		150,030,000

**(Forecasts for FY 2008)**

	Fiscal year ended June 30, 2007	Fiscal year ending June 30, 2008
	Amount	Amount
Net sales	Million yen 3,698	Million yen <b>3,400</b>
Operating income	(57)	(180)
Ordinary income	(65)	(270)
Net income	(143)	(420)

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

### **(1) Assets, Liabilities and Net Assets**

As of December 31, 2007, total assets decreased 599 million yen compared with the amount as of June 30, 2007 to 4,570 million yen. Current assets decreased 550 million yen as cash and deposit decreased 264 million yen, account receivables decreased 92 million yen, inventories decreased 84 million yen, while fixed assets decreased 48 million yen.

As of December 31, 2007, total liabilities decreased 182 million yen to 2,132 million yen; as current liabilities decreased 109 million yen to 1,039 million yen, while long-term liabilities decreased 72 million yen to 1,165 million yen.

As a result, net assets as of December 31, 2007 decreased 416 million yen to 2,437 million yen.

### **(2) Cash flows**

During the 6 months from July 1, 2007 to December 31, 2007, cash and cash equivalents decreased 146 to 1,331 million yen as of December 31, 2007.

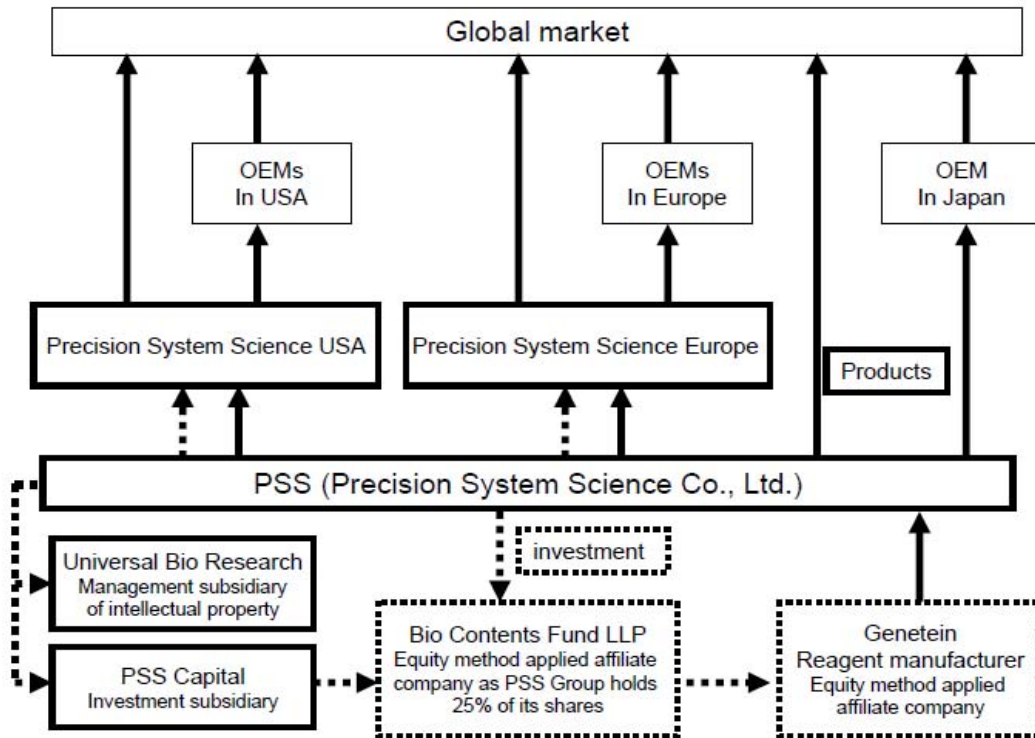
Cash flows from operating activities increased 8 million yen. Although net loss was 377 million yen, there was increase from depreciation (125 million yen), loss on revaluation (73 million yen) and decrease of account receivables (84 million yen) and decrease of inventories (85 million yen).

Cash flows from investing activities decreased 87 million yen. There were expenditures for acquisition of fixed assets (170 million yen) and for acquisition of stocks (50 million yen), while time deposit decreased 121 million yen.

Cash flows from financing activities decreased 66 million yen. While there was increase of 100 million yen borrowing in long term debt, there was decrease of 166 million yen repayment in long term debt.

## PSS Group information

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.



#### 4. Consolidated financial Statements

##### 1) Consolidated Balance Sheet

Category	As of December 31, 2006		As of December 31, 2007		As of June 30, 2006	
	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)
(Assets)						
I Current assets						
1. Cash and deposits	2,177,477		2,188,147		2,452,765	
2. Notes and accounts receivable	575,571		598,246		690,606	
3. Inventories	776,511		574,130		658,263	
4. Others	54,525		72,271		184,111	
Allowance for bad debt	(295)		(2,432)		(5,031)	
Total current assets	3,583,789	77.2	3,430,362	75.1	3,980,714	77.0
II Fixed assets						
1. Plant, property, and equipment						
(1) Buildings and structures	311,204		289,146		295,476	
(2) Machinery/ equipment and transportation vehicles	105,949		206,047		160,888	
(3) Tools, furniture, and fixtures	237,643		221,371		315,188	
(4) Land	296,182		297,706		297,555	
(5) Construction in progress	–		1,998		–	
Total plant, property, and equipment	950,979		1,016,270		1,069,109	
2. Intangible fixed assets	20,667		17,338		18,357	
3. Investments and other assets	85,635		106,221		101,067	
Total fixed assets	1,057,282	22.8	1,139,831	24.9	1,188,533	20.3
Total assets	4,641,072	100.0	4,570,193	100.0	5,169,248	100.0

Category	As of December 31, 2006		As of December 31, 2007		As of June 30, 2006	
	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)
(Liabilities)						
I Current liabilities						
1. Accounts payable	289,721		235,836		265,105	
2. Short-term borrowings	–		200,000		200,000	
3. Long-term debt due within one year	254,382		342,967		338,232	
4. Allowance for bonuses	5,293		13,805		5,725	
5. Accrued warranty cost	–		–		6,400	
6. Others	205,108		247,364		334,038	
Total current liabilities	754,505	16.3	1,039,974	22.8	1,149,502	22.2
II Long-term liabilities						
1. Bonds	550,000		550,000		550,000	
2. Long-term borrowings	531,867		540,400		611,191	
3. Others	6,094		2,203		4,106	
Total long-term liabilities	1,087,961	23.4	1,092,603	23.9	1,165,297	22.6
Total liabilities	1,842,466	39.7	2,132,577	46.7	2,314,799	44.8

Category	As of December 31, 2006		As of December 31, 2007		As of June 30, 2006	
	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)
(Net assets)						
I. Stockholders' equity						
1.Common stock	2,041,528	44.0	2,041,778	44.7	2,041,778	39.5
2.Capital surplus reserve	2,508,099	54.0	2,508,354	54.9	2,508,354	48.5
3.Accumulated earnings	(1,829,249)	(39.4)	(2,209,375)	(48.4)	(1,808,244)	(35.0)
Total Stockholders' equity	2,720,377	58.6	2,340,757	51.2	2,741,887	53.0
II. Evaluation, exchange differences						
1.Unrealized gains/losses on securities	6,416	0.1	7,724	0.2	16,197	0.3
2.Deferred hedge Income /loss	(117)	(0.0)	6	0.0	114	0.0
3.Foreign exchange transaction adjustment	71,880	1.6	89,127	1.9	96,204	1.9
Total Evaluation and transaction adjustment	78,178	1.7	96,858	2.1	112,516	2.2
III. Stock option	49	0.0	-	0.0	44	0.0
Total net assets	2,798,605	60.3	2,437,615	53.3	2,854,448	55.2
Total liabilities and net assets	4,641,072	100.0	4,570,193	100.0	5,169,248	100.0

## 2) Consolidated interim statement of income

Category	From July 1, 2006 to December 31, 2006		From July 1, 2007 to December 31, 2007		From July 1, 2006 to June 30, 2007				
	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)			
I Net sales		1,694,556	100.0		1,478,398	100.0		3,698,177	100.0
II Cost of sales		993,416	58.6		871,367	59.0		2,126,871	57.5
Gross profit on sales		701,140	41.4		607,031	41.0		1,571,305	42.5
III Selling, general and administrative expenses		829,882	49.0		817,870	55.3		1,629,281	44.1
Operating income or(loss)		(128,741)	(7.6)		(210,838)	(14.3)		(57,975)	(1.6)
IV Non-operating income									
Interest income	5,633			6,404			12,565		
Dividend income	16			22			39		
Gain on foreign currency exchange	11,608			–			27,205		
Agent service fee	–			2,157			–		
Others	5,307	22,565	1.3	1,672	10,257	0.7	12,110	51,996	1.4
V Non-operating expenses									
Interest expenses	11,361			11,370			24,392		
Loss on foreign currency exchange	–			4,547			–		
Loss in equity method investment	8,329			7,225			15,474		
Expense for stock distribution	67			–			67		
Bond issuing expense	3,319			–			3,319		
Loss on product appraisal	–			47,220			15,290		
Others	3,975	27,052	1.6	1,785	72,509	4.9	1,260	59,803	1.6
Ordinary income or (loss)		(133,228)	(7.9)		(273,090)	(18.5)		65,812	1.8
VI Extraordinary income									
Gain on sale of fixed assets	–			97			–		
Reversal of bad debt reserve	–			2,566			84		
Gain on sale of fixed assets	–	–	–	4,136	6,800	0.4	–	84	0.0
VII Extraordinary loss									
Loss on sale of fixed assets	30			1,510			5,106		
Loss on impairment of fixed assets	–			11,053			535		
Provision of the reserve for product warranties	–			–			6,400		
Loss on product appraisal	–			25,835			–		
Loss due to impairment	–	30	0.0	73,045	111,444	7.5	1,789	13,832	0.4
Income or (loss) before tax adjustments		(133,259)	(7.9)		(377,734)	(25.6)		79,560	(2.2)
Corporate, local, and enterprises taxes		31,512	1.8		21,387	1.4		64,207	1.7
Net income or (loss)		(164,772)	(9.7)		(399,122)	(27.0)		(143,767)	(3.9)

### 3) Consolidated Statement of Cash Flow

	From July 1, 2006 to December 31, 2006	<b>From July 1, 2007 to December 31, 2007</b>	From July 1, 2006 to June 30, 2007
Category	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
<b>I Cash flow from operating activities</b>			
Interim net (loss) or current income before adjustments including taxes	(133,259)	(377,734)	(79,560)
Depreciation and amortization	89,281	125,195	208,491
Impairment loss	—	73,045	1,789
Increase or (decrease) of allowances	402	(886)	11,655
Interest and dividend income	(5,649)	(6,427)	(12,605)
Interest paid	11,361	11,730	24,392
Stock distribution expense	67	—	67
Bonds issue expense	3,319	—	3,319
Loss on equity method investment	8,329	7,225	15,474
Gain on sale of investments in securities	—	(4,136)	—
Gain on sale of fixed assets	—	(97)	—
Loss on sale of fixed assets	30	1,510	5,106
Loss on disposal of fixed assets	—	11,053	535
Decrease or increase in account receivables	302,721	84,974	227,204
Decrease or increase in inventories	(128,189)	85,435	(82,652)
Increase or decrease in accounts payable	(233,894)	(19,510)	(299,848)
Others	46,742	54,473	(28,286)
Sub total	(38,736)	45,850	(4,917)
Amount of interest and dividend income	5,617	6,510	12,272
Amount of interest paid	(9,413)	(13,027)	(21,369)
Amount of taxes paid including corporation tax	(7,407)	(31,221)	(37,274)
<b>Net cash provided by operating activities</b>	<b>(49,939)</b>	<b>8,111</b>	<b>(51,289)</b>

	From July 1, 2006 to December 31, 2006	<b>From July 1, 2007 to December 31, 2007</b>	From July 1, 2006 to June 30, 2007
Category	Amount (Thousand yen)	Amount (Thousand yen)	Amount (Thousand yen)
<b>II Cash flow from investing activities</b>			
Net increase/decrease in time deposits	199,751	121,691	49,061
Income from sale of tangible fixed assets	3,595	3,706	33,809
Acquisition of tangible fixed assets	(39,342)	(170,061)	(154,589)
Acquisition of intangible fixed assets	(1,091)	(3,561)	(3,049)
Acquisition of stock of affiliate	(50,000)	(50,000)	(50,000)
Income from sale of investments in securities	–	10,876	–
Others	999	346	951
<b>Net cash provided by investing activities</b>	<b>113,912</b>	<b>(87,001)</b>	<b>(123,816)</b>
<b>III Cash flow from financing activities</b>			
Net increase/decrease in short-term loan	–	–	200,000
Proceeds from long-term debt	–	100,000	300,000
Repayment of long-term debt	(139,856)	(166,056)	(276,682)
Proceeds from bond issues	196,681	–	196,681
Proceeds from stock issues	432	–	932
<b>Net cash provided by financing activities</b>	<b>57,257</b>	<b>(66,056)</b>	<b>420,931</b>
<b>IV Effects of exchange rates on cash and cash equivalents</b>	<b>20,564</b>	<b>(1,737)</b>	<b>17,945</b>
<b>V Increase in cash and cash equivalents</b>	<b>141,794</b>	<b>(146,682)</b>	<b>263,770</b>
<b>VI Cash and cash equivalents at the beginning of the period</b>	<b>1,214,841</b>	<b>1,478,611</b>	<b>1,214,841</b>
<b>VII Cash and cash equivalents at the end of the interim/current fiscal year</b>	<b>1,356,635</b>	<b>1,331,928</b>	<b>1,478,611</b>