

Precision System Science Co., Ltd.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the Nine Months of the Fiscal Year, Ending June 30, 2018 (From July 1, 2017 to March 31, 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 the Nine Months of the Fiscal Year, Ending June 30 2018 (From July 1, 2017 to March 31, 2018)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	2,582	(8.9)	(329)	----	(329)	----	(340)	----
March 31, 2017	2,833	(16.2)	(367)	----	(344)	----	(311)	----

(Reference) Comprehensive income: 339 million yen loss for the Nine months ended March 31, 2018

280 million yen loss for the Nine months ended March 31, 2017

	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2018	(14.76)	----
March 31, 2017	(15.00)	----

(2) Consolidated financial condition

	Total assets	Net Assets	Equity ratio	Net income per share
	Million yen	Million yen	%	yen
March 31, 2018	5,311	3,411	64.2	147.90
June 30, 2017	5,804	3,751	64.6	162.63

(Reference) Equity: 3,411 million yen as of March 31, 2018

3,751 million yen as of June 30, 2017

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	FY end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017 ended June 30, 2017	----	0.00	----	0.00	0.00
FY 2018 ending June 30, 2018	----	0.00	----	----	----
FY 2018 ending June 30,2018(Forecast)	----	----	----	0.00	0.00

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

3. Business Forecasts for the fiscal year (From July 1, 2017 to June 30, 2018)

	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
For fiscal year ending June 30, 2018	4,000	3.9	(400)	----	(420)	----	(430)	----	(18.64)

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

4. Others

(1) Change in scope of consolidated subsidiaries during FY 2018 ending 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)

a) Number of outstanding stocks (including treasury stock)	March 31, 2018	23,066,900 stocks	June 30, 2017	23,066,900 stocks
b) Number of treasury stocks at the end of period	March 31, 2018	None	June 30, 2017	None
c) Average number of outstanding stocks	March 31, 2018	23,066,900 stocks	March 31, 2017	20,756,900 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

In the nine months of current fiscal year, 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 8.9% in comparison to the same period of previous fiscal year to 2,582 million yen and the Gross Profit decreased by 4.6% to 931 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 9.3% in comparison to the same period of previous fiscal year to 433 million yen. Overall SG&A is decreased by 6.2% in comparison to the same period of previous fiscal year to 1,260 million yen. And Operating Loss decreased from -367 million yen to -329 million yen. Consequently, the ordinary loss was -344 million yen in comparison to -329 million for the same period of previous fiscal year and the net loss attributable to parent company shareholders was -311 million yen in comparison to -340 million yen for the same period of previous fiscal year.

Sales by each product category:

(Unit: Million yen)

	Nine months ended March 31, 2017		Nine months ended March 31, 2018		Year-on-year increase	(Reference) Last Year Fiscal	
	Amount	Ratio	Amount	Ratio	%	Amount	Ratio
Instruments	1,468	51.8	1,304	50.5	(11.2)	1,978	51.4
Reagent kits & Consumable	790	27.9	718	27.8	(9.1)	1,099	28.6
Maintenance	205	7.3	267	10.4	30.3	295	7.7
Customized product	368	13.0	291	11.3	(20.9)	473	12.3
Total	2,833	100.0	2,582	100.0	(8.9)	3,847	100.0

(1)Instruments

In the nine months of current fiscal year, the sales in this category decreased 11.2% to 1,304 million yen. As the operating expenses decreased 10.7% to 1,233 million yen, the operating income decreased 18.6% to 70 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 850 million yen. As the operating expenses decreased 11.0% to 720 million yen, the operating income decreased 7.0% to 129 million yen. Although the sales changing by OEM sales or inventory at quarterly. In the nine months of current fiscal year, 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 decreased 12.6% to 453 million yen. The operating expenses decreased 10.4% to 513 million yen, the operating loss recorded -59 million yen (-53 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.

In the nine months of current fiscal year, the sales in this category decreased 9.1% to 718 million yen. As the operating expenses decreased 4.9% to 726 million yen, the operating loss recorded -7 million yen (27 million yen in the previous year).

Although the sales changing by OEM sales or inventory at quarterly. In the nine months of current fiscal year, The sales of plastic consumables to the OEM were sluggish, and the sales and operating income were decreased to the same period of previous fiscal 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 30.3% to 267 million yen. As the operating expenses increased 20.9% to 213 million yen, the operating incomes increased 88.1% to 53 million yen.

The category tended to expand sales in accordance with the cumulative sales volume of the instruments, and it was a smooth sale in the nine months of current fiscal 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 decreased 20.9% to 291 million yen. As the operating expenses decreased 28.0% to 239 million yen, the operating income increased 42.7% to 52 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, which have been dissolved for obtaining excellent results and is excluded in this fiscal year.

2. Analysis of Financial Conditions:

Assets, Liabilities and Net Assets

(1) Assets

In the nine months of current fiscal year, total assets decreased 492 million yen from the amount as of June 30, 2017 to 5,311 million yen. Account receivable-other decreased 73 million yen, inventory decreased 51 million yen and other assets decreased 176 million yen, total current assets decreased 548 million yen. On the other hand, Property, plant and equipment increased 54 million yen.

(2) Liabilities

Total liabilities decreased 153 million yen to 1,900 million yen compared with the amount as of June 30, 2017. Income taxes payable decreased 11 million yen, others decreased 13 million yen. Long-term loans payable decreased 171 million yen. On the other hand, provision for bonus increased 32 million yen, current portion of long-term loans payable increased 29 million yen.

(3) Net Assets

Total net assets were 3,411 million yen, decreased 339 million yen compared with the amount of as of June 30, 2017. With net profit for the period, retained earnings decreased 340 million yen for Quarter net loss attributable to parent company shareholders.

3. Business Forecasts for the fiscal year (From July 1, 2017 to June 30, 2018)

No revisions from the most recently released Business Forecast.

4. Others

PSS Group is actively engaged in research and development activities in order to expand original technology in a highly competitive bio-related market. We are also focusing on establishing our own sales network aiming to increase sales. As a result of prior investments, operating losses are continuously incurred.

However, PSS Group entered into a capital tie-up on May 15, 2017 with Hitachi High-technologies Corporation to increase capital. The balance of cash and deposits at the nine months ended March 31, 2018 is 2,197 million yen and the financial base is stable. In addition, sales of fully automated DNA testing machine, which are OEM products for Elitech, and the sale of PSS brands have been satisfactory result. The new fully automated DNA testing machine (geneLEAD VIII) and diagnostic reagents are expected to be on the market.

There is no significant uncertainty about the premise of the continuation company.

PSS group established a three-year medium business plan policy for eliminating such situations and become profitable early. We are aiming to increase sales and to secure profits by improving profit margins.

- (1) Expansion of existing OEM transactions and acquiring new OEM contracts.
- (2) Fullness and strengthen sales of the lineup of PSS brand products.
- (3) Cost down of products for reagent business.

Consolidated financial statements

(1) Consolidated Balance Sheets

	As of June 30, 2017	(Thousand yen) As of March 31, 2018
(Assets)		
Current assets		
Cash and deposits	2,443,598	2,197,970
Notes and accounts receivable-trade	821,828	748,757
Merchandise and finished goods	836,601	494,156
Work in process	201,045	431,174
Raw materials and supplies	411,849	472,208
Deferred tax assets	4,037	2,483
Others	318,658	142,024
Allowance for doubtful accounts	(1,756)	(1,724)
Total current assets	5,035,863	4,487,050
Noncurrent assets		
Property, plant and equipment	709,290	763,486
Intangible assets	2,202	4,117
Investments and other assets	57,271	57,030
Total noncurrent assets	768,763	824,634
Total assets	5,804,627	5,311,685
(Liabilities)		
Current liabilities		
Accounts payable-trade	348,030	344,876
Short-term loans payable	500,000	500,000
Current portion of long-term loans payable	321,079	350,596
Income taxes payable	22,548	10,941
Provision for bonus	10,670	42,813
Others	183,492	170,307
Total current liabilities	1,385,820	1,419,535
Noncurrent liabilities		
Long-term loans payable	628,017	456,518
Deferred tax liabilities	6,168	6,263
Provision for product warranties	1,125	630
Others	32,160	17,142
Total fixed liabilities	667,470	480,554
Total liabilities	2,053,291	1,900,090

(Thousand yen)

	As of June 30, 2017	As of March 31, 2018
(Net assets)		
Shareholders' equity		
Capital stock	3,401,899	3,401,899
Capital surplus	1,309,494	1,309,494
Retained earnings	(921,691)	(1,262,089)
Total shareholders' equity	3,789,702	3,449,304
Other comprehensive income		
Foreign currency translation adjustment	(38,366)	(37,709)
Total of comprehensive income	(38,366)	(37,709)
Total net assets	3,751,335	3,411,595
Total liabilities and net assets	5,804,627	5,311,685

(2) Consolidated Income Statements

	Nine months ended March 31, 2017	(Thousand yen) Nine months ended March 31, 2018
Net Sales	2,833,407	2,582,130
Cost of sales	1,856,811	1,650,583
Gross Profit	976,596	931,547
Selling, general and administrative expenses	1,344,389	1,260,553
Operating income and (loss)	(367,793)	(329,005)
Non-operating income		
Commission fee	----	6,084
Profit on sales	----	2,750
Interest income	170	121
Foreign exchange gains	8,452	----
Subsidy income	18,073	3,680
Gain on forfeiture of unclaimed dividends	3,105	1,149
Others	4,036	812
Total non-operating income	33,839	14,597
Non-operating expenses		
Interest expenses	10,121	9,735
Foreign exchange loss	----	5,520
Others	0	0
Total non-operating expenses	10,121	15,256
Ordinary income and (loss)	(344,075)	(329,665)
Extraordinary income		
Gain on sales of fixed asset	2,092	----
Total extraordinary loss	2,092	----
Extraordinary loss		
Loss on sales of fixed asset	785	----
Loss on disposal of fixed asset	113	2,127
Total extraordinary loss	899	2,127
Income before income taxes and others and (loss)	(342,882)	(331,792)
Income taxes-current	6,261	6,191
Income taxes-deferred	(37,697)	2,413
Total income taxes	(31,435)	8,605
Net Income and (loss)	(311,446)	(340,398)
Quarter net income attributable to parent company shareholders and (loss)	(311,446)	(340,398)

(3) Consolidated Comprehensive Income Statements

	Nine months ended March 31, 2017	(Thousand yen) Nine months ended March 31, 2018
Net Income	(311,446)	(340,398)
Other comprehensive income		
Foreign currency transaction adjustment	30,665	657
Total of other comprehensive income	30,665	657
Comprehensive income	(280,781)	(339,740)
(Breakdown)		
Comprehensive income attributable to owners of parent company	(280,781)	(339,740)