

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the First Three Months of the Fiscal Year, Ending June 30 2016 (From July 1, 2015 to September 30, 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: Mothers
Code Number: 7707
URL: <http://www.pss.co.jp/>

1. Consolidated financial data for the First Three Months of the Fiscal Year, Ending June 30 2016 (From July 1, 2015 to September 30, 2015)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Quarter net loss attributable to parent company shareholders	
First three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2015	1,054	(4.5)	(153)	----	(178)	----	(182)	----
September 30, 2014	1,104	21.1	(193)	----	(156)	----	(163)	----

(Reference) Comprehensive income: 215 million yen loss for the First three months ended September 30, 2015

156 million yen loss for the First three months ended September 30, 2014

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
September 30, 2015	(9.82)	----
September 30, 2014	(8.94)	----

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
As of	Million yen	Million yen	%	yen
September 30, 2015	7,397	5,143	65.3	236.05
June 30, 2015	6,454	4,035	57.3	202.47

(Reference) Equity: 4,827 million yen as of September 30, 2015

3,695 million yen as of June 30, 2015

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2015 ended June 30, 2015	----	0.00	----	0.00	0.00
FY 2016 ending June 30, 2016	----	----	----	----	----
FY 2016 ending June 30,2016(Forecast)	----	0.00	----	0.00	0.00

(Note) Revision to previous forecast of Dividend during the current three months: No

3. Business Forecasts for the fiscal year (From July 1, 2015 to June 30, 2016)

	Sales		Operating income		Ordinary income		Quarter net loss attributable to parent company shareholders		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For first six months ending December 31, 2015	2,600	5.8	(70)	----	(100)	----	(115)	----	(5.85)
For fiscal year ending June 30, 2016	5,790	12.6	100	----	60	----	25	----	1.24

(Note) Revision to previous forecast of Business Forecasts during the current three months: No

4. Others

- (1) Change in scope of consolidated subsidiaries during FY 2016 ending June 30, 2016: 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: Yes
 - 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)
20,452,000 at September 30, 2015; 18,252,000 at June 30, 2015
 - b) Number of treasury stocks at the end of period
None at September 30, 2015; None at June 30, 2015
 - c) Average number of outstanding stocks
18,586,783 for First three months ended September 30, 2015
18,252,000 for First three months ended September 30, 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 of the current consolidated fiscal period, as the economic aid or monetary easing by the government continues to improve overall employment and income situation as well as corporate earnings, the economy shows gradual recovery. On the other hand, the forecast of macro economy is still sluggish because of concerning downturn in Chinese economy.

In these circumstances, PSS Group has been focusing on manufacturing and sales of automated instruments (For sample preparation or fully automated machine) 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, Thermo Fisher, NanoString and LSI Medience, as well as our own brand distribution through PSS overseas subsidiaries in Europe and USA or domestic distributor.

For the current consolidated fiscal period, the Net Sales decreased by 4.5% in comparison to the same period of previous fiscal year to 1,054 million yen and the Gross Profit increased by 0.3% to 375 million yen. As to the existing segment of automated DNA extraction instruments, some OEM clients have been in good shape or not. The sales of instruments decreased in comparison to the same period of previous fiscal year. On the other hand, reagent, plastic consumable and maintenance spare parts for instruments have been in good shape.

With regard to the expenses, R&D expenses decreased by 34.6% in comparison to the same period of previous fiscal year to 156 million yen. Overall SG&A expenses decreased by 6.8% in comparison to the same period of previous fiscal year to 529 million yen and the Operating Loss decreased from -193 million to -153 million.

The foreign exchange loss is -14 million. Consequently, the ordinary loss is -178 million yen in comparison to -156 million for the same period of previous fiscal year and the Quarter net loss attributable to parent company shareholders is -182 million in comparison to -163 million for the same period of previous fiscal year.

Sales by each product category:

(Unit: Million yen)

	First three months ended September 30, 2014		First three months ended September 30, 2015		Year on year increase	(Reference) Last Year Fiscal	
	Amount	ratio	Amount	Ratio	%	Amount	Ratio
Instruments	672	60.9	482	45.7	(28.2)	3,151	61.3
Reagent kits & Consumable	275	24.9	328	31.2	19.3	1,238	24.0
Maintenance	85	7.7	151	14.4	78.6	328	6.4
Customized product	71	6.5	91	8.7	28.0	425	8.3
Others	-	-	-	-	-	-	-
Total	1,104	100.0	1,054	100.0	(4.5)	5,143	100.0

(1) Instruments

During first three months ended September 30, 2015, the sales in this category decreased 28.2% to 482 million yen. As the operating expenses decreased 23.3% to 480 million yen, the operating income decreased 95.5% to 2 million yen. This category consists of 2 fields.

(a) Lab Automation

This field consists of DNA extractors and other instruments in the field of Laboratory (R&D) Automation. The sales in this category decreased 32.6 % to 294 million yen. As the operating expenses decreased 34.6% to 268 million yen, the operating income recorded decreased 2.2% to 26 million yen.

The sales is changing by OEM sales or inventory at quarterly. Although the sales is decreased to the same period of previous fiscal year, we do not concern about the results for continuous business with OEM partners. These are OEM business partners as follows;

- Roche : Leading global pharmaceutical manufacturers

The Diagnostics Division is top runner for possession of PCR technology.

PSS provides our OEM products to Roche Diagnostics GmbH for world-wide sales through Roche GP.

- QIAGEN : Leading global gene extraction manufacturers and recently focus on medical field.

PSS provides our OEM products to QIAGEN Instruments AG for world-wide sales through QIAGEN GP.

- Thermo Fisher : Leading global molecular diagnostic company which have acquired Life Technologies Inc. that PSS provided our OEM products

- NanoString : Start-up company which possesses unique gene-related technology

- Diagenode : Start-up company which possesses unique reagent of epigenetics research

(b) Clinical Diagnostic

Our business field is in the molecular diagnostic field whose market trend is shifting from R&D and laboratory automation field to clinical diagnostic field. Considering this market trend, PSS focus on clinical field. This field consists of immunochemical luminescent measuring system for LSI Medience & a front-end sample preparation instrument for Abbott in the field of Clinical Diagnostics. And fully automated DNA testing machine for Elitech has been added from September in this fiscal year.

The sales in this category decreased 20.1% to 187 million yen, as Prototype version for Abbott that was large amount of sales was finished in previous fiscal year. As the operating expenses decreased 1.8% to 212 million yen, the operating loss recorded 24 million yen (18 million yen in the previous year). We expect to increase the sales by launching commercial version for Abbott or Elitech on a full scale from 2nd Quarter, although the sales is decreased compared to the same period of previous fiscal year.

These are OEM business partners as follows;

- LSI Medience : Reagent maker in Mitsubishi group of companies and manage clinical test center

Our OEM products are provided world-wide with Medical device approval

- Abbott : Leading global diagnostic manufacturers

Global health care company which diversify the business in the field of medical, diagnostic, nutritional food. PSS provides our OEM products to Abbott Laboratories Inc. through Abbott GP.

- Elitech : Global molecular diagnostic company which provide gene-related reagent and the instruments and adopt our OEM products (Fully automated DNA testing instruments)

- Diasorin : Diagnostic reagent maker in Italy. Provide OEM products collaborated with their technology.

(2)Reagents kits and Consumable

This category consists of Reagent for sample preparation or exclusively designed plastic consumables (Tips and Cartridges) for those PSS instruments. Although most reagent is manufacture by OEM partners, plastic consumables is exclusively manufacture by PSS. Our reagent manufacturing facility “Odate Reagent Center” has operated form last November in previous fiscal year. The facility manufactures the reagent not only for Abbott or Elitech, but also PSS. The sales in this category increased 19.3% to 328 million yen. As the operating expenses increased 23.1% to 327 million yen, the operating incomes decreased 84.8% to record 1 million yen. Although the sales increased, the operating incomes decreased for increasing the expense allocated by sales proportion of each segment).

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category increased 78.6% to 151 million yen. As the operating expenses increased 59.4% to 128 million yen, the operating incomes recorded 22 million yen (448.3% increase in the previous year). The sales and operating income improved so much compared to the same period of previous fiscal year, as Abbott request PSS to order a lot of spare parts by product sales on a full scale.

(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 28.0% to 91 million yen. As the operating expenses increased 57.5% to 95million yen, the operating loss recorded 3 million yen (11 million yen in the previous year).This segment is not our main business, but also gaining business for NPS

(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 are none. As the operating expenses increased 11.5% to 0 million yen, the operating income loss recorded 0 million yen (0 million yen loss in the previous year).

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1)Assets

In the first three months of current fiscal year, total assets increased 942 million yen from the amount as of June 30, 2015 to 7,397 million yen, because of the public stock offering. Cash & deposits increased 1,214 million yen, Account receivable-other decreased 105 million yen and other assets decreased 365 million yen

(2)Liabilities

Total liabilities decreased 165million yen to 2,253 million yen compared with the amount as of June 30, 2015. Current portion of long-term loans payable decreased 41 million yen, long-term loans payable decreased 90 million yen.

(3)Net Assets

Total net assets were 5,143 million yen, increasing 1,108 million yen compared with the amount of as of June 30, 2015. With net profit for the period, retained earnings decreased 182 million yen for Quarter net loss attributable to parent company shareholders.

3. Modifying the mid-term business plan (From FY2016 to FY2018)

Our business field is in the molecular diagnostic field whose market trend is shifting from R&D and laboratory automation field to clinical diagnostic field. Considering this market trend and current business status, PSS modified mid-term business plan as following.

	FY2015(End)	FY2016(Forecast)	FY2017(Forecast)	FY2018(Forecast)
Sales	5,143	5,790	6,730	7,920
Operating income	(320)	100	510	910
Ordinary income	(172)	60	495	895
Net income	(215)	25	410	720

- As for foreign exchange rate, we estimate as 1Euro=130 yen and 1US\$=120yen.

4. Notes to the financial statements: Increasing Shareholders' equity

We raised funds by the public stock offering on Sep 17, 2015.

Capital stock increased 663 million yen to 2,880 million yen and capital surplus increased 663 million yen to 915 million yen from the amount as of June 30, 2015.

5. Subsequent event

We have raised funds by the private allocation on Oct 7, 2015. Both Capital stock and capital surplus increased 91 million yen.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2015	(Thousand yen) As of Sep 30, 2015
(Assets)		
Current assets		
Cash and deposits	1,799,217	3,014,154
Notes and accounts receivable-trade	1,075,671	969,948
Merchandise and finished goods	1,070,770	1,109,747
Work in process	127,943	266,677
Raw materials and supplies	148,342	180,905
Deferred tax assets	24,353	10,760
Others	639,687	274,564
Allowance for doubtful accounts	(1,794)	(842)
Total current assets	4,884,192	5,825,915
Noncurrent assets		
Property, plant and equipment	1,443,182	1,447,517
Intangible assets	52,050	51,093
Investments and other assets	75,216	72,721
Total noncurrent assets	1,570,359	1,571,332
Total assets	6,454,552	7,397,248
(Liabilities)		
Current liabilities		
Accounts payable-trade	438,396	436,174
Short-term loans payable	370,000	370,000
Current portion of long-term loans payable	461,691	420,570
Income taxes payable	21,574	18,061
Provision for bonus	7,190	44,489
Others	265,663	201,051
Total current liabilities	1,564,515	1,490,346
Noncurrent liabilities		
Long-term loans payable	735,872	645,820
Deferred tax liabilities	53,064	51,046
Liability for pension	62,300	63,170
Others	3,713	3,362
Total fixed liabilities	854,951	763,399
Total liabilities	2,419,467	2,253,745

(Thousand yen)

	As of June 30, 2015	As of Sep 30, 2015
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,880,659
Capital surplus	251,999	915,464
Retained earnings	1,215,577	1,033,036
Total shareholders' equity	3,684,770	4,829,159
Other comprehensive income		
Other gain from revaluation of securities	4,645	3,091
Foreign currency translation adjustment	6,045	(4,529)
Total of comprehensive income	10,691	(1,437)
Minority interests	339,622	315,780
Total net assets	4,035,084	5,143,502
Total liabilities and net assets	6,454,552	7,397,248

(2) Consolidated Income Statements

	First three months ended September 30,2014	(Thousand yen) First three months ended September 30,2015
Net Sales	1,104,212	1,054,451
Cost of sales	729,391	678,551
Gross Profit	374,820	375,900
Selling, general and administrative expenses	568,479	529,637
Operating Income	(193,658)	(153,737)
Non-operating income		
Interest income	147	143
Foreign exchange gain	36,222	-
Subsidy income	235	132
Tax Refund	-	1,986
Others	4,598	256
Total non-operating income	41,203	2,518
Non-operating expenses		
Interest expenses	4,052	3,926
Foreign exchange loss	-	14,499
Stock delivery expenses	-	8,242
Total non-operating expenses	4,052	26,850
Ordinary income and (loss)	(156,507)	(178,068)
Extraordinary loss		
Loss on disposal of fixed asset	11	270
Loss on impairment	4,221	-
Total extraordinary loss	4,233	270
Income before income taxes and others	(160,741)	(178,339)
Income taxes-current	2,691	12,287
Income taxes-deferred	3,472	10,787
Total income taxes	6,163	23,074
Net Income	(166,904)	(201,414)
Minority interests	(3,817)	(18,872)
Quarter net loss attributable to parent company shareholders	(163,086)	(182,541)

(3) Consolidated Comprehensive Income Statements

	First three months ended September 30,2014	(Thousand yen) First three months ended September 30,2015
Net Income	(166,904)	(201,414)
Other comprehensive income		
Other gain from revaluation of securities	2,517	(3,248)
Foreign currency transaction adjustment	8,369	(10,574)
Total of other comprehensive income	10,886	(13,823)
Comprehensive income	(156,018)	(215,237)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(153,729)	(194,669)
Comprehensive income attributable to minority income	(2,288)	(20,567)