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August 9, 2017

## CONSOLIDATED EARNINGS REPORT FOR THE FIRST 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:** August 14, 2017  
**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 First Quarter of Fiscal 2017 (April 1, 2017–June 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	%
1Q of FY2017	29,029	2.0	2,849	(2.8)	3,002	(2.4)	1,872	(4.1)
1Q of FY2016	28,469	3.5	2,932	30.8	3,077	32.5	1,951	39.5

(Note) Comprehensive income: 1Q of FY2017 ¥2,041 million / -1.4% 1Q of FY2016 ¥2,071 million / 31.6%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
1Q of FY2017	44.06	43.91
1Q of FY2016	45.94	45.79

(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 %
As of June 30, 2017	105,687	71,818	64.7
As of March 31, 2017	104,244	70,647	64.5

(Reference) Equity capital: As of June 30, 2017 ¥68,391 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
FY2016	—	17.50	—	17.50	35.00
FY2017	—				
FY2017 (forecast)		17.50	—	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
Interim	57,300	1.4	5,300	(5.5)	5,500	(4.5)	3,300	(7.3)	77.67
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 and changes or revisions in accounting estimates**

- 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 period (treasury stocks included)

As of June 30, 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 June 30, 2017	1,526,338	As of March 31, 2017	1,526,338
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c. Average number of shares during the period

As of June 30, 2017	42,488,388	As of June 30, 2016	42,481,954
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(Note) The Company implemented a two-for-one split of its common stock on September 1, 2016.

Number of stocks has been calculated on the assumption that the stock split was implemented at the start 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 continue to rise by hundreds of billions of yen each year, with the expectation to continue increasing 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.”

In these conditions, net sales for the first quarter of the fiscal year under review were ¥29,029 million, an increase of 2.0% year on year, and operating income was ¥2,849 million, a decrease of 2.8% year on year. Ordinary income fell at 2.4% year on year to ¥3,002 million, and profit attributable to owners of parent decreased 4.1% to ¥1,872 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 and lower profit.

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 1.8% year on year.

In the food hygiene business, which belongs to the other testing business, BML Food Science Solutions, Inc. showed continued steady performance of food hygiene consulting and norovirus testing, in addition to strong performance of food testing. This resulted in good performance overall. As a result, sales in the other testing business increased 3.4% year on year.

As a consequence of the above, net sales in the testing business overall were ¥27,627 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. However, net sales in the medical informatics business decreased by 0.1% year on year.

In other businesses, increased sales for the Okayama Medical Laboratory Company’s dispensing

pharmacy business, due to contribution of its new pharmacy that opened in April 2017, led to increased net sales in other businesses by 14.9% year on year.

## **(2) Financial position**

### Assets, Liabilities and Net Assets

At the end of the first quarter of the consolidated fiscal year under review, total assets amounted to ¥105,687 million, a ¥1,442 million increase over the end of the previous fiscal year, net assets totaled ¥71,818 million, up ¥1,171 million over the end of the previous fiscal year, and the equity ratio was 64.7%, a 0.2% increase over the end of the previous fiscal year.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, notes and accounts receivable–trade increased by ¥1,527 million. In net assets, retained earnings increased by ¥1,128 million.

## **(3) Consolidated earnings forecasts and others**

The Company has not revised its initial forecasts for consolidated results for the first half and full year ending March 31, 2018.

## 2. Consolidated financial statements

### (1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	41,281	41,327
Notes and accounts receivable–trade	20,020	21,547
Merchandise and finished goods	197	257
Work in process	562	634
Raw materials and supplies	2,069	2,070
Other current assets	2,388	2,016
Allowance for doubtful accounts	(79)	(86)
Total current assets	66,439	67,768
Non-current assets		
Property, plant and equipment		
Land	13,057	13,057
Others, net	16,166	16,167
Total property, plant and equipment	29,223	29,224
Intangible assets		
Other intangible assets	3,508	3,675
Total intangible assets	3,508	3,675
Investments and other assets		
Other	5,217	5,155
Allowance for doubtful accounts	(144)	(136)
Total investments and other assets	5,073	5,018
Total non-current assets	37,805	37,919
Total assets	104,244	105,687

	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	14,399	15,073
Other current liabilities	12,079	11,457
Total current liabilities	26,479	26,530
Non-current liabilities		
Provision for directors' retirement benefits	185	188
Net defined benefit liability	4,506	4,570
Other non-current liabilities	2,427	2,579
Total non-current liabilities	7,118	7,337
Total liabilities	33,597	33,868
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,646	6,646
Retained earnings	55,030	56,158
Treasury stock	(1,237)	(1,237)
Total shareholders' equity	66,485	67,614
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	554	609
Remeasurements of defined benefit plans	159	168
Total accumulated other comprehensive income	714	777
Subscription rights to shares	142	142
Non-controlling interests	3,304	3,283
Total net assets	70,647	71,818
Total liabilities and net assets	104,244	105,687

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

(millions of yen)

	1st Quarter Ended June 30, 2016 (April 1, 2016 to June 30, 2016)	1st Quarter Ended April 1, 2017 (April 1, 2017 to June 30, 2017)
Net sales	28,469	29,029
Cost of sales	17,806	18,271
Gross profit	10,663	10,758
Selling, general and administrative expenses	7,730	7,908
Operating income	2,932	2,849
Non-operating income		
Real estate rent	15	16
Royalty income	15	59
Other	138	98
Total non-operating income	169	173
Non-operating expenses		
Interest expense	10	10
Rent cost of real estate	9	10
Other	4	0
Total non-operating expenses	24	21
Ordinary income	3,077	3,002
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	4	20
Other	0	0
Total extraordinary losses	4	20
Profit before income taxes	3,072	2,981
Income taxes—current	675	761
Income taxes—deferred	350	241
Total income taxes	1,026	1,003
Profit	2,046	1,978
Profit attributable to non-controlling interests	94	106
Profit attributable to owners of parent	1,951	1,872



**Consolidated statements of comprehensive income**

(millions of yen)

	1st Quarter Ended June 30, 2016 (April 1, 2016 to June 30, 2016)	1st Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Profit	2,046	1,978
Other comprehensive income		
Valuation difference on available-for-sale securities	8	54
Remeasurements of defined benefit plans, net of tax	17	9
Total other comprehensive income	25	63
Comprehensive income	2,071	2,041
Breakdown		
Comprehensive income attributable to owners of parent	1,976	1,935
Comprehensive income attributable to non-controlling interests	95	106

### (3) Notes on operating results for quarter under review

(Notes on Premise of Going Concern)

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

None

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

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

None

### 3. Supplementary information

Breakdown of Sales

Testing		1Q of FY2016 (April 1, 2016 to June 30, 2016)		1Q of FY2017 (April 1, 2017 to June 30, 2017)		Change (%)
		¥ million	% of total	¥ million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	11,712	41.1	11,809	40.7	0.8
	Hematological tests	2,473	8.7	2,503	8.6	1.2
	Immunological tests	5,975	21.0	6,022	20.7	0.8
	Microbiological tests	1,544	5.4	1,656	5.7	7.2
	Pathological tests	1,792	6.3	1,842	6.4	2.8
	Other tests	2,704	9.5	2,844	9.8	5.2
	(Clinical testing business subtotal)	26,203	92.0	26,680	91.9	1.8
	Other testing business	916	3.3	947	3.3	3.4
Testing business subtotal	27,119	95.3	27,627	95.2	1.9	
Medical informatics business	993	3.4	992	3.4	(0.1)	
Other businesses	356	1.3	409	1.4	14.9	
Total		28,469	100.0	29,029	100.0	2.0

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