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February 10, 2021

CONSOLIDATED EARNINGS REPORT FOR THE THIRD QUARTER OF FISCAL 2020 [Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
URL: <http://www.bml.co.jp>
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Scheduled Date for Filing of Quarterly Report: February 12, 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 Third Quarter of Fiscal 2020 (April 1, 2020 – December 31, 2020)**(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 FY2020	98,288	5.8	12,745	42.5	13,217	43.1	8,650	48.8
3Q of FY2019	92,857	4.2	8,941	1.9	9,234	1.6	5,812	3.1

(Note) Comprehensive income: 3Q of FY2020 ¥8,826 million / 40.1% 3Q of FY2019 ¥6,299 million / 9.9%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
3Q of FY2020	212.90	212.67
3Q of FY2019	136.41	136.23

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of December 31, 2020	128,390	87,311	64.5
As of March 31, 2020	116,273	80,422	65.4

Reference: Equity capital: As of December 31, 2020 ¥82,756 million As of March 31, 2020 ¥76,099 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 2019	—	20.00	—	25.00	45.00
Fiscal 2020	—	20.00	—		
Fiscal 2020 (forecast)				25.00	45.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(% 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	133,500	10.6	17,000	74.1	17,500	71.4	10,500	64.7	258.41

(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: None
- 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 stocks included)

As of December 31, 2020	44,014,726	As of March 31, 2020	44,014,726
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b. Number of treasury stocks at the end of period

As of December 31, 2020	3,373,662	As of March 31, 2020	3,393,015
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c. Average number of shares during the period

3Q ended December 31, 2020	40,631,343	3Q ended December 31, 2019	42,605,893
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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 4 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 supported by the economic measures. Nonetheless, the situation remained severe given the magnitude of the impact of the COVID-19 pandemic.

Under these circumstances, net sales for the third quarter of the fiscal year under review were ¥98,288 million, an increase of 5.8% year on year, and operating income was ¥12,745 million, an increase of 42.5% year on year. Ordinary income increased by 43.1% year on year to ¥13,217 million, and profit attributable to owners of parent increased by 48.8% year on year to ¥8,650 million.

The contract clinical testing business was faced with patients refraining from seeking medical care due to COVID-19 concerns, but since June, the situation has been gradually recovering after the lifting of the state of emergency. Still, the business environment remained challenging as competition with peer companies continued.

Conditions by business segment are described below.

In the clinical testing business, the BML Group continued its efforts in new customer acquisition and sought to enhance business performance by implementing marketing activities to further cultivate sales such as of new testing items, unique testing items, and priority testing items. With respect to testing for the novel coronavirus (SARS-CoV-2), as announced on December 15, 2020, the Group has been working on increasing its capacity and enhancing systems to respond to a surge in testing demand, to be able to conduct 20,900 tests per day in 10 laboratories nationwide. In line with these efforts, the actual quantity of contract tests increased substantially. As a result, net sales in the clinical testing business increased by 7.2% year on year.

The food hygiene business recorded decreases notably in the areas of food consulting and intestinal bacteria testing due in part to customers voluntarily restricting their operations in the face of the COVID-19 pandemic, although signs of recovery are emerging. As a result, net sales decreased by 14.1% year on year.

As a consequence of the above, net sales in the testing business overall increased 6.3% year on year.

In the medical informatics business, net sales decreased 3.7% year on year. With its sights set on launching commercial sales, the Company is preparing for an electronic cloud-based patient chart system.

In other businesses, the dispensing pharmacy business was affected by a decrease in outpatient visits due to the COVID-19 pandemic as well as revision of medical service fees (reduction in drug prices), while the SMO* business also saw declining sales. Overall, net sales decreased by 4.6% year on year.

* Site Management Organization (SMO): An independent organization that contracts with a specific medical institution to support clinical trials specific to that institution.

(2) Financial position

Assets, liabilities and net assets

At the end of the third quarter of the consolidated fiscal period under review, total assets amounted to ¥128,390 million, a ¥12,117 million increase over the end of the previous fiscal year. Net assets totaled ¥87,311 million, up ¥6,888 million over the end of the previous fiscal year, and the equity ratio was 64.5%, a 0.9% decrease over the end of the previous fiscal year.

As for the main items contributing to increases or decreases, in the assets section, under current assets, cash and deposits increased by ¥4,230 million, notes and accounts receivable–trade increased by ¥7,842 million, and raw materials and supplies increased by ¥1,061 million. Under non-current assets, other in investments and other assets decreased by ¥887 million. In the liabilities section, notes and accounts payable–trade increased by ¥3,966 million, income tax payable increased by ¥978 million, and other in current liabilities increased by ¥1,877 million, while provision for bonuses decreased by ¥1,178 million. In the net assets section, retained earnings increased by ¥6,822 million.

(3) Consolidated earnings forecast and others

Revisions to earnings forecasts

Revision of figures in consolidated earnings forecasts for the year ending March 31, 2021

(April 1, 2020 – March 31, 2021)

	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 November 10, 2020)	121,000	10,000	11,000	7,000	172.27
Revised forecast (B)	133,500	17,000	17,500	10,500	258.41
Amount of increase/decrease (B-A)	12,500	7,000	6,500	3,500	-
Percentage of increase/decrease (%)	10.3	70.0	59.1	50.0	-
(Reference) Previous fiscal year results (Year ended March 31, 2020)	120,732	9,763	10,211	6,375	151.27

(Reasons for revision of the full-year earnings forecasts)

With respect to consolidated earnings forecast for the fiscal year ending March 31, 2021, we expect our consolidated performance to exceed the forecasts announced on November 10, 2020, 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 follows.

Although in April through May, the spread of COVID-19 prompted patients to refrain from seeking medical care, the situation has been gradually recovering since June. With respect to coronavirus PCR testing, expansion and enhancement of testing facilities have been pursued in stages in order to respond to a surge in testing demand resulting from an increase in the number of people infected. As announced on December 15, 2020 in “Notice Concerning Enhancement of Contract

Testing Systems for Novel Coronavirus PCR Testing,” the BML Group has the capacity to handle 20,900 tests per day in 10 laboratories nationwide, and the actual quantity of contract tests has increased substantially. Based on the situation as described above, we now expect our consolidated performance to exceed the forecasts announced on November 10, 2020.

* 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 and important notes

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	51,213	55,443
Notes and accounts receivable–trade	21,175	29,018
Merchandise and finished goods	262	183
Work in process	545	479
Raw materials and supplies	2,324	3,386
Other current assets	1,194	991
Allowance for doubtful accounts	(105)	(73)
Total current assets	76,610	89,429
Non-current assets		
Property, plant and equipment		
Land	13,556	13,554
Others, net	16,199	16,695
Total property, plant and equipment	29,755	30,249
Intangible assets		
Other intangible assets	4,039	3,722
Total intangible assets	4,039	3,722
Investments and other assets		
Other	5,962	5,075
Allowance for doubtful accounts	(93)	(86)
Total investments and other assets	5,868	4,989
Total non-current assets	39,663	38,961
Total assets	116,273	128,390

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,762	19,729
Income tax payable	1,453	2,432
Provision for bonuses	3,198	2,020
Other current liabilities	8,621	10,499
Total current liabilities	29,036	34,681
Non-current liabilities		
Net defined benefit liability	3,952	3,690
Provision for directors’ retirement benefits	236	236
Other non-current liabilities	2,625	2,470
Total non-current liabilities	6,813	6,397
Total liabilities	35,850	41,079
Net assets		
Shareholders’ equity		
Capital stock	6,045	6,045
Capital surplus	6,705	6,709
Retained earnings	69,337	76,159
Treasury stock	(6,701)	(6,663)
Total shareholders’ equity	75,387	82,251
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	671	486
Remeasurements of defined benefit plans	40	19
Total accumulated other comprehensive income	712	505
Subscription rights to shares	59	52
Non-controlling interests	4,263	4,502
Total net assets	80,422	87,311
Total liabilities and net assets	116,273	128,390

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

April 1, 2020 – December 31, 2020

(millions of yen)

	3rd Quarter Ended December 31, 2019 (April 1, 2019 to December 31, 2019)	3rd Quarter Ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net sales	92,857	98,288
Cost of sales	59,528	60,672
Gross profit	33,328	37,616
Selling, general and administrative expenses	24,387	24,870
Operating income	8,941	12,745
Non-operating income		
Real estate rent	46	45
Subsidies for employment adjustment	-	126
Other	321	351
Total non-operating income	367	523
Non-operating expenses		
Interest expense	27	28
Rent cost of real estate	19	18
Commission for purchase of treasury shares	19	-
Other	9	5
Total non-operating expenses	75	52
Ordinary income	9,234	13,217
Extraordinary income		
Gain on sales of investment securities	1	252
Other	2	1
Total extraordinary income	4	254
Extraordinary losses		
Loss on retirement of non-current assets	29	45
Other	5	6
Total extraordinary losses	34	51
Profit before income taxes	9,203	13,419
Income taxes—current	2,300	3,845
Income taxes—deferred	740	540
Total income taxes	3,041	4,386
Profit	6,162	9,033
Profit attributable to non-controlling interests	350	383
Profit attributable to owners of parent	5,812	8,650

Consolidated statements of comprehensive income

April 1, 2020 – December 31, 2020

(millions of yen)

	3rd Quarter Ended December 31, 2019 (April 1, 2019 to December 31, 2019)	3rd Quarter Ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Profit	6,162	9,033
Other comprehensive income		
Valuation difference on available-for-sale securities	197	(185)
Remeasurements of defined benefit plans, net of tax	(59)	(21)
Total other comprehensive income	137	(206)
Comprehensive income	6,299	8,826
Breakdown		
Comprehensive income attributable to owners of parent	5,950	8,443
Comprehensive income attributable to non-controlling interests	349	383

(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, 2021 (April 1, 2020 to December 31, 2020)

None

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

First nine months of the fiscal year ending March 31, 2021 (April 1, 2020 to December 31, 2020)

None

3. Supplementary information

Breakdown of sales

Testing		3Q of FY2019 (April 1, 2019 to December 31, 2019)		3Q of FY2020 (April 1, 2020 to December 31, 2020)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	36,683	39.5	35,567	36.2	(3.0)
	Hematological tests	7,678	8.3	7,444	7.6	(3.0)
	Immunological tests	19,010	20.5	17,377	17.7	(8.6)
	Microbiological tests	5,199	5.6	4,690	4.7	(9.8)
	Pathological tests	6,777	7.3	6,380	6.5	(5.9)
	Other tests	9,497	10.2	19,505	19.8	105.4
	(Clinical testing business subtotal)	84,847	91.4	90,966	92.5	7.2
	Other testing business	3,641	3.9	3,126	3.2	(14.1)
Testing business subtotal	88,488	95.3	94,092	95.7	6.3	
Medical informatics business	3,238	3.5	3,118	3.2	(3.7)	
Other businesses	1,129	1.2	1,078	1.1	(4.6)	
Total	92,857	100.0	98,288	100.0	5.8	

(Notes) Consumption taxes are not included in the above amounts.