

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Fiscal Year 2015
(From July 1, 2014 to June 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: JASDAQ (Standard)
Code Number: 7707
URL: <http://www.pss.co.jp/>

1. Consolidated financial data for the Fiscal Year 2015 Ended June 30 2015

(From July 1, 2014 to June 30, 2015)

(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, 2015	5,143	31.2	(320)	----	(172)	----	(215)	----
June 30, 2014	3,921	(2.7)	(891)	----	(826)	----	611	(39.7)

(Reference) Comprehensive income: 152 million yen loss for FY2015 ended June 30, 2015

1,688 million yen loss for FY2014 ended June 30, 2014

Fiscal Year Ended	Net income per share	Diluted net income per share
	Yen	Yen
June 30, 2015	(11.79)	----
June 30, 2014	33.53	----

(2) Consolidated financial condition

As of	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
FY 2015 ended June 30, 2015	6,454	4,035	57.3	202.47
FY 2014 ended June 30, 2014	7,298	4,325	55.1	220.22

(Reference) Equity: 3,695 million yen as of June 30, 2015

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
FY 2015 ended June 30, 2015	----	0.00	----	----	----
FY 2016 ending June 30,2016(Forecast)	----	----	----	0.00	0.00

(Note) Revision to previous forecast: No

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

	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, 2015	2,600	5.8	(70)	----	(100)	----	(115)	----	(6.30)
For fiscal year ending June 30, 2016	5,790	12.6	(100)	----	60	----	25	----	1.37

(Note) Revision to previous forecast : No

4. Others

- (1) Change in scope of consolidated subsidiaries during FY 2015 ended June 30, 2015: No
- (2) Adoption of simplified accounting method or accounting method specific 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 June 30, 2015; 18,252,000 at June 30, 2014
 - b) Number of treasury stocks at the end of period
None at June 30, 2015; None at June 30, 2014
 - c) Average number of outstanding stocks
18,252,000 for FY ended June 30, 2015;
18,252,000 for FY ended June 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, recovery of personal consumption is still sluggish because of reaction to the last-minute demand before the consumption tax went up. On the other hand, as the economic aid or monetary easing by the government continues to work to improve overall employment and income situation as well as corporate earnings, the economy shows gradual recovery.

In these circumstances, PSS Group has been focusing on manufacturing and sales of automated instruments 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, Life Technologies, NanoString and LSI Medience, as well as our own brand distribution through PSS overseas subsidiaries in Europe and USA.

For the current consolidated fiscal period, the Net Sales increased by 31.2% in comparison to the same period of previous fiscal year to 5,143 million yen and the Gross Profit increased by 44.2% to 1,827 million yen. As to the existing segment of automated DNA extraction instruments, the business with QIAGEN Group and NanoString has been in good shape. In addition, our newly developed OEM products for Abbott Group, the sample prep instruments for clinical diagnosis have made a smooth launch and we successfully obtained commission revenue for the OEM supply agreement with ELITech Group for the fully automated DNA testing instrument “geneLEAD XII”. All these made a great contribution to the increase both in sales and profit.

With regard to the expenses, the overall R&D expenses decreased by 0.9% in comparison to the same period of previous fiscal year to 795 million yen. Since all other expenses are at the same level as the same period of previous fiscal year, overall SG&A expenses decreased by 0.5% in comparison to the same period of previous fiscal year to 2,147 million yen and the Operating Loss decreased from -891 million to -320 million.

The Total non-operating income is 164 million yen mainly thanks to governmental subsidy of 97 million yen for the new plant in Akita prefecture (Odate Reagent Center) and R&D subsidy by NEDO. Consequently, the ordinary loss is -172 million yen in comparison to -826 million for the same period of previous fiscal year and the Net Loss is -215 million in comparison to the profit of 611 million for the same period of previous fiscal year. Note that a large amount of extraordinary income (gain on sales of investment securities) was realized for the same period of previous fiscal year.

Sales by customer:

(Unit: Million yen)

	Fiscal Year Ended June 30, 2014		Fiscal Year Ended June 30, 2015		Year on year increase
	amount	ratio	amount	ratio	%
Roche Group	1,117	28.5	1,092	21.2	(2.2)
QIAGEN Group	683	17.4	824	16.0	20.6
Others	2,120	54.1	3,226	62.8	52.1
Total	3,921	100.0	5,143	100.0	31.2

The sales for Roche Group slightly decreased by 2.2% in comparison to the same period of previous fiscal year to 1,092 million yen and in the meantime, the sales for QIAGEN Group continues to be in good shape in succession where the demand for Ebola hemorrhagic fever inspection showed a sharp rise and largely increased by 20.6% in comparison to the same period of previous fiscal year to 824 million yen.

For the other clients, the sales increased by as much as 52.1% in comparison to the same period of previous fiscal year to 3,226 million yen. The sales for NanoString, our OEM client in USA continues to be satisfactory and our new OEM product for Abbott Group, the DNA sample prep instruments for clinical diagnostic use have made the launch as planned. In addition, the commission revenue from ELITech Group was successfully realized for the OEM supply agreement and it contributed to the large sales increase as well.

Sales by product category:

(Unit: Million yen)

	Fiscal Year Ended June 30, 2014		Fiscal Year Ended June 30, 2015		Year on year increase
	amount	ratio	amount	ratio	%
Instruments	2,320	59.2	3,151	61.3	35.8
Reagent kits & Consumables	978	24.9	1,238	24.0	26.6
Maintenance	300	7.7	328	6.4	9.4
Customized product	315	8.0	425	8.3	34.6
Others	6	0.2	-	-	-
Total	3,921	100.0	5,143	100.0	31.2

(1) Instruments

For FY ended June 30, 2015, the instruments sales increased by 35.8% in comparison to the same period of previous fiscal year to 3,151 million yen. The total operating cost increased by 14.2% to 2,743 million yen and 408 million yen of operating profit has been generated in comparison to -80 million of operating loss for the same period of previous fiscal year. Further details are as follows;

(a) Laboratory Automation

This segment is mainly comprised of various automated instruments for laboratory use such as automated DNA extraction systems supplied for Roche or QIAGEN Group. The sales increased by 17.5% in comparison to the same period of previous fiscal year to 1,975 million yen with 833 units of shipment. The operating cost increased by 3.4% to 1,677 million yen to generate 307 million yen of operating profit, which is 348.4% increase in comparison to the same period of previous fiscal year. For the same period of previous fiscal year, development fee revenue from Roche Group was included in the segment and for this fiscal year, the entire segment is comprised of production instruments that contribute to profitability improvement to a great extent.

(b) Clinical Diagnostic Products

This segment is mainly comprised of clinical-use instruments such as chemiluminescence immunoassay system for LSI Medience or newly developed DNA sample prep instruments for Abbott Group. The 394 units of shipment and development fee revenue, as well as commission revenue for OEM supply agreement with ELITech Group contributed to sales increase by 84.0% in comparison to the same period of previous fiscal year to 1,176 million yen. Although the total operating cost increased by 36.4% to 1,075 million yen, the operating income has turned profitable to 100 million yen of profit from -148 million of loss for the same period of previous fiscal year.

For our business with Abbott and ELITech Group, corresponds to the launch period of new OEM products and PSS needs to give priority to delivery schedule rather than profitability. That is why the overall profitability stays at relatively low level. However, the commission revenue made a great contribution to the profit of the segment.

(2) Reagent kits and Consumables

This is the segment for reagent kits for DNA extraction or plastic consumables such as tips or reaction tubes consumed in accordance with the use of PSS instruments. Most of the major OEM clients manufacture and sell their own reagent kits and only plastic consumables are supplied by PSS. For a few OEM clients, PSS supplies reagent kits as well. November last year, our new plant "Odate Reagent Center (ORC)" started its operation and manufacturing of reagent kits for Abbott or ELITech Group has already begun.

For this fiscal year, the sales of this segment increased by 26.6% in comparison to the same period of previous fiscal year to 1,238 million yen. The operating cost increased by 32.0% to 1,210 million yen and the operating profit went down by 55.2% to 27 million accordingly. This 3rd quarter is in the startup period for Odate Reagent Center and various initial costs had to be borne, thus the operating profit slightly decreased. However, this segment is expected to grow in accordance with cumulative sales quantity of PSS instruments and we believe that a constant growth can be expected in the near future.

(3) Maintenance

This segment is comprised of system maintenance and spare parts sales. Major OEM clients do the maintenance on their own and spare parts are supplied by PSS.

The sales increased by 9.4% in comparison to the same period of previous fiscal year to 328 million yen. The operating cost decreased by 2.0% to 277 million yen and the operating profit increased by 199.2% to 50 million. This segment is expected to grow in accordance with cumulative sales quantity of PSS instruments and we believe that a constant growth can be expected in the near future.

(4) Customized product

This segment is comprised of outsourced manufacturing business of NPS Co., Ltd., the manufacturing subsidiary of PSS, for outside clients other than PSS. The sales increased by 34.6% in comparison to the same period of previous fiscal year to 425 million yen. The operating cost increased by 14.0% to 338 million yen and the operating profit increased by 360.9% to 86 million. This is not a major segment for PSS business, but important for the profitability of NPS Co., Ltd.

(5) Others

This segment is comprised of all sales that do not belong to any of the above (1) to (4), which is mainly for the business of PSS Capital and Bio Contents Fund. There are no sales for this fiscal year in comparison to 6 million yen for the same period of previous fiscal year. The operating cost decreased by 88.5% to 1 million yen and the operating loss was -1 million yen in comparison to -7 million for the same period of previous fiscal year.

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1) Assets

The Total assets were 6,454 million yen as of June 30, 2015, which is 844 million yen decrease from the one of June 30, 2014. The Cash and deposits decreased by 1,304 million yen because of the expenditures for dividend and unpaid corporate tax and the Notes and accounts receivable-trade increased by 112 million yen, the Inventory increased by 259 million and Other current assets increased by 204 million. The Property, plant and equipment decreased by 131 million yen because of the depreciation made in the FY.

(2) Liabilities

The Total liabilities decreased by 554 million yen from June 30, 2014 to 2,419 million yen. The Income taxes payable decreased by 654 million yen, Short-term loan payable increased by 370 million, Current portion of long-term loan payable decreased by 126 million, Other current liabilities decreased by 179 million and Long-term loans payable increased by 70 million.

(3) Net Assets

The Total net assets were 4,035 million yen as of June 30, 2015, which is 289 million yen decrease from the one of June 30, 2014. The Retained earnings decreased by 352 million yen because of 215 million yen net loss and 136 million yen of dividend.

3. Business Forecasts For Fiscal Year 2016 (From July 1, 2015 to June 30, 2016)

Consolidated Financial Forecast for FY2016 (July 1, 2015 to June 30, 2016)

	Fiscal Year Ended June 30, 2015		Fiscal Year Ended June 30, 2016		Year on year increase
	amount	ratio	amount	ratio	%
Net sales	5,143	100.0	5,790	100.0	12.6
Operating income	(320)	(6.2)	100	1.7	-
Ordinary income	(172)	(3.3)	60	1.0	-
Net income	(215)	(4.1)	25	0.4	-

We expect growing revenue by launching new Clinical Diagnostic Products for Fiscal Year 2016.

Fully automated DNA testing instrument "geneLEAD XII" will be officially launched with DNA sample preparation reagent. The sample prep instruments and plastic consumable for Abbott Group will be launched on a full scale. Net Sales will be 5,790 million yen (year-on-year increase 12.6%).

Selling, general and administrative expenses will be reduced by decreasing R&D expense for Clinical Diagnostic Products and Operating income will be 100 million yen (320 million loss for Fiscal Year 2015).

As for foreign exchange rate, we estimate as 1US\$=120 yen and 1Euro=130 yen from FY2016.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2014	(Thousand yen) As of June 30, 2015
(Assets)		
Current assets		
Cash and deposits	3,103,317	1,799,217
Notes and accounts receivable-trade	962,980	1,075,671
Merchandise and finished goods	772,808	1,070,770
Work in process	201,618	127,943
Raw materials and supplies	113,397	148,342
Deferred tax assets	7,225	24,353
Others	435,644	639,687
Allowance for doubtful accounts	(1,359)	(1,794)
Total current assets	5,595,632	4,884,192
Noncurrent assets		
Property, plant and equipment	1,574,222	1,443,182
Intangible assets	69,624	52,050
Investments and other assets	59,266	75,216
Total noncurrent assets	1,703,112	1,570,359
Total assets	7,298,745	6,454,552
(Liabilities)		
Current liabilities		
Accounts payable-trade	476,509	438,396
Short-term loans payable	-	370,000
Current portion of long-term loans payable	588,109	461,691
Income taxes payable	675,617	21,574
Provision for bonus	6,608	7,190
Others	445,500	265,663
Total current liabilities	2,192,345	1,564,515
Noncurrent liabilities		
Long-term loans payable	665,704	735,872
Deferred tax liabilities	50,380	53,064
Liability for pension	59,396	62,300
Others	5,910	3,713
Total fixed liabilities	781,391	854,951
Total liabilities	2,973,736	2,419,467

(Thousand yen)

	As of June 30, 2014	As of Dec 31 2014
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,567,688	1,215,577
Total shareholders' equity	4,036,881	3,684,770
Other comprehensive income		
Other gain from revaluation of securities	-	4,645
Foreign currency translation adjustment	(17,423)	6,045
Total of comprehensive income	(17,423)	10,691
Minority interests	305,550	339,622
Total net assets	4,325,008	4,035,084
Total liabilities and net assets	7,298,745	6,454,552

(2) Consolidated Income Statements

	FY 2014 Ended June 30, 2014	(Thousand yen) FY 2015 Ended June 30, 2015
Net Sales	3,921,722	5,143,465
Cost of sales	2,654,808	3,316,139
Gross Profit	1,266,913	1,827,325
Selling, general and administrative expenses	2,158,134	2,147,955
Operating Income	(891,221)	(320,630)
Non-operating income		
Interest income	1,716	471
Foreign exchange gain	16,823	51,168
Subsidy income	12,181	97,551
Tax Refund	37,706	-
Others	13,676	14,944
Total non-operating income	82,104	164,136
Non-operating expenses		
Interest expenses	16,882	15,676
Others	163	-
Total non-operating expenses	17,046	15,676
Ordinary income and (loss)	(826,163)	(172,170)
Extraordinary income		
Gain on sales of investment securities	3,822,683	0
Gain on sales of fixed asset	865	8
Total extraordinary income	3,823,543	8
Extraordinary loss		
Loss on sales of fixed asset	-	2,019
Loss on disposal of fixed asset	322	169
Loss on sales of investment securities	482	-
Loss from impairment	-	4,207
Total extraordinary loss	804	6,396
Income before income taxes and others	2,996,580	(178,558)
Income taxes-current	680,728	19,660
Income taxes-deferred	518,828	(12,556)
Total income taxes	1,199,557	7,103
Income before minority interests	1,797,023	(185,662)
Minority interests	1,185,064	29,558
Net income	611,958	(215,220)

(3) Consolidated Comprehensive Income Statements

	FY 2014 Ended June 30, 2014	(Thousand yen) FY 2015 Ended June 30, 2015
Income (losses) before minority interests	1,797,023	(185,662)
Other comprehensive income		
Other gain from revaluation of securities	(3,500,651)	9,431
Foreign currency transaction adjustment	34,782	23,469
Total of other comprehensive income	(3,465,869)	32,900
Comprehensive income	(1,668,846)	(152,761)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(694,401)	(187,106)
Comprehensive income attributable to minority income	(974,445)	34,344

(4) Consolidated Statements of Cash flows

	FY 2014 Ended June 30, 2014	(Thousand yen) FY 2015 Ended June 30, 2015
(Operating activities)		
Income before income taxes	2,996,580	(178,558)
Depreciation and amortization	220,720	285,543
Increase (decrease) in provision	(4,455)	1,016
Increase (decrease) in pension obligation	4,101	2,904
Interest and dividend income	(1,716)	(471)
Interest expenses	16,882	15,676
Loss (gain) on sales of property, plant and equipment	(865)	2,011
Loss on disposal of property, plant and equipment	322	169
Loss (gain) from sales of investment securities	(3,822,683)	0
Loss (gain) from impairment loss	-	4,207
Negative goodwill	3,000	6,000
Decrease (increase) in notes and accounts receivables	(68,246)	(60,428)
Decrease (increase) in inventories	(153,242)	(259,803)
Increase (decrease) in notes and accounts payable	97,335	(101,036)
Others	(22,013)	(87,767)
Sub-total	(734,281)	(370,534)
Interest and dividends income received	1,681	507
Interest expenses paid	(17,888)	(15,817)
Income taxes refund	-	177,934
Income taxes paid	(72,111)	(1,154,692)
Net cash provided by operating activities	(822,599)	(1,362,603)
(Investing activities)		
Purchase of property, plant and equipment	(602,344)	(204,913)
Sales of property, plant and equipment	6,302	60,522
Purchase of non-tangible asset	(16,587)	(2,838)
Gain on sales of investment securities	5,344,684	0
Payment of additional stock about affiliated company	(30,000)	-
Payment of insurance premium	(3,722)	(3,125)
Revenue from cancellation of insurance premium	19,958	36
Others	(12,008)	74
Net cash provided by investing activities	4,706,282	(150,244)
(Financing activities)		
Proceeds from short-term loans payable	(300,000)	370,000
Proceeds from long-term loans payable	500,000	630,000
Repayment of long-term loans payable	(634,701)	(686,250)
Repayment of lease obligations	(2,795)	(2,895)
Cash dividends paid	(206,141)	(135,716)

Cash allotments paid to minority	(2,002,686)	-
Net cash provided by financing activities	(2,646,323)	175,138
Effect of exchange rate change on cash and cash equivalents	19,120	33,609
Net increase (decrease) in cash and cash equivalents	1,256,478	(1,304,099)
Cash and cash equivalents at beginning of period	1,826,838	3,083,317
Cash and cash equivalents at end of period	3,083,317	1,779,217