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August 9, 2019

CONSOLIDATED EARNINGS REPORT FOR THE FIRST 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: August 14, 2019
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 2019 (April 1, 2019–June 30, 2019)**(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 FY2019	30,844	3.1	3,179	(1.8)	3,332	0.5	2,134	2.6
1Q of FY2018	29,902	3.0	3,238	13.6	3,315	10.4	2,080	11.1

(Note) Comprehensive income: 1Q of FY2019 ¥2,345 million / 6.8% 1Q of FY2018 ¥2,195 million / 7.5%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
1Q of FY2019	50.11	50.04
1Q of FY2018	48.86	48.78

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %
As of June 30, 2019	117,547	82,525	66.8
As of March 31, 2019	115,972	81,127	66.5

(Reference) Equity capital: As of June 30, 2019 ¥78,502 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
FY2018	—	19.00	—	19.00	38.00
FY2019	—				
FY2019 (forecast)		20.00	—	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	159.63

(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 and changes or revisions in accounting estimates

- 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 period (treasury stocks included)

As of June 30, 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 June 30, 2019	1,417,463	As of March 31, 2019	1,417,463
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c. Average number of shares during the period

As of June 30, 2019	42,597,263	As of June 30, 2018	42,579,090
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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 quarter of the consolidated fiscal year under review, the Japanese economy made a modest recovery as corporate earnings and employment conditions continued to improve, but the outlook was still not clear given concerns regarding foreign economies.

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 first quarter of the fiscal year under review were ¥30,844 million, an increase of 3.1% year on year, and operating income was ¥3,179 million, a decrease of 1.8% year on year. Ordinary income increased at 0.5% year on year to ¥3,332 million, and profit attributable to owners of parent increased 2.6% to ¥2,134 million.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened efforts in 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 3.4% year on year.

In the food hygiene business, which belongs to the other testing business, the new customer acquisition of 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 4.3% year on year.

As a consequence of the above, net sales in the testing business overall were ¥29,407 million, an increase of 3.5% 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 4.6% year on year. Beginning this autumn, and with sights set on launching commercial sales, the Company plans to start pilot operations of an electronic cloud-based patient chart system.

In other businesses, sales for the Okayama Medical Laboratory Company's dispensing pharmacy business were solid, because there was no influence by the national health insurance (NHI) price in the first quarter of the consolidated fiscal year under review. As a result, sales in other businesses increased 2.6% year on year.

In terms of profits, operating income decreased due to factors that have included carrying out initiatives geared toward reforming working styles as initially planned, in addition to implementing other initiatives that involved upgrading remuneration and benefits for younger employees and furthermore improving the workplace and strengthening disaster countermeasures.

(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 ¥117,547 million, a ¥1,575 million increase over the end of the previous fiscal year, net assets totaled ¥82,525 million, up ¥1,398 million over the end of the previous fiscal year, and the equity ratio was 66.8%, a 0.3% 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, notes and accounts receivable–trade increased by ¥991 million, and under non-current assets, land increased by ¥446 million. In net assets, retained earnings increased by ¥1,325 million.

(3) Consolidated earnings forecasts 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

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	51,892	51,645
Notes and accounts receivable–trade	21,595	22,586
Merchandise and finished goods	315	343
Work in process	545	546
Raw materials and supplies	2,230	2,273
Other current assets	1,170	1,160
Allowance for doubtful accounts	(69)	(51)
Total current assets	77,679	78,504
Non-current assets		
Property, plant and equipment		
Land	13,062	13,508
Others, net	15,872	16,030
Total property, plant and equipment	28,934	29,538
Intangible assets		
Other intangible assets	3,567	4,000
Total intangible assets	3,567	4,000
Investments and other assets		
Other	5,881	5,594
Allowance for doubtful accounts	(91)	(89)
Total investments and other assets	5,790	5,504
Total non-current assets	38,292	39,043
Total assets	115,972	117,547

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,023	16,063
Provision for bonuses	3,194	2,617
Other current liabilities	9,907	9,554
Total current liabilities	28,125	28,235
Non-current liabilities		
Provision for directors’ retirement benefits	215	225
Net defined benefit liability	3,917	3,874
Other non-current liabilities	2,586	2,686
Total non-current liabilities	6,719	6,786
Total liabilities	34,844	35,022
Net assets		
Shareholders’ equity		
Capital stock	6,045	6,045
Capital surplus	6,685	6,685
Retained earnings	64,623	65,949
Treasury stock	(1,149)	(1,149)
Total shareholders’ equity	76,205	77,530
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	488	613
Remeasurements of defined benefit plans	378	358
Total accumulated other comprehensive income	867	971
Subscription rights to shares	70	70
Non-controlling interests	3,983	3,951
Total net assets	81,127	82,525
Total liabilities and net assets	115,972	117,547

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

(millions of yen)

	1st Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)	1st Quarter Ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Net sales	29,902	30,844
Cost of sales	18,535	19,489
Gross profit	11,367	11,354
Selling, general and administrative expenses	8,128	8,174
Operating income	3,238	3,179
Non-operating income		
Real estate rent	15	15
Royalty income	20	55
Other	61	107
Total non-operating income	96	178
Non-operating expenses		
Interest expense	9	9
Rent cost of real estate	9	9
Foreign exchange losses	0	6
Other	0	0
Total non-operating expenses	19	25
Ordinary income	3,315	3,332
Extraordinary income		
Gain on sales of non-current assets	2	2
Total extraordinary income	2	2
Extraordinary losses		
Loss on retirement of non-current assets	4	12
Other	—	0
Total extraordinary losses	4	13
Profit before income taxes	3,313	3,321
Income taxes—current	794	672
Income taxes—deferred	330	408
Total income taxes	1,125	1,080
Profit	2,188	2,241
Profit attributable to non-controlling interests	108	106
Profit attributable to owners of parent	2,080	2,134

Consolidated statements of comprehensive income

(millions of yen)

	1st Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)	1st Quarter Ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Profit	2,188	2,241
Other comprehensive income		
Valuation difference on available-for-sale securities	20	124
Remeasurements of defined benefit plans, net of tax	(13)	(20)
Total other comprehensive income	6	103
Comprehensive income	2,195	2,345
Breakdown		
Comprehensive income attributable to owners of parent	2,086	2,239
Comprehensive income attributable to non-controlling interests	108	105

(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, 2020 (April 1, 2019 to June 30, 2019)

None

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

First three months of the fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019)

None

3. Supplementary information

Breakdown of Sales

Testing		1Q of FY2018 (April 1, 2018 to June 30, 2018)		1Q of FY2019 (April 1, 2019 to June 30, 2019)		Change (%)
		¥ million	% of total	¥ million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	11,952	40.0	12,146	39.4	1.6
	Hematological tests	2,508	8.4	2,537	8.2	1.1
	Immunological tests	6,404	21.4	6,732	21.8	5.1
	Microbiological tests	1,650	5.5	1,692	5.5	2.5
	Pathological tests	1,842	6.2	2,070	6.7	12.4
	Other tests	3,035	10.2	3,154	10.3	3.9
	(Clinical testing business subtotal)	27,395	91.6	28,333	91.9	3.4
	Other testing business	1,029	3.5	1,073	3.4	4.3
Testing business subtotal	28,424	95.1	29,407	95.3	3.5	
Medical informatics business	1,102	3.7	1,051	3.4	(4.6)	
Other businesses	375	1.2	385	1.3	2.6	
Total		29,902	100.0	30,844	100.0	3.2

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