May 11, 2018

CONSOLIDATED EARNINGS REPORT FOR FISCAL 2017

[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 28, 2018
Scheduled Date for Filing of Annual Securities Report: June 28, 2018
Scheduled Date for Payment of Dividends: June 29, 2018
Creation of Supplementary Explanatory Materials: Yes
Holding of Explanatory Meeting: Yes

(Rounded down to nearest million yen)

1. Results for Fiscal 2017 (April 1, 2017–March 31, 2018)
(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	%
FY2017	113,502	2.0	9,337	0.1	9,811	1.0	5,988	0.7
FY2016	111,243	2.0	9,329	10.7	9,711	10.0	5,948	9.7

(Note) Comprehensive income: FY2017 ¥7,160 million / 3.5% FY2016 ¥6,917 million / 45.1%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to sales ratio
	Yen	Yen	%	%	%
FY2017	140.83	140.44	8.6	9.2	8.2
FY2016	140.03	139.55	9.2	9.5	8.4

(Reference) Equity in earnings (losses) of affiliates: FY2017 ¥— million FY2016 ¥— million
(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Profit attributable to owners of parent per share and profit attributable to owners of parent per share (diluted) have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2018	109,446	76,222	66.3	1,703.27
As of March 31, 2017	104,244	70,647	64.5	1,581.60

(Reference) Equity capital: As of March 31, 2018 ¥72,521 million As of March 31, 2017 ¥67,199 million

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Net assets per share have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

(3) Consolidated cash flow position

	Operating activities ¥ million	Investing activities ¥ million	Financial activities ¥ million	End-of-year cash and cash equivalents ¥ million
FY2017	12,079	(3,538)	(2,983)	43,679
FY2016	11,307	(5,239)	(2,856)	38,122

2. Dividends

	Dividends per share					Total amount (Full year)	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	¥ million	%	%
FY2016	–	17.50	–	17.50	35.00	1,486	25.0	2.3
FY2017	–	17.50	–	17.50	35.00	1,489	24.9	2.1
FY2018 (forecast)	–	19.00	–	19.00	38.00		26.4	

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	143.97

*** 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, 2018	44,014,726	As of March 31, 2017	44,014,726

b. Number of treasury stocks at the end of period

As of March 31, 2018	1,436,916	As of March 31, 2017	1,526,338

c. Average number of shares during the period

FY2017	42,525,478	FY2016	42,482,510

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
The number of outstanding stocks has been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

Reference: Non-Consolidated Results of Operations

1. Non-Consolidated Business Results for Fiscal 2017 (April 1, 2017 – March 31, 2018)

(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	%
FY2017	89,129	1.9	5,416	(0.9)	6,676	2.2	4,721	2.3
FY2016	87,452	2.5	5,466	12.0	6,535	12.7	4,614	13.3

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
FY2017	111.02	110.71
FY2016	108.61	108.24

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Profit attributable to owners of parent per share and profit attributable to owners of parent per share (diluted) have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2018	88,110	58,350	66.1	1,368.60
As of March 31, 2017	84,615	54,927	64.7	1,289.41

(Reference) Equity capital: As of March 31, 2018 ¥58,271 million As of March 31, 2017 ¥54,784 million

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Net assets per share have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

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

In Japan, reforms to the medical system are being carried out and a wide range of initiatives are being implemented to curb medical costs in an attempt to address national healthcare costs, which are reaching record highs and are expected to continue marked growth, given the aging society and advances in medical technology.

In the contract clinical testing business, fiscal 2017 was not a designated year for the biennial revision of medical service fees under the national health insurance (NHI) system, and there are no reductions in NHI points used to set fees for clinical testing. However, the business environment remained harsh due to continuing competition among companies.

In fiscal 2017, which was the last year of the Sixth Medium-Term Management Plan (covering fiscal 2015 through fiscal 2017), the BML Group continued to invest efforts in improving our quality and services in order to achieve our vision of "becoming the most trusted choice in the medical world."

In this business environment, net sales for the consolidated fiscal year under review were ¥113,502 million, an increase of 2.0% year on year, and operating income was ¥9,337 million, an increase of 0.1% year on year. Ordinary income increased 1.0% year on year to ¥9,811 million, and profit attributable to owners of parent increased 0.7% year on year to ¥5,988 million. With regard to net sales, in an environment characterized by continued severe competition between market participants, we succeeded in growing revenue year on year while maintaining appropriate pricing. In terms of profit, active human resource investments and capital investments were made to enhance quality and services, and improvements were made regarding the treatment of non-regular employees in order to stabilize employment, resulting in higher expenses. However, as a result of reviewing other expenses and operations, profits increased.

Conditions by business segment are described below.

In the clinical testing business, the BML Group continuously strengthened cooperation between worksites and corporate headquarters and developed the hospital and clinic market. In addition, we sought to enhance performance, carrying out proposal-based marketing that targets large institutions; marketing to stimulate increased sales to existing users for mainly priority testing items; and sales strategy by making use of our self-contained regional laboratories, laboratories in the capital region, and serum separation laboratories. As a result, net sales in the clinical testing business increased 1.7% year on year.

In the food hygiene business, which belongs to the other testing business, BML Food Science Solutions, Inc., showed steady performance of norovirus testing and food quality consulting. This resulted in a good performance overall. As a result, sales in the other testing business increased 2.5% year on year.

As a consequence of the above, net sales in the testing business overall were ¥107,765 million, an increase of 1.7% year on year.

In the medical informatics business, we continuously endeavored to utilize the Qualis electronic patient chart system for clinics and the Medical Station (MS) system to secure new contracts and pursue replacement sales with existing users. With regard to winning new contracts, we strengthened relationships with major distributors, enabling new sales volumes to reach their highest ever level. As a result, net sales in the medical informatics business increased by 5.6% year on year.

In other businesses, increased sales for the Okayama Medical Laboratory Company's dispensing pharmacy business, due to the contribution of its new pharmacy that opened in April 2017, led to increased net sales in other businesses by 14.3% year on year.

(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 ¥109,446 million, a ¥5,201 million increase over the end of the previous fiscal year, net assets totaled ¥76,222 million, up ¥5,575 million over the end of the previous fiscal year, and the equity ratio increased 1.8% over the end of the previous fiscal year to 66.3%.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits increased ¥5,045 million. In net assets, retained earnings increased ¥4,501 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 ¥43,679 million, up ¥5,556 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 ¥12,079 million, an increase of ¥771 million from the previous fiscal year. This was due primarily to a reduction of ¥459 million in outflows related to income taxes.

Cash flows from investing activities resulted in a cash outflow of ¥3,538 million, a decrease of ¥1,701 million from the previous fiscal year. This was chiefly the result of a ¥1,117 million decrease in outflows related to payments into time deposits.

Cash flows from financing activities resulted in a cash outflow of ¥2,983 million, an increase of ¥127 million from the previous fiscal year. The main reason for this was the increase in cash dividends paid of ¥106 million.

Reference: Trend of cash flow index

	FY2013	FY2014	FY2015	FY2016	FY2017
Equity ratio (%)	62.3	63.3	62.5	64.5	66.3
Equity ratio on market value (%)	93.0	77.4	93.2	99.9	105.7
Interest-bearing debt to cash flow ratio (%)	41.9	37.8	34.5	37.5	34.2
Interest coverage ratio (times)	169.7	202.2	246.9	274.4	307.5

・Equity ratio: Equity capital ÷ total assets
・Equity ratio on market value: Current capital stock ÷ gross assets
・Interest-bearing debt to cash flow ratio: Interest-bearing debt ÷ cash flow
・Interest coverage ratio: Cash flow ÷ 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. Next fiscal year is the first 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 2019, the Company expects net sales of ¥115,100 million, operating income of ¥9,550 million, ordinary income of ¥10,050 million, and profit attributable to owners of parent of ¥6,130 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

FY2018 is the first 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 field of bacteriological testing in particular as part of the challenge to automatization and development 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 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 hygiene 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 2018, the Company received certification by the Ministry of Economy, Trade and Industry as a “Health and Productivity Management Organization (White 500),” for 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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	41,281	46,327
Notes and accounts receivable–trade	20,020	20,550
Merchandise and finished goods	197	290
Work in process	562	590
Raw materials and supplies	2,069	2,081
Deferred tax assets	1,256	1,242
Other current assets	1,132	1,076
Allowance for doubtful accounts	(79)	(69)
Total current assets	66,439	72,091
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,882	8,556
Land	13,057	13,093
Leased assets, net	2,997	2,891
Others, net	4,286	4,158
Total property, plant and equipment	29,223	28,700
Intangible assets		
Other intangible assets	3,508	3,714
Total intangible assets	3,508	3,714
Investments and other assets		
Investment securities	2,381	2,627
Deferred tax assets	1,388	1,005
Other	1,447	1,391
Allowance for doubtful accounts	(144)	(82)
Total investments and other assets	5,073	4,941
Total non-current assets	37,805	37,355
Total assets	104,244	109,446

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,399	14,188
Lease obligations	1,171	1,169
Income taxes payable	1,564	1,842
Provision for bonuses	-	2,962
Other current liabilities	9,343	6,603
Total current liabilities	26,479	26,767
Noncurrent liabilities		
Lease obligations	2,139	2,048
Provision for directors' retirement benefits	185	191
Net defined benefit liability	4,506	3,897
Other noncurrent liabilities	287	320
Total noncurrent liabilities	7,118	6,456
Total liabilities	33,597	33,224
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,646	6,668
Retained earnings	55,030	59,531
Treasury stock	(1,237)	(1,164)
Total shareholders' equity	66,485	71,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	554	777
Remeasurements of defined benefit plans	159	662
Total accumulated other comprehensive income	714	1,440
Subscription rights to shares	142	78
Non-controlling interests	3,304	3,622
Total net assets	70,647	76,222
Total liabilities and net assets	104,244	109,446

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

Consolidated statements of income

(millions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Net sales	111,243	113,502
Cost of sales	71,443	73,038
Gross profit	39,799	40,463
Selling, general and administrative expenses	30,470	31,126
Operating income	9,329	9,337
Non-operating income		
Real estate rent	61	60
Dividend income	44	55
Royalty income	102	88
Subsidy income	92	101
Gain on investment of securities	4	67
Other	159	175
Total non-operating income	464	548
Non-operating expenses		
Interest expense	41	39
Rent cost of real estate	32	25
Other	8	9
Total non-operating expenses	82	74
Ordinary income	9,711	9,811
Extraordinary income		
Gain on sales of non-current assets	1	5
Insurance income	31	-
Gain on liquidation of subsidiaries and associates	-	39
Other	2	0
Total extraordinary income	36	46
Extraordinary losses		
Loss on retirement of noncurrent assets	72	77
Condolence money	150	-
Other	11	5
Total extraordinary losses	233	82
Income before income taxes	9,514	9,774
Income taxes–current	2,986	3,251
Income taxes–deferred	126	94
Total income taxes	3,113	3,345
Profit	6,401	6,429
Profit attributable to non-controlling interests	452	440
Profit attributable to owners of parent	5,948	5,988

Consolidated statements of comprehensive income

(millions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Profit	6,401	6,429
Other comprehensive income		
Valuation difference on available-for-sale securities	84	223
Remeasurements of defined benefit plans, net of tax	431	508
Total other comprehensive income	516	731
Comprehensive income	6,917	7,160
Breakdown		
Comprehensive income attributable to owners of parent	6,453	6,715
Comprehensive income attributable to non-controlling interests	463	445

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,045	6,647	50,463	(1,241)	61,914
Changes of items during period					
Dividends from surplus			(1,380)		(1,380)
Profit attributable to owners of parent			5,948		5,948
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(1)		5	4
Transfer of loss on disposal of treasury stocks		1	(1)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	4,566	4	4,571
Balance at end of current period	6,045	6,646	55,030	(1,237)	66,485

	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	471	(262)	209	129	2,953	65,206
Changes of items during period						
Dividends from surplus						(1,380)
Profit attributable to owners of parent						5,948
Purchase of treasury shares						(0)
Disposal of treasury shares						4
Transfer of loss on disposal of treasury stocks						-
Net changes of items other than shareholders' equity	83	421	505	13	350	868
Total changes of items during period	83	421	505	13	350	5,440
Balance at end of current period	554	159	714	142	3,304	70,647

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	72
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

(4) Consolidated statements of cash flows

(millions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	9,514	9,774
Depreciation and amortization	4,845	5,019
Amortization of goodwill	315	312
Interest expenses	41	39
Decrease (increase) in notes and accounts receivable–trade	(282)	(463)
Decrease (increase) in inventories	(228)	(141)
Increase (decrease) in notes and accounts payable–trade	331	(210)
Other, net	162	644
Sub-total	14,700	14,975
Interest expenses paid	(41)	(39)
Income taxes paid	(3,450)	(2,991)
Other revenue	98	134
Net cash provided by (used in) operating activities	11,307	12,079
Cash flows from investing activities		
Payments into time deposits	(5,432)	(4,314)
Proceeds from withdrawal of time deposits	4,384	4,825
Purchases of property, plant and equipment	(3,122)	(2,809)
Purchases of intangible assets	(1,111)	(1,345)
Proceeds from sales of property, plant and equipment	13	27
Other, net	27	77
Net cash provided by (used in) investing activities	(5,239)	(3,538)
Cash flows from financing activities		
Cash dividends paid	(1,380)	(1,487)
Repayments of lease obligations	(1,361)	(1,349)
Other, net	(114)	(147)
Net cash provided by (used in) financing activities	(2,856)	(2,983)
Net increase (decrease) in cash and cash equivalents	3,211	5,556
Cash and cash equivalents at beginning of period	34,910	38,122
Cash and cash equivalents at end of period	38,122	43,679

(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. Outline 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, 2018 (From April 1, 2017 to March 31, 2018)

	FY2016	FY2017
	Yen	
Net assets per share	1,581.60	1,703.27
Profit attributable to owners of parent per share	140.03	140.83
Profit attributable to owners of parent per share (diluted)	139.55	140.44

(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.

		FY2016	FY2017
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥ millions	5,948	5,988
Amount not attributable to common shareholders	¥ millions	-	-
Profit attributable to owners of parent that is related to common shares	¥ millions	5,948	5,988
Average number of shares during the period	Shares	42,482,510	42,525,478
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	147,555	117,025
(Subscription rights to shares)	Shares	147,555	117,025
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	-		

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Profit attributable to owners of parent per share and profit attributable to owners of parent per share (diluted) have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

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

		FY2016	FY2017
Total net assets	¥ millions	70,647	76,222
Amounts deducted from total net assets	¥ millions	3,447	3,701
(Subscription rights to shares)	¥ millions	142	78
(Non-controlling interests)	¥ millions	3,304	3,622
Net assets attributable to common stock at year-end of current period	¥ millions	67,199	72,521
Number of common shares at end of current period used in calculation of net assets per share	Shares	42,488,388	42,577,810

(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.
Net assets per share and profit attributable to owners of parent per share (diluted) have been calculated on the assumption that the stock split was implemented at the start of the previous fiscal year.

(Important subsequent events)

None