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February 7, 2020

## CONSOLIDATED EARNINGS REPORT FOR THE THIRD QUARTER OF FISCAL 2019 [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:** February 14, 2020  
**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 2019 (April 1, 2019–December 31, 2019)****(1) Consolidated Business Results (cumulative total)**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
3Q of FY2019	92,857	4.2	8,941	1.9	9,234	1.6	5,812	3.1
3Q of FY2018	89,115	2.8	8,776	9.8	9,090	9.2	5,637	9.9

(Note) Comprehensive income: 3Q of FY2019 ¥6,299 million / 9.9%      3Q of FY2018 ¥5,732 million / 0.3%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
3Q of FY2019	136.41	136.23
3Q of FY2018	132.37	132.17

**(2) Consolidated Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of December 31, 2019	120,531	85,662	67.5
As of March 31, 2019	115,972	81,127	66.5

(Reference) Equity capital: As of December 31, 2019 ¥81,402 million As of March 31, 2019 ¥77,073 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 2018	–	19.00	–	19.00	38.00
Fiscal 2019	–	20.00	–		
Fiscal 2019 (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, 2020 (April 1, 2019–March 31, 2020)**

(% 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	120,100	2.5	10,600	1.4	11,100	2.0	6,800	2.3

(Note) Revision from recently projected results: None

**\* 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, 2019	44,014,726	As of March 31, 2019	44,014,726
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b. Number of treasury stocks at the end of the period

As of December 31, 2019	1,398,015	As of March 31, 2019	1,417,463
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c. Average number of shares during the period

3Q ended December 31, 2019	42,605,893	3Q ended December 31, 2018	42,587,401
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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 and factors that could cause these assumptions to change and cautionary notes.

## **1. Qualitative information on operating results for quarter under review**

### **(1) Operating Results**

Looking at the Japanese economy in the third quarter of the consolidated fiscal year under review, while corporate earnings were at high levels, business sentiment continued to grow increasingly cautious. Improvement in employment conditions continued and yet the strong feeling of labor shortage persisted. Personal consumption has been recovering, but given the increase in consumption tax, the subsequent trend in consumer sentiment requires attention.

Under these circumstances, the contract clinical testing business continues to encounter a harsh business environment due to persisting competition among companies, despite market growth.

In these conditions, net sales for the third quarter of the fiscal year under review were ¥92,857 million, an increase of 4.2% year on year, and operating income was ¥8,941 million, an increase of 1.9% year on year. Ordinary income increased at 1.6% year on year to ¥9,234 million, and profit attributable to owners of parent increased 3.1% to ¥5,812 million.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened efforts for new customer acquisition. In addition, we sought to enhance performance, carrying out marketing to stimulate increased sales for new testing items, unique testing items, priority testing items, and other strategies. Moreover, the Company acquired shares of The Tohkai Cytopathology Institute as part of the BML Group strategy, and made it a consolidated subsidiary of the Company from the current fiscal year. As a result, net sales in the clinical testing business increased 4.5% year on year.

In the food hygiene business, which belongs to the other testing business, the new customer acquisition of food consulting and intestinal bacteria testing was solid and JFS standard certification operations increased with mandatory implementation of HACCP at BML Food Science Solutions, Inc. This resulted in good performance overall. As a result, sales in the other testing business increased 5.6% year on year.

As a consequence of the above, net sales in the testing business overall were ¥88,488 million, an increase of 4.5% year on year.

In the medical informatics business, competition among companies is becoming harsh in tandem with the widespread use of electronic cloud-based patient chart systems. As a result, net sales in the medical informatics business decreased by 3.8% year on year. Meanwhile, the launch of a complete in-house operation of a support center in October has helped improve the support structure and profitability. Also, with sights set on launching commercial sales, the Company is preparing for an electronic cloud-based patient chart system.

In other businesses, the Okayama Medical Laboratory Company's dispensing pharmacy business showed solid performance, with the rebound from the impact of the torrential rains in western Japan in the summer of the previous fiscal year and an increase in prescriptions for a high-cost hepatitis C drug contributing to higher sales. As a result, sales in other businesses increased 3.7% year on year.

In terms of profits, operating income increased by 1.9% year on year. The Company has been carrying out initiatives geared toward reforming working styles as initially planned, in addition to implementing other initiatives that involve upgrading remuneration and benefits for younger employees and further improving the workplace and strengthening disaster countermeasure.

## **(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 ¥120,531 million, a ¥4,559 million increase over the end of the previous fiscal year, net assets totaled ¥85,662 million, up ¥4,534 million over the end of the previous fiscal year, and the equity ratio increased by 1.0% over the end of the previous fiscal year to 67.5%.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits increased by ¥2,325 million and notes and accounts receivable–trade increased by ¥1,519 million. In the liabilities section, notes and accounts payable–trade increased by ¥1,711 million and provision for bonuses decreased by ¥1,308 million. In the net assets section, retained earnings increased by ¥4,150 million.

## **(3) Consolidated earnings forecast and others**

The Company has not revised its initial forecasts for consolidated results for the full year ending March 31, 2020.

## 2. Consolidated financial statements and important notes

### (1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	51,892	54,217
Notes and accounts receivable–trade	21,595	23,114
Merchandise and finished goods	315	106
Work in process	545	472
Raw materials and supplies	2,230	2,713
Other current assets	1,170	1,143
Allowance for doubtful accounts	(69)	(98)
Total current assets	77,679	81,669
Noncurrent assets		
Property, plant and equipment		
Land	13,062	13,557
Others, net	15,872	15,975
Total property, plant and equipment	28,934	29,532
Intangible assets		
Other intangible assets	3,567	4,059
Total intangible assets	3,567	4,059
Investments and other assets		
Other	5,881	5,363
Allowance for doubtful accounts	(91)	(93)
Total investments and other assets	5,790	5,270
Total noncurrent assets	38,292	38,861
Total assets	115,972	120,531

	As of March 31, 2019	As of December 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	15,023	16,735
Provision for bonuses	3,194	1,886
Other current liabilities	9,907	9,668
<b>Total current liabilities</b>	<b>28,125</b>	<b>28,290</b>
<b>Noncurrent liabilities</b>		
Provision for directors' retirement benefits	215	226
Net defined benefit liability	3,917	3,648
Other noncurrent liabilities	2,586	2,704
<b>Total noncurrent liabilities</b>	<b>6,719</b>	<b>6,579</b>
<b>Total liabilities</b>	<b>34,844</b>	<b>34,869</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,045	6,045
Capital surplus	6,685	6,711
Retained earnings	64,623	68,774
Treasury stock	(1,149)	(1,133)
<b>Total shareholders' equity</b>	<b>76,205</b>	<b>80,397</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	488	686
Remeasurements of defined benefit plans	378	319
<b>Total accumulated other comprehensive income</b>	<b>867</b>	<b>1,005</b>
Subscription rights to shares	70	64
Non-controlling interests	3,983	4,195
<b>Total net assets</b>	<b>81,127</b>	<b>85,662</b>
<b>Total liabilities and net assets</b>	<b>115,972</b>	<b>120,531</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****Consolidated Statements of Income**

April 1, 2019 – December 31, 2019

(millions of yen)

	3rd Quarter ended December 31, 2018 (April 1, 2018 to December 31, 2018)	3rd Quarter ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Net sales	89,115	92,857
Cost of sales	56,420	59,528
Gross profit	32,695	33,328
Selling, general and administrative expenses	23,918	24,387
Operating income	8,776	8,941
Non-operating income		
Real estate rent	43	46
Other	323	321
Total non-operating income	367	367
Non-operating expenses		
Interest expense	28	27
Rent cost of real estate	19	19
Commission for purchase of treasury shares	-	19
Other	5	9
Total non-operating expenses	53	75
Ordinary income	9,090	9,234
Extraordinary income		
Gain on sales of non-current assets	4	2
Gain on sales of investment securities	-	1
Other	-	0
Total extraordinary income	4	4
Extraordinary losses		
Loss on retirement of non-current assets	8	29
Other	2	5
Total extraordinary losses	11	34
Income before income taxes	9,083	9,203
Income taxes – current	2,430	2,300
Income taxes – deferred	641	740
Total income taxes	3,071	3,041
Profit	6,012	6,162
Profit attributable to non-controlling interests	374	350
Profit attributable to owners of parent	5,637	5,812



## Consolidated Statements of Comprehensive Income

April 1, 2019 – December 31, 2019

(millions of yen)

	3rd Quarter ended December 31, 2018 (April 1, 2018 to December 31, 2018)	3rd Quarter ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Profit	6,012	6,162
Other comprehensive income		
Valuation difference on available-for-sale securities	(238)	197
Remeasurements of defined benefit plans, net of tax	(41)	(59)
Total other comprehensive income	(279)	137
Comprehensive income	5,732	6,299
Breakdown		
Comprehensive income attributable to owners of parent	5,358	5,950
Comprehensive income attributable to non-controlling interests	373	349

### (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, 2020 (April 1, 2019 to December 31, 2019)

None

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

First nine months of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)

None

### 3. Supplementary Information

Breakdown of Sales

Testing		3Q of FY2018 (April 1, 2018 to December 31, 2018)		3Q of FY2019 (April 1, 2019 to December 31, 2019)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business	35,572	39.9	36,683	39.5	3.1
	Biochemical tests					
	Hematological tests	7,482	8.4	7,678	8.3	2.6
	Immunological tests	17,834	20.0	19,010	20.5	6.6
	Microbiological tests	5,074	5.7	5,199	5.6	2.5
	Pathological tests	6,011	6.7	6,777	7.3	12.7
	Other tests	9,237	10.4	9,497	10.2	2.8
	(Clinical testing business subtotal)	81,212	91.1	84,847	91.4	4.5
	Other testing business	3,447	3.9	3,641	3.9	5.6
Testing business subtotal	84,660	95.0	88,488	95.3	4.5	
Medical informatics business	3,365	3.8	3,238	3.5	(3.8)	
Other businesses	1,089	1.2	1,129	1.2	3.7	
Total	89,115	100.0	92,857	100.0	4.2	

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