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February 9, 2018

CONSOLIDATED EARNINGS REPORT FOR THE THIRD QUARTER OF FISCAL 2017 [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, 2018
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 2017 (April 1, 2017–December 31, 2017) (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 FY2017	86,694	2.2	7,989	(0.2)	8,325	1.2	5,128	2.5
3Q of FY2016	84,810	2.7	8,008	16.3	8,228	14.8	5,003	17.1

(Note) Comprehensive income: 3Q of FY2017 ¥5,712 million / 3.6% 3Q of FY2016 ¥5,515 million / 20.6%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (diluted)
	Yen	Yen
3Q of FY2017	120.64	120.27
3Q of FY2016	117.79	117.38

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2017	107,756	74,774	66.0
As of March 31, 2017	104,244	70,647	64.5

(Reference) Equity capital: As of December 31, 2017 ¥71,153 million As of March 31, 2017 ¥67,199 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 2016	–	17.50	–	17.50	35.00
Fiscal 2017	–	17.50	–		
Fiscal 2017 (forecast)				17.50	35.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2018 (April 1, 2017–March 31, 2018)

(% 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	114,000	2.5	9,400	0.8	9,750	0.4	5,960	0.2	140.27

(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, 2017	44,014,726	As of March 31, 2017	44,014,726
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b. Number of treasury stocks at the end of the period

As of December 31, 2017	1,445,716	As of March 31, 2017	1,526,338
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c. Average number of shares during the period

3Q ended December 31, 2017	42,510,659	3Q ended December 31, 2016	42,481,807
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(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.

The number of stocks has been calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* The quarterly financial results are not subject to quarterly review.

* 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

As the population ages, high-priced pharmaceuticals are more commonly used, advances are made in medical treatment, and national healthcare costs are increasing yearly, with the expectation that they will continue to increase into the future. As a result, various reforms to healthcare systems are being implemented and a wide range of initiatives are being carried out to curb healthcare costs.

In the contract clinical testing business, fiscal 2017 is 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 remains harsh due to continuing competition among companies.

In fiscal 2017, which is the last year of the Sixth Medium-Term Management Plan (covering fiscal 2015 through fiscal 2017), the BML Group continues 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.”

Under these conditions, net sales for the third quarter of the fiscal year under review were ¥86,694 million, an increase of 2.2 % year on year, and operating income was ¥7,989 million, a decrease of 0.2% year on year. Ordinary income rose 1.2% year on year to ¥8,325 million, and profit attributable to owners of parent increased by 2.5% to ¥5,128 million. In terms of profit, active human resource investments and capital investments were made to enhance quality and services, improvements were made regarding the treatment of non-regular employees in order to stabilize employment, and specimen transport cost increased, resulting in higher expenses. For these reasons, our initial plan forecast decreased profit year on year.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened cooperation between worksites and corporate headquarters and developed a 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 strategic use of our local and separated laboratories. As a result, net sales in the clinical testing business increased by 2.0% 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 by 1.1% year on year.

As a consequence of the above, net sales in the testing business overall were ¥82,433 million, an increase of 1.9% year on year.

In the medical informatics business, we 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. In addition, we strengthened our relationships with large distributors, which has led to solid progress in acquiring new contracts. As a result, net sales in the medical informatics business increased by 5.0% 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 15.8% year on year.

(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 ¥107,756 million, a ¥3,511 million increase over the end of the previous fiscal year, net assets totaled ¥74,774 million, up ¥4,127 million over the end of the previous fiscal year, and the equity ratio increased by 1.5% over the end of the previous fiscal year to 66.0%.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, cash and deposits increased by ¥2,990 million and notes and accounts receivable–trade increased by ¥ 826 million. In net assets, retained earnings increased by ¥3,653 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, 2018.

2. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	41,281	44,272
Notes and accounts receivable–trade	20,020	20,846
Merchandise and finished goods	197	107
Work in process	562	495
Raw materials and supplies	2,069	2,488
Other current assets	2,388	1,744
Allowance for doubtful accounts	(79)	(70)
Total current assets	66,439	69,884
Noncurrent assets		
Property, plant and equipment		
Land	13,057	13,102
Others, net	16,166	16,033
Total property, plant and equipment	29,223	29,135
Intangible assets		
Other intangible assets	3,508	3,652
Total intangible assets	3,508	3,652
Investments and other assets		
Other	5,217	5,166
Allowance for doubtful accounts	(144)	(83)
Total investments and other assets	5,073	5,083
Total noncurrent assets	37,805	37,872
Total assets	104,244	107,756

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,399	14,982
Other current liabilities	12,079	10,692
Total current liabilities	26,479	25,674
Noncurrent liabilities		
Provision for directors' retirement benefits	185	182
Net defined benefit liability	4,506	4,453
Other noncurrent liabilities	2,427	2,670
Total noncurrent liabilities	7,118	7,306
Total liabilities	33,597	32,981
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,646	6,654
Retained earnings	55,030	58,683
Treasury stock	(1,237)	(1,171)
Total shareholders' equity	66,485	70,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	554	755
Remeasurements of defined benefit plans	159	185
Total accumulated other comprehensive income	714	941
Subscription rights to shares	142	87
Non-controlling interests	3,304	3,534
Total net assets	70,647	74,774
Total liabilities and net assets	104,244	107,756

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

(millions of yen)

	3rd Quarter ended December 31, 2016 (April 1, 2016 to December 31, 2016)	3rd Quarter ended December 31, 2017 (April 1, 2017 to December 31, 2017)
Net sales	84,810	86,694
Cost of sales	53,866	55,268
Gross profit	30,944	31,426
Selling, general and administrative expenses	22,935	23,436
Operating income	8,008	7,989
Non-operating income		
Real estate rent	46	45
Other	234	348
Total non-operating income	280	394
Non-operating expenses		
Interest expense	31	30
Rent cost of real estate	21	21
Other	7	6
Total non-operating expenses	60	59
Ordinary income	8,228	8,325
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	39
Other	1	3
Total extraordinary income	1	43
Extraordinary losses		
Loss on retirement of non-current assets	66	71
Other	9	1
Total extraordinary losses	75	73
Income before income taxes	8,154	8,295
Income taxes – current	2,301	2,203
Income taxes – deferred	496	608
Total income taxes	2,797	2,811
Profit	5,356	5,483
Profit attributable to non-controlling interests	352	355
Profit attributable to owners of parent	5,003	5,128

Consolidated Statements of Comprehensive Income

(millions of yen)

	3rd Quarter ended December 31, 2016 (April 1, 2016 to December 31, 2016)	3rd Quarter ended December 31, 2017 (April 1, 2017 to December 31, 2017)
Profit	5,356	5,483
Other comprehensive income		
Valuation difference on available-for-sale securities	107	201
Remeasurements of defined benefit plans, net of tax	51	27
Total other comprehensive income	159	228
Comprehensive income	5,515	5,712
Breakdown		
Comprehensive income attributable to owners of parent	5,159	5,356
Comprehensive income attributable to non-controlling interests	355	356

(3) Notes on operating results for quarter under review

(Notes on Premise of Going Concern)

None

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

First nine months of the fiscal year ending March 31, 2018 (April 1, 2017 to December 31, 2017)

None

3. Supplementary Information

Breakdown of Sales

Testing		3Q of FY2016 (April 1, 2016 to December 31, 2016)		3Q of FY2017 (April 1, 2017 to December 31, 2017)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	34,628	40.8	35,179	40.6	1.6
	Hematological tests	7,311	8.6	7,412	8.6	1.4
	Immunological tests	16,845	19.9	16,930	19.5	0.5
	Microbiological tests	4,825	5.7	4,997	5.8	3.6
	Pathological tests	5,778	6.8	6,012	6.9	4.1
	Other tests	8,209	9.7	8,605	9.9	4.8
	(Clinical testing business subtotal)	77,599	91.5	79,137	91.3	2.0
	Other testing business	3,261	3.8	3,295	3.8	1.1
Testing business subtotal	80,861	95.3	82,433	95.1	1.9	
Medical informatics business		2,891	3.4	3,035	3.5	5.0
Other businesses		1,058	1.3	1,225	1.4	15.8
Total		84,810	100.0	86,694	100.0	2.2

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