

**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS**  
**Third Quarter of FY 2008 (from July 1, 2007 to March 31, 2008)**

May 13, 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 nine months ended March 31, 2008**

(From July 1, 2007 to March 31, 2008)

**(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>Nine months ended March 31, 2008</b>	<b>2,335</b>	<b>(13.0)</b>	<b>(192)</b>	<b>-</b>	<b>(299)</b>	<b>-</b>
Nine months ended March 31, 2007	2,684	5.7	(125)	-	(129)	-
Full year of FY 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>Nine months ended March 31, 2008</b>	<b>(427)</b>	<b>-</b>	<b>(9,986.43)</b>	<b>-</b>
Nine months ended March 31, 2007	(181)	-	(4,248.13)	-
Full year of FY 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 March 31, 2008</b>	<b>4,278</b>	<b>2,369</b>	<b>55.4</b>	<b>55,308.87</b>
As of March 31, 2007	4,948	2,781	56.2	64,932.30
As of June 30, 2007	5,169	2,854	55.2	66,629.42

**(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>Nine months ended March 31, 2008</b>	<b>55</b>	<b>(84)</b>	<b>(367)</b>	<b>1,066</b>
Nine months ended March 31, 2007	-	-	-	-
Full year of FY 2007	(51)	(123)	420	1,478

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

\* 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 period, there was change in accounting method on sales recognition for an overseas OEM client from FOB to DDU standard. The change negatively affected the net sales by 112 million yen compared to the amount if it were recognized in the previous accounting method.

As the timing of upgrading for major instruments has been approaching, on the other hand, shipment of DNA extractors to OEM clients was slower than expected. Due to those factors, which are unusual and limited to this fiscal year, net sales for the 9 months declined to 2,335 million yen (down 13.0% compared to the same period in previous year). Affected by sales decline, the gross profit decreased to 985 million yen (down 9.9% yoy)

Selling, general, and administrative expenses slightly reduced to 1,177 million yen (3.5% down compared to the same period of previous fiscal year). As a result, operating loss was recorded as 192 million yen and ordinary loss was recorded as 299 million yen, while net loss became 427 million yen.

Sales classification by customers:

	For nine months ended March 31, 2007		For nine months ended March 31, 2008		Year-on-year changes
	Amount	Percentage	Amount	Percentage	
	Million yen	%	Million yen	%	%
ROCHE Group	1,207	45.0	963	41.3	(20.2)
QIAGEN Group	706	26.3	528	22.6	(25.1)
Mitsubishi Kagaku Medience, Inc.	200	7.5	378	16.2	88.2
Others	570	21.2	464	19.9	(18.5)
Total	2,684	100.0	2,335	100.0	(13.0)

The sales to Roche Group and Qiagen Group declined due to the above mentioned reasons, while the sales to Mitsubishi Kagaku Medience, Inc. expanded. The sales to other customers were negatively affected by sales decline of specially ordered systems to clinical testing institutes.

Information by business segments is as follows:

1. Bio-related Business

In bio-related business, the net sales decreased 12.9% to 2,316 million yen, while operating loss expanded to 81 million yen.

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

	For nine months ended March 31, 2007		For nine months ended March 31, 2008		Year-on-year changes
	Amount		Amount		
	Million yen	%	Million yen	%	%
DNA auto extractors	1,297	48.8	977	42.2	(24.6)
Other laboratory equipment	279	10.5	98	4.3	(64.8)
Other products	292	11.0	355	15.3	21.6
Merchandise (plastic consumables)	790	29.7	884	38.2	11.9
Total	2,659	100.0	2,316	100.0	(12.9)

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 nine months ended March 31, 2008, due to the weak sales to Roche Group and Qiagen Group, the overall sales of this category resulted in 542 units or 977million yen (24.6% down year on year).

The quarterly sales units and amount of DNA auto-extractors are shown in below chart

(Thousand yen)

	Fiscal year ended June 30, 2006	
	Third quarter	Fourth quarter
Units sold	275	258
Amount	558,781	531,153
Unit price	2,031	2,058

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

	Fiscal year ended June 30, 2008		
	First quarter	Second quarter	Third quarter
Units sold	113	220	<b>209</b>
Amount	210,315	383,145	<b>384,498</b>
Unit price	1,861	1,741	<b>1,839</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 FY 2008 third quarter, the sales of this category decreased 64.8% year on year to 98 million yen. 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 FY 2008 third quarter, sales in this category amounted to 355 million yen (21.6% 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 FY 2008 third quarter, sales in this category expanded to 884 million yen (11.9% 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.

## 2. Investment Business

In investment business, the net sales were 18 million yen and operating income was 8 million yen, respectively as management fee revenue was recorded in PSS Capital Co., Ltd., which co-manages Bio-contents fund LLP. Below are the investment achievements by Bio-contents fund LLP.

Companies invested	When invested	Amount (thousand yen)
Genetain	May, 2007	60,000
	September, 2007	60,000
Haplo Phama	August, 2007	30,030
PaGE Science	January, 2008	22,100
Total		172,130

## II. Analysis of Financial Conditions:

As of March 31, 2008, total assets decreased to 4,278 million yen, which was 890 million yen decrease from 5,169 million yen at the end of FY2007, June 30, 2007. Current assets decreased 772 million yen to 3,208 million yen, while fixed assets decreased 118 million yen to 1,070 million yen.

As of March 31, 2008, total liabilities decreased to 1,909 million yen, which was 405 million yen decrease from 2,314 million yen at the end of FY2007, June 30, 2007. Current liabilities decreased 246 million yen to 902 million yen, while long-term liabilities decreased 158 million yen to 1,006 million yen.

As a result, net assets as of March 31, 2008 decreased 485 million yen to 2,369 million yen.

CONSOLIDATED FINANCIAL STATEMENTS FOR FY 2008 THIRD QUARTER

**Consolidated Balance Sheet**

	As of March 31, 2007		As of March 31, 2008		As of June 30, 2007	
	Amount (thousand)	(%)	Amount (thousand)	(%)	Amount (thousand)	(%)
<b>(Assets)</b>						
I Current Assets						
1 Cash & bank deposits	2,014,064		1,869,027		2,452,765	
2 Notes and account receivables	879,847		604,389		690,606	
3 Inventories	725,915		657,609		658,263	
4 Others	156,665		80,214		184,111	
5 Allowance for doubtful accounts	△4,740		△2,879		△5,031	
Sub-Total	3,771,751	76.2	3,208,360	75.0	3,980,714	77.0
II Fixed Assets						
1. Property, plant and equipment						
(1) Buildings & structures	307,505		281,857		295,476	
(2) Machinery/equipment and transportation vehicles	174,800		179,655		160,888	
(3) Tools, furniture, and fixtures	297,804		216,288		315,188	
(4) Land	296,302		296,428		297,555	
Sub-Total	1,076,413		974,228		1,069,109	
2. Intangible assets	19,739		15,547		18,357	
3. Investment & other assets	80,651		80,632		101,067	
Total fixed assets	1,176,804	23.8	1,070,408	25.0	1,188,533	23.0
Total assets	4,948,556	100.0	4,278,769	100.0	5,169,248	100.0
<b>(Liabilities)</b>						
I Current liabilities						
1 Account payables	430,240		398,178		265,105	
2 Short-term debt	200,000		—		200,000	
3 Long-term debt due within one year	442,092		326,302		338,232	
4 Unpaid tax payment	81,908		30,242		77,995	
5 Allowance for bonuses	21,173		34,188		5,725	
6 Others	163,388		113,970		262,442	
Sub-total	1,338,802	27.1	902,882	21.1	1,149,502	22.2
II Long-term liabilities						
1 Bond	550,000		550,000		550,000	
2 Long-term debt	272,144		455,192		611,191	
3 Others	5,865		1,262		4,106	
Sub-total	828,009	16.7	1,006,454	23.5	1,165,297	22.6
Total liabilities	2,166,812	43.8	1,909,337	44.6	2,314,799	44.8

	As of March 31, 2007		As of March 31, 2008		As of June 30, 2007	
	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)
(Net assets)						
I Owner's equity						
1 Common stock	2,041,778	41.3	2,041,778	47.7	2,041,778	39.5
2 Capital surplus	2,508,354	50.7	2,508,354	58.7	2,508,354	48.5
3 Retained earnings	△1,846,378	△37.3	△2,238,071	△52.3	△1,808,244	△35.0
Sub-total	2,703,753	54.7	2,312,061	54.1	2,741,887	53.0
II Valuation and translation adjustments						
1 Unrealized gains/losses on securities	6,140	0.1	—	—	16,197	0.3
2 Deferred gained/losses on hedges	△75	△0.0	△11	△0.0	114	0.0
3 Foreign currency translation adjustments	71,880	1.4	57,382	1.3	96,204	1.9
Sub-total	77,946	1.5	57,370	1.3	112,516	2.2
III Stock option	44	0.0	—	—	44	0.0
Total net assets	2,781,744	56.2	2,369,431	55.4	2,854,448	55.2
Total liabilities and net assets	4,948,556	100.0	4,278,769	100.0	5,169,248	100.0



### Consolidated Income Statements

	From July 1, 2006 to March 31, 2007			From July 1, 2007 to March 31, 2008			From July 1, 2006 to June 30, 2007			
	Amount (thousand yen)		(%)	Amount (thousand yen)		(%)	Amount (thousand yen)		(%)	
I Net Sales		2,684,127	100.0		<b>2,335,064</b>	<b>100.0</b>		3,698,177	100.0	
II Cost of sales		1,590,199	59.2		<b>1,349,722</b>	<b>57.8</b>		2,126,871	57.5	
Gross Profit		1,093,928	40.8		<b>985,341</b>	<b>42.2</b>		1,571,305	42.5	
III Selling, general and administrative expenses		1,219,860	45.5		<b>1,177,671</b>	<b>50.4</b>		1,629,281	44.1	
Operating Income/ loss		△125,931	△4.7		<b>△192,329</b>	<b>△8.2</b>		57,975	△1.6	
IV Non-operating income										
1 Interest income		8,836			<b>10,250</b>			12,565		
2 Dividend income		16			<b>22</b>			39		
3 Foreign exchange gain		15,605			—			27,250		
4 Consignment income		—			<b>3,149</b>			—		
5 Other income		6,772	31,230	1.1	<b>2,315</b>	<b>15,737</b>	<b>0.7</b>	12,110	51,966	1.4
V Non-operating expenses										
1 Interest expense		17,563			<b>17,859</b>			24,392		
2 Foreign exchange loss		—			<b>39,853</b>			—		
3 Loss on revaluation of inventories		—			<b>52,327</b>			15,290		
4 Other expenses		17,639	35,202	1.3	<b>12,866</b>	<b>122,906</b>	<b>5.3</b>	20,120	59,803	1.6
Ordinary income/ loss		△129,904	△4.9		<b>299,499</b>	<b>△12.8</b>		65,812	△1.8	
VI Extraordinary gains										
1 Gain on sale of securities		—			<b>10,710</b>			—		
2 Gain on sale of property, plant and equipment		—			<b>1,004</b>			—		
3 Reversal of allowance for doubtful accounts		107	107	0.0	<b>1,974</b>	<b>13,689</b>	<b>0.6</b>	84	84	0.0
VII Extraordinary losses										
1 Loss on sale of property, plant and equipment		30			<b>1,678</b>			5,106		
2 Loss on disposal of property, plant and equipment		140			<b>11,177</b>			535		
3 Loss on revaluation of inventories		—			<b>25,835</b>			—		
4 Loss on warranty for products		—			—			6,400		
5 Loss on depletion		—	170	0.0	<b>73,045</b>	<b>111,736</b>	<b>4.8</b>	1,789	13,832	0.4
Loss before taxes		129,967	△4.9		<b>397,546</b>	<b>△17.0</b>		79,560	△2.2	
Income tax, local tax, etc.		51,993	1.9		<b>30,272</b>	<b>1.3</b>		64,207	1.7	
Net income/ loss		181,901	△6.8		<b>427,818</b>	<b>△18.3</b>		143,767	△3.9	

### Consolidated Cash Flow Statements

	From July 1, 2007 to March 31, 2008	From July 1, 2006 to June 30, 2007
	Amount (thousand yen)	Amount (thousand yen)
I. Cash flow from operating activities		
Loss before taxes and other adjustments	△397,546	△79,560
Depreciation and amortization	192,187	208,491
Loss on impairment of fixed assets	73,045	1,789
Increase in allowance for doubtful accounts	20,692	11,655
Interest and dividend income	△10,272	△12,605
Interest expense	17,859	24,392
New stock issuing expense	—	67
Bond issuing expense	—	3,319
Loss in equity method investment	10,432	15,474
Gain on sale of investment securities	△10,710	—
Gain on sale of property, plant and equipment	△1,004	—
Loss on sale of property, plant and equipment	1,678	5,106
Loss on disposal of property, plant and equipment	11,177	535
Decrease in notes and account receivables	58,839	227,204
Increase in inventories	△63,209	△82,652
Increase(Decrease) in notes and account payables	163,062	△299,848
Others	71,870	△28,286
Sub-total	138,101	△4,917
Interest and dividends received	10,823	12,272
Interest paid	△20,733	△21,369
Taxes paid	△72,310	△37,274
Net cash provided by operating activities	55,880	△51,289

		<b>From July 1, 2007 to March 31, 2008</b>	From July 1, 2006 to September 30, 2007
		<b>Amount (thousand yen)</b>	Amount (thousand yen)
II. Cash flow from investing activities			
Decrease in term deposits		154,725	49,061
Purchases of tangible fixed assets		△220,815	△154,589
Proceeds from sale of Property, plant and equipment		5,276	33,809
Purchases of intangible assets		△3,493	△3,049
Sale of investment securities		29,506	—
Purchases of investment securities		△50,000	△50,000
Others		336	951
Net cash provided by investing activities		△84,463	△123,816
III. Cash flow from financing activities			
Increase(Decrease) in short-term debt		△200,000	200,000
Proceeds from long-term debt		100,000	300,000
Repayment of long-term debt		△267,929	△276,682
Proceeds form bonds		—	196,681
Proceeds from stock option		—	932
Net cash provided by financing activities		△367,929	420,931
IV. Effects of exchange rates on cash and cash equivalents		△15,574	17,945
V. Net increase in cash and cash equivalents		△412,086	263,770
VI. Cash and cash equivalents at the beginning of the year		1,478,611	1,214,841
VII. Cash and cash equivalents at the end of the year		1,066,524	1,478,611