

## Precision System Science Co., Ltd.

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

##### (1) Consolidated operating results

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

First three months ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>September 30, 2014</b>	<b>1,104</b>	<b>21.1</b>	<b>(193)</b>	----	<b>(156)</b>	----	<b>(163)</b>	----
September 30, 2013	911	8.6	(132)	----	(90)	----	1,339	----

(Reference) Comprehensive income: 156 million yen loss for the First three months ended September 30, 2014  
929 million yen loss for the First three months ended September 30, 2013

First three months ended	Net income per share	Diluted net income per share
	Yen	Yen
<b>September 30, 2014</b>	<b>(8.94)</b>	----
September 30, 2013	73.38	----

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 income per share
	Million yen	Million yen	%	yen
<b>September 30, 2014</b>	<b>6,341</b>	<b>4,032</b>	<b>58.8</b>	<b>204.30</b>
June 30, 2014	7,298	4,325	55.1	220.22

(Reference) Equity: 3,728 million yen as of September 30, 2014

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>	----	----	----	----	----
FY 2015 ending June 30,2015(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, 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 first six months ending December 31, 2014	2,100	10.1	(300)	----	(310)	----	(320)	----	(17.53)
For fiscal year ending June 30, 2015	4,500	14.7	(400)	----	(420)	----	(440)	----	(24.11)

(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 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 September 30, 2014; 18,252,000 at June 30, 2014
  - b) Number of treasury stocks at the end of period  
None at September 30, 2014; None at June 30, 2014
  - c) Average number of outstanding stocks  
18,252,000 for First three months ended September 30, 2014  
18,252,000 for First three months ended September 30, 2013

\* 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 three months of current fiscal year, ended September 30, 2014, the net sales increased by 21.1% compared to the same period of previous fiscal year to 1,104 million yen, as shipment to Abbott based on R&D contract whose commercial version will be released from 2<sup>ND</sup> financial Quarter and shipment of existing products including DNA extractors, Plastic consumable, Reagent increased. And gross profit increased 21.2% to 374 million yen.

At the same time, the amount of selling, general and administrative expenses was increased 28.7% to 568 million yen due to the additional expense for developing new products, geneLEAD which will be launched in the 2ND financial Quarter etc.

As a result, we recorded operating loss of 193 million yen (132 million yen loss in the previous year). While ordinary income became 156 million yen loss (90 million yen loss in the previous year) by Foreign exchange gain 36 million yen. The net income of 163 million yen loss was recorded (net loss for previous year was 1,339 million yen), as extraordinary gain of 3,822 million yen was recorded in the last year 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 three months ended September 30, 2013		First three months ended September 30, 2014		Year on year increase	(Reference) Last Year Fiscal	
	Amount	Ratio	Amount	Ratio	%	Amount	Ratio
Roche Group	345	37.9	291	26.4	(15.7)	1,117	28.5
QIAGEN Group	103	11.4	141	12.8	35.7	683	17.4
Others	461	50.7	671	60.8	45.5	2,120	54.1
Total	911	100.0	1,104	100.0	21.1	3,921	100.0

Although the shipments to Roche decreased 15.7%, sales for QIAGEN and other customers increased 35.7% and 45.5% Year on year increase.

**Sales by each product category:**

(Unit: Million yen)

	First three months ended September 30, 2013		First three months ended September 30, 2014		Year on year increase	(Reference) Last Year Fiscal	
	Amount	ratio	Amount	Ratio	%	Amount	Ratio
Instruments	546	60.0	672	60.9	22.9	2,320	59.2
Reagent kits & Consumable	221	24.3	275	24.9	24.3	978	24.9
Maintenance	75	8.2	85	7.7	13.3	300	7.7
Customized product	66	7.3	71	6.5	7.1	315	8.0
Others	1	0.2	-	-	-	6	0.2
Total	911	100.0	1,104	100.0	21.1	3,921	100.0

**(1) Instruments**

During first three months ended September 30, 2014, the sales in this category increased 22.9% to 672 million yen. As the operating expenses increased 10.9% to 626 million yen, the operating income loss recorded 45 million yen (17 million yen loss 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 decreased 0.4% to 437 million yen. As the operating expenses decreased 3.4% to 410 million yen, the operating income recorded increased 87.7% to 26 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 118.2% to 234 million yen. As the operating expenses increased 54.5% to 215 million yen, the operating incomes recorded 18 million yen (32 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 24.3% to 275 million yen. As the operating expenses increased 20.7% to 265 million yen, the operating incomes increased 602.0% to recorded 9 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 13.3% to 85 million yen. As the operating expenses increased 13.4% to 80 million yen, the operating incomes recorded 4 million yen (10.5% increase 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 increased 7.1% to 71 million yen. As the operating expenses increased 8.9% to 60 million yen, the operating incomes recorded 11 million yen (1.8% 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 is none. As the operating expenses decreased 92.3% to 0 million yen, the operating income loss recorded 0 million yen (3 million yen loss in the previous year).

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

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

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

A In the first three months of current fiscal year, total assets decreased 956 million yen from the amount as of June 30, 2014 to 6,341 million yen, because of the payment of dividend & tax. Cash & deposits decreased 671 million yen, Account receivable-other decreased 158 million yen and other assets decreased 139 million yen

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

Total liabilities decreased 663million yen to 2,309 million yen compared with the amount as of June 30, 2014. Tax payable-trade decreased 662 million yen, Short-term loans payable increased 300 million yen, long-term loans payable decreased 123 million yen, others current liability decreased 164 million yen.

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

Total net assets were 4,032 million yen, decreasing 292 million yen compared with the amount of as of June 30, 2014. With net profit for the period, retained earnings decreased 299 million yen for net income 163 million yen loss and dividend payment 136 million yen, while Foreign currency translation adjustment increased 8 million yen and Minority interests decreased 2 million yen.

### 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 or 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 (Magtration®). Furthermore, we modify the mid-term business plan by considering delay of the original sales plan by one year and additional expense as following.

	FY2014(End)	FY2015(Forecast)	FY2016(Forecast)	FY2017(Forecast)
Sales	3,921	4,500	5,300	6,500
Operating income	(891)	(400)	100	500
Ordinary income	(826)	(420)	80	480
Net income	611	(440)	60	460

#### FY2015 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, 2014	(Thousand yen) As of Sep 30, 2014
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	3,103,317	2,432,094
Notes and accounts receivable-trade	962,980	804,061
Merchandise and finished goods	772,808	836,301
Work in process	201,618	158,818
Raw materials and supplies	113,397	144,227
Deferred tax assets	7,225	3,283
Others	435,644	295,742
Allowance for doubtful accounts	(1,359)	(1,175)
<b>Total current assets</b>	<b>5,595,632</b>	<b>4,673,354</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	1,574,222	1,540,772
Intangible assets	69,624	64,488
Investments and other assets	59,266	63,339
<b>Total noncurrent assets</b>	<b>1,703,112</b>	<b>1,668,600</b>
<b>Total assets</b>	<b>7,298,745</b>	<b>6,341,955</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	476,509	464,937
Short-term loans payable	-	300,000
Current portion of long-term loans payable	588,109	549,827
Lease obligations	2,654	2,658
Income taxes payable	675,617	12,743
Provision for bonus	6,608	43,152
Others	442,845	278,843
<b>Total current liabilities</b>	<b>2,192,345</b>	<b>1,652,162</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	665,704	541,965
Lease obligations	5,884	4,978
Deferred tax liabilities	50,380	50,473
Liability for pension	59,396	60,325
Others	26	10
<b>Total fixed liabilities</b>	<b>781,391</b>	<b>657,752</b>
<b>Total liabilities</b>	<b>2,973,736</b>	<b>2,309,914</b>

	As of June 30, 2014	(Thousand yen) As of Sep 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	1,567,688	1,267,711
<b>Total shareholders' equity</b>	<b>4,036,881</b>	<b>3,736,904</b>
<b>Other comprehensive income</b>		
Other gain from revaluation of securities	-	988
Foreign currency translation adjustment	(17,423)	(9,054)
<b>Total of comprehensive income</b>	<b>(17,423)</b>	<b>(8,066)</b>
<b>Minority interests</b>	<b>305,550</b>	<b>303,201</b>
<b>Total net assets</b>	<b>4,325,008</b>	<b>4,032,040</b>
<b>Total liabilities and net assets</b>	<b>7,298,745</b>	<b>6,341,955</b>

## (2) Consolidated Income Statements

	First three months ended September 30,2013	(Thousand yen) First three months ended September 30,2014
<b>Net Sales</b>	911,573	1,014,212
<b>Cost of sales</b>	602,259	729,391
<b>Gross Profit</b>	309,313	374,820
<b>Selling, general and administrative expenses</b>	441,751	568,479
<b>Operating Income</b>	(132,437)	(193,658)
<b>Non-operating income</b>		
Interest income	126	147
Foreign exchange gain	7,639	36,222
Tax Refund	37,706	-
Others	1,656	4,833
Total non-operating income	47,128	41,203
<b>Non-operating expenses</b>		
Interest expenses	4,622	4,052
Others	158	-
Total non-operating expenses	4,780	4,052
<b>Ordinary income and (loss)</b>	(90,089)	(156,507)
<b>Extraordinary income</b>		
Gain on disposal of fixed asset	540	-
Gain on sales of investment securities	3,822,683	-
Total extraordinary income	3,823,223	-
<b>Extraordinary loss</b>		
Loss on disposal of fixed asset	56	11
Loss on impairment	-	4,221
Total extraordinary loss	56	4,233
Income before income taxes and others	3,733,076	(160,741)
Income taxes-current	715,479	2,691
Income taxes-deferred	457,364	3,472
Total income taxes	1,172,843	6,163
Income before minority interests	2,560,233	(166,904)
Minority interests	1,220,855	(3,817)
<b>Net income</b>	<b>1,339,377</b>	<b>(163,086)</b>

### (3) Consolidated Comprehensive Income Statements

	First three months ended September 30, 2013	(Thousand yen) First three months ended September 30, 2014
Income (losses) before minority interests	2,560,233	(166,904)
Other comprehensive income		
Other gain from revaluation of securities	(3,500,651)	2,517
Foreign currency transaction adjustment	11,402	8,369
Total of other comprehensive income	(3,489,249)	10,886
<b>Comprehensive income</b>	<b>(929,015)</b>	<b>(156,018)</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	9,638	(153,729)
Comprehensive income attributable to minority income	(938,654)	(2,288)