

**Precision System Science Co., Ltd.**  
**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS**  
**For Fiscal Year 2014**  
**(From July 1, 2013 to June 30, 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 Fiscal Year Ended June 30 2014**

(From July 1, 2013 to June 30, 2014)

**(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	%
<b>June 30, 2014</b>	<b>3,921</b>	<b>(2.7)</b>	<b>(891)</b>	<b>----</b>	<b>(826)</b>	<b>----</b>	<b>611</b>	<b>(39.7)</b>
June 30, 2013	4,029	14.5	(126)	----	(70)	----	1,014	----

(Reference) Comprehensive income: 1,668 million yen loss for the Fiscal Year Ended June 30, 2014  
5,410 million yen for the Fiscal Year Ended June 30, 2013

Fiscal Year Ended	Net income per share	Diluted net income per share
	Yen	Yen
<b>June 30, 2014</b>	<b>33.53</b>	<b>----</b>
June 30, 2013	55.58	----

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, 2012.

**(2) Consolidated financial condition**

As of	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
<b>FY 2014 ended June 30, 2014</b>	<b>7,298</b>	<b>4,325</b>	<b>55.1</b>	<b>220.22</b>
FY 2013 ended June 30, 2014	11,488	8,240	42.9	269.76

(Reference) Equity: 4,019 million yen as of June 30, 2014

4,923 million yen as of June 30, 2013

Due to conduct the 200 for 1 stock split on Jan 1, 2014, Net Asset 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, 2013	----	0.00	----	2,300.00	2,300.00
<b>FY 2014 ended June 30, 2014</b>	----	0.00	----	7.5	7.5
FY 2015 ending June 30,2015(Forecast)	----	----	----	----	----

(Note) Due to conduct the 200 for 1 stock split 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 dividend, Dividend per share is 3,000Yen.)

## 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
First 6 months ending December 31, 2013	2,100	10.1	(300)	----	(310)	----	(320)	----	(17.53)
For fiscal year ending June 30, 2014	4,500	14.7	(400)	----	(420)	----	(440)	----	(24.11)

## 4. Others

(1) Change in scope of important consolidated subsidiaries during FY 2014 ended June 30, 2014: No

(2) Adoption of simplified accounting method or accounting method specify to quarterly period: No

(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 June 30, 2014; 18,252,000 at June 30, 2013

b) Number of treasury stocks at the end of period

None at December 31, 2013; None at June 30, 2013

c) Average number of outstanding stocks

18,252,000 for Fiscal Year Ended June 30, 2014

18,252,000 for Fiscal Year Ended June 30, 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 current fiscal year, ended June 30, 2014, the net sales decreased by 2.7% compared to the same period of previous fiscal year to 3,921 million yen, as the sales of Customized product sales except for PSS decreased while shipment to OEM partners are almost the same. And gross profit decreased 9.1% to 1,266 million yen. And the amount of selling, general and administrative expenses was increased 42.0% to 2,158 million yen due to the additional expense of human resources, R&D, Patent for developing new products & business operation. (Especially, R&D expense is 801 million yen which is almost twice as much as previous fiscal year due to accelerate developing new products including geneLEAD.) As a result, we recorded operating loss of 891 million yen (126 million yen loss in the previous year). While ordinary income became 826 million yen loss (70 million yen loss in the previous year), the net income of 611 million yen was recorded (net income for previous year was 1,014 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)

	Fiscal Year Ended June 30, 2013		Fiscal Year Ended June 30, 2014		Year on year increase
	amount	ratio	amount	ratio	%
Roche Group	1,119	27.8	<b>1,117</b>	<b>28.5</b>	<b>(0.2)</b>
QIAGEN Group	638	15.9	<b>683</b>	<b>17.4</b>	<b>7.0</b>
Others	2,270	56.3	<b>2,120</b>	<b>54.1</b>	<b>(6.6)</b>
Total	4,029	100.0	<b>3,921</b>	<b>100.0</b>	<b>(2.7)</b>

**Sales by each product category:**

(Unit: Million yen)

	Fiscal Year Ended June 30, 2013		First Year Ended June 30, 2014		Year on year increase
	amount	ratio	amount	ratio	%
Instruments	2,351	58.4	<b>2,320</b>	<b>59.2</b>	<b>(1.3)</b>
Reagent kits & Consumable	940	23.3	<b>978</b>	<b>24.9</b>	<b>4.0</b>
Maintenance	297	7.4	<b>300</b>	<b>7.7</b>	<b>1.1</b>
Customized product	430	10.7	<b>315</b>	<b>8.0</b>	<b>(26.7)</b>
Others	9	0.2	<b>6</b>	<b>0.2</b>	<b>(32.0)</b>
Total	4,029	100.0	<b>3,921</b>	<b>100.0</b>	<b>(2.7)</b>

\*From this Fiscal year ended June 30 2014, the sales by each product category is changed. Based on last year's each product category, a)DNA auto-extractors 1,894 Million yen b)Reagent/plastic consumables 978 Million yen c)Maintenance and related items 300 Million yen d)Others 748 Million yen.

**(1)Instruments**

During Fiscal year ended June 30 2014, the sales in this category decreased 1.3% to 2,320 million yen. As the operating expenses increased 15.0% to 2,401 million yen, the operating income decreased to 80 million yen loss. 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 decreased 0.0% to 1,681 million yen. As the operating expenses increased 14.4% to 1,613 million yen, the operating income decreased 74.7% to 68 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 decreased 4.6% to 639 million yen. As the operating expenses increased 16.1% to 787 million yen, the operating incomes loss recorded 148 million yen(8 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 4.0% to 978 million yen. As the operating expenses increased 4.6% to 917 million yen, the operating incomes decreased 4.0% to 60 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 1.1% to 300 million yen. As the operating expenses decreased 1.5% to 283 million yen, the operating incomes increased 82.4% to recorded 16 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 decreased 26.7% to 315 million yen. As the operating expenses decreased 27.1% to 297 million yen, the operating incomes recorded 18 million yen(19.2% 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 decreased 32.0% to 6 million yen. As the operating expenses increased 14.8% to 13 million yen, the operating income loss recorded 7 million yen(2 yen loss in the previous year).

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

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

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

In current fiscal year, total assets decreased 4,190 million yen from the amount as of June 30, 2013 to 7,298 million yen, because of the sales of investment securities about Bio Contents Fund LLP. Cash & deposits increased 1,256 million yen, Deferred tax asset decreased 426 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 274 million yen to 2,973 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 615 million yen and Deferred tax liability decreased 809 million yen.

#### **(3)Net Assets**

Total net assets were 4,325 million yen, decreasing 3,915 million yen compared with the amount of as of June 30, 2013. With net profit for the period, retained earnings increased 402 million yen for net income 611 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 3,011 million yen.

### **Cash flows**

During FY 2014 from July 1, 2013 to June 30, 2014, cash and cash equivalents increased 1,256 million yen to 3,083 million yen.

**(1)Cash flows from operating activities** decreased 822 million yen (35 million decreased during the same period of previous year). There was cash flow increased due to depreciation (220 million yen) and increase account payable (97 million yen), while there was cash flow decrease due to gain from sales of investment securities (3,822 million yen), increase of inventory (153 million yen), etc.

**(2)Cash flows from investing activities** increased 4,706 million yen (113 million decreased during the same period of previous year). There was increase of 5,344 million yen due to gain on sales of investment securities, while there was decrease due to purchase of property, plant and equipment (602 million yen), etc.

**(3)Cash flows from financing activities** decreased 2,646 million yen (150 million increased during the same period of previous year). There was increase of long term loans (500million yen), while there was decrease of repayment of long- term loans (643 million yen), short-term loans (300 million yen), dividend payment (206 million yen) and cash allotments paid to minority (2,002 million yen) etc.

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

#### **Modifying the mid-term business plan in FY2015**

- 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 released its mid-term business plan in FY2014. Unfortunately, we have not been able to achieve a targeted financial result in terms of sales and revenue in FY2014. This is due to the new product launching delay and increase in R&D and other expenses beyond what we estimated. However, we will not change our business strategy and model for following the business trends in our market. We will create a sizable business opportunity by developing new products leveraging our proprietary , time-proven technologies. Furthermore, we modify the mid-term business plan by considering delay of the original sales plan by one year and additional expenses.

#### **Forecast Assumption**

- The forecast is based on the assumption that 1) Sales of “geneLEAD” with DNA extraction reagent in collaboration with ELITech 2) Sales of 2 sample preparation system for ABBOTT 3) The amount of selling, general and administrative expenses will be decreased compared to Last FY2014, although the expense for the first six months will be almost the same for developing new products & business operation .
- As for foreign exchange rate, we estimate as 1Euro=135 yen and 1US\$=100yen.



For fiscal year ending June 30, 2015

(Unit: Million yen)

	Fiscal Year Ended June 30, 2013		First Year Ended June 30, 2014		Year on year increase	
	Amount 1	Ratio	Amount 2	Ratio	Amount (2-1)	Ratio
Net Sales	3,921	100.0	<b>4,500</b>	<b>100.0</b>	578	14.7
Operating Income	(891)	----	<b>(400)</b>	----	491	----
Ordinary Income	(826)	----	<b>(420)</b>	----	406	----
Net Income	611	15.6	<b>(440)</b>	----	(1,051)	----

# Consolidated financial statements

## (1) Consolidated Balance Sheets

	As of June 30, 2013	(Thousand yen) As of June 30, 2014
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	1,846,838	3,103,317
Notes and accounts receivable-trade	882,051	962,980
Merchandise and finished goods	671,416	772,808
Work in process	252,594	201,608
Raw materials and supplies	106,148	113,397
Deferred tax assets	469,841	7,225
Accounts receivable-other	1,559,756	9,762
Others	136,883	425,882
Allowance for doubtful accounts	(844)	(1,359)
<b>Total current assets</b>	<b>5,924,687</b>	<b>5,595,632</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	1,046,756	1,574,222
Intangible assets	55,098	69,624
Investments and other assets	4,462,261	59,266
<b>Total noncurrent assets</b>	<b>5,564,116</b>	<b>1,703,112</b>
<b>Total assets</b>	<b>11,488,803</b>	<b>7,298,745</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	366,426	476,509
Short-term loans payable	300,000	-
Current portion of long-term loans payable	584,702	588,109
Lease obligations	2,795	2,654
Income taxes payable	59,920	675,617
Provision for bonus	11,578	6,608
Others	198,759	442,845
<b>Total current liabilities</b>	<b>1,524,182</b>	<b>2,192,345</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	803,812	665,704
Lease obligations	4,935	5,884
Deferred tax liabilities	859,497	50,380
Provision for pension	55,294	-
Liability for pension	-	59,396
Others	89	26
<b>Total fixed liabilities</b>	<b>1,723,629</b>	<b>781,391</b>
<b>Total liabilities</b>	<b>3,247,812</b>	<b>2,973,736</b>

	As of June 30, 2013	(Thousand yen) As of June 30, 2014
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,165,627	1,567,688
Total shareholders' equity	3,634,820	4,036,881
<b>Other comprehensive income</b>		
Other gain from revaluation of securities	1,341,142	-
Foreign currency translation adjustment	(52,205)	(17,423)
Total of comprehensive income	1,288,936	(17,423)
Minority interests	3,317,234	305,550
Total net assets	8,240,991	4,325,008
<b>Total liabilities and net assets</b>	<b>11,488,803</b>	<b>7,298,745</b>

## (2) Consolidated Income Statements

	FY 2013 Ended June 30, 2013	(Thousand yen)  FY 2014 Ended June 30, 2014
<b>Net Sales</b>	4,029,396	3,921,722
<b>Cost of sales</b>	2,635,869	2,654,808
<b>Gross Profit</b>	1,393,526	1,266,913
<b>Selling, general and administrative expenses</b>	1,519,687	2,158,134
<b>Operating Income</b>	(126,160)	(891,221)
Non-operating income		
Interest income	718	1,716
Foreign exchange gain	65,089	16,823
Subsidy income	3,997	12,181
Tax Refund	-	37,706
Others	4,211	13,676
<b>Total non-operating income</b>	74,015	82,104
Non-operating expenses		
Interest expenses	18,695	16,882
Others	2	163
<b>Total non-operating expenses</b>	18,697	17,046
<b>Ordinary income and (loss)</b>	(70,842)	(826,163)
Extraordinary income		
Gain on sales of Fixed Asset	-	865
Gain Negative Goodwill	13,449	-
Gain on sales of investment securities	1,502,484	3,822,683
<b>Total extraordinary income</b>	1,515,933	3,823,548
Extraordinary loss		
Loss on disposal of fixed asset	13	322
Loss on sales of affiliated securities	-	482
Loss on sales of investment securities	12,364	-
Loss on additional stock acquisition	9,141	-
<b>Total extraordinary loss</b>	21,519	804
Income before income taxes and others	1,423,571	2,996,580
Income taxes-current	49,181	680,728
Income taxes-deferred	(426,902)	518,828
<b>Total income taxes</b>	(377,721)	1,199,557
<b>Income before minority interests</b>	1,801,292	1,797,023
<b>Minority interests</b>	786,906	1,185,064
<b>Net income</b>	1,014,386	611,958

### (3) Consolidated Comprehensive Income Statements

	FY 2013 Ended June 30, 2013	(Thousand yen)  FY 2014 Ended June 30, 2014
Income (losses) before minority interests	1,801,292	1,797,023
Other comprehensive income		
Other gain from revaluation of securities	3,500,651	(3,500,651)
Foreign currency transaction adjustment	108,964	34,782
Total of other comprehensive income	3,609,616	(3,465,869)
<b>Comprehensive income</b>	<b>5,410,909</b>	<b>(1,668,846)</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	2,464,492	(694,401)
Comprehensive income attributable to minority income	2,946,416	(974,445)

#### (4) Consolidated Statements of Cash flows

	FY 2013 Ended June 30, 2013	(Thousand yen) FY 2014 Ended June 30, 2014
<b>(Operating activities)</b>		
Income before income taxes	1,423,571	2,996,580
Depreciation and amortization	181,867	220,720
Increase (decrease) in provision	8,651	(4,455)
Increase (decrease) in pension payable	----	4,101
Interest and dividend income	(718)	(1,716)
Interest expenses	18,695	16,882
Loss (gain) on sales of property, plant and equipment	----	(865)
Loss on disposal of property, plant and equipment	13	322
Loss (gain) from sales of investment securities	(1,502,484)	(3,822,683)
Loss (gain) on valuation of investment securities	12,364	----
Negative Goodwill gain	(13,449)	----
Amortization of goodwill	----	3,000
Loss on additional stock acquisition	9,141	----
Decrease (increase) in notes and accounts receivables	144,754	(68,246)
Decrease (increase) in inventories	(180,622)	(153,242)
Increase (decrease) in notes and accounts payable	(56,326)	97,335
Others	(48,406)	(22,013)
<b>Sub-total</b>	<b>(2,949)</b>	<b>(734,281)</b>
Interest and dividends income received	718	1,681
Interest expenses paid	(18,732)	(17,888)
Income taxes paid	(14,275)	(72,111)
<b>Net cash provided by operating activities</b>	<b>(35,239)</b>	<b>(822,599)</b>
<b>(Investing activities)</b>		
Purchase of property, plant and equipment	(102,457)	(602,344)
Proceeds from sales of property, plant and equipment	4,660	6,302
Purchase of non-tangible asset	(40,702)	(16,587)
Gain on sales of investment securities	3,045	5,344,684
Gain on additional stock acquisition to change the scope of consolidation	26,356	----
Payment of additional stock about affiliated company	----	(30,000)
Payment of insurance premium	(5,444)	(3,722)
Revenue from cancellation of insurance premium	1,035	19,958
Others	----	(12,008)
<b>Net cash provided by investing activities</b>	<b>(113,506)</b>	<b>4,706,282</b>
<b>(Financing activities)</b>		
Proceeds from short-term loans payable	300,000	(300,000)
Proceeds from long-term loans payable	330,000	500,000

Repayment of long-term loans payable	(467,071)	(634,701)
Repayment of lease obligations	(10,381)	(2,795)
Cash dividends paid	(261)	(206,141)
Cash dividends paid to minority	(1,928)	---
Cash allotments paid to minority	---	(2,002,686)
<b>Net cash provided by financing activities</b>	150,356	(2,646,323)
Effect of exchange rate change on cash and cash equivalents	62,835	19,120
<b>Net increase (decrease) in cash and cash equivalents</b>	64,446	1,256,478
<b>Cash and cash equivalents at beginning of period</b>	1,762,392	1,826,838
<b>Cash and cash equivalents at end of period</b>	1,826,838	3,083,317