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February 8, 2019

CONSOLIDATED EARNINGS REPORT FOR THE THIRD QUARTER OF FISCAL 2018 [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 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 Third Quarter of Fiscal 2018 (April 1, 2018–December 31, 2018)**(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 FY2018	89,115	2.8	8,776	9.8	9,090	9.2	5,637	9.9
3Q of FY2017	86,694	2.2	7,989	(0.2)	8,325	1.2	5,128	2.5

(Note) Comprehensive income: 3Q of FY2018 ¥5,732 million / 0.3% 3Q of FY2017 ¥5,712 million / 3.6%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
3Q of FY2018	132.37	132.17
3Q of FY2017	120.64	120.27

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of December 31, 2018	113,711	80,296	67.2
As of March 31, 2018	109,438	76,222	66.3

(Reference) Equity capital: As of December 31, 2018 ¥76,357 million As of March 31, 2018 ¥72,521 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 2017	–	17.50	–	17.50	35.00
Fiscal 2018	–	19.00	–		
Fiscal 2018 (forecast)				19.00	38.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2019 (April 1, 2018–March 31, 2019)

(% 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	115,100	1.4	9,550	2.3	10,050	2.4	6,130	2.4

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

As of December 31, 2018	1,417,824	As of March 31, 2018	1,436,916
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c. Average number of shares during the period

3Q ended December 31, 2018	42,587,401	3Q ended December 31, 2017	42,510,659
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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

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 is 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 remains harsh due to continuing competition among companies.

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

In these conditions, net sales for the third quarter of the fiscal year under review were ¥89,115 million, an increase of 2.8% year on year, and operating income was ¥8,776 million, an increase of 9.8% year on year. Ordinary income increased at 9.2% year on year to ¥9,090 million, and profit attributable to owners of parent increased 9.9% to ¥5,637 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 for mainly priority testing items and other strategies. As a result, net sales in the clinical testing business increased 2.6% year on year.

In the food hygiene business, which belongs to the other testing business, BML Food Science Solutions, Inc. showed steady performances of intestinal bacteria testing, food quality consulting, and food consulting. As a result, sales in the other testing business increased 4.6% year on year.

As a consequence of the above, net sales in the testing business overall were ¥84,660 million, an increase of 2.7% 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 sales of maintenance of these systems were solid with increased number of installations. As a result, net sales in the medical informatics business increased by 10.9% 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 11.1% year on year.

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

(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 ¥113,711 million, a ¥4,273 million increase over the end of the previous fiscal year, net assets totaled ¥80,296 million, up ¥4,073 million over the end of the previous fiscal year, and the equity ratio increased by 0.9% over the end of the previous fiscal year to 67.2%.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits increased by ¥3,366 million and notes and accounts receivable–trade increased by ¥1,085 million. In the liabilities section, notes and accounts payable–trade increased ¥1,466 million and provision for bonuses decreased ¥1,136 million. In the net assets section, retained earnings increased by ¥4,082 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, 2019.

2. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	46,327	49,693
Notes and accounts receivable–trade	20,550	21,636
Merchandise and finished goods	290	116
Work in process	590	511
Raw materials and supplies	2,081	2,594
Other current assets	1,076	1,141
Allowance for doubtful accounts	(69)	(71)
Total current assets	70,848	75,623
Noncurrent assets		
Property, plant and equipment		
Land	13,093	13,088
Others, net	15,606	16,146
Total property, plant and equipment	28,700	29,234
Intangible assets		
Other intangible assets	3,714	3,593
Total intangible assets	3,714	3,593
Investments and other assets		
Other	6,258	5,351
Allowance for doubtful accounts	(82)	(91)
Total investments and other assets	6,175	5,259
Total noncurrent assets	38,589	38,088
Total assets	109,438	113,711

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,188	15,655
Provision for bonuses	2,962	1,826
Other current liabilities	9,615	9,292
Total current liabilities	26,767	26,774
Noncurrent liabilities		
Provision for directors' retirement benefits	191	205
Net defined benefit liability	3,897	3,712
Other noncurrent liabilities	2,359	2,722
Total noncurrent liabilities	6,447	6,640
Total liabilities	33,215	33,415
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,668	6,685
Retained earnings	59,531	63,614
Treasury stock	(1,164)	(1,149)
Total shareholders' equity	71,080	75,195
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	777	540
Remeasurements of defined benefit plans	662	621
Total accumulated other comprehensive income	1,440	1,162
Subscription rights to shares	78	71
Non-controlling interests	3,622	3,866
Total net assets	76,222	80,296
Total liabilities and net assets	109,438	113,711

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

(millions of yen)

	3rd Quarter ended December 31, 2017 (April 1, 2017 to December 31, 2017)	3rd Quarter ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Net sales	86,694	89,115
Cost of sales	55,268	56,420
Gross profit	31,426	32,695
Selling, general and administrative expenses	23,436	23,918
Operating income	7,989	8,776
Non-operating income		
Real estate rent	45	43
Other	348	323
Total non-operating income	394	367
Non-operating expenses		
Interest expense	30	28
Rent cost of real estate	21	19
Other	6	5
Total non-operating expenses	59	53
Ordinary income	8,325	9,090
Extraordinary income		
Gain on sales of non-current assets	3	4
Gain on liquidation of subsidiaries and associates	39	-
Other	0	-
Total extraordinary income	43	4
Extraordinary losses		
Loss on retirement of non-current assets	71	8
Other	1	2
Total extraordinary losses	73	11
Income before income taxes	8,295	9,083
Income taxes – current	2,203	2,430
Income taxes – deferred	608	641
Total income taxes	2,811	3,071
Profit	5,483	6,012
Profit attributable to non-controlling interests	355	374
Profit attributable to owners of parent	5,128	5,637

Consolidated Statements of Comprehensive Income

(millions of yen)

	3rd Quarter ended December 31, 2017 (April 1, 2017 to December 31, 2017)	3rd Quarter ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Profit	5,483	6,012
Other comprehensive income		
Valuation difference on available-for-sale securities	201	(238)
Remeasurements of defined benefit plans, net of tax	27	(41)
Total other comprehensive income	228	(279)
Comprehensive income	5,712	5,732
Breakdown		
Comprehensive income attributable to owners of parent	5,356	5,358
Comprehensive income attributable to non-controlling interests	356	373

(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, 2019 (April 1, 2018 to December 31, 2018)

None

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

First nine months of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 2018)

None

3. Supplementary Information

Breakdown of Sales

Testing		3Q of FY2017 (April 1, 2017 to December 31, 2017)		3Q of FY2018 (April 1, 2018 to December 31, 2018)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business	35,179	40.6	35,572	39.9	1.1
	Biochemical tests					
	Hematological tests	7,412	8.6	7,482	8.4	0.9
	Immunological tests	16,930	19.5	17,834	20.0	5.3
	Microbiological tests	4,997	5.8	5,074	5.7	1.5
	Pathological tests	6,012	6.9	6,011	6.7	(0.0)
	Other tests	8,605	9.9	9,237	10.4	7.4
	(Clinical testing business subtotal)	79,137	91.3	81,212	91.1	2.6
	Other testing business	3,295	3.8	3,447	3.9	4.6
Testing business subtotal	82,433	95.1	84,660	95.0	2.7	
Medical informatics business	3,035	3.5	3,365	3.8	10.9	
Other businesses	1,225	1.4	1,089	1.2	(11.1)	
Total	86,694	100.0	89,115	100.0	2.8	

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