

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the First Three Months of the Fiscal Year, Ending June 30 2014 (From July 1, 2013 to September 30, 2013)

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

(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	%
First three months ended								
September 30, 2013	911	8.6	(132)	----	(90)	----	1,339	----
September 30, 2012	839	2.1	(198)	----	(203)	----	(193)	----

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

191 million yen loss for the First three months ended September 30, 2012

	Net income per share	Diluted net income per share
	Yen	Yen
First three months ended		
September 30, 2013	14,676.50	----
September 30, 2012	(2,117.48)	----

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
	Million yen	Million yen	%	yen
As of				
September 30, 2013	8,188	5,065	57.7	51,758.68
June 30, 2013	11,488	8,240	42.9	53,953.07

(Reference) Equity: 4,723 million yen as of September 30, 2013

4,923 million yen as of June 30, 2013

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2013 ended June 30, 2012	----	0.00	----	2,300.00	2,300.00
FY 2014 ended June 30, 2013	----	----	----	----	----
FY 2013 ending June 30,2013(Forecast)	----	0.00	----	15.00	15.00

(Note)1, Due to resolution by Board of Directors on Aug 9, 2013, the 200 for 1 stock split will be conducted on Jan 1, 2014. Without stock split, dividend per share for fiscal year ending June 30, 2014 will be 3,000 yen.

2, Revision to previous forecast of Dividend during the current three months: No

3. Business Forecasts for the fiscal year (From July 1, 2013 to June 30, 2014)

	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, 2013	1,900	(2.4)	(220)	----	(185)	----	1,240	----	13,587.55
For fiscal year ending June 30, 2014	4,360	8.2	(250)	----	(225)	----	1,200	18.3	65.75

(Note) 1, Due to resolution by Board of Directors on Aug 9, 2013, the 200 for 1 stock split will be conducted on Jan 1, 2014. Without stock split, net income per share for fiscal year ending June 30, 2014 will be 13,149.24 yen.

2, Revision to previous forecast of Business Forecasts during the current three months: Yes

4. Others

- (1) Change in scope of consolidated subsidiaries during FY 2014 ending June 30, 2013: 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)
91,260 at September 30, 2013; 91,260 at June 30, 2013
 - b) Number of treasury stocks at the end of period
None at September 30, 2013; None at June 30, 2013

c) Average number of outstanding stocks

91,260 for First three months ended September 30, 2013

91,260 for First three months ended September 30, 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 first three months of current fiscal year, ended September 30, 2013, the net sales increased by 8.6% compared to the same period of previous fiscal year to 911 million yen, as shipment to Qiagen decreased while shipment to Roche increased. Gross profit increased 90.5% to 309 million yen, as there is no special incident comparing to last year that increasing the development cost of new OEM instrument was higher than we had estimated due to the additional development.

At the same time, the amount of selling, general and administrative expenses was increased 22.5% to 441 million yen due to the additional expense of human resources, R&D, Patent for developing new products & business operation. As a result, we recorded operating loss of 132 million yen (198 million yen loss in the previous year). While ordinary income became 90 million yen loss (203 million yen loss in the previous year), the net income of 1,339 million yen was recorded (net loss for previous year was 193 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)

	First three months ended September 30, 2012		First three months ended September 30, 2013		Year on year increase	(Reference) Last Year Fiscal	
	Amount	Ratio	Amount	Ratio	%	Amount	Ratio
Roche Group	292	34.8	345	37.9	18.4	1,119	27.8
QIAGEN Group	125	14.9	103	11.4	(17.2)	638	15.9
Others	422	50.3	461	50.7	9.4	2,270	56.3
Total	839	100.0	911	100.0	8.6	4,029	100.0

Sales for other customers increased 9.4% to 461 million yen, as the shipments to Life technologies and a front-end sample preparation for Abbott automated microbial identification system increased.

Sales by each product category:

(Unit: Million yen)

	First three months ended September 30, 2012		First three months ended September 30, 2013		Year on year increase	(Reference) Last Year Fiscal	
	Amount	ratio	Amount	Ratio	%	Amount	Ratio
Instruments	359	42.8	546	60.0	52.1	2,351	58.4
Reagent kits & Consumable	227	27.1	221	24.3	(2.6)	940	23.3
Maintenance	78	9.3	75	8.2	(4.0)	297	7.4
Customized product	172	20.6	66	7.3	(61.2)	430	10.7
Others	2	0.2	1	0.2	(37.9)	9	0.2
Total	839	100.0	911	100.0	8.6	4,029	100.0

*From this First three months ended September 30 2013, sales by each product category is changed. Based on last year's each product category, a)DNA auto-extractors 370 Million yen b)Reagent/plastic consumables 221 Million yen c)Maintenance and related items 75 Million yen d)Others 244 Million yen.

(1)Instruments

During first three months ended September 30,2013, the sales in this category increased 52.1% to 546million yen. As the operating expenses increased 33,3% to 564 million yen, the operating income loss recorded 17 million yen (63 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 increased 44.7% to 439 million yen. As the operating expenses increased 26.4% to 424 million yen, the operating income loss recorded 14 million yen (32 million yen loss in the previous year)

(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 92.0% to 107 million yen. As the operating expenses increased 59.8% to 139 million yen, the operating incomes loss recorded 32 million yen (31 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 decreased 2.6% to 221 million yen. As the operating expenses decreased 11.1% to 220 million yen, the operating incomes recorded 1 million yen (20 million yen loss 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.

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category decreased 4% to 75 million yen. As the operating expenses decreased 5.2% to 71 million yen, the operating incomes recorded 3 million yen (26.6% 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 decreased 61.2% to 66 million yen. As the operating expenses decreased 67.1% to 55 million yen, the operating incomes recorded 11 million yen (217.2% increase 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 37.9% to 1 million yen. As the operating expenses increased 72.9% to 5 million yen, the operating income loss recorded 3 million yen(0 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 3,300 million yen from the amount as of June 30, 2013 to 8,188 million yen, because of the sales of investment securities about Bio Contents Fund LLP. Cash & deposits increased 3,201 million yen, Deferred tax asset decreased 451 million yen, Account receivable-other decreased 1,528 million yen and Investments and other assets decreased 4,357 million yen

(2)Liabilities

Total liabilities decreased 124million yen to 3,123 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 665 million yen and Deferred tax liability decreased 812 million yen.

(3)Net Assets

Total net assets were 5,065 million yen, decreasing 3,175 million yen compared with the amount of as of June 30, 2013. With net profit for the period, retained earnings increased 1,129 million yen for net income 1,339 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 2,975 million yen.

3. Business Forecasts For Fiscal Year 2014 (From July 1, 2013 to June 30, 2014)

The reason for Revision of previous Business Forecasts on Nov 14, 2013

(1) Sales

- The Sales category; Instruments will be decreased 100 million yen for first six months ending December 31, 2013. The sales of developing products for Abbot & Elitech will be delayed after December 31, 2013 and until fiscal year ending June 30, 2014.
- The Sales category; will be decreased 100 million yen Sales for first six months ending December 31, 2013 and decreased 100 million yen Sales For fiscal year ending June 30, 2014
The sales of Customized product sales except for PSS by NPS will be revised for downward adjustment.

(2) Profit

- Gross profit will be decreased for increasing the manufacturing cost for developing new products more than we expect. Gross profit forecast will be 660 million yen (Decrease 95 million yen in the previous year) for first six months ending December 31, 2013 and 1,510 million yen (Decrease 143 million yen in the previous year) for fiscal year ending June 30, 2014.
- The amount of selling, general and administrative expenses will be 880 million yen (Increase 130 million yen in the previous year) for first six months ending December 31, 2013 comparing to Last forecast due to the additional expense of human resources, R&D, Patent for developing new products & business operation and will be 1,760 (Increase 150 million yen in the previous year) for fiscal year ending June 30, 2014.

(3) Forecast Assumption

- Our business field is the molecular diagnostic field whose market trend is shifting from R&D or laboratory automation field to clinical diagnostic field. Considering these market trend, PSS will strategically promote fully automated DNA testing products “geneLEAD” with DNA extraction reagent for making a full-scale entry into reagent market from FY2014 to expand the business in the mid-term.
- The forecast is based on assumption that 1) Sales of “geneLEAD” with DNA extraction reagent collaborated with ELITech 2) Sales of 2types of sample preparation system for ABBOTT 3) Extraordinary gain by the sales of investment securities about Bio Contents Fund LLP.
- As for foreign exchange rate, we estimate as 1Euro=131.07 yen and 1US\$=98.96yen.

Business Forecasts For Fiscal Year 2014

• For first six months ending December 31, 2013

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Last Forecast (A)	2,111	5	2	1,332	14,595.66yen
Revised Forecast (B)	1,900	(220)	(185)	1,240	13,587.55yen
Amount (B-A)	(211)	(225)	(187)	(92)	
% (B-A)	(10.0)	-	-	(6.9)	
(Reference) For first six months Last Year Fiscal	1,947	(121)	(86)	(154)	(1,693.03)yen

• For fiscal year ending June 30, 2014

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Last Forecast (A)	4,573	41	34	1,342	73.53yen
Revised Forecast (B)	4,360	(250)	(225)	1,200	65.75yen
Amount (B-A)	(213)	(291)	(259)	(142)	
% (B-A)	(4.7%)	-	-	(10.6)	
(Reference) Last Year Fiscal	4,029	(126)	(70)	1,014	11,115.34yen

(Note) *Due to resolution by Board of Directors on Aug 8, 2013, the 200 for 1 stock split will be conducted on Jan 1, 2014.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2013	(Thousand yen) As of Sep 30, 2013
(Assets)		
Current assets		
Cash and deposits	1,846,838	5,048,414
Notes and accounts receivable-trade	882,051	601,086
Merchandise and finished goods	671,416	712,518
Work in process	252,594	221,938
Raw materials and supplies	106,148	167,981
Deferred tax assets	469,841	17,309
Accounts receivable-other	1,559,756	31,393
Others	136,883	100,160
Allowance for doubtful accounts	(844)	(836)
Total current assets	5,924,687	6,899,966
Noncurrent assets		
Property, plant and equipment	1,046,756	1,111,774
Intangible assets	55,098	68,992
Investments and other assets	4,462,261	107,884
Total noncurrent assets	5,564,116	1,288,651
Total assets	11,488,803	8,188,617
(Liabilities)		
Current liabilities		
Accounts payable-trade	366,426	432,514
Short-term loans payable	300,000	300,000
Current portion of long-term loans payable	584,702	547,968
Lease obligations	2,795	2,450
Income taxes payable	59,920	725,213
Provision for bonus	11,578	41,288
Others	198,759	299,316
Total current liabilities	1,524,182	2,348,751
Noncurrent liabilities		
Long-term loans payable	803,812	666,790
Lease obligations	4,935	4,453
Deferred tax liabilities	859,497	47,268
Provision for pension	55,294	56,278
Others	89	73
Total fixed liabilities	1,723,629	774,865
Total liabilities	3,247,812	3,123,617

	As of June 30, 2013	(Thousand yen) As of Sep 30, 2013
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,165,627	2,295,106
Total shareholders' equity	3,634,820	4,764,300
Other comprehensive income		
Other gain from revaluation of securities	1,341,142	-
Foreign currency translation adjustment	(52,205)	(40,802)
Total of comprehensive income	1,288,936	(40,802)
Minority interests	3,317,234	341,502
Total net assets	8,240,991	5,065,000
Total liabilities and net assets	11,488,803	8,188,617

(2) Consolidated Income Statements

	First three months ended September 30, 2012	(Thousand yen) First three months ended September 30, 2013
Net Sales	839,682	911,573
Cost of sales	677,345	602,259
Gross Profit	162,337	309,313
Selling, general and administrative expenses	360,495	441,751
Operating Income	(198,158)	(132,437)
Non-operating income		
Interest income	101	126
Foreign exchange gain	-	7,639
Subsidy income	893	1,315
Tax Refund	37	37,706
Others	534	340
Total non-operating income	1,566	47,128
Non-operating expenses		
Interest expenses	4,139	4,622
Foreign exchange loss	2,957	-
Others	2	158
Total non-operating expenses	7,099	4,780
Ordinary income and (loss)	(203,690)	(90,089)
Extraordinary income		
Gain on disposal of fixed asset	-	540
Gain on sales of investment securities	-	3,822,683
Gain Negative Goodwill	13,449	-
Total extraordinary income	13,449	3,823,223
Extraordinary loss		
Loss on disposal of fixed asset	-	56
Loss on sales of investment securities	3,645	-
Loss on additional stock acquisition	9,141	-
Total extraordinary loss	12,787	56
Income before income taxes and others	(203,028)	3,733,076
Income taxes-current	3,709	715,479
Income taxes-deferred	(11,110)	457,364
Total income taxes	(7,401)	1,172,843
Income before minority interests	(195,627)	2,560,233
Minority interests	(2,386)	1,220,855
Net income	(193,241)	1,339,377

(3) Consolidated Comprehensive Income Statements

	First three months ended September 30, 2012	(Thousand yen) First three months ended September 30, 2013
Income (losses) before minority interests	(195,627)	2,560,233
Other comprehensive income		
Other gain from revaluation of securities	-	(3,500,651)
Foreign currency transaction adjustment	4,459	11,402
Total of other comprehensive income	4,459	(3,489,249)
Comprehensive income	(191,167)	(929,015)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(188,781)	9,638
Comprehensive income attributable to minority income	(2,386)	(938,654)