

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

For FY 2008 (from July 1, 2007 to June 30, 2008)

August 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 fiscal year of 2008 ended June 30, 2008

(From July 1, 2007 to June 30, 2008)

(1) Consolidated operating results

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

| | Sales | | Operating income | | Ordinary income | |
|--|--------------|---------------|------------------|----------|-----------------|----------|
| | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended June 30, 2008 | 3,397 | (8.1) | (141) | - | (248) | - |
| Fiscal year ended June 30, 2007 | 3,698 | 1.7 | (57) | - | (65) | - |

| | Net income | | Net income per share | Net income per share adjusted for full dilution |
|--|--------------|----------|----------------------|---|
| | Million yen | % | Yen | Yen |
| Fiscal year ended June 30, 2008 | (400) | - | (9,350.09) | - |
| Fiscal year ended June 30, 2007 | (143) | - | (3,357.11) | - |

| | Return on equity | Ordinary income ratio over total assets | Operating income ratio over net sales |
|--|------------------|---|---------------------------------------|
| | % | % | % |
| Fiscal year ended June 30, 2008 | (15.2) | (5.3) | (4.2) |
| Fiscal year ended June 30, 2007 | (5.0) | (1.3) | (1.6) |

(Ref.) Loss in equity method investment: 16 million yen.

(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, 2008 | 4,224 | 2,423 | 57.4 | 56,573.08 |
| As of June 30, 2007 | 5,169 | 2,854 | 55.2 | 66,629.42 |

(3) Consolidated cash flow

| | Net cash flow from operating activities | Net cash flow from investing activities | Net cash flow from financing activities | Cash and cash equivalents at end of the period |
|--|---|---|---|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended June 30, 2008 | 199 | 238 | (457) | 1,459 |
| Fiscal year ended June 30, 2007 | (51) | (123) | 420 | 1,478 |

2. Forecasts for fiscal year ending June 30, 2008 (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 June 30, 2008 (including treasury stock)

42,840 (42,840 as of June 30, 2007)

b) Number of treasury stocks as of June 30, 2007

None (none as of June 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 fiscal 2008 ended June 30, 2008, there was change in accounting method on sales recognition for an oversea OEM client from FOB to DDU standard. Due to this change, there was 40 million yen reduction in sales in the fiscal year compared to the amount in previous accounting method. As the timing of upgrading for major instruments is approaching, shipment of DNA extractors to OEM clients was slower than expected. Due to the those negative effects for sales, which are unusual factors limited to this fiscal year, net sales for the fiscal year declined to 3,397 million yen (down 8.1% compared with same period in previous year). Affected by sales decline, the gross profit decreased to 1,455 (down 7.4% yoy)

Selling, general and administrative expenses reduced by 2.0% to 1,596 million yen; as a result, operating loss expanded to 141 million yen.

Due to 76 million yen loss on revaluation of inventories along with losses of interest and foreign exchange, ordinary loss was 248 million yen.

As extraordinary loss, 73 million yen due to loss on disposal of equipment and 34 million yen due to loss on revaluation of inventories, were recognized, net loss for the fiscal year was 400 million yen (the amount in previous year was 143 million yen loss)

Net sales according to customer are as follows:

(Unit: Thousand yen, units)

| | Fiscal year ended June 30, 2007 | | Fiscal year ended June 30, 2008 | | Year-on- year changes |
|-------------------------------------|------------------------------------|------------|------------------------------------|--------------|-----------------------------|
| | Amount | Percentage | Amount | Percentage | |
| | Million yen | % | Million yen | % | % |
| ROCHE Group | 1,653 | 44.7 | 1,324 | 39.0 | (19.9) |
| QIAGEN Group | 1,022 | 27.7 | 910 | 26.8 | (11.0) |
| Mitsubishi Kagaku Medience, Inc. | 251 | 6.8 | 402 | 11.8 | 60.2 |
| Others | 770 | 20.8 | 760 | 22.4 | (1.3) |
| Total | 3,698 | 100.0 | 3,397 | 100.0 | (8.1) |

As for the ROCHE Group, the sales were affected by the sales recognition change. Furthermore, the sales of DNA extractor (current models) to both ROCHE Group and QIAGEN Group became slow as the introduction of new models was expected soon; consequently, the overall sales to the both groups declined compared to the previous year. As for Mitsubishi Kagaku Medience, Inc., the sales increase just as expected, while sales to other customers were almost same level as the previous year.

Information by business segments is as follows:

From the fiscal year 2007, we disclose information by business segments as investment business started.

In bio-related business, the net sales decreased 8.0% to 3,372 million yen, while operating loss was recorded as 9 million yen.

The sales of bio-related business by each product category:

| | Fiscal year ended June 30, 2007 | | Fiscal year ended June 30, 2008 | | Year-on-year changes |
|--|------------------------------------|------------|------------------------------------|--------------|-------------------------|
| | Amount | Percentage | Amount | Percentage | |
| | Million yen | % | Million yen | % | % |
| DNA auto extractors | 1,805 | 49.3 | 1,524 | 45.2 | (15.5) |
| Other laboratory equipment | 293 | 8.0 | 191 | 5.7 | (34.8) |
| Other products | 401 | 10.9 | 510 | 15.1 | 27.3 |
| Merchandise (plastic consumables) | 1,165 | 31.8 | 1,145 | 34.0 | (1.7) |
| Total | 3,665 | 100.0 | 3,372 | 100.0 | (8.0) |

1) 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 and Purelumn, auto protein purification system, for which we have had exclusive sales agreement with GE Healthcare Bio Science Inc.

During the fiscal year ended June 30, 2008, the sales on this category declined 15.5% to 1,524 million yen due to the change of sales recognition for an OEM client and sluggish sales of current models in expecting entries of new models. The new model instruments for QIGEN Group have been shipped from the fourth quarter. The new model shipment for ROCHE is expected to start from the first quarter of next fiscal year. Quarterly sales of automated systems are shown in below charts.

(Unit: Thousand yen, units)

| | Fiscal year ended June 30, 2007 | | | |
|-------------------|------------------------------------|----------------|---------------|----------------|
| | First quarter | Second quarter | Third quarter | Fourth quarter |
| Units sold | 190 | 231 | 191 | 258 |
| Amount | 389,197 | 486,681 | 421,369 | 507,934 |
| Unit price | 2,048 | 2,106 | 2,206 | 1,968 |

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

2) 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 FY2008, the sales of this category decreased 34.8% year on year to 191 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.

3) 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 FY2008, sales in this category amounted to 510 million yen (27.3% 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.

4) 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 FY2008, sales in this category decreased 1.7% to 1,145 million yen due to the slow sales of DNA extractors, sales recognition modification, etc. Since 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.

In investment business, the net sales were 25 million yen and operating income was 11 million yen, respectively as management fee revenue was recorded in PSS Capital Co., Ltd., which co-manages Biocontents fund LLP.

| Companies invested | Dates invested | Amount |
|--------------------|--|-------------|
| Genetein | May, 2007 | 60,000,000 |
| | (additional investment) September, 2007 | 60,000,000 |
| Haplo Pharma | August, 2007 | 30,030,000 |
| PaGE Science | January, 2008 | 22,100,000 |
| Total | | 172,130,000 |

(Forecasts for FY 2009)

| | Fiscal year ended June 30, 2008 | | Fiscal year ending June 30, 2009 | | Year-on-year changes |
|--|------------------------------------|------------|-------------------------------------|------------|-------------------------|
| | Amount | Percentage | Amount | Percentage | |
| | Million yen | % | Million yen | % | % |
| Net sales | 3,397 | 100.0 | 3,700 | 100.0 | 8.9 |
| Gross profit | 1,455 | 42.8 | 1,500 | 40.5 | 3.1 |
| Sales & general administration cost | 1,596 | 47.0 | 1,400 | 37.8 | -12.9 |
| Personnel expense | 496 | 14.6 | 465 | 12.6 | -6.4 |
| R&D | 414 | 12.2 | 364 | 9.8 | -12.2 |
| Depreciation | 200 | 5.9 | 121 | 3.3 | -39.6 |
| Others | 484 | 14.3 | 450 | 12.1 | -7.1 |
| Operating income | -141 | -4.2 | 100 | 2.7 | - |
| Ordinary income | -248 | -7.3 | 80 | 2.2 | - |
| Net income | -400 | -11.8 | 40 | 1.1 | - |

II. Analysis of Financial Conditions:**(1) Assets, Liabilities and Net Assets**

As of June 30, 2008, total assets decreased 944 million yen compared with the amount as of June 30, 2007 to 4,224 million yen. Current assets decreased 778 million yen as cash and deposit decreased 490 million yen, account receivables decreased 93 million yen, inventories decreased 104 million yen, while fixed assets decreased 166 million yen.

As of June 30, 2008, total liabilities decreased 513 million yen to 1,800 million yen; as current liabilities decreased 283 million yen, while long-term liabilities decreased 230 million yen.

As a result, net assets as of June 30, 2008, decreased 430 million yen to 2,423 million yen.

(2) Cash flows

During the fiscal year from July 1, 2007 to June 30, 2008, cash and cash equivalents decreased 19 to 1,459 million yen as of June 30, 2007.

Cash flows from operating activities increased 298 million yen. Although net loss was 357 million yen, there was increase from those items; such as, depreciation (261 million yen), loss on revaluation (73 million yen) and decrease of account receivables (84 million yen) and decrease of inventories (27 million yen).

Cash flows from investing activities increased 238 million yen. There were expenditures for acquisition of fixed assets (227 million yen) and for acquisition of stocks (50 million yen), while time deposit decreased 469 million yen.

Cash flows from financing activities decreased 457 million yen. While there was increase of 100 million yen borrowing in long term debt, there was 357 million yen decrease due to repayment in long term debt and 200 million yen in short term debt.

PSS Group information

The PSS Group is comprised of Precision System Science Co., Ltd. and its four subsidiaries and two equity method applied companies.

The following is a summary of the subsidiaries and an equity method application company:

| Name | Location | Capital or investment in subsidiary | Main line of business | Ratio of voting rights or investment ratio | Details of relationship |
|---|------------------------------|-------------------------------------|--|--|---|
| (Consolidated subsidiary) Precision System Science USA, Inc. (PSS USA) | California, U.S.A. | US\$6,579,537.95 | U.S. sales company | 100% | Sales company for our products intended for the U.S. market |
| (Consolidated subsidiary) Precision System Science Europe GmbH (PSSE) | Woerrstadt, Germany | Eur1,000,000.00 | European sales company | 100% | Sales company for our products intended for the European market |
| (Consolidated subsidiary) Universal Bio Research Co., Ltd. | Matsudo-shi, Chiba-ken Japan | ¥35,000,000 | Management company for intellectual property | 100% | Administrative and management company for the Company's intellectual property |
| (Consolidated subsidiary) PSS Capital Co., Ltd. | Matsudo-shi, Chiba-ken Japan | ¥30,000,000 | Investment company | 100% | Investment company for PSS group |
| (equity method applied company) Bio Contents Fund LLP | Chiyoda-ku Tokyo Japan | ¥100,000,000 | Investment LLP | 25% | Investment company in which PSS invests |
| (equity method applied company) Genetein, Co., Ltd. | Chiyoda-ku Tokyo Japan | ¥75,000,000 | R&D of Reagents | 20% | A company in which Bio Contents Fund invests |

(Notes)

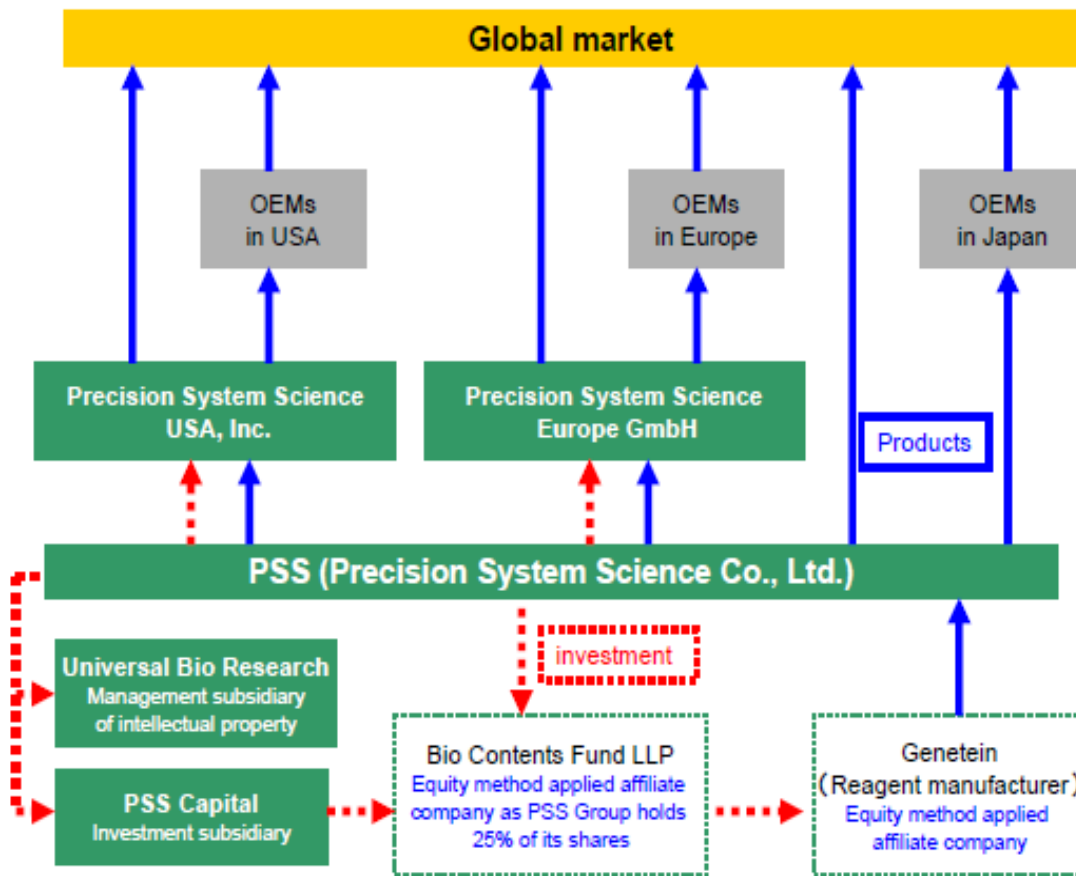
1. None of the above companies has submitted Securities Notifications or Securities Reports.
2. PSS Bio Instruments, Inc. was renamed to Precision System Science USA, Inc. on July 23, 2007.
3. Of the four consolidated subsidiaries mentioned above, PSS Bio Instruments, Inc. and Precision System Science Europe GmbH are the specified subsidiaries.
4. Sales from Precision System Science Europe GmbH account for more than 10% of all consolidated sales. (excluding intra-company sales)

| | | |
|-------------------------------|------------------------|-------------------|
| Major profit/loss information | (1) Sales | 2,255 million yen |
| | (2) Ordinary Income | 124 million yen |
| | (3) Current Net Income | 89 million yen |
| | (4) Net Assets | 484 million yen |
| | (5) Total Assets | 931 million yen |

PSS Bio Instruments, Inc. is engaged in activities such as developing new business partnerships and OEMs in the U.S., marketing our products to universities and research institutions, and the exchange of technology

information through participation in exhibitions and academic conferences. In addition to the activities mentioned above for PSS Bio Instruments, Inc., PSS Europe GmbH is also involved in the strengthening of partnerships with the OEMs of Europe.

Below is a diagram of our operational system:



The above diagram illustrates the main flow of our products. Our clients vary from universities, research institutions, clinical testing centers, and pharmaceutical manufacturers to chemical manufacturers.

Consolidated financial Statements
Consolidated Balance Sheet

| | As of June 30, 2007 | | As of June 30, 2008 | | | |
|--|---|------------------|-----------------------|------------------|------------------|--------------|
| | Amount (thousand yen) | (%) | Amount (thousand yen) | (%) | | |
| (Assets) | | | | | | |
| I Current Assets | | | | | | |
| 1 | Cash & bank deposits | 2,452,765 | | 1,962,608 | | |
| 2 | Notes and account receivables | 690,606 | | 597,251 | | |
| 3 | Inventories | 658,263 | | 553,705 | | |
| 4 | Others | 184,111 | | 92,911 | | |
| 5 | Allowance for doubtful accounts | (5,031) | | (3,481) | | |
| | Sub-Total | 3,980,714 | 77.0 | 3,202,196 | 75.8 | |
| II Fixed Assets | | | | | | |
| 1 Property, plant and equipment | | | | | | |
| (1) | Buildings & structures | 359,283 | | 361,605 | | |
| | Accumulated depreciations | 63,807 | 295,476 | 77,957 | 283,647 | |
| (2) | Machinery/equipment and transportation vehicles | 446,421 | | 445,786 | | |
| | Accumulated depreciations | 285,532 | 160,888 | 269,523 | 176,262 | |
| (3) | Tools, furniture, and fixtures | 749,652 | | 717,408 | | |
| | Accumulated depreciations | 434,463 | 315,188 | 542,040 | 175,367 | |
| (4) | Land | | 297,555 | | 297,918 | |
| | Sub-Total | | 1,069,109 | | 933,196 | 22.1 |
| 2 Intangible assets | | | | | | |
| (1) | Software | | 17,481 | | 12,046 | |
| (2) | Others | | 875 | | 1,804 | |
| | Sub-Total | | 18,357 | | 13,851 | 0.3 |
| 3 Investment & other assets | | | | | | |
| (1) | Securities for investment | | 71,138 | | 63,468 | |
| (2) | Others | | 29,929 | | 11,876 | |
| | Sub-total | | 101,067 | | 75,344 | 1.8 |
| | Total fixed assets | | 1,188,533 | | 1,022,391 | 24.2 |
| | Total assets | | 5,169,248 | | 4,224,588 | 100.0 |

| | As of June 30, 2007 | | As of June 30, 2008 | |
|---|-----------------------|--------------|-----------------------|--------------|
| | Amount (thousand yen) | (%) | Amount (thousand yen) | (%) |
| (Liabilities) | | | | |
| I Current liabilities | | | | |
| 1 Account payables | 265,105 | | 341,052 | |
| 2 Short-term debt | 200,000 | | - | |
| 3 Long-term debt due within one year | 338,232 | | 308,011 | |
| 4 Accrued taxes including corporate taxes | 77,995 | | 23,831 | |
| 5 Allowance for bonuses | 5,725 | | 22,762 | |
| 6 Allowance for warranty | 6,400 | | - | |
| 7 Others | 256,042 | | 170,481 | |
| Sub-total | 1,149,502 | 22.2 | 866,139 | 20.5 |
| II Long-term liabilities | | | | |
| 1 Bond | 550,000 | | 550,000 | |
| 2 Long-term debt | 611,191 | | 383,580 | |
| 3 Deferred taxes | 2,392 | | - | |
| 4 Others | 1,714 | | 1,278 | |
| Sub-total | 1,165,297 | 22.6 | 934,858 | 22.1 |
| Total liabilities | 2,314,799 | 44.8 | 1,800,997 | 42.6 |
| (Net assets) | | | | |
| I Owner's equity | | | | |
| 1 Common stock | 2,041,778 | 39.5 | 2,041,778 | 48.3 |
| 2 Capital surplus | 2,508,354 | 48.5 | 2,508,354 | 59.4 |
| 3 Retained earnings | (1,808,244) | (35.0) | (2,210,810) | (52.3) |
| Sub-total | 2,741,887 | 53.0 | 2,339,321 | 55.4 |
| II Valuation and translation adjustments | | | | |
| 1 Unrealized gains/losses on securities | 16,197 | 0.3 | - | - |
| 2 Deferred gained/loses on hedges | 114 | 0.0 | 57 | 0.0 |
| 3 Foreign currency translation adjustments | 96,204 | 1.9 | 84,210 | 2.0 |
| Sub-total | 112,516 | 2.2 | 84,268 | 2.0 |
| III Stock option | 44 | 0.0 | - | 0.0 |
| Total net assets | 2,854,448 | 55.2 | 2,423,590 | 57.4 |
| Total liabilities and net assets | 5,169,248 | 100.0 | 4,224,588 | 100.0 |

Consolidated Income Statements

| | From July 1, 2006 to June 30, 2007 | | From July 1, 2007 to June 30, 2008) | | Increase/ decrease | | |
|--|---------------------------------------|------------------|--|--------|-----------------------|--------------|------------------|
| | Amount (thousand yen) | (%) | Amount (thousand yen) | (%) | | | |
| I Net Sales | | 3,698,177 | 100.0 | | 3,397,932 | 100.0 | (300,244) |
| II Cost of sales | | 2,126,871 | 57.5 | | 1,942,344 | 57.2 | (184,526) |
| Gross Profit | | 1,571,305 | 42.5 | | 1,455,588 | 42.8 | (115,717) |
| III Selling, general and administrative expenses | | 1,629,281 | 44.1 | | 1,596,607 | 47.0 | (32,674) |
| Operating Income/loss () | | (57,975) | (1.6) | | (141,018) | (4.2) | (83,042) |
| IV Non-operating income | | | | | | | |
| 1 Interest income | 12,565 | | | 13,939 | | | |
| 2 Dividend income | 39 | | | 22 | | | |
| 3 Foreign exchange gain | 27,250 | | | - | | | |
| 4 Other income | 12,110 | 51,966 | 1.4 | 8,160 | 22,122 | 0.7 | (29,844) |
| V Non-operating expenses | | | | | | | |
| 1 Interest expense | 24,392 | | | 23,105 | | | |
| 2 New stock issuing expense | - | | | - | | | |
| 3 Bond issuing expense | 3,319 | | | - | | | |
| 4 Stock distribution expense | 67 | | | - | | | |
| 5 Loss in equity method investment | 15,474 | | | 16,788 | | | |
| 6 Loss on revaluation of inventories | 15,290 | | | 76,701 | | | |
| 7 Other expenses | 1,260 | 59,803 | 1.6 | 2,882 | 129,177 | 3.8 | 69,374 |
| Ordinary income/loss () | | (65,812) | (1.8) | | (248,074) | (7.3) | (182,261) |
| VI Extraordinary gains | | | | | | | |
| 1 Gain on sale of investments in securities | - | | | 10,710 | | | |
| 2 Gain on sale of property, plant and equipment | - | | | 2,894 | | | |
| 3 Reversal of allowance for doubtful accounts | 84 | 84 | 0.0 | 1,562 | 15,167 | 0.5 | 15,082 |
| VII Extraordinary losses | | | | | | | |
| 1 Loss on sale of property, plant and equipment | 5,106 | | | 1,703 | | | |
| 2 Loss on disposal of property, plant and equipment | 535 | | | 14,928 | | | |
| 3 Loss on warranty for products | 6,400 | | | - | | | |
| 4 Loss from product revaluation | - | | | 34,480 | | | |
| 5 Loss on revaluation | 1,789 | 13,832 | 0.4 | 73,848 | 124,961 | 3.7 | 111,128 |

| | | | | | | | |
|-----------------------------|--|----------------|--------------|--|----------------|---------------|------------------|
| Loss before taxes | | 79,560 | (2.2) | | 357,868 | (10.5) | (278,308) |
| Income tax, local tax, etc. | | 64,207 | 1.7 | | 42,689 | 1.3 | (21,517) |
| Net income | | 143,767 | (3.9) | | 400,557 | (11.8) | (256,790) |

Consolidated Statements of Changes in Net assets
(July 1, 2007 to June 30, 2008)

Thousand yen

| | Owner's equity | | | |
|--------------------------------------|----------------|-----------------|-------------------|----------------------|
| | Common stock | Capital surplus | Retained earnings | Total owner's equity |
| Balance as of June 30, 2008 | 2,041,278 | 2,508,354 | (1,808,244) | 2,741,887 |
| Changes during the fiscal year | | | | |
| Net income | | | (400,557) | (400,557) |
| Others (Net) | | | (2,008) | (2,008) |
| Total changes during the fiscal year | - | - | (402,565) | (402,565) |
| Balance as of June 30, 2007 | 2,041,778 | 2,508,354 | (2,210,810) | 2,339,321 |

| | Valuation and translation adjustments | | | | Stock option | Total Net Asset |
|--------------------------------------|---------------------------------------|---------------------------------|-------------------------|---|--------------|-----------------|
| | Unrealized gains/losses on securities | Deferred gains/losses on hedges | Translation adjustments | Total valuation translation adjustments | | |
| Balance as of June 30, 2007 | 16,197 | 114 | 96,204 | 112,516 | 44 | 2,854,448 |
| Changes during the fiscal year | | | | | | |
| Net income | | | | | | (400,557) |
| Others-Net | (16,197) | (57) | (11,993) | (28,247) | (44) | (28,291) |
| Total changes during the fiscal year | (16,197) | (57) | (11,993) | (28,247) | (44) | (430,857) |
| Balance as of June 30, 2008 | - | 57 | 84,210 | 84,268 | - | 2,423,590 |

Consolidated statements of Cash flows

| | From July 1, 2006 to June 30, 2007 | From July 1, 2007 to June 30, 2008 |
|---|---------------------------------------|---------------------------------------|
| | Thousand yen | Thousand yen |
| I. Cash flows from operating activities | | |
| Income before taxes and other adjustments | (79,560) | (357,868) |
| Depreciation and amortization | 208,491 | 261,158 |
| Loss on impairment of fixed assets | 1,789 | 73,848 |
| Increase(Decrease) in allowance for doubtful accounts | 11,655 | 8,799 |
| Interest and dividend income | (12,605) | (13,961) |
| Interest expense | 24,392 | 23,105 |
| Stock distribution expense | 67 | - |
| Bond issuing expense | 3,319 | - |
| Loss in equity method investment | 15,474 | 16,788 |
| Gain on sale of investments in securities | | (10,710) |
| Gain (Loss) on sale of property, plant and equipment | (5,106) | (1,191) |
| Loss on disposal of property, plant and equipment | 535 | 14,928 |
| Decrease (Increase) in notes and account receivables | 227,204 | 84,340 |
| Decrease(Increase) in inventories | (82,652) | 27,468 |
| Increase(Decrease) in notes and account payables | (299,848) | 84,700 |
| Others | (28,286) | 86,759 |
| Sub-total | (4,917) | 298,657 |
| Interest and dividends received | 12,272 | 14,176 |
| Interest paid | (21,369) | (24,542) |
| Taxes paid | (37,274) | (88,940) |
| Net cash provided by operating activities | (51,289) | 199,351 |

| | From July 1, 2006 to June 30, 2007 | From July 1, 2007 to June 30, 2008 |
|---|---------------------------------------|---------------------------------------|
| | Thousand yen | Thousand yen |
| II. Cash flows from investing activities | | |
| Decrease (Increase) in term deposits | 49,061 | 469,620 |
| Purchases of Property, plant and equipment | (154,589) | (227,843) |
| Proceeds from sale of Property, plant and equipment | 33,809 | 21,348 |
| Purchases of intangible assets | (3,049) | (4,095) |
| Purchases of investment securities | (50,000) | (50,000) |
| Sale of investment securities | - | 29,506 |
| Others | 951 | 336 |
| Net cash provided by investing activities | (123,816) | 238,872 |
| III. Cash flows from financing activities | | |
| Increase(Decrease) in short-term debt | 200,000 | (200,000) |
| Proceeds from long-term debt | 300,000 | 100,000 |
| Repayment of long-term debt | (276,682) | (357,832) |
| Proceeds from bonds | 196,681 | - |
| Proceeds from stock option | 932 | - |
| Net cash provided by financing activities | 420,931 | (457,832) |
| IV. Effects of exchange rates on cash and cash equivalents | 17,945 | 394 |
| V. Net increase in cash and cash equivalents | 263,770 | (19,213) |
| VI. Cash and cash equivalents at the beginning of the year | 1,214,841 | 1,478,611 |
| VII. Cash and cash equivalents at the end of the year | 1,478,611 | 1,459,398 |
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