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February 9, 2022

CONSOLIDATED EARNINGS REPORT FOR THE THIRD QUARTER OF FISCAL 2021 [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: February 14, 2022
Scheduled Date for Payment of Dividends: –
Creation of Supplementary Explanatory Materials: None
Holding of Explanatory Meeting: None

(Rounded down to nearest million yen)

1. Results for the Third Quarter of Fiscal 2021 (April 1, 2021–December 31, 2021)**(1) Consolidated Business Results**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
3Q of FY2021	136,710	39.1	35,517	178.7	36,788	178.3	24,054	178.1
3Q of FY2020	98,288	5.8	12,745	42.5	13,217	43.1	8,650	48.8

(Note) Comprehensive income: 3Q of FY2021 ¥24,640 million / 179.2% 3Q of FY2020 ¥8,826 million / 40.1%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
3Q of FY2021	592.29	591.84
3Q of FY2020	212.90	212.67

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of December 31, 2021	163,440	113,106	66.0
As of March 31, 2021	139,174	93,123	63.5

Reference: Equity capital: As of December 31, 2021 ¥ 107,863 million As of March 31, 2021 ¥88,377 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	20.00	—	50.00	70.00
Fiscal 2021	—	35.00	—		
Fiscal 2021 (forecast)				35.00	70.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2022 (April 1, 2021–March 31, 2022)

(% indicates year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	177,000	27.7	42,500	113.2	44,000	111.5	28,000	104.2	691.14

(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, accounting estimates and restatements

- 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 stocks (common stock)

a. Number of outstanding stocks at the end of the fiscal year (treasury shares included)

As of December 31, 2021	44,014,726	As of March 31, 2021	44,014,726
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b. Number of treasury shares at the end of period

As of December 31, 2021	3,652,102	As of March 31, 2021	3,367,662
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c. Average number of shares during the period

3Q ended December 31, 2021	40,613,111	3Q ended December 31, 2020	40,631,343
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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 third quarter of the consolidated fiscal year under review, the Japanese economy showed signs of recovery in some sectors amid the lingering impact of COVID-19, with gradual resumption of economic activity that was supported in part by progress in vaccinations and the effects of various government policies. The outlook, however, remains unclear given the resurgence of COVID-19 cases caused by the emergence of a new variant.

Under these circumstances, the contract clinical testing business was confronted with a lackluster trend in the number of patients due to the spread of COVID-19 but also saw an expanding market amid growth in demand for novel coronavirus-related testing. Still, the business environment remained challenging as competition with peer companies continued.

Under these conditions, both net sales and profit for the third quarter of the fiscal year under review increased significantly. Net sales were ¥136,710 million, an increase of 39.1% year on year, and operating income was ¥35,517 million, an increase of 178.7% year on year. Ordinary income increased 178.3% year on year to ¥36,788 million, and profit attributable to owners of parent increased 178.1% to ¥24,054 million.

Conditions by business segment are described below.

In the clinical testing business, the BML Group made efforts in new customer acquisition, and sought to enhance business performance by implementing marketing activities to further cultivate sales of new testing items, unique testing items, priority testing items, and others. With a solid trend in coronavirus-related testing, net sales in the clinical testing business increased by 41.5% year on year. Regarding testing for the novel coronavirus, the Group will continue to reinforce its testing system in order to be able to respond to various changes in the situation, although it is predicted that waves of COVID-19 will continue with surges in new cases followed by declines.

In the food hygiene business, net sales increased by 6.4% year on year, reflecting a recent recovery notably in the areas of food consulting and norovirus testing. The business environment, however, remains severe given the probability of a global spread of COVID-19 with the emergence of a new variant that may have such consequences as postponement or cancellation of store inspections.

As a result of the above, net sales in the testing business overall increased by 40.3% year on year.

In the medical informatics business, despite restrictions on sales activities targeting new clients, sales improved 14.1% year on year thanks to an increase in the number of requests for online certification checks and solid maintenance sales attributable to the greater number of facilities at which systems are installed. With respect to the cloud-based electronic patient chart system, release is scheduled for April 2022.

In other businesses, the dispensing pharmacy business was affected by a revision of medical service fees (reduction in drug prices), but net sales recorded an increase of 4.3% year on year reflecting a rebound in the number of outpatient visits from last year's decline caused by the spread of COVID-19.

(2) Financial position

(a) Assets, liabilities and net assets

At the end of the third quarter of the consolidated fiscal period under review, total assets amounted to ¥163,440 million, a ¥24,265 million increase over the end of the previous fiscal year. Net assets totaled ¥113,106 million, up ¥19,982 million over the end of the previous fiscal year, and the equity ratio was 66.0%, a 2.5% increase over the end of the previous fiscal year.

Regarding the main items contributing to increases or decreases, in the assets section, under current assets, cash and deposits increased by ¥20,372 million and notes and accounts receivable–trade increased by ¥1,376 million. In the liabilities section, under current liabilities, notes and accounts payable–trade increased by ¥426 million and income taxes payable increased by ¥1,968 million. In the net assets section, retained earnings increased by ¥20,599 million.

(3) Consolidated earnings forecast and others

Revision of the financial results forecast

Revision of the consolidated financial results forecast for the fiscal year ending March 31, 2022

(April 1, 2021 to March 31, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	Yen
Previous forecast (A) (announced on August 11, 2021)	154,000	32,000	33,100	20,900	514.07
Revised forecast (B)	177,000	42,500	44,000	28,000	691.14
Change (B-A)	23,000	10,500	10,900	7,100	—
Change (%)	14.9	32.8	32.9	34.0	—
(Reference) Results for the fiscal year ended March 31, 2021	138,571	19,936	20,803	13,711	337.44

Reasons for the revision of the full-year consolidated financial results forecast

With respect to consolidated earnings forecasts for the fiscal year ending March 31, 2022, we expect our consolidated performance to exceed the forecasts announced on August 11, 2021, and have thus revised the forecasts as presented above, which take into consideration the latest situation and are based on information available as of the date of publication of this document.

In the third quarter of the consolidated fiscal year under review, orders for novel coronavirus testing exceeded our projection. Looking ahead, although the number of new COVID-19 cases is expected to decline as a result of the implementation of quasi-state of emergency measures and progress in booster vaccinations, we anticipate that there will continue to be a certain level of demand for novel coronavirus testing. In light of the situation as described above, we have revised the earnings forecasts published on August 11, 2021.

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

2. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	63,478	83,851
Notes and accounts receivable–trade	30,410	31,786
Merchandise and finished goods	324	212
Work in process	691	619
Raw materials and supplies	3,018	3,952
Other current assets	1,106	2,091
Allowance for doubtful accounts	(80)	(56)
Total current assets	98,950	122,457
Non-current assets		
Property, plant and equipment		
Others, net	30,685	31,966
Total property, plant and equipment	30,685	31,966
Intangible assets		
Other intangible assets	3,807	3,902
Total intangible assets	3,807	3,902
Investments and other assets		
Other	5,815	5,198
Allowance for doubtful accounts	(83)	(84)
Total investments and other assets	5,731	5,114
Total non-current assets	40,224	40,983
Total assets	139,174	163,440

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	20,305	20,732
Income tax payable	5,756	7,724
Provision for bonuses	3,419	3,284
Other current liabilities	10,926	12,899
Total current liabilities	40,407	44,641
Non-current liabilities		
Retirement benefit liability	2,866	2,842
Provision for retirement benefits for directors (and other officers)	246	222
Other non-current liabilities	2,531	2,628
Total non-current liabilities	5,644	5,693
Total liabilities	46,051	50,334
Net assets		
Shareholders' equity		
Share capital	6,045	6,045
Capital surplus	6,705	6,715
Retained earnings	81,220	101,820
Treasury shares	(6,651)	(7,704)
Total shareholders' equity	87,320	106,877
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	496	495
Remeasurements of defined benefit plans	560	490
Total accumulated other comprehensive income	1,057	986
Subscription rights to shares	44	35
Non-controlling interests	4,701	5,206
Total net assets	93,123	113,106
Total liabilities and net assets	139,174	163,440

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

April 1, 2021 –December 31, 2021

(millions of yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Net sales	98,288	136,710
Cost of sales	60,672	73,327
Gross profit	37,616	63,382
Selling, general and administrative expenses	24,870	27,865
Operating income	12,745	35,517
Non-operating income		
Rental income from real estate	45	45
Subsidy income	67	969
Other	409	311
Total non-operating income	523	1,326
Non-operating expenses		
Interest expenses	28	27
Cost of real estate lease revenue	18	20
Other	5	6
Total non-operating expenses	52	55
Ordinary income	13,217	36,788
Extraordinary income		
Gain on sales of investment securities	252	-
Gain on extinguishment of tie-in shares	-	20
Other	1	1
Total extraordinary income	254	22
Extraordinary losses		
Loss on retirement of non-current assets	45	63
Impairment losses	1	219
Other	4	0
Total extraordinary losses	51	283
Profit before income taxes	13,419	36,528
Income taxes—current	3,845	11,153
Income taxes—deferred	540	661
Total income taxes	4,386	11,815
Profit	9,033	24,713
Profit attributable to non-controlling interests	383	658
Profit attributable to owners of parent	8,650	24,054

Consolidated statements of comprehensive income

April 1, 2021 – December 31, 2021

(millions of yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Profit	9,033	24,713
Other comprehensive income		
Valuation difference on available-for-sale securities	(185)	(1)
Remeasurements of defined benefit plans, net of tax	(21)	(70)
Total other comprehensive income	(206)	(72)
Comprehensive income	8,826	24,640
Breakdown		
Comprehensive income attributable to owners of parent	8,443	23,984
Comprehensive income attributable to non-controlling interests	383	656

(3) Notes on operating results for quarter under review

(Notes on premise of going concern)

First nine months of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021)

None

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

First nine months of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021)

None

(Changes in accounting policies)

The Company began applying the "Accounting Standard For Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter "Revenue Recognition Standard") at the start of the three months ended June 30, 2021. Accordingly, at the point that control of a good or service is transferred to the customer, the Company recognizes revenue equivalent to the amount it expects to receive in exchange for said good or service.

With regard to the application of the Revenue Recognition Standard, in accordance with the transitional measures set forth in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first three months of the fiscal year ending March 31, 2022, has been added to or subtracted from retained earnings at the beginning of the first three months of the fiscal year ending March 31, 2022, and the new accounting policy has been applied from the start of this three-month period. However, although the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition has been applied, the new accounting policy has not been applied retrospectively to contracts for which nearly all revenue amounts had already been recognized prior to the beginning of the first three months of the fiscal year ending March 31, 2022, in accordance with the previous treatment. The Company has also applied the method set forth in the proviso (1) to paragraph 86 of the Accounting Standard for Revenue Recognition. Based on the contract conditions after the application of all changes for contracts made prior to the beginning of the first three months of the fiscal year ending March 31, 2022, the cumulative effect of making these changes in accounting treatment has been added to or subtracted from the beginning balance of retained earnings for said three-month period.

The revision has no effect on profit and loss for the first nine months of the fiscal year ending March 31, 2022. There is no cumulative impact to be reflected on the balance of retained earnings at the beginning of the consolidated fiscal year ending March 31, 2022.

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter "Accounting Standard for Fair Value Measurement") and related guidance from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments"

(ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement and related guidance will be applied into the future. This will have no impact on the quarterly consolidated financial statements.

3. Supplementary information

Breakdown of sales

Testing		Nine Months Ended December 31, 2020		Nine Months Ended December 31, 2021		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	35,567	36.2	38,620	28.3	8.6
	Hematological tests	7,444	7.6	8,120	5.9	9.1
	Immunological tests	17,377	17.7	19,617	14.4	12.9
	Microbiological tests	4,690	4.7	4,821	3.5	2.8
	Pathological tests	6,380	6.5	7,052	5.2	10.5
	Other tests	19,505	19.8	50,467	36.9	158.7
	(Clinical testing business subtotal)	90,966	92.5	128,699	94.1	41.5
	Other testing business	3,126	3.2	3,327	2.4	6.4
	Testing business subtotal	94,092	95.7	132,027	96.6	40.3
	Medical informatics business	3,118	3.2	3,558	2.6	14.1
	Other businesses	1,078	1.1	1,125	0.8	4.3
	Total	98,288	100.0	136,710	100.0	39.1