

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For the First Six Months of the Fiscal Year, Ending June 30 2014
(From July 1, 2013 to December 31, 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 Six Months of the Fiscal Year, Ending June 30 2014
(From July 1, 2013 to December 31, 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 six months ended								
December 31, 2013	1,907	(2.0)	(223)	----	(130)	----	1,289	----
December 31, 2012	1,947	13.0	(121)	----	(86)	----	(154)	----

(Reference) Comprehensive income: 926 million yen loss for the First six months ended December 31, 2013
52 million yen loss for the First six months ended December 31, 2012

	Net income per share	Diluted net income per share
	Yen	Yen
First six months ended		
December 31, 2013	70.64	----
December 31, 2012	(8.47)	----

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, 2014.

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Asset per share
	Million yen	Million yen	%	yen
As of				
December 31, 2013	8,037	5,067	58.8	258.76
FY 2014 ended June 30, 2014	11,488	8,240	42.9	269.76

(Reference) Equity: 4,722 million yen as of December 31, 2013

4,923 million yen as of June 30, 2013

Due to conduct the 200 for 1 stock split on Jan 1, 2014, Net Asset per share is estimated on the presumption for conducting the 200 for 1 stock split on July 1, 2014.

2. Dividend

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

(Note)1, Due to conduct the 200 for 1 stock split on Jan 1, 2014, Dividend per share is estimated

on the presumption for conducting the 200 for 1 stock split on July 1, 2014.

(Without dividend, Dividend per share is 3,000Yen.)

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 fiscal year ending June 30, 2014	4,360	8.2	(250)	----	(225)	----	1,200	18.3	65.75

(Note) 1, 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, 2014.

(Without dividend, Net income per share is 13,149.24Yen.)

4. Others

- (1) **Change in scope of consolidated subsidiaries during FY 2014 ending June 30, 2014: 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 December 31, 2013; 91,260 at June 30, 2013
 - b) **Number of treasury stocks at the end of period**
None at December 31, 2013; None at June 30, 2013
 - c) **Average number of outstanding stocks**
91,260 for First six months ended December 31, 2013;

91,260 for First six months ended December 31, 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 six months of current fiscal year, ended December 31, 2013, the net sales slightly decreased by 2.0% compared to the same period of previous fiscal year to 1,907 million yen as the sales of customized product sales except for PSS by NPS decreased. On the other hand gross profit increased 12.9% to 687 million yen, as our main sales is export products and gross margin was improved by depreciating Japanese Yen.

At the same time, the amount of selling, general and administrative expenses was increased 24.7% to 911 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 223 million yen (121 million yen loss in the previous year). While ordinary income became 130 million yen loss (86 million yen loss in the previous year), the net income of 1,289 million yen was recorded (net loss for previous year was 154 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. The income before minority interests of 2,513 million yen was recorded, as 50% of Bio Contents Fund LLP was funded by minority interests.

Sales by each customer:

(Unit: Million yen)

	First six months ended December 31, 2012		First six months ended December 31, 2013		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	662	34.0	596	31.2	(10.0)	1,119	27.8
QIAGEN Group	309	15.9	327	17.2	5.9	638	15.9
Others	975	50.1	983	51.6	0.8	2,270	56.3
Total	1,947	100.0	1,907	100.0	(2.0)	4,029	100.0

Sales by each product category:

(Unit: Million yen)

	First six months ended December 31, 2012		First six months ended December 31, 2013		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Instruments	1,066	54.8	1,144	60.0	7.3	2,351	58.4
Reagent kits & Consumable	479	24.6	481	25.2	0.4	940	23.3
Maintenance	134	6.9	146	7.7	9.2	297	7.4
Customized product	262	13.5	130	6.8	(50.3)	430	10.7
Others	5	0.2	5	0.3	4.7	9	0.2
Total	1,947	100.0	1,907	100.0	(2.0)	4,029	100.0

*From this first six months ended December 31 2013, the sales by each product category is changed. Based on last year's each product category, a)DNA auto-extractors 922 Million yen b)Reagent/plastic consumables 481 Million yen c)Maintenance and related items 146 Million yen d)Others 357 Million yen.

(1)Instruments

During six months ended December 31,2013, the sales in this category increased 7.3% to 1,144 million yen.

As the operating expenses increased 16,1% to 1,124 million yen, the operating income decreased 80.2% to 19 million yen. 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 1.9% to 875 million yen. As the operating expenses increased 12.9% to 810 million yen, the operating income loss decreased 54.0% to 64 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 29.4% to 268 million yen. As the operating expenses increased 25.5% to 314 million yen, the operating incomes loss recorded 45 million yen(42 million yen loss in the previous year).

(2)Reagents kits and Consumable

This category consists of PSS Brand Reagent for sample preparation and exclusively designed plastic consumables (tips and cartridges) for those PSS instruments. The sales in this category increased 0.4% to 481 million yen. As the operating expenses decreased 1.1% to 450 million yen, the operating incomes increased 30.3% to 30 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 9.2% to 146 million yen. As the operating expenses decreased 0.8% to 140 million yen, the operating incomes recorded 6 million yen(7 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.

(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 50.3% to 130 million yen. As the operating expenses decreased 56.4% to 107 million yen, the operating incomes recorded 22 million yen(49.7% 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 increased 4.7% to 5 million yen. As the operating expenses increased 63.1% to 9 million yen, the operating income loss recorded 4 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 six months of current fiscal year, total assets decreased 3,451 million yen from the amount as of June 30, 2013 to 8,037 million yen, because of the sales of investment securities about Bio Contents Fund LLP. Cash & deposits increased 2,746 million yen, Deferred tax asset decreased 457 million yen, Account receivable-other decreased 1,524 million yen and Investments and other assets decreased 4,357 million yen

(2)Liabilities

Total liabilities decreased 277million yen to 2,970 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 669 million yen and Deferred tax liability decreased 808 million yen.

(3)Net Assets

Total net assets were 5,067 million yen, decreasing 3,173 million yen compared with the amount of as of June 30, 2013. With net profit for the period, retained earnings increased 1,079 million yen for net income 1,289 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 2,972 million yen.

Cash flows

During FY 2013 from July 1, 2013 to December 31, 2013, cash and cash equivalents increased 2,746 million yen to 4,573 million yen.

(1)Cash flows from operating activities increased 64 million yen (111 million decreased during the same period of previous year). There was cash flow increased due to depreciation (89 million yen) and decrease account receivable (175 million yen), while there was cash flow decrease due to gain from sales of investment securities (3,822 million yen), increase of inventory (80 million yen), etc.

(2)Cash flows from investing activities increased 5,129 million yen (43 million decreased during the same period of previous year). There was increase of 5,344 million yen due to gain on sales of investment securities, while There was decrease due to purchase of property, plant and equipment (175 million yen), etc.

(3)Cash flows from financing activities decreased 2,491 million yen (324 million increased during the same period of previous year). There was increase of long term loans (300million yen), while there was decrease of repayment of long- term loans (278 million yen), short-term loans (300 million yen), dividend payment (208 million yen) and cash allotments paid to minority (2,002 million yen) etc.

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

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. 4) Gross profit will be decreased for increasing the manufacturing cost for developing new products more than we expect. 5) The amount of selling, general and administrative expenses will be increased comparing to Last forecast due to the additional expense of human resources, R&D, Patent for developing new products & business operation .
- As for foreign exchange rate, we estimate as 1Euro=131.07 yen and 1US\$=98.96yen.

For fiscal year ending June 30, 2014

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Forecast	4,360	-250	-225	1,200	65.75yen
(Reference) Last Fiscal Year	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 Dec 31, 2013
(Assets)		
Current assets		
Cash and deposits	1,846,838	4,593,591
Notes and accounts receivable-trade	882,051	749,711
Merchandise and finished goods	671,416	705,324
Work in process	252,594	279,493
Raw materials and supplies	106,148	101,722
Deferred tax assets	469,841	12,374
Accounts receivable-other	1,559,756	35,459
Others	136,883	128,500
Allowance for doubtful accounts	(844)	(998)
Total current assets	5,924,687	6,605,179
Noncurrent assets		
Property, plant and equipment	1,046,756	1,222,896
Intangible assets	55,098	114,521
Investments and other assets	4,462,261	95,150
Total noncurrent assets	5,564,116	1,432,568
Total assets	11,488,803	8,037,748
(Liabilities)		
Current liabilities		
Accounts payable-trade	366,426	450,671
Short-term loans payable	300,000	-
Current portion of long-term loans payable	584,702	597,991
Lease obligations	2,795	2,132
Income taxes payable	59,920	729,023
Provision for bonus	11,578	14,048
Others	198,759	252,009
Total current liabilities	1,524,182	2,045,876
Noncurrent liabilities		
Long-term loans payable	803,812	811,559
Lease obligations	4,935	3,970
Deferred tax liabilities	859,497	51,159
Provision for pension	55,294	57,397
Others	89	57
Total fixed liabilities	1,723,629	924,144
Total liabilities	3,247,812	2,970,021

	As of June 30, 2013	(Thousand yen) As of Dec 31, 2013
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	1,165,627	2,245,008
Total shareholders' equity	3,634,820	4,714,201
Other comprehensive income		
Other gain from revaluation of securities	1,341,142	-
Foreign currency translation adjustment	(52,205)	8,708
Total of comprehensive income	1,288,936	8,708
Minority interests	3,317,234	344,817
Total net assets	8,240,991	5,067,727
Total liabilities and net assets	11,488,803	8,037,748

(2) Consolidated Income Statements

	First six months ended December 31, 2012	(Thousand yen) First six months ended December 31, 2013
Net Sales	1,947,396	1,907,525
Cost of sales	1,338,517	1,219,835
Gross Profit	608,878	687,690
Selling, general and administrative expenses	730,847	911,074
Operating Income	(121,968)	(223,384)
Non-operating income		
Interest income	504	526
Foreign exchange gain	37,273	41,873
Subsidy income	2,626	10,478
Tax Refund	-	37,706
Insurance Refund	164	7,459
Others	3,159	3,490
Total non-operating income	43,727	101,535
Non-operating expenses		
Interest expenses	8,686	8,903
Others	2	160
Total non-operating expenses	8,688	9,063
Ordinary income and (loss)	(86,929)	(130,912)
Extraordinary income		
Gain on sales of investment securities	33	3,822,683
Gain on disposal of fixed asset	-	774
Gain Negative Goodwill	13,449	-
Total extraordinary income	13,482	3,823,457
Extraordinary loss		
Loss on disposal of fixed asset	3	223
Loss on sales of investment securities	12,364	-
Loss on additional stock acquisition	9,141	-
Total extraordinary loss	21,509	223
Income before income taxes and others	(94,955)	3,692,321
Income taxes-current	4,986	711,446
Income taxes-deferred	21,069	467,376
Total income taxes	26,056	1,178,823
Income before minority interests	(121,012)	2,513,497
Minority interests	33,493	1,224,218
Net income	(154,506)	1,289,279

(3) Consolidated Comprehensive Income Statements

	First six months ended December 31, 2012	(Thousand yen) First six months ended December 31, 2013
Income (losses) before minority interests	(121,012)	2,513,497
Other comprehensive income		
Other gain from revaluation of securities	-	(3,500,651)
Foreign currency transaction adjustment	68,304	60,913
Total of other comprehensive income	68,304	(3,439,738)
Comprehensive income	(52,708)	(926,240)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(86,201)	9,050
Comprehensive income attributable to minority income	33,493	(935,291)

(4) Consolidated Statements of Cash flows

	First six months ended December 31,2012	(Thousand yen) First six months ended December 31,2013
(Operating activities)		
Income before income taxes	(94,955)	3,692,321
Depreciation and amortization	81,305	89,287
Negative Goodwill gain	(13,449)	----
Increase (decrease) in provision	19,200	4,588
Interest and dividend income	(504)	(526)
Interest expenses	8,686	8,903
Insurance Refund	(164)	(7,459)
Loss (gain) on sales of property, plant and equipment	----	(774)
Loss on disposal of property, plant and equipment	3	223
Loss (gain) from sales of investment securities	(33)	(3,822,683)
Loss (gain) on valuation of investment securities	12,364	----
Loss on additional stock acquisition	9,141	----
Decrease (increase) in notes and accounts receivables	144,121	175,235
Decrease (increase) in inventories	(232,134)	(80,882)
Increase (decrease) in notes and accounts payable	34,470	37,675
Others	(55,463)	22,128
Sub-total	(87,411)	118,039
Interest and dividends income received	504	395
Interest expenses paid	(9,182)	(8,931)
Income taxes paid	(15,443)	(44,594)
Net cash provided by operating activities	(111,533)	64,908
(Investing activities)		
Purchase of property, plant and equipment	(49,771)	(175,158)
Proceeds from sales of property, plant and equipment	4,174	6,192
Purchase of non-tangible asset	(24,430)	(33,708)
Gain on sales of investment securities	3,045	5,344,684
Gain on additional stock acquisition to change the scope of consolidation	26,356	----
Payment of additional stock about affiliated company	----	(30,000)
Payment of insurance premium	(2,944)	(2,140)
Revenue from cancellation of insurance premium	550	19,958
Net cash provided by investing activities	(43,019)	5,129,827
(Financing activities)		
Proceeds from short-term loans payable	400,000	(300,000)
Proceeds from long-term loans payable	150,000	300,000
Repayment of long-term loans payable	(217,273)	(278,964)
Repayment of lease obligations	(5,918)	(1,627)
Cash dividends paid	(91)	(208,270)

Cash dividends paid to minority	(1,928)	---
Cash allotments paid to minority	---	(2,002,686)
Net cash provided by financing activities	324,788	(2,491,548)
Effect of exchange rate change on cash and cash equivalents	46,382	43,564
Net increase (decrease) in cash and cash equivalents	216,618	2,746,752
Cash and cash equivalents at beginning of period	1,762,392	1,826,838
Cash and cash equivalents at end of period	1,979,010	4,573,591