

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For the First Six Months of the Fiscal Year, Ending June 30 2015
(From July 1, 2014 to December 31, 2014)

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 Market: JASDAQ (Standard)
Code Number: 7707
URL: <http://www.pss.co.jp/>

1. Consolidated financial data for the First Six Months of the Fiscal Year, Ending June 30 2015
(From July 1, 2014 to December 31, 2014)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First six months ended								
December 31, 2014	2,459	28.9	(289)	----	(208)	----	(219)	----
December 31, 2013	1,907	(2.0)	(223)	----	(130)	----	1,289	----

(Reference) Comprehensive income: 182 million yen loss for the First six months ended December 31, 2014
926 million yen loss for the First six months ended December 31, 2013

	Net income per share	Diluted net income per share
	Yen	Yen
First six months ended		
December 31, 2014	(12.01)	----
December 31, 2013	70.64	----

Due to conduct the 200 for 1 stock split on Jan 1, 2014, net income per share is estimated on the presumption for conducting the 200 for 1 stock split on July 1, 2013.

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
As of				
December 31, 2014	6,535	4,005	56.7	202.98
FY 2014 ended June 30, 2014	7,298	4,325	55.1	220.22

(Reference) Equity: 3,704 million yen as of December 31, 2014

4,019 million yen as of June 30, 2014

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2014 ended June 30, 2014	----	0.00	----	7.5	7.5
FY 2015 ended June 30, 2015	----	0.00	----	----	----
FY 2015 ending June 30,2015(Forecast)	----	----	----	0.00	0.00

(Note) Revision to previous forecast: No

3. Business Forecasts for the fiscal year (From July 1, 2014 to June 30, 2015)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For fiscal year ending June 30, 2015	5,000	27.5	(400)	----	(330)	----	(350)	----	(19.18)

(Note) Revision to previous forecast : No

4. Others

- (1) Change in scope of consolidated subsidiaries during FY 2015 ending June 30, 2015: No
- (2) Adoption of simplified accounting method or accounting method specify to quarterly period: None
- (3) Changes in accounting principles, changes in accounting estimation, retrospective restatement
 - a) Changes according to the changes in accounting standards: None
 - b) Changes other than a): None
 - c) Changes in accounting estimate: None
 - d) Retrospective restatement: None
- (4) Number of outstanding stocks (common stocks)
 - a) Number of outstanding stocks (including treasury stock)
18,252,000 at December 31, 2014;18,252 ,000 at June 30, 2014
 - b) Number of treasury stocks at the end of period
None at December 31, 2014; None at June 30, 2014
 - c) Average number of outstanding stocks
18,252,000 for First six months ended December 31, 2014;
18,252,000 for First six months ended December 31, 2013

* The above forecast contains forward-looking statements based on information currently available. Consequently the Company's actual results may differ materially from the projected values due to various future factors.

Operating results and financial conditions

1. Analysis of operating results

In the first six months of current fiscal year, ended December 31, 2014, the net sales increased by 28.9% compared to the same period of previous fiscal year to 2,459 million yen as the sales of OEM (Original equipment manufacturing) products for QIAGEN and Abbott Group increased and gross profit increased 22.0% to 838 million yen. For QIAGEN Group; The utility area of DNA auto extractors have expanded from R&D field to medical diagnostic field , as the QIAGEN DNA testing system including our OEM products was authorized by USA FDA in last year. Especially, as QIAGEN has taken an active role in the fight against the spread of Ebola and additional our OEM products are required for the first six months ended December 31, 2014. For Abbott Group; Sales of 2 types of sample preparation system for ABBOTT was launched not only final developing version, but also first commercial version, which was installed with Consumable products (Plastic Tips and Container, Reagent).

On the other hand, the amount of selling, general and administrative expenses was increased 23.8% to 1,128 million yen the main reason why developing cost more than our estimation have been the development of fully automated DNA testing products “geneLEADXI” with DNA extraction reagent for ELITech Group as a OEM products. This development has been required additional time and labor force for software program modification and optimization until the end of FY2015.

As a result, we recorded operating loss of 289 million yen (223 million yen loss in the previous year). While ordinary income became 208 million yen loss (130 million yen loss in the previous year) and Net Income became 219 million yen loss (1,289 yen in the previous year by the sales of investment securities), as 77 million yen Ordinary income was realized for Foreign exchange gain for fiscal year FY2015 2Q (From July 1,2014 to Dec 31,2014).

Sales by each customer:

(Unit: Million yen)

	First six months ended December 31, 2013		First six months ended December 31, 2014		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	596	31.2	542	22.1	(9.0)	1,117	28.5
QIAGEN Group	327	17.2	504	20.5	54.2	683	17.4
Others	983	51.6	1,411	57.4	43.5	2,120	54.1
Total	1,907	100.0	2,459	100.0	28.9	3,921	100.0

Sales by each product category:

(Unit: Million yen)

	First six months ended December 31, 2013		First six months ended December 31, 2014		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Instruments	1,144	60.0	1,536	62.5	34.3	2,320	59.2
Reagent kits & Consumable	481	25.2	573	23.3	19.2	978	24.9
Maintenance	146	7.7	164	6.7	12.5	300	7.7
Customized product	130	6.8	185	7.5	42.0	315	8.0
Others	5	0.3	-	-	-	6	0.2
Total	1,907	100.0	2,459	100.0	28.9	3,921	100.0

(1) Instruments

During six months ended December 31, 2014, the sales in this category increased 34.3% to 1,536 million yen.

As the operating expenses increased 21.3% to 1,364 million yen, the operating income increased 786.8% to 172 million yen. This category consists of 2 fields.

(a) Lab Automation

This field consists of DNA extractors for Roche or Qiagen and other instruments in the field of Laboratory (R&D) Automation. The sales in this category increased 16.1% to 1,016 million yen. As the operating expenses increased 4.3% to 845 million yen, the operating income increased 163.8% to 170 million yen.

(b) Clinical Diagnostic

This field consists of immunochemical luminescent measuring system for Mitsubishi Chemical & a front-end sample preparation instrument for Abbott in the field of Clinical Diagnostics. The sales in this category

increased 93.5% to 520 million yen. As the operating expenses increased 65.1% to 518 million yen, the operating incomes recorded 1 million yen (45 million yen loss in the previous year).

(2)Reagents kits and Consumable

This category consists of PSS Brand Reagent for sample preparation and exclusively designed plastic consumables (tips and cartridges) for those PSS instruments. The sales in this category increased 19.2% to 573 million yen. As the operating expenses increased 19.3% to 537 million yen, the operating incomes increased 17.8% to 35 million yen. The sales of this category tend to increase in direct proportion to the cumulative number of systems sold and the steady sales growth is expected.

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category increased 12.5% to 164 million yen. As the operating expenses increased 5.3% to 147 million yen, the operating incomes increased 170.9% to 17 million yen. The sales of this category tend to increase in direct proportion to the cumulative number of systems sold and the steady sales growth is expected.

(4)Customized product

This category consists of Customized product sales except for PSS by NPS which is the manufacturing subsidiary company. The sales in this category increased 42.0% to 185 million yen. As the operating expenses increased 59.5% to 171 million yen, the operating incomes recorded 13 million yen (41.6% decrease in the previous year).

(5)Others

This category consists of sales except above 1~4 which is mainly PSS capital, Bio Contents Fund LLP. The sales in this category is 0yen (5 million yen in the previous year). As the operating expenses decreased 89.4% to 1 million yen, the operating income loss recorded 1 million yen (4 million yen loss in the previous year).

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1)Assets

A In the first six months of current fiscal year, total assets decreased 762 million yen from the amount as of June 30, 2014 to 6,535 million yen. Cash & deposits decreased 641 million yen by paying dividend & tax, Inventory increased 212 million yen and other assets decreased 234 million yen

(2)Liabilities

Total liabilities decreased 443 million yen to 2,530 million yen compared with the amount as of June 30, 2014. In current liabilities, tax payable-trade decreased 657 million yen, accounts payable-trade increased 279 million and Short-term loans payable increased 300 million yen.

(3)Net Assets

Total net assets were 4,005 million yen, decreasing 319 million yen compared with the amount of as of June 30, 2014. With net profit for the period, retained earnings decreased 356 million yen for net income loss 219 million yen and dividend payment 136 million yen, while Foreign currency translation adjustment increased 40 million yen.

Cash flows

During FY 2015 July 1, 2014 to December 31, 2014, cash and cash equivalents decreased 641 million yen to 2,442 million yen.

(1)Cash flows from operating activities decreased 625 million yen (64 million increased during the same period of previous year). Although there was cash flow increased due to depreciation (131 million yen) and decrease account receivable (85 million yen) and income tax refund (177 million yen), there was cash flow decrease due to income before income taxes (213 million yen), increase of inventory (212 million yen) and income tax paid (831 million yen), etc.

(2)Cash flows from investing activities decreased 72 million yen (5,129 million increased during the same period of previous year by the sales of investment securities). There was increase of 60 million yen due to sales of property, plant and equipment, while there was decrease due to purchase of property, plant and equipment (128 million yen), etc.

(3)Cash flows from financing activities decreased 6 million yen (2,491 million increased during the same period of previous year by cash allotments paid to minority). There was increase of short-term loans (300 million yen) and long term loans (100million yen), while there was decrease of repayment of long- term loans (270 million yen), dividend payment (134 million yen) etc.

3.Business Forecasts For Fiscal Year 2014 (From July 1, 2013 to June 30, 2014)

We have released the information on Feb 6, 2014 “Announcement on changes in financial forecasts” reflecting recent Business activity.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous Forecast (A)	4,500	△400	△420	△440	△24.11
Revised Forecast (B)	5,000	△400	△330	△350	△19.18
Change (B-A)Amount	500	0	90	90	—
Change (B-A) %	11.10%	0%	—%	—%	—
(Cf.)Previous Fiscal year (FY2014)	3,921	△891	△826	611	33.53

- As for foreign exchange rate, we estimate as 1US\$=115 yen and 1Euro=130 yen from FY2015 3Q & 4Q (From Jan 1,2015 to June 30,2015)

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2014	(Thousand yen) As of Dec 31 2014
(Assets)		
Current assets		
Cash and deposits	3,103,317	2,462,197
Notes and accounts receivable-trade	962,980	956,294
Merchandise and finished goods	772,808	822,389
Work in process	201,618	311,222
Raw materials and supplies	113,397	167,039
Deferred tax assets	7,225	3,615
Others	435,644	201,538
Allowance for doubtful accounts	(1,359)	(1,222)
Total current assets	5,595,632	4,923,075
Noncurrent assets		
Property, plant and equipment	1,574,222	1,488,859
Intangible assets	69,624	60,018
Investments and other assets	59,266	63,887
Total noncurrent assets	1,703,112	1,612,764
Total assets	7,298,745	6,535,839
(Liabilities)		
Current liabilities		
Accounts payable-trade	476,509	755,565
Short-term loans payable	-	300,000
Current portion of long-term loans payable	588,109	534,010
Lease obligations	2,654	2,557
Income taxes payable	675,617	18,286
Provision for bonus	6,608	13,022
Others	442,845	239,857
Total current liabilities	2,192,345	1,863,298
Noncurrent liabilities		
Long-term loans payable	665,704	549,218
Lease obligations	5,884	4,416
Deferred tax liabilities	50,380	52,230
Liability for pension	59,396	60,949
Others	26	-
Total fixed liabilities	781,391	666,814
Total liabilities	2,973,736	2,530,112

(Thousand yen)

	As of June 30, 2014	As of Dec 31 2014
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,567,688	1,211,556
Total shareholders' equity	4,036,881	3,680,750
Other comprehensive income		
Other gain from revaluation of securities	-	913
Foreign currency translation adjustment	(17,423)	23,127
Total of comprehensive income	(17,423)	24,040
Minority interests	305,550	300,935
Total net assets	4,325,008	4,005,726
Total liabilities and net assets	7,298,745	6,535,839

(2) Consolidated Income Statements

	First six months ended December 31, 2013	(Thousand yen) First six months ended December 31, 2014
Net Sales	1,907,525	2,459,499
Cost of sales	1,219,835	1,620,820
Gross Profit	687,690	838,678
Selling, general and administrative expenses	911,074	1,128,102
Operating Income	(223,384)	(289,423)
Non-operating income		
Interest income	526	208
Foreign exchange gain	41,873	77,679
Others	59,135	10,718
Total non-operating income	101,535	88,606
Non-operating expenses		
Interest expenses	8,903	7,541
Others	160	-
Total non-operating expenses	9,063	7,541
Ordinary income and (loss)	(130,912)	(208,358)
Extraordinary income		
Gain on sales of investment securities	3,822,683	-
Gain on disposal of fixed asset	774	-
Total extraordinary income	3,823,457	-
Extraordinary loss		
Loss on disposal of fixed asset	223	49
Loss on sales of investment securities	-	798
Loss from impairment	-	4,303
Total extraordinary loss	223	5,151
Income before income taxes and others	3,692,321	(213,510)
Income taxes-current	711,446	6,157
Income taxes-deferred	467,376	5,467
Total income taxes	1,178,823	11,624
Income before minority interests	2,513,497	(225,134)
Minority interests	1,224,218	(5,893)
Net income	1,289,279	(219,241)

(3) Consolidated Comprehensive Income Statements

	First six months ended December 31, 2013	(Thousand yen) First six months ended December 31, 2014
Income (losses) before minority interests	2,513,497	(225,134)
Other comprehensive income		
Other gain from revaluation of securities	(3,500,651)	2,328
Foreign currency transaction adjustment	60,913	40,550
Total of other comprehensive income	(3,439,738)	42,879
Comprehensive income	(926,240)	(182,254)
(Breakdown)		
Comprehensive income attributable to owners of parent company	9,050	(177,776)
Comprehensive income attributable to minority income	(935,291)	(4,477)

(4) Consolidated Statements of Cash flows

	First six months ended December 31,2013	(Thousand yen) First six months ended December 31,2013
(Operating activities)		
Income before income taxes	3,692,321	(213,510)
Depreciation and amortization	89,287	131,508
Negative Goodwill gain	----	3,000
Increase (decrease) in provision	4,588	6,210
Increase (decrease) in pension obligation	----	1,553
Interest and dividend income	(526)	(208)
Interest expenses	8,903	7,541
Loss (gain) on sales of property, plant and equipment	(774)	798
Loss on disposal of property, plant and equipment	223	49
Loss (gain) from sales of investment securities	(3,822,683)	----
Loss (gain) from impairment loss	----	4,303
Decrease (increase) in notes and accounts receivables	175,235	85,733
Decrease (increase) in inventories	(80,882)	(212,962)
Increase (decrease) in notes and accounts payable	37,675	179,330
Others	14,668	40,817
Sub-total	118,039	34,165
Interest and dividends income received	395	244
Interest expenses paid	(8,931)	(6,550)
Income taxes refund	----	177,917
Income taxes paid	(44,594)	(831,299)
Net cash provided by operating activities	64,908	(625,622)
(Investing activities)		
Purchase of property, plant and equipment	(175,158)	(128,631)
Sales of property, plant and equipment	6,192	60,554
Purchase of non-tangible asset	(33,708)	(3,228)
Sales of non-tangible asset	----	74
Gain on sales of investment securities	5,344,684	----
Payment of additional stock about affiliated company	(30,000)	----
Payment of insurance premium	(2,140)	(1,564)
Revenue from cancellation of insurance premium	19,958	36
Net cash provided by investing activities	5,129,827	(72,758)
(Financing activities)		
Proceeds from short-term loans payable	(300,000)	300,000
Proceeds from long-term loans payable	300,000	100,000
Repayment of long-term loans payable	(278,964)	(270,585)
Repayment of lease obligations	(1,627)	(1,565)
Cash dividends paid	(208,270)	(134,793)

Cash allotments paid to minority	(2,002,686)	----
Net cash provided by financing activities	(2,491,548)	(6,943)
Effect of exchange rate change on cash and cash equivalents	43,564	64,204
Net increase (decrease) in cash and cash equivalents	2,746,752	(641,120)
Cash and cash equivalents at beginning of period	1,826,838	3,083,317
Cash and cash equivalents at end of period	4,573,591	2,442,197