

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For Three Months of the Fiscal Year, Ending June 30, 2019 (From July 1, 2018 to September 30, 2018)

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: Mothers
Code Number: 7707
URL: <http://www.pss.co.jp/>

1. Consolidated financial data for the Three Months of the Fiscal Year, Ending June 30 2019 (From July 1, 2018 to September 30, 2018)

(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		Quarter net income attributable to parent company shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2018	947	17.5	(1)	----	(6)	----	(9)	----
September 30, 2017	806	3.2	(132)	----	(129)	----	(131)	----

(Reference) Comprehensive income: 8 million yen income for FY2019 ended September 30, 2019

114 million yen loss for FY2018 ended September 30, 2018

First Three months, Ended	Net income per share	Diluted net income per share
	Yen	Yen
September 30, 2018	(0.40)	----
September 30, 2017	(5.69)	----

(2) Consolidated financial condition

As for	Total assets	Net Assets	Equity ratio	Net income per share
	Million yen	Million yen	%	yen
September 30, 2018	5,086	3,340	65.6	143.95
June 30, 2017	5,128	3,291	64.2	142.69

(Reference) Equity: 3,334 million yen as of September 30, 2018

3,291 million yen as of June 30, 2017

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
Fiscal Year, Ended	Yen	Yen	Yen	Yen	Yen
June 30, 2018	----	0.00	----	0.00	0.00
June 30, 2019	----				
June 30,2019(Forecast)		0.00	----	0.00	0.00

(Note) Revisions from the most recently released Dividend Forecast: None

3. Business Forecasts for the fiscal year (From July 1, 2018 to June 30, 2019)

	Sales		Operating income		Ordinary income		Net income attributable to parent company shareholders		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
First 6 months ending December 31, 2018	2,100	22.0	(120)	----	(150)	----	(160)	----	(6.94)
For fiscal year ending June 30, 2019	4,300	18.1	(250)	----	(275)	----	(300)	----	(13.01)

(Note) Revisions from the most recently released Business Forecast: None

4. Others

(1) Change in scope of consolidated subsidiaries during FY 2018 Ending June 30 2019 : None

(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)

	September 30, 2018	June 30, 2017
a) Number of outstanding stocks (including treasury stock)	23,166,900 stocks	23,066,900 stocks
b) Number of treasury stocks at the end of period	None	None
	September 30, 2018	September 30, 2017
c) Average number of outstanding stocks	23,085,378 stocks	23,066,900 stocks

* 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 three months of current fiscal year, the Japanese economy is restored by improvement of corporate earnings and the employment environment although being gentle. In addition, the world economy continued a gradual recovery equally as well.

Under these circumstances, PSS Group has been developed business of various automated instruments (DNA Automatic extraction instrument) to extract a gene from the specimens such as blood or cell for the spot that studied genetic information in the Invitro Diagnostic industry, PSS Group developed fully automated genetic diagnostic instruments which put an amplification, measurement technology together in a genetic extraction technology, and starts the sale for the field of the clinical diagnoses such as a hospital or the inspection center other than a field of a study and the development. Furthermore, PSS Group made efforts in production and the sales of the plastic consumables such as a reagent (reagent for DNA extraction) or the reaction container used with the instrument.

These products are sold on world-wide distribution network through OEM (Original Equipment manufacturing) as well as our own brand in Europe, USA and Japan.

For the current consolidated fiscal period, the Net Sales increased by 17.5% in comparison to the same period of previous fiscal year to 947 million yen and the Gross Profit increased by 21.5% to 337 million yen. And the sales of fully automated DNA testing machine for Elitech and PSS Brand were well performed, Net Sales and Gross Profit increased compared to the same period of previous fiscal year.

In regard to the expenses, R&D is decreased by 27.9% in comparison to the same period of previous fiscal year to 102 million yen. Overall SG&A is decreased by 17.3% in comparison to the same period of previous fiscal year to 338 million yen. And Operating Loss decreased from -132 million yen to -1 million yen. The deficit in the year-on-year comparison improved.

In addition, due to the accrual of 7 million yen for issuance cost of subscription rights to shares, the ordinary loss is 6 million yen (ordinary loss -129 million yen in the previous year). In extraordinary profit and loss, the compensation for contact fee 6 million yen was recorded under the contract with the business partner. loss on contract cancellation was 6 million yen. The quarter net income attributable to parent company shareholders and (loss) was -9 million yen in comparison to -131 million yen for the same period of previous fiscal year.

Sales by each product category:

(Unit: Million yen)

	Fiscal Year, Ending September 30, 2017		Fiscal Year, Ending September 30 2018		Year-on-year increase
	Amount	Ratio	Amount	Ratio	%
Instruments	412	51.2	519	54.8	25.8
Reagent kits & Consumable	237	29.4	276	29.2	16.6
Maintenance	69	8.6	66	7.1	(3.6)
Customized product	87	10.8	84	8.9	(3.2)
Total	806	100.0	947	100.0	17.5

(1)Instruments

The Sales in the three months of current fiscal year, the sales in this category increased 25.8 % to 519 million yen for the same period of previous fiscal year. As the operating expenses increased 15.6 % to 462 million yen, the operating income increased 349.8% to 56 million yen. This category consists of 2 fields.

(a)Lab Automation

This field consists of DNA extractors and other instruments in the field of Laboratory (R&D) Automation. The sales in this category increased 21.5 % to 335 million yen for the same period of previous fiscal year. As the operating expenses increased 5.8 % to 262 million yen, the operating income increased 160.6 % to 72 million yen.

(b)Clinical Diagnostic

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 focus on clinical field. The sales in this category increased 34.6 % to 184 million yen. The operating expenses increased 31.6 % to 200 million yen, the operating loss recorded -16 million yen (-15 million yen in the previous year). The sales of all automatic gene diagnostic equipment for Elitech were well performed, Net Sales increased compared to the same period of previous fiscal year.

(2)Reagents kits and Consumable

This category consists of Reagent for sample preparation or exclusively designed plastic consumables (Tips and Cartridges) for those PSS instruments. PSS supply DNA extraction reagents and plastic consumables to PSS brand instruments and Elitech. Other OEM companies manufacture and sell their own reagents, but plastic consumables are purchased from PSS in accordance with the contract.

In the three months of current fiscal year, the sales in this category increased 16.6 % to 276 million yen. As the operating expenses increased 7.8 % to 254 million yen, the operating income recorded 22 million yen (1 million yen in the previous year). Net Sales and Gross Profit increased compared to the same period of previous fiscal year.

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category decreased 3.6 % to 66 million yen. As the operating expenses decreased 12.8 % to 49 million yen, the operating incomes increased 38.3% to 17 million yen.

The category tended to expand sales in accordance with the cumulative sales volume of the instruments, and it was a smooth sale in the three months of current fiscal year.

(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 3.2 % to 84 million yen. As the operating expenses decreased 26.4 % to 58 million yen, the operating income increased 250.7 % to 25 million yen. This segment is not our main business, but also gaining business for NPS.

2. Analysis of Financial Conditions:

(Changes in partial revision of “Accounting standard for deferred tax accounting”)

Changes in partial revision of “Accounting standard for deferred tax accounting”(Corporate accounting Standards No. 28 February 16,2018), In accordance with the application of the financial statements pertaining to this fiscal year, a partial revision of the tax effect accounting standard was applied from this fiscal year, and deferred tax assets were displayed in the categories of investments and other assets, and deferred tax liabilities were changed to the way in which they were displayed in the division of fixed liabilities.

In the balance sheet for the previous business year, "deferred tax assets" of "current assets" 2,676 thousand yen are reclassified as "deferred tax assets" of "fixed assets" to 4,300 thousand yen.

Assets, Liabilities and Net Assets

(1)Assets

In Fiscal Year, Ending September 30,2019, total assets decreased 42 million yen from the amount as of June 30,2018 to 5,086 million yen. Current assets such as notes and accounts receivable decreased by 67 million yen, and fixed assets such as tools, fixtures and fixtures increased by 24 million yen.

(2)Liabilities

Total liabilities decreased 91 million yen to 1,745 million yen compared with the amount as of June 30, 2018. As a main factor, the 14 million yen increase in current liabilities such as notes and accounts payable, while fixed liabilities such as long-term borrowings decreased by 105 million yen.

(3)Net Assets

Total net assets were 3,340 million yen, increased 49 million yen compared with the amount of as of June 30, 2018. The capital increased 17 million yen and the capital reserve increased 17 million yen because exercised of Share Options by third party.

3. Business Forecasts for the fiscal year

The consolidated financial forecasts for the second quarter of the fiscal year ending June 30, 2019 and the full-year results are as announced on August 14, 2018, and there is no change in the current forecast.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2018	(Thousand yen) As of September 30, 2018
(Assets)		
Current assets		
Cash and deposits	2,056,170	2,019,259
Notes and accounts receivable-trade	932,046	923,012
Merchandise and finished goods	312,375	384,945
Work in process	370,517	364,697
Raw materials and supplies	509,249	504,418
Others	188,832	105,273
Allowance for doubtful accounts	(2,045)	(1,814)
Total current assets	4,367,146	4,299,793
Noncurrent assets		
Property, plant and equipment	700,751	725,933
Intangible assets	1,510	1,097
Investments and other assets	59,525	59,677
Total noncurrent assets	761,788	786,708
Total assets	5,128,934	5,086,501
(Liabilities)		
Current liabilities		
Accounts payable-trade	354,632	386,872
Short-term loans payable	500,000	500,000
Current portion of long-term loans payable	328,950	326,501
Income taxes payable	22,058	12,829
Provision for bonus	9,595	40,354
Provision for product warranties	1,884	1,884
Others	172,784	135,731
Total current liabilities	1,389,905	1,404,173
Noncurrent liabilities		
Long-term loans payable	385,515	295,315
Deferred tax liabilities	6,183	6,274
Provision for product warranties	39,798	37,097
Others	16,137	3,004
Total fixed liabilities	447,634	341,691
Total liabilities	1,837,540	1,745,865

(Thousand yen)

	As of June 30, 2018	As of September 30, 2018
(Net assets)		
Shareholders' equity		
Capital stock	3,401,899	3,419,377
Capital surplus	1,309,494	1,326,972
Retained earnings	(1,379,307)	(1,388,517)
Total shareholders' equity	3,332,086	3,357,833
Other comprehensive income		
Foreign currency translation adjustment	(40,692)	(22,955)
Total of comprehensive income	(40,692)	(22,955)
Share acquisition rights	-	5,759
Total net assets	3,291,393	3,340,636
Total liabilities and net assets	5,128,934	5,086,501

(2) Consolidated Income Statements

	(Thousand yen)	
	FY 2018 ended June 30, 2018	FY 2019 ended September 30, 2018
Net Sales	806,686	947,475
Cost of sales	528,793	609,870
Gross Profit	277,892	337,605
Selling, general and administrative expenses	409,979	338,891
Operating income and (loss)	(132,086)	(1,286)
Non-operating income		
Interest income	114	39
Foreign exchange gains	-	4,478
Fiduciary obligation fee	2,533	33
Gain on sales of goods	2,750	-
Gain on forfeiture of unclaimed dividends	1,149	-
Others	286	147
Total non-operating income	6,834	4,698
Non-operating expenses		
Interest expenses	3,404	2,610
Foreign exchange loss	474	-
Issuance cost of subscription rights to shares	-	7,702
Total non-operating expenses	3,879	10,312
Ordinary income and (loss)	(129,131)	(6,900)
Extraordinary income		
Gain on sales of non-current assets	-	511
Compensation for contact	-	6,871
Total extraordinary income	-	7,382
Extraordinary loss		
Loss on sales of non-current assets	-	285
Loss on contract cancellation	-	6,430
Total extraordinary loss	-	6,716
Income before income taxes and others and (loss)	(129,131)	(6,234)
Income taxes-current	1,955	2,941
Income taxes-deferred	136	33
Total income taxes	2,092	2,974
Net Income and (loss)	(131,223)	(9,209)
Quarter net income attributable to parent company shareholders and (loss)	(131,223)	(9,209)

(3) Consolidated Comprehensive Income Statements

		(Thousand yen)
	FY 2018 ended June 30, 2018	FY 2019 ended September 30, 2018
Net Income	(131,223)	(9,209)
Other comprehensive income		
Foreign currency transaction adjustment	16,849	17,736
Total of other comprehensive income	16,849	17,736
Comprehensive income	(114,373)	8,527
(Breakdown)		
Comprehensive income attributable to owners of parent company	(114,373)	8,527