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November 11, 2022

CONSOLIDATED EARNINGS REPORT FOR THE SECOND QUARTER OF FISCAL 2022 [Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
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Scheduled Date for Filing of Quarterly Report: November 14, 2022
Scheduled Date for Payment of Dividends: December 2, 2022
Creation of Supplementary Explanatory Materials: Yes
Holding of Explanatory Meeting: Yes

(Rounded down to nearest million yen)

1. Results for the Second Quarter of Fiscal 2022 (April 1, 2022–September 30, 2022)

(1) Consolidated business results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q of FY2022	83,712	(12.5)	15,448	(43.9)	15,572	(45.2)	10,332	(44.9)
2Q of FY2021	95,700	60.0	27,525	453.4	28,433	439.0	18,761	433.8

(Note) Comprehensive income: 2Q of FY2022 ¥10,463 million / (45.4)% 2Q of FY2021 ¥19,170 million / 455.9 %

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q of FY2022	261.80		261.63	
2Q of FY2021	461.53		461.16	

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %
As of September 30, 2022	171,048	126,328	70.5
As of March 31, 2022	179,200	121,684	64.8

(Reference) Equity capital: As of September 30, 2022 ¥120,634 million As of March 31, 2022 ¥116,163 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2021	—	35.00	—	85.00	120.00
FY2022	—	40.00			
FY2022 (forecast)			—	40.00	80.00

(Note) Revision of dividend projection from recently announced figures: None

3. Consolidated Cumulative Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	154,000	(17.2)	22,000	(55.0)	22,500	(55.9)	14,500	(57.0)	368.19

(Note) Revision from recently projected results: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

Increases: – Decreases: –

(2) Adoption of specific accounting methods in preparing quarterly financial statements: None

(3) Changes in accounting policies and changes or revisions in accounting estimates

- 1) Changes in accounting policies in conjunction with revisions to accounting standards: Yes
- 2) Other changes: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Number of outstanding shares (common shares)

a. Number of outstanding shares at the end of the period (treasury shares included)

As of September 30, 2022	42,613,626	As of March 31, 2022	43,514,726
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b. Number of treasury shares at the end of the period

As of September 30, 2022	3,337,338	As of March 31, 2022	3,586,202
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c. Average number of shares during the period

2Q ended September 30, 2022	39,469,424	2Q ended September 30, 2021	40,651,934
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* The quarterly financial results are not subject to quarterly review by a certified public accountant or an audit firm.

* Disclaimer regarding appropriate use of forecasts and related points of note

Earnings forecasts contained in these materials are based on certain assumptions judged to be reasonable, and on the information available when the forecasts were made. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. Please refer to “(3) Consolidated earnings forecasts and others” under “1. Qualitative information on operating results for quarter under review” on page 5 of this earnings report concerning financial forecasts such as the assumptions used for financial forecasts, factors that could cause these assumptions to change, and cautionary notes.

1. Qualitative information on operating results for quarter under review

(1) Operating results

In the first six months of the consolidated fiscal year under review, as the transition to a new stage of the “new normal” progressed, the Japanese economy showed signs of a gradual recovery on the back of various policy measures. However, the outlook remained uncertain amid fears of downturn in overseas economies against the backdrop of monetary policy tightening around the world, rising prices of energy and raw materials due to the yen’s depreciation, and other developments.

Under these economic conditions, the operating environment remained challenging for the contract clinical testing business, which was faced with a lackluster trend in the number of people who sought medical care, in addition to the impact of a revision of medical service fees, while competition with peer companies continued.

In these conditions, net sales for the first six months of the fiscal year under review were ¥83,712 million, a decrease of 12.5% year on year, and operating profit was ¥15,448 million, a decrease of 43.9% year on year. Ordinary profit was ¥15,572 million, a decrease of 45.2% year on year, and profit attributable to owners of parent was ¥10,332 million, a decrease of 44.9% year on year. Although testing numbers within existing testing increased for the BML Group, both net sales and profit decreased due to a reduction in medical service fees for testing related to COVID-19.

Conditions by business segment are described below.

In the clinical testing business, the BML Group made efforts to acquire new customers and also to enhance business performance by implementing activities to further develop sales to existing customers of such items as new testing items, unique testing items, and priority testing items. However, due to the considerable impact of the reduction in medical service fees for testing related to COVID-19, net sales in the clinical testing business declined 13.7% year on year.

In the food hygiene business, areas including food consulting and microbe testing recovered due to the relaxation of restrictions on business partners’ sales activities along with the lifting of the government’s restrictions on movement. As a result, net sales increased by 7.7% year on year.

As a result of the above, net sales in the testing business overall decreased by 13.3%.

Net sales in the medical informatics business increased by 13.7% year on year. This reflected progress made as planned in sales of the cloud-based electronic patient chart system, which was released in April 2022, as well as solid maintenance sales, combined with strong orders received for the online health insurance qualification check function.

In other businesses, the dispensing pharmacy business was affected by a revision of medical service fees (reduction in drug prices), and net sales recorded a decrease of 0.6% year on year.

(2) Financial position

(a) Assets, Liabilities and Net Assets

At the end of the second quarter of the consolidated fiscal year under review, total assets amounted to ¥171,048 million, an ¥8,152 million decrease over the end of the previous fiscal year, net assets totaled ¥126,328 million, up ¥4,643 million over the end of the previous fiscal year, and the equity

ratio was 70.5%, a 5.7 percentage point increase over the end of the previous fiscal year.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits decreased by ¥971 million and notes and accounts receivable–trade decreased by ¥5,428 million. In the liabilities section, under current liabilities, income taxes payable decreased by ¥8,018 million. In the net assets section, retained earnings increased by ¥4,761 million.

(b) Cash flows

Cash and cash equivalents on September 30, 2022, increased ¥12,806 million from September 30, 2021, to ¥87,343 million. The cash flow position and factors behind changes for each type of activity are as follows.

Operating activities provided net cash of ¥6,431 million, ¥15,030 million less than in the same period a year earlier. This largely reflected a decrease of ¥12,606 million in inflow from profit before income taxes and an increase of ¥6,757 million in outflow from income taxes.

Investing activities used net cash of ¥3,144 million, ¥804 million less than in the same period a year earlier. This was largely a result of a decrease of ¥638 million in purchase of property, plant and equipment.

Financing activities used net cash of ¥4,302 million, ¥1,445 million more than in the same period a year earlier. This was primarily due to an increase of ¥1,361 million in dividends paid.

(3) Consolidated earnings forecasts and others

Revisions to earnings forecasts

Revision of figures in consolidated earnings forecasts for the year ending March 31, 2023

(April 1, 2022 – March 31, 2023)

	Net Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent per share
	¥ million	¥ million	¥ million	¥ million	Yen
Previous forecast (A) (announced on May 13, 2022)	146,000	16,500	17,000	11,000	280.87
Revised forecast (B)	154,000	22,000	22,500	14,500	368.19
Amount of increase/decrease (B-A)	8,000	5,500	5,500	3,500	-
Percentage of increase/decrease (%)	5.5	33.3	32.4	31.8	-
(Reference) Previous fiscal year results (Year ended March 31, 2022)	186,067	48,889	51,077	33,741	833.24

Reasons for revision of the full-year earnings forecasts

With respect to consolidated earnings forecast for the fiscal year ending March 31, 2023, we expect our consolidated performance to exceed the forecasts announced on May 13, 2022, and have thus revised the forecasts in consideration of the latest situation and based on information available as of the date of publication of this document, as above.

In the first six months of the consolidated fiscal year under review, orders for testing related to COVID-19 exceeded expectations given the impact of the seventh wave of the pandemic. While the outlook remains uncertain, it is projected that COVID-19-related testing will gradually subside. Taking these circumstances into consideration, we have revised the earnings forecasts announced on May 13, 2022.

* The above forecasts are based on judgments made in light of information available as of the date of publication of this document. Actual results may differ from the expected figures due to a variety of factors in the future.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	92,126	91,154
Notes and accounts receivable–trade	36,405	30,977
Merchandise and finished goods	467	427
Work in process	749	857
Raw materials and supplies	3,659	3,673
Other	3,737	1,675
Allowance for doubtful accounts	(75)	(57)
Total current assets	137,070	128,708
Non-current assets		
Property, plant and equipment		
Other, net	32,337	32,859
Total property, plant and equipment	32,337	32,859
Intangible assets		
Other	3,973	4,262
Total intangible assets	3,973	4,262
Investments and other assets		
Other	5,903	5,300
Allowance for doubtful accounts	(83)	(81)
Total investments and other assets	5,819	5,218
Total non-current assets	42,130	42,339
Total assets	179,200	171,048

As of March 31, 2022 As of September 30, 2022

Liabilities		
Current liabilities		
Notes and accounts payable–trade	21,672	21,463
Income taxes payable	12,600	4,582
Provision for bonuses	3,616	3,693
Other	14,132	9,223
Total current liabilities	52,022	38,963
Non-current liabilities		
Retirement benefit liability	2,616	2,660
Provision for retirement benefits for directors (and other officers)	214	207
Other	2,662	2,888
Total non-current liabilities	5,494	5,756
Total liabilities	57,516	44,720
Net assets		
Shareholders' equity		
Share capital	6,045	6,045
Capital surplus	6,646	6,646
Retained earnings	110,458	115,220
Treasury shares	(8,057)	(8,089)
Total shareholders' equity	115,094	119,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	453	247
Remeasurements of defined benefit plans	616	563
Total accumulated other comprehensive income	1,069	810
Share acquisition rights	35	30
Non-controlling interests	5,485	5,663
Total net assets	121,684	126,328
Total liabilities and net assets	179,200	171,048

(2) Consolidated statements of income and consolidated statements of comprehensive income**Consolidated statements of income**

April 1, 2022 – September 30, 2022

	(millions of yen)	
	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
Net sales	95,700	83,712
Cost of sales	49,339	49,486
Gross profit	46,360	34,226
Selling, general and administrative expenses	18,834	18,778
Operating profit	27,525	15,448
Non-operating income		
Other	944	224
Total non-operating income	944	224
Non-operating expenses		
Refund of subsidies	-	55
Other	37	44
Total non-operating expenses	37	100
Ordinary profit	28,433	15,572
Extraordinary income		
Gain on sale of investment securities	-	215
Gain on extinguishment of tie-in shares	20	-
Other	0	2
Total extraordinary income	20	217
Extraordinary losses		
Loss on retirement of non-current assets	21	13
Other	51	1
Total extraordinary losses	72	14
Profit before income taxes	28,381	15,774
Income taxes—current	9,368	4,735
Income taxes—deferred	(189)	315
Total income taxes	9,178	5,051
Profit	19,203	10,723
Profit attributable to non-controlling interests	441	390
Profit attributable to owners of parent	18,761	10,332

Consolidated statements of comprehensive income

April 1, 2022 – September 30, 2022

	(millions of yen)	
	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
Profit	19,203	10,723
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(206)
Remeasurements of defined benefit plans, net of tax	(47)	(53)
Total other comprehensive income	(33)	(259)
Comprehensive income	19,170	10,463
Breakdown		
Comprehensive income attributable to owners of parent	18,729	10,073
Comprehensive income attributable to non-controlling interests	440	389

(3) Consolidated statements of cash flows

(millions of yen)

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	28,381	15,774
Depreciation	2,742	2,940
Loss (gain) on sale of investment securities	-	(215)
Loss on retirement of non-current assets	21	13
Decrease (increase) in trade receivables	(6,226)	5,429
Decrease (increase) in inventories	(724)	(82)
Increase (decrease) in trade payables	834	(208)
Increase (decrease) in accrued consumption taxes	383	(3,299)
Other, net	1,034	(1,426)
Subtotal	26,448	18,926
Income taxes paid	(5,772)	(12,529)
Other, net	785	33
Net cash provided by (used in) operating activities	21,461	6,431
Cash flows from investing activities		
Payments into time deposits	(2,764)	(2,848)
Proceeds from withdrawal of time deposits	2,659	2,803
Purchase of property, plant and equipment	(3,061)	(2,422)
Purchase of intangible assets	(702)	(961)
Proceeds from sale of investment securities	2	404
Other, net	(82)	(119)
Net cash provided by (used in) investing activities	(3,949)	(3,144)
Cash flows from financing activities		
Repayments of lease obligations	(686)	(692)
Dividends paid	(2,032)	(3,393)
Dividends paid to non-controlling interests	(151)	(211)
Other, net	13	(4)
Net cash provided by (used in) financing activities	(2,857)	(4,302)
Net increase (decrease) in cash and cash equivalents	14,654	(1,016)
Cash and cash equivalents at beginning of period	59,853	88,360
Increase in cash and cash equivalents resulting from merger	28	-
Cash and cash equivalents at the end of period	74,537	87,343

(4) Notes on operating results for quarter under review

(Notes on premise of going concern)

First six months of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

None

(Notes on significant changes in the amount of shareholders' equity)

First six months of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

None

(Changes in accounting policies)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Implementation Guidance") from the beginning of the first quarter of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group has decided to apply the new accounting policies set forth by the Fair Value Measurement Implementation Guidance going forward. This will have no impact on the consolidated financial statements in the first six months of the fiscal year under review.

3. Supplementary information

Breakdown of Sales

Testing		Six Months Ended September 30, 2021		Six Months Ended September 30, 2022		Change (%)
		¥ million	% of total	¥ million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	24,970	26.1	25,731	30.7	3.0
	Hematological tests	5,271	5.5	5,418	6.5	2.8
	Immunological tests	13,012	13.6	12,950	15.5	(0.5)
	Microbiological tests	3,176	3.3	3,167	3.8	(0.3)
	Pathological tests	4,400	4.6	4,434	5.3	0.8
	Other tests	39,864	41.7	26,548	31.7	(33.4)
	(Clinical testing business subtotal)	90,695	94.8	78,251	93.5	(13.7)
	Food hygiene business*	2,033	2.1	2,190	2.6	7.7
Testing business subtotal	92,729	96.9	80,441	96.1	(13.3)	
Medical informatics business		2,231	2.3	2,536	3.0	13.7
Other businesses		739	0.8	735	0.9	(0.6)
Total		95,700	100.0	83,712	100.0	(12.5)

* Change of name of the testing business

From the first quarter of the consolidated fiscal year under review, the name “Other testing business” has been changed to “Food hygiene business” in order to use a name more easily understood by shareholders. This change constitutes a change in name only and has no impact on sales.