

Consolidated Financial Results for First Quarter of the FY2021
(July 1, 2020 to September 30, 2020) [Japanese GAAP]

November 13, 2020

Name of company Precision System Science Co., Ltd. (Tokyo Stock Exchange)
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First quarter of the fiscal year ending June.2021 (July 1, 2020 to September 30, 2020) (Millions of yen are rounded down)

(1) Consolidated Operating Results (Cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st quarter of fiscal 2021	2,077	124.5	198	-	199	-	196	-
1st quarter of fiscal 2020	925	-2.3	-103	-	-103	-	-112	-

(NOTE) Comprehensive income: 197 1,000,000 yen in 1st quarter of fiscal 2021; 126 million yen in loss for the first quarter of the fiscal year ending June 2020

	Quarterly net income per share	Fully diluted Quarterly net income per share
	Yen	Yen
1st quarter of fiscal 2021	7.45	7.42
1st quarter of fiscal 2020	-4.50	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1st quarter of fiscal 2021	6,903	4,585	66.4
FYE June 2020	6,436	4,320	67.1

Reference: Shareholders' equity: 4,584 Million of yen at 1st quarter of fiscal 2021; 4,319 Million of yen at 1st quarter of fiscal 2020

2. Dividend Status

	Annual dividends						
	End of First Quarter		End of second quarter	End of the third quarter		Term end	Total
	Circle	Sen	Yen	Circle	Sen	Yen	Yen
FYE June 2020	-	-	0.00	-	-	0.00	0.00
FYE June 2021	-	-					
FYE June 2021 (Forecast)			0.00	-		0.00	0.00

(NOTE) Revisions to the most recently announced dividend forecasts: None

Forecasts for the fiscal year ended June 2021 (July 1, 2020 to June 30, 2021)

(Percentages indicate year-on-year changes for the full year and year-on-year changes for the quarter.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st half year	3,700	82.1	200	-	175	-	150	-	5.69
Full Year	7,700	52.0	500	-	450	-	400	-	15.17

(NOTE) Revisions to the most recently announced earnings forecasts: None

※ Notes

(1) Changes of important subsidiaries during the period : No

(changes in specified subsidiaries resulting in change in scope of consolidation)

New — Company (name) Exclusion — Company (name)

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : No

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : No

② Changes in accounting policies other than (i) : No

③ Change in accounting estimates : No

④ Restatement of revisions : No

(4) Number of shares of common stock outstanding

① Number of shares issued at the end of the period

(including treasury stock)

② Number of treasury stock at the end of the period

③ Average number of shares during the period

(quarterly consolidated cumulative period)

1Q for the Fiscal Year Ended June 2021	26,416,900 shares	FYE June 2020	26,366,900 shares
1Q for the Fiscal Year Ended June 2021	86 shares	FYE June 2020	86 shares
1Q for the Fiscal Year Ended June 2021	26,367,357 shares	1Q for the Fiscal Year Ended June 2020	25,074,509 shares

※ The quarterly report is not subject to quarterly review by a certified accountant or audit company.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable and are not intended to guarantee the achievement of the forecasts. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Information" on page 4 of the attached material for the assumptions underlying the earnings forecasts and notes for using the earnings forecasts.

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1. Qualitative Information on Results for the First Half Ended September 30, 2012

(1) Management's discussion

Our country's economies in the first quarterly joining cumulative period have had a major impact on global economic activities due to the expansion of COVID-19, a pandemic coronavirus infection worldwide, and the situation is still unpredictable.

In this context, our group has been developing a variety of automated devices for genetic research, mainly automated devices (DNA automated extractors) to extract genes (nucleic acids) from blood and tissue cell specimens in the bio-related industry. In addition, we have developed a fully automated PCR testing system that combines amplification and measurement technologies with gene extraction technologies. In addition to our research and development fields, we have launched a marketing program for clinical diagnostics fields such as hospitals and laboratory centers. We also focused on manufacturing and sales of reagents (reagents for DNA extraction) and plastic consumables such as reaction vessels that are consumed with the use of the equipment.

These products are sold on an OEM basis through contracts with major companies in the biotechnology-related industry, which has a global sales network (sales through partner brands), and are also sold on a worldwide basis, including through domestic and European and U.S. subsidiaries.

In the first quarter of FY2016, net sales were ¥2,077 million (up 124.5% year on year) and gross profit was ¥719 million (up 152.7% year on year). Especially in order to meet the demand for rapid tests for confirmed new coronavirus COVID-19 worldwide, the marketing of our branded products and OEM-products for ELITech, as well as the marketing of automated DNA-extraction devices and their associated reagents and consumables, remained favorable. Overall, both sales and profits increased year on year.

On the other hand, selling, general and administrative expenses amounted to ¥521 million (up 34.1% year-on-year), mainly due to an increase in R&D expenses to ¥168 million (up 48.5% year-on-year) partly due to expenses for short-term product application development. Consequently, operating income was 198 million yen (compared with an operating loss of 103 million yen in the same period of the previous fiscal year).

Ordinary income was 199 million yen (compared with an ordinary loss of 103 million yen in the same period of the previous fiscal year). In addition, due to the recording of tax expenses, quarterly net income attributable to owners of the parent was 196 million yen (compared with a loss attributable to owners of the parent of 112 million yen in the same period of the previous fiscal year).

Sales breakdown is as follows.

(Sales by Composition)

	First 1st quarter of previous fiscal year		First 1st quarter of fiscal year under review		Year-on-year change	(Reference) Previous consolidated fiscal year	
	Amount	Percentage of total	Amount	Percentage of total		Amount	Percentage of total
	Millions of yen	%	Millions of yen	%	%	Millions of yen	%
Instrument	529	57.3	1,124	54.1	112.3	2,947	58.2
Reagent and consumables	265	28.7	762	36.7	187.7	1,559	30.8
Maintenance/spare parts	60	6.6	134	6.5	121.7	303	6.0
Contract manufacturing	69	7.5	55	2.7	-20.4	256	5.1
Total	925	100.0	2,077	100.0	124.5	5,067	100.0

① Equipment

In the first quarter of the current fiscal year, net sales increased 112.3% year-on-year to ¥1,124 million. The details are as follows:

(a) Lab (laboratory) automation equipment

This is a category related to the marketing of various automated equipment for laboratories, mainly DNA automated extraction equipment, which has been developed in the past. In the first quarter of the current fiscal year, net sales increased 41.9% year on year to ¥421 million. The increase in sales was attributable to steady sales of DNA automated extractors, which are supplied to worldwide business partners on an OEM basis.

(b) Clinical diagnostic equipment

As our business area, we are expanding the field of clinical diagnostics using genes. In addition to the conventional R&D field, we intend to focus on expanding this field.

In the fiscal year under review, net sales amounted to ¥702 million, an increase of 202.1% compared with the corresponding period of the previous fiscal year. Sales of all-automated PCR inspection systems for domestic sales and Elitech were strong, resulting in an increase in sales.

② Reagent and expendables

This category is the category of exclusive plastic consumables, such as reagents and reaction vessels for DNA extraction and PCR testing, that are consumed with the use of our equipment.

In the first quarter of the current fiscal year, net sales increased 187.7% year-on-year to ¥762 million. Especially in order to meet the demand for a global new coronavirus COVID-19 rapid test, income increased over the same period in the previous year.

③ Maintenance-related

This category includes the maintenance of equipment and the marketing of spare parts (replacement parts). OEM destinations are maintained by OEM destinations, but the Spare Parts are contracted to be purchased from us.

In the first quarter of the current fiscal year, net sales were 134 million yen (a year-on-year increase of 121.7%). Sales increased year on year.

④ Contract manufacturing

This category is the category of outsourced manufacturing business conducted by the subsidiary's manufacturing plant, NPS Co., Ltd., from outside the Company.

In the first quarter of the current fiscal year, net sales were JPY55mn (-20.4% YoY). This segment is the business for securing earnings at NPS Co., Ltd.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year were 6.903 billion yen, an increase of 466 million yen from the end of the previous fiscal year. The main contributory factors were increases of ¥258 million in current assets such as trade receivables and ¥208 million in fixed assets such as machinery and equipment.

Total liabilities were ¥2.318 billion, an increase of ¥202 million from the end of the previous fiscal year. The main contributory factors were increases of ¥162 million in current liabilities such as accounts payable-trade and ¥39 million in long-term liabilities such as long-term loans payable.

Total net assets were ¥4.585 billion, an increase of ¥264 million from the end of the previous fiscal year. The main contributory factors were an increase of ¥196 million in retained earnings due to quarterly net income, and an increase of ¥33 million in capital stock and ¥33 million in capital surplus due to the issuance of common stock in connection with the exercise of subscription rights to shares allotted to third parties.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

As announced on August 28, 2020, the Company has not changed its forecasts for the year ending June 2021.

"Our (PSS) Current (Sales and Development) Initiatives"

(DNA extraction automation system)

Combined with the expansion of the field of molecular biology to clinical applications, our core technology, an automated apparatus for extraction of DNA with magnetic particles,

Both OEM products and PSS brand products are trending upward. Particularly in Japan and the Asian region, we believe that the effects of the business alliance with Hitachi High-Technologies, Ltd. will drive future results.

In addition, we have completed the development of new preLEAD (multi-sample simultaneous nucleic acid extractors) and have begun introducing large volumes and high-throughput demand fields, thus expanding the use of Magtration technologies.

(Fully automated PCR test system)

geneLEAD system, a fully automated PCR testing system, is proven to be versatile and user-friendly, and we will expand the field of indications and regions in the future to develop it not only for infectious diseases but also for use in oncology (cancer) and sequencer pretreatment, etc. As a recent product application development, we are developing products for biobanks.

(Concerning Initiatives for COVID-19, a Novel Coronavirus Infection)

PSS aims to establish a PCR-testing system to protect life and economics without replacing the threats of COVID-19 and other serious infectious diseases.

We have already completed a nucleic acid (DNA) extraction automation system (magLEAD series) that incorporates PSS technology, and a system that combines a fully automated PCR testing system (geneLEAD series) with PCR reagents. The geneLEAD series has been widely introduced in clinical fields around the world for PCR tests, especially in Europe.

As automated PCR testing devices and PCR reagents (for COVID-19 testing) have been approved as insurance-covered products in Japan, PSS has entered the Japanese PCR testing market since August 3, 2020. In the future, we will increase the number of PCR-reagent testing items covered by our insurance-covered system and make significant efforts to disseminate PSS automation systems in order to prevent pandemics caused by serious infectious diseases, thus contributing to society.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of June 30, 2020)	End of 1st quarter of the fiscal year under review (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	2,113,042	1,438,916
Notes and accounts receivable	1,573,795	2,179,551
Products and products	352,616	543,935
Work in process	311,561	339,470
Raw materials and supplies	587,054	829,947
Other	338,100	203,035
Allowance for doubtful accounts	-2,058	-2,573
Total current assets	5,274,112	5,532,284
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	372,393	366,422
Machinery, equipment and vehicles, net	130,642	244,617
Tools, furniture and fixtures, net	166,524	172,675
Land	212,469	212,469
Lease assets, net	125	106
Construction in progress	185,496	188,594
Net property, plant and equipment	1,067,652	1,184,886
Intangible fixed assets		
Software	4,230	3,879
Development cost of software in progress	20,150	89,063
Total intangible assets	24,381	92,942
Investments and other assets		
Investment securities	37,440	37,440
Deferred tax assets	8,371	31,282
Other	24,873	24,920
Total investments and other assets	70,684	93,643
Total fixed assets	1,162,719	1,371,472
Total assets	6,436,831	6,903,756

(Thousands of yen)

	Previous consolidated fiscal year (As of June 30, 2020)	End of 1st quarter of the fiscal year under review (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable	624,658	855,731
Short-term borrowings	500,000	500,000
Current portion of long-term debt	186,710	244,244
Income taxes payable	32,625	37,673
Accrued bonuses	48,199	44,861
Other	394,390	266,754
Total current liabilities	1,786,584	1,949,265
Long-term liabilities		
Long-term debt	326,320	366,067
Lease obligations	777	486
Deferred tax liabilities	2,385	2,412
Total long-term liabilities	329,483	368,965
Total liabilities	2,116,067	2,318,231
Net assets		
Sharing Capital		
Paid-in Capital	3,921,334	3,954,884
Capital surplus	1,828,929	1,862,479
Retained earnings	-1,363,264	-1,166,940
Own stock	-50	-50
Total shareholders' equity	4,386,948	4,650,373
Accumulated other comprehensive income		
Foreign currency translation adjustments	-67,509	-66,122
Total accumulated other comprehensive income	-67,509	-66,122
Stock acquisition right	1,326	1,275
Total net assets	4,320,764	4,585,525
Total liabilities and net assets	6,436,831	6,903,756

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	First 1st quarter of previous fiscal year (July 1, 2019-September 30, 2019)	First 1st quarter of fiscal year under review (July 1, 2020-September 30, 2020)
Net sales	925,292	2,077,544
Cost of sales	640,632	1,358,224
Gross profit	284,659	719,319
Selling, general and administrative expenses	388,599	521,033
Operating income (loss) (-)	-103,939	198,286
Non-operating income		
Interest income	59	9
Foreign exchange gains	1,860	3,272
Income from subsidies	-	100
Other	398	434
Total non-operating income	2,319	3,817
Non-operating expenses		
Interest expense	2,004	2,709
Stock issuance	167	-
Total non-operating expenses	2,172	2,709
Ordinary income (loss) (-)	-103,792	199,394
Extraordinary losses		
Loss on sale of fixed assets	182	-
Loss on disposal of fixed assets	1,956	-
Total extraordinary loss	2,138	-
Quarterly net income (-) before income taxes and minority interests	-105,931	199,394
Income taxes	3,968	26,012
Income taxes-deferred	2,838	-22,942
Total income taxes	6,806	3,070
Quarterly net income (-)	-112,737	196,324
Quarterly net gains attributable to the parent's ownership or the parent's ownership	-112,737	196,324

Quarterly Consolidated Statements
of Comprehensive Income
(First Quarter Consolidated
Cumulative Period)

	(Thousands of yen)	
	First 1st quarter of previous fiscal year (July 1, 2019 to Sep. 30, 2020)	First 1st quarter of the current fiscal year (July 1, 2020 to Sep. 2020)
Quarterly net income (-)	-112,737	196,324
Other comprehensive income		
Foreign currency translation adjustments	-14,128	1,387
Total of other comprehensive income	-14,128	1,387
Quarterly comprehensive income	-126,866	197,711
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	-126,866	197,711

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption) Not applicable.

(Notes on Significant Changes in Shareholders' Equity) Not applicable.

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements) Not Applicable.

(Changes in Accounting Policies) Not applicable.

(Changes in accounting estimates) Not applicable.

(Additional Information) Not applicable.

(Segment information, etc.)

[Segment Information]

This information is omitted because the Group is a single segment of the automated system integration services business.

(Significant Subsequent Events)

(Exercise of Subscription Rights by Third-party Assignment)

After the first quarterly linked cumulative period, some rights were exercised by November 13, 2020 for the 18th new stock appointment right issued by us through third-party quota (with an exercise value amendment). The overview of the meeting is as follows.

① Number of Stock Acquisition Rights Exercised	650,000
② Total stated capital	JPY366 million
③ Increase of additional paid-in capital	JPY66 million
④ Types and number of strains increased	Common stock 650,000

3. Other

Not applicable.