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November 8, 2017

## CONSOLIDATED EARNINGS REPORT FOR THE SECOND QUARTER OF 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 Filing of Quarterly Report:** November 14, 2017  
**Scheduled Date for Payment of Dividends:** December 4, 2017  
**Creation of Supplementary Explanatory Materials:** Yes  
**Holding of Explanatory Meeting:** Yes

(Rounded down to nearest million yen)

**1. Results for the Second Quarter of Fiscal 2017 (April 1, 2017–September 30, 2017)****(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                               | %    |
| 2Q of FY2017 | 57,912    | 2.4 | 5,730            | 2.2  | 5,926           | 2.9  | 3,717                                   | 4.4  |
| 2Q of FY2016 | 56,535    | 3.5 | 5,608            | 26.1 | 5,759           | 25.2 | 3,560                                   | 30.2 |

(Note) Comprehensive income: 2Q of FY2017 ¥4,135 million / 9.3% 2Q of FY2016 ¥3,784 million / 28.0%

|              | Profit attributable to owners of parent per share<br>Yen | Profit attributable to owners of parent per share (diluted)<br>Yen |
|--------------|--|--|
| 2Q of FY2017 | 87.49  | 87.19  |
| 2Q of FY2016 | 83.81  | 83.53  |

(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 beginning of the previous fiscal year.

**(2) Consolidated Financial Position**

|                          | Total assets<br>(¥ million) | Net assets<br>(¥ million) | Equity ratio<br>(%) |
|--------------------------|-----------------------------|---------------------------|---------------------|
| As of September 30, 2017 | 109,019                     | 73,941                    | 64.6                |
| As of March 31, 2017     | 104,244                     | 70,647                    | 64.5                |

Reference: Equity capital: As of September 30, 2017 ¥70,397 million As of March 31, 2017 ¥67,199 million

**2. Dividends**

|                           | Dividends per share  |                       |                      |          |           |
|---------------------------|----------------------|-----------------------|----------------------|----------|-----------|
|                           | First<br>quarter-end | Second<br>quarter-end | Third<br>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<br>(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 September 30, 2017 | 44,014,726 | As of March 31, 2017 | 44,014,726 |
|--------------------------|------------|----------------------|------------|

- b. Number of treasury stocks at the end of period

|                          |           |                      |           |
|--------------------------|-----------|----------------------|-----------|
| As of September 30, 2017 | 1,505,916 | As of March 31, 2017 | 1,526,338 |
|--------------------------|-----------|----------------------|-----------|

- c. Average number of shares during the period

|                             |            |                             |            |
|-----------------------------|------------|-----------------------------|------------|
| 2Q ended September 30, 2017 | 42,494,251 | 2Q ended September 30, 2016 | 42,481,901 |
|-----------------------------|------------|-----------------------------|------------|

(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, 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-price 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 second quarter of the fiscal year under review were ¥57,912 million, an increase of 2.4% year on year, and operating income was ¥5,730 million, an increase of 2.2% year on year. Ordinary income rose 2.9% year on year to ¥5,926 million, and profit attributable to owners of parent increased 4.4% to ¥3,717 million. 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. For these reasons, our initial plan forecast decreased profit year on year. However, increased income in excess of planned figures offset any increases in expenses, resulting in increased 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 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 strategic use of our local and separated laboratories. As a result, net sales in the clinical testing business increased 2.1% 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, in addition to strong performance of food testing. This resulted in a good performance overall. As a result, sales in the other testing business increased 2.2% year on year.

As a consequence of the above, net sales in the testing business overall were ¥55,084 million, an increase of 2.1% 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. We also strengthened relationships with distributors. As a result, net sales in the medical informatics business increased by 5.7% 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 16.1% year on year.

## **(2) Financial position**

### **(a) Assets, liabilities and net assets**

At the end of the second quarter of the consolidated fiscal period under review, total assets amounted to ¥109,019 million, a ¥4,774 million increase over the end of the previous fiscal year. Net assets totaled ¥73,941 million, up ¥3,294 million over the end of the previous fiscal year, and the equity ratio increased 0.1% over the end of the previous fiscal year to 64.6%.

As for the main items contributing to increases or decreases, in the assets section, under current assets, cash and deposits increased ¥3,401 million and notes and accounts receivable–trade increased ¥1,216 million. In the net assets section, retained earnings increased ¥2,986 million.

### **(b) Cash flows**

Cash and cash equivalents on September 30, 2017, increased ¥5,390 million from September 30, 2016, to ¥42,009 million. The cash flow position and factors behind changes for each type of activity are as follows.

Operating activities provided net cash of ¥7,077 million, ¥865 million more than in the same period a year earlier.

Investing activities used net cash of ¥1,622 million, ¥1,455 million less than in the same period a year earlier. The main factor was that payments into time deposits decreased ¥477 million, and proceeds from withdrawal of time deposits increased ¥1,072 million.

Financing activities used net cash of ¥1,567 million, ¥140 million more than in the same period a year earlier.

## **(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 September 30, 2017 |
|-------------------------------------|----------------------|--------------------------|
| Assets                              |                      |                          |
| Current assets                      |                      |                          |
| Cash and deposits                   | 41,281               | 44,683                   |
| Notes and accounts receivable–trade | 20,020               | 21,237                   |
| Merchandise and finished goods      | 197                  | 316                      |
| Work in process                     | 562                  | 492                      |
| Raw materials and supplies          | 2,069                | 2,021                    |
| Other current assets                | 2,388                | 2,302                    |
| Allowance for doubtful accounts     | (79)                 | (77)                     |
| Total current assets                | 66,439               | 70,975                   |
| Non-current assets                  |                      |                          |
| Property, plant and equipment       |                      |                          |
| Land                                | 13,057               | 13,055                   |
| Others, net                         | 16,166               | 16,119                   |
| Total property, plant and equipment | 29,223               | 29,175                   |
| Intangible assets                   |                      |                          |
| Other intangible assets             | 3,508                | 3,726                    |
| Total intangible assets             | 3,508                | 3,726                    |
| Investments and other assets        |                      |                          |
| Other                               | 5,217                | 5,278                    |
| Allowance for doubtful accounts     | (144)                | (136)                    |
| Total investments and other assets  | 5,073                | 5,142                    |
| Total non-current assets            | 37,805               | 38,044                   |
| Total assets                        | 104,244              | 109,019                  |

|   | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| <b>Liabilities</b>                                    |                      |                          |
| <b>Current liabilities</b>                            |                      |                          |
| Notes and accounts payable–trade                      | 14,399               | 14,632                   |
| Income tax payable                                    | 1,564                | 1,970                    |
| Other current liabilities                             | 10,514               | 11,160                   |
| <b>Total current liabilities</b>                      | <b>26,479</b>        | <b>27,762</b>            |
| <b>Non-current liabilities</b>                        |                      |                          |
| Provision for directors’ retirement benefits          | 185                  | 174                      |
| Net defined benefit liability                         | 4,506                | 4,492                    |
| Other non-current liabilities                         | 2,427                | 2,649                    |
| <b>Total non-current liabilities</b>                  | <b>7,118</b>         | <b>7,315</b>             |
| <b>Total liabilities</b>                              | <b>33,597</b>        | <b>35,078</b>            |
| <b>Net assets</b>                                     |                      |                          |
| <b>Shareholders’ equity</b>                           |                      |                          |
| Capital stock   | 6,045                | 6,045                    |
| Capital surplus                                       | 6,646                | 6,652                    |
| Retained earnings                                     | 55,030               | 58,016                   |
| Treasury stock  | (1,237)              | (1,220)                  |
| <b>Total shareholders’ equity</b>                     | <b>66,485</b>        | <b>69,493</b>            |
| <b>Accumulated other comprehensive income</b>         |                      |                          |
| Valuation difference on available-for-sale securities | 554                  | 727                      |
| Remeasurements of defined benefit plans               | 159                  | 177                      |
| <b>Total accumulated other comprehensive income</b>   | <b>714</b>           | <b>904</b>               |
| Subscription rights to shares                         | 142                  | 138                      |
| Non-controlling interests                             | 3,304                | 3,405                    |
| <b>Total net assets</b>                               | <b>70,647</b>        | <b>73,941</b>            |
| <b>Total liabilities and net assets</b>               | <b>104,244</b>       | <b>109,019</b>           |

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

(millions of yen)

|  | 2nd Quarter Ended<br>September 30, 2016<br>(April 1, 2016 to<br>September 30, 2016) | 2nd Quarter Ended<br>September 30, 2017<br>(April 1, 2017 to<br>September 30, 2017) |
|--|---|---|
| Net sales  | 56,535  | 57,912  |
| Cost of sales                                      | 35,541  | 36,589  |
| Gross profit                                       | 20,993  | 21,322  |
| Selling, general and administrative expenses       | 15,385  | 15,591  |
| Operating income                                   | 5,608   | 5,730   |
| Non-operating income                               |   |   |
| Real estate rent                                   | 32  | 30  |
| Gain on investment of securities                   | -   | 59  |
| Other  | 175   | 146   |
| Total non-operating income                         | 208   | 236   |
| Non-operating expenses                             |   |   |
| Interest expense                                   | 21  | 20  |
| Rent cost of real estate                           | 15  | 15  |
| Loss on investment securities operation            | 12  | -   |
| Other  | 7   | 4   |
| Total non-operating expenses                       | 57  | 40  |
| Ordinary income                                    | 5,759   | 5,926   |
| Extraordinary income                               |   |   |
| Gain on liquidation of subsidiaries and associates | -   | 39  |
| Other  | 0   | 0   |
| Total extraordinary income                         | 0   | 40  |
| Extraordinary losses                               |   |   |
| Loss on retirement of non-current assets           | 16  | 37  |
| Other  | 9   | 1   |
| Total extraordinary losses                         | 26  | 39  |
| Profit before income taxes                         | 5,732   | 5,927   |
| Income taxes—current                               | 1,925   | 1,974   |
| Income taxes—deferred                              | 23  | 8   |
| Total income taxes                                 | 1,949   | 1,982   |
| Profit   | 3,783   | 3,945   |
| Profit attributable to non-controlling interests   | 222   | 227   |
| Profit attributable to owners of parent            | 3,560   | 3,717   |



**Consolidated statements of comprehensive income**

(millions of yen)

|  | 2nd Quarter Ended<br>September 30, 2016<br>(April 1, 2016 to<br>September 30, 2016) | 2nd Quarter Ended<br>September 30, 2017<br>(April 1, 2017 to<br>September 30, 2017) |
|--|---|---|
| Profit   | 3,783   | 3,945   |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | (32)  | 171   |
| Remeasurements of defined benefit plans, net of tax            | 34  | 18  |
| Total other comprehensive income                               | 1   | 190   |
| Comprehensive income   | 3,784   | 4,135   |
| Breakdown  |   |   |
| Comprehensive income attributable to owners of parent          | 3,560   | 3,907   |
| Comprehensive income attributable to non-controlling interests | 224   | 227   |

**(3) Consolidated statements of cash flows**

(millions of yen)

|  | 2nd Quarter Ended<br>September 30, 2016<br>(April 1, 2016 to<br>September 30, 2016) | 2nd Quarter Ended<br>September 30, 2017<br>(April 1, 2017 to<br>September 30, 2017) |
|--|---|---|
| Cash flows from operating activities                       |   |   |
| Profit (loss) before income taxes                          | 5,732   | 5,927   |
| Depreciation   | 2,299   | 2,399   |
| Amortization of goodwill                                   | 158   | 156   |
| Interest expenses  | 21  | 20  |
| Decrease (increase) in notes and accounts receivable–trade | (550)   | (1,203)   |
| Decrease (increase) in inventories                         | (53)  | 1   |
| Increase (decrease) in notes and accounts payable–trade    | 358   | 232   |
| Increase (decrease) in accrued consumption taxes           | (40)  | 146   |
| Other, net   | 217   | 838   |
| Subtotal   | 8,144   | 8,520   |
| Interest expenses paid                                     | (21)  | (20)  |
| Income taxes paid  | (1,984)   | (1,528)   |
| Other proceeds   | 73  | 106   |
| Net cash provided by (used in) operating activities        | 6,212   | 7,077   |
| Cash flows from investing activities                       |   |   |
| Payments into time deposits                                | (2,267)   | (1,789)   |
| Proceeds from withdrawal of time deposits                  | 1,203   | 2,275   |
| Purchase of property, plant and equipment                  | (1,643)   | (1,399)   |
| Purchase of intangible assets                              | (422)   | (813)   |
| Other, net   | 51  | 104   |
| Net cash provided by (used in) investing activities        | (3,078)   | (1,622)   |
| Cash flows from financing activities                       |   |   |
| Repayments of lease obligations                            | (685)   | (686)   |
| Cash dividends paid  | (637)   | (743)   |
| Other, net   | (104)   | (137)   |
| Net cash provided by (used in) financing activities        | (1,426)   | (1,567)   |
| Net increase (decrease) in cash and cash equivalents       | 1,708   | 3,887   |
| Cash and cash equivalents at beginning of period           | 34,910  | 38,122  |
| Cash and cash equivalents at the end of period             | 36,619  | 42,009  |

**(4) Notes on operating results for quarter under review**

(Notes on premise of going concern)

First six months of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017)

None

(Notes on significant changes in the amount of shareholders' equity)

First six months of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017)

None

**3. Supplementary information**

Breakdown of sales

| Testing                      |                                      | 2Q of FY2016<br>(April 1, 2016 to<br>September 30, 2016) |            | 2Q of FY2017<br>(April 1, 2017 to<br>September 30, 2017) |            | Change<br>(%) |
|------------------------------|--------------------------------------|--|------------|--|------------|---------------|
|                              |                                      | ¥ Million  | % of total | ¥ Million  | % of total |               |
| Testing<br>business          | Clinical testing business            |  |            |  |            |               |
|                              | Biochemical tests                    | 23,218   | 41.1       | 23,549   | 40.7       | 1.4           |
|                              | Hematological tests                  | 4,924  | 8.7        | 4,988  | 8.6        | 1.3           |
|                              | Immunological tests                  | 11,426   | 20.2       | 11,515   | 19.9       | 0.8           |
|                              | Microbiological tests                | 3,191  | 5.7        | 3,357  | 5.8        | 5.2           |
|                              | Pathological tests                   | 3,744  | 6.6        | 3,902  | 6.7        | 4.2           |
|                              | Other tests                          | 5,435  | 9.6        | 5,740  | 9.9        | 5.6           |
|                              | (Clinical testing business subtotal) | 51,941   | 91.9       | 53,053   | 91.6       | 2.1           |
|                              | Other testing business               | 1,987  | 3.5        | 2,030  | 3.5        | 2.2           |
| Testing business subtotal    | 53,928                               | 95.4   | 55,084     | 95.1   | 2.1        |               |
| Medical informatics business |                                      | 1,911  | 3.4        | 2,021  | 3.5        | 5.7           |
| Other businesses             |                                      | 694  | 1.2        | 806  | 1.4        | 16.1          |
| Total                        |                                      | 56,535   | 100.0      | 57,912   | 100.0      | 2.4           |