

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For Fiscal Year 2012(From July 1, 2011 to June 30, 2012)

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 FY 2012 ended June 30, 2012

(From July 1, 2011 to June 30, 2012)

(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	%
FY 2012 ended June 30, 2012	3,520	12.0	(136)	----	(173)	----	(189)	----
FY 2011 ended June 30, 2011	3,142	(44.3)	(432)	----	(424)	----	(366)	----

(Reference) Comprehensive income: 244 million yen loss for FY2012; 373 million yen loss for FY2011

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to Net sales
	Yen	Yen	%	%	%
FY 2012 ended June 30, 2012	(2,071.64)	----	(7.3)	(3.8)	(3.9)
FY 2011 ended June 30, 2011	(4,017.95)	----	(12.5)	(8.6)	(13.8)

(Reference) Equity in earning of affiliates: 7 million yen loss for FY2012; 26 million yen for FY2011

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2012	4,584	2,613	53.6	26,947.89
June 30, 2011	4,602	2,861	58.8	29,640.40

(Reference) Equity: 2,459 million yen as of June 30, 2012; 2,704 million yen as of June 30, 2011

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at FY end
	Million yen	Million yen	Million yen	Million yen
FY 2012 ended June 30, 2012	(396)	(73)	273	1,762
FY 2011 ended June 30, 2011	(403)	(160)	(101)	1,990

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2011 ended June 30, 2011	----	0.00	----	0.00	0.00
FY 2012 ended June 30, 2012	----	0.00	----	0.00	0.00
FY 2013 ending June 30, 2013 (Forecast)	----	0.00	----	0.00	0.00

3. Business Forecasts for the fiscal year (from July 1, 2012 to June 30, 2013)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
For first six ending December 31, 2012	1,950	13.2	25	----	15	----	7	----	76.70
For fiscal year ending June 30, 2013	4,100	16.5	50	----	30	----	15	----	164.37

4. Others

(1) Change in scope of consolidated subsidiaries during FY 2012 ended June 30, 2012: None

(2) 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

(3) Number of outstanding stocks (common stocks)

a) Number of outstanding stocks (including treasury stock)

91,260 at June 30, 2012; 91,260 at June 30, 2011

b) Number of treasury stocks at the end of period

None at June 30, 2012; None at June 30, 2011

c) Average number of outstanding stocks

91,260 for FY 2012 ended June 30, 2012; 91,260 for FY 2011 ended June 30, 2011

* 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

FY 2012 ended June 30, 2012, the net sales increased by 12.0% compared to the same period of previous fiscal year to 3,520 million yen, while gross profit increased 16.8% to 1,271 million yen as shipment to Qiagen recovered while PSS own sales increased.

At the same time, amount of selling, general and administrative expenses was mostly stable at 1,407 million yen (7.4% down compared to the previous year); as a result, we recorded operating loss of 136 million yen (432 million yen loss in the previous year). While ordinary income became 173 million yen loss (424 million yen loss in the previous year), the net loss of 189 million yen was recorded (net loss for previous year was 366 million yen) .

Sales by each customer: (Unit: Million yen)

	FY 2011 ended June 30, 2011		FY 2012 ended June 30, 2012		Year on year increase
	amount	ratio	amount	ratio	%
Roche Group	944	30.1	806	22.9	(14.6)
QIAGEN Group	700	22.3	969	27.6	38.4
Other OEMs	1,136	36.1	1,265	35.9	11.3
PSS own sales	360	11.5	478	13.6	32.6
Total	3,142	100.0	3,520	100.0	12.0

The shipment of DNA extractors to Roche Group declined to 806 million yen (14.6% down compared with same period in the previous year) as affected by prolonged adjustment of excessive inventories in instrument and consumables, which have been developed in the process of up and down demand for PSS products during swine influenza pandemic. However, we can confirm the trend for recovering the sales.

The sales to Qiagen Group continuously expanded to 969 million yen (38.4% up)

Sales to other OEM partners increased to 1,265 million yen (11.3% up) as shipment to Mitsubishi Chemical Medience Corporation expanded and milestone revenue from Biotrin International Ltd, a fully owned Irish subsidiary of DiaSorin in Italy and Ibis Biosciences, Inc., a subsidiary of Abbott in USA,

The PSS own sales greatly increased due to successful sale of NanoString systems as sales agency as well as expanding shipment of instruments and reagents related to epigenetics.

Sales by each product category:

(Unit: Million yen)

	FY 2011 ended June 30, 2011		FY 2012 ended June 30, 2012		Year on year increase
	amount	ratio	amount	ratio	%
DNA auto extractors	1,990	63.3	2,051	58.3	3.0
Reagent/plastic consumables	790	25.2	898	25.5	13.6
Maintenance/spare parts	311	9.9	320	9.1	2.9
Others	49	1.6	249	7.1	401.3
Total	3,142	100.0	3,520	100.0	12.0

(Note) Starting this fiscal year, we have changed product categorization. Those figures based on previous categorization are: 2,051 million yen for DNA auto extractor, 791 million yen for plastic consumables, 249 million yen for other laboratory equipment and 427 million yen for other products.

a) DNA auto-extractors

This category consists of automated systems utilizing the PSS's internationally patented Magtration[®] Technology. In addition to DNA auto-extractors, this category includes immunochemical luminescent measuring system, an OEM product for Mitsubishi Chemical Medience Corporation and Purelumn, auto protein purification system.

During FY 2012 ended June 30, 2012, the sales in this category increased 3.0 % to 2,051 million yen. Qiagen and Mitsubishi Chemical Medience Corporation expanded while shipment to Roche Group and USA OEM declined year on year.

Quarterly sales of automated systems

(Unit: Thousand yen)

	Previous fiscal year ended June 30, 2011				Current fiscal year ended June 30, 2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Units sold	316	169	281	244	243	331	207	405
Amount	623,144	355,111	546,226	466,266	456,905	544,719	375,598	674,114
Average unit price	1,971	2,101	1,943	1,910	1,880	1,645	1,814	1,664

b) Reagents/plastic consumables

This category includes reagents for DNA extraction, protein purification, etc. and exclusively designed plastic consumables (tips and cartridges) for those PSS instruments. Although our OEM customers usually use their own reagents, they procure PSS plastic consumables according to contracts.

During FY 2012 ended June 30, 2012, the sales of this category increased 13.6 % year on year to 898 million yen as the adjustment to excessive inventory has progressed. The sales of this category generally tend to increase proportionally to the cumulative number of systems sold and the steady sales growth is expected.

c) Maintenance and related items

This category includes revenue from system maintenance and sales of spare parts (replacement).

During FY 2012 ended June 30, 2012, sales in this category amounted to 320 million yen (2.9% up compared to 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.

d) Others

This category consists of rest of sales other than above categories; such as, order-maid automated instruments, development of new systems, sales agent revenue for products of other companies. As there were successful sales of NanoString products and milestone revenue from Biotrin International Ltd, and Ibis Biosciences, Inc., the sales of this category increased 401.3% to 249 million yen.

Results by area segments:

(1) Japan

During FY 2012 ended June 30, 2012, the sales for Japan increased 12.2% compared to the previous year to 2,937 million yen, of which sales to non-PSS group increased 66.4% to 964 million yen as sales to Mitsubishi Chemical Medience Corporation and PSS own sales expanded. As the operating expenses increased 0.2% to 2,954 million yen, the operating income loss recorded 16 million yen (331 million yen loss in the previous year).

(2) USA

The sales for the United States decreased 18.5 % to 708 million yen as sales to OEM partner was weak sales. With operating expenses decrease of 18.3% to 677 million yen, operating income of 30 million yen was recorded (23.1% decrease)

(3) Germany

The sales for Germany During FY 2012 ended June 30, 2012, increased 9.0% to 1,853 million yen expanded by shipments to Qiagen Group. With operating expenses of 1,837 million yen (8.8% up), operating income increased 33.0% to 16 million yen.

2. Analysis of Financial Conditions:

(1) Assets, Liabilities and Net Assets

(a) Assets

As of June 30, 2012, total assets decreased 18 million yen from the amount as of June 30, 2011 to 4,584 million yen. Notes and account receivable-trade increased 312 million yen and inventories increased 21 million yen, while cash & deposits decreased 228 million yen and noncurrent assets decreased 84 million yen due to depreciation, etc.

(b) Liabilities

Total liabilities increased 229 million yen to 1,970 million yen compared with the amount as of June 30, 2011.

In current liabilities, current portion of long-term loans payable increased 202 million yen, while bond due within one year decreased 200 million yen, accounts payable-trade decreased 17 million yen and other current liabilities (accrued expenses, etc.) decreases 19 million yen. In noncurrent liabilities, long-term loans payable increased 282 million yen.

(c)Net Assets

Total net assets were 2,613 million yen, decreasing 248 million yen compared with the amount of as of June 30, 2011. With net loss for the period, retained earnings decreased 189 million yen and foreign currency translation adjustments decreased 56 million yen.

(2) Cash flows

During FY 2012 from July 1, 2011 to June 30, 2012, cash and cash equivalents decreased 228 million yen to 1,762 million yen.

Cash flows from operating activities decreased 396 million yen (403 million decreased during the same period of previous year). There was cash flow increased due to decrease in depreciation (123 million yen) and account receivable (22 million yen), while there was cash flow decrease due to net loss before tax adjustment (170 million yen), decrease of account payables (347 million yen), increase of inventory (41 million yen), etc.

Cash flows from investing activities decreased 73 million yen (160 million decreased during the same period of previous year). There was increase of 1 million yen due to sale of property, plant and equipment, while There was decrease due to purchase of property, plant and equipment (60 million yen), purchase of non-tangible asset (3 million yen), purchases of investment securities (9 million yen) ,etc.

Cash flows from financing activities increased 273 million yen (101 million decreased during the same period of previous year). There was increase of long term borrowing (800million yen), while there was decrease of repayment of long term debt (315 million yen), redemption of bond (200 million yen), repayments of lease obligation (11 million yen), etc.

About business forecasts:

(million yen)

	FY 2012 ended June 30, 2012		FY 2013 ending June 30, 2013		Year on year increase	
	Amount 1	ratio	Amount 2	ratio	Amount (2-1)	%
Net sales	3,520	100.0	4,100	100.0	580	16.5
Business profit	(136)	(3.9)	50	1.2	186	-
Ordinary income	(173)	(4.9)	30	0.7	203	-
Current net income	(189)	(5.4)	15	0.4	204	-

The forecast is based on assumption that 1) Recovery of sales to Roche are expected 2) New OEM sales for Biotrin International Ltd, and Ibis Biosciences, Inc., whose products is prototype developing stage 3) Adding revenue from NPS except for selling to PSS, because NPS have been our manufacturing subsidiary company by additional stock acquisition at July 31, 2012

As PSS is heavily dependent on export, current level of exchange rate (yen appreciation) is quite unfavorable to the company. PSS tries to reduce production cost with subcontractors and other costs including R&D cost, although the total amount of selling, general and administrative expenses is increased by consolidating NPS.

As for foreign exchange rate, we estimate as 1 Euro=100 yen and 1US\$=80yen.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2011	(Thousand yen) As of June 30, 2012
(Assets)		
Current assets		
Cash and deposits	1,990,458	1,762,392
Notes and accounts receivable-trade	551,405	864,083
Merchandise and finished goods	689,475	658,077
Work in process	44,385	94,887
Raw materials and supplies	30,417	33,257
Deferred tax assets	21,792	38,480
Others	148,047	121,795
Allowance for doubtful accounts	(1,819)	(2,588)
Total current assets	3,474,163	3,570,387
Noncurrent assets		
Property, plant and equipment	821,078	736,585
Intangible assets	23,836	20,650
Investments and other assets	283,477	256,516
Total noncurrent assets	1,128,392	1,013,752
Total assets	4,602,555	4,584,140
(Liabilities)		
Current liabilities		
Accounts payable-trade	232,078	214,542
Current portion of bonds	200,000	---
Current portion of long-term loans payable	233,387	436,241
Lease obligations	11,213	9,768
Income taxes payable	14,734	11,626
Provision for bonuses	5,916	5,839
Others	183,175	163,719
Total current liabilities	880,505	841,737
Noncurrent liabilities		
Long-term loans payable	807,235	1,089,344
Lease obligations	13,601	3,832
Deferred tax liabilities	38,399	35,250
Others	991	196
Total fixed liabilities	860,227	1,128,624
Total liabilities	1,740,733	1,970,361

	As of June 30, 2011	(Thousand yen) As of June 30, 2012
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	340,298	151,241
Total shareholders' equity	2,809,492	2,620,434
Other comprehensive income		
Foreign currency translation adjustment	(104,509)	(161,170)
Total of comprehensive income	(104,509)	(161,170)
Stock option	3,049	---
Minority interests	153,790	154,514
Total net assets	2,861,822	2,613,779
Total liabilities and net assets	4,602,555	4,584,140

(2) Consolidated Income Statements

	FY 2011 ended June 30, 2011	FY 2012 ended June 30, 2012
		(Thousand yen)
Net Sales	3,142,760	3,520,274
Cost of sales	2,054,452	2,248,767
Gross Profit	1,088,307	1,271,507
Selling, general and administrative expenses	1,520,545	1,407,592
Operating Income	(432,238)	(136,085)
Non-operating income		
Interest income	898	1,131
Equity in earnings of affiliates	26,335	---
Negative goodwill	3,212	---
Subsidy income	15,613	12,221
Others	4,202	5,073
Total non-operating income	50,261	18,426
Non-operating expenses		
Interest expenses	18,374	15,860
Foreign exchange losses	20,692	31,757
Equity in earnings of affiliates	---	7,407
Stock option issue cost	3,000	---
Others	621	457
Total non-operating expenses	42,687	55,479
Ordinary profit and (loss)	(424,664)	(173,138)
Extraordinary income		
Gain on sales of noncurrent assets	3,878	1,192
Reversal of allowance for doubtful accounts	2,374	---
Gain on reversal of stock option	---	3,049
Others	11	---
Total extraordinary income	6,264	4,241
Extraordinary loss		
Loss on sales of noncurrent assets	1	526
Loss on disposal of noncurrent assets	1,117	628
Loss on sales of investment securities	4,247	388
Total extraordinary loss	5,366	1,544
Income before income taxes and others	(423,766)	(170,440)
Income taxes-current	37,977	16,345
Income taxes-deferred	(62,305)	1,547
Total income taxes	(24,327)	17,892
Income before minority interests	(399,438)	(188,333)
Minority interests	(32,760)	723
Net income	(366,678)	(189,057)

(3) Consolidated Comprehensive Income Statements

	FY 2011 ended June 30, 2011	(Thousand yen) FY 2012 ended June 30, 2012
Income (losses) before minority interests	(399,438)	(188,333)
Other comprehensive income		
Foreign currency transaction adjustment	26,247	(56,660)
Total of other comprehensive income	26,247	(56,660)
Comprehensive income	(373,190)	(244,994)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(340,430)	(245,718)
Comprehensive income attributable to minority income	(32,760)	723

(4) Consolidated Statements of Cash flows

	FY 2011 ended June 30, 2011	(Thousand yen) FY 2012 ended June 30, 2012
(Operating activities)		
Income before income taxes	(423,766)	(170,440)
Depreciation and amortization	139,039	123,570
Increase (decrease) in provision	(2,141)	1,005
Amortization of goodwill	(2,676)	---
Interest and dividend income	(898)	(1,131)
Interest expenses	18,374	15,860
Stock option issue cost	3,000	---
Loss (gain) on change in equity	(26,335)	7,404
Loss (gain) on sales of property, plant and equipment	(3,877)	(665)
Loss on disposal of property, plant and equipment	1,117	628
Loss (gain) on valuation of investment securities	4,247	388
Gain on reversal of stock option	---	(3,049)
Decrease (increase) in notes and accounts receivables	121,434	(347,837)
Decrease (increase) in inventories	(23,040)	(41,231)
Increase (decrease) in notes and accounts payable	(15,203)	22,272
Others	(64,357)	27,957
Sub-total	(275,083)	(365,268)
Interest and dividends income received	898	5,833
Interest expenses paid	(19,553)	(16,532)
Income taxes paid	(109,654)	(20,630)
Net cash provided by operating activities	(403,391)	(396,598)
(Investing activities)		
Purchase of property, plant and equipment	(141,159)	(60,936)
Proceeds from sales of property, plant and equipment	7,675	1,132
Purchase of non-tangible asset	(23,250)	(3,592)
Purchase of investment securities	(4,000)	(9,771)
Others	593	(1)
Net cash provided by investing activities	(160,140)	(73,168)
(Financing activities)		
Proceeds from short-term loans payable	0	---
Proceeds from long-term loans payable	850,000	800,000
Repayment of long-term loans payable	(455,865)	(315,037)
Redemption of bonds	(350,000)	(200,000)
Repayment of lease obligations	(10,094)	(11,213)
Cash dividends paid	(134,131)	(561)
Proceeds from stock option issue	1,504	---

Expense of stock option issue	(3,000)	---
Net cash provided by financing activities	(101,586)	273,188
Effect of exchange rate change on cash and cash equivalents	19,134	(31,487)
Net increase (decrease) in cash and cash equivalents	(645,983)	(228,066)
Cash and cash equivalents at beginning of period	2,636,442	1,990,458
Cash and cash equivalents at end of period	1,990,458	1,762,392