

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months of the Fiscal Year, Ending June 30 2014
(From July 1, 2013 to March 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 Nine Months of the Fiscal Year, Ending June 30 2014
(From July 1, 2013 to March 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 nine months ended								
March 31, 2014	2,850	0.0	(493)	----	(416)	----	1,030	----
March 31, 2013	2,849	13.7	(182)	----	(135)	----	(196)	----

(Reference) Comprehensive income: 1,205 million yen loss for the First nine months ended March 31, 2014
78 million yen loss for the First nine months ended March 31, 2013

	Net income per share	Diluted net income per share
	Yen	Yen
First nine months ended		
March 31, 2014	56.49	----
March 31, 2013	(10.76)	----

Due to conduct the 200 for 1 stock on Jan 1, 2014, Net income per share is estimated on the presumption for conducting the 200 for 1 stock split on July 1, 2012.

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
	Million yen	Million yen	%	yen
As of				
March 31, 2014	7,875	4,788	56.5	243.88
June 30, 2013	11,488	8,240	42.9	269.76

(Reference) Equity: 4,451 million yen as of March 31, 2014

4,923 million yen as of June 30, 2013

Due to conduct the 200 for 1 stock on Jan 1, 2014, Net income per share is estimated on the presumption for conducting the 200 for 1 stock split on July 1, 2012.

2. Dividend

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

(Note)1, Due to conduct the 200 for 1 stock on Jan 1, 2014, Dividend per share is estimated on the presumption for conducting the 200 for 1 stock split on July 1, 2013. Without stock split, dividend per share for fiscal year ending June 30, 2014 will be 3,000 yen.

2, Revision to previous forecast of Dividend during the current three months: No

3. Business Forecasts for the fiscal year (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	%	yen
For fiscal year ending June 30, 2014	3,900	(3.2)	(550)	----	(480)	----	950	(6.3)	52.05

(Note) 1, Due to conduct the 200 for 1 stock 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, Revision to previous forecast of Business Forecasts during the current three months: No

4. Others

(1) **Change in scope of important consolidated subsidiaries during FY 2014 ending June 30, 2014: 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, 2014; 18,252,000 at June 30, 2013

b) **Number of treasury stocks at the end of period**

None at March 31, 2014; None at June 30, 2013

c) **Average number of outstanding stocks**

18,252,000 for First nine months ended March 31, 2014

18,252,000 for First nine months ended March 31, 2013

(Note) Due to conduct the 200 for 1 stock on Jan 1, 2014, number of outstanding stocks are estimated on the presumption for conducting the 200 for 1 stock split on July 1, 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

In the first nine months of current fiscal year, ended March 31, 2014, the net sales increased by 0.0% compared to the same period of previous fiscal year to 2,850 million yen, as the sales of Customized product sales except for PSS decreased while shipment to OEM partners are increased. And gross profit increased 4.8% to 974 million yen.

At the same time, the amount of selling, general and administrative expenses was increased 31.8% to 1,467 million yen due to the additional expense of human resources, R&D, Patent for developing new products & business operation. As a result, we recorded operating loss of 493 million yen (182 million yen loss in the previous year). While ordinary income became 416 million yen loss (135 million yen loss in the previous year), the net income of 1,030 million yen was recorded (net loss for previous year was 196 million yen), as extraordinary gain of 3,822 million yen was recorded by the sales of investment securities about Bio Contents Fund LLP which PSS have a 50% interest.

Sales by each customer:

(Unit: Million yen)

	First nine months ended March 31, 2013		First nine months ended March 31, 2014		Year on year increase	(Reference) Last Year Fiscal	
	Amount	Ratio	Amount	Ratio	%	Amount	Ratio
Roche Group	859	30.2	858	30.2	(0.0)	1,119	27.8
QIAGEN Group	459	16.1	479	16.8	4.4	638	15.9
Others	1,531	53.7	1,511	53.0	(1.3)	2,270	56.3
Total	2,849	100.0	2,850	100.0	0.0	4,029	100.0

Sales for other customers decreased 1.3% to 1,511 million yen for decreasing the sales of Customized product sales except for PSS, although the shipments to Life technologies and a front-end sample preparation for Abbott automated microbial identification system increased.

Sales by each product category:

(Unit: Million yen)

	First nine months ended March 31, 2013		First nine months ended March 31, 2014		Year on year increase	(Reference) Last Year Fiscal	
	Amount	ratio	Amount	Ratio	%	Amount	Ratio
Instruments	1,594	56.0	1,724	60.5	8.1	2,351	58.4
Reagent kits & Consumable	681	23.9	701	24.6	2.8	940	23.3
Maintenance	220	7.7	212	7.5	(3.4)	297	7.4
Customized product	345	12.1	205	7.2	(40.5)	430	10.7
Others	7	0.3	6	0.2	(15.0)	9	0.2
Total	2,849	100.0	2,850	100.0	0.0	4,029	100.0

*From this First nine months ended March 31, 2014, sales by each product category is changed. Based on last year's each product category; a)DNA auto-extractors 1,439 Million yen b)Reagent/plastic consumables 701 Million yen c)Maintenance and related items 212 Million yen d)Others 496 Million yen.

(1)Instruments

During first nine months ended March 31, 2014, the sales in this category increased 8.1% to 1,724million yen. As the operating expenses increased 18.9% to 1,736 million yen, the operating income loss recorded 12 million yen (134 million yen in the previous year). 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 7.3% to 1,306 million yen. As the operating expenses increased 17.3% to 1,212 million yen, the operating income decreased 48.9% to 94 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 10.7% to 417 million yen. As the operating expenses increased 22.7% to 523 million yen, the operating incomes loss recorded 106 million yen (49 million yen loss in the previous year).

(2)Reagents kits and Consumable

This category consists of PSS Brand Reagent for sample preparation or and exclusively designed plastic consumables (tips and cartridges) for those PSS instruments. The sales in this category increased 2.8% to 701

million yen. As the operating expenses increased 1.2% to 661 million yen, the operating incomes increased 42.6% to 39 million yen loss .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 decreased 3.4% to 212 million yen. As the operating expenses decreased 7.0% to 204 million yen, the operating incomes recorded 8 million yen (0 million yen in 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.

(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 decreased 40.5% to 205 million yen. As the operating expenses decreased 39.8% to 198 million yen, the operating incomes decreased 55.0% to 7 million yen.

(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 decreased 15.0% to 6 million yen. As the operating expenses increased 46.8% to 13 million yen, the operating income loss recorded 6 million yen(1 million yen loss in the previous year).

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1)Assets

In the first nine months of current fiscal year, total assets decreased 3,613 million yen from the amount as of June 30, 2013 to 7,875 million yen, because of the sales of investment securities about Bio Contents Fund LLP. Cash & deposits increased 2,271 million yen, Deferred tax asset decreased 453 million yen, Account receivable-other decreased 1,549 million yen and Investments and other assets decreased 4,357 million yen

(2)Liabilities

Total liabilities decreased 160million yen to 3,086 million yen compared with the amount as of June 30, 2013 which is mainly caused by the sales of investment securities. In current liabilities, tax payable-trade increased 625 million yen and Deferred tax liability decreased 808 million yen.

(3)Net Assets

Total net assets were 4,788 million yen, decreasing 3,452 million yen compared with the amount of as of June 30, 2013. With net profit for the period, retained earnings increased 821 million yen for net income 1,030 million yen and dividend payment 209 million yen, while Other gain from revaluation of securities decreased 1,341 million yen for the sales of investment securities and Minority interests decreased 2,979 million yen.

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

The reason for Revision of previous Business Forecasts on May 15, 2014

Forecast Assumption

- 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 to expand the business in the mid-term.
- 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. 4)Gross profit will be decreased for increasing the manufacturing cost for developing new products more than we expect. 5)The amount of selling, general and administrative expenses will be increased comparing to Last forecast due to the additional expense of human resources, R&D, Patent for developing new products & business operation.
- As for foreign exchange rate, we estimate as 1Euro=140 yen and 1US\$=102yen.

Business Forecasts For Fiscal Year 2014

• For fiscal year ending June 30, 2014

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Last Forecast (A)	4,360	(250)	(225)	1,200	65.75yen
Revised Forecast (B)	3,900	(550)	(480)	950	52.05yen
Amount (B-A)	(460)	(300)	(255)	(250)	
% (B-A)	(10.6%)	-	-	(20.8)	
(Reference) Last Year Fiscal	4,029	(126)	(70)	1,014	55.58yen

(Note) * Due to conduct the 200 for 1 stock 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.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2013	(Thousand yen) As of Mar 31, 2014
(Assets)		
Current assets		
Cash and deposits	1,846,838	4,118,736
Notes and accounts receivable-trade	882,051	709,596
Merchandise and finished goods	671,416	806,995
Work in process	252,594	273,564
Raw materials and supplies	106,148	137,537
Deferred tax assets	469,841	16,337
Accounts receivable-other	1,559,756	10,734
Others	136,883	168,042
Allowance for doubtful accounts	(844)	(1,017)
Total current assets	5,924,687	6,240,528
Noncurrent assets		
Property, plant and equipment	1,046,756	1,372,272
Intangible assets	55,098	155,282
Investments and other assets	4,462,261	107,467
Total noncurrent assets	5,564,116	1,635,022
Total assets	11,488,803	7,875,551
(Liabilities)		
Current liabilities		
Accounts payable-trade	366,426	540,794
Short-term loans payable	300,000	-
Current portion of long-term loans payable	584,702	616,406
Lease obligations	2,795	2,651
Income taxes payable	59,920	684,945
Provision for bonus	11,578	43,867
Others	198,759	283,134
Total current liabilities	1,524,182	2,171,798
Noncurrent liabilities		
Long-term loans payable	803,812	799,388
Lease obligations	4,935	6,369
Deferred tax liabilities	859,497	50,688
Provision for pension	55,294	58,630
Others	89	42
Total fixed liabilities	1,723,629	915,118
Total liabilities	3,247,812	3,086,916

	As of June 30, 2013	(Thousand yen) As of Mar 31, 2014
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,165,627	1,986,708
Total shareholders' equity	3,634,820	4,455,902
Other comprehensive income		
Other gain from revaluation of securities	1,341,142	-
Foreign currency translation adjustment	(52,205)	(4,694)
Total of comprehensive income	1,288,936	(4,694)
Minority interests	3,317,234	337,427
Total net assets	8,240,991	4,788,635
Total liabilities and net assets	11,488,803	7,875,551

(2) Consolidated Income Statements

	First nine months ended March 31, 2013	(Thousand yen) First nine months ended March 31, 2014
Net Sales	2,849,859	2,850,239
Cost of sales	1,919,532	1,875,679
Gross Profit	930,327	974,560
Selling, general and administrative expenses	1,113,095	1,467,579
Operating Income	(182,767)	(493,019)
Non-operating income		
Interest income	511	1,200
Foreign exchange gain	54,125	28,715
Tax refund	---	37,706
Subsidy income	3,136	10,478
Premium refund	294	7,459
Others	3,428	4,666
Total non-operating income	61,496	90,228
Non-operating expenses		
Interest expenses	13,740	13,239
Others	2	162
Total non-operating expenses	13,742	13,402
Ordinary income and (loss)	(135,013)	(416,192)
Extraordinary income		
Gain on sales of fixed asset	---	860
Gain on sales of investment securities	33	3,822,683
Negative Goodwill gain	13,449	---
Total extraordinary income	13,482	3,823,543
Extraordinary loss		
Loss on sales of fixed asset	6	233
Loss on sales of affiliated securities	---	482
Loss on sales of investment securities	12,364	---
Loss on additional stock acquisition	9,141	---
Total extraordinary loss	21,512	715
Income before income taxes and others	(143,043)	3,406,635
Income taxes-current	3,834	697,336
Income taxes-deferred	13,078	461,453
Total income taxes	16,913	1,158,790
Income before minority interests	(159,956)	2,247,845
Minority interests	36,523	1,216,865
Net income	(196,480)	1,030,979

(3) Consolidated Comprehensive Income Statements

	First nine months ended March 31, 2013	(Thousand yen) First nine months ended March 31, 2014
Income (losses) before minority interests	(159,956)	2,247,845
Other comprehensive income		
Other gain from revaluation of securities	---	(3,500,651)
Foreign currency transaction adjustment	81,772	47,511
Total of other comprehensive income	81,772	(3,453,140)
Comprehensive income	(78,184)	(1,205,295)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(114,707)	(262,651)
Comprehensive income attributable to minority income	36,523	(942,644)