

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Fiscal Year 2013
(From July 1, 2012 to June 30, 2013)

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 Fiscal Year, Ended June 30, 2013

(From July 1, 2012 to June 30, 2013)

(1) Consolidated operating results

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

Fiscal Year, Ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2013	4,029	14.5	(126)	----	(70)	----	1,014	----
June 30, 2012	3,520	12.0	(136)	----	(173)	----	(189)	----

(Reference) Comprehensive income: 5,410 million yen for Fiscal Year 2013

△244 million yen loss for Fiscal Year 2012

Fiscal Year, Ended	Net income per share	Diluted net income per share
	Yen	Yen
June 30, 2013	11,115.34	----
June 30, 2012	(2,071.64)	----

(2) Consolidated financial condition

As of	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
June 30, 2013	11,488	8,240	42.9	59,953.07
June 30, 2012	4,584	2,613	53.6	26,947.89

(Reference) Equity: 4,923 million yen as of June 30, 2013

2,459 million yen as of June 30, 2012

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at FY end
	Million yen	Million yen	Million yen	Million yen
FY 2013 ended June 30, 2013	(35)	(113)	150	1,826
FY 2012 ended June 30, 2012	(396)	(73)	273	1,762

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2012 ended June 30, 2012	----	0.00	----	0.00	0.00
FY 2013 ended June 30, 2013	----	0.00	----	2,300.00	2,300.00
FY 2014 ending June 30, 2014(Forecast)*	----	0.00	----	15.00	15.00

(Note)*Due to resolution by Board of Directors on Aug 8, 2013, the 200 for 1 stock split will be conducted on Jan 1, 2014.

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

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
First six months ending December 31, 2013	2,111	8.4	5	---	2	---	1,332	---	14,595.66
For fiscal year ending June 30, 2014	4,573	13.5	41	---	34	---	1,342	32.3	73.53*

(Note) *Due to resolution by Board of Directors on Aug 8, 2013, the 200 for 1 stock split will be conducted on Jan 1, 2014.

4. Others

(1) Change in scope of consolidated subsidiaries during FY 2013 ended June 30, 2013: Yes

Adding New One Subsidiary company; NPS co.,LTD which has been our manufacturing subsidiary company by additional stock acquisition at July 31, 2012

(2) 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: Yes

d) Retrospective restatement: None

(3) Number of outstanding stocks (common stocks)

a) Number of outstanding stocks (including treasury stock)

91,260 at June 30, 2013; 91,260 at June 30, 2012

b) Number of treasury stocks at the end of period

None at June 30, 2013; None at June 30, 2012

c) Average number of outstanding stocks

91,260 for Fiscal Year, Ended June 30, 2013

91,260 for Fiscal Year, Ended June 30, 2012

* 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

FY 2013 ended June 30, 2013, the net sales increased by 14.5% compared to the same period of previous fiscal year to 4,029 million yen for new business development about Diasorin, ELITech, or Abbott and adding revenue from NPS co.,LTD except for selling to PSS which have been our manufacturing subsidiary company by additional stock acquisition at July 31, 2012. Gross profit increased 9.6% to 1,393 million yen for devaluated yen, although Gross margin was decreased 1.5% to compared to the same period of previous fiscal year, as the development cost of new OEM instrument was higher than we estimated.

At the same time, the amount of selling, general and administrative expenses was increased 8.0% to 1,519 million yen due to the additional expense of NPS co.,LTD. As a result, we recorded operating loss of 126 million yen (136 million yen loss in the previous year). While foreign exchange gain became 65 million yen, the ordinary income became 70 million yen loss (173 million yen loss in the previous year).

The net income of 1,014 million yen was recorded (net loss for previous year was 189 million yen), as extraordinary gain of 1,502 million yen was recorded by the sales of investment securities about Bio Contents Fund LLP which PSS have a 50% interest. The income before minority interests of 786 million yen was recorded, as 50% of Bio Contents Fund LLP was funded by minority interests. And Income taxes-deferred of 426 million yen was recorded for considering the realization of deferred tax.

Sales by each customer

(Unit: Million yen)

	FY 2012 ended June 30, 2012		FY 2013 ended June 30, 2013		Year on year increase
	amount	ratio	amount	ratio	%
Roche Group	806	22.9	1,119	27.8	38.9
QIAGEN Group	969	27.6	638	15.9	(34.1)
Others	1,743	49.5	2,270	56.3	30.2
Total	3,520	100.0	4,029	100.0	14.5

The shipment of DNA extractors to Roche Group increased to 1,119 million yen (38.9% up compared with same period in the previous year) adding additional fee revenue for developing new products. On the other

hand, the sales to Qiagen Group decreased to 638 million yen (34.1% down). Sales to others increased to 2,270 million yen (30.2% up) with the sales of NPS co.,LTD 430 million yen except for selling to PSS.

Sales by each product category

(Unit: Million yen)

	FY 2012 ended June 30, 2012		FY 2013 ended June 30, 2013		Year on year increase
	amount	ratio	amount	ratio	%
DNA auto extractors	2,051	58.3	1,854	46.0	(9.6)
Reagent/plastic consumables	898	25.5	940	23.3	4.7
Maintenance/spare parts	320	9.1	297	7.4	(7.4)
Others	249	7.1	937	23.3	275.1
Total	3,520	100.0	4,029	100.0	14.5

a) DNA auto-extractors

This category consists of automated systems utilizing the PSS's internationally patented Magtraction[®] Technology. In addition to DNA auto-extractors, this category includes immunochemical luminescent measuring system which is an OEM product for Mitsubishi Chemical Medience Corporation and Purelumn, auto protein purification system.

During FY 2013, the sales in this category decreased 9.6 % to 1,854 million yen. Qiagen and Mitsubishi Chemical Medience Corporation decreased while shipment to Roche Group increased year on year.

Quarterly sales of automated systems

(Unit: Thousand yen)

	For fiscal year ended June 30, 2012				For fiscal year ended June 30, 2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Units sold	243	331	207	405	167	272	282	362
Amount	456,905	544,719	375,598	674,114	322,052	446,709	482,385	603,424
Average unit price	1,880	1,645	1,814	1,664	1,928	1,642	1,710	1,666

b) Reagents/plastic consumables

This category includes reagents for DNA extraction, protein purification, etc. and exclusively designed plastic consumables (tips and cartridges) for those PSS instruments. Although our OEM customers usually use their own reagents, they procure PSS plastic consumables according to contracts.

During FY2013, the sales of this category increased 4.7 % year on year to 940 million yen. The sales of this category generally tend to increase proportionally to the cumulative number of systems sold and the steady sales growth is expected.

c) Maintenance and related items

This category includes revenue from system maintenance and sales of spare parts (replacement).

During FY 2013, sales in this category amounted to 297 million yen (7.4% decrease compared to the previous year). 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.

d) Others

This category consists of rest of sales other than above categories; such as, custom-made automation instruments, development of new systems for Diasorin, Abbott, and Roche, sales agent revenue for products of other companies adding revenue from NPS co.,LTD except for selling to PSS. During FY 2013, the sales of this category increased 275.1 % year on year to 937 million yen.

The sales of this category tend to change the terms and conditions of each developing orders.

Results by area segments**(1) Japan**

FY 2013 ended June 30, 2013, the sales for Japan increased 14.5% compared to the previous year to 3,363 million yen, of which sales to non-PSS group increased 27.5% to 1,230 million yen as sales of NPS co.,LTD added. As the operating expenses increased 17.0% to 3,458 million yen for as the development cost of new OEM instrument was higher than we estimated, the operating income loss recorded 94 million yen (16 million yen loss in the previous year).

(2) USA

FY 2013 ended June 30, 2013, the sales for United States increased 48.3 % to 1,049 million yen as sales to OEM partner recovered. As the operating expenses increased of 43.0% to 968 million yen, operating income of 81 million yen was recorded. (165.9% increase).

(3) Germany

FY 2013 ended June 30, 2013, the sales for Germany decreased 3.4% to 1,791 million yen mainly by decreased shipments to Qiagen Group, although Roche is increased. With operating expenses of 1,782 million yen (3.0% down), operating income decreased 44.6% to 9 million yen.

2. Analysis of Financial Conditions

(1) Assets, Liabilities and Net Assets

(a) Assets

FY 2013 ended June 30, 2013, total assets increased 6,904 million yen from the amount as of June 30, 2012 to 11,488 million yen, because investments and other assets increased 4,144 million yen to 4,395 million yen on the sales of investment securities about Bio Contents Fund LLP. Other assets (Cash & deposits, Inventories , and noncurrent assets) increased on NPS co.,LTD addition.

(b) Liabilities

Total liabilities increased 1,277 million yen to 3,247 million yen compared with the amount as of June 30, 2012, which increased Deferred tax liabilities 824 million yen caused by Other gain from revaluation of securities and increased Short-term loans payable 300 million yen.

(c) Net Assets

Total net assets were 8,240 million yen, increasing 5,627 million yen compared with the amount of as of June 30, 2012. With net profit for the period, retained earnings increased 1,014 million yen and foreign currency translation adjustments increased 108 million yen, while Minority interests increased 3,162 million yen .

(2) Cash flows

During FY 2013 from July 1, 2012 to June 30, 2013, cash and cash equivalents increased 64 million yen to 1,826 million yen.

Cash flows from operating activities decreased 35 million yen (396 million decreased during the same period of previous year). There was cash flow increased due to net loss before tax adjustment (1,423 million yen), depreciation (181 million yen) and decrease in account receivable (144 million yen), while there was cash flow decrease due to the extraordinary gain of 1,502 million yen was recorded by the sales of investment securities, decrease of account payables (56 million yen), increase of inventory (180 million yen), etc.

Cash flows from investing activities decreased 113 million yen (73 million decreased during the same period of previous year). There was increase of 26 million yen due to the Gain on additional stock acquisition to change the scope of consolidation, while There was decrease due to purchase of property, plant and equipment (102 million yen), purchase of non-tangible asset (40 million yen), purchases of investment securities (113 million yen) ,etc.

Cash flows from financing activities increased 150 million yen (273 million increased during the same period of previous year). There was increase of long term borrowing (330million yen), while there was decrease of repayment of long term debt (467 million yen), etc.

(3) Basic policy on allocation of retained earnings and dividend in the next fiscal year.

Our basic policy regarding our retained earnings is that we use them for activities which would increase our corporate value for automation or system integration based on R&D in the molecular diagnostic field. As we try to return to our shareholders by balancing between dividend and retained earnings, dividend ratio to net income is set around 20% for a while. The dividend for FY2013 is 2,300yen per share or 20.7% which will be proposed an agenda in the PSS shareholder meeting hold on September 26, 2013. The dividend for the next fiscal year is 15yen per share* or 20.4% of dividend ratio to expected net income.

(Note) *Due to resolution by Board of Directors on Aug 8, 2013, the 200 for 1 stock split will be

conducted on Jan 1, 2014. Without considering this split, The dividend for the next fiscal year is 3,000 yen per share.

3. Business Forecasts For Fiscal Year 2014

(Unit: Million yen)

	FY 2013 ended June 30, 2013		FY 2014 ending June 30, 2014		Year on year increase	
	Amount 1	ratio	Amount 2	ratio	Amount (2-1)	%
Net sales	4,029	100.0	4,573	100.0	543	13.5
Operating income	(126)	(3.1)	41	0.9	167	-
Ordinary income	(70)	(1.8)	34	0.7	104	-
Net income	1,014	25.2	1,342	29.3	327	32.3

Our business field is the molecular diagnostic field whose market trend is shifting from R&D or laboratory automation field to clinical diagnostic field. Considering these market trend, PSS will strategically promote fully automated DNA testing products “geneLEAD” with DNA extraction reagent for making a full-scale entry into reagent market from FY2014.

The forecast is based on assumption that 1) Sales of “geneLEAD” with DNA extraction reagent collaborated with ELITech 2) Sales of 2types of sample preparation system for ABBOTT 3) Extraordinary gain by the sales of investment securities about Bio Contents Fund LLP.

As for foreign exchange rate, we estimate as 1Euro=125 yen and 1US\$=95yen.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2012	(Thousand yen) As of June 30, 2013
(Assets)		
Current assets		
Cash and deposits	1,762,392	1,846,838
Notes and accounts receivable-trade	864,083	882,051
Merchandise and finished goods	658,077	671,416
Work in process	94,887	252,594
Raw materials and supplies	33,257	106,148
Deferred tax assets	38,480	469,841
Accounts receivable-other	17,439	1,559,756
Others	104,356	136,833
Allowance for doubtful accounts	(2,588)	(844)
Total current assets	3,570,387	5,924,687
Noncurrent assets		
Property, plant and equipment	736,585	1,046,756
Intangible assets	20,650	55,098
Investments and other assets	256,516	4,462,261
Total noncurrent assets	1,013,752	5,564,116
Total assets	4,584,140	11,488,803
(Liabilities)		
Current liabilities		
Accounts payable-trade	214,542	366,426
Short-term loans payable	---	300,000
Current portion of long-term loans payable	436,241	584,702
Lease obligations	9,768	2,795
Income taxes payable	11,626	59,920
Provision for bonus	5,839	11,578
Others	163,719	198,759
Total current liabilities	841,737	1,524,182
Noncurrent liabilities		
Long-term loans payable	1,089,344	803,812
Lease obligations	3,832	4,935
Deferred tax liabilities	35,250	859,497
Provision for pension	---	55,294
Others	196	89
Total fixed liabilities	1,128,624	1,723,629
Total liabilities	1,970,361	3,247,812

	As of June 30, 2012	(Thousand yen) As of June 30, 2013
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	151,241	1,165,627
Total shareholders' equity	2,620,434	3,634,820
Other comprehensive income		
Other gain from revaluation of securities	---	1,341,142
Foreign currency translation adjustment	(161,170)	(52,205)
Total of comprehensive income	(161,170)	1,288,936
Minority interests	154,514	3,317,234
Total net assets	2,613,779	8,240,991
Total liabilities and net assets	4,584,140	11,488,803

(2) Consolidated Income Statements

	FY2012 ended June 30, 2012	(Thousand yen) FY2013 ended June 30, 2013
Net Sales	3,520,274	4,029,396
Cost of sales	2,248,767	2,635,869
Gross Profit	1,271,507	1,393,526
Selling, general and administrative expenses	1,407,592	1,519,687
Operating Income	(136,085)	(126,160)
Non-operating income		
Interest income	1,131	718
Foreign exchange gain	---	65,089
Subsidy income	12,221	3,997
Others	5,073	4,211
Total non-operating income	18,426	74,015
Non-operating expenses		
Interest expenses	15,860	18,695
Equity method losses	7,404	---
Foreign exchange losses	31,757	---
Others	457	2
Total non-operating expenses	55,479	18,697
Ordinary income and (loss)	(173,138)	(70,842)
Extraordinary income		
Gain on sales of fixed asset	1,192	---
Gain on sales of investment securities	---	1,502,484
Gain on reversal of stock option	3,049	---
Negative Goodwill gain	---	13,449
Total extraordinary income	4,241	1,515,933
Extraordinary loss		
Loss on sales of fixed asset	526	---
Loss on disposition of fixed asset	628	13
Loss on sales of investment securities	388	12,364
Loss on additional stock acquisition	---	9,141
Total extraordinary loss	1,544	21,519
Income before income taxes and others	(170,440)	1,423,571
Income taxes-current	16,345	49,181
Income taxes-deferred	1,547	(426,902)
Total income taxes	17,892	(377,721)
Income before minority interests	(188,333)	1,801,292
Minority interests	723	786,906
Net income	(189,057)	1,014,386

(3) Consolidated Comprehensive Income Statements

	FY2012 ended June 30, 2012	(Thousand yen) FY2013 ended June 30, 2013
Income (losses) before minority interests	(188,333)	1,801,292
Other comprehensive income		
Other gain from revaluation of securities	---	3,500,651
Foreign currency transaction adjustment	(56,660)	108,964
Total of other comprehensive income	(56,660)	3,609,616
Comprehensive income	(244,994)	5,410,909
(Breakdown)		
Comprehensive income attributable to owners of parent company	(245,718)	2,464,492
Comprehensive income attributable to minority income	723	2,946,416

(4) Consolidated Statements of Cash flows

	FY2012 ended June 30, 2012	(Thousand yen) FY2013 ended June 30, 2013
(Operating activities)		
Income before income taxes	(170,440)	1,423,571
Depreciation and amortization	123,570	181,867
Negative Goodwill gain	---	(13,449)
Increase (decrease) in provision	1,005	8,651
Interest and dividend income	(1,131)	(718)
Interest expenses	15,860	18,695
Investment profit on equity method	7,404	----
Loss (gain) on sales of property, plant and equipment	(665)	----
Loss on disposal of property, plant and equipment	628	13
Loss (gain) from sales of investment securities	----	(1,502,484)
Loss (gain) on valuation of investment securities	388	12,364
Loss on additional stock acquisition	----	9,141
Gain on reversal of stock option	(3,049)	---
Decrease (increase) in notes and accounts receivables	(347,837)	144,754
Decrease (increase) in inventories	(41,231)	(180,622)
Increase (decrease) in notes and accounts payable	22,272	(56,326)
Others	27,957	(48,406)
Sub-total	(365,268)	(2,949)
Interest and dividends income received	5,833	718
Interest expenses paid	(16,532)	(18,732)
Income taxes paid	(20,630)	(14,275)
Net cash provided by operating activities	(396,598)	(35,239)
(Investing activities)		
Purchase of property, plant and equipment	(60,936)	(102,457)
Proceeds from sales of property, plant and equipment	1,132	4,660
Purchase of non-tangible asset	(3,592)	(40,702)
Purchase of investment securities	(9,771)	----
Gain on sales of investment securities	----	3,045
Gain on additional stock acquisition to change the scope of consolidation	----	26,356
Payment of insurance premium	----	(5,444)
Revenue from cancellation of insurance premium	----	1,035
Others	(1)	----
Net cash provided by investing activities	(73,168)	(113,506)
(Financing activities)		
Proceeds from short-term loans payable	---	300,000
Proceeds from long-term loans payable	800,000	330,000

Repayment of long-term loans payable	(315,037)	(467,071)
Redemption of bonds	(200,000)	---
Repayment of lease obligations	(11,213)	(10,381)
Cash dividends paid	(561)	(261)
Cash dividends paid to minority	---	(1,928)
Net cash provided by financing activities	273,188	150,356
Effect of exchange rate change on cash and cash equivalents	(31,487)	62,835
Net increase (decrease) in cash and cash equivalents	(228,066)	64,446
Cash and cash equivalents at beginning of period	1,990,458	1,762,392
Cash and cash equivalents at end of period	1,762,392	1,826,838