

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

### For the First Six 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 Market:** JASDAQ (Standard)  
**Code Number:** 7707  
**URL:** <http://www.pss.co.jp/>

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

(From July 1, 2011 to December 31, 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 six months ended								
<b>December 31, 2011</b>	<b>1,722</b>	<b>12.6</b>	<b>(49)</b>	<b>----</b>	<b>(79)</b>	<b>----</b>	<b>(95)</b>	<b>----</b>
December 31, 2010	1,529	(43.9)	(153)	----	(162)	----	(158)	----

(Reference) Comprehensive income: 144 million yen (loss) for 6 months ended December 31, 2011  
173 million yen (loss) for 6 months ended December 31, 2010

	Net income per share	Diluted net income per share
	Yen	Yen
First six months ended		
<b>December 31, 2011</b>	<b>(1,044.45)</b>	<b>----</b>
December 31, 2010	(1,738.79)	----

##### (2) Consolidated financial position

	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
As of			
<b>December 31, 2011</b>	<b>4,544</b>	<b>2,717</b>	<b>56.3</b>
June 30, 2011	4,602	2,861	58.8

(Reference) Equity: 2,559 million yen as of December 31, 2011; 2,704 million yen as of June 30, 2011

#### 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
<b>FY ended June 30, 2012</b>	----				
Forecast for current FY		0.00	----	0.00	0.00

(Note) Revision to latest dividend forecast: 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 fiscal year ending June 30, 2012	3,620	15.2	10	----	(30)	----	(60)	----	(657.46)

(Note) Revision to latest forecast of operation: None

### 4. Others

- (1) Change in scope of consolidated subsidiaries during the six 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 December 31, 2011; 91,260 at June 30, 2010
  - b) Number of treasury stocks at the end of period  
None at December 31, 2011; none at June 30, 2010
  - c) Average number of outstanding stocks  
91,260 from July 1 to December 31, 2011; 91,260 July 1 to December 31, 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 six months of current fiscal year, the net sales increased by 12.6% compared to the same period of previous fiscal year to 1,722 million yen, while gross profit increased 19.7% to 650 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 699 million yen (0.4% up compared to the previous year); as a result, we recorded operating loss of 49 million yen (153 million yen loss in the previous year) While ordinary income became 79 million yen in loss with foreign exchange loss of 24 million yen (162 million yen loss in the previous year) The net loss of 95 million yen was recorded (net loss for previous year was 158 million yen)

Sales by each customer: (Unit: Million yen)

	For 6 months ended December 31, 2010		For 6 months ended December 31, 2011		Year on year increase	Fiscal year ended June 30, 2011	
	amount	ratio	amount	ratio	%	amount	ratio
Roche Group	432	28.3	388	22.6	(10.1)	944	30.1
QIAGEN Group	394	25.8	491	28.5	24.6	700	22.3
Other OEMs	519	33.9	550	31.9	5.9	1,136	36.1
PSS own sales	183	12.0	292	17.0	59.7	360	11.5
Total	1,529	100.0	1,722	100.0	12.6	3,142	100.0

The shipment of DNA extractors to Roche Group declined to 388 million yen (10.1% 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. The sales to Qiagen Group expanded to 491 million yen (24.6% up) Sales to other

OEM partners increased to 550 million yen (5.9% up) as shipment to Life Technologies Corporation and Mitsubishi Chemical Medience Corporation expanded. 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)

	First 6 months of Previous fiscal year ended June 30, 2011		First 6 months of Current fiscal year ending June 30, 2012		yoy %	Full fiscal year ended June 30, 2011	
	amount	ratio	amount	ratio		amount	ratio
DNA auto extractors	978	63.9	1,001	58.1	2.4	1,990	63.3
Reagent/plastic consumables	349	22.9	453	26.3	29.6	790	25.2
Maintenance/spare parts	163	10.7	163	9.5	0.4	311	9.9
Others	38	2.5	104	6.1	171.0	49	1.6
<b>Total</b>	<b>1,529</b>	<b>100.0</b>	<b>1,722</b>	<b>100.0</b>	<b>12.6</b>	<b>3,142</b>	<b>100.0</b>

(Note) Starting this fiscal year, we have changed product categorization. Those figures based on previous categorization are: 1,001 million yen for DNA auto extractor, 402 million yen for plastic consumables, 104 million yen for other laboratory equipment and 214 million yen for other products.

#### a) DNA auto-extractors

This category consists of automated systems utilizing the PSS's internationally patented Magtration<sup>®</sup> 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 six months ended December 31, 2011, the sales in this category increased 2.4 % to 1,001 million yen as sales to Qiagen and Mitsubishi Chemical Medience Corporation expanded while shipment to Roche Group declined year on year.

### Quarterly sales of automated systems

(Unit: Thousand yen)

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

#### 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 the six months period, the sales of this category increased 29.6 % year on year to 453 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 the six months, sales in this category amounted to 163 million yen (0.4% 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-made automated instruments, development of new systems, sales agent revenue for products of other companies. As there were successful sales of NanoString products, the sales of this category increased 171.0% to 104 million yen.

## **Results by area segments:**

### **(1) Japan**

During the six months ended December 31, 2011, the sales for Japan increased 12.8% compared to the previous year to 1,437 million yen, of which sales to non-PSS group increased 91.1% to 517 million yen as sales to Mitsubishi Chemical Medience Corporation and PSS own sales expanded. As the operating expenses increased 3.1% to 1,426 million yen, the operating income recorded 11 million yen (108 million yen loss in the previous year).

### **(2) USA**

The sales for the United States decreased 28.0 % to 292 million yen. Although sales to Life Technologies Corporation were brisk, shipment to other OEM slowed. As operating expenses decreased 24.8% to 291 million yen, operating income of 1 million yen was recorded (94.4% down yoy)

### **(3) Germany**

The sales for Germany in the six months period increased 7.1% to 915 million yen led by shipments to Qiagen Group. With operating expenses of 884 million yen (5.0% up), operating income increased 147.2% to 31 million yen.

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

As of December 31, 2011, total assets decreased 57 million yen compared with the amount as of June 30, 2011 to 4,544 million yen. Notes and account receivable-trade increased 78 million yen and inventories increased 109 million yen, while cash & deposits decreased 105 million yen and noncurrent assets decreased 71 million yen due to depreciation, etc.

Total liabilities increased 86 million yen to 1,827 million yen compared with the amount as of June 30, 2011. In current liabilities, current portion of long-term loans payable increased 130 million yen, while bond due within one year decreased 200 million yen, accounts payable-trade decreased 60 million yen and other current

liabilities (accounts payable and accrued expenses, etc.) decreases 31 million yen. In noncurrent liabilities, long-term loans payable increased 239 million yen.

Total net assets were 2,717 million yen, decreasing 144 million yen compared with the amount of as of June 30, 2011. With net loss for the period, retained earnings decreased 95 million yen and foreign currency translation adjustments decreased 49 million yen.

**About business forecasts:**

On February 7, 2012, we revised our previous business forecasts as follows: (million yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)
<b>Forecasts for full fiscal year ending June 30, 2012</b>	<b>3,620</b>	<b>10</b>	<b>(30)</b>	<b>(60)</b>
Results for full fiscal year ended June 30, 2011	3,142	(432)	(424)	(366)

# Consolidated financial statements

## (1) Consolidated Balance Sheets

	As of June 30, 2011	(Thousand yen) As of December 31, 2011
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	1,990,458	1,885,394
Notes and accounts receivable-trade	551,405	629,499
Merchandise and finished goods	689,475	764,412
Work in process	44,385	67,744
Raw materials and supplies	30,417	41,170
Deferred tax assets	21,792	21,103
Others	148,047	89,897
Allowance for doubtful accounts	(1,819)	(3,762)
<b>Total current assets</b>	<b>3,474,163</b>	<b>3,495,460</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	821,078	749,672
Intangible assets	23,836	24,117
Investments and other assets	283,477	275,640
<b>Total noncurrent assets</b>	<b>1,128,392</b>	<b>1,049,430</b>
<b>Total assets</b>	<b>4,602,555</b>	<b>4,544,890</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	232,078	171,430
Current portion of bonds	200,000	---
Current portion of long-term loans payable	233,387	364,280
Lease obligations	11,213	11,275
Income taxes payable	14,734	23,145
Provision for bonuses	5,916	13,073
Others	183,175	151,325
<b>Total current liabilities</b>	<b>880,505</b>	<b>734,529</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	807,235	1,046,777
Lease obligations	13,601	7,948
Deferred tax liabilities	38,399	37,425
Others	991	677
<b>Total fixed liabilities</b>	<b>860,227</b>	<b>1,092,827</b>
<b>Total liabilities</b>	<b>1,740,733</b>	<b>1,827,357</b>



	As of June 30, 2011	(Thousand yen) As of December 31, 2011
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	340,298	244,982
<b>Total shareholders' equity</b>	<b>2,809,492</b>	<b>2,714,176</b>
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	(104,509)	(154,323)
<b>Total of comprehensive income</b>	<b>(104,509)</b>	<b>(154,323)</b>
<b>Subscription rights to shares</b>	<b>3,049</b>	<b>3,049</b>
<b>Minority interests</b>	<b>153,790</b>	<b>154,630</b>
<b>Total net assets</b>	<b>2,681,822</b>	<b>2,717,532</b>
<b>Total liabilities and net assets</b>	<b>4,602,555</b>	<b>4,544,890</b>

## (2) Consolidated Income Statements

	For six months ended December 31, 2010	(Thousand yen) For six months ended December 31, 2011
<b>Net Sales</b>	1,529,535	1,722,950
<b>Cost of sales</b>	986,291	1,072,895
<b>Gross Profit</b>	543,244	650,055
<b>Selling, general and administrative expenses</b>	697,083	699,571
<b>Operating Income</b>	(153,839)	(49,516)
Non-operating income		
Interest income	628	268
Equity in earnings of affiliates	7,466	---
Amortization of negative goodwill	1,606	---
Subsidy income	14,091	1,485
Insurance return	----	1,544
Others	2,520	2,321
<b>Total non-operating income</b>	26,313	5,620
Non-operating expenses		
Interest expenses	9,682	8,054
Foreign exchange losses	25,276	24,355
Others	441	3,430
<b>Total non-operating expenses</b>	35,400	35,840
<b>Ordinary profit and (loss)</b>	(162,926)	(79,736)
Extraordinary income		
Gain on sales of noncurrent assets	628	563
Reversal of allowance for doubtful accounts	3,105	---
Others	11	---
<b>Total extraordinary income</b>	3,746	563
Extraordinary loss		
Loss on expel of noncurrent assets	42	---
<b>Total extraordinary loss</b>	42	---
Income before income taxes and others	(159,233)	(79,173)
Income taxes-current	34,747	16,398
Income taxes-deferred	(19,400)	(1,095)
Total income taxes	15,346	15,303
<b>Income before minority interests</b>	(174,569)	(94,476)
<b>Minority interests</b>	(15,888)	839
<b>Net income</b>	<b>(158,681)</b>	<b>(95,316)</b>

### (3) Consolidated Comprehensive Income Statements

	For six months ended December 31, 2010	(Thousand yen) <b>For six months ended December 31, 2011</b>
Income (losses) before minority interests	(174,569)	(94,476)
Other comprehensive income		
Foreign currency transaction adjustment	687	(49,813)
Total of other comprehensive income	687	(49,813)
<b>Comprehensive income</b>	<b>(173,882)</b>	<b>(144,290)</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	(157,994)	(145,129)
Comprehensive income attributable to minority income	(15,888)	839

#### (4) Consolidated Statements of Cash Flows

(Thousand yen)

	From July1, 2010 to December 31, 2010	From July 1, 2011 to December 31, 2011
<b>Net cash provided by operating activities</b>		
Income before income taxes	(159,223)	(79,173)
Depreciation and amortization	78,356	60,104
Amortization of goodwill	(1,338)	----
Increase (decrease) in allowance for doubtful accounts	6,816	9,467
Interest and dividends income	(628)	(268)
Interest expenses	9,682	8,054
Equity in (earnings) losses of affiliates	(7,466)	3,377
Loss (gain) on sales of noncurrent assets	(628)	(563)
Loss on retirement of noncurrent assets	42	----
Decrease (increase) in notes and accounts receivable-trade	243,230	(110,197)
Decrease (increase) in inventories	(53,723)	(111,689)
Increase (decrease) in notes and accounts payable	(83,402)	(20,122)
Others	(64,265)	45,638
Sub-total	(32,548)	(195,371)
Interest and dividends income received	628	4,971
Interest expenses paid	(9,865)	(8,576)
Income taxes paid	(43,786)	(7,991)
<b>Net cash provided by operating activities</b>	<b>(85,571)</b>	<b>(206,967)</b>
<b>Net cash provided by investing activities</b>		
Purchase of property, plant and equipment	(126,058)	(26,256)
Proceeds from sales of property, plant and equipment	2,856	1,193
Purchase of intangible assets	(5,000)	(3,601)
Others	600	----
<b>Net cash provided by investing activities</b>	<b>(127,601)</b>	<b>(28,665)</b>
<b>Net cash provided by financing activities</b>		
Proceeds from long-term loans payable	500,000	500,000
Decrease in long-term loans payable	(148,948)	(129,565)
Redemption of bonds	(350,000)	(200,000)
Repayments of lease obligation	(4,640)	(5,591)
Cash dividends paid	(132,959)	(348)
<b>Net cash provided by financing activities</b>	<b>(136,547)</b>	<b>164,495</b>
<b>Effects of exchange rate change on cash and cash equivalents</b>	<b>(1,266)</b>	<b>(33,926)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(350,986)</b>	<b>(105,064)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,636,442</b>	<b>1,990,458</b>
<b>Cash and cash equivalents at the end of period</b>	<b>2,285,455</b>	<b>1,885,394</b>