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November 11, 2013

CONSOLIDATED EARNINGS REPORT FOR THE SECOND QUARTER OF FISCAL 2013 [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: November 14, 2013
Scheduled Date for Payment of Dividends: December 5, 2013
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 2013 (April 1, 2013–September 30, 2013)**(1) Consolidated Business Results**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q of FY2013	50,055	4.6	4,869	30.6	5,103	33.1	2,937	48.5
2Q of FY2012	47,852	2.5	3,727	26.4	3,834	22.9	1,978	18.0

(Note) Comprehensive income: 2Q of FY2013 ¥3,243 million / 53.4% 2Q of FY2012 ¥2,114 million / 10.9%

	Net income per share Yen	Net income per share (diluted) Yen
2Q of FY2013	138.31	137.92
2Q of FY2012	93.17	92.93

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of September 30, 2013	86,238	55,663	61.9
As of March 31, 2013	83,047	52,943	61.1

Reference: Equity capital: As of September 30, 2013: ¥53,371 million As of March 31, 2013: ¥50,754 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fourth quarter-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2012	—	20.00	—	20.00	40.00
Fiscal 2013	—	20.00			
Fiscal 2013 (forecast)			—	20.00	40.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2014 (April 1, 2013–March 31, 2014)

(% indicates year-on-year changes)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	97,300	2.8	7,100	7.0	7,300	4.6	4,000	7.9	188.36

(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, 2013	22,007,363	As of March 31, 2013	22,007,363
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b. Number of treasury stocks at the end of period

As of September 30, 2013	769,173	As of March 31, 2013	769,531
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c. Average number of shares during the period

2Q ended September 30, 2013	21,238,048	2Q ended September 30, 2012	21,235,041
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* Implementation status of auditing procedures

These quarterly financial results are not subject to quarterly review based on the Financial Instrument and Exchange Act, and a quarterly review was being conducted at the time these quarterly financial results were disclosed.

* 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

In the medical industry, reforms to the medical system are being carried out to enhance the quality of medical care and improve efficiency against the backdrop of record-high national healthcare costs attributable to the aging society and advances in medical technology.

In the contract clinical testing business, fiscal 2013 was not a designated year for the biennial revision of medical service fees under the national health insurance (NHI) system and there were no reductions in NHI points used to set fees for clinical testing. However, a number of factors, including intensifying market competition and increasing pressure on hospital management to improve their operations, resulted in weak contract testing prices.

In this business environment, the BML Group continued to develop the clinic market in the clinical testing business. In addition, we implemented proposal-based marketing targeting large facilities offering FMS (Facility Management Services, or lease of testing devices and systems to medical institutions and operating assistance) and Branch Laboratory methods (contracts to operate on-site testing facilities), as well as marketing aimed at stimulating further demand among existing users, in a bid to expand our business base.

In terms of Group strategy, we streamlined management at Daiichi Kishimoto Clinical Laboratories, Inc. (formerly Kishimoto Clinical Laboratory, Inc.), which had become a subsidiary in April 2011. In addition, in Kyushu, we reinforced service capacity and improved management efficiency at QOL Central Laboratories Inc., established last year as a specialist in specimen testing.

Sales in the clinical testing business increased 4.5% over the previous year, and profits also rose due to higher sales and the volume effect, as well as the effect of streamlined management at Daiichi Kishimoto Clinical Laboratories Inc.

In the other testing businesses, BML Food Science Solutions, Inc., which is engaged in the food hygiene business, endeavored to attract new clients, but sales related to radioactivity testing carried out in the previous fiscal year declined in the current fiscal period. Accordingly, sales and income declined. As a result, sales in the testing business overall were up 4.1% over the same period of the previous year.

In the medical informatics business, our offerings now address a wider range of customer needs with the addition of the new electronic patient chart system QUALIS and Medical Station (MS) systems. We also endeavored to secure new contracts and pursued replacement sales with existing users. Sales in the medical informatics business increased 20.7% over the previous year, partly due to a rebound after somewhat sluggish sales activities for the electronic patient chart system in the first quarter a year earlier.

In other business, sales and profits at Allegro, Inc., which operates the SMO* business, both declined due to slow growth in new contracts amidst the continuing severity of the market environment.

As a result of these factors, net sales for the first half of the fiscal year were ¥50,055 million, an increase of 4.6% year on year, and operating income was ¥4,869 million, up 30.6% year on year. Ordinary income rose 33.1% year on year to ¥5,103 million, and net income grew 48.5% year on year to ¥2,937 million. (Above figures are all consolidated basis.)

*Site Management Organization (SMO): An independent organization that contracts with a specific medical institution to support clinical trials specific to that institution.

(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 ¥86,238 million, a ¥3,190 million increase over the end of the previous fiscal year, net assets totaled ¥55,663 million, up ¥2,720 million over the end of the previous fiscal year, and the equity ratio increased 0.8% over the end of the previous fiscal year to 61.9%.

In assets, Cash and deposits increased ¥3,215 million. In net assets, retained earnings increased ¥2,511 million.

(b) Cash Flows

Cash and cash equivalents on September 30, 2013 increased ¥4,356 million from September 30, 2012 to ¥22,800 million. The cash flow position and factors behind changes for each type of activity are as follows.

Operating activities provided net cash of ¥6,102 million, ¥1,206 million more than in the same period a year earlier. The main factors behind this increase in cash provided included a ¥1,200 million increase in income before income taxes and minority interests.

Investing activities provided net cash of ¥95 million (compared to ¥3,056 million in net cash used in the same period a year earlier). This was primarily because ¥3,557 million in proceeds from withdrawal of time deposits offset the ¥2,075 million in payments into time deposits, ¥983 million in purchases of property, plant and equipment. The main factors behind the ¥3,056 million in cash used in the same period a year earlier were ¥1,049 million in payments into time deposits and ¥1,322 million in purchases of property, plant and equipment.

Financing activities used net cash of ¥1,500 million, ¥449 million more than in the same period a year earlier. This mainly reflected increases of ¥310 million in the repayment of long-term loans payable and ¥120 million in the repayments of lease obligations.

(3) Consolidated earnings forecast and others

The Company has not revised its initial forecasts for consolidated results for the full year.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

None

(2) Adoption of specific accounting methods in preparing quarterly financial statements

None

(3) Changes in accounting policies, accounting estimates and restatements

None

3. Consolidated financial statements

(1) Consolidated balance sheets

	(millions of yen)	
	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	22,336	25,551
Notes and accounts receivable-trade	17,115	17,707
Merchandise and finished goods	269	117
Work in process	482	595
Raw materials and supplies	1,413	1,501
Other current assets	2,626	2,564
Allowance for doubtful accounts	(102)	(84)
Total current assets	44,141	47,955
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,530	9,168
Land	12,816	12,854
Others, net	6,515	6,462
Total property, plant and equipment	28,862	28,484
Intangible assets		
Goodwill	2,030	1,691
Other intangible assets	2,851	2,836
Total intangible assets	4,881	4,527
Investments and other assets		
Other	5,316	5,433
Allowance for doubtful accounts	(154)	(162)
Total investments and other assets	5,161	5,270
Total non-current assets	38,905	38,282
Total assets	83,047	86,238

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Trade notes/accounts payable	11,196	12,226
Short-term loans payable	998	930
Income tax payable	1,600	1,901
Other current liabilities	8,331	7,900
Total current liabilities	22,126	22,958
Noncurrent liabilities		
Provision for retirement benefits	4,575	4,568
Provision for directors' retirement benefits	99	81
Other noncurrent liabilities	3,302	2,965
Total noncurrent liabilities	7,977	7,615
Total liabilities	30,104	30,574
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,646	6,646
Retained earnings	39,054	41,566
Treasury stock	(1,246)	(1,245)
Total shareholders' equity	50,500	53,012
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	254	358
Total valuation and translation adjustments	254	358
Subscription rights to shares	88	88
Minority interests	2,100	2,204
Total net assets	52,943	55,663
Total liabilities and net assets	83,047	86,238

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

(millions of yen)

	2nd Quarter ended September 30, 2012 (April 1, 2012 to September 30, 2012)	2nd Quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Net sales	47,852	50,055
Cost of sales	29,949	31,098
Gross profit	17,903	18,957
Selling, general and administrative expenses	14,176	14,087
Operating income	3,727	4,869
Non-operating income		
Real estate rent	39	38
Other	170	255
Total non-operating income	210	294
Non-operating expenses		
Interest expense	41	35
Rent cost of real estate	21	18
Other	39	7
Total non-operating expenses	102	60
Ordinary income	3,834	5,103
Extraordinary income		
Gain on sales of noncurrent assets	4	26
Gain on extinguishment of tie-in shares	55	-
Reversal of provision for loss on litigation	-	55
Other	2	8
Total extraordinary income	63	90
Extraordinary losses		
Loss on sales of noncurrent assets	0	27
Loss on retirement of noncurrent assets	7	76
Other	4	2
Total extraordinary losses	11	107
Income before income taxes and minority interests	3,886	5,086
Income taxes-current	1,828	1,907
Income taxes-deferred	(59)	39
Total income taxes	1,769	1,947
Income before minority interests	2,117	3,138
Minority interests	138	201
Net income	1,978	2,937

Consolidated Statements of Comprehensive Income

(millions of yen)

	2nd Quarter ended September 30, 2012 (April 1, 2012 to September 30, 2012)	2nd Quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Income before minority interests	2,117	3,138
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	104
Total other comprehensive income	(3)	104
Comprehensive income	2,114	3,243
Breakdown		
Comprehensive income attributable to owners of parent	1,975	3,041
Comprehensive income attributable to minority interests	138	201

(3) Consolidated Statements of Cash Flows

(millions of yen)

	2nd Quarter ended September 30, 2012 (April 1, 2012 to September 30, 2012)	2nd Quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	3,886	5,086
Depreciation and amortization	2,390	2,313
Amortization of goodwill	367	338
Interest expenses	41	35
Decrease (increase) in notes and accounts receivable-trade	(679)	(609)
Decrease (increase) in inventories	(9)	(49)
Increase (decrease) in notes and accounts payable-trade	523	1,030
Other, net	312	(521)
Sub-total	6,832	7,623
Interest expenses paid	(41)	(35)
Income taxes paid	(1,993)	(1,609)
Other, net	98	124
Net cash provided by (used in) operating activities	4,896	6,102
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,049)	(2,075)
Proceeds from withdrawal of time deposits	55	3,557
Purchase of property, plant and equipment	(1,322)	(983)
Purchase of intangible assets	(584)	(508)
Proceeds from sales of property, plant and equipment	17	176
Other, net	(172)	(71)
Net cash provided by (used in) investing activities	(3,056)	95
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(541)	(662)
Repayment of long-term loans payable	(51)	(361)
Cash dividends paid	(424)	(424)
Other, net	(32)	(51)
Net cash provided by (used in) financing activities	(1,050)	(1,500)
Net increase (decrease) in cash and cash equivalents	789	4,697
Cash and cash equivalents at beginning of period	17,590	18,102
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	53	-
Increase in cash and cash equivalents from newly consolidated subsidiary	10	-
Cash and cash equivalents at the end of period	18,443	22,800

(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, 2014 (April 1, 2013 to September 30, 2013)

None

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

First six months of the fiscal year ending March 31, 2014 (April 1, 2013 to September 30, 2013)

None

4. Supplementary Information

Breakdown of Sales

Testing		2Q of FY2012 (April 1, 2012 to September 30, 2012)		2Q of FY2013 (April 1, 2013 to September 30, 2013)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	19,843	41.4	20,319	40.6	2.4
	Hematological tests	4,033	8.4	4,103	8.2	1.7
	Immunological tests	9,804	20.5	10,254	20.5	4.6
	Microbiological tests	2,713	5.7	2,752	5.5	1.4
	Pathological tests	3,142	6.6	3,292	6.6	4.8
	Other tests	4,835	10.1	5,624	11.2	16.3
	Clinical testing business subtotal	44,374	92.7	46,348	92.6	4.5
	Other testing business	1,791	3.8	1,703	3.4	(4.9)
Testing business subtotal	46,165	96.5	48,051	96.0	4.1	
Medical informatics business		1,579	3.3	1,905	3.8	20.7
Other businesses		107	0.2	98	0.2	(8.8)
Total		47,852	100.0	50,055	100.0	4.6

Note: Consumption taxes are not included in above amounts.