

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Second Quarter of FY 2010
(From October 1, 2009 to December 31, 2009)

February 12, 2010

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 2010
(From June 1, 2009 to December 31, 2009)

(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	%
Six months ended December 31, 2009	2,724	45.3	429	183.4	409	389.4
Six months ended December 31, 2008	1,875	-	151	-	83	-

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
Six months ended December 31, 2009	363	-	8,495.09	-
Six months ended December 31, 2008	23	-	542.46	-

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Assets per share of common stock
	Million yen	Million yen	%	Yen
As of December 31, 2009	4,897	2,966	56.0	64,018.50
As of June 30, 2009	4,123	2,559	58.2	56,031.83

2. Dividend

	Dividend per share				
	1 st quarter	2 nd quarter	3 rd quarter	FY end	Total
	Yen	Yen	Yen	Yen	
FY 24 ended June 30, 2008	-	0.00	-	0.00	0.00
FY 25 ending June 30, 2009	-				
Forecast for FY25		0.00	-	2,000.00	2,000.00

3. Forecasts for fiscal year ending June 30, 2010 (from July 1, 2009 to June 30, 2010)

	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, 2010	5,300	39.4	620	140.2	590	171.9	500	579.4	11,671.34

4. Others

(1) **Change in scope of consolidated subsidiaries: None**

(2) **Application of simplified accounting procedures to quarterly consolidated financial statements: Yes**

(3) **Changes in accounting principles and/or procedures relating to quarterly consolidated financial statements:**

a) **Changes according to accounting standards: None**

b) **Other than a): None**

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

a) **Number of outstanding stocks (including treasury stock)**

42,840 as of December 31, 2009

42,840 as of December 31, 2008

b) **Number of treasury stocks**

None as of December 31, 2009

None as of December 31, 2008

c) **Average number of stocks**

42,840 for the six months ended December 31, 2009

42,840 for the six months ended December 31, 2008

* 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

1. Analysis of operating results

In the first six months of FY2010 ended December 31, 2009, net sales sharply increased by 45.3% compared to the same period of previous year to 2,724 million yen, while gross profit increased 39.3% to 1,077 million yen due to the expansion of use of genome analysis in the areas, such as, virus detection for swine influenza and forensics.

On the hand, selling, general and administrative expenses recorded 648 million yen (4.3% up compared to the same period of previous year) As a result, operating income recorded 429 million yen (183.4% increase yoy) , while ordinary income for the six months significantly improved to 409 million yen (389.4% increase yoy) and net income for the six months became 363 million yen from 23 million yen in the previous year.

Net sales according to customer are as follows: (Unit: Million yen)

	Six months ended Dec. 31, 2008		Six months ended Dec. 31, 2009		Year on year increase	FY2009 ended June 30, 2009	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	702	37.4	1,487	54.6	111.8	1,582	41.6
QIAGEN Group	632	33.7	789	29.0	24.9	1,276	33.6
Other OEMs	352	18.8	289	10.6	(17.9)	564	14.8
PSS brand	188	10.1	157	5.8	(16.2)	379	10.0
Total	1,875	100.0	2,724	100.0	45.3	3,802	100.0

The shipment of DNA extractors to Roche Group and Qiagen Group greatly increased for six month period, as demand for genomic analysis regarding swine influenza expanded.

As for the shipment to other OEM partners, the sales slightly decreased; however, the sales for the full fiscal year is viewed overtaking previous year as PSS accumulated orders.

The expanding use of genome analysis is recognized; such as, in the areas of clinical diagnostics and forensic medicine and PSS considers these market continues to grow in the middle to long term. However, the part of current brisk sales of DNA extractor might include one-time element due to pandemic of swine flu and there is no guarantee that the trend continues.

The sales by each product category: (Unit: Million yen)

	Three months ended Dec. 31, 2008		Three months ended Dec. 31, 2009		Year on year increase	FY2009 ended June 30, 2009	
	amount	ratio	amount	ratio	%	amount	ratio
DNA auto extractors	1,117	59.6	1,755	64.4	57.1	2,184	57.4
Other laboratory equipment	4	0.2	11	0.4	182.1	102	2.7
Other products	284	15.1	248	9.2	(12.4)	523	13.8
Merchandise (plastic consumables)	457	24.4	709	26.0	54.9	976	25.7
Other revenue	12	0.7	---	---	---	15	0.4
Total	1,875	100.0	2,724	100.0	45.3	3,802	100.0

a) 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 includes immunochemical luminescent measuring system, an OEM product for Mitsubishi Kagaku Iidience, Inc. and Purelumn, auto protein purification system.

During the six months ended December 31, 2009, the sales on this category increased 57.1 % to 1,755 million yen thanks to brisk sales to Roche Group and Qiagen Group.

Quarterly sales of automated systems are shown in below charts.

(Unit: Thousand yen)

	Previous Fiscal year ended June 30, 2009				Current Fiscal year	
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
Units sold	238	241	243	215	298	435
Amount	623,139	493,987	576,349	491,039	691,500	1,063,716
Unit price	2,618	2,049	2,371	2,283	2,320	2,445

b) Other laboratory equipment

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

During the six month period ended December 31, 2009, the sales of this category increased 182.1% year on year to 11 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 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 month period ended December 31, 2009, sales in this category amounted to 248 million yen (12.4% decrease compared to the previous year). Although the deal with Genetein Co., Ltd. was recognized as sales in the previous year, it was not recognized in the current period due to the fact that Genetein became a consolidated subsidiary of PSS and the deal was regarded as internal transaction. Therefore, the sales declined compared to previous period. 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 month period ended December 31, 2009, sales in this category increased 54.9% to 709 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.

e) Other revenue

In the same period in the previous year, there was revenue of fund management from Capital from Bio-Contents Fund LLP to PSS Capital. As Bio-Contents Fund LLP became a consolidated subsidiary, there was no revenue in the current period.

Information by area segments is as follows:

(1) Japan

During the six month period ended December 31, 2009, the sales in Japan increased 37.6% compared to the same period of previous year to 2,179 million yen, of which sales to non-PSS group decreased 36.4% to 197 million yen. The sales to Roche Group and US OEMs were brisk, while domestic sales were weak.

As the operating expenses increased to 1,780 million yen (29.1% increase), the operating income recoded 399 million yen (94.1% increase compared to the same period of previous year).

(2) USA

The sales in the United States for the period decreased 0.9% to 223 million yen. As PSS secured orders, net sales for full fiscal year should overtake the previous year. Operating expenses decreased 5.3% and operating loss narrowed to 11 million yen (23 million yen loss in the same period of previous year)

(3) Germany

The sales in Germany for the period increased 71.6% to 2,310 million yen as shipments to Roche Group and Qiagen Group expanded. With operating expenses of 2,181 million yen (71.1% increase), operating income for the six month period increased 80.6% to 129 million yen.

2. Analysis of Financial Conditions:

(1) Assets, Liabilities and Net Assets

(a) Assets

As of December 31, 2009, total assets increased 773 million yen compared with the amount as of June 30, 2009 to 4,897 million yen. Current assets increased 618 million yen as bills receivable and accounts receivable increased 455 million yen and inventory increased 169 million yen.

Investment securities increased 161 million yen as the investment to NPS and investment by Contents Fund LLP were made, while tangible fixed assets decreased 3 million yen due to depreciation. As a result, Fixed assets increased 155 million yen.

(b) Liabilities

As of December 31, 2009, total liabilities increased 366 million yen to 1,930 million yen compared to 1,564 million yen at fiscal year end of June 30, 2009.

As accounts payable increased 153 million yen, bond payable within 1 year increased 350 million yen, unpaid corporate tax, etc. increased 22 million yen, current liabilities increased 582 million yen.

Long-term liabilities increased 144 million yen, while bond decreased 350 million yen. As a result, fixed liabilities decreased 216 million yen.

(c) Net Assets

As of December 31, 2009, total net assets were 2,966, increasing 407 million yen from 2,559 million yen of as of June 30, 2009.

Approved at annual shareholders' meeting, accumulated loss was offset by capital surplus; furthermore, there is surplus of net income. As a result, retained earnings increased 2,795 million yen and capital surplus decreased 2,431 million yen; the total shareholders' equity increased 363 million yen. Foreign currency translation adjustments decreased 21 million yen, while minority interests increased 65 million yen.

(2) Cash flows

During the six month period from July 1, 2009 to December 31, 2009, cash and cash equivalents decreased 55 million yen to 1,897.

Cash flows from operating activities increased 2 million yen. Net income before tax adjustment for the period was 383 million yen and there were depreciation (53 million yen), increase of account payable (169 million yen), while there was increase of account receivable (467 million yen) and increase of inventory (169 million yen).

Cash flows from investing activities decreased 284 million yen. There was decrease due to term deposit (50 million yen), payment for purchase of tangible fixed assets (54 million yen), payment for purchase of investment securities (investment to NPS and investment by Bio-contents Fund) of 184 million yen.

Cash flows from financing activities increased 247 million yen. There was increase of long term borrowing (300 million yen) and receipt of 100 million yen of investment to venture fund, while there is decrease of repayment of long term debt (152 million yen)

3. Qualitative information on consolidated business forecast:

(1)Revision of business forecast for the fiscal year ending June 30, 2010:

	Net sales	Operating income	Ordinary income	Net income
Current fiscal year forecast	5,300	620	590	500
Previous fiscal year actual results	3,802	258	217	217

The demand for genomic analysis has become higher due to worldwide pandemic of swine influenza. Responding to the market needs, the shipment of PSS-made DNA extractors through OEM partners has expanded more than original estimation. Furthermore, forensics use of genomic analysis is diffused in Japanese Police Agency and PSS is to supply the instruments to meet the demand. Therefore, we revised original forecast upward for the fiscal year ending June 30, 2010.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2009	As of June 30, 2009
(Assets)		
Current assets		
Cash and cash equivalents	2,097,327	2,102,556
Notes and accounts receivable	884,185	428,695
Inventories	777,339	608,241
Goods in process	7,111	8,985
Materials, stored goods	11,530	9,952
Others	118,861	115,458
Allowance for doubtful accounts	(6,793)	(2,330)
Total current assets	3,889,562	3,271,560
Fixed Assets		
Property, plant and equipment	801,973	805,340
Intangible assets	5,059	6,026
Investment & other assets	200,531	40,274
Total fixed assets	1,007,564	851,641
Total assets	4,897,127	4,123,202
(Liabilities)		
Current liabilities		
Accounts payable	398,966	245,662
Long-term debt due within one year	319,512	316,856
Bond debt due within one year	350,000	---
Accrued taxes including corporate taxes	60,573	37,674
Allowance for bonuses	18,154	19,289
Allowance for executive salaries	11,750	---
Others	163,081	119,668
Total current liabilities	1,322,037	739,150
Long-term liabilities		
Bond	200,000	550,000
Long-term debt	345,857	201,480
Deferred tax liabilities	58,144	67,406
Negative goodwill	4,014	5,352
Others	407	744
Total long-term liabilities	608,423	824,983
Total liabilities	1,930,461	1,564,134

(Net assets)	As of December 31, 2009	As of June 30, 2009
Shareholders' equity		
Common stock	2,041,778	2,041,778
Capital surplus	76,583	2,508,354
Retained earnings	657,803	(2,137,896)
Total shareholders' equity	2,776,165	2,412,235
Valuation/ translation adjustments		
Deferred gain/loss on hedges	(23)	(18)
Foreign currency translation adjustments	(33,589)	(11,814)
Total of valuation/ translation adjustments	(33,613)	(11,832)
Minority interest	224,113	158,664
Total net assets	2,966,666	2,559,067
Total liabilities and net assets	4,897,127	4,123,202

(2) Consolidated Income Statements

(Thousand yen)

	For six months ended December 31, 2008	For six months ended December 31, 2009
Net Sales	1,875,879	2,724,881
Cost of sales	1,102,381	1,647,104
Gross Profit	773,497	1,077,776
Selling, general and administrative expenses	622,041	648,588
Operating Income	151,455	429,187
Non-operating income		
Interest income	5,301	1,819
Commission revenue	---	1,606
Negative Goodwill	8,770	6,104
Others	3,581	2,757
Total non-operating income	17,653	12,287
Non-operating expenses		
Interest expense	9,374	9,264
Foreign exchange loss	75,636	18,355
Expense of issuing stock option	---	4,373
Others	488	278
Total non-operating expenses	85,500	32,271
Ordinary income	83,609	409,204
Extraordinary gain		
Gain on sale of property, plant and equipment	666	4,226
Reversal of allowance for doubtful accounts	326	---
Total extraordinary gain	993	4,226
Extraordinary loss		
Loss on sale of property, plant and equipment	607	---
Loss on disposal of fixed assets	121	7
Loss on devaluation of investments securities	---	29,641
Refund of management commission on Investment Fund LLP	33,869	---
Total extraordinary loss	34,598	29,649
Income before taxes	50,004	383,781
Income tax, local tax	26,618	63,636
Adjustments to corporate tax	146	(9,233)
Total of taxes	26,765	54,402
Minority interests	---	(34,550)
Net income for the six months	23,239	363,929

(3) Consolidated Statements of Cash flow

(Thousand yen)

	For six months ended December 31, 2008	For six months ended December 31, 2009
Cash flow from operating activities		
Net income before taxes and other adjustments	50,004	383,781
Depreciation	79,759	53,231
Negative goodwill	---	(1,338)
Increase (decrease) in allowance for doubtful accounts	(8,863)	15,565
Interest and dividend income	(5,301)	(1,819)
Interest expense	9,374	9,264
Expense of issuing of stock option	---	4,373
Loss on equity method investment	(8,770)	(6,104)
Loss on devaluation of investment securities	---	29,641
Gain on sale of property, plant and equipment	(59)	(4,226)
Loss (gain) on disposal of property, plant and equipment	121	7
Refund of management commission on Investment Fund LLP	33,869	---
Decrease (increase) in notes and account receivables	(26,517)	(467,956)
Decrease (increase) in inventories	53,882	(169,503)
Increase (decrease) in notes and account payables	(84,746)	169,554
Others	51,791	31,895
Sub-total	144,543	46,366
Interest and dividends received	5,447	1,835
Interest paid	(8,943)	(8,857)
Taxes paid	(19,616)	(37,207)
Net cash flow provided by operating activities	121,432	2,137
Cash flow from investing activities		
Decrease (increase) in term deposits	251,000	(50,080)
Purchases of property, plant and equipment	(22,418)	(54,854)
Sales of property, plant and equipment	4,411	4,653
Purchases of intangible assets	(1,360)	---
Purchases of securities for investing	---	(184,571)
Net cash flow provided by investing activities	231,633	(284,853)
Cash flow from financing activities		
Borrowing of long-term debt	---	300,000
Repayment of long-term debt	(151,191)	(152,967)
Remittance from minority shareholders	---	100,000
Net cash provided by financing activities	(151,191)	247,033
Effects of exchange rates on cash and cash equivalents	(103,125)	(19,627)
Net increase in cash and cash equivalents	98,748	(55,310)
Cash and cash equivalents at beginning	1,459,398	1,952,556
Increase (decrease) due to consolidated scope	145,630	---
Cash and cash equivalents at the end	1,703,777	1,897,246

