

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the First Six Months of the Fiscal Year, Ending June 30 2013

(From July 1, 2012 to December 31, 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 the Fiscal Year, Ending June 30 2013 (From July 1, 2012 to December 31, 2012)

(1) Consolidated operating results

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

First six months ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2012	1,947	13.0	(121)	----	(86)	----	(154)	----
December 31, 2011	1,722	12.6	(49)	----	(79)	----	(95)	----

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

144 million yen loss for the First six months ended December 31, 2011

First six months ended	Net income per share	Diluted net income per share
	Yen	Yen
December 31, 2012	(1,693.03)	----
December 31, 2011	(1,044.45)	----

(2) Consolidated financial condition

As of	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
December 31, 2012	5,384	2,777	44.1
June 30, 2012	4,584	2,613	53.6

(Reference) Equity: 2,373 million yen as of December 31, 2012

2,459 million yen as of June 30, 2012

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2012 ended June 30, 2011	----	0.00	----	0.00	0.00
FY 2013 ended June 30, 2012	----	0.00	----	----	----
FY 2013 ending June 30,2013(Forecast)	----	----	----	0.00	0.00

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

3. Business Forecasts for the fiscal year (from July 1, 2012 to June 30, 2013)

	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, 2013	4,100	16.5	(110)	---	(60)	---	(130)	----	(1,424.50)	----

(Note)Revision to previous forecast of Business Forecasts: None

4. Others

(1) Change in scope of consolidated subsidiaries during FY 2013 ending June 30, 2013: Yes

Adding New One Subsidiary company; NPS co.,LTD which has been our manufacturing subsidiary company by additional stock acquisition at July 31, 2012

(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: **Yes**

b) Changes other than a): **None**

c) Changes in accounting estimate: **Yes**

d) Retrospective restatement: **None**

(4) Number of outstanding stocks (common stocks)

a) Number of outstanding stocks (including treasury stock)

91,260 at December 31, 2012; 91,260 at June 30, 2012

b) Number of treasury stocks at the end of period

None at December 31, 2012; None at June 30, 2012

c) Average number of outstanding stocks

91,260 for First six months ended December 31, 2012

91,260 for First six months ended December 31, 2011

* 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, 2012, the net sales increased by 13.0% compared to the same period of previous fiscal year to 1,947 million yen for shipment to Roche increased adding new developing agreements fee, although shipment to Qiagen & Mitsubishi Chemical Medience Corporation decreased. Gross profit decreased 6.3% to 608 million yen, as the development cost of new OEM instrument was higher than we estimated due to the additional development and the sales of NPS co.,LTD which have been our manufacturing subsidiary company by additional stock acquisition at July 31, 2012 .

At the same time, amount of selling, general and administrative expenses was increased 4.5% to 730 million yen due to the additional expense of NPS co.,LTD; as a result, we recorded operating loss of 121 million yen (49 million yen loss in the previous year). While ordinary income became 86 million yen loss (79 million yen loss in the previous year), the net loss of 154 million yen was recorded (net loss for previous year was 95 million yen).

Sales by each customer

(Unit: Million yen)

	First six months ended December 31, 2011		First six months ended December 31, 2012		Year on year increase
	amount	ratio	amount	ratio	%
Roche Group	388	22.6	662	34.0	70.4
QIAGEN Group	491	28.5	309	15.9	(37.1)
Others	842	48.9	975	50.1	15.8
Total	1,722	100.0	1,947	100.0	13.0

The shipment of DNA extractors to Roche Group increased to 662 million yen (70.4% up compared with same period in the previous year) adding additional fee revenue for developing new products. Although the sales to Qiagen Group decreased to 309 million yen (37.1% down), we estimate recovered sales by considering order acceptance. Sales to others increased to 975 million yen (15.8% up) with the sales of NPS co.,LTD 262 million yen except for selling to PSS, although the shipment to Mitsubishi Chemical Medience Corporation decreased

due to delay the implementation of upgraded version that we estimate recovered sales by considering order acceptance.

Sales by each product category

(Unit: Million yen)

	First six months ended December 31, 2011		First six months ended December 31, 2012		Year on year increase
	amount	ratio	amount	ratio	%
DNA auto extractors	1,001	58.1	768	39.5	(23.2)
Reagent/plastic consumables	453	26.3	479	24.6	5.7
Maintenance/spare parts	163	9.5	134	6.9	(18.1)
Others	104	6.1	565	29.0	442.6
Total	1,722	100.0	1,947	100.0	13.0

a) DNA auto-extractors

This category consists of automated systems utilizing the PSS's internationally patented Magtraction[®] Technology. In addition to DNA auto-extractors, this category includes immunochemical luminescent measuring system which is an OEM product for Mitsubishi Chemical Medience Corporation and Purelumn, auto protein purification system.

During first six months ended December 31, 2012, the sales in this category decreased 23.2 % to 768 million yen. Qiagen and Mitsubishi Chemical Medience Corporation decreased while shipment to Roche Group increased year on year.

Quarterly sales of automated systems

(Unit: Thousand yen)

	For fiscal year ended June 30, 2012				First six months ended December 31, 2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Units sold	243	331	207	405	167	272
Amount	456,905	544,719	375,598	674,114	322,052	446,709
Average unit price	1,880	1,645	1,814	1,664	1,928	1,642

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 First six months ended December 31, 2012, the sales of this category increased 5.7 % year on year to 479 million yen. 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 First six months ended December 31, 2012, sales in this category amounted to 134 million yen (18.1% decrease 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, custom-made automation instruments, development of new systems for new OEM, sales agent revenue for products of other companies adding revenue from NPS co.,LTD except for selling to PSS. During First six months ended December 31, 2012, the sales of this category increased 442.6 % year on year to 565 million yen.

Results by area segments**(1) Japan**

In the first six months of current fiscal year, the sales for Japan increased 13.5% compared to the previous year to 683 million yen, of which sales to non-PSS group increased 32.1% to 683 million yen as sales to Mitsubishi Chemical Medience Corporation decreased and NPS co.,LTD added. As the operating expenses increased 22.9% to 1,752 million yen, the operating income loss recorded 120 million yen (11 million yen in the previous year).

(2) USA

In the first six months of current fiscal year, the sales for United States increased 47.1 % to 430 million yen as sales to OEM partner recovered. As the operating expenses increased of 32.7% to 386 million yen, operating income of 43 million yen was recorded. (1 million yen in the previous year).

(3) Germany

In the first six months of current fiscal year, the sales for Germany decreased 5.1% to 868 million yen mainly by decreased shipments to Qiagen Group, although Roche is increased. With operating expenses of 848 million yen (4.1% down), operating income decreased 33.8% to 20 million yen.

2. Analysis of Financial Conditions

(1) Assets, Liabilities and Net Assets

(a) Assets

A In the first six months of current fiscal year, total assets increased 800 million yen from the amount as of June 30, 2012 to 5,384 million yen, because of NPS co.,LTD addition. Cash & deposits increased 236 million yen, inventories increased 297 million yen and noncurrent assets increased 328 million yen, while Investments and other assets decreased 98 million yen .

(b) Liabilities

Total liabilities increased 636 million yen to 2,606 million yen compared with the amount as of June 30, 2012, which is mainly caused by NPS co.,LTD addition. In current liabilities, Accounts payable-trade increased 209 million yen and Short-term loans payable increased 400 million yen. In noncurrent liabilities, long-term loans payable decreased 114 million yen.

(c) Net Assets

Total net assets were 2,777 million yen, increasing 163 million yen compared with the amount of as of June 30, 2012. With net loss for the period, retained earnings decreased 154 million yen and foreign currency translation adjustments increased 68 million yen, while Minority interests increased 249 by NPS co.,LTD addition.

(2) Cash flows

During FY 2013 from July 1, 2012 to December 31, 2013, cash and cash equivalents increased 216 million yen to 1,979 million yen.

Cash flows from operating activities decreased 111 million yen (206 million decreased during the same period of previous year). There was cash flow increased due to decrease in depreciation (81 million yen) and account receivable (144 million yen), while there was cash flow decrease due to net loss before tax adjustment (94 million yen), increase of account payables (34 million yen), increase of inventory (232 million yen), etc.

Cash flows from investing activities decreased 43 million yen (28 million decreased during the same period of previous year). There was increase of 26 million yen due to gain on sales of investment securities sale of property, plant and equipment, while There was decrease due to purchase of property, plant and equipment (49 million yen), purchase of non-tangible asset (24 million yen), etc.

Cash flows from financing activities increased 324 million yen (164 million increased during the same period of previous year). There was increase of short-term loans (400 million yen) & long term loans (150million yen), while there was decrease of repayment of long- term loans (217 million yen), etc.

About business forecasts

(Unit: Million yen)

	FY 2012 ended June 30, 2012		FY 2013 ending June 30, 2013		Year on year increase	
	Amount 1	ratio	Amount 2	ratio	Amount (2-1)	%
Net sales	3,520	100.0	4,100	100.0	580	16.5
Operating income	(136)	-	(110)	-	26	-
Ordinary income	(173)	-	(60)	-	113	-
Net income	(189)	-	(130)	-	59	-

The forecast is based on assumption that 1) Recovery of sales to Qiagen & Mitsubishi Chemical Medience Corporation are expected 2) Another developing agreements 3) Adding revenue from NPS except for selling to PSS by NPS co.,LTD 4)Reducing production cost with subcontractors and other costs including R&D cost, although the total amount of selling, general and administrative expenses is increased by consolidating NPS. As for foreign exchange rate, we estimate as 1Euro=115 yen and 1US\$=85yen.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2012	(Thousand yen) As of December 31, 2012
(Assets)		
Current assets		
Cash and deposits	1,762,392	1,999,010
Notes and accounts receivable-trade	864,083	830,334
Merchandise and finished goods	658,077	911,455
Work in process	94,887	66,058
Raw materials and supplies	33,257	105,841
Deferred tax assets	38,480	20,946
Others	121,795	187,067
Allowance for doubtful accounts	(2,588)	(2,626)
Total current assets	3,570,387	4,118,088
Noncurrent assets		
Property, plant and equipment	736,585	1,065,417
Intangible assets	20,650	42,518
Investments and other assets	256,516	158,226
Total noncurrent assets	1,013,752	1,266,162
Total assets	4,584,140	5,384,250
(Liabilities)		
Current liabilities		
Accounts payable-trade	214,542	423,653
Short-term loans payable	---	400,000
Current portion of long-term loans payable	436,241	483,762
Lease obligations	9,768	5,720
Income taxes payable	11,626	9,705
Provision for bonus	5,839	23,148
Others	163,719	186,842
Total current liabilities	841,737	1,532,831
Noncurrent liabilities		
Long-term loans payable	1,089,344	974,550
Lease obligations	3,832	3,357
Deferred tax liabilities	35,250	42,430
Provision for pension	---	53,585
Others	196	121
Total fixed liabilities	1,128,624	1,074,045
Total liabilities	1,970,361	2,606,876

	As of June 30, 2012	(Thousand yen) As of December 31, 2012
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,217,194
Capital surplus	251,999	251,999
Retained earnings	151,241	(3,264)
Total shareholders' equity	2,620,434	2,465,928
Other comprehensive income		
Foreign currency translation adjustment	(161,170)	(92,866)
Total of comprehensive income	(161,170)	(92,866)
Minority interests	154,514	404,311
Total net assets	2,613,779	2,777,373
Total liabilities and net assets	4,584,140	5,384,250

(2) Consolidated Income Statements

	First six months ended December 31, 2011	(Thousand yen) First six months ended December 31, 2012
Net Sales	1,722,950	1,947,396
Cost of sales	1,072,895	1,338,517
Gross Profit	650,055	608,878
Selling, general and administrative expenses	699,571	730,847
Operating Income	(49,516)	(121,968)
Non-operating income		
Interest income	268	504
Foreign exchange gain	---	37,273
Subsidy income	1,485	2,626
Premium refund	1,544	164
Others	2,321	3,159
Total non-operating income	5,620	43,727
Non-operating expenses		
Interest expenses	8,054	8,686
Foreign exchange losses	24,355	---
Others	3,430	2
Total non-operating expenses	35,840	8,688
Ordinary income and (loss)	(79,736)	(86,929)
Extraordinary income		
Gain on sales of investment securities	---	33
Gain on sales of fixed asset	563	---
Negative Goodwill gain	---	13,449
Total extraordinary income	563	13,482
Extraordinary loss		
Loss on sales of fixed asset	---	3
Loss on sales of investment securities	---	12,364
Loss on additional stock acquisition	---	9,141
Total extraordinary loss	---	21,509
Income before income taxes and others	(79,173)	(94,955)
Income taxes-current	16,398	4,986
Income taxes-deferred	(1,095)	21,069
Total income taxes	15,303	26,056
Income before minority interests	(94,476)	(121,012)
Minority interests	839	33,493
Net income	(95,316)	(154,506)

(3) Consolidated Comprehensive Income Statements

	First six months ended December 31, 2011	(Thousand yen) First six months ended December 31, 2012
Income (losses) before minority interests	(94,476)	(121,012)
Other comprehensive income		
Foreign currency transaction adjustment	(49,813)	68,304
Total of other comprehensive income	(49,813)	68,304
Comprehensive income	(144,290)	(52,708)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(145,129)	(86,201)
Comprehensive income attributable to minority income	839	33,493

(4) Consolidated Statements of Cash flows

	First six months ended December 31, 2011	(Thousand yen) First six months ended December 31, 2012
(Operating activities)		
Income before income taxes	(79,173)	(94,955)
Depreciation and amortization	60,104	81,305
Negative Goodwill gain	---	(13,449)
Increase (decrease) in provision	9,467	19,200
Interest and dividend income	(268)	(504)
Interest expenses	8,054	8,686
Investment profit on equity method	3,377	---
Loss (gain) on sales of property, plant and equipment	(563)	---
Loss on disposal of property, plant and equipment	---	3
Loss (gain) from sales of investment securities	---	(33)
Loss (gain) on valuation of investment securities	---	12,364
Loss on additional stock acquisition	---	9,141
Decrease (increase) in notes and accounts receivables	(110,197)	144,121
Decrease (increase) in inventories	(111,689)	(232,134)
Increase (decrease) in notes and accounts payable	(20,122)	34,470
Others	45,638	(55,627)
Sub-total	(195,371)	(87,411)
Interest and dividends income received	4,971	504
Interest expenses paid	(8,576)	(9,182)
Income taxes paid	(7,991)	(15,443)
Net cash provided by operating activities	(206,967)	(111,533)
(Investing activities)		
Purchase of property, plant and equipment	(26,256)	(49,771)
Proceeds from sales of property, plant and equipment	1,193	4,174
Purchase of non-tangible asset	(3,601)	(24,430)
Gain on sales of investment securities	---	3,045
Gain on additional stock acquisition to change the scope of consolidation	---	26,356
Payment of insurance premium	---	(2,944)
Revenue from cancellation of insurance premium	---	550
Net cash provided by investing activities	(28,665)	(43,019)
(Financing activities)		
Proceeds from short-term loans payable	---	400,000
Proceeds from long-term loans payable	500,000	150,000
Repayment of long-term loans payable	(129,565)	(217,273)
Redemption of bonds	(200,000)	---
Repayment of lease obligations	(5,591)	(5,918)
Cash dividends paid	(348)	(91)
Cash dividends paid to minority	---	(1,928)

Net cash provided by financing activities	164,495	324,788
Effect of exchange rate change on cash and cash equivalents	(33,926)	46,382
Net increase (decrease) in cash and cash equivalents	(105,064)	216,618
Cash and cash equivalents at beginning of period	1,990,458	1,762,392
Cash and cash equivalents at end of period	1,885,394	1,979,010