

## Precision System Science Co., Ltd.

### SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the First Nine Months of the Fiscal Year, Ending June 30 2015 (From July 1, 2014 to March 31, 2015)

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 Nine Months of the Fiscal Year, Ending June 30 2015 (From July 1, 2014 to March 31, 2015)

##### (1) Consolidated operating results

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

First nine months ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>March 31, 2015</b>	<b>3,938</b>	<b>38.2</b>	<b>(179)</b>	<b>----</b>	<b>(24)</b>	<b>----</b>	<b>(50)</b>	<b>----</b>
March 31, 2014	2,850	(0.0)	(493)	----	(416)	----	1,030	----

(Reference) Comprehensive income: 57 million yen loss for the First nine months ended March 31, 2015

1,205 million yen loss for the First nine months ended March 31, 2014

First nine months ended	Net income per share	Diluted net income per share
	Yen	Yen
<b>March 31, 2015</b>	<b>(2.76)</b>	<b>----</b>
March 31, 2014	56.49	----

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

As of	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
<b>March 31, 2015</b>	<b>6,722</b>	<b>4,130</b>	<b>56.9</b>	<b>209.44</b>
FY 2014 ended June 30, 2014	7,298	4,325	55.1	220.22

(Reference) Equity: 3,822 million yen as of March 31, 2015

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
<b>FY 2015 ending June 30, 2015</b>	----	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	(380)	----	(230)	----	(260)	----	(14.25)

(Note) Revision to previous forecast : Yes

Please refer to the “Announcement on Changes in Financial Forecast” disclosed today (May 15, 2015).

## 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 March 31, 2015; 18,252,000 at June 30, 2014
  - b) **Number of treasury stocks at the end of period**  
None at March 31, 2015; None at June 30, 2014
  - c) **Average number of outstanding stocks**  
18,252,000 for First nine months ended March 31, 2015;  
18,252,000 for First nine months ended March 31, 2014

\* 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 Japanese macro economy for the 1st 9 months of the current consolidated fiscal period, recovery of personal consumption is still sluggish because of reaction to the last-minute demand before the consumption tax went up. On the other hand, as the economic aid or monetary easing by the government continues to work to improve overall employment and income situation as well as corporate earnings, the economy shows gradual recovery.

In these circumstances, PSS Group has been focusing on manufacturing and sales of automated instruments and related reagents or plastic consumables for laboratory and clinical diagnostic use. These products are on world-wide distribution network through OEM (Original Equipment Manufacturing) business with major clients such as Roche, Qiagen, Abbott, Life Technologies, NanoString and LSI Medience, as well as our own brand distribution through PSS overseas subsidiaries in Europe and USA.

For the 1st 9 months of the current consolidated fiscal period, the Net Sales increased by 38.2% in comparison to the same period of previous fiscal year to 3,938 million yen and the Gross Profit increased by 45.7% to 1,420 million yen. As to the existing segment of automated DNA extraction instruments, the business with Qiagen Group and NanoString has been in good shape. In addition, our newly developed OEM products for Abbott Group, the sample prep instruments for clinical diagnosis have made a smooth launch and we successfully obtained commission revenue for the OEM supply agreement with ELITech Group for the fully automated DNA testing instrument "geneLEAD XII". All these made a great contribution to the increase both in sales and profit.

With regard to the expenses, the overall R&D expenses increased by 32.7% in comparison to the same period of previous fiscal year to 603 million yen, however, the incremental amount for the 3rd quarter is as modest as 130 million yen from 472 million for the 1st 6 months. Since all other expenses are at the same level as the same period of previous fiscal year, overall SG&A expenses increased by 9.0% in comparison to the same period of previous fiscal year to 1,599 million yen and the Operating Loss decreased from -493 million to -179 million, which is about 110 million improvement from -289 million for the 2nd quarter of this fiscal year.

The Total non-operating income was 165 million yen mainly thanks to governmental subsidy of 77 million yen for the new plant in Akita prefecture (Odate Reagent Center) and R&D subsidy by NEDO. Consequently, the ordinary loss was -24 million yen in comparison to -416 million for the same period of previous fiscal year and the Net Loss is -50 million in comparison to the profit of 1,030 million for the same period of previous fiscal year. Note that a large amount of extraordinary income (gain on sales of investment securities) was realized for the same period of previous fiscal year.

**Sales by customer:**

(Unit: Million yen)

	First nine months ended March 31, 2014		First nine months ended March 31, 2015		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	858	30.2	832	21.1	(3.1)	1,117	28.5
QIAGEN Group	479	16.8	697	17.7	45.4	683	17.4
Others	1,511	53.0	2,408	61.2	59.4	2,120	54.1
Total	2,850	100.0	3,938	100.0	38.2	3,921	100.0

The sales for Roche Group slightly decreased by 3.1% in comparison to the same period of previous fiscal year to 832 million yen and in the meantime, the sales for QIAGEN Group continues to be in good shape in succession to the 2nd quarter where the demand for Ebola hemorrhagic fever inspection showed a sharp rise and largely increased by 45.4% in comparison to the same period of previous fiscal year to 697 million yen.

For the other clients, the sales increased by as much as 59.4% in comparison to the same period of previous fiscal year to 2,408 million yen. The sales for NanoString, our OEM client in USA continues to be satisfactory and our new OEM product for Abbott Group, the DNA sample prep instruments for clinical diagnostic use have made the launch as planned. In addition, the commission revenue from ELITech Group was successfully realized for the OEM supply agreement and it contributed to the large sales increase as well.

**Sales by product category:**

(Unit: Million yen)

	First nine months ended March 31, 2014		First nine months ended March 31, 2015		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Instruments	1,724	60.5	2,501	63.5	45.1	2,320	59.2
Reagent kits & Consumables	701	24.6	850	21.6	21.3	978	24.9
Maintenance	212	7.5	258	6.6	21.4	300	7.7
Customized product	205	7.2	328	8.3	59.7	315	8.0
Others	6	0.2	-	-	-	6	0.2
Total	2,850	100.0	3,938	100.0	38.2	3,921	100.0

## **(1) Instruments**

For the 9 months ended March 31, 2015, the instruments sales increased by 45.1% in comparison to the same period of previous fiscal year to 2,501 million yen. The total operating cost increased by 22.7% to 2,130 million yen and 370 million yen of operating profit has been generated in comparison to -12 million of operating loss for the same period of previous fiscal year. Further details are as follows;

### **(a) Laboratory Automation**

This segment is mainly comprised of various automated instruments for laboratory use such as automated DNA extraction systems supplied for Roche or QIAGEN Group. The sales increased by 17.1% in comparison to the same period of previous fiscal year to 1,530 million yen with 658 units of shipment. The operating cost increased by 4.5% to 1,266 million yen to generate 263 million yen of operating profit, which is 179.8% increase in comparison to the same period of previous fiscal year. For the same period of previous fiscal year, development fee revenue from Roche Group was included in the segment and for this fiscal year, the entire segment is comprised of production instruments that contribute to profitability improvement to a great extent.

### **(b) Clinical Diagnostic Products**

This segment is mainly comprised of clinical-use instruments such as chemiluminescence immunoassay system for LSI Medience or newly developed DNA sample prep instruments for Abbott Group. The 304 units of shipment and development fee revenue, as well as commission revenue for OEM supply agreement with ELITech Group contributed to sales increase by 132.5% in comparison to the same period of previous fiscal year to 971 million yen. Although the total operating cost increased by 64.8% to 863 million yen, the operating income has turned profitable to 107 million yen of profit from -106 million of loss for the same period of previous fiscal year.

For our business with Abbott and ELITech Group, this 3rd quarter corresponds to the launch period of new OEM products and PSS needs to give priority to delivery schedule rather than profitability. That is why the overall profitability stays at relatively low level. However, the commission revenue made a great contribution to the profit of the segment.

## **(2) Reagent kits and Consumables**

This is the segment for reagent kits for DNA extraction or plastic consumables such as tips or reaction tubes consumed in accordance with the use of PSS instruments. Most of the major OEM clients manufacture and sell their own reagent kits and only plastic consumables are supplied by PSS. For a few OEM clients, PSS supplies reagent kits as well. November last year, our new plant "Odate Reagent Center (ORC)" started its operation and manufacturing of reagent kits for Abbott or ELITech Group has already begun.

For the 1st 9 months of this fiscal year, the sales of this segment increased by 21.3% in comparison to the same period of previous fiscal year to 850 million yen. The operating cost increased by 23.4% to 816 million yen and the operating profit went down by 13.8% to 33 million accordingly. This 3rd quarter is in the startup period for Odate Reagent Center and various initial costs had to be borne, thus the operating

profit slightly decreased. However, this segment is expected to grow in accordance with cumulative sales quantity of PSS instruments and we believe that a constant growth can be expected in the near future.

### **(3) Maintenance**

This segment is comprised of system maintenance and spare parts sales. Major OEM clients do the maintenance on their own and spare parts are supplied by PSS.

The sales increased by 21.4% in comparison to the same period of previous fiscal year to 258 million yen. The operating cost increased by 7.5% to 219 million yen and the operating profit increased by 358.9% to 38 million. This segment is expected to grow in accordance with cumulative sales quantity of PSS instruments and we believe that a constant growth can be expected in the near future.

### **(4) Customized product**

This segment is comprised of outsourced manufacturing business of NPS Co., Ltd., the manufacturing subsidiary of PSS, for outside clients other than PSS. The sales increased by 59.7% in comparison to the same period of previous fiscal year to 328 million yen. The operating cost increased by 35.8% to 269 million yen and the operating profit increased by 717.8% to 58 million. This is not a major segment for PSS business, but important for the profitability of NPS Co., Ltd.

### **(5) Others**

This segment is comprised of all sales that do not belong to any of the above (1) to (4), which is mainly for the business of PSS Capital and Bio Contents Fund. There are no sales for the 1st 9 months of this fiscal year in comparison to 6 million yen for the same period of previous fiscal year. The operating cost decreased by 91.1% to 1 million yen and the operating loss was -1 million yen in comparison to -6 million for the same period of previous fiscal year.

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

### **Assets, Liabilities and Net Assets**

#### **(1) Assets**

The Total assets were 6,722 million yen as of March 31, 2015, which is 576 million yen decrease from the one of June 30, 2014. The Cash and deposits decreased by 1,018 million yen because of the expenditures for dividend and unpaid corporate tax and the Notes and accounts receivable-trade increased by 125 million yen, the Inventory increased by 228 million and Other current assets increased by 215 million. The Property, plant and equipment decreased by 115 million yen because of the depreciation made for the First Nine Months of the Fiscal Year, Ending June 30 2015.

#### **(2) Liabilities**

The Total liabilities decreased by 381 million yen from June 30, 2014 to 2,591 million yen. The Income taxes payable decreased by 655 million yen, Accounts payable-trade increased by 132 million, Short-term loan payable increased by 370 million, Current portion of long-term loan payable decreased by 231

million, Other current liabilities decreased by 239 million and Long-term loans payable increased by 206 million.

### (3) Net Assets

The Total net assets were 4,130 million yen as of March 31, 2015, which is 194 million yen decrease from the one of June 30, 2014. The Retained earnings decreased by 187 million yen because of 50 million yen of quarterly net loss and 136 million yen of dividend and the Foreign currency transaction adjustment decreased by 10 million yen.

### 3. Business Forecasts For Fiscal Year 2015 (From July 1, 2014 to June 30, 2015)

We have made changes on the consolidated financial forecast for FY2015 as shown in the following table and in further details, please see the “**Announcement on Changes in Financial Forecast**” released today, May 15, 2015.

#### Revised Consolidated Financial Forecast for FY2015 (July 1, 2014 to June 30, 2015)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous Forecast (A)	5,000	△400	△330	△350	△19.18
Revised Forecast (B)	5,000	△380	△230	△260	△14.25
Change (B-A)Amount	0	20	100	90	—
Change (B-A) %	0.0%	—%	—%	—%	—
(Cf.)Previous Fiscal year (FY2014)	3,921	△891	△826	611	33.53

# Consolidated financial statements

## (1) Consolidated Balance Sheets

	As of June 30, 2014	(Thousand yen) As of Mar 31 2015
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	3,103,317	2,085,104
Notes and accounts receivable-trade	962,980	1,088,975
Merchandise and finished goods	772,808	929,580
Work in process	201,618	211,390
Raw materials and supplies	113,397	175,624
Deferred tax assets	7,225	3,608
Others	435,644	651,174
Allowance for doubtful accounts	(1,359)	(1,426)
<b>Total current assets</b>	<b>5,595,632</b>	<b>5,144,032</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	1,574,222	1,458,444
Intangible assets	69,624	56,126
Investments and other assets	59,266	64,046
<b>Total noncurrent assets</b>	<b>1,703,112</b>	<b>1,578,617</b>
<b>Total assets</b>	<b>7,298,745</b>	<b>6,722,649</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	476,509	608,556
Short-term loans payable	-	370,000
Current portion of long-term loans payable	588,109	356,462
Lease obligations	2,654	2,424
Income taxes payable	675,617	20,599
Provision for bonus	6,608	43,338
Others	442,845	203,021
<b>Total current liabilities</b>	<b>2,192,345</b>	<b>1,604,402</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	665,704	872,160
Lease obligations	5,884	4,065
Deferred tax liabilities	50,380	49,365
Liability for pension	59,396	61,915
Others	26	-
<b>Total fixed liabilities</b>	<b>781,391</b>	<b>987,506</b>
<b>Total liabilities</b>	<b>2,973,736</b>	<b>2,591,908</b>



(Thousand yen)

	As of June 30, 2014	As of Mar 31 2015
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,567,688	1,380,391
Total shareholders' equity	4,036,881	3,849,585
<b>Other comprehensive income</b>		
Other gain from revaluation of securities	-	842
Foreign currency translation adjustment	(17,423)	(27,754)
Total of comprehensive income	(17,423)	(26,911)
Minority interests	305,550	308,067
Total net assets	4,325,008	4,130,741
<b>Total liabilities and net assets</b>	7,298,745	6,722,649

## (2) Consolidated Income Statements

	First nine months ended March 31, 2014	(Thousand yen) First nine months ended March 31, 2015
<b>Net Sales</b>	2,850,239	3,938,445
<b>Cost of sales</b>	1,875,679	2,518,063
<b>Gross Profit</b>	974,560	1,420,381
<b>Selling, general and administrative expenses</b>	1,467,579	1,599,425
<b>Operating Income</b>	(493,019)	(179,044)
Non-operating income		
Interest income	1,200	404
Foreign exchange gain	28,715	59,990
Subsidy revenue	10,478	97,072
Others	49,833	8,257
<b>Total non-operating income</b>	90,228	165,724
Non-operating expenses		
Interest expenses	13,239	11,458
Others	162	-
<b>Total non-operating expenses</b>	13,402	11,458
<b>Ordinary income and (loss)</b>	(416,192)	(24,777)
Extraordinary income		
Gain on sales of investment securities	3,822,683	0
Gain on disposal of fixed asset	860	7
<b>Total extraordinary income</b>	3,823,543	8
Extraordinary loss		
Loss on sales of investment securities	-	1,982
Loss on disposal of fixed asset	233	100
Loss on sales of affiliated securities	482	-
Loss from impairment	-	4,240
<b>Total extraordinary loss</b>	715	6,322
Income before income taxes and others	3,406,635	(31,092)
Income taxes-current	697,336	15,141
Income taxes-deferred	461,453	2,765
<b>Total income taxes</b>	1,158,790	17,906
<b>Income before minority interests</b>	2,247,845	(48,998)
<b>Minority interests</b>	1,216,865	1,407
<b>Net income</b>	<b>1,030,979</b>	<b>(50,406)</b>

### (3) Consolidated Comprehensive Income Statements

	First nine months ended March 31, 2014	(Thousand yen) <b>First nine months ended March 31, 2015</b>
Income (losses) before minority interests	2,247,845	(48,998)
Other comprehensive income		
Other gain from revaluation of securities	(3,500,651)	2,148
Foreign currency transaction adjustment	47,511	(10,330)
Total of other comprehensive income	(3,453,140)	(8,182)
<b>Comprehensive income</b>	<b>(1,205,295)</b>	<b>(57,181)</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	(262,651)	(59,894)
Comprehensive income attributable to minority income	(942,644)	2,713