

# SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

## For First Quarter of FY 2009 (from July 1, 2008 to June 30, 2009)

November 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 the first three months of fiscal year 2009

(From July 1, 2008 to September 30, 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>Three months ended September 30, 2008</b>	<b>1,030</b>	-	<b>142</b>	-	<b>123</b>	-
Three months ended September 30, 2007	626	( 17.0)	(121)	-	(134)	-

	Net income		Net income per share	Net income per share adjusted for full dilution
	Million yen	%	Yen	Yen
<b>Three months ended September 30, 2008</b>	<b>108</b>	-	<b>2,530.23</b>	
Three months ended September 30, 2007	(142)	-	(3,322.53)	-

#### (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 September 30, 2008</b>	<b>3,902</b>	<b>2,471</b>	<b>63.3</b>	<b>57,682.93</b>
As of September 30, 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)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For 6 months ending December 31, 2008	1,750	18.4	20	-	10	-	0	-	0.00
For fiscal year ending June 30, 2009	3,700	8.9	100	-	80	-	40	-	933.71

**3. 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 September 30, 2008 (including treasury stock)**

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

**b) Number of treasury stocks as of September 30, 2008**

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

**c) Average number of stocks during the three months ending September 30, 2008**

**42,840 (42,840 during the three months ending September 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

In the first quarter of FY2009 ended September 30, 2008, net sales increased 64.3% compared to the same period of previous year to 1,030million yen due to the full scale shipment of DNA extractors for major OEM clients, Roche Group and QIAGEN Group. As a result, Gross margin improved 57.1% to 465 million yen.

On the hand, selling, general and administrative expenses reduced by 22.8% to 322 million yen as cost reduction efforts, implementing from last fiscal year, became effective. Therefore, operating income recorded 142 million yen compared to the 121 million yen operating loss in the same period of previous year, while ordinary income for the three month improved to 123 million yen (123 million yen loss in same period of previous year) in and net income for the three month became 108 million yen (142 million yen loss in same period of previous year)

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

	Three months ended Sep. 30, 2007		Three months ended Sep. 30, 2008		Year on year increase	FY2008 ended June 30, 2008	
	amount	ratio	amount	ratio	%	amount	ratio
<b>Roche Group</b>	319	51.0	<b>404</b>	<b>39.2</b>	<b>26.5</b>	1,324	39.0
<b>QIAGEN Group</b>	159	25.4	<b>432</b>	<b>42.0</b>	<b>171.3</b>	910	26.8
Mitsubishi Kagaku Medience Group	53	8.5	<b>32</b>	<b>3.1</b>	<b>(39.8)</b>	402	11.8
<b>Others</b>	94	15.1	<b>161</b>	<b>15.7</b>	<b>70.4</b>	760	22.4
<b>Total</b>	626	100.0	<b>1,030</b>	<b>100.0</b>	<b>64.3</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, while sales to Mitsubishi Kagaku Medience, Inc., was 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:**

##### (1) Bio-related Business

In bio-related business, the net sales increased 65.0% to 1,023 million yen, while operating income recorded 178 million yen compared to 83 million yen loss in the same period of previous year.

The sales of bio-related business by each product category: (Unit: Million yen)

	Three months ended Sep. 30, 2007		Three months ended Sep. 30, 2008		Year on year increase	FY2008 ended June 30, 2008	
	amount	ratio	amount	ratio	%	amount	ratio
<b>DNA auto extractors</b>	210	33.9	<b>623</b>	<b>60.9</b>	<b>196.3</b>	1,524	45.2
<b>Other laboratory equipment</b>	21	3.5	<b>3</b>	<b>0.3</b>	<b>(85.0)</b>	191	5.7
<b>Other products</b>	88	14.3	<b>161</b>	<b>15.7</b>	<b>81.4</b>	510	15.1
<b>Merchandise (plastic consumables)</b>	299	48.3	<b>236</b>	<b>23.1</b>	<b>(21.1)</b>	1,145	34.0
<b>Total</b>	620	100.0	<b>1,023</b>	<b>100.0</b>	<b>65.0</b>	3,372	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 Iriko, Inc. and Purelumn, auto protein purification system, for which we have had exclusive sales agreement with GE Healthcare Bio Science Inc.

During the three months ended September 30, 2008, the sales on this category increased 196.3 % to 623 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, 2007			
	First quarter	Second quarter	Third quarter	Fourth quarter
<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 ended June 30, 2008				Current quarter
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
<b>Units sold</b>	113	220	209	216	<b>238</b>
<b>Amount</b>	210,315	383,145	384,498	546,934	<b>623,139</b>
<b>Unit price</b>	1,861	1,741	1,839	2,532	<b>2,618</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 three months period ended September 30, 2008, the sales of this category decreased 85.0% year on year to 3 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 three months period ended September 30, 2008, sales in this category amounted to 161 million yen (81.4% 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 three months period ended September 30, 2008, sales in this category decreased 21.1% to 236 million yen due to the slow sales of DNA extractors, sales recognition modification, etc. 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 first quarter, it was relatively slow due to the week shipment to Roche Group although it would be improved in 2<sup>nd</sup> and successive period as shipments of upgraded model have started.

**(2) Investment business**

**In investment business, the net sales were 6 million yen and operating income was 3 million yen, respectively as PSS Capital Co., Ltd. received management fee from Bio-Contents Fund LLP.**

Due to the tightened economic and financial circumstances, there were fewer IPOs in the period. While many bio-ventures felt difficulty to secure necessary fund, our investment activities had to be conservative. For the three months period, there was no investment made by Bio-Contents Fund LLP.

## **Information by area segments is as follows:**

### **(1) Japan**

For the three months period, the sales in Japan increased 93.4% compared to the same period of previous year to 853million yen, of which sales to non-PSS group decreased 22% to 114 million yen. The sales to Germany expanded in a great degree as shipments to Roche Group and QIAGEN Group were brisk. On the other hand, 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 increase, operating expenses contained to 687 million yen (36.3% increase); as a result, operating income recoded 166 million yen (62 million yen loss in the same period of previous year).

### **(2) USA**

The sales in the United States for the period increased 406.6% to 78 million yen as shipments to new OEM partners, Invitrogen and Beckman Coulter expanded. Operating loss narrowed to 18 million yen (52 million ye loss in the same period of previous year)

### **(3) Germany**

The sales in Germany for the period increased 75.4% to 840 million yen as shipments to of new models to Roche Group and QIAGEN Group largely expanded. With operating expenses of 800 million yen (77.9% increase), operating income for the three months period increased 35.7% to 39 million yen.

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

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

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

As of September 30, 2008, total assets decreased 321 million yen compared with the amount as of June 30, 2008 to 3,902 million yen. Current assets decreased 260 million yen as cash and deposit decreased 255 million yen, inventories decreased 6 million yen, while bills receivable and accounts receivable increased 49 million yen.

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

As of September 30, 2008, total liabilities decreased 369 million yen to 1,431 million yen; as current liabilities decreased 300 million yen, while long-term liabilities decreased 68 million yen.

(c)Net Assets

As a result, net assets as of June 30, 2008, increased 47 million yen to 2,471 million yen.

## **(2) Cash flows**

During the fiscal year from July 1, 2008 to September 30, 2008, cash and cash equivalents decreased 2 million yen to 1,457 million yen as of September 30, 2008.

**Cash flows from operating activities** decreased 122 million yen. Net income for the period was 124 million yen and there was depreciation of 40 million yen, while there was increase of account receivable (104 million yen) and decrease of account payable (176 million yen).

**Cash flows from investing activities** increased 243 million yen mostly due to the increase from withdrawal of 253 million yen from time deposit.

**Cash flows from financing activities** decreased 89 million yen due to repayment in long term debt.

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

Due to the solid initial shipments of upgraded DNA extractors to Roche Group and Qiagen Group, PSS Group recorded positive business performance for the three months period. In the second quarter, slowdown of shipment to some extent is expected, however. Furthermore, the current level of appreciated yen is extremely difficult to handle for our group, which is highly dependent on export. Therefore, we maintain original business forecast although we are currently operating above our forecast.

# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousand yen)

	As of September 30, 2008	As of June 30, 2008
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,707,365	1,962,608
Notes and account receivables	646,640	597,251
Inventories	515,766	489,118
Goods in process	30,250	61,759
Materials, stored goods	1,660	2,827
Others	44,385	92,112
Allowance for doubtful accounts	(4,768)	(3,481)
Total current assets	2,941,300	3,202,196
<b>Fixed Assets</b>		
Property, plant and equipment	879,364	933,196
Intangible assets	11,811	13,851
Investment & other assets	70,476	75,344
Total fixed assets	961,651	1,022,391
<b>Total assets</b>	3,902,952	4,224,588
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Account payables	127,769	341,052
Long-term debt due within one year	286,328	308,011
Accrued taxes including corporate taxes	23,733	23,831
Allowance for bonuses	25,488	22,762
Others	102,021	170,481
Total current liabilities	565,340	866,139
<b>Long-term liabilities</b>		
Bond	550,000	550,000
Long-term debt	315,340	383,580
Others	1,134	1,278
Total long-term liabilities	866,474	934,858
<b>Total liabilities</b>	1,431,815	1,800,997



As of September  
30, 2008

As of June 30, 2008

**(Net assets)**

<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	2,041,778	2,041,778
Capital surplus	2,508,354	2,508,354
Retained earnings	(2,102,415)	(2,210,810)
<b>Total shareholders' equity</b>	<b>2,447,716</b>	<b>2,339,321</b>
<b>Valuation/ translation adjustments</b>		
Deferred gain/loss on hedges	23	57
Foreign currency translation adjustments	23,396	84,210
<b>Total of valuation/ translation adjustments</b>	<b>23,419</b>	<b>84,268</b>
<b>Total net assets</b>	<b>2,471,136</b>	<b>2,423,590</b>
<b>Total liabilities and net assets</b>	<b>3,902,952</b>	<b>4,224,588</b>

## (2) Consolidated Income Statements

(Thousand yen)

	For three months ended September 30, 2008	For three months ended September 30, 2007
Net Sales	1,030,094	626,845
Cost of sales	564,808	330,637
Gross Profit	465,285	296,208
Selling, general and administrative expenses	322,479	417,449
<b>Operating Income</b>	<b>142,805</b>	<b>(121,241)</b>
Non-operating income		
Interest income	1,862	2,625
Commission revenue	985	1,200
Others	944	923
Total non-operating income	3,792	4,749
Non-operating expenses		
Interest expense	4,739	5,316
Foreign exchange loss	13,715	8,905
Loss on equity method investment	4,060	3,152
Others	164	318
Total non-operating expenses	22,679	17,693
<b>Ordinary income</b>	<b>123,918</b>	<b>(134,185)</b>
Extraordinary gain		
Gain on sale of property, plant and equipment	748	500
Gain on reverse of allowance for doubtful debt		2,859
Total extraordinary gain	748	3,359
Extraordinary loss		
Loss on sale of property, plant and equipment	104	92
Total extraordinary loss	104	92
Income before taxes	124,562	(130,918)
Income tax, local tax	16,090	11,418
Adjustments to corporate tax	77	
Total of taxes	16,167	11,418
<b>Net income</b>	<b>108,394</b>	<b>(142,336)</b>

### (3) Consolidated Statements of Cash flow

(Thousand yen)

	For three months ended September 30, 2008	For three months ended September 30, 2007
<b>Cash flow from operating activities</b>		
Net income before taxes and other adjustments	124,562	(130,918)
Depreciation	40,179	58,370
Increase (decrease) in allowance for doubtful accounts	5,182	9,516
Interest and dividend income	(1,862)	(2,625)
Interest expense	4,739	5,316
Loss on equity method investment	4,060	3,152
Gain on sale of property, plant and equipment	(748)	(500)
Loss (gain) on disposal of property, plant and equipment	104	92
Decrease (increase) in notes and account receivables	(104,025)	312,789
Decrease (increase) in inventories	(1,326)	(98,504)
Increase (decrease) in notes and account payables	(164,453)	20,749
Others	(12)	(28,750)
Sub-total	(105,770)	148,689
Interest and dividends received	2,161	2,443
Interest paid	(6,257)	(8,033)
Taxes paid	(12,980)	(17,151)
<b>Net cash flow provided by operating activities</b>	<b>(122,846)</b>	<b>125,948</b>
<b>Cash flow from investing activities</b>		
Decrease (increase) in term deposits	253,835	171,759
Purchases of property, plant and equipment	(10,392)	(82,199)
Proceeds from sale of property, plant and equipment	1,506	1,496
Purchases of intangible assets	(1,360)	(2,675)
Proceeds from sale of securities for investing		1,112
Purchases of securities for investing		(50,000)
<b>Net cash flow provided by investing activities</b>	<b>243,588</b>	<b>39,493</b>
<b>Cash flow from financing activities</b>		
Repayment of long-term debt	(89,923)	(84,553)
<b>Net cash provided by financing activities</b>	<b>(89,923)</b>	<b>(84,553)</b>
Effects of exchange rates on cash and cash equivalents	(32,853)	(2,901)
<b>Net increase in cash and cash equivalents</b>	<b>(2,033)</b>	<b>77,987</b>
<b>Cash and cash equivalents at beginning</b>	<b>1,459,398</b>	<b>1,478,611</b>
<b>Cash and cash equivalents at the end</b>	<b>1,457,365</b>	<b>1,556,599</b>