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Precision System Science Co., Ltd. / Code 7707

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First 6-Month Period (Interim) for FY 2003 Ending June 2003
Brief Note on Settlement of Accounts (Consolidated)

Date of Board Meeting for Settlement of Accounts: February 7, 2003
Interim delivery dividend method: Yes
U.S. Standard Accounting Method: No adopted.

1. Consolidated Results of Operations for the Consolidated first 6-month Period (Interim) (July 1, 2002- December 31, 2002) of FY 2003

(1) Consolidated Business Results

	Net sales	Operating profit	Ordinary profit
	Million yen (%)	Million yen (%)	Million yen (%)
First 6-month period of FY2003	847 (64.0)	△ 144 (-)	△ 147 (-)
First 6-month period of FY2002	516 (-)	△ 271 (-)	△ 277 (-)
12-month total of FY2002	1,345	△517	△529

	Net interim profit (loss)	Net interim profit per share	Net interim profit per share after adjusting for dilution
	Million yen (%)	yen	
First 6-month period of FY2003	△ 151 (-)	△ 4,495.41	――
First 6-month period of FY2002	△ 319 (-)	△ 38,178.21	――
12-month total of FY2002	△ 583	△ 17,415.14	――

(Notes) 1) Equity in earnings of companies accounted for using the equity method:
First 6-month g period of FY2003: -- ¥ million
First 6-month period of FY2002: -- ¥ million
Full FY2002: -- ¥ million
2) The average number of shares consolidated:
First 6-month period of FY2003: 33,805 shares

First 6-month period of FY2002: 8,374 shares
12-month total of FY2002: 33,496 shares
A stock split at the rate of 1 common share to 4 shares was executed on February 20, 2002. Net profit per share for FY2002 was calculated on the condition that the stock split had taken place at the beginning of the fiscal term.

3) Changes in accounting method: Yes
4) Percentages figures in net sales, operating profit, ordinary profit, and interim net profit (net profit for fiscal year) indicate percentage increase/decrease compared from the first accounting period of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	yen
First 6-month period of FY2003	2,439	713	29.3	20,661.42
First 6-month period of FY2002	2,736	1,115	40.8	133,179.28
Full fiscal year (2002)	2,303	838	36.4	25,024.91

Note: Number of outstanding shares at the end of the accounting period (consolidated):
First 6-month period of FY2003: 34,548 shares
First 6-month period of FY2002: 8,374 shares
12-month of FY 2002: 33,496 shares

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First 6-month period of FY2003	△ 311	△ 99	310	564
First 6-month period of FY2002	△ 266	20	329	1,112
Full fiscal year (2002)	△ 263	△ 63	△ 35	653

(4) Matters relating to the Scope of Consolidation and Application of the Equity Method
Number of consolidated subsidiaries: 4
Number of non-consolidated subsidiaries: 0
Number of affiliated companies to which the equity method applies: 0

(5) Changes in the Scope of Consolidation and Application of the Equity Method
Consolidated (New): 1 company (Eliminated): 0
Equity method (New): 0 (Eliminated): 0

2. Consolidated Business Forecast for FY2003 (from July 1, 2002 to June 30, 2003)

	Net sales	Operating profit	Ordinary profit	Net profit
	Million yen	Million yen	Million yen	Million yen
Full fiscal year	2,550	25	0	0

(Reference) Projected net profit per share (full fiscal year): ¥－

- *The performance outlook above has been prepared based on information available as of the disclosure date for the semi-annual results. A variety of subsequent factors may cause actual results to differ from the anticipated amounts.*

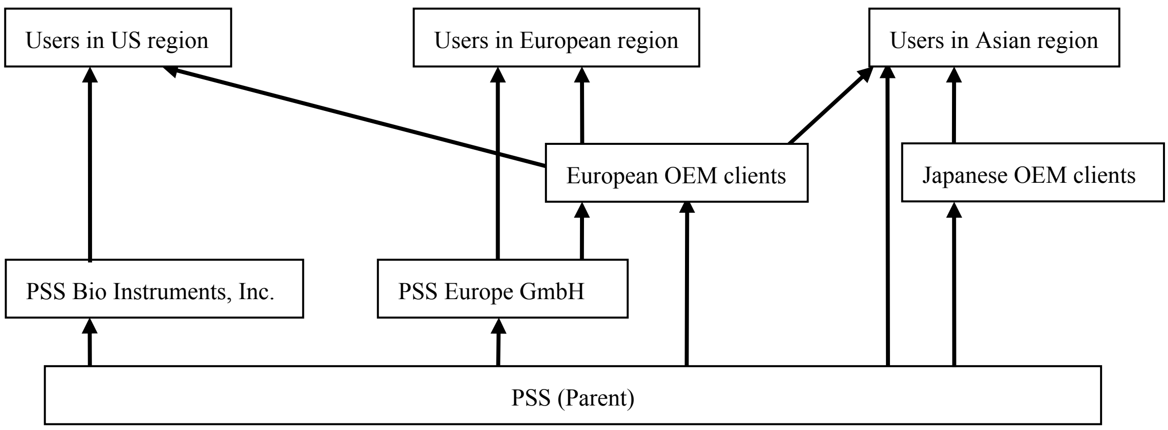
1. Outline of PSS Group Companies

The Precision System Science (PSS) Group consists of the parent company and four subsidiaries, whose respective scopes of business are outlined below.

(Consolidated subsidiaries)

Corporate Name	Location	Paid-in Capital	Major Lines of Business	% of voting rights owned	Details of Relationships
PSS Bio Instruments, Inc.	California, USA	US$1,059,000	Sales company for U.S.	100%	Sales of company products to the US market
Bio-Strand, Inc.	California, USA	US$1,020,000	Research & Development	100%	Development of Bio-Strand, a new type of DNA chips
Precision System Science Europe GmbH	Mainz, Germany	€ 1,000,000	Sales company for Europe	100%	Sales of company products to the European market
Universal Bio Research Co., Ltd.	Matsudo-shi, Chiba	¥10 million	Patent management company	100%	Performs centralized management of patents owned by the PSS Group of companies.

The three overseas subsidiaries were formed in July 2001, while the domestic subsidiary was established in July 2002. PSS Bio Instruments, Inc. in the United States has initiated activities to explore new business partners and OEM prospects, sales efforts targeting universities and research institutes, and proactive technical exchanges of information through participation in exhibitions and academic/scientific meetings in the United States. PSS Europe GmbH in Germany strives to strengthen relationships with European OEM partners, in addition to performing the same types of activities conducted by its US counterpart. Bio-Strand, Inc. in the United States performs development geared toward the commercialization of Bio-Strand, a new type of DNA chips.
The following diagrams illustrate interrelationships of group companies and their respective business roles.



The above diagram indicates major flows of products. Users of the Company's products in a variety of geographical regions include universities and research institutes, medical laboratories, pharmaceuticals and chemical companies, among others.

2. Management Policy

(1) Fundamental management policy at PSS

PSS has been involved in product development as a Research & Development-oriented venture and will continue to do so in an effort to drive its business growth. As a group, we believe it is important to continue our commitment to the development of a broad range of products that meet our customers' needs in the areas of biotechnology, DNA, gene, and proteome analyses, while parallel efforts are also made in sales by targeting the global marketplace.

Regarded as the key technology representing the twenty-first century, biotechnology promotes further advances in life and health care sciences and plays a vital role in creating solutions for a variety of problems and challenges ranging from an aging society to concerns about the environment, food shortages and energy. With the group philosophy of contributing to human health and happiness as a total system integrator in the biotechnology industry, the PSS Group strives to have a positive impact upon the global biotechnology industry, and in the course of such efforts, the Group plans to achieve its own growth in scope and depth in the medium to long term, which will ultimately benefit our shareholders, clients, employees and other parties with stakes in the Group.

(2) Basic principles governing the company's distribution of profits

The management of the PSS Group recognizes the importance of distributing profits to its shareholders. However, the gene-related sector is in the middle of market expansion, which requires the Group to inject funds on an ongoing basis to be invested in R&D efforts. In particular, DNA auto-extractors, which moved to the mass production stage not too long ago, are still in need of sizeable additional funds. Therefore, the Group needs to retain earnings internally in preparation for further business growth in the future. As a result, we plan not to pay dividends for the time being.

In an effort to reward our shareholders, we are committed to improved business performance, which in turn will boost market capitalization. A stock option scheme for our officers has been introduced to serve as an incentive to produce results.

(3) Key financial indicators and issues to be addressed

The PSS Group is a venture with recognized potential for future growth and expansion in the field of gene technology. In order to meet the expectations of our shareholders, we need to strive to achieve the kind of growth expected of a publicly traded company. We plan to do so by pulling ourselves out of the red through a sizable increase in net sales and through improved gross profit margins.

To this goal, attempts have already been made to enhance and expand the DNA auto-extractor line of products, to explore new OEM clients and to strengthen relationships with existing OEM partners with the launch of subsidiaries abroad and the formation of our own full-fledged sales network on the domestic front. Plans are underway to reinforce these activities in the future.

At the same time, our strategy also calls for giving sufficient attention to R&D activities to realize our future vision. To this end, we plan to improve our business structure by securing sufficient funding and personnel for development projects.

(4) Medium and long term management strategy

DNA auto-extractors, based on the patented Magtration Technology, finally achieved commercial success when we signed several OEM contracts for the systems with clients. Demand for them is just beginning to emerge, with strong potential for future market growth. The PSS Group plans to speed up its business expansion process by taking full advantage of its subsidiaries in Europe and the United States, in an attempt to position its products to assume the role of *de facto* global standards for DNA extraction and purification devices in a few years. Apart from the sphere of DNA auto-extractors, the Group will redouble its efforts in R&D activities for the development of fully automated DNA analyzers, analyzers for SNPs and proteome, and reagents, with a medium to long term goal of transforming ourselves into a comprehensive corporation capable of meeting all fundamental needs in the gene-related sector. Specific measures to attain the goal are described below.

1) Product range of DNA auto-extractors

In order to position our DNA auto-extractors to be the *de facto* industry standard, it is vital for us to be able to respond to a variety of needs uncovered at the site of gene research. Our product line, a particularly crucial factor in this endeavor, includes more than 20 models of extractors including those produced for OEM clients. Looking ahead, we will continue to expand the product line to range from standard and personal models to large-volume models suited for large samples in an attempt to meet the diverse demands of our clients.

For the Magtration System 6GC, a personal-type automated nucleic acid extraction system we developed during the previous fiscal term, pre-packaged reagents (an appropriate amount of reagent being pre-packed and sealed in a cartridge) are used. The use of pre-packaged reagents is instrumental in the downsizing of our products. During the current term, we developed two new models that utilize pre-packaged reagents — the Magtration System 6Mx, a workstation model, and the Magtration System 8Lx, a model suited for large-volume samples. Plans are underway to initiate sales activities for extraction systems directly targeting the user base, while we also plan to approach reagent makers, who are potential OEM clients for us.

2) Mass marketing strategies based on winning OEM contracts

One effective way to penetrate the global marketplace with our products as quickly as possible is by winning OEM contracts from leading corporations. Sales efforts have already begun for products we developed as recently as the last fiscal term, targeting existing OEM clients and new prospects in the hope of increasing OEM contracts. Our basic policy calls for an open business alliance structure, which allows us to deal with more than one company. In terms of the number of OEM clients, Qiagen GmbH, with whom we reached an agreement in August 2002, became the newest addition to our roster of OEM clients, which now numbers six. Together with another company with a royalty agreement relating to our proprietary technology, the number of companies with whom we have concluded agreements now stands at seven.

3) Strengthening of R&D activities

Apart from our efforts to reinforce the product lineup of DNA auto-extractors, we plan to boost our R&D activities by allocating more human and financial resources to this area for the development of Swing-PCR for automated processing of gene amplification, Bio-Strand and Fluorescent Barcode Beads, which will enable automated gene measuring processes, together with Bio Strand technology, all of which are essential in the creation of a fully automated DNA extraction system.

During the fiscal period under consideration, we developed a bio-station called the NIAGALA Bio-Station FDx, an automated DNA analyzer that incorporates Bio Strand. A broad range of activities are planned for this new system, beginning with the exhibit at a US trade show held in February, which will be evolved into activities soliciting collaborations and joint research opportunities for possible commercialization and for the exploration of potential OEM clients.

(5) Measures for improving management structure (for improved corporate governance)

The PSS Group operates on a global basis and, as such, it strives to put in place good corporate governance emphasizing transparency, fairness and speed, in line with international rules. Decisions by the three overseas subsidiaries, which submit business reports to head office every month, are made largely at the discretion of each subsidiary, where directors' discretionary power is respected. Additionally, in order to agree on Group-wide directions and to execute activities more efficiently, teleconferences are held as needed and are participated in by all the directors of the Group companies around the globe.

At PSS, decisions with respect to business strategies are made during the meeting of the board of directors. A monthly general managers' conference is held to supplement the board meeting and to decide on specific measures. Each department conducts an internal meeting on a weekly basis to cope with incessantly changing business environments. The departmental meeting is also designed to promote better sharing of information and data and to agree on unified directions along which various business activities are executed. Apart from the above, the use of emails is encouraged in an effort to further promote the sharing of information across the entire Group and to accelerate the decision making process on a consistent basis. Moreover, in recognition of the fact that PSS is a publicly traded company, all directors of the companies belonging to the Group are strongly requested to renew their awareness and become more conscious of their actions and accountability, and parallel efforts are made to improve the quality of the board of directors and the implementation of global teleconferences. Looking ahead, we will consider the introduction of an operating officer structure to our management organization as we grow in size.

3. Business Results and Financial Position

(1) Business results in review

Japan's economy remained stagnant throughout the interim period under review. This was further exacerbated by the mounting problem of non-performing loans held by financial institutions. It seems that the problems challenging the economy have been increasing in intensity. Despite these circumstances, the gene-related sector, with high potential for future growth, performed research and development on a profusion of subjects. The biotechnology industry has just reached the stage where the basic disciplines, such as DNA structures and performance analyses — preliminary steps towards clinical applications — have been consolidated. In the future, problems and challenges associated with applications and transitions from the current stage to the clinical stage are expected to emerge.

The PSS Group successfully concluded an OEM agreement with the QIAGEN Group, a world leader in genome reagents, in August 2002. The QIAGEN Group acquired GenoVision, a Norwegian firm, one of OEM clients of PSS, and took over the product line covered by the OEM agreement that existed between PSS and GenoVision. As a result, the rollout of the products for QIAGEN began in September, and QIAGEN, along with the Roche Group, has become our key client.

At the request of Mitsubishi Kagaku Medical, Inc., we successfully developed a small-scale immunochemical luminescent measuring device in November 2002. We will conclude a formal OEM deal with Mitsubishi Kagaku Medical subsequent to the finalization of specifications for the device.

During the interim period under review, consolidated net sales posted a large increase of 64% year on year, to ¥847 million, as a result of the significant contribution made by the QIAGEN Group, with whom business transactions had just begun. Cost reductions for existing products contributed to the improvement in gross margin rate, which increased 5.5 percentage points year on year, to 37.1%. As a result, gross profit rose significantly to ¥314 million (up 92.7% year on year).

On the other hand, profits could not fully absorb the costs of development amounting to ¥138 million and expenses incurred by the three overseas subsidiaries. Consequently, we posted an operating loss of ¥144 million, (reflecting a year-on-year decrease of ¥126 million), and an ordinary loss of ¥147 million (a year-on-year decrease of ¥129 million). Although the expenses for R&D activities and overseas expansion are detrimental to our profitability at the moment, we believe this is an up-front investment essential to the future business expansion of the Group.

(Business results of the current interim period)

	Interim period for FY2002 (First half of FY2002)	Interim period for FY2003 (Current interim period)	Year-on-year increase/decrease (%)	Reference FY2002 (Full Year)
	Million yen	Million yen	%	Million yen
Net sales	516	847	64.0	1,345
Gross profit	163	314	92.7	461
Operating profit	△ 271	△ 144	—	△ 517
Ordinary profit	△ 277	△ 147	—	△ 529

(Quarterly change in business results)

FY2003 Ending June end	First Quarter	Second Quarter	Total (Current interim period)
Net sales	Million yen 341	Million yen 506	Million yen 847
Gross profit	125	189	314
Operating profit	△ 109	△ 35	△ 144
Ordinary profit	△ 111	△ 36	△ 147

Sales by product category are outlined below.

(Net sales by product category)

	Interim period for FY2002 (Same period in the previous year)		Interim period for FY2003 (Current interim period)		Year-on-year increase/decrease (%)	Reference FY2002 (Full Year)	
	Value	%	Value	%		Value	%
DNA auto-extractors, etc.[1)]	¥Million 279	54.1	¥Million 523	61.7	86.9	¥Million 757	56.3
Other laboratory equipment	46	9.0	32	3.8	△30.0	105	7.9
Other products	69	13.4	52	6.2	△24.6	194	14.4
Merchandise (Plastic consumables)	121	23.5	239	28.3	97.7	288	21.5
Total	516	100.0	847	100.0	64.0	1,345	100.0

Notes 1) This classification refers to automated systems based on the Magtration Technology, an internationally patented technology owned by PSS. In addition to DNA auto-extractors, the classification also includes immunochemical luminescent measuring systems.

2) The PSS-assembled plastic consumables, which until the previous term, were classified as part of the "Other products," are now incorporated into the category of "Merchandise" effective from the current term. The following table allows better comparison between the two periods in question, as net sales for the interim period for FY2002 were adjusted based on the new product classification system.

	Interim period for FY2002 (Same period in the previous year)		Interim period for FY2003 (Current interim period)		Year-on-year increase/decrease (%)	Reference FY2002 (Full Year)	
	Value	%	Value	%		Value	%
DNA auto-extractors, etc.	¥Million 279	54.1	¥Million 523	61.7	86.9	¥Million 757	56.3
Other laboratory equipment	46	9.0	32	3.8	△30.0	105	7.9
Other products	31	6.2	52	6.2	64.4	120	9.0
Merchandise (Plastic consumables)	158	30.7	239	28.3	51.0	362	26.9
Total	516	100.0	847	100.0	64.0	1,345	100.0

1) DNA auto-extractors, etc.

This sales classification refers to automated systems based on Magtration Technology, an internationally patented technology owned by PSS. In addition to DNA auto-extractors, the classification applies also to immunochemical luminescent measuring systems. Demand for DNA auto-extractors is just beginning to emerge, and we believe this product area offers great promise for future market expansion.

Net sales for the interim period under review were buoyed to a considerable degree by the initiation of business with the QIAGEN Group. Net sales were up 86.9% year on year, to ¥523 million, with 202 units of systems sold. Quarterly performance is indicated below.

The unit prices of the systems begin in the one to two million yen range for an inexpensive model and can go as high as some ¥30 million for a top-of-the-line model. Therefore, the average price of units sold fluctuates as indicated below. During the interim period under review, the unit price declined as a result of the launch of an inexpensive personal model for small-size, automated nucleic acid extraction systems.

	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2002		Current interim period
	First half	Second half	First half	Second half	First half	Second half	
No. of units sold	43	99	124	117	75	156	202
Value (Thousand yen)	374,956	317,357	355,644	340,324	279,937	477,316	523,227
Unit price (Thousand yen)	8,719	3,205	2,868	2,908	3,732	3,059	2,590

Note: Consolidated balance sheets are available only for the terms beginning FY2002; therefore, the business results of the parent company for the terms prior to it are provided above.

2) Other laboratory equipment

This classification reflects sales of automated equipment other than the Magtration Technology, as well as revenues and subsidies from commissioned developmental projects. During the interim period under review, the Group posted net sales of ¥32 million (down 30% year on year), primarily driven by sales of custom-ordered dispensing equipment. The percentage of sales generated from this category is on the decline as we are placing increasing emphasis on the Magtration Technology, a patented technology of PSS.

3) Other products

PSS posted net sales of ¥52 million (down 24.6% year on year), which are attributable largely to the maintenance of the equipment and sales of replacement parts. The company-assembled consumables, which were included in this category until the previous term, have been replaced by products purchased form an outside source beginning this fiscal year, and therefore, they are now classified in the category of “Merchandise.” If the net sales connected to such durables had been left out from the computation of net sales for the “Other Products” for the previous term, “Other Products” for the current interim period would have posted a gain of 64.4% year on year.

4) Plastic Consumables (Merchandise)

Net sales of the plastic consumables included in the category of “Merchandise” increased 97.7% year on year, to ¥239 million. Company-assembled consumables, which, until the previous term, were classified in “Other Products,” are now part of the category of “Merchandise” beginning this fiscal year. If such durables had been added to the computation of net sales for the previous term, the period under review would have posted a year-on-year increase of 51.0%.

Plastic consumables consist mainly of consumables of disposable types designed for the DNA auto-extractors. We believe sales will grow steadily in this category, as demand for such products should rise as the cumulative number of devices sold increases.

(2) Prospect for the full year

The PSS Group anticipates stable growth for the second half of FY2003, with additional increments in sales orders for the DNA auto-extractors to be placed by Roche and QIAGEN, among others. Therefore, the full fiscal year business results are expected to be in line with the Group's initial full-year forecasts, which are summarized below.

	Net sales	Operating profit	Ordinary profit	Net profit
Consolidated business results (projection)	Million yen 2,550	Million yen 25	Million yen 0	Million yen 0
Projected business results (Parent company)	2,400	125	100	100

(3) Financial Status

The state of cash flows for the consolidated interim accounting period under review is outlined below.

Net cash flows from operating activities decreased ¥311 million (against a decrease of ¥266 million recorded in the same period in the previous year). The decrease was attributable to a net loss before income taxes and other adjustments amounting to ¥147 million and an increase in inventories and trade receivables — the working capital needed in the face of growing sales.

Net cash flows from investing activities decreased ¥99 million (against an increase of ¥20 million recorded in the same period in the previous year). Investment in tangible fixed assets for improvement of R&D facilities amounting to ¥99 million contributed most to the decrease. Net cash flows from financing activities increased ¥310 million (as opposed to an increase of ¥329 million in the same period in the previous year), as a result of a net increase in borrowings totaling ¥283 million and a ¥26 million-increase in capital funding through the execution of warrants.

These factors, along with the exchange difference of ¥1 million and an increase in cash and cash equivalents in conjunction with the new consolidation of Universal Bio Research Co., Ltd. amounting to ¥10 million, caused cash and cash equivalents to decrease ¥89 million or 13.6% year on year on a consolidated basis at the end of the period, to ¥564 million.

4. Interim Financial Statement
(1) Interim Financial Statement
1) Interim Balance Sheet

		Previous interim period (As of Dec. 31, 2001)		Current interim period (As of Dec 31, 2002)		Summary of balance sheet for the end of FY2002 (As of June 30, 2002)	
Item	Note	Amount (thousand yen)	%	Amount (thousand yen)	%	Amount (thousand yen)	%
(Assets)							
I. Liquid assets							
1. Cash and deposits with bank	∗2	1,083,897		649,020		730,176	
2. Notes receivable and account receivables	∗3	305,208		432,293		384,416	
3. Securities		100,030		—		—	
4. Inventories		295,928		307,796		191,246	
5. Others		41,251		72,987		60,090	
Loan loss reserve		△151		△205		△190	
Total liquid assets		1,826,164	66.7	1,461,892	59.9	1,365,739	59.3
II. Fixed assets							
1. Tangible fixed assets	∗1 2						
(1) Buildings and structures		262,905		259,553		258,709	
(2) Machinery, equipment and vehicles		115,429		164,568		128,056	
(3) Tools, furniture and fixtures		54,960		71,539		50,369	
(4) Land		431,250		431,250		431,250	
Total tangible fixed assets		864,546	31.6	926,911	38.0	868,385	37.7
2. Intangible fixed assets		1,718	0.1	5,426	0.2	4,395	0.2
3. Investment and other assets	∗2	43,609	1.6	45,104	1.8	64,848	2.8
Total fixed assets		909,874	33.3	977,441	40.1	937,628	40.7
Total assets		2,736,038	100.0	2,439,334	100.0	2,303,368	100.0
(Liabilities)							
I. Current liabilities							
1. Account payables		159,226		283,912		224,957	
2. Short-term loans		590,000		413,672		166,668	
3. Long-term loans due within one year		147,990		318,028		300,649	
4. Accrued income taxes		1,461		1,144		2,764	
5. Reserves for bonus payment		2,459		3,310		8,561	
6. Others		39,580		100,232		175,662	
Total current liabilities		940,718	34.4	1,120,301	45.9	879,264	38.2
II. Fixed liabilities							
1. Long-term loans		680,076		605,221		585,721	
2. Others		-		-		148	
Total fixed liabilities		680,076	24.9	605,221	24.8	585,870	25.4
Total liabilities		1,620,795	59.2	1,725,523	70.7	1,465,134	63.6

		Previous interim period (As of Dec. 31, 2001)		Current interim period (As of Dec 31, 2002)		Summary of balance sheet for the end of FY2002 (As of June 30, 2002)	
Item	Note	Amount (thousand yen)	%	Amount (thousand yen)	%	Amount (thousand yen)	%
(Shareholders' equity)							
I. Capital stock		862,003	31.5	―	―	862,003	37.4
II. Capital reserve		1,328,025	48.5	―	―	1,328,025	57.7
III. Deficit		1,090,175	△39.8	―	―	1,353,808	△58.8
IV. Valuation differences on other securities		―	―	―	―	209	0.0
V. Currency translation adjustments		15,389	0.6	―	―	1,804	0.1
Total capital		1,115,243	40.8	―	―	838,234	36.4
I. Capital stock		―	―	875,153	35.9	―	―
II. Capital surplus		―	―	1,341,438	55.0	―	―
III. Earned surplus		―	―	△1,505,775	△61.7	―	―
IV. Valuation differences on other securities		―	―	△4,523	△0.2	―	―
V. Currency translation adjustments		―	―	7,518	0.3	―	―
Total shareholders' equity		―	―	713,810	29.3	―	―
Total of liabilities, minority interest and shareholders' equity		2,736,038	100.0	2,439,334	100.0	2,303,368	100.0

2) Consolidated Interim Statements of Operations

Item	Note	Previous interim period (From July 1, 2001 to Dec. 31, 2001) Amount (thousand yen)		%	Current interim period (From July 1, 2002 to Dec. 31, 2002) Amount (thousand yen)		%	Summary of balance sheet for FY2002 (From July 1, 2001 to June 30, 2002) Amount (thousand yen)		%
I. Net sales			516,995	100.0		847,879	100.0		1,345,918	100.0
II. Costs of sales			353,778	68.4		533,305	62.9		884,787	65.7
Gross profit			163,216	31.6		314,573	37.1		461,130	34.3
III. Selling, general and administrative Expenses	∗1									
1. Advertising		23,698			6,835					
2. Packing & Shipping		21,233			21,061					
3. Compensation for directors		42,018			44,604					
4. Salaries and allowances		63,811			91,240					
5. Bonus reserve transfers		5,722			6,936					
6. Statutory welfare		13,980			12,914					
7. Rents		13,548			4,455					
8. Depreciation		8,734			21,476					
9. Travel		13,071			11,939					
10. Communication		3,361			4,331					
11. Commission		24,924			41,140					
12. Development cost		165,636			138,650					
13. Others		34,541	434,282	84.0	53,880	459,466	54.2		978,746	72.7
Operating loss			271,065	△52.4		144,892	△17.1		517,615	△38.5
IV. Non-operating income										
1. Interest income		5,403			1,477			8,887		
2. Refund by cancellation of insurance		2,446			226			2,447		
3. Currency exchange gain		—			4,311			—		
4. Miscellaneous income					4,753					
5. Others		1,103	8,953	1.7	95	10,863	1.3	3,379	14,714	1.1
V. Non-operating expenses										
1. Interest expense		13,325			13,598			25,100		
2. Currency exchange loss		523			—			—		
3. Valuation loss in investment securities		902			—			—		
4. Others		731	15,483	3.0	369	13,968	1.6	1,773	26,873	2.0
Ordinary loss			277,596	△53.7		147,997	△17.5		529,774	△39.4
VI. Extraordinary gains										
1. Profit from sale of investment securities		—	—		1,030	1,030	0.1	113	113	0.0
VII. Extraordinary losses										
1. Loss on sale of fixed assets	∗2	—			344			39,982		
2. Loss on devaluation of investments in securities		—			155			—		

3. Loss on disposal of the former head office building		39,473			—			—		
4. Disposal loss on products		—			—			8,568		
5. Others		1,172	40,645	7.9	—	499	0.1	2,259	50,810	3.8
Interim (or full year) net loss before tax adjustments			318,242	△61.6		147,466	△17.4		580,471	△43.1
Corporate/local/enterprise tax		1,461			1,259			2,865		
Tax adjustments		—	1,461	0.3	3,241	4,500	0.5	—	2,865	0.2
Interim (or full year) net loss			319,704	△61.8		151,967	△17.9		583,337	△43.3

3) Consolidated Statements of Retained Earnings for Interim Period

Item	Note	Previous interim period (From July 1, 2001 to Dec. 31, 2001) Amount (thousand yen)		Current interim period (From July 1, 2002 to Dec. 31, 2002) Amount (thousand yen)		Summary of balance sheet for FY2002 (From July 1, 2001 to June 30, 2002) Amount (thousand yen)	
I. Retained loss at beginning of interim period			770,470		—		770,470
II. Interim net loss (or net loss for the full year)			319,704		—		583,337
III. Retained loss at end of interim period (or fiscal term)			1,090,175		—		1,353,808
(Capital Surplus)							
I. Capital surplus at beginning of period							
1. Capital reserve at beginning of period		—	—	1,341,438	1,341,438	—	—
II. Capital surplus at end of interim period (fiscal term)			—		1,341,438		—
(Retained earnings)							
I. Retained earnings at beginning of period							
1. Retained loss at beginning of period		—	—	1,353,808	△1,353,808	—	—
II. Decrease in retained earnings							
1. Interim net loss			—	151,967	151,967	—	—
III. Retained earnings at end of interim period (end of term)			—		△1,505,775		—

4) Consolidated Statements of Cash Flow

		Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Summary of consolidated statement of cash flow for FY2002 (From July 1, 2001 to June 30, 2002)
Item	Note	Amount (thousand yen)	Amount (thousand yen)	Amount (thousand yen)
I. Cash flow from operating activities				
Interim (or fiscal year) net loss before taxes and other adjustments		△318,242	△147,466	△580,471
Depreciation		23,841	41,906	58,752
Increase (decrease) in reserves (□)		498	△5,234	6,638
Interest and dividends income		△5,428	△1,477	△8,943
Interest expenses		13,325	13,598	25,100
Gain on sales of investment securities		—	△1,030	△113
Drawback of loss on devaluation of investment securities		—	△55	—
Loss on sale of investment securities		—	—	1,086
Loss on devaluation of investment securities		1,003	155	156
Loss on sale of fixed assets		39,473	344	39,473
Loss on disposal of fixed assets		633	—	633
Product disposal losses		—	—	8,568
Decrease (increase) in trade receivables(□)		31,106	△47,877	△48,030
Decrease (increase) in inventories(□)		△56,749	△116,549	53,643
Decrease in consumption taxes refundable		21,553	27,123	—
Decrease (increase) in other current assets(□)		5,311	△40,020	△4,175
Increase (decrease) in purchase (□)		△2,112	58,955	63,617
Increase (decrease) in accounts payable(□)		—	△52,723	89,148
Increase (decrease) in other current liabilities(□)		△1,306	△25,593	50,773
Subtotal		△247,091	△295,944	△244,141

Item	Note	Previous interim period (From July 1, 2001 to Dec. 31, 2001) Amount (thousand yen)	Current interim period (From July 1, 2002 to Dec. 31, 2002) Amount (thousand yen)	Summary of consolidated statement of cash flow for FY2002 (From July 1, 2001 to June 30, 2002) Amount (thousand yen)
Interest and dividends received		4,448	1,477	8,943
Interest paid		△21,106	△14,243	△25,120
Income taxes paid		△2,850	△2,879	△2,950
Net cash from operating activities		△266,599	△311,589	△263,269
II. Cash flow from investing activities				
Withdrawal of time deposits		125,200	–	118,317
Acquisitions of time deposits		△127,967	△8,031	△127,151
Proceeds from sale of tangible fixed assets		85,000	–	85,000
Investment in tangible fixed assets		△62,350	△99,870	△116,077
Proceeds from sale of intangible fixed assets		–	–	72
Investment in intangible fixed assets		△450	△1,593	△3,602
Proceeds from sale of investment securities		–	4,290	19,872
Purchase of investment securities		–	–	△30,220
Acquisition of shares in affiliate companies		–	–	△10,000
Proceeds from sale of capital		–	–	700
Others		694	5,454	△817
Net cash provided by investing activities		20,126	△99,750	△63,906

Item	Note	Previous interim period (From July 1, 2001 to Dec. 31, 2001) Amount (thousand yen)	Current interim period (From July 1, 2002 to Dec. 31, 2002) Amount (thousand yen)	Summary of consolidated statement of cash flows for FY2002 (From July 1, 2001 to June 30, 2002) Amount (thousand yen)
III. Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		524,000	247,004	100,668
Proceeds from long-term debt		—	150,000	250,000
Decrease in long-term debt		△194,441	△113,120	△386,137
Proceed from capital increase		—	26,563	—
Net cash provided by financing activities		329,558	310,446	△35,469
IV. Effect of exchange rate fluctuations on cash and cash equivalents		14,911	1,707	1,804
V. Increase in cash and cash equivalents		97,996	△99,186	△360,841
VI. Cash and cash equivalents at beginning of period		1,014,457	653,616	1,014,457
VII. Increase in cash and cash of newly consolidated subsidiaries		—	10,000	—
VIII. Cash and cash equivalents at end of (interim) period		1,112,454	564,429	653,616

Significant Accounting Policies of Consolidated Financial Statements

Item	Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Previous fiscal year (From July 1, 2001 to June 30, 2002)
1. Matters relating to the scope of consolidation	(1) All subsidiaries are included in the consolidation. (2) Number of consolidated subsidiaries: 3 (3) Names of consolidated subsidiaries: PSS Bio Instruments, Inc. Bio Strand, Inc. Precision System Science Europe GmbH	(1) Same as (1) on the left (2) Number of consolidated subsidiaries: 4 (3) Names of consolidated subsidiaries: PSS Bio Instruments, Inc. Bio Strand, Inc. Precision System Science Europe GmbH Universal Bio Research Co., Ltd.	(1) All subsidiaries are included in the consolidation. Paid-in capital for the newly issued shares of Universal Bio Research Co., Ltd., a subsidiary formed subsequent to this consolidated accounting year, is included in "investment in affiliate," but the subsidiary was not part of the consolidation as it was established subsequent to the end of this consolidated accounting period. (2) Number of consolidated subsidiaries: 3 (3) Names of consolidated subsidiaries: PSS Bio Instruments, Inc. Bio Strand, Inc. Precision System Science Europe GmbH
2. Matters relating to the application of the equity method	There is no relevant matter.	Same as the left column	Same as the left column
3. Matters relating to dates of account settlement for the interim period (and for the end-of-year closing) , etc., of consolidated subsidiaries	The dates of account settlement for the consolidated interim period adapted by consolidated subsidiaries coincide with the consolidated interim date of account settlement.	Same as the left column	The last day of the fiscal year for all consolidated subsidiaries coincides with the date of the consolidated settlement of accounts.

Item	Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Previous fiscal year (From July 1, 2001 to June 30, 2002)
4. Matters relating to accounting standards (1) Evaluation standards and methods for significant assets	1) Securities Other securities Securities with fair market value Fair value method based on the market value etc. on the last day of the interim date of account settlement. (Evaluation of profit or loss is processed partially by the direct capitalization method, with cost of sale being calculated by the moving average method.) Securities without fair market value Moving average method. 2) Inventories A cost method determined by the weighted average method is employed for merchandise, products, raw materials, work in process, and supplies as a rule. Some of the overseas subsidiaries use the cost method based on the moving average method.	1) Securities Other securities Securities with fair market value Fair value method based on the market value etc. on the last day of the interim date of account settlement. (Evaluation of profit or loss is processed entirely by the direct capitalization method, with cost of sale being calculated by the moving average method.) Until now, valuation profit or loss was processed partially by the direct capitalization method. However, the Company switched to the entire processing of such profit and loss by the direct capitalization method in an attempt to avoid exposing financial statements to instability. As a result, ordinary loss, interim net loss before tax and other adjustments, and interim net loss reported for this interim accounting period were ¥7,765,000, ¥7,765,000, and ¥4,523,000 less than the respective figures that would be reported using the previous method. Securities without fair market value Same as the left column 2) Inventories Same as the left column	1) Securities Other securities Securities with fair market value Fair value method based on the market value on the last day of the interim date of account settlement. (Evaluation of profit or loss is processed partially by the direct capitalization method, with cost of sale being calculated by the moving average method.) Securities without fair market value Same as the left column 2) Inventories Same as the left column

Item	Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Previous fiscal year (From July 1, 2001 to June 30, 2002)
(2) Depreciation methods used for significant fixed assets	1) Tangible fixed assets As a rule, the declining-balance method is used (The straight-line method is used for buildings (excluding improvements) acquired on or after April 1, 1998). Some of overseas subsidiaries use the straight-line method. 2) Intangible fixed assets Software for in-house use is accounted for with the straight-line method over the expected usable life (five years).	1) Tangible fixed assets Same as the left column 2) Intangible fixed assets Same as the left column	1) Tangible fixed assets Same as the left column 2) Intangible fixed assets Same as the left column
(3) Standards for accounting of significant allowances	1) Allowance for doubtful receivables In order to prepare for irrecoverable notes and accounts receivable, the Company records the estimated irrecoverable amount for standard receivables on the basis of the actual loan default rate. Doubtful accounts are recorded on an individual basis, based on estimates of the irrecoverable amount in question. 2) Allowance for bonus In order to prepare for the disbursement of employee bonuses, the Company records the amount of expected bonus payments.	1) Allowance for doubtful receivables Same as the left column 2) Allowance for bonus Same as the left column	1) Allowance for doubtful receivables Same as the left column 2) Allowance for bonus Same as the left column
(4) Accounting method for important lease transactions	Finance leases other than those in which ownership rights of the leased property are deemed to transfer to the lessee are accounted in the same way as ordinary leasing transactions.	Same as the left column	Same as the left column
(5) Other matters that serve as the basis for the preparation of the consolidated interim financial statements (consolidated financial statements)	Accounting of consumption taxes The tax exclusion method is used.	Accounting of consumption taxes Same as the left column	Accounting of consumption taxes Same as the left column
5. The scope of funds in the consolidated interim statement of cash flow (consolidated statement of cash flow)	The scope comprises cash on hand, demand deposits, and short-term investments that are highly liquid and readily converted into cash, are exposed to insignificant risk of changes in value, and redeemable in three months or less.	Same as the left column	Same as the left column

(Changes in the accounting of certain items)

Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Fiscal year 2002 (From July 1, 2001 to June 30, 2002)
—	(Consolidated interim statement of operations) "Miscellaneous income" was accounted for in the "others" section of non-operating income on the statement of income for the previous consolidated interim period. The Company established a new classification, Miscellaneous Income, at the end of this consolidated interim period under review, as income that falls under this category now exceeds 10% of non-operating income. Miscellaneous income amounted to ¥585,000 at the end of the previous consolidated interim accounting period.	—

(Additional information)

Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Fiscal year 2002 (From July 1, 2001 to June 30, 2002)
—	(Accounting standards for treasury stock and application of legal reserve etc.) Beginning form the current consolidated interim accounting period, the Company has applied "Accounting Standards concerning Treasury Stock and Application of Legal Reserve" (Corporate Accounting Standard No.1). The impact of this standard on profits posted in the interim period under review is nil. Following the revision of regulations governing the preparation of consolidated interim financial statements, the Company has prepared its consolidated interim balance sheets and interim statements of retained earnings for this consolidated interim period according to the revised rules for consolidated interim financial statements.	—

Notes

(Items Related to Consolidated Interim Balance Sheet)

Item	Previous interim period (As of Dec. 31, 2001)	Current interim period (As of Dec. 31, 2002)	Previous fiscal year (As of June 30, 2002)
∗1 Accumulated depreciation of tangible fixed assets (thousand yen)	204,315	275,691	238,702
∗2. Pledged assets and secured liability	Assets offered as collateral (thousand yen) are as follows. Time deposit 16,529 Buildings 259,114 Machinery and equipment 35,739 Land 431,250 Investment in securities 1,587 Total 744,221 Secured liabilities (thousand yen) are as follows. Short-term loans 10,000 Long-term loans within one year 72,498 Long-term loans 567,312 Total 649,811	Assets offered as collateral (thousand yen) are as follows. Time deposit 6,532 Buildings 256,908 Machinery and equipment 28,377 Land 431,250 Total 723,068 Secured liabilities (thousand yen) are as follows. Short-term loans 348,672 Long-term loans within one year 245,824 Long-term loans 498,933 Total 1,093,430	Assets offered as collateral (thousand yen) are as follows. Time deposit 6,529 Buildings 255,397 Machinery and equipment 31,635 Land 431,250 Total 724,813 Secured liabilities (thousand yen) are as follows. Short-term loans 71,668 Long-term loans within one year 241,858 Long-term loans 487,198 Total 800,725
∗3. Treatment of commercial bills due on the interim term end	As for commercial bills coming due on the end of the interim period, the Company settles accounting treatment on the date of clearing. Since the end of this interim period is a holiday for financial institutions, the term-end balance includes commercial bills expiring on the end of next six-month period. Bills receivable 2,226,000 yen	As for commercial bills coming due on the end of the interim period, the Company settles accounting treatment on the date of clearing. The end of this interim period is a holiday for financial institutions, and there is no bill that expires on the interim term end.	As for commercial bills coming due on the end of the consolidated fiscal year, the Company settles accounting treatment on the date of clearing. The end of this fiscal year is a holiday for financial institutions, and there is no bill that expires on the term end.

（**Consolidated interim statements of operations**）

Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Full fiscal year (From July 1, 2001 to June 30, 2002)
—	—	*1. The following indicates the principal components and their amounts included in selling, general and administrative expenses. Provision for accrued bonus ¥11,997, 000 Provision for credit losses ¥190, 000 Salaries and allowances ¥152,911, 000 Commission paid ¥121,610, 000 Development cost ¥323,674, 000
—	*2. Breakdown of loss from sale of fixed assets Machinery & Equipment and transportation tools: ¥344,000	*2. Loss from sale of fixed assets is attributable principally to the sale of the former head office building, which amounted to ¥39,473,000.

(Interim consolidated statement of cash flow)

Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Fiscal year 2002 (From July 1, 2001 to June 30, 2002)
Cash and cash equivalents and balance-sheet items at end of the period (As of December 31, 2001) Cash and deposits ¥1,083,897,000 Time deposits with maturities of 3 months and beyond △¥71,472,000 Securities ¥100,030,000 Cash and cash on hand ¥1,112,454,000	Cash and cash equivalents and balance-sheet items at end of the period (As of December 31, 2002) Cash and deposits ¥649,020,000 Time deposits with maturities of 3 months and beyond ¥84,591,000 Cash and cash on hand ¥564,429,000	Cash and cash equivalents and balance-sheet items at end of the term (As of June 30, 2002) Cash and deposits ¥730,176,000 Time deposits with maturities of 3 months and beyond ¥76,560,000 Cash and cash on hand ¥653,616,000

(Items Related to Lease Transactions)

Previous interim period (From July 1, 2001 to Dec. 31, 2001)	Current interim period (From July 1, 2002 to Dec. 31, 2002)	Fiscal year 2002 (From July 1, 2001 to June 30, 2002)
1. Finance lease transactions exclude cases where it is recognized that ownership of lease object is transferred to the lessee (1) The amounts equivalent to acquisition price of lease object, equivalent to accumulated depreciation, and equivalent to balance as of the end of the interim period Amount equivalent to acquisition price (thousand yen) Amount equivalent to accumulated depreciation (thousand yen) Amount equivalent to balance as of the end of interim period (thousand yen) Vehicles 4,194 2,446 1,747 Tools, furniture and fixtures 10,188 3,439 6,748 Total 14,382 5,885 8,496 (Note) The amount equivalent to acquisition price is calculated with a method that includes interest paid because the unexpired leasing charge balance accounts for small percentage of the overall balance of fixed assets at the end of the interim period. (2) The amount equivalent to balance of unexpired leasing charge at the end of the interim period Within one year ¥3,315,000 Over one year ¥5,180,000 Total ¥8,496,000	1. Finance lease transactions exclude cases where it is recognized that ownership of lease object is transferred to the lessee (1) The amounts equivalent to acquisition price of lease object, equivalent to accumulated depreciation, and equivalent to balance as of the end of the interim period Amount equivalent to acquisition price (thousand yen) Amount equivalent to accumulated depreciation (thousand yen) Amount equivalent to balance as of the end of interim period (thousand yen) Vehicles 4,194 3,844 349 Tools, furniture and fixtures 6,588 1,756 4,831 Total 10,782 5,601 5,180 (Note) Same as the left column (2) The amount equivalent to balance of unexpired leasing charge at the end of the interim period Within one year ¥1,667,000 Over one year ¥3,513,000 Total ¥5,180,000	1. Finance lease transactions exclude cases where it is recognized that ownership of lease object is transferred to the lessee (1) The amounts equivalent to acquisition price of lease object, equivalent to accumulated depreciation, and equivalent to balance as of the end of the fiscal year Amount equivalent to acquisition price (thousand yen) Amount equivalent to accumulated depreciation (thousand yen) Amount equivalent to balance as of the end of fiscal year (thousand yen) Vehicles 4,194 3,145 1,048 Tools, furniture and fixtures 10,188 4,458 5,730 Total 14,382 7,603 6,778 (Note) The amount equivalent to acquisition price is calculated with a method that includes interest paid because the unexpired leasing charge balance accounts for small percentage of the overall balance of fixed assets at the end of the fiscal year. (2) The amount equivalent to balance of unexpired leasing charge at the end of the fiscal year Within one year ¥2,606,000 Over one year ¥4,172,000 Total ¥6,778,000

(Note) The amount equivalent to the unexpired leasing charge balance at the end of the interim period is calculated with a method that includes interest paid because the unexpired leasing charge balance accounts for a small percentage of the overall balance of fixed assets at the end of the interim period.	(Note) Same as the left column	(Note) The amount equivalent to the unexpired leasing charge balance at the end of the fiscal year is calculated with a method that includes interest paid because the unexpired leasing charge balance accounts for a small percentage of the overall balance of fixed assets at the end of the fiscal year.
(3) Leasing fee payment and amount equivalent to depreciation expenses Leasing fee payment ¥1,498,000 Amount equivalent to depreciation expenses ¥1,498,000	(3) Leasing fee payment and amount equivalent to depreciation expenses Leasing fee payment ¥1,597,000 Amount equivalent to depreciation expenses ¥1,597,000	(3) Leasing fee payment and amount equivalent to depreciation expenses Leasing fee payment ¥3,216,000 Amount equivalent to depreciation expenses ¥3,216,000
(4) Calculation method for amount equivalent to depreciation expenses Straight-line method in which leasing period is treated as depreciable life and salvage value is set at zero.	(4) Calculation method for amount equivalent to depreciation expenses Same as the left column	(4) Calculation method for amount equivalent to depreciation expenses Same as the left column

(Information pertaining to securities)

End of the previous consolidated interim accounting period (as of December 31, 2001)

1. Other securities with fair value

	Acquisition cost (thousand yen)	Amount on consolidated interim balance sheet (thousand yen)	Unrealized gains (thousand yen)
(1) Stocks	2,036	1,809	△ 765
(2) Others	20,000	19,323	△ 676
Total	22,036	21,132	△ 1,441

Note: The Company performed an impairment amounting to ¥539,000 for other securities with fair market value during the consolidated interim accounting period under review. The Company proceeded with the impairment of such stocks as the market value of the shares recorded a decrease of more than 50% from the acquisition cost, which in the opinion of the Company represents an extreme fall in prices.

2. Major securities with no fair market valuation (excluding (1) above)

	Amount on consolidated interim balance sheet (thousand yen)
(1) Other securities	
Unlisted shares (excluding over-the counter shares)	3,586
Money management funds	100,030

End of current consolidated interim accounting period (as of December 1, 2002)

1. Other securities with fair value

	Acquisition cost (thousand yen)	Amount on consolidated interim balance sheet (thousand yen)	Unrealized gains (thousand yen)
Stocks	31,480	23,715	△ 7,765
Total	31,480	23,715	△ 7,765

Note: The Company executed an impairment amounting to ¥155,000 for other securities with fair market value during the consolidated interim accounting period under review. The Company proceeded with the impairment of such stocks as the market value of the shares showed a decrease of more than 50% from the acquisition cost, which in the opinion of the Company represents an extreme fall in prices.

2. Major securities with no fair market valuation (excluding (1) above)

There is no relevant matter to be stated here.

End of Previous consolidated accounting year (as of June 30, 2002)

1. Other securities with fair value

Types	Acquisition cost (thousand yen)	Amount on consolidated interim balance sheet (thousand yen)	Unrealized gains (thousand yen)
Securities for which the values that appear on the consolidated balance sheet exceed the costs of acquisition			
(1) Stocks	30,000	30,358	358
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	30,000	30,358	358
Securities for which the values that appear on the consolidated balance sheet do not exceed the costs of acquisition			
(1) Stocks	1,635	1,580	△ 55
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	1,635	1,580	△ 55
Total	31,635	31,938	303

Note: The Company executed an impairment amounting to ¥540,000 for other securities with fair market value during the consolidated accounting year. The impairment of the stocks was performed for securities whose market prices as of the end of the year showed a decrease of over 50% against the acquisition cost, which in the opinion of the Company represents an extreme fall in prices.

2. Other securities sold during the current consolidated accounting year (from July 1, 2001 to June 30, 2002)

Amount of sale (thousand yen)	Total profit from sale (thousand yen)	Total loss from sale (thousand yen)
19,872	113	1,086

3. Details of major securities with no fair value and their amounts shown on the balance sheet

	Amount posted on balance sheet (thousand yen)
Other securities	
Unlisted stocks (excluding over-the-counter stocks)	3,260

(Derivative transactions)

In the previous interim consolidated accounting period (from July 1, 2001 to December 31, 2001), the current consolidated interim accounting period (from July 1, 2002 to December 31, 2002) and the previous consolidated accounting year (from July 1, 2001 to June 30, 2002),

No derivative transactions were performed by the PSS Group, hence there is no applicable matter to be stated.

(Segment Information)

Business segment information

The PSS Group of companies is engaged in research and development in the gene and proteome analysis-related field, and the development, manufacture and sale of automated systems, other laboratory equipment and software in use for the commercialization of products developed through R&D. The Group also manufactures and sells plastic disposables used for the automated systems. Since these activities belong to a single segment, the business segment information is omitted.

Geographical segment information

Previous consolidated interim accounting period (from July 1, 2001 to December 31, 2001)

	Japan (thousand yen)	U.S. (thousand yen)	Germany (thousand yen)	Total (thousand yen)	Interarea Elimination (thousand yen)	Consolidated (thousand yen)
Net sales						
(1) Sales to third parties	516,995	—	—	516,995	—	516,995
(2) Inter-segmental sales and transfers	43	—	1,473	1,517	△ 1,517	—
Total	517,038	—	1,473	518,512	△ 1,517	516,995
Operating expense	722,212	47,854	18,524	788,590	△ 529	788,061
Operating loss	205,173	47,854	17,050	270,078	987	271,065

Note: Regions are divided by country.

Current consolidated interim accounting period (from July 1, 2002 to December 31, 2002)

	Japan (thousand yen)	U.S. (thousand yen)	Germany (thousand yen)	Total (thousand yen)	Interarea Elimination (thousand yen)	Consolidated (thousand yen)
Net sales						
(1) Net sales to third parties	799,059	95	48,724	847,879	—	847,879
(2) Inter-segmental sales and transfers	15,040	18,942	4,923	38,906	△ 38,906	—
Total	814,099	19,037	53,648	886,785	△ 38,906	847,879
Operating expense	896,551	51,481	71,342	1,019,375	△ 26,603	992,772
Operating loss	82,451	32,444	17,694	132,590	12,302	144,892

Note: Regions are divided by country.

Previous consolidated accounting year (from July 1, 2001 to June 30, 2002)

	Japan (thousand yen)	U.S. (thousand yen)	Germany (thousand yen)	Total (thousand yen)	Interarea Elimination (thousand yen)	Consolidated (thousand yen)
Net sales						
(1) Net sales to customers	1,338,447	3,329	4,141	1,345,918	—	1,345,918
(2) Inter-segmental sales and transfers	2,453	—	23,204	25,658	△ 25,658	—
Total	1,340,901	3,329	27,346	1,371,576	△ 25,658	1,345,918
Operating expense	1,711,565	122,920	54,485	1,888,971	△ 25,437	1,863,534
Operating loss	370,664	119,591	27,139	517,394	220	517,615

Note: Regions are divided by country.

Overseas net sales

Previous consolidated interim accounting period (from July 1, 2001 to December 31, 2001)

	Germany	Norway	Others	Total
I. Overseas net sales (thousand yen)	122,750	83,030	24,780	230,560
II. Consolidated net sales (thousand yen)	—	—	—	516,995
III. Percentage of overseas net sales in consolidated net sales (%)	23.7	16.1	4.8	44.6

Notes: 1. Regions are divided by country.
2. “Others” refers to Sweden and the United States.

Current consolidated interim accounting period (from July 1, 2002 to December 31, 2002)

	Germany	Switzerland	Others	Total
I. Overseas net sales (thousand yen)	295,192	228,974	17,670	541,836
II. Consolidated net sales (thousand yen)	—	—	—	847,879
III. Percentage of overseas net sales in consolidated net sales (%)	34.8	27.0	2.1	63.9

Notes: 1. Regions are divided by country.
2. “Others” refers to Sweden, the United States, Korea and Norway.
3. As a result of the third-party acquisition of a Norwegian client, this former client became part of a Swiss entity. With this change, a new classification of Switzerland has been added, while sales made to Norway are now included in “Others.” If the previous categories are to be applied to the overseas net sales for the current interim period, Norway accounts for net sales of ¥3,288,000 and the others account for ¥243,356,000.

Previous consolidated interim accounting year (from July 1, 2001 to June 30, 2002)

	Germany	Norway	Others	Total
I. Overseas net sales (thousand yen)	512,765	180,161	62,759	755,687
II. Consolidated net sales (thousand yen)	—	—	—	1,345,918
III. Percentage of overseas net sales in consolidated net sales (%)	38.1	13.4	4.7	56.1

Notes: 1. Regions are divided by country.
2. “Others” refers to the United Kingdom, Sweden, United States, and Korea.

(Per-Share Information)

Previous consolidated interim accounting period (From July 1, 2001 to Dec. 31, 2001)	Current consolidated interim accounting period (From July 1, 2002 to Dec. 31, 2002)	Previous consolidated accounting year (From July 1, 2001 to June 30, 2002)
Book value per share ¥133,179.28	Book value per share ¥20,661.41	Book value per share ¥25,024.91
Interim net loss per share ¥38,178.21	Interim net loss per share ¥4,495.41	Net loss per share ¥17,415.14

Despite the outstanding balance of stock warrants and the possibility of stock issues in conjunction with unexecuted stock options, information on interim income per share on a diluted basis is not provided because an interim net loss was posted.	Despite the outstanding balance of stock warrants and the possibility of stock issues in conjunction with unexecuted stock options, information on interim income per share on a diluted basis is not provided because an interim net loss was posted.	Despite the outstanding balance of stock warrants and the possibility of stock issues in conjunction with unexecuted stock options, information on interim income per share on a diluted basis is not provided because an interim net loss was posted.
	(Additional information) From the start of the current interim consolidated accounting period, the Company has applied "Accounting Standards concerning Net Income Per Share" (Corporate Accounting Standard No. 2) and "Guidelines for Applying Accounting Standards concerning Net Income Per Share" (Application Guidelines for Corporate Accounting Standards No. 4). The impact of this standard is nil. The Company executed a 1-to-4 stock split dated February 20, 2002. The following presents per-share information for the previous consolidated interim accounting period, which assumed that the stock split had taken place at the beginning the previous fiscal term. Book value per share ¥33,294.82 Interim net loss per share ¥9,544.55 Despite the outstanding balance of stock warrants and the possibility of stock issues in conjunction with unexecuted stock options, information on interim income per share on a diluted basis is not provided because an interim net loss was posted.	A stock split was performed effective from February 20, 2002, whereby common stocks held by the stockholders on the list of stockholders and *de facto* registers of stockholders as of December 31, 2001 were subject to a 1-to-4 stock split. Net loss per share was computed on the condition that the stock split had taken place at the beginning of the accounting year.

Note: Interim net loss (or net loss for full year) per share is based on the following numbers.

	Previous consolidated interim accounting period (From July 1, 2001 to Dec. 31, 2001)	Current consolidated interim accounting period (From July 1, 2002 to Dec. 31, 2002)	Previous consolidated accounting year (From July 1, 2001 to June 30, 2002)
Interim (full year) net loss per share (yen)	—	4,495.41	—
Interim (full year) net loss (thousand yen)	—	151,967	—
Amount not belonging to commons shares (thousand yen)	—	—	—
Interim (full year) net loss pertaining to common shares (thousand yen)	—	151,967	—

Average number of shares for the period (shares)	—	33,805	—
Outline of stocks with potential diluting effects, which were not included in the computation of interim (or full year) net income, as they do not have any diluting effect.	—	One type of corporate bond with stock warrant (Total par value of ¥33,600,000), and two types of stock options (1,301 stock options).	—

(Important Matters that Occurred after Account Settlement)

Previous consolidated interim accounting period (From July 1, 2001 to December 31, 2001)	Current consolidated interim accounting period (From July 1, 2002 to December 31, 2002)	Previous consolidated accounting year (From July 1, 2001 to June 30, 2002)
During the Company's board of directors meeting, which took place on December 5, 2001, a resolution in favor of a 1-to-4 stock split was passed, whereby the common shares owned by stockholders who appeared on the list of shareholders or *de facto* register of shareholders as of December 31, 2001 would be subject to a 1-to-4 stock split on February 20, 2002. As a result of the stock split, the number of outstanding shares increased 25,122 shares.	——————	1. The Company concluded an OEM agreement with Qiagen AS concerning the Magtration System 6GC, a product developed by PSS, on August 15, 2002. The agreement is outlined below: (1) Name of client: Qiagen AS (Norway) (2) Date of the contract: August 15, 2002 (3) Term of the contract: Three (3) years. The contract is renewable, with 3-month written notice before the date of termination. 2. The Company concluded an agreement on August 16, 2002 with Qiagen GmbH concerning the development and supplies of OEM products utilizing Magtration, a patented technology held by the Company. The agreement is outlined below: (1) Name of client: Qiagen GmbH (Germany) (2) Date of the contract: August 16, 2002 (3) Term of the contract: Perpetual. However, the contract may be terminated after the tenth year with 60-day written notice.

(2) Others

There is no pertinent matter to be stated herein.

5. State of Production, Orders Received and Sales

(1) Production

The following summarizes production by product category for the current consolidated interim accounting period.

Product Classification	Production Output (thousand yen)	Year-on-year Change (%)
DNA auto-extractors, etc.	330,700	25.1
Other laboratory equipment	21,138	△ 52.3
Others	41,606	△ 24.6
Total	393,446	8.2

Notes: 1. The above amounts are computed based on the cost of goods manufactured for products for the current consolidated accounting year.
2. The above amounts are exclusive of consumption taxes.
3. In addition to the above, the Company purchased merchandise for plastic disposables amounting to ¥190,331,000 (a year-on-year increase of 84.2%)

(2) State of orders received

The state of the orders received during the consolidated interim accounting period under review is outline below. The DNA auto-extractors, the Company's mainstay product segment, are primarily produced on an on-demand basis in response to orders for OEM. With regard to our OEM contracts with Roche and QIAGEN, among others, the clients have promised to place firm orders at least three months in advance; therefore, the backlog indicated in the table below generally reflects three to four months worth of orders.

Product category		Amount of orders (thousand yen)	Year-on-year change (%)	Backlog (thousand yen)	Year-on-year change (%)
Products	DNA auto-extractors, etc.	989,192	219.9	725,189	153.0
	Other laboratory equipment	11,704	△66.3	—	—
	Others	20,473	△70.5	16,337	—
Merchandise	Plastic disposables	239,907	97.7	—	—
Total		1,261,277	135.9	741,526	105.6

(Note) The above amounts are exclusive of consumption taxes.

(3) Sales

Sales by product category during the consolidated interim accounting period under review are summarized below.

Product category		Sales (thousand yen)	Year-on-year change (%)
Products	DNA auto-extractors, etc.	523,227	86.9
	Other laboratory equipment	32,422	△ 30.0
	Others	52,321	△ 24.6
Merchandise	Plastic disposables	239,907	97.7
Total		847,879	64.0

Notes: 1. The above amounts are exclusive of consumption taxes.
2. Sales to major clients and their percentages on total sales are indicated below:

Clients	Previous consolidated interim accounting period		Current consolidated interim accounting period	
	Sales (thousand yen)	Percentage (%)	Sales (thousand yen)	Percentage (%)
Roche Diagnostics GmbH	122,750	23.7	280,009	33.0
QIAGEN Instruments AG	—	—	228,974	27.0
Mitsubishi Kagaku Medical, Inc.	—	—	66,196	7.8
Roche Diagnostics K.K.	106,558	16.1	50,749	6.0