

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

For FY 2010 (from July 1, 2009 to June 30, 2010)

August 13, 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 fiscal year 2010

(From July 1, 2009 to June 30, 2010)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY25 ended June 30, 2010	5,637	48.3	718	178.5	653	201.3	549	647.3
FY24 ended June 30, 2009	3,802	11.9	258	-	217	-	73	-

	Net income per share	Net income per share adjusted for full dilution	Return on equity	Ordinary income ratio on total assets	Operating income ratio on net sales
	Yen	Yen	%	%	%
FY25	12,674.69	12,651.95	19.7	14.0	12.7
FY24	1,718.01	-	3.1	5.2	6.8

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Assets per share of common stock
	Million yen	Million yen	%	Yen
As of June 30, 2010	5,238	3,370	60.7	69,741.46
As of June 30, 2009	4,123	2,559	58.2	56,031.83

(3) Cash flows condition

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financial investing	Cash and cash equivalents at FY -end
	Million yen	Million yen	%	Yen
As of June 30, 2010	407	(174)	572	2,636
As of June 30, 2009	339	255	(173)	1,952

2. Dividend

	Dividend per share					Total dividend	Dividend /net income	Dividend /net assets
	1Q	2Q	3Q	FY end	Total			
	Yen	Yen	Yen	Yen	Yen	Mil yen	%	%
FY 24 ended June 30, 2009	----	0.00	----	0.00	0.00	----	----	----
FY 25 ended June 30, 2010	----	0.00	----	3,000.00	3,000.00	136	23.7	4.8
Forecast for FY26	----	0.00	----	200.00	200.00		18.3	

3. Forecasts for fiscal year ending June 30, 2011 (from July 1, 2010 to June 30, 2011)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For first six months	2,200	(19.3)	90	(79.0)	80	(80.4)	50	(86.3)	547.89
For fiscal year ending June 30, 2011	4,400	(22.0)	180	(75.0)	160	(75.5)	100	(81.8)	1,095.77

4. Others

- (1) **Change in scope of consolidated subsidiaries during the fiscal year: None**
- (2) **Change in fundamental accounting principles and procedures, and change in indicating method for consolidated financial statements:**
- a) **Due to modification of accounting standard: None**
- b) **Due to the reason other than above a): Yes**
- (3) **Number of outstanding stocks (common stocks)**
- a) **Number of outstanding stocks (including treasury stock)**
- 45,630 as of June 30, 2010**
- 42,840 as of June 30, 2009
- b) **Number of treasury stocks**
- None as of June 30, 2010**
- None as of June 30, 2009

* 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 fiscal year 2010 ended June 30, 2010, net sales sharply increased by 48.3% compared to the previous year to 5,637 million yen, while gross profit increased 38.6% to 2,114 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 1,395 million yen (10.1% up compared to the previous year) As a result, operating income recorded 718 million yen (178.5% increase yoy) , while ordinary income significantly improved to 653 million yen (201.3% increase yoy) and net income expanded to 549 million yen (647.3% increase yoy) although there was extraordinary loss of 75 million yen at investment securities held by Contents Fund LLP.

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

	FY2009 ended		FY2010 ended		Year on
	June 30, 2009		June 30, 2010		year
	amount	ratio	amount	ratio	increase %
Roche Group	1,582	41.6	2,960	52.5	87.1
QIAGEN Group	1,276	33.6	1,278	22.7	0.2
Other OEMs	564	14.8	1,072	19.0	89.8
PSS brand	379	10.0	326	5.8	(14.0)
Total	3,802	100.0	5,637	100.0	48.3

The shipment of DNA extractors to Roche Group greatly increased as demand for genomic analysis regarding swine influenza expanded. The shipment to Qiagen recorded about same level of sales.

As for the shipment to other OEM partners largely expanded due to sales to Japanese Police authority through Life Technologies.

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

	FY2009 ended June 30, 2009		FY2010 ended June 30, 2010		Year on year increase
	amount	ratio	amount	ratio	%
DNA auto extractors	2,184	57.4	3,458	61.3	58.3
Other laboratory equipment	102	2.7	28	0.5	(72.3)
Other products	523	13.8	551	9.8	5.4
Merchandise (plastic consumables)	976	25.7	1,598	28.4	63.7
Other revenue	15	0.4	---	---	---
Total	3,802	100.0	5,637	100.0	48.3

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 Iodine, Inc. and Purelumn, auto protein purification system.

During the fiscal year, the sales on this category increased 58.3 % to 3,458 million yen thanks to strong demand of gene analysis relating to swine flu as well as for forensic investigation. As the expanding use of genome analysis is recognized; such as, in the areas of clinical diagnostics and forensic area, PSS considers these market continues to grow in the middle to long term.

Quarterly sales of automated systems are shown in below charts.

(Unit: Thousand yen)

	Previous Fiscal year ended June 30, 2009				Current Fiscal year ended June 30, 2010			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Units sold	238	241	243	215	298	435	643	197
Amount	623,139	493,987	576,349	491,039	691,500	1,063,716	1,360,228	343,436
Unit price	2,618	2,049	2,371	2,283	2,320	2,445	2,115	1,743

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 fiscal year, the sales of this category decreased 72.3% year on year to 28 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 fiscal year, sales in this category amounted to 551 million yen (5.4% up 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 fiscal year, sales in this category increased 63.7% to 1,598 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 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 current fiscal year ended June 30, 2010, the sales in Japan increased 41.4% compared to the previous year to 4,399 million yen, of which sales to non-PSS group increased 48.6% to 800 million yen. The sales to Roche Group and US OEMs were brisk. As the operating expenses increased to 3,796 million yen (35.1% increase), the operating income recoded 603 million yen (99.9% increase year on year).

(2) USA

The sales in the United States increased 68.3% to 595 million yen due to the expanding sales to Life Technologies, Beckman Coulter and NanoString. As operating expenses increased 38.5% to 565 million yen, operating income turned to positive 30 million yen (54 million yen loss in the previous year)

(3) Germany

The sales in Germany for the period increased 47.5% to 4,308 million yen as shipments to Roche Group expanded. With operating expenses of 4,016 million yen (46.0% increase), operating income increased 71.4% to 292 million yen.

(Forecasts for fiscal year ending June 30, 2011)

	FY2010 ended June 30, 2010		FY2011 ending June 30, 2011		Year on year increase	
	amount	ratio	amount	ratio	amount	%
Net sales	5,637	100.0	4,400	100.0	(1,237)	(21.9)
Gross profit on sales	2,114	37.5	1,580	35.9	(534)	(25.3)
Sales administrative expense	1,395	24.8	1,400	31.8	5	0.4
Business profit	718	12.7	180	4.1	(538)	(74.9)
Ordinary income	653	11.6	160	3.6	(493)	(75.5)
Current net income	549	9.8	100	2.3	(449)	(81.8)

As we see the net sales in the FY2010 could include one-time element due to pandemic of swine flu, we forecast FY2011 based on FY2009 results. As for foreign exchange rate, we estimate as 1 Euro=110yen and 1US\$=85yen. Since our business largely depends on exporting to OEMs in Europe and yen's appreciation to Euro is becoming great concerns. Although we have agreements with our OEM partners to ease the FX impact, there is still negative effects remained.

2. Analysis of Financial Conditions:

(1) Assets, Liabilities and Net Assets

(a) Assets

As of June 30, 2010, total assets increased 1,115 million yen compared with the amount as of June 30, 2009 to 5,238 million yen. Current assets increased 969 million yen as cash & deposits increased 533 million yen, bills receivable & accounts receivable increased 230 million yen, inventory increased 151 million yen, etc.

Investment securities increased 197 million yen as the investment to NPS and investment by Contents Fund LLP were made, while tangible fixed assets decreased 52 million yen due to depreciation. As a result, Fixed assets increased 145 million yen.

(b) Liabilities

As of June 30, 2010, total liabilities increased 303 million yen to 1,868 million yen compared to 1,564 million yen at fiscal year end of June 30, 2009.

While bond payable within 1 year increased 350 million yen, unpaid corporate tax, etc. increased 46 million yen, long-term debt due within one year decreased 97 million yen, accounts payable decreased 14 million yen. As a result, current liabilities increased 415 million yen.

Long-term liabilities increased 225 million yen, while bond decreased 350 million yen. As a result, fixed liabilities decreased 111 million yen.

(c) Net Assets

As of June 30, 2010, total net assets was 3,370, increasing 811 million yen from 2,559 million yen of as of June 30, 2009.

Due to the practice of warrant by Nomura Securities, Co., Ltd., common stock and capital surplus increased 175 million yen, respectively, while 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 2,981 million yen and capital surplus decreased 2,431 million yen; the total shareholders' equity increased 900 million yen. Foreign currency translation adjustments decreased 118 million yen, while minority interests increased 27 million yen.

(2) Cash flows

During the fiscal year from July 1, 2009 to June 30, 2010, cash and cash equivalents increased 683 million yen to 2,636 million yen.

Cash flows from operating activities increased 407 million yen (339 million yen increase in the previous fiscal year), in which net income before tax adjustment for the period was 582 million yen and there were depreciation (109 million yen), increase of account payable (79 million yen), while there was increase of account receivable (320 million yen) and increase of inventory (156 million yen).

Cash flows from investing activities decreased 174 million yen (255 million yen increase in the previous fiscal year), in which there was increase due to withdrawal of term deposit (150 million yen) and due to sale of tangible fixed asset of 9 million yen, while there is decrease due to acquisition of investment securities (272 million yen) and purchase of tangible fixed assets (61 million yen).

Cash flows from financing activities increased 572 million yen, in which there was increase due to long term borrowing (500 million yen), due to issuance of stocks as warrant was practiced (348 million yen) and due to receipt of 100 million yen of investment to venture fund, while there is decrease of repayment of long term debt (371 million yen)

Consolidated financial statements

(1) Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2009	As of June 30, 2010
(Assets)		
Current assets		
Cash and cash equivalents	2,102,556	2,636,442
Notes and accounts receivable	428,695	658,796
Inventories	608,241	750,947
Goods in process	8,985	14,182
Materials, stored goods	9,952	13,625
Deferred tax asset	-	9,000
Others	115,458	162,520
Allowance for doubtful accounts	(2,330)	(3,969)
Total current assets	3,271,560	4,241,546
Fixed Assets		
Tangible fixed assets		
Property, plant and equipment	396,536	382,627
Intangible assets	(103,183)	(117,678)
Total fixed assets	293,353	264,949
Machine equipment and transport equipment	390,269	334,560
Cumulative depreciation	(276,206)	(260,141)
Machine equipment and transport equipment (net base)	114,062	74,419
Tool and device, equipment	735,286	715,449
Cumulative depreciation	(630,366)	(643,962)
Tool and device, equipment (net base)	104,920	71,487
Land	293,003	288,815
Lease asset	-	26,266
Cumulative depreciation	-	(3,804)
Lease asset (net base)	-	22,461
Construction in progress	-	30,846
Total of tangible fixed assets	805,340	752,978
Intangible fixed assets		
Software	4,782	3,302
Other	1,244	792
Total Intangible fixed assets	6,026	4,095
Investment and other assets		
Investment securities	30,030	227,495
Deferred tax asset	-	3,402
Other	10,244	9,011
Total investment and other assets	40,274	239,910
Total Fixed Assets	851,641	996,984
Total assets	4,123,202	5,236,531

(Thousand yen)

	As of June 30, 2009	As of June 30, 2010
(Liabilities)		
Current liabilities		
Accounts payable	245,662	231,554
Current portion of bonds	---	350,000
Long-term debt due within one year	316,856	219,706
Lease obligation	---	8,986
Accrued taxes including corporate taxes	37,674	83,942
Allowance for bonuses	19,289	5,666
Others	119,668	254,766
Total current liabilities	739,150	1,154,623
Long-term liabilities		
Bond	550,000	200,000
Long-term debt	201,480	426,781
Lease obligation	---	16,088
Deferred tax liabilities	67,406	67,797
Negative goodwill	5,352	2,676
Others	744	166
Total long-term liabilities	824,983	713,509
Total liabilities	1,564,134	1,868,132
(Net assets)		
Shareholders' equity		
Common stock	2,041,778	2,217,194
Capital surplus	2,508,354	251,999
Retained earnings	(2,137,896)	843,866
Total shareholders' equity	2,412,235	3,313,060
Valuation/ translation adjustments		
Deferred gain/loss on hedges	(18)	---
Foreign currency translation adjustments	(11,814)	(130,757)
Total of valuation/ translation adjustments	(11,832)	(130,757)
Share warrant	---	1,544
Minority interest	158,664	186,551
Total net assets	2,559,067	3,370,398
Total liabilities and net assets	4,123,202	5,238,531

(2) Consolidated Income Statements

(Thousand yen)

	FY2009 From July 1, 2008 to June 30, 2009	FY2010 From July 1, 2009 to June 30, 2010
Net Sales	3,802,466	5,637,771
Cost of sales	2,276,722	3,523,102
Gross Profit	1,525,744	2,114,668
Selling, general and administrative expenses	1,267,648	1,395,937
Operating Income	258,096	718,730
Non-operating income		
Interest income	8,197	3,252
Commission revenue	1,791	---
Gain in equity method investment	8,770	4,701
Negative goodwill	---	3,212
Others	3,967	4,889
Total non-operating income	22,727	16,056
Non-operating expenses		
Interest expense	18,060	20,053
Foreign exchange loss	44,896	53,068
Warrant issuance expense	---	1,350
Expense of issuing stock option	---	5,715
Others	860	823
Total non-operating expenses	63,817	81,011
Ordinary income	217,005	653,776
Extraordinary gain		
Gain on sale of property, plant and equipment	633	8,542
Refund of allowance for doubtful accounts	497	---
Total extraordinary gain	1,130	8,542
Extraordinary loss		
Loss on sale of property, plant and equipment	1,196	---
Loss on disposal of fixed assets	673	3,994
Loss on devaluation of investments securities	---	75,403
Refund of management commission on Investment Fund LLP	33,869	---
Total extraordinary loss	35,740	79,398
Income before taxes	182,395	582,920
Income tax, local tax	55,092	117,024
Adjustments to corporate tax	67,571	(11,983)
Total of taxes	122,664	105,040
Minority interests	(13,868)	(72,112)
Net income	73,599	549,992

(3) Consolidated Statements of Cash flow

(Thousand yen)

	FY2009 From July1, 2008 to June 30, 2009	FY2010 From July 1, 2009 to June 30, 2010
Cash flow from operating activities		
Net income before taxes and other adjustments	182,395	582,920
Depreciation	167,939	109,466
Increase (decrease) in allowance for doubtful accounts	(1,168)	(10,366)
Negative goodwill	(1,338)	(2,676)
Interest and dividend income	(8,197)	(10,413)
Interest expense	18,060	20,053
Expense of issuing of stock option	---	5,715
Loss on equity method investment	(8,770)	(4,701)
Gain on sale of property, plant and equipment	563	(8,542)
Loss on retirement of fixed assets	673	3,994
Refund of management commission on Investment Fund LLP	33,869	---
Investment loss(gain) on devaluation of marketable securities	---	75,403
Increase in trade receivables	92,385	(320,017)
Loss (gain) on disposal of property, plant and equipment	(72,671)	(156,965)
Increase (decrease) in notes and account payables	(1,932)	79,095
Others	(10,293)	100,298
Sub-total	391,517	463,264
Interest and dividends received	8,477	10,491
Interest paid	(18,270)	(20,449)
Taxes paid	(41,972)	(46,025)
Net cash flow provided by operating activities	339,751	407,281
Cash flow from investing activities		
Decrease (increase) in term deposits	349,370	150,000
Payments for purchase of tangible fixed assets	(33,119)	(61,339)
Proceeds from disposal of property, plant and equipment	5,259	9,662
Payments for acquisition of intangible assets	(2,096)	(240)
Payments for purchases of investment in securities	---	(272,010)
Purchases of investment securities of Other companies	(63,530)	---
Others	---	(330)
Net cash flow provided by investing activities	255,883	(174,258)
Cash flow from financing activities		
Borrowing of long-term debt	150,000	500,000
Repayment of long-term debt	(323,255)	(371,849)
Repayment of lease obligation	---	(1,191)
Borrowing of stock issuing expenses on stock option	---	348,875

upon exercise

Repayment of stock issue stock option	---	(3,339)
Remittance from minority shareholders	---	100,000
Net cash provided by financing activities	(173,255)	572,494
Effects of exchange rates on cash and cash equivalents	(74,852)	(121,632)
Net increase in cash and cash equivalents	347,527	683,885
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	1,952,556	2,636,442