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May 10, 2019

CONSOLIDATED EARNINGS REPORT FOR FISCAL 2018

[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 the General Meeting of Shareholders: June 27, 2019
Scheduled Date for Filing of Annual Securities Report: June 27, 2019
Scheduled Date for Payment of Dividends: June 28, 2019
Creation of Supplementary Explanatory Materials: Yes
Holding of Explanatory Meeting: Yes

(Rounded down to nearest million yen)

1. Results for Fiscal 2018 (April 1, 2018–March 31, 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	%
FY2018	117,129	3.2	10,450	11.9	10,880	10.9	6,646	11.0
FY2017	113,502	2.0	9,337	0.1	9,811	1.0	5,988	0.7

(Note) Comprehensive income: FY2018 ¥6,563 million / (8.3)% FY2017 ¥7,160 million / 3.5%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen	Return on equity %	Ordinary income to total assets %	Operating income to sales ratio %
FY2018	156.07	155.83	8.9	9.7	8.9
FY2017	140.83	140.44	8.6	9.2	8.2

(Reference) Equity in earnings (losses) of affiliates: FY2018 ¥— million FY2017 ¥— million

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2019	115,972	81,127	66.5	1,809.34
As of March 31, 2018	109,438	76,222	66.3	1,703.27

(Reference) Equity capital: As of March 31, 2019 ¥77,073 million As of March 31, 2018 ¥72,521 million

(3) Consolidated cash flow position

	Operating activities ¥ million	Investing activities ¥ million	Financial activities ¥ million	End-of-year cash and cash equivalents ¥ million
FY2018	12,507	(3,940)	(3,041)	49,204
FY2017	12,079	(3,538)	(2,983)	43,679

2. Dividends

	Dividends per share					Total amount (Full year) ¥ million	Dividend payout ratio (Consolidated) %	Dividend on net asset (Consolidated) %
	First quarter-end Yen	Second quarter-end Yen	Third quarter-end Yen	Year-end Yen	Full year Yen			
FY2017	–	17.50	–	17.50	35.00	1,489	24.9	2.1
FY2018	–	19.00	–	19.00	38.00	1,618	24.3	2.2
FY2019 (forecast)	–	20.00	–	25.00	45.00		28.2	

(Note) The year-end dividend for FY2019 (forecast) includes ¥20.00 in ordinary dividends and ¥5.00 in commemorative dividends.

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

*** Notes**

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

Increases: – Decreases: –

(2) 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

(3) Number of outstanding stocks (common stock)

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

As of March 31, 2019	44,014,726	As of March 31, 2018	44,014,726
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b. Number of treasury stocks at the end of period

As of March 31, 2019	1,417,463	As of March 31, 2018	1,436,916
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c. Average number of shares during the period

FY2018	42,589,621	FY2017	42,525,478
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Reference: Non-Consolidated Results of Operations**1. Non-Consolidated Business Results for Fiscal 2018 (April 1, 2018 – March 31, 2019)****(1) Non-consolidated management performance**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2018	92,309	3.6	6,156	13.7	7,471	11.9	5,303	12.3
FY2017	89,129	1.9	5,416	(0.9)	6,676	2.2	4,721	2.3

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
FY2018	124.53	124.34
FY2017	111.02	110.71

(2) Non-consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2019	93,084	61,933	66.5	1,452.27
As of March 31, 2018	88,110	58,350	66.1	1,368.60

(Reference) Equity capital: As of March 31, 2019 ¥61,862 million As of March 31, 2018 ¥58,271 million

Notes:

* The earnings report is exempted from auditing 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“(4) Forecasts” under “1. Overview of Operating Results” (page 7) of this earnings report concerning financial forecasts such as the assumptions used for financial forecasts and factors that could cause these assumptions to change, as well as cautionary notes.

1. Overview of Operating Results

(1) Overview of operating results in the fiscal period under review

Even in the contract clinical testing business, which should curb the ongoing rise in national healthcare costs, various reforms to healthcare systems are being implemented. Fiscal 2018 was a designated year for the biennial revision of medical service fees under the national health insurance (NHI) system, and although the NHI points used to set fees for medical services were increased, fees for clinical testing were lowered. The business environment remained harsh due to continuing competition among companies.

In fiscal 2018, which was the first year of the Seventh Medium-Term Management Plan (covering fiscal 2018 through fiscal 2020), the BML Group continued to work toward our vision of “becoming the most trusted choice in the medical world” from the Sixth Medium-Term Management Plan and improved quality and services.

In this business environment, net sales for the consolidated fiscal year under review were ¥117,129 million, an increase of 3.2% year on year, and operating income was ¥10,450 million, an increase of 11.9% year on year. Ordinary income increased 10.9% year on year to ¥10,880 million, and profit attributable to owners of parent increased 11.0% year on year to ¥6,646 million.

Conditions by business segment are described below.

In the clinical testing business, although there were effects by natural disasters and fewer business days, the BML Group strengthened efforts for new customer acquisition. In addition, we sought to enhance performance, carrying out marketing to stimulate increased sales to existing users, mainly for priority testing items and other strategies. As a result, net sales in the clinical testing business increased 3.3% year on year.

In the food hygiene business, BML Food Science Solutions, Inc. showed steady performances of intestinal bacteria testing, food quality consulting. In addition, in the food consulting business, certification operations for JFS-B standards, a safety standard for food businesses, increased now that HACCP has become mandatory. As a result, sales in the other testing business increased 4.0% year on year.

As a consequence of the above, net sales in the testing business overall were ¥111,315 million, an increase of 3.3% year on year.

In the medical informatics business, there was good progress with replacement of the Qualis electronic patient chart system for clinics and the Medical Station (MS) system, and maintenance sales of these systems were solid with an increased number of installations. As a result, net sales in the medical informatics business increased by 6.1% year on year.

In other businesses, decreased sales for the Okayama Medical Laboratory Company’s dispensing pharmacy business, due to NHI drug price reduction, led to decreased net sales in other businesses by 10.5% year on year.

In terms of profits, income increased due to the effect of higher revenue.

(2) Overview of financial position in the fiscal period under review

Assets, Liabilities and Net Assets

Regarding the financial position at the end of the consolidated fiscal year under review, total assets amounted to ¥ 115,972 million, a ¥6,534 million increase over the end of the previous fiscal year, net assets totaled ¥81,127 million, up ¥4,904 million over the end of the previous fiscal year, and the equity ratio increased 0.2% over the end of the previous fiscal year to 66.5%.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits increased by ¥5,564 million and notes and accounts receivable–trade increased by ¥ 1,044 million. In net assets, retained earnings increased ¥ 5,092 million.

(3) Overview of cash flows in the fiscal period under review

The balance of cash and cash equivalents at the end of the fiscal year under review was ¥49,204 million, up ¥5,525 million year on year. By type of activity, the cash flow situation and the main factors contributing to an increase or decrease are as follows.

Cash flows from operating activities resulted in a cash inflow of ¥12,507 million, an increase of ¥428 million from the previous fiscal year. This was due primarily to higher cash inflows with an increase of ¥1,069 million in income before income taxes and minority interests and a ¥1,045 million increase (decrease) in notes and accounts payable–trade, which offset the increased cash outflow resulting from a ¥588 million decrease (increase) in notes and accounts receivable–trade and ¥406 million increase in income taxes paid.

Cash flows from investing activities resulted in a cash outflow of ¥3,940 million, an increase of ¥401 million from the previous fiscal year. This was chiefly the result of a ¥582 million decrease in proceeds from withdrawal of time deposits.

Cash flows from financing activities resulted in a cash outflow of ¥3,041 million, an increase of ¥57 million from the previous fiscal year. The main reason for this was the increase in cash dividends paid of ¥66 million.

Reference: Trend of cash flow index

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)	63.3	62.5	64.5	66.3	66.5
Equity ratio on market value (%)	77.4	93.2	99.9	105.7	117.9
Interest-bearing debt to cash flow ratio (%)	37.8	34.5	37.5	34.2	34.8
Interest coverage ratio (times)	202.2	246.9	274.4	307.5	331.0

- Equity ratio: $\text{Equity capital} \div \text{total assets}$
- Equity ratio on market value: $\text{Current capital stock} \div \text{gross assets}$
- Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} \div \text{cash flow}$
- Interest coverage ratio: $\text{Cash flow} \div \text{interest expense}$

Note 1: The calculation of each index is on a consolidated basis.

Note 2: The total market value of listed shares is calculated by the number of outstanding shares excluding treasury stocks.

Note 3: Cash flows are calculated using operating cash flow.

Note 4: In liabilities recorded on the consolidated balance sheet, interest-bearing debt means all liabilities with paid interest.

(4) Forecasts

In the clinical testing business, the challenging conditions in the operating environment should continue due to increasing pressure for price reductions from customers and intensifying competition among companies. The next fiscal year is the second year of the Seventh Medium-Term Management Plan, which has been positioned as the growth phase for the BML Group's vision of "becoming the most trusted choice in the medical world," and during which we will further promote the improvements in quality and service that we tackled during the Sixth Medium-Term Management Plan. In terms of the specific strategic framework, we will reinforce the structure required for the continuous development of the Company under the concepts of being No.1 in regional service, No.1 in test lineups, No.1 in contributions to the medical care industry, and No.1 in the quality that supports all of the above. We will also continue to prioritize anticipatory investment and strategic human resource development in order to enhance our human-resource infrastructure. We will work to further improve our quality and services and meet the needs of users through these kinds of investments.

In the food hygiene business, we should continue to see fierce competition with other companies in the industry. Nonetheless, considering the heightened level of food safety awareness, the food hygiene market is on a growth path. By enhancing our sales capabilities and improving our quality and services, we will strive to steadily capture a greater share of the market.

In the medical informatics business, the BML Group will work to expand sales by improving the brand power of Qualis, its electronic patient chart system, through enhancement of the system's functions, as well as by improving the structure for acquiring new users and the support structure for existing users.

As for consolidated results in the fiscal year ending March 2020, the Company expects net sales of ¥120,100 million, operating income of ¥10,600 million, ordinary income of ¥11,100 million, and profit attributable to owners of parent of ¥6,800 million.

3. Management Policy

(1) Basic policies

Since its foundation, BML has maintained a firm commitment to providing speedy, precise testing services across a broad range from general to highly specialized tests. Today, we support and carry out more than 4,000 different tests. True to our corporate mission of contributing to health and welfare through medical services, we have always been quick to respond to market needs, introduce the latest technologies, and positively promote quality control practice.

While expanding clinical testing services as a main business and remaining committed to its motto: “Tireless in Working toward Quality and Productivity Enhancement,” the BML Group strives to seek continuous growth and improvement of company value.

These days, under progress of medical structural reform, since the requirements for medical efficiency and quality improvement are growing stronger, the business environment surrounding BML is showing drastic change. Against this backdrop, BML will respond flexibly and rapidly to these environmental changes. We will also provide systems and services based on an accurate understanding of these trends. Our overall aim is to become a company that contributes to the application of IT to medical care.

In addition, we will improve our service quality and customer satisfaction by means of obtaining ISO 9001 and ISO 15189, which is specialized management system for clinical testing laboratories. Furthermore, from the viewpoint of social responsibility of our business enterprise, we will make active efforts to protect the environment by means of expanding the acquisition of ISO 14001 to the whole Group.

(2) Financial targets

Ordinary income to net sales ratio (consolidated basis): 10%

Return on equity (consolidated basis): 8%

Focus on free cash flow

(3) Medium- to long-term business strategy

FY2019 is the second year of our Seventh Medium-Term Management Plan (covering FY2018 through FY2020). In the Seventh Medium-Term Management Plan, which has been positioned as the growth phase for the BML Group's vision of “becoming the most trusted choice in the medical world,” we will drive further evolution of the measures implemented during the Sixth Medium-Term Management Plan, while also grappling with new challenges. The concept is to enrich, in a way that matches each market, sales and testing systems by leveraging to the maximum extent possible the “self-contained regional laboratories,” broadening the number of items for the test service line, responding to new testing technologies, further improving test quality control (control of accuracy/process) as the top company in the industry, including the enhancement of our corporate presence, so as to invigorate those activities of ours that contribute to the healthcare industry, while at the same time seeking to further improve our quality and service. In addition, we are taking steps to reinforce the management and administration that supports all of this.

(4) Tasks ahead

1) Strengthening business structure

The contract clinical testing industry is vulnerable to price competition. This is because the industry is subject to medical system reforms and changes in government medical policies. Another factor is that the market is mature, with many competitors. Competition among these companies is expected to escalate further. We therefore expect contract testing prices to weaken.

It is thus vital to establish a solid business structure and revenue base that can withstand such challenging operating conditions. With regard to contract testing systems, at our main laboratory, the BML General Laboratory, we are moving ahead to consider the bacteriological testing field as part of the challenge to further automatization and development of new testing methods by utilizing next-generation sequencers and mass spectrometers. We will also expand the test items and work to expedite the reporting of results at our self-contained regional laboratories in order to improve user services. In addition, we will make efforts to reform and improve the functionality of our systems for users through the application of IT. Through these efforts, we will further improve productivity and user services to become more competitive in the clinical testing business.

2) Early-stage fostering of peripheral businesses

We will accelerate growth by aggressively building up our food hygiene and medical informatics businesses as related businesses.

In the food hygiene business, we see an ever-increasing awareness of food safety issues. With the 2020 Tokyo Olympic and Paralympic Games just around the corner, hygiene management aimed at maintaining international credibility with regard to food is likely to grow more and more important. Although vulnerable to changes in the economic climate, we expect the market to expand going forward. Against this backdrop, testing numbers have steadily risen due to orders for food consulting, testing for norovirus and intestinal microbes, and food composition analysis. We will work to strengthen our framework through measures such as pushing forward with further automation and streamlining in testing.

In the medical informatics business, information technology should become increasingly important to medical institutions, one example being online health insurance claims. At the same time, our electronic patient chart system offers excellent synergies with clinical testing. We will thus continue to broaden our business foundations by integrating activities with clinical testing. We will improve the functions of Qualis, our electronic patient chart system, and our Medical Station[®], and reinforce our support structure to accommodate wide-ranging user needs.

3) Initiatives to enhance corporate value

In terms of initiatives to enhance corporate value, we are working on constructing and operating a personnel system that confers job satisfaction by developing human resources and invigorating the organization through such measures as the clarification of career plans, and the revitalization of personnel rotation and exchanges of personnel. Also, in February 2019, the Company received certification for two consecutive years as a “Health and Productivity Management Organization (White 500)” from the Ministry of Economy, Trade and Industry, acknowledging companies that practice superior health management. Going forward, we will continue to promote the preservation and improvement of health for our employees and their families, while moving forward with the construction of a healthy and pleasant working environment. Moreover, in order to encourage diversity, we will further promote the implementation of various measures aimed at career formation for women.

4. Basic Policy on the Selection of Accounting Standards

With regard to adopting the International Financial Reporting Standards (IFRS) in the future, BML Group will respond appropriately based on due consideration of circumstances.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	46,327	51,892
Notes and accounts receivable–trade	20,550	21,595
Merchandise and finished goods	290	315
Work in process	590	545
Raw materials and supplies	2,081	2,230
Other current assets	1,076	1,170
Allowance for doubtful accounts	(69)	(69)
Total current assets	70,848	77,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,556	8,811
Land	13,093	13,062
Leased assets, net	2,891	3,096
Others, net	4,158	3,963
Total property, plant and equipment	28,700	28,934
Intangible assets		
Other intangible assets	3,714	3,567
Total intangible assets	3,714	3,567
Investments and other assets		
Investment securities	2,627	2,148
Deferred tax assets	2,239	2,312
Other	1,391	1,421
Allowance for doubtful accounts	(82)	(91)
Total investments and other assets	6,175	5,790
Total non-current assets	38,589	38,292
Total assets	109,438	115,972

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,188	15,023
Lease obligations	1,169	1,182
Income taxes payable	1,842	1,978
Provision for bonuses	2,962	3,194
Other current liabilities	6,603	6,745
Total current liabilities	26,767	28,125
Noncurrent liabilities		
Lease obligations	2,048	2,257
Provision for directors' retirement benefits	191	215
Net defined benefit liability	3,897	3,917
Other noncurrent liabilities	311	328
Total noncurrent liabilities	6,447	6,719
Total liabilities	33,215	34,844
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,668	6,685
Retained earnings	59,531	64,623
Treasury stock	(1,164)	(1,149)
Total shareholders' equity	71,080	76,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	777	488
Remeasurements of defined benefit plans	662	378
Total accumulated other comprehensive income	1,440	867
Subscription rights to shares	78	70
Non-controlling interests	3,622	3,983
Total net assets	76,222	81,127
Total liabilities and net assets	109,438	115,972

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

(millions of yen)

	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Net sales	113,502	117,129
Cost of sales	73,038	74,901
Gross profit	40,463	42,227
Selling, general and administrative expenses	31,126	31,777
Operating income	9,337	10,450
Non-operating income		
Real estate rent	60	58
Royalty income	88	56
Subsidy income	101	117
Gain on investment of securities	67	66
Other	231	199
Total non-operating income	548	499
Non-operating expenses		
Interest expense	39	37
Rent cost of real estate	25	24
Other	9	7
Total non-operating expenses	74	69
Ordinary income	9,811	10,880
Extraordinary income		
Gain on sales of non-current assets	5	4
Gain on liquidation of subsidiaries and associates	39	-
Other	0	-
Total extraordinary income	46	4
Extraordinary losses		
Loss on retirement of noncurrent assets	77	15
Condolence money	1	20
Other	4	4
Total extraordinary losses	82	40
Income before income taxes	9,774	10,844
Income taxes—current	3,251	3,544
Income taxes—deferred	94	159
Total income taxes	3,345	3,703
Profit	6,429	7,141
Profit attributable to non-controlling interests	440	494
Profit attributable to owners of parent	5,988	6,646

Consolidated statements of comprehensive income

(millions of yen)

	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Profit	6,429	7,141
Other comprehensive income		
Valuation difference on available-for-sale securities	223	(291)
Remeasurements of defined benefit plans, net of tax	508	(286)
Total other comprehensive income	731	(577)
Comprehensive income	7,160	6,563
Breakdown		
Comprehensive income attributable to owners of parent	6,715	6,073
Comprehensive income attributable to non-controlling interests	445	490

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,045	6,646	55,030	(1,237)	66,485
Changes of items during period					
Dividends from surplus			(1,487)		(1,487)
Profit attributable to owners of parent			5,988		5,988
Purchase of treasury shares				-	-
Disposal of treasury shares		21		72	93
Transfer of loss on disposal of treasury stocks		-	-		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	21	4,501	72	4,595
Balance at end of current period	6,045	6,668	59,531	(1,164)	71,080

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	554	159	714	142	3,304	70,647
Changes of items during period						
Dividends from surplus						(1,487)
Profit attributable to owners of parent						5,988
Purchase of treasury shares						-
Disposal of treasury shares						93
Transfer of loss on disposal of treasury stocks						-
Net changes of items other than shareholders' equity	222	503	726	(64)	318	980
Total changes of items during period	222	503	726	(64)	318	5,575
Balance at end of current period	777	662	1,440	78	3,622	76,222

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,045	6,668	59,531	(1,164)	71,080
Changes of items during period					
Dividends from surplus			(1,554)		(1,554)
Profit attributable to owners of parent			6,646		6,646
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		16		15	32
Transfer of loss on disposal of treasury stocks		-	-		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	16	5,092	15	5,124
Balance at end of current period	6,045	6,685	64,623	(1,149)	76,205

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at beginning of current period	777	662	1,440	78	3,622	76,222
Changes of items during period						
Dividends from surplus						(1,554)
Profit attributable to owners of parent						6,646
Purchase of treasury shares						(0)
Disposal of treasury shares						32
Transfer of loss on disposal of treasury stocks						-
Net changes of items other than shareholders' equity	(289)	(284)	(573)	(7)	360	(219)
Total changes of items during period	(289)	(284)	(573)	(7)	360	4,904
Balance at end of current period	488	378	867	70	3,983	81,127

(4) Consolidated statements of cash flows

(millions of yen)

	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes and minority interests	9,774	10,844
Depreciation and amortization	5,019	5,020
Amortization of goodwill	312	312
Interest expenses	39	37
Decrease (increase) in notes and accounts receivable–trade	(463)	(1,052)
Decrease (increase) in inventories	(141)	(128)
Increase (decrease) in notes and accounts payable–trade	(210)	834
Other, net	644	(40)
Sub-total	14,975	15,829
Interest expenses paid	(39)	(37)
Income taxes paid	(2,991)	(3,398)
Other revenue	134	114
Net cash provided by (used in) operating activities	12,079	12,507
Cash flows from investing activities		
Payments into time deposits	(4,314)	(4,296)
Proceeds from withdrawal of time deposits	4,825	4,242
Purchases of property, plant and equipment	(2,809)	(2,603)
Purchases of intangible assets	(1,345)	(1,234)
Other, net	105	(49)
Net cash provided by (used in) investing activities	(3,538)	(3,940)
Cash flows from financing activities		
Cash dividends paid	(1,487)	(1,554)
Repayments of lease obligations	(1,349)	(1,357)
Dividends paid to non-controlling interests	(127)	(129)
Other, net	(20)	(0)
Net cash provided by (used in) financing activities	(2,983)	(3,041)
Net increase (decrease) in cash and cash equivalents	5,556	5,525
Cash and cash equivalents at beginning of period	38,122	43,679
Cash and cash equivalents at end of period	43,679	49,204

(5) Notes to consolidated financial statements

(Note on the assumption as a going concern)

Not applicable

(Basis of preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 21

Names of major consolidated subsidiaries: Kyodo Igaku Laboratories, Inc.

PCL Japan, Inc.

Daiichi Kishimoto Clinical Laboratories Inc.

(2) Number of non-consolidated companies: 8, including SPL

Reason for exclusion from the scope of consolidation:

Amounts for all non-consolidated subsidiaries, including total assets, net sales, net income or loss, and retained earnings, are not significant and would not materially change the overall consolidated financial statements. We have therefore excluded these subsidiaries from consolidation.

2. Scope of equity method

Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method: 11, including SPL

We have excluded these subsidiaries and affiliates not accounted for under the equity method because of their minor impacts on current-term net income or loss and retained earnings and on overall performance in the fiscal year under review.

<Segment information, etc.>

(Segment information)

1. Overview of reportable segments

The reportable segments of the Company and its subsidiaries are components for which discrete financial information is available and for which the Board of Directors makes decisions on the allocation of management resources and periodically considers operating results to evaluate business performance.

The Company and its subsidiaries are comprised of segments based on products and services and identify “testing business” as a reportable segment. In the other segment, which is not identified as a reportable segment, “medical informatics business” is included. The “testing business” engages in contracted clinical testing operations and others; additionally, we carry out production and sales of system equipment for medical institutions and provision of medical information service as “medical informatics business.”

2. Calculation of sales, profit or loss, assets, liabilities, and amounts of other items for each reportable segment

Accounting treatment for the reportable business segment is almost identical to that described in “Basis of preparation for consolidated financial statements.”

3. Information about sales, profit or loss, assets, liabilities, and other items by reportable segment

Since information related to the business other than the reportable “testing business” segment is deemed immaterial, separate disclosure of the information is omitted.

(Per share information)

For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

	FY2017	FY2018
	Yen	
Net assets per share	1,703.27	1,809.34
Profit attributable to owners of parent per share	140.83	156.07
Profit attributable to owners of parent per share (diluted)	140.44	155.83

(Note) 1. Profit attributable to owners of parent per share and profit attributable to owners of parent per share (diluted) were calculated on the following basis.

		FY2017	FY2018
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥ millions	5,988	6,646
Amount not attributable to common shareholders	¥ millions	-	-
Profit attributable to owners of parent that is related to common shares	¥ millions	5,988	6,646
Average number of shares during the period	Shares	42,525,478	42,589,621
Profit attributable to owners of parent per share (diluted)			
Amount for adjustment to profit attributable to owners of parent	¥ millions	-	-
Increase in common shares	Shares	117,025	63,638
(Subscription rights to shares)	Shares	117,025	63,638
Descriptions of potentially dilutive common shares that were not included in the computation of diluted profit attributable to owners of parent per share because of their anti-dilutive effect		-	

2. Net assets per share were calculated on the following basis

		FY2017	FY2018
Total net assets	¥ millions	76,222	81,127
Amounts deducted from total net assets	¥ millions	3,701	4,054
(Subscription rights to shares)	¥ millions	78	70
(Non-controlling interests)	¥ millions	3,622	3,983
Net assets attributable to common stock at year-end of current period	¥ millions	72,521	77,073
Number of common shares at end of current period used in calculation of net assets per share	Shares	42,577,810	42,597,263

(Important subsequent events)

None