

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

For the First Three Months of the Fiscal Year, Ending 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 on: JASDAQ (Standard)
Code Number: 7707
URL: <http://www.pss.co.jp/>

1. Consolidated financial data for the first three months of fiscal year ending June 30, 2012

(From July 1, 2011 to September 30, 2011)

(1) Consolidated operating results (cumulative)

(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, 2011	822	(10.7)	(20)	----	(48)	----	(58)	----
September 30, 2010	920	(20.7)	0	(99.8)	(6)	----	3	(97.3)

	Net income per share	Diluted net income per share
	Yen	Yen
First three months ended		
September 30, 2011	(642.88)	----
September 30, 2010	37.64	----

(2) Consolidated financial position

	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
As of			
September 30, 2011	4,795	2,765	54.3
June 30, 2011	4,602	2,861	58.8

(Reference) Equity: As of September 30, 2011: 2,605 million yen As of September 30, 2010: 2,704 million yen

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended June 30, 2011	----	0.00	----	0.00	0.00
FY ended June 30, 2012	----	----	----	----	----
Forecast for current FY		0.00	----	0.00	0.00

(Note) Revision to dividend forecast during the current three months: None

3. Business Forecasts for the fiscal year (from July 1, 2011 to June 30, 2012)

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen %	Million yen %	Million yen %	Million yen %	
For first six months	1,960 (28.2)	20 ----	15 ----	5 ----	54.79
For fiscal year ending June 30, 2012	4,000 (27.3)	40 ----	30 ----	10 ----	109.58

(Note) Revision to previous forecast of operation during the current three months: None

4. Others

- (1) Change in scope of consolidated subsidiaries during the three months period: None
- (2) Adoption of simplified accounting method or accounting method specific 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, 2011; 91,260 at September 30, 2010
 - b) Number of treasury stocks at the end of period
None at September 30, 2011; none at September 30, 2010
 - c) Average number of outstanding stocks
91,260 from July 1 to September 30, 2011; 91,260 July 1 to September 30, 2010

* 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, 2011, net sales decreased by 10.7% compared to the same period of previous fiscal year to 822 million yen, while gross profit decreased 10.9% to 318 million yen largely due to slow shipment to Roche Group and US OEM customers.

The selling, general and administrative expenses recorded 339 million yen (5.1% down compared to the previous year) ; as a result, operating loss became 20 million yen (0 million yen in the previous year) , while ordinary income recorded 48 million yen loss with foreign exchange loss of 19 million yen. The net loss of 58 million yen was recorded (net income of 3 million yen in the same period of previous year)

Net sales by each customer are as follows: (Unit: Million yen)

	For 3 months ended June 30, 2010		For 3 months ended June 30, 2011		Year on year increase	Fiscal year ended June 30, 2011	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	297	32.3	177	21.6	(40.4)	944	30.1
QIAGEN Group	174	19.0	247	30.1	41.7	700	22.3
Other OEMs	369	40.1	211	25.8	(42.6)	1,136	36.1
PSS brand	79	8.6	185	22.5	133.8	360	11.5
Total	920	100.0	822	100.0	(10.7)	3,142	100.0

The shipment of DNA extractors to Roche Group was inactive 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. The sales to Qiagen Group expanded partly due to demand related to The Great East Japan Earthquake. Sales to US OEM partners decreased in the three months period; yet, the sales should recover as sample preparation market before next generation sequencer is expanding. The PSS brand sales doubled due to successful sale of NanoString systems as well as expanding shipment of instruments and reagents related to epigenetics. .

The sales by each product category: (Unit: Million yen)

	For 3 months ended June 30, 2010		For 3 months ended June 30, 2011		Year on year increase	Fiscal year ended June 30, 2010	
	amount	ratio	amount	ratio	%	amount	ratio
DNA auto extractors	623	67.7	456	55.6	(26.7)	1,990	63.3
Reagents/plastic consumables	231	25.1	220	26.8	(5.0)	790	25.2
Maintenance	61	6.7	57	7.0	(5.6)	311	9.9
Others	4	0.5	87	10.6	—	49	1.6
Total	920	100.0	822	100.0	(10.7)	3,142	100.0

(Note) Starting this fiscal year, we have changed product categorization. Those figures based on previous categorization are: 456 million yen for DNA auto extractor, 196 million yen for plastic consumables, 87 million yen for other laboratory equipment and 81 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 the three months ended September 30, 2011, the sales on this category decreased 26.7 % to 456 million yen due to inactive sales to Roche Group and US OEM partners.

Quarterly sales of automated systems are shown in below charts.

	Fiscal year ended June 30, 2011				(Unit: Thousand yen) Current fiscal year ending June 30, 2012
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
Units sold	316	169	281	244	243
Amount	623,144	355,111	546,226	466,266	456,905
Unit price	1,971	2,101	1,943	1,910	1,880

b) Reagents/plastic consumables

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

During the three months, the sales of this category decreased 5.0 % year on year to 220 million yen. As the sales of this category generally tend to increase proportionally to the cumulative number of systems sold, the steady sales growth is expected in the future.

c) Maintenance

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

During the three months, sales in this category amounted to 57 million yen (5.6% down compared to the previous year). Since sales of this category tend to increase in direct proportion to the cumulative number of systems sold, 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, agent revenue for products of other companies. As there were successful sales of NanoString products, the sales of this category recorded 87 million yen.

Information by area segments is as follows:

(1) Japan

During the three months ended September 30, 2011, the sales in Japan decreased 5.0% compared to the previous year to 694 million yen, of which sales to non-PSS group decreased 44.3% to 249 million yen. The sales to Roche Group and US OEM partners were slow, while those to Japanese customers (notably PSS brand products) were brisk. As the operating expenses decreased to 673 million yen (8.0% decrease), the operating income recoded 20 million yen (1 million yen loss in the previous year).

(2) USA

The sales in the United States sharply decreased 52.5% to 121 million yen due to the slow sales to US OEM partners. As operating expenses decreased 47.7% to 124 million yen, operating loss of 3 million yen was recorded (operating income of 18 million yen in the previous year)

(3) Germany

The sales in Germany for the three months period decreased 8.5% to 452 million yen as shipments to Roche Group were slow. With operating expenses of 440 million yen (6.4% decrease), operating income decreased 50.1% to 11 million yen.

2. Analysis of Financial Conditions:

As of September 30, 2011, total assets increased 193 million yen compared with the amount as of June 30, 2011 to 4,795 million yen. Cash & deposits increased 260 million yen while noncurrent assets decreased 42 million yen due to depreciation, etc.

Total liabilities increased 289 million yen to 2,030 million yen compared with the amount as of June 30, 2011. In current liabilities, short-term loans payable increased 100 million yen and current portion of long-term loans payable increased 106 million yen, while bond due within one year decreased 200 million yen. In noncurrent liabilities, long-term loans payable increased 330 million yen.

Total net assets were 2,765 million yen, decreasing 96 million yen compared with the amount of as of June 30, 2011. As retained earnings decreased 58 million yen due to net loss, foreign currency translation adjustments decreased 41 million yen, while minority interests increased 3 million yen

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2011	(Thousand yen) As of September 30, 2011
(Assets)		
Current assets		
Cash and deposits	1,990,458	2,251,428
Notes and accounts receivable-trade	551,405	558,299
Inventories	689,475	727,777
Work in process	44,385	64,146
Raw materials and supplies	30,417	36,120
Deferred tax assets	21,792	20,685
Others	148,047	64,455
Allowance for doubtful accounts	(1,819)	(2,061)
Total current assets	3,474,163	3,720,851
Noncurrent assets		
Property, plant and equipment	821,078	779,061
Intangible assets	23,836	22,398
Investments and other assets	283,477	273,320
Total noncurrent assets	1,128,392	1,074,780
Total assets	4,602,555	4,795,631
(Liabilities)		
Current liabilities		
Accounts payable-trade	232,078	239,868
Short-term loans payable	---	100,000
Current portion of bonds	200,000	---
Current portion of long-term loans payable	233,387	340,033
Lease obligations	11,213	11,244
Income taxes payable	14,734	14,579
Provision for bonuses	5,916	29,300
Others	183,175	109,637
Total current liabilities	880,505	844,663
Noncurrent liabilities		
Long-term loans payable	807,235	1,137,847
Lease obligations	13,601	10,778
Deferred tax liabilities	38,399	36,474
Others	991	830
Total fixed liabilities	860,227	1,185,930
Total liabilities	1,740,733	2,030,593

	As of June 30, 2011	(Thousand yen) As of September 30, 2011
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	340,298	281,629
Total shareholders' equity	<u>2,809,492</u>	<u>2,750,823</u>
Other comprehensive income		
Foreign currency translation adjustment	(104,509)	(145,701)
Total of comprehensive income	<u>(104,509)</u>	<u>(145,701)</u>
Subscription rights to shares	3,049	3,049
Minority interests	153,790	156,866
Total net assets	<u>2,681,822</u>	<u>2,765,037</u>
Total liabilities and net assets	<u>4,602,555</u>	<u>4,795,631</u>

(2) Consolidated Income Statements

	For three months ended September 30, 2010	(Thousand yen) For three months ended September 30, 2011
Net Sales	920,904	822,177
Cost of sales	563,039	503,245
Gross Profit	357,865	318,931
Selling, general and administrative expenses	357,507	339,415
Operating Income	358	(20,483)
Non-operating income		
Interest income	752	143
Equity in earnings of affiliates	5,314	---
Amortization of negative goodwill	803	---
Subsidy income	---	649
Others	821	422
Total non-operating income	7,691	1,215
Non-operating expenses		
Interest expenses	4,870	3,846
Foreign exchange losses	9,614	19,908
Others	163	5,948
Total non-operating expenses	14,649	29,703
Ordinary profit and (loss)	(6,599)	(48,972)
Extraordinary income		
Gain on sales of noncurrent assets	180	---
Reversal of allowance for doubtful accounts	2,098	---
Total extraordinary income	2,278	---
Income before income taxes and others	(4,320)	(48,972)
Income taxes-current	35,705	8,546
Income taxes-deferred	(35,439)	(1,925)
Total income taxes	265	6,621
Income before minority interests	(4,586)	(55,593)
Minority interests	(8,021)	3,075
Net income	3,435	(58,668)

(3) Consolidated Comprehensive Income Statements

	For three months ended September 30, 2010	(Thousand yen) For three months ended September 30, 2011
Income (losses) before minority interests	(4,586)	(55,593)
Other comprehensive income		
Foreign currency transaction adjustment	17,768	(41,191)
Total of other comprehensive income	17,768	(41,191)
Comprehensive income	13,182	(96,785)
(Breakdown)		
Comprehensive income attributable to owners of parent company	21,203	(99,860)
Comprehensive income attributable to minority income	(8,021)	3,075