

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Nine Months of the Fiscal Year, Ending June 30 2016
(From July 1, 2015 to March 31, 2016)

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 Nine Months of the Fiscal Year, Ending June 30 2016
(From July 1, 2015 to March 31, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Quarter net income attributable to parent company shareholders	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2016	3,379	(14.2)	(429)	----	(484)	----	(437)	----
March 31, 2015	3,938	38.2	(179)	----	(24)	----	(50)	----

(Reference) Comprehensive income: 572 million yen loss for nine months ended March 31, 2016
57 million yen loss for nine months ended March 31, 2015

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
March 31, 2016	(21.85)	----
March 31, 2015	(2.76)	----

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net Asset per share
As of	Million yen	Million yen	%	yen
March 31, 2016	7,124	4,934	66.2	227.38
June 30, 2015	6,454	4,035	57.3	202.47

(Reference) Equity: 4,719 million yen as of March 31, 2016
3,695 million yen as of June 30, 2015

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2015 ended June 30, 2015	----	0.00	----	0.00	0.00
FY 2016 ending June 30, 2016	----	0.00	----	----	----
FY 2016 ending June 30,2016(Forecast)	----	----	----	0.00	0.00

(Note) Revision to previous forecast: No

3. Business Forecasts for the fiscal year (From July 1, 2015 to June 30, 2016)

	Sales		Operating income		Ordinary income		Quarter net income attributable to parent company shareholders		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For fiscal year ending June 30, 2016	4,450	(13.5)	(580)	----	(640)	----	(610)	----	(30.19)

(Note) Revision to previous forecast: Yes

Please refer to the “Announcement on Changes in Financial Forecast” disclosed today (May 13, 2016).

4. Others

- (1) **Change in scope of consolidated subsidiaries during FY 2016 ending June 30, 2016: 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: Yes**
 - 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)**
20,756,900 at March 31, 2016; 18,252,000 at June 30, 2015
 - b) **Number of treasury stocks at the end of period**
None at March 31, 2016; None at June 30, 2015
 - c) **Average number of outstanding stocks**
20,024,245 for nine months ended March 31, 2016;
18,252,000 for nine months ended March 31, 2015

* 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 nine months of the fiscal year ending March 31, 2016, the Japanese economy remained on a recovery path and began to show signs of a rebound in personal consumption and capital investment. In the United States, employment conditions improved, the corporate sector continued to expand gradually, and the country moved to normalize its monetary policy. The European economy continued to recover, although geopolitical risks mounted. In China, however, the economy decelerated, despite the introduction of monetary easing measures. World economies generally continued their modest recovery, but the outlook grew uncertain. In these circumstances, PSS Group has been focusing on manufacturing and sales of automated instruments (For sample preparation or fully automated machine) and related reagents or plastic consumables for laboratory and clinical diagnostic use. These products are on world-wide distribution network through OEM (Original Equipment Manufacturing) business with major clients such as Roche, QIAGEN, Abbott, Thermo Fisher, NanoString and LSI Medience, as well as our own brand distribution through PSS overseas subsidiaries in Europe and USA or domestic distributor.

For the current consolidated fiscal period, the Net Sales decreased by 14.2% in comparison to the same period of previous fiscal year to 3,379 million yen and the Gross Profit decreased by 20.9% to 1,123million yen. As without special order such as Ebola hemorrhagic fever inspection or many prototype products and commission revenue from OEM partner, the sales of instruments decreased in comparison to the same period of previous fiscal year. On the other hand, reagent, plastic consumable and maintenance spare parts for instruments have been in good shape. With regard to the expenses, R&D expense decreased by 15.2% in comparison to the same period of previous fiscal year to 511 million yen. Overall SG&A expenses decreased by 2.9% in comparison to the same period of previous fiscal year to 1,552 million yen and the Operating Loss decreased from Δ179 million to Δ429 million. The foreign exchange loss is 47 million. Consequently, the ordinary loss is Δ484 million yen in comparison to Δ24 million for the same period of previous fiscal year and the Quarter net loss attributable to parent company shareholders is Δ437 million in comparison to Δ50 million for the same period of previous fiscal year.

Sales by each product category:

(Unit: Million yen)

	Nine months ended March 31, 2015		Nine months ended March 31, 2016		Year on year increase	(Reference) Last Fiscal Year	
	amount	ratio	amount	ratio	%	amount	ratio
Instruments	2,501	63.5	1,788	52.9	(28.5)	3,151	61.3
Reagent kits & Consumables	850	21.6	948	28.1	11.5	1,238	24.0
Maintenance	258	6.6	333	9.9	28.9	328	6.4
Customized product	328	8.3	309	9.1	(5.6)	425	8.3
Others	-	-	-	-	-	-	-
Total	3,938	100.0	3,379	100.0	(14.2)	5,143	100.0

(1) Instruments

During nine months ended March 31, 2016, the sales in this category decreased 28.5% to 1,788 million yen. As the operating expenses decreased 19.5% to 1,715 million yen, the operating income decreased 80.3% to 72 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 28.5 % to 1,094 million yen. As the operating expenses decreased 26.6% to 929 million yen, the operating income recorded decreased 37.5% to 164 million yen.

The sales is changing by OEM sales or inventory at quarterly. Although the sales amount was decreased to the same period of previous fiscal year without special order through QIAGEN GP such as Ebola hemorrhagic fever inspection, we do not concern about the results for continuous business with OEM partners.

These are OEM business partners as follows;

- Roche : Leading global pharmaceutical manufacturers

The Diagnostics Division is top runner for possession of PCR technology.

PSS provides our OEM products to Roche Diagnostics GmbH for world-wide sales through Roche GP.

- QIAGEN : Leading global gene extraction manufacturers and recently focus on medical field.

PSS provides our OEM products to QIAGEN Instruments AG for world-wide sales through QIAGEN GP.

- Thermo Fisher : Leading global molecular diagnostic company which have acquired Life Technologies Inc. that PSS provided our OEM products

- NanoString : Start-up company which possesses unique gene-related technology

- Diagenode : Start-up company which possesses unique reagent of epigenetics research

(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. This field consists of immunochemical luminescent measuring system for LSI Medience & a front-end sample preparation instrument for Abbott in the field of Clinical Diagnostics. And fully automated DNA testing machine for Elitech has been added from Last september in this fiscal year. The sales in this category decreased 28.5% to 694 million yen. As the operating expenses decreased 9.0% to 785 million yen, the operating loss recorded Δ91 million yen (operating income: 107 million yen in the previous year). Although commercial version for Elitech on a full scale is steadily growing, the sales amount decreased without large order of prototype version and commission revenue for OEM supply agreement compared to the same period of previous fiscal year.

These are OEM business partners as follows;

- LSI Medience : Reagent maker in Mitsubishi group of companies and manage clinical test center

Our OEM products are provided world-wide with Medical device approval

- Abbott : Leading global diagnostic manufacturers

Global health care company which diversify the business in the field of medical, diagnostic, nutritional food.

PSS provides our OEM products to Abbott Laboratories Inc. through Abbott GP.

- Elitech : Global molecular diagnostic company which provide gene-related reagent and the instruments and adopt our OEM products (Fully automated DNA testing instruments)

- Diasorin : Diagnostic reagent maker in Italy. Provide OEM products collaborated with their technology.

(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. Although most reagent is manufacture by OEM partners, plastic consumables is exclusively manufacture by PSS. Our reagent manufacturing facility “Odate Reagent Center” manufactures the reagent not only for Abbott or Elitech, but also PSS. The sales in this category increased 11.5% to 948 million yen. As the operating expenses increased 12.0% to 914 million yen, the operating incomes decreased 1.2% to 33 million yen. Although the sales increased, the operating incomes decreased for increasing the expense allocated by sales proportion of each segment.

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category increased 28.9% to 333 million yen. As the operating expenses increased 25.6% to 276 million yen, the operating incomes recorded 56 million yen (47.8% increase in the previous year). The sales and operating income improved so much compared to the same period of previous fiscal year, as Abbott request PSS to order a lot of spare parts by product sales on a full scale.

(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 5.6% to 309 million yen. As the operating expenses decreased 1.5% to 265million yen, the operating income decreased 24.0% to 44 million yen. This segment is gaining business for NPS

(5)Others

This category consists of sales except above 1~4 which is mainly PSS capital, Bio Contents Fund LLP. The sales in this category are none. As the operating expenses increased from 1 million yen to 55 million yen, the operating income loss recorded Δ 55 million yen (Δ 1 million yen in the previous year).

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1)Assets

In the nine months of current fiscal year, total assets increased 669 million yen from the amount as of June 30, 2015 to 7,124 million yen. Cash & deposits increased 1,358 million yen by the public stock offering etc. Account receivable-other decreased 182 million yen and other assets decreased 450 million yen

(2)Liabilities

Total liabilities decreased 229 million yen to 2,190 million yen compared with the amount as of June 30, 2015. Current portion of long-term loans payable decreased 111 million yen, long-term loans payable decreased 125 million yen, although short-term loans payable increased 100 million yen.

(3)Net Assets

Total net assets amount was 4,934 million yen, increasing 899 million yen compared with the amount of as of June 30, 2015. We raised funds 1,510 million yen by the public stock offering and the private allocation and both Capital stock and capital surplus increased 755 million yen.

With net profit for the period, retained earnings decreased 437 million yen for Quarter net loss attributable to parent company shareholders.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2015	(Thousand yen) As of March 31, 2016
(Assets)		
Current assets		
Cash and deposits	1,799,217	3,158,076
Notes and accounts receivable-trade	1,075,671	893,371
Merchandise and finished goods	1,070,770	985,080
Work in process	127,943	106,341
Raw materials and supplies	148,342	179,855
Deferred tax assets	24,353	7,424
Others	639,687	188,907
Allowance for doubtful accounts	(1,794)	(704)
Total current assets	4,884,192	5,518,351
Noncurrent assets		
Property, plant and equipment	1,443,182	1,508,361
Intangible assets	52,050	41,816
Investments and other assets	75,216	55,886
Total noncurrent assets	1,570,359	1,606,064
Total assets	6,454,552	7,124,416
(Liabilities)		
Current liabilities		
Accounts payable-trade	438,396	376,240
Short-term loans payable	370,000	470,000
Current portion of long-term loans payable	461,691	350,132
Income taxes payable	21,574	25,587
Provision for bonus	7,190	48,276
Others	265,663	205,207
Total current liabilities	1,564,515	1,475,443
Noncurrent liabilities		
Long-term loans payable	735,872	610,752
Deferred tax liabilities	53,064	49,582
Liability for pension	62,300	51,625
Others	3,713	2,679
Total fixed liabilities	854,951	714,639
Total liabilities	2,419,467	2,190,083

(Thousand yen)

	As of June 30, 2015	As of March 31, 2016
(Net assets)		
Shareholders' equity		
Capital stock	2,217,194	2,972,609
Capital surplus	251,999	1,007,414
Retained earnings	1,215,577	778,110
Total shareholders' equity	3,684,770	4,758,134
Other comprehensive income		
Other gain from revaluation of securities	4,645	-
Foreign currency translation adjustment	6,045	(38,342)
Total of comprehensive income	10,691	(38,342)
Minority interests	339,622	214,541
Total net assets	4,035,084	4,934,333
Total liabilities and net assets	6,454,552	7,124,416

(2) Consolidated Income Statements

	Nine months ended March 31, 2015	(Thousand yen) Nine months ended March 31, 2016
Net Sales	3,938,445	3,379,565
Cost of sales	2,518,063	2,255,705
Gross Profit	1,420,381	1,123,859
Selling, general and administrative expenses	1,599,425	1,552,870
Operating Income	(179,044)	(429,011)
Non-operating income		
Interest income	404	373
Foreign exchange gain	59,990	----
Subsidy income	97,072	1,890
Return premium	3,774	5,701
Interest on refund	390	3,254
Others	4,093	934
Total non-operating income	165,724	12,154
Non-operating expenses		
Interest expenses	11,458	11,417
Foreign exchange loss	----	47,516
Stock delivery expenses	----	9,067
Total non-operating expenses	11,458	68,001
Ordinary income and (loss)	(24,777)	(484,858)
Extraordinary gain		
Gain on sales of investment securities	0	4,280
Gain on sale of fixed asset	7	----
Total extraordinary gain	8	4,280
Extraordinary loss		
Loss on sale of fixed asset	1,982	----
Loss on disposal of fixed asset	100	671
Loss on impairment	4,240	----
Total extraordinary loss	6,322	671
Income before income taxes and others	(31,092)	(481,250)
Income taxes-current	15,141	22,561
Income taxes-deferred	2,765	14,733
Total income taxes	17,906	37,294
Net Income	(48,998)	(518,544)
Profit (loss) attributable to non-controlling interests	1,407	(81,078)
Quarter net loss attributable to parent company shareholders	(50,406)	(437,466)

(3) Consolidated Comprehensive Income Statements

	Nine months ended March 31, 2015	(Thousand yen) Nine months ended March 31, 2016
Net Income	(48,998)	(518,544)
Other comprehensive income		
Other gain from revaluation of securities	2,148	(9,431)
Foreign currency transaction adjustment	(10,330)	(44,388)
Total of other comprehensive income	(8,182)	(53,820)
Comprehensive income	(57,181)	(572,365)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(59,894)	(486,500)
Comprehensive income attributable to minority income	2,713	(85,864)