

Precision System Science Co., Ltd.
SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
For Nine Months of the Fiscal Year, Ending June 30 2017
(From July 1, 2016 to March 31, 2017)

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/english/>

1. Consolidated financial data for the First Nine Months of the Fiscal Year, Ending June 30 2017
(From July 1, 2016 to March 31, 2017)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Quarter net loss attributable to parent company shareholders	
First Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	2,833	(16.2)	(367)	----	(344)	----	(311)	----
March 31, 2016	3,379	(14.2)	(429)	----	(484)	----	(437)	----

(Reference) Comprehensive income: 280 million yen loss for nine months ended March 31, 2017
572 million yen loss for nine months ended March 31, 2016

	Net income per share	Diluted net income per share
First Nine months ended	Yen	Yen
March 31, 2017	(15.00)	----
March 31, 2016	(21.85)	----

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
As of	Million yen	Million yen	%	yen
March 31, 2017	5,427	3,110	57.3	149.84
June 30, 2016	5,820	3,432	58.3	163.37

(Reference) Equity: 3,110 million yen as of March 31, 2017

3,390 million yen as of June 30, 2016

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2016 ended June 30, 2016	----	0.00	----	0.00	0.00
FY 2017 ending June 30, 2017	----	0.00	----	----	----
FY 2017 ending June 30,2017(Forecast)	----	----	----	0.00	0.00

(Note) Revision to previous forecast of Dividend during the current three months: No

3. Business Forecasts for the fiscal year (From July 1, 2016 to June 30, 2017)

	Sales		Operating income		Ordinary income		Quarter net loss attributable to parent company shareholders		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
For fiscal year ending June 30, 2017	4,400	(1.3)	(590)	----	(610)	----	(620)	----	(29.87)

(Note) Revision to previous forecast of Business Forecasts: No

4. Others

- (1) Change in scope of consolidated subsidiaries during FY 2017 ending June 30, 2017: Yes
- (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)
 - a) Number of outstanding stocks (including treasury stock)
20,756,900 at March 31, 2017; 20,756,900 at June 30, 2016
 - b) Number of treasury stocks at the end of period
None at March 31, 2017; None at June 30, 2016
 - c) Average number of outstanding stocks
20,756,900 for First Nine months ended March 31, 2017
20,024,245 for First Nine months ended March 31, 2016

* 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 March 31 2017, the Japanese economy remained on a recovery path by monetary easing of government. While personal consumption grew at a sluggish pace, 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) 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 16.2% in comparison to the same period of previous fiscal year to 2,833 million yen and the Gross Profit decreased by 13.1% to 976 million yen. And The sales of “geneLEAD^{XLII} Plus” fully automated DNA testing machine for Elitech that had been launched since September in 2015 was sold the twice as much as the sales in last fiscal year, while the sales of one OEM partner were postponed and the Net Sales decreased compared to the same period of previous fiscal year.

With regard to the expenses, R&D expenses decreased by 6.5% in comparison to the same period of previous fiscal year to 478 million yen. Overall SG&A expenses decreased by 13.4% in comparison to the same period of previous fiscal year to 1,344million yen and the Operating Loss decreased from -429 million yen to -367 million yen. The foreign exchange gain is 8 million yen and subsidy income is 18 million yen. Consequently, the ordinary loss is -344 million yen in comparison to -484 million for the same period of previous fiscal year and the Quarter net loss attributable to parent company shareholders is -311 million yen in comparison to -437 million yen for the same period of previous fiscal year.

Sales by each product category:

(Unit: Million yen)

	Nine months ended March 31, 2016		Nine months ended March 31, 2017		Year on year increase	(Reference) Last Year Fiscal	
	amount	amount	Amount	Ratio	%	Amount	Ratio
Instruments	1,788	52.9	1,468	51.8	(17.9)	2,380	53.4
Reagent kits & Consumable	948	28.1	790	27.9	(16.6)	1,206	27.1
Maintenance	333	9.9	205	7.3	(38.4)	431	9.7
Customized product	309	9.1	368	13.0	19.0	439	9.8
Total	3,379	100.0	2,833	100.0	(16.2)	4,458	100.0

(1) Instruments

During first nine months ended March 31, 2017, the sales in this category decreased 17.9% to 1,468 million yen. As the operating expenses decreased 19.4% to 1,382 million yen, the operating income increased 18.6% to 86 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 13.2 % to 949 million yen. As the operating expenses decreased 12.9% to 809 million yen, the operating income recorded decreased 15.1% to 139 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, 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 in the field of Clinical Diagnostics. And the sales of “geneLEADXII Plus” fully automated DNA testing machine for Elitech was sold the twice as much as the sales in last fiscal year ,while the sales of one OEM partner were postponed. The sales in this category decreased 25.2% to 519 million yen. As the operating expenses decreased 27.2% to 572 million yen, the operating loss recorded 53 million yen (91 million yen loss in the previous 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” has operated and the facility manufactures the reagent not only for Elitech, but also PSS. The sales in this category decreased 16.6% to 790 million yen. As the operating expenses decreased 16.6% to 763 million yen, the operating incomes decreased 17.1% to 27 million yen.

(3)Maintenance

This category consists of revenue from system maintenance and sales of spare parts (replacement) exclusively. The sales in this category decreased 38.4% to 205 million yen for postponing the sales of one OEM partner. As the operating expenses decreased 36.0% to 176 million yen, the operating incomes recorded 28 million yen (49.8% decrease in the previous year).

(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 increased 19.0% to 368 million yen. As the operating expenses increased 25.1% to 331million yen, the operating income decreased 17.5% to 36 million yen. This segment is not our main business, but also 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 recorded 0 million yen (55 million yen in the previous year) and the operating income loss recorded 0 million yen (55 million yen loss in the previous year).

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1)Assets

In the first nine months of current fiscal year, total assets decreased 392 million yen from the amount as of June 30, 2016 to 5,427 million yen. Cash & deposits decreased 461 million yen and Account receivable-other decreased 380 million yen, while Inventory increased 380 million yen and Property, plant and equipment increased 113 million yen.

(2)Liabilities

Total liabilities decreased 70 million yen to 2,317 million yen compared with the amount as of June 30, 2016. Accounts payable-trade decreased 22 million yen and others decreased 106 million yen, although short-term loans payable increased 30 million yen and long-term loans payable increased 97 million yen.

(3)Net Assets

Total net assets amount was 3,110 million yen, decreasing 321 million yen compared with the amount of as of June 30, 2016. With net profit for the period, retained earnings decreased 311 million yen for Quarter net loss attributable to parent company shareholders and minority interest decreased 41 million yen and Foreign currency translation adjustment increased 30 million yen.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2016	(Thousand yen) As of March 31, 2017
(Assets)		
Current assets		
Cash and deposits	2,631,875	2,170,537
Notes and accounts receivable-trade	1,003,447	622,466
Merchandise and finished goods	931,418	830,257
Work in process	90,536	254,056
Raw materials and supplies	129,902	447,547
Deferred tax assets	6,669	5,251
Others	262,879	209,683
Allowance for doubtful accounts	(2,080)	(1,806)
Total current assets	5,054,648	4,537,993
Noncurrent assets		
Property, plant and equipment	708,506	822,121
Intangible assets	1,489	8,933
Investments and other assets	55,764	58,861
Total noncurrent assets	765,759	889,915
Total assets	5,820,407	5,427,909
(Liabilities)		
Current liabilities		
Accounts payable-trade	539,543	517,211
Short-term loans payable	470,000	500,000
Current portion of long-term loans payable	343,428	324,464
Income taxes payable	28,793	12,075
Provision for bonus	14,753	41,630
Others	272,371	165,538
Total current liabilities	1,668,889	1,560,919
Noncurrent liabilities		
Long-term loans payable	618,278	715,584
Deferred tax liabilities	45,455	5,913
Liability for pension	53,321	----
Provision for product warranties	----	2,475
Others	2,388	32,840
Total fixed liabilities	719,443	756,812
Total liabilities	2,388,333	2,317,732

(Thousand yen)

	As of June 30, 2015	As of March 31, 2017
(Net assets)		
Shareholders' equity		
Capital stock	2,972,609	2,972,609
Capital surplus	880,204	880,204
Retained earnings	(366,472)	(677,919)
Total shareholders' equity	3,486,340	3,174,894
Other comprehensive income		
Foreign currency translation adjustment	(95,382)	(64,716)
Total of comprehensive income	(95,382)	(64,716)
Minority interests	41,115	-
Total net assets	3,432,074	3,110,177
Total liabilities and net assets	5,820,407	5,427,909

(2) Consolidated Income Statements

	Nine months ended March 31, 2016	(Thousand yen) Nine months ended March 31, 2017
Net Sales	3,379,565	2,833,407
Cost of sales	2,255,705	1,856,811
Gross Profit	1,123,859	976,596
Selling, general and administrative expenses	1,552,870	1,344,389
Operating Income	(429,011)	(367,793)
Non-operating income		
Interest income	373	170
Foreign exchange gain	----	8,452
Subsidy income	1,890	18,073
Gain on forfeiture of unclaimed dividends	----	3,105
Return premium	5,701	----
Interest on refund	3,254	----
Others	934	4,036
Total non-operating income	12,154	33,839
Non-operating expenses		
Interest expenses	11,417	10,121
Foreign exchange loss	47,516	----
Stock delivery expenses	9,067	----
Others	----	0
Total non-operating expenses	68,001	10,121
Ordinary income and (loss)	(484,858)	(344,075)
Extraordinary gain		
Gain on sales of investment securities	4,280	----
Gain on sale of fixed asset	----	2,092
Total extraordinary gain	4,280	2,092
Extraordinary loss		
Loss on sale of fixed asset	----	785
Loss on disposal of fixed asset	671	113
Total extraordinary loss	671	899
Income before income taxes and others	(481,250)	(342,882)
Income taxes-current	22,561	6,261
Income taxes-deferred	14,733	(37,697)
Total income taxes	37,294	(31,435)
Net Income	(518,544)	(311,446)
Profit (loss) attributable to non-controlling interests	(81,078)	----
Quarter net loss attributable to parent company shareholders	(437,466)	(311,446)

(3) Consolidated Comprehensive Income Statements

	Nine months ended March 31, 2016	(Thousand yen) Nine months ended March 31, 2017
Net Income	(518,544)	(311,446)
Other comprehensive income		
Other gain from revaluation of securities	(9,431)	----
Foreign currency transaction adjustment	(44,388)	30,665
Total of other comprehensive income	(53,820)	30,665
Comprehensive income	(572,365)	(280,781)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(486,500)	(280,781)
Comprehensive income attributable to minority income	(85,864)	----