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August 11, 2021

CONSOLIDATED EARNINGS REPORT FOR THE FIRST QUARTER OF FISCAL 2021 [Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
URL: <http://www.bml.co.jp/>
Representative: Kensuke Kondo, President and Representative Director
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Scheduled Date for Filing of Quarterly Report: August 13, 2021
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 First Quarter of Fiscal 2021 (April 1, 2021–June 30, 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 | % |
| 1Q of FY2021 | 47,092 | 80.4 | 14,052 | - | 14,870 | - | 9,937 | - |
| 1Q of FY2020 | 26,109 | (15.3) | (108) | - | 17 | (99.5) | 111 | (94.8) |

(Note) Comprehensive income: 1Q of FY2021 ¥10,096 million / -% 1Q of FY2020 ¥(149) million / -%

| | Profit attributable to owners of parent per share Yen | Profit attributable to owners of parent per share (diluted) Yen |
|--------------|--|--|
| 1Q of FY2021 | 244.47 | 244.27 |
| 1Q of FY2020 | 2.74 | 2.74 |

(2) Consolidated financial position

| | Total assets ¥ million | Net assets ¥ million | Equity ratio % |
|----------------------|---------------------------|-------------------------|-------------------|
| As of June 30, 2021 | 146,323 | 101,035 | 65.8 |
| As of March 31, 2021 | 139,174 | 93,123 | 63.5 |

(Reference) Equity capital: As of June 30, 2021 ¥96,229 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 |
| FY2020 | — | 20.00 | — | 50.00 | 70.00 |
| FY2021 | — | | | | |
| FY2021 (forecast) | | 35.00 | — | 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 | 154,000 | 11.1 | 32,000 | 60.5 | 33,100 | 59.1 | 20,900 | 52.4 | 514.07 |

(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 stocks (common stock)

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

| | | | |
|---------------------|------------|----------------------|------------|
| As of June 30, 2021 | 44,014,726 | As of March 31, 2021 | 44,014,726 |
|---------------------|------------|----------------------|------------|

b. Number of treasury stocks at the end of the period

| | | | |
|---------------------|-----------|----------------------|-----------|
| As of June 30, 2021 | 3,367,662 | As of March 31, 2021 | 3,367,662 |
|---------------------|-----------|----------------------|-----------|

c. Average number of shares during the period

| | | | |
|------------------------|------------|------------------------|------------|
| 1Q ended June 30, 2021 | 40,647,064 | 1Q ended June 30, 2020 | 40,623,492 |
|------------------------|------------|------------------------|------------|

* 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 quarter of the consolidated fiscal year under review, the Japanese economy continued to face the profound impact of the COVID-19 pandemic, and the outlook remained uncertain as the government declared a state of emergency during which people were requested to refrain from going out and certain businesses were asked to close temporarily, thereby imposing restrictions on personal consumption and corporate activities.

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

In these conditions, net sales for the first quarter of the fiscal year under review were ¥47,092 million, an increase of 80.4% year on year, and operating income was ¥14,052 million, compared with an operating loss of ¥108 million in the same period of the previous fiscal year. Ordinary income was ¥14,870 million (¥17 million in the same period of the previous fiscal year), and profit attributable to owners of parent was ¥9,937 million (¥111 million in the same period of the previous fiscal year). The large increases the BML Group achieved in both net sales and incomes reflected a solid trend in coronavirus-related testing as well as a rebound from the situation of a year earlier when people had refrained from seeking medical care due to COVID-19 concerns.

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 86.0% year on year. With respect to coronavirus-related testing, the Group will continue to reinforce its testing system, including genomic analysis, in order to be able to continue responding to various changes in the situation.

In the food hygiene business, the continued impact of the COVID-19 pandemic, such as customers voluntarily restricting their operations, led to a severe situation notably in the areas of food consulting and intestinal bacteria testing. Nonetheless, with some signs of a rebound from previous-year levels, net sales increased by 30.5% year on year.

As a result of the above, net sales in the testing business overall increased 84.4% year on year.

In the medical informatics business, despite restrictions on sales activities, a gradual improvement in the situation led to an increase in net sales by 8.3% year on year. With respect to the cloud-based electronic patent 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 4.4% 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

Assets, Liabilities and Net Assets

At the end of the first quarter of the consolidated fiscal year under review, total assets amounted to ¥146,323 million, a ¥7,149 million increase over the end of the previous fiscal year, net assets totaled ¥101,035 million, up ¥7,912 million over the end of the previous fiscal year, and the equity ratio was 65.8 %, a 2.3 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 increased by ¥2,448 million and notes and accounts receivable–trade increased by ¥4,353 million. In the liabilities section, under current liabilities, notes and accounts payable–trade increased by ¥1,065 million, and income taxes payable decreased by ¥1,712 million. In net assets, retained earnings increased by ¥7,904 million.

(3) Consolidated earnings forecasts and others

Revisions to earnings forecasts

Revisions to full-year consolidated earnings forecasts for the fiscal year ending March 2022 (April 1, 2021–March 31, 2022)

| | 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 |
| Previous forecast (A) (announced on May 13, 2021) | 142,300 | 19,200 | 20,100 | 12,700 | 312.45 |
| Revised forecast (B) | 154,000 | 32,000 | 33,100 | 20,900 | 514.07 |
| Change (B-A) | 11,700 | 12,800 | 13,000 | 8,200 | – |
| Change (%) | 8.2 | 66.7 | 64.7 | 64.6 | – |
| (Reference) Results for the fiscal year ended March 31, 2021 (full year) | 138,571 | 19,936 | 20,803 | 13,711 | 337.44 |

Reasons for revisions to full-year earnings forecasts

With respect to consolidated earnings forecasts for the fiscal year ending March 31, 2022, it is projected that actual performance will exceed the forecasts announced on May 13, 2021. Therefore, as presented above, we have revised the forecasts in light of the latest situation and based on information available as of the date of publication of this document.

In the first quarter of the consolidated fiscal year under review, demand for coronavirus-related testing was stronger than anticipated. Looking forward, although the effect of state of emergency and other measures as well as progress of vaccination would likely lead to a gradual decline in the number of new COVID-19 cases, we expect a certain level of demand for coronavirus-related testing to continue. In light of the foregoing, a revision has been made to the earnings forecast announced on May 13, 2021.

(Note) The aforementioned financial results forecasts were prepared based on information available to the Company as of the date on which this document was released. Consequently, actual results may vary with respect to the forecast amounts due to various unforeseen factors.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|-------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 63,478 | 65,927 |
| Notes and accounts receivable–trade | 30,410 | 34,763 |
| Merchandise and finished goods | 324 | 490 |
| Work in process | 691 | 758 |
| Raw materials and supplies | 3,018 | 3,398 |
| Other current assets | 1,106 | 1,148 |
| Allowance for doubtful accounts | (80) | (74) |
| Total current assets | 98,950 | 106,412 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Others, net | 30,685 | 30,970 |
| Total property, plant and equipment | 30,685 | 30,970 |
| Intangible assets | | |
| Other intangible assets | 3,807 | 3,806 |
| Total intangible assets | 3,807 | 3,806 |
| Investments and other assets | | |
| Other | 5,815 | 5,217 |
| Allowance for doubtful accounts | (83) | (83) |
| Total investments and other assets | 5,731 | 5,133 |
| Total non-current assets | 40,224 | 39,911 |
| Total assets | 139,174 | 146,323 |

As of March 31, 2021 As of June 30, 2021

| Liabilities | As of March 31, 2021 | As of June 30, 2021 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 20,305 | 21,370 |
| Income taxes payable | 5,756 | 4,044 |
| Provision for bonuses | 3,419 | 2,864 |
| Other current liabilities | 10,926 | 11,346 |
| Total current liabilities | 40,407 | 39,625 |
| Non-current liabilities | | |
| Net defined benefit liability | 2,866 | 2,867 |
| Provision for retirement benefits for directors (and other officers) | 246 | 216 |
| Other non-current liabilities | 2,531 | 2,578 |
| Total non-current liabilities | 5,644 | 5,662 |
| Total liabilities | 46,051 | 45,288 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,045 | 6,045 |
| Capital surplus | 6,705 | 6,705 |
| Retained earnings | 81,220 | 89,125 |
| Treasury stock | (6,651) | (6,651) |
| Total shareholders' equity | 87,320 | 95,225 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 496 | 466 |
| Remeasurements of defined benefit plans | 560 | 537 |
| Total accumulated other comprehensive income | 1,057 | 1,003 |
| Subscription rights to shares | 44 | 44 |
| Non-controlling interests | 4,701 | 4,762 |
| Total net assets | 93,123 | 101,035 |
| Total liabilities and net assets | 139,174 | 146,323 |

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

April 1, 2021 – June 30, 2021

| | (millions of yen) | |
|---|---|---|
| | 1st Quarter Ended June 30, 2020 (April 1, 2020 to June 30, 2020) | 1st Quarter Ended June 30, 2021 (April 1, 2021 to June 30, 2021) |
| Net sales | 26,109 | 47,092 |
| Cost of sales | 18,035 | 23,811 |
| Gross profit | 8,073 | 23,281 |
| Selling, general and administrative expenses | 8,181 | 9,228 |
| Operating income (loss) | (108) | 14,052 |
| Non-operating income | | |
| Rental income from real estate | 15 | 15 |
| Subsidy income | 1 | 692 |
| Other | 129 | 133 |
| Total non-operating income | 146 | 842 |
| Non-operating expenses | | |
| Interest expense | 9 | 9 |
| Rental costs on real estate | 9 | 9 |
| Other | 1 | 5 |
| Total non-operating expenses | 20 | 24 |
| Ordinary income | 17 | 14,870 |
| Extraordinary income | | |
| Gain on extinguishment of tie-in shares | - | 20 |
| Gain on sale of investment securities | 252 | - |
| Other | 1 | - |
| Total extraordinary income | 254 | 20 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 22 | 20 |
| Impairment losses | - | 35 |
| Other | 0 | 0 |
| Total extraordinary losses | 22 | 55 |
| Profit before income taxes | 249 | 14,835 |
| Income taxes—current | 317 | 4,137 |
| Income taxes—deferred | (174) | 548 |
| Total income taxes | 142 | 4,685 |
| Profit | 106 | 10,149 |
| Profit (loss) attributable to non-controlling interests | (4) | 212 |
| Profit attributable to owners of parent | 111 | 9,937 |

Consolidated statements of comprehensive income

April 1, 2021 – June 30, 2021

| | (millions of yen) | |
|--|---|---|
| | 1st Quarter Ended June 30, 2020 (April 1, 2020 to June 30, 2020) | 1st Quarter Ended June 30, 2021 (April 1, 2021 to June 30, 2021) |
| Profit | 106 | 10,149 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (248) | (30) |
| Remeasurements of defined benefit plans, net of tax | (7) | (23) |
| Total other comprehensive income | (255) | (53) |
| Comprehensive income | (149) | 10,096 |
| Breakdown | | |
| Comprehensive income attributable to owners of parent | (143) | 9,883 |
| Comprehensive income attributable to non-controlling interests | (5) | 212 |

(3) Notes on operating results for quarter under review

(Notes on Premise of Going Concern)

First three months of the fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 2021)

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

First three months of the fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 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 three 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 | | 1Q of FY2020 (April 1, 2020 to June 30, 2020) | | 1Q of FY2021 (April 1, 2021 to June 30, 2021) | | Change (%) |
|---------------------|--------------------------------------|---|------------|---|------------|---------------|
| | | ¥ million | % of total | ¥ million | % of total | |
| Testing business | Clinical testing business | | | | | |
| | Biochemical tests | 10,088 | 38.6 | 12,328 | 26.2 | 22.2 |
| | Hematological tests | 2,073 | 7.9 | 2,568 | 5.5 | 23.9 |
| | Immunological tests | 5,372 | 20.6 | 6,687 | 14.2 | 24.5 |
| | Microbiological tests | 1,469 | 5.6 | 1,549 | 3.3 | 5.5 |
| | Pathological tests | 1,619 | 6.2 | 2,134 | 4.5 | 31.8 |
| | Other tests | 3,394 | 13.0 | 19,414 | 41.2 | 471.9 |
| | (Clinical testing business subtotal) | 24,018 | 91.9 | 44,683 | 94.9 | 86.0 |
| | Other testing business | 719 | 2.8 | 938 | 2.0 | 30.5 |
| | Testing business subtotal | 24,738 | 94.7 | 45,621 | 96.9 | 84.4 |
| | Medical informatics business | 1,014 | 3.9 | 1,098 | 2.3 | 8.3 |
| | Other businesses | 356 | 1.4 | 372 | 0.8 | 4.4 |
| | Total | 26,109 | 100.0 | 47,092 | 100.0 | 80.4 |