

# SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

## For FY 2009 First Six Months (from July 1, 2008 to December 31, 2008)

February 13, 2009

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 first six months of fiscal year 2009

(From July 1, 2008 to December 31, 2008)

#### (1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
<b>Six months ended December 31, 2008</b>	<b>1,875</b>	-	<b>151</b>	-	<b>83</b>	-
Six months ended December 31, 2007	1,478	(12.8)	(210)	-	(273)	-

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
<b>Six months ended December 31, 2008</b>	<b>23</b>	-	<b>542.46</b>	-
Six months ended December 31, 2007	(399)	-	(9,316.57)	-

#### (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, 2008</b>	<b>4,007</b>	<b>2,573</b>	<b>58.1</b>	<b>54,365.80</b>
As of December 31, 2007	4,224	2,423	57.4	56,573.08

### 2. Forecasts for fiscal year ending June 30, 2009 (from July 1, 2008 to June 30, 2009)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For fiscal year ending June 30, 2009	3,500	3.0	160	-	80	-	-	5	116.71

### 3. Others

- (1) Change in scope of consolidated subsidiaries: One  
 (Addition: Bio Contents LLP)

- (2) Application of simplified accounting procedures and accounting procedures specific to quarterly consolidated financial statements: Yes**
- (3) Changes in accounting principles, procedures, and disclosures for quarterly consolidated financial statements:**
  - a) Changes according to modifications in accounting regulations: Yes**
  - b) Other than a): Yes**
- (3) Number of outstanding stocks (common stocks)**
  - a) Number of outstanding stocks as of December 31, 2008 (including treasury stock)**  
**42,840 (42, 840 as of December 31, 2007)**
  - b) Number of treasury stocks as of December 31, 2008**  
**None (none as of December 31, 2007)**
  - c) Average number of stocks during the six months ending December 31, 2008**  
**42,840 (42,840 during the six months ending December 31, 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

In the first six months of FY2009 ended December 31, 2008, net sales increased 26.9% (compared to the same period of previous year) to 1,875 million yen due to the full scale shipment of DNA extractors for major OEM clients, ROCHE Group and QIAGEN Group. As a result, gross profit improved 27.4% to 773 million yen.

On the other hand, selling, general and administrative expenses reduced by 23.9% to 622 million yen as cost reduction efforts, implementing from last fiscal year, became effective. Therefore, operating income recorded 151 million yen (compared to the 210 million yen operating loss in the same period of previous year)

There was foreign exchange loss of 75 million yen as non-operating loss due to extensive appreciation of yen against Euro and US dollar, while there was 33 million yen extraordinary loss due to that part of fund management commission by PSS Capital was refund as the fund was halved in scale from two billion yen to one billion yen. As a result, the ordinary income for the six months recorded 83 million yen (273 million yen loss in same period of previous year) and net income for the six months became 23 million yen (399 million yen loss in same period of previous year)

**Sales according to customer are as follows:** (Unit: Million yen)

	Six months ended Dec. 31, 2007		Six months ended Dec. 31, 2008		Year on year increase	FY2008 ended June 30, 2008	
	amount	ratio	amount	ratio	%	amount	ratio
<b>ROCHE Group</b>	523	35.4	<b>702</b>	<b>37.5</b>	<b>34.2</b>	1,324	39.0
<b>QIAGEN Group</b>	398	26.9	<b>632</b>	<b>33.7</b>	<b>58.8</b>	910	26.8
<b>Mitsubishi Kagaku Medience Group</b>	248	16.8	<b>142</b>	<b>7.6</b>	<b>(42.5)</b>	402	11.8
<b>Others</b>	308	20.9	<b>398</b>	<b>21.2</b>	<b>29.1</b>	760	22.4
<b>Total</b>	1,478	100.0	<b>1,875</b>	<b>100.0</b>	<b>26.9</b>	3,397	100.0

The shipment of upgrade models of DNA extractors to ROCHE Group and QIAGEN Group contributed to large sales increase for the period. Although the sales to Mitsubishi Kagaku Medience, Inc. recovered in the second quarter, overall sales to the group were still slow.

For the sales to other customers, there was increase due to the steady shipment to OEM partners in the US.

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

Sales by each product category: (Unit: Million yen)

	Six months ended December 31, 2007		Six months ended December 31, 2008		Year on year increase	FY2008 ended June 30, 2008	
	amount	ratio	amount	ratio	%	amount	ratio
	<b>DNA auto extractors</b>	593	40.1	<b>1,117</b>	<b>59.6</b>	<b>88.2</b>	1,524
<b>Other laboratory equipment</b>	99	6.8	<b>4</b>	<b>0.2</b>	<b>(95.8)</b>	191	5.7
<b>Other products</b>	214	14.5	<b>284</b>	<b>15.1</b>	<b>32.7</b>	510	15.0
<b>Merchandise (plastic consumables)</b>	558	37.8	<b>457</b>	<b>24.4</b>	<b>(18.0)</b>	1,145	33.7
<b>Other operating revenue</b>	12	0.8	<b>12</b>	<b>0.7</b>	<b>0.1</b>	25	0.7
<b>Total</b>	1,478	100.0	<b>1,875</b>	<b>100.0</b>	<b>26.9</b>	3,397	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, an OEM product for Mitsubishi Kagaku Iodine, Inc. and Purelumn, an auto protein purification system.

During the six months ended December 31, 2008, the sales on this category increased 88.2 % to 1,117 million yen thanks to brisk sales of new models to ROCHE Group and QIAGEN Group.

Quarterly sales of automated systems are shown in below charts.

(Unit: Thousand yen)

	Fiscal year ended June 30, 2008			
	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Units sold</b>	113	220	209	216
<b>Amount</b>	210,315	383,145	384,498	546,934
<b>Unit price</b>	1,861	1,741	1,839	2,532

	Fiscal year ended June 30, 2009			
	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Units sold</b>	<b>238</b>	<b>241</b>		
<b>Amount</b>	<b>623,139</b>	<b>493,987</b>		
<b>Unit price</b>	<b>2,618</b>	<b>2,049</b>		

**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 six months ended December 31, 2008, the sales of this category decreased 95.8% year on year to 4 million yen as system sales to clinical test centers became weak. 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 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 six months ended December 31, 2008, the sales in this category amounted to 284 million yen (32.7% 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.

**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 six months ended December 31, 2008, sales in this category decreased 18.0 % to 457 million yen. 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. For the six month period; however, the sales were negatively affected by termination of some shipment to ROCHE Group.

**e) Other operating revenue**

The net sales of 12 million yen were recoded as PSS Capital Co., Ltd. received management fee from Bio-Contents Fund LLP.

**Information by area segment:****(1) Japan**

For the six months ended December 31, 2008, the sales in Japan increased 43.9% compared to the same period of previous year to 1,584million yen. While the sales to Germany expanded in a great degree as shipments to ROCHE Group and Qiagen Group were brisk, the sales to non-PSS group decreased due to slow

shipment to Mitsubishi Kagaku Medience Group as well as termination of a supply contract on plastic consumables with ROCHE Group.

While net sales largely extended, operating expenses were contained to 1,378 million yen (14.1% compared to the same period of previous year); as a result, operating income recoded 205 million yen (107 million yen loss in the same period of previous year).

## **(2) USA**

The sales in the United States for the period increased 79.1% to 224 million yen as shipments to new OEM partners, Life Technologies (Invitrogen), Beckman Coulter and NanoString expanded. As operating expenses were contained to 248 million yen (20.8% increase compared to the same period of previous year), operating loss narrowed to 23 million yen (79 million yen loss in the same period of previous year)

## **(3) Germany**

The sales in Germany for the period increased 47.2% to 1,346 million yen as shipments to of new models to ROCHE Group and QIAGEN Group largely expanded. With operating expenses of 1,274 million yen (47.4% increase), operating income for the six months increased 43.7% to 71 million yen.

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

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

#### **(a) Assets**

As of December 31, 2008, total assets decreased 217 million yen compared with the amount as of June 30, 2008 to 4,007 million yen. Current assets decreased 115 million yen as bills receivable and accounts receivable decreased 67 million yen, inventories decreased 52 million yen. Due to depreciation, etc., Property, plant and equipment decreased 64 million yen and intangible fixed assets decreased 3 million yen. Furthermore, as PSS added new consolidation subsidiaries, investment securities reduced; as a result, investment and other assets reduced 34 million yen. Total fixed assets decreased 101 million yen.

#### **(b) Liabilities**

As of December 31, 2008, total liabilities decreased 366 million yen compared with the amount as of June 30, 2008 to 1,434 million yen. Accounts payable decreased 194 million yen and long-term liabilities with due date within one year reduced 26 million yen. As a result, current assets reduced 241 million yen. As long-term liabilities decreased 124 million yen, fixed assets decreased 124 million yen.

(c)Net Assets

As a result, net assets as of December 31, 2008, increased 149 million yen compared with the amount as of June 30, 2008 to 2,573 million yen. As net income was recognized, retained earnings increased 22 million yen, while minority interests increased 244 million yen due to addition of consolidated subsidiaries. Foreign currency translation adjustments reduced 117 million yen.

**(2) Cash flows**

As of December 31, 2008, cash and cash equivalents increased 244 million yen (compared with 1,459 million yen as of June 30, 2008) to 1,703 million yen. There was increase of 201 million yen from following cash flows from (a) to (c), increase of 145 million yen from change in consolidated subsidiary and decrease of 103 million yen in transaction difference related to capital.

**(a)Cash flows from operating activities**

Net income for the six months was 50 million yen, depreciation of 79 million yen, refund of fund management fee (33 million yen) and decrease of inventory (53 million yen), while there was decrease of accounts payable (84 million yen) and increase of accounts receivable (26 million yen). As a result, cash flows from operating activities increased 121 million yen (increase of 8 million yen in the same period in previous year)

**(b)Cash flows from investing activities**

There was increased due to withdrawal of 251 million yen from time deposit, disposal of tangible fixed asset (4 million yen), while there was decrease of purchase of tangible fixed asset (22 million yen) and purchase of intangible fixed asset (1 million yen). As a result, cash flows from investing activities increased 231 million yen (decrease of 87 million yen in the same period in previous year)

**(c)Cash flows from financing activities**

Cash flows from financing activities decreased 151 million yen due to repayment in long term debt (decrease of 66 million yen in the same period in previous year)

**III. Qualitative information on consolidated business forecast:**

(Consolidated business forecast)

	Net sales	Operating income	Ordinary profit	Net income
(Million yen)				
Current FY	3,500	160	80	5
Previous FY	3,397	(141)	(248)	(400)

At the beginning of current fiscal year, we forecasted the net sales for the fiscal year as 3,700 million yen based on the presumed foreign exchange rate (105 yen per dollar and 160 yen per Euro). The revised forecast is based on the new foreign exchange rate (90 yen per dollar and 115 yen per Euro) and order receiving trend. As PSS highly depends on export to Europe, the forecast of net sales was revised to 3,500 million yen due to extensive appreciation of yen to Euro.

We forecasted 1,500 million yen for gross profit. Although cost reducing efforts worked effectively more than originally planned, due to the current negative exchange rate, the forecast for gross profit was revised to 1,400 million yen,

The original forecast for selling, general and administrative expenses of 1,400 million yen was revised to 1,240 yen due to the extensive cost cutting efforts in R&D, etc. As a result, operating income for the current fiscal year increases to 160 million yen (100 million yen was originally forecasted)

We maintain original forecast for ordinary profit as there was non-operating loss in the first six months (8 million yen loss in equity method investment and 75 million yen loss in foreign exchange, etc.) although we positively revised the forecast for operating income.

As the size of venture fund that PSS Capital manages and operates was halved from 2 billion yen to 1 billion yen, PSS Capital is to refund the excessive fund management fee to the fund; therefore, 33 million yen of extraordinary loss of “refund of fund management fee” was recognized. With adjustments to corporate tax, the forecast of net income for the fiscal year was revised from 40 million yen to 5 million yen.



# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2008	As of June 30, 2008
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,953,777	1,962,608
Notes and account receivables	529,779	597,251
Inventories	453,549	489,118
Goods in process	36,259	61,759
Materials, stored goods	10,942	2,827
Others	104,526	92,112
Allowance for doubtful accounts	(2,395)	(3,481)
Total current assets	3,086,438	3,202,196
<b>Fixed Assets</b>		
Property, plant and equipment	869,067	933,196
<b>Intangible fixed assets</b>		
Good will	1,340	---
Others	9,500	13,851
Total intangible fixed assets	10,841	13,851
Investment & other assets	40,988	75,344
Total fixed assets	920,897	1,022,391
<b>Total assets</b>	<b>4,007,335</b>	<b>4,224,588</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Account payables	146,322	341,052
Long-term debt due within one year	281,330	308,011
Accrued taxes including corporate taxes	28,493	23,831
Allowance for bonuses	11,546	22,762
Others	156,534	170,481
Total current liabilities	624,226	866,139
<b>Long-term liabilities</b>		
Bond	550,000	550,000
Long-term debt	259,070	383,580
Others	914	1,278
Total long-term liabilities	809,984	934,858
<b>Total liabilities</b>	<b>1,434,211</b>	<b>1,800,997</b>

As of December  
31, 2008

As of June 30, 2008

**(Net assets)**

<b>Shareholders' equity</b>		
Common stock	2,041,778	2,041,778
Capital surplus	2,508,354	2,508,354
Retained earnings	(2,188,257)	(2,210,810)
<b>Total shareholders' equity</b>	<b>2,361,875</b>	<b>2,339,321</b>
<b>Valuation/ translation adjustments</b>		
Deferred gain/loss on hedges	(15)	57
Foreign currency translation adjustments	(32,829)	84,210
<b>Total of valuation/ translation adjustments</b>	<b>(32,844)</b>	<b>84,268</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>244,093</b>	<b>---</b>
<b>Total net assets</b>	<b>2,573,124</b>	<b>2,423,590</b>
<b>Total liabilities and net assets</b>	<b>4,007,335</b>	<b>4,224,588</b>

**(2) Consolidated Income Statements****(Thousand yen)****For six months ended  
December 31, 2008**

Net Sales	1,875,879
Cost of sales	1,102,381
Gross Profit	773,497
Selling, general and administrative expenses	622,041
<b>Operating Income</b>	<b>151,455</b>
Non-operating income	
Interest income	5,301
Commission revenue	8,770
Others	3,581
Total non-operating income	17,653
Non-operating expenses	
Interest expense	9,374
Foreign exchange loss	75,636
Loss on equity method investment	---
Others	488
Total non-operating expenses	85,500
<b>Ordinary income</b>	<b>83,609</b>
Extraordinary gain	
Gain on sale of property, plant and equipment	666
Gain on reverse of allowance for doubtful debt	326
Total extraordinary gain	993
Extraordinary loss	
Loss on sale of property, plant and equipment	607
Loss on disposal of property, plant and equipment	121
Refund of fund management fee	33,869
Total extraordinary loss	34,598
Income before taxes	50,004
Income tax, local tax	26,618
Adjustments to corporate tax	146
Total of taxes	26,765
<b>Net income</b>	<b>23,239</b>

### (3) Consolidated Statements of Cash flows

(Thousand yen)

For six months ended  
December 31, 2008

<b>Cash flows from operating activities</b>	
Net income before taxes and other adjustments	50,004
Depreciation	79,759
Increase (decrease) in allowance for doubtful accounts	(8,863)
Interest and dividend income	(5,301)
Interest expense	9,374
Loss on equity method investment	(8,770)
Gain on sale of property, plant and equipment	(59)
Loss (gain) on disposal of property, plant and equipment	121
Refund of fund management fee	33,869
Decrease (increase) in notes and accounts receivable	(26,517)
Decrease (increase) in inventories	53,882
Increase (decrease) in notes and accounts payable	(84,746)
Others	51,791
<b>Sub-total</b>	<b>144,543</b>
Interest and dividends received	5,447
Interest paid	(8,943)
Taxes paid	(19,616)
<b>Net cash provided by operating activities</b>	<b>121,432</b>
<b>Cash flows from investing activities</b>	
Decrease (increase) in term deposits	251,000
Purchases of property, plant and equipment	(22,418)
Proceeds from sale of property, plant and equipment	4,411
Purchases of intangible assets	(1,360)
<b>Net cash provided by investing activities</b>	<b>231,633</b>
<b>Cash flows from financing activities</b>	
Repayment of long-term debt	(151,191)
<b>Net cash provided by financing activities</b>	<b>(151,191)</b>
Effects of exchange rate changes on cash and cash equivalents	(103,125)
<b>Net increase in cash and cash equivalents</b>	<b>98,748</b>
<b>Cash and cash equivalents at beginning</b>	<b>1,459,398</b>
<b>Increase (decrease) of cash and cash equivalents due to change in scope of consolidation</b>	<b>145,630</b>
<b>Cash and cash equivalents at the end</b>	<b>1,703,777</b>