

**Precision System Science Co., Ltd.**  
**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year, Ended June 30, 2018**  
**(From July 1, 2017 to June 30, 2018)**

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/>

**1. Consolidated financial data for Fiscal Year, Ended June 30 2018**

(From July 1, 2017 to June 30, 2018)

**(1) Consolidated operating results**

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

Fiscal Year, Ended	Net sales		Operating income		Ordinary income		Quarter net income attributable to parent company shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>June 30, 2018</b>	<b>3,641</b>	<b>(5.4)</b>	<b>(385)</b>	<b>----</b>	<b>(385)</b>	<b>----</b>	<b>(457)</b>	<b>----</b>
June 30, 2017	3,847	(13.7)	(440)	----	(428)	----	(555)	----

(Reference) Comprehensive income: 459 million yen loss for FY2018 ended June 30, 2018

498 million yen loss for FY2017 ended June 30, 2017

Fiscal Year, Ended	Net income per share	Diluted net income per share	Equity ratio of net income	Return on Asset	Operating profit on sales
	Yen	Yen	%	%	%
<b>June 30, 2018</b>	<b>(19.84)</b>	<b>----</b>	<b>(13.0)</b>	<b>(7.0)</b>	<b>(10.6)</b>
June 30, 2017	(26.50)	----	(15.5)	(7.4)	(11.5)

**(2) Consolidated financial condition**

Fiscal Year, Ended	Total assets	Net Assets	Equity ratio	Net income per share
	Million yen	Million yen	%	yen
<b>June 30, 2018</b>	<b>5,128</b>	<b>3,291</b>	<b>64.2</b>	<b>142.69</b>
June 30, 2017	5,804	3,751	64.6	162.63

(Reference) Equity: 3,291 million yen as of June 30, 2018

3,751 million yen as of June 30, 2017

## 2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
Fiscal Year, Ended	Yen	Yen	Yen	Yen	Yen
June 30, 2017	----	0.00	----	0.00	0.00
June 30, 2018	----	0.00	----	0.00	0.00
June 30,2019(Forecast)	----	0.00	----	0.00	0.00

(Note) Revisions from the0. most recently released Dividend Forecast: None

## 3. Business Forecasts for the fiscal year (From July 1, 2018 to June 30, 2019)

	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, 2018	2,100	22.0	(120)	----	(150)	----	(160)	----	(6.94)
For fiscal year ending June 30, 2019	4,300	18.1	(250)	----	(275)	----	(300)	----	(13.01)

(Note) Revisions from the most recently released Business Forecast: None

## 4. Others

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

	June 30, 2018	June 30, 2017
a) Number of outstanding stocks (including treasury stock)	23,066,900 stocks	23,066,900 stocks
b) Number of treasury stocks at the end of period	None	None
c) Average number of outstanding stocks	23,066,900 stocks	20,953,092 stocks

\* 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 June 30 2018, the Japanese economy is restored by improvement of corporate earnings and the employment environment although being gentle. In addition, the world economy continued a gradual recovery equally as well.

Under these circumstances, PSS Group has been developed business of various automated instruments (DNA Automatic extraction instrument) to extract a gene from the specimens such as blood or cell for the spot that studied genetic information in the Invitro Diagnostic industry, PSS Group developed fully automated genetic diagnostic instruments which put an amplification, measurement technology together in a genetic extraction technology, and starts the sale for the field of the clinical diagnoses such as a hospital or the inspection center other than a field of a study and the development. Furthermore, PSS Group made efforts in production and the sales of the plastic consumables such as a reagent (reagent for DNA extraction) or the reaction container used with the instrument.

These products are sold on world-wide distribution network through OEM (Original Equipment manufacturing) as well as our own brand in Europe, USA and Japan.

For the current consolidated fiscal period, the Net Sales decreased by 5.4% in comparison to the same period of previous fiscal year to 3,641 million yen and the Gross Profit decreased by 2.5% to 1,311 million yen. And the sales of fully automated DNA testing machine for Elitech and PSS Brand were well performed, but the existing OEM sales decreased and the Net Sales and Gross Profit decreased compared to the same period of previous fiscal year.

In regard regard to the expenses, R&D is decreased by 12.2% in comparison to the same period of previous fiscal year to 568 million yen. Overall SG&A is decreased by 5.0% in comparison to the same period of previous fiscal year to 1,697 million yen. And Operating Loss decreased from -440 million yen to -385 million yen. Although sales decreased, the deficit in the year-on-year comparison improved.

Interest expenses was 12 million yen, the ordinary loss was -385 million yen in comparison to -428 million for the same period of previous fiscal year.

In addition, Compensation income based on contracts with business partners accounted for 42 million yen, and the impairment loss of fixed assets was 96 million yen. The net loss attributable to parent company shareholders was -457 million yen in comparison to -555 million yen for the same period of previous fiscal year.

### Sales by each product category:

(Unit: Million yen)

	Fiscal Year, Ended June 30, 2017		Fiscal Year, Ended June 30, 2018		Year-on-year increase %
	Amount	Ratio	Amount	Ratio	
Instruments	1,978	51.4	1,902	52.3	(3.8)
Reagent kits & Consumable	1,099	28.6	964	26.5	(12.3)
Maintenance	295	7.7	353	9.7	19.7
Customized product	473	12.3	420	11.5	(11.2)
Total	3,847	100.0	3,641	100.0	(5.4)

### **(1) Instruments**

During fiscal year ended June 30 2018, the sales in this category decreased 3.8% to 1,902 million yen. As the operating expenses decreased 0.3% to 1,824 million yen, the operating income decreased 47.6% to 78 million yen. 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 decreased 10.4 % to 1,160 million yen. As the operating expenses decreased 7.6% to 1,006 million yen, the operating income decreased 25.1% to 153 million yen. Although the sales changing by OEM sales or inventory at quarterly. During fiscal year ended June 30 2018, sales of PSS brand were strong, but sales to OEM were sluggish, and the overall sales and operating income were decreased.

#### **(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 8.5% to 742 million yen. The operating expenses increased 10.5% to 817 million yen, the operating loss recorded -75 million yen (-55 million yen in the previous year).

As for sales, the sales of all automatic gene diagnostic equipment for Elitech were strong, but sales to other OEM were sluggish, and the overall sales decreased.

### **(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. PSS supply DNA extraction reagents and plastic consumables to PSS brand instruments and Elitech. Other OEM companies manufacture and sell their own reagents, but plastic consumables are purchased from PSS in accordance with the contract.

During fiscal year ended June 30 2018, the sales in this category decreased 12.3% to 964 million yen. As the operating expenses decreased 5.9% to 970 million yen, the operating loss recorded -5 million yen (68 million yen in the previous year).

We believe that there is no particular concern because the business with OEM has continued to be a stable relationship for many years.

### **(3) Maintenance**

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category increased 19.7% to 353 million yen. As the operating expenses increased 16.6% to 279 million yen, the operating incomes increased 33.1% to 74 million yen.

The category tended to expand sales in accordance with the cumulative sales volume of the instruments, and it was a smooth sale during fiscal year ended June 30 2018.

### **(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 11.2% to 420 million yen. As the operating expenses decreased 34.0% to 297 million yen, the operating income increased 436.6% to 123 million yen. This segment is not our main business, but also gaining business for NPS.

Business Forecasts for the fiscal year (From July 1, 2018 to June 30, 2019)

	Fiscal year ended June 30, 2018		Fiscal year ending June 30, 2019		Year-on-year comparison	
	Million yen	%	Million yen	%	Million yen	%
Sales	3,641	100.0	4,300	100.0	659	18.1
Operating income	(385)	(10.6)	(250)	(5.8)	135	—
Ordinary income	(385)	(10.6)	(275)	(6.4)	110	—
Net income attributable to parent company shareholders	(457)	(12.6)	(300)	(7.0)	157	—

About sales, we are focusing on fully automated genetic diagnostic instruments for ElITech to expand sales and develop new business partners.

From September 2018, four real-time CE-IVD PCR assays will be launched on the geneLEAD VIII and sold in France, BENELUX (Belgium, the Netherlands, Luxembourg), Portugal and Spain. And please see annexed the list of PCR assays which will be launched from September 2018 and March 2019.

In recent years, PSS group has been focusing on PSS brand sales expansion, which is expected to continue to increase 18.1% to 4,300 million yen.

About costs, the continuation of the cost-cutting efforts. Overall SG&A is increase by 3.1% in comparison to the same period of previous fiscal year to 1,750 million yen. And Operating Loss decrease from -385 million yen to -250 million yen.

The Forecasts for the next fiscal year will be the operating deficit as described above, but the development activities for the group are essential for expanding the business as a bio-venture, and in order to expand sales in the future, as well as maintaining and expanding the base of OEM sales, the expansion of our own sales is also an important pillar.

We will continue to invest in these efforts, but we will aim to make an early profitability, taking into account the balance of revenues.

The financial forecast is calculated at exchange rate: 1 US dollar = 110 yen and 1 Euro = 130 yen.

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

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

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

In Fiscal Year, ended June 30, 2018, total assets decreased 675 million yen from the amount as of June 30, 2017 to 5,128 million yen. Cash and deposits decreased 387 million yen, inventory decreased 257 million yen and Notes and accounts receivable-trade increased 110 million yen.

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

Total liabilities decreased 215 million yen to 1,837 million yen compared with the amount as of June 30, 2017. Long-term loans payable decreased 242 million yen.

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

Total net assets were 3,291 million yen, decreased 459 million yen compared with the amount of as of June 30, 2017. With net profit for the period, retained earnings decreased 457 million yen net loss attributable to parent company shareholders.

## **3. Cash flows**

In Fiscal Year, ended June 30, 2018, cash and cash equivalents decreased 387 million yen to 2,036 million yen.

**(1)Cash flows from operating activities** decreased 32 million yen (802 million decreased during the same period of previous year). There was cash flow decreased due to Loss before income taxes (441 million yen) and increased due to decreased in inventories (206 million yen) etc.

**(2)Cash flows from investing activities** decreased 115 million yen (268 million decreased during the same period of previous year). There was decrease due to purchase of property, plant and equipment (108 million yen) and Purchase of intangible assets (6 million yen), etc.

**(3)Cash flows from financing activities** decreased 236 million yen (828 million increased during the same period of previous year). There was decreased of Repayments of long-term loans payable (334 million yen), increased of Proceeds from long-term loans payable (100 million yen) etc.

# Consolidated financial statements

## (1) Consolidated Balance Sheets

	As of June 30, 2017	(Thousand yen) As of June 30, 2018
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	2,443,598	2,056,170
Notes and accounts receivable-trade	821,828	932,046
Merchandise and finished goods	836,601	312,375
Work in process	201,045	370,517
Raw materials and supplies	411,849	509,249
Deferred tax assets	4,037	2,676
Others	318,658	188,832
Allowance for doubtful accounts	(1,756)	(2,045)
<b>Total current assets</b>	<b>5,035,863</b>	<b>4,369,822</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	709,290	700,751
Intangible assets	2,202	1,510
Investments and other assets	57,271	56,849
<b>Total noncurrent assets</b>	<b>768,763</b>	<b>759,111</b>
<b>Total assets</b>	<b>5,804,627</b>	<b>5,128,934</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	348,030	354,632
Short-term loans payable	500,000	500,000
Current portion of long-term loans payable	321,079	328,950
Income taxes payable	22,548	22,058
Provision for bonus	10,670	9,595
Provision for product warranties	—	1,884
Others	183,492	172,784
<b>Total current liabilities</b>	<b>1,385,820</b>	<b>1,389,905</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	628,017	385,515
Deferred tax liabilities	6,168	6,183
Provision for product warranties	1,125	39,798
Others	32,160	16,137
<b>Total fixed liabilities</b>	<b>667,470</b>	<b>447,634</b>
<b>Total liabilities</b>	<b>2,053,291</b>	<b>1,837,540</b>

(Thousand yen)

	As of June 30, 2017	As of June 30, 2018
<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)	(1,379,307)
Total shareholders' equity	3,789,702	3,332,086
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	(38,366)	(40,692)
Total of comprehensive income	(38,366)	(40,692)
Total net assets	3,751,335	3,291,393
<b>Total liabilities and net assets</b>	5,804,627	5,128,934



## (2) Consolidated Income Statements

	FY 2017 ended June 30, 2017	(Thousand yen) FY 2018 ended June 30, 2018
<b>Net Sales</b>	3,847,021	3,641,164
<b>Cost of sales</b>	2,501,582	2,329,390
<b>Gross Profit</b>	1,345,438	1,311,774
<b>Selling, general and administrative expenses</b>	1,786,021	1,697,332
<b>Operating income and (loss)</b>	(440,582)	(385,558)
<b>Non-operating income</b>		
Fiduciary obligation fee	110	6,117
Gain on sales of goods	—	2,750
Interest income	212	153
Foreign exchange gains	5,047	—
Subsidy income	18,073	3,680
Gain on forfeiture of unclaimed dividends	3,105	1,149
Insurance return	2,497	81
Others	1,640	867
Total non-operating income	30,687	14,800
<b>Non-operating expenses</b>		
Interest expenses	13,663	12,559
Foreign exchange loss	—	1,860
Share issuance cost	4,894	—
Others	0	0
Total non-operating expenses	18,558	14,420
<b>Ordinary income and (loss)</b>	(428,453)	(385,178)
<b>Extraordinary income</b>		
Compensation income	37,155	42,218
Gain on sales of non-current assets	2,118	—
Total extraordinary income	39,273	42,218
<b>Extraordinary loss</b>		
Loss on sales of non-current assets	1,032	—
Loss on retirement of non-current assets	517	2,550
Loss on valuation of inventories	53,301	—
Loss on disposal of fixed asset	139,442	96,406
Total extraordinary loss	194,293	98,957
<b>Income before income taxes and others and (loss)</b>	(583,473)	(441,917)
<b>Income taxes-current</b>	7,512	13,265
<b>Income taxes-deferred</b>	(35,766)	2,433
<b>Total income taxes</b>	(28,254)	15,699
<b>Net Income and (loss)</b>	(555,218)	(457,616)
<b>Quarter net income attributable to parent company shareholders and (loss)</b>	(555,218)	(457,616)

	FY 2017 ended June 30, 2017	(Thousand yen) FY 2018 ended June 30, 2018
Net Income	(555,218)	(457,616)
Other comprehensive income		
Foreign currency transaction adjustment	57,015	(2,326)
Total of other comprehensive income	57,015	(2,326)
Comprehensive income	(498,203)	(459,942)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(498,203)	(459,942)

### (3) Consolidated Statements of Cash flows

	As of June 30, 2017	(Thousand yen) As of June 30, 2018
<b>(Operating activities)</b>		
Income before income taxes	(583,473)	(441,917)
Depreciation	104,462	83,350
Increase (decrease) in provision	(3,281)	39,772
Increase (decrease) in pension obligation	(53,321)	—
Interest and dividend income	(212)	(153)
Interest expenses	13,663	12,559
Stock issue cost	4,894	—
Loss (gain) on sales of property, plant and equipment	(1,085)	—
Loss on disposal of property, plant and equipment	517	2,550
Loss (gain) from impairment loss	139,442	96,406
Decrease (increase) in notes and accounts receivables	183,681	(110,498)
Decrease (increase) in inventories	(323,313)	206,835
Increase (decrease) in notes and accounts payable	(191,908)	(32,128)
Others	(42,397)	112,002
Sub-total	(752,331)	(31,220)
Interest and dividends income received	212	153
Interest expenses paid	(13,693)	(11,580)
Income taxes refund	(42,490)	(12,800)
Income taxes paid	5,536	22,635
Net cash provided by operating activities	(802,766)	(32,812)
<b>(Investing activities)</b>		
Revenue from time deposit payback	20,000	20,000
Payment of time deposit	(20,000)	(20,000)
Purchase of property, plant and equipment	(257,108)	(108,568)
Sales of property, plant and equipment	3,019	—
Purchase of non-tangible asset	(13,015)	(6,281)
Payment of insurance premium	(1,010)	(1,010)
Net cash provided by investing activities	(268,114)	(115,860)

	As of June 30, 2017	(Thousand yen) As of June 30, 2018
<b>(Financing activities)</b>		
Proceeds from short-term loans payable	30,000	—
Proceeds from long-term loans payable	400,000	100,000
Repayment of long-term loans payable	(412,610)	(334,631)
Repayment of lease payable	(1,282)	(2,015)
Cash distributions paid to minority interests	(41,116)	—
Cash dividends paid	(194)	(69)
Proceeds from issuance of common shares	853,686	—
Net cash provided by financing activities	828,483	(236,715)
Effect of exchange rate change on cash and cash equivalents	54,120	(2,038)
Net increase (decrease) in cash and cash equivalents	(188,276)	(387,427)
Cash and cash equivalents at beginning of period	2,611,875	2,423,598
Cash and cash equivalents at end of period	2,423,598	2,036,170