

## Precision System Science Co., Ltd.

### SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the First Three Months of the Fiscal Year, Ending June 30 2018 (From July 1, 2017 to September 30, 2017)

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/english/>

#### 1. Consolidated financial data for the First Three Months of the Fiscal Year, Ending June 30 2018

(From July 1, 2017 to September 30, 2017)

##### (1) Consolidated operating results

(Million yen, fractional amounts rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Quarter net income attributable to parent company shareholders	
First three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>September 30, 2017</b>	<b>806</b>	<b>3.2</b>	<b>(132)</b>	<b>----</b>	<b>(129)</b>	<b>----</b>	<b>(131)</b>	<b>----</b>
September 30, 2016	781	(25.8)	(171)	----	(175)	----	(179)	----

(Reference) Comprehensive income: 114 million yen loss for the First three months ended September 30, 2017

185 million yen loss for the First three months ended September 30, 2016

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
<b>September 30, 2017</b>	<b>(5.69)</b>	<b>----</b>
September 30, 2016	(8.64)	----

##### (2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
As of	Million yen	Million yen	%	yen
<b>September 30, 2017</b>	<b>5,609</b>	<b>3,636</b>	<b>64.8</b>	<b>157.67</b>
June 30, 2017	5,804	3,751	64.6	162.63

(Reference) Equity: 3,636 million yen as of September 30, 2017

3,751 million yen as of June 30, 2017

## 2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017 ended June 30, 2017	----	0.00	----	0.00	0.00
<b>FY 2018 ending June 30, 2018</b>	----	----	----	----	----
FY 2018 ending June 30,2018(Forecast)	----	0.00	----	0.00	0.00

(Note) Revision to previous forecast of Dividend during the current three months: No

## 3. Business Forecasts for the fiscal year (From July 1, 2017 to June 30, 2018)

	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, 2017	2,250	16.1	(290)	----	(300)	----	(305)	----	(13.22)
For fiscal year ending June 30, 2018	5,000	30.0	(100)	----	(120)	----	(130)	----	(5.63)

(Note) Revision to previous forecast of Business Forecasts during the current three months: No

## 4. Others

(1) Change in scope of consolidated subsidiaries during FY 2018 ending June 30, 2017: 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)

a) Number of outstanding stocks (including treasury stock)

23,066,900 at September 30, 2017; 23,066,900 at June 30, 2017

b) Number of treasury stocks at the end of period

None at September 30, 2017; None at June 30, 2017

c) Average number of outstanding stocks

23,066,900 for First three months ended September 30, 2017

20,756,900 for First three months ended September 30, 2016

\* 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

During fiscal year ended September 30 2017, the Japanese economy remained on a recovery path by monetary easing of government. While personal consumption grew at a sluggish pace, world economies generally continued their modest recovery, but the outlook grew uncertain.

In these circumstances, PSS Group has been focusing on manufacturing and sales of automated instruments (For sample preparation or fully automated machine) 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) as well as our own brand distribution through PSS overseas subsidiaries in Europe and USA or domestic distributor.

For the current consolidated fiscal period, the Net Sales increased by 3.2% in comparison to the same period of previous fiscal year to 806 million yen and the Gross Profit increased by 8.6% to 277 million yen. And the sales of fully automated DNA testing machine for Elitech that had been launched since September in 2015 was good performance as much as the sales in last fiscal year, and the Net Sales and Gross Profit increased compared to the same period of previous fiscal year.

With regard to the expenses, R&D expenses increased by 8.0% in comparison to the same period of previous fiscal year to 142 million yen. Overall SG&A expenses decreased by 4.1% in comparison to the same period of previous fiscal year to 409 million yen and the Operating Loss decreased from -171 million yen to -132 million yen. Consequently, the ordinary loss was -129 million yen in comparison to -175 million for the same period of previous fiscal year and the net loss attributable to parent company shareholders was -131 million yen in comparison to -179million yen for the same period of previous fiscal year.

#### Sales by each product category:

(Unit: Million yen)

	First three months ended September 30, 2016		First three months ended September 30, 2017		Year on year increase	(Reference) Last Year Fiscal	
	Amount	ratio	Amount	Ratio	%	Amount	Ratio
Instruments	346	44.3	412	51.2	19.2	1,978	51.4
Reagent kits & Consumable	277	35.5	237	29.4	(14.6)	1,099	28.6
Maintenance	60	7.8	69	8.6	13.8	295	7.7
Customized product	96	12.4	87	10.8	(9.7)	473	12.3
Total	781	100.0	806	100.0	3.2	3,847	100.0

### **(1)Instruments**

During first three months ended September 30, 2017, the sales in this category increased 19.2% to 412 million yen. As the operating expenses increased 9.0% to 400 million yen, the operating income increased to 12 million yen (20million yen loss in the previous year). 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 26.9 % to 276 million yen. As the operating expenses increased 17.3% to 248 million yen, the operating income recorded increased 365.0% to 27 million yen. Although the sales is changing by OEM sales or inventory at quarterly, the sales were increased to the same period of previous fiscal year for increasing the sales of USA OEM and PSS Brand.

#### **(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 6.1% to 136 million yen. The operating expenses decreased 2.3% to 152 million yen, the operating loss recorded -15 million yen (-26 million yen in the previous year).

Although the sales of fully automated gene diagnosis system have been steadily increasing through OEM partners, the sales of other OEM partners were decreased 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. Although most reagent is manufacture by OEM partners, plastic consumables is exclusively manufacture by PSS. And our reagent manufacturing facility “Odate Reagent Center” manufactures the reagent not only for Elitech, but also PSS. The sales in this category decreased 14.6% to 237 million yen. As the operating expenses decreased 17.6% to 235 million yen, the operating incomes was 1 million yen (8 million loss yen in the previous year). This segment is expected to grow in accordance with cumulative sales quantity of PSS instruments. Although the sales were decreased compared to the same period of previous fiscal year, we believe that a constant growth can be expected in the near future considering current OEM business status.

### **(3)Maintenance**

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category increased 13.8% to 69 million yen. As the operating expenses increased 6.3% to 56 million yen, the operating incomes recorded 12 million yen (67.1% increase in the previous year).

This segment is expected to grow in accordance with cumulative sales quantity of PSS instruments and the sales & revenue is increased compared to the same period of previous 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 9.7% to 87 million yen. As the operating expenses

decreased 13.1% to 80million yen, the operating income recorded 7 million yen (58.1% increase in the previous year).This segment is not our main business, but also gaining business for NPS.

#### **(5)Others**

This category consists of sales except above 1~4 which is mainly PSS capital, Bio Contents Fund LLP, which have been dissolved for obtaining excellent results and is excluded in this fiscal year.

### **2. Analysis of Financial Conditions:**

#### **Assets, Liabilities and Net Assets**

##### **(1)Assets**

In the first three months of current fiscal year, total assets decreased 194 million yen from the amount as of June 30, 2017 to 5,609 million yen. Account receivable-other decreased 93 million yen, inventory decreased 26 million yen and other assets decreased 209 million yen. On the other hand, Cash & deposits increased 116 million yen and noncurrent assets increased 18 million yen.

##### **(2)Liabilities**

Total liabilities decreased 80 million yen to 1,972 million yen compared with the amount as of June 30, 2017. Accounts payable-trade decreased 96 million yen, income taxes payable decreased 15 million yen and others decreased 30 million yen. On the other hand, current portion of long-term loans payable increased 49 million yen, provision for bonus increased 33 million yen.

##### **(3)Net Assets**

Total net assets were 3,636 million yen, decreased 114 million yen compared with the amount of as of June 30, 2017. With net profit for the period, retained earnings decreased 131 million yen for Quarter net loss attributable to parent company shareholders. On the other hand, foreign currency translation adjustment increased 16 million yen.

### **3. Business Forecasts for the fiscal year (From July 1, 2016 to June 30, 2017)**

We do not change our business forecast for this fiscal year for considering current financial results and status.

## Consolidated financial statements

### (1) Consolidated Balance Sheets

	As of June 30, 2017	(Thousand yen) As of September 30, 2017
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	2,443,598	2,560,366
Notes and accounts receivable-trade	821,828	728,371
Merchandise and finished goods	836,601	630,905
Work in process	201,045	305,595
Raw materials and supplies	411,849	486,022
Deferred tax assets	4,037	4,058
Others	318,658	108,730
Allowance for doubtful accounts	(1,756)	(1,546)
<b>Total current assets</b>	<b>5,035,863</b>	<b>4,822,505</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	709,290	725,754
Intangible assets	2,202	3,917
Investments and other assets	57,271	57,499
<b>Total noncurrent assets</b>	<b>768,763</b>	<b>787,171</b>
<b>Total assets</b>	<b>5,804,627</b>	<b>5,609,676</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	348,030	251,082
Short-term loans payable	500,000	500,000
Current portion of long-term loans payable	321,079	370,596
Income taxes payable	22,548	7,496
Provision for bonus	10,670	44,659
Others	183,492	153,194
<b>Total current liabilities</b>	<b>1,385,820</b>	<b>1,327,030</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	628,017	620,122
Deferred tax liabilities	6,168	6,300
Provision for product warranties	1,125	1,012
Others	32,160	18,249
<b>Total fixed liabilities</b>	<b>667,470</b>	<b>645,684</b>
<b>Total liabilities</b>	<b>2,053,291</b>	<b>1,972,714</b>

(Thousand yen)

	As of June 30, 2017	As of September 30, 2017
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	3,401,899	3,401,899
Capital surplus	1,309,494	1,309,494
Retained earnings	(921,691)	(1,052,915)
Total shareholders' equity	3,789,702	3,658,479
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	(38,366)	(21,516)
Total of comprehensive income	(38,366)	(21,516)
Total net assets	3,751,335	3,636,962
<b>Total liabilities and net assets</b>	5,804,627	5,609,676

## (2) Consolidated Income Statements

	First three months ended September 30,2016	(Thousand yen) First three months ended September 30,2017
<b>Net Sales</b>	781,966	806,686
<b>Cost of sales</b>	526,043	528,793
<b>Gross Profit</b>	255,923	277,892
<b>Selling, general and administrative expenses</b>	427,451	409,979
<b>Operating income and (loss)</b>	(171,528)	(132,086)
<b>Non-operating income</b>		
Commission fee	26	2,533
Profit on sales	----	2,750
Interest income	64	114
Subsidy income	5,202	----
Gain on forfeiture of unclaimed dividends	3,105	1,149
Others	471	286
Total non-operating income	8,870	6,834
<b>Non-operating expenses</b>		
Interest expenses	3,284	3,404
Foreign exchange loss	9,323	474
Others	0	0
Total non-operating expenses	12,608	3,879
<b>Ordinary income and (loss)</b>	(175,266)	(129,131)
<b>Extraordinary income</b>		
Gain on sales of fixed asset	9	----
Total extraordinary loss	9	----
<b>Extraordinary loss</b>		
Loss on sales of fixed asset	561	----
Loss on disposal of fixed asset	98	----
Total extraordinary loss	659	----
Income before income taxes and others and (loss)	(175,916)	(129,131)
Income taxes-current	2,061	1,955
Income taxes-deferred	1,463	136
Total income taxes	3,524	2,092
Net Income and (loss)	(179,441)	(131,223)
<b>Quarter net income attributable to parent company shareholders and (loss)</b>	<b>(179,441)</b>	<b>(131,223)</b>



### (3) Consolidated Comprehensive Income Statements

	First three months ended September 30,2016	(Thousand yen) First three months ended September 30,2017
Net Income	(179,441)	(131,223)
Other comprehensive income		
Foreign currency transaction adjustment	(6,071)	16,849
Total of other comprehensive income	(6,071)	16,849
<b>Comprehensive income</b>	<b>(185,513)</b>	<b>(114,373)</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	(185,513)	(114,373)