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November 10, 2020

CONSOLIDATED EARNINGS REPORT FOR THE SECOND QUARTER OF FISCAL 2020 [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
Contact:	Norihisa Takebe, Executive Officer, General Manager of Planning Division and Director Tel: +81-3-3350-0111
Scheduled Date for Filing of Quarterly Report:	November 13, 2020
Scheduled Date for Payment of Dividends:	December 2, 2020
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 2020 (April 1, 2020–September 30, 2020)**(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 FY2020	59,828	(3.4)	4,973	(19.7)	5,275	(17.8)	3,514	(13.7)
2Q of FY2019	61,908	5.3	6,197	6.6	6,415	7.7	4,071	9.5

(Note) Comprehensive income: 2Q of FY2020 ¥3,448 million / (20.7%) 2Q of FY2019 ¥4,346 million / 11.4%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
2Q of FY2020	86.52	86.42
2Q of FY2019	95.58	95.45

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of September 30, 2020	119,174	82,746	65.8
As of March 31, 2020	116,273	80,422	65.4

Reference: Equity capital: As of September 30, 2020 ¥78,426 million As of March 31, 2020 ¥76,099 million

2. Dividends

	Dividends per share				
	First quarter-end Yen	Second quarter-end Yen	Third quarter-end Yen	Year-end Yen	Full year Yen
Fiscal 2019	—	20.00	—	25.00	45.00
Fiscal 2020	—	20.00	—	—	—
Fiscal 2020 (forecast)	—	—	—	25.00	45.00

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

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2021 (April 1, 2020–March 31, 2021)

(% 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	121,000	0.2	10,000	2.4	11,000	7.7	7,000	9.8	172.27

(Note) Revision from recently projected results: Yes

For details of the amendments to dividend forecasts, please refer to “Notice Concerning Amendments to Earnings Forecasts and Dividend Forecasts” issued on November 10, 2020.

*** 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, 2020	44,014,726	As of March 31, 2020	44,014,726
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- b. Number of treasury stocks at the end of period

As of September 30, 2020	3,376,432	As of March 31, 2020	3,393,015
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- c. Average number of shares during the period

2Q ended September 30, 2020	40,627,973	2Q ended September 30, 2019	42,601,971
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* The quarterly financial results are not subject to quarterly review 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 “(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

In the second quarter of the consolidated fiscal year under review, the Japanese economy showed signs of picking up from the impact of the COVID-19 pandemic although the situation remained severe. The employment situation continued to be weak but there were indications of firmness such as in the number of employees. There were also signs of improvement in business sentiment although corporate earnings continued to show heavy declines.

Under these circumstances, the contract clinical testing business was faced with patients refraining from seeking medical care due to concern about the spread of COVID-19 infection, but the situation has been gradually recovering after the lifting of the state of emergency. Still, the business environment remained in a challenging situation given continuing competition among companies.

In these conditions, net sales for the second quarter of the fiscal year under review were ¥59,828 million, a decrease of 3.4% year on year, and operating income was ¥4,973 million, a decrease of 19.7% year on year. Ordinary income decreased 17.8% year on year to ¥5,275 million, and profit attributable to owners of parent decreased 13.7% to ¥3,514 million.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened efforts in new customer acquisition. We further sought to enhance performance, implementing marketing to stimulate increased sales for new testing items, unique testing items, priority testing items, and other strategies. We are also working to increase our capacity and enhance systems to provide more testing for the novel coronavirus (SARS-CoV-2). The quantity of tests has been recovering since June following the lifting of the state of emergency, but nevertheless recorded a decrease in the first six months of the consolidated fiscal period under review. As a result, net sales in the clinical testing business decreased 2.6% year on year.

In the food hygiene business, which belongs to the other testing business, areas including food consulting and intestinal bacteria testing also declined in line with factors such as customers voluntarily restricting their operations due to the spread of the coronavirus. As a result, sales in the other testing business decreased 21.7% year on year.

As a consequence of the above, net sales in the testing business overall decreased 3.3% year on year.

In the medical informatics business, net sales decreased 4.4% year on year. With its sights set on launching commercial sales, the Company is preparing for an electronic cloud-based patient chart system.

In other businesses, sales in the dispensing pharmacy business were affected by decreased outpatient visits along with reduced medical service fees (drug prices), and sales in the SMO* business declined as well. As a result, sales in other businesses decreased 5.2% year on year.

* 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 ¥119,174 million, a ¥2,900 million increase over the end of the previous fiscal year. Net assets totaled ¥82,746 million, up ¥2,323 million over the end of the previous fiscal year, and the equity ratio was 65.8%, a 0.4% increase over the end of the previous fiscal year.

As for the main items contributing to increases or decreases, in the assets section, under current assets, notes and accounts receivable—trade increased ¥3,494 million. In the liabilities section, notes and accounts payable—trade increased ¥875 million. In the net assets section, retained earnings increased ¥2,499 million.

(b) Cash flows

Cash and cash equivalents on September 30, 2020, decreased ¥3,391 million from September 30, 2019, to ¥47,758 million. The cash flow position and factors behind changes for each type of activity are as follows.

Operating activities provided net cash of ¥3,181 million, ¥3,490 million less than in the same period a year earlier. This was due primarily to a decrease of ¥903 million in profit before income taxes, and an increase in cash outflow resulting from a ¥2,391 million increase in decrease (increase) in notes and accounts receivable—trade.

Investing activities used net cash of ¥1,904 million, ¥1,454 million less than in the same period a year earlier. This was largely a result of an increase of ¥431 million in proceeds from sales of investment securities and a decrease of ¥738 million in other cash outflows from investment activities.

Financing activities used net cash of ¥1,766 million, ¥129 million more than in the same period a year earlier.

(3) Consolidated earnings forecast and others

Revisions to earnings forecasts

Revision of figures in consolidated earnings forecasts for the year ending March 31, 2021

(April 1, 2020 – March 31, 2021)

	Net Sales ¥ million	Operating income ¥ million	Ordinary income ¥ million	Profit attributable to owners of parent ¥ million	Profit attributable to owners of parent per share Yen
Previous forecast (A) (announced on August 11, 2020)	117,450	7,350	7,850	4,850	119.36
Revised forecast (B)	121,000	10,000	11,000	7,000	172.27
Amount of increase/decrease (B-A)	3,550	2,650	3,150	2,150	-
Percentage of increase/decrease (%)	3.0	36.1	40.1	44.3	-
(Reference) Previous fiscal year results (Year ended March 31, 2020)	120,732	9,763	10,211	6,375	151.27

(Reasons for revision of the full-year earnings forecasts)

With respect to consolidated earnings forecast for the fiscal year ending March 31, 2021, we expect our consolidated performance to exceed the forecasts announced on August 11, 2020, and have thus revised the forecasts in consideration of the latest situation and based on information available as of the date of publication of this document, as follows.

While the spread of COVID-19 infection in April to May prompted patients to refrain from seeking medical care, the situation is gradually returning to the previous year's level after the lifting of the state of emergency. It is anticipated that this trend will continue, and additionally the quantity of contract tests relating to COVID-19 is increasing and contributing to sales.

Meanwhile, the BML Group is pushing ahead with enhancement of its contract testing systems at BML General Laboratory and other laboratories nationwide, and has formulated a plan to schedule contract testing capacity expansion to around 20,000 tests per day by January 2021.

Based on the above projections, we now expect our consolidated performance to exceed the forecasts announced on August 11, 2020.

* The above forecasts are based on judgments made in light of information available as of the date of publication of this document. Actual results may differ from the expected figures due to a variety of factors in the future.

2. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	51,213	51,097
Notes and accounts receivable—trade	21,175	24,670
Merchandise and finished goods	262	339
Work in process	545	674
Raw materials and supplies	2,324	2,626
Other current assets	1,194	1,002
Allowance for doubtful accounts	(105)	(91)
Total current assets	<u>76,610</u>	<u>80,321</u>
Non-current assets		
Property, plant and equipment		
Land	13,556	13,554
Others, net	16,199	16,094
Total property, plant and equipment	<u>29,755</u>	<u>29,649</u>
Intangible assets		
Other intangible assets	4,039	3,781
Total intangible assets	<u>4,039</u>	<u>3,781</u>
Investments and other assets		
Other	5,962	5,518
Allowance for doubtful accounts	(93)	(96)
Total investments and other assets	<u>5,868</u>	<u>5,422</u>
Total non-current assets	<u>39,663</u>	<u>38,853</u>
Total assets	<u>116,273</u>	<u>119,174</u>

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable—trade	15,762	16,638
Income tax payable	1,453	1,821
Provision for bonuses	3,198	3,344
Other current liabilities	8,621	8,062
Total current liabilities	29,036	29,866
Non-current liabilities		
Provision for directors' retirement benefits	236	226
Net defined benefit liability	3,952	3,725
Other non-current liabilities	2,625	2,608
Total non-current liabilities	6,813	6,561
Total liabilities	35,850	36,427
Net assets		
Shareholders' equity		
Capital stock	6,045	6,045
Capital surplus	6,705	6,712
Retained earnings	69,337	71,837
Treasury stock	(6,701)	(6,669)
Total shareholders' equity	75,387	77,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	671	473
Remeasurements of defined benefit plans	40	26
Total accumulated other comprehensive income	712	499
Subscription rights to shares	59	54
Non-controlling interests	4,263	4,265
Total net assets	80,422	82,746
Total liabilities and net assets	116,273	119,174

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

Consolidated statements of income

April 1, 2020 – September 30, 2020

	2nd Quarter Ended September 30, 2019 (April 1, 2019 to September 30, 2019)	2nd Quarter Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	(millions of yen)
Net sales	61,908	59,828	
Cost of sales	39,484	38,431	
Gross profit	22,423	21,397	
Selling, general and administrative expenses	16,226	16,423	
Operating income	6,197	4,973	
Non-operating income			
Real estate rent	31	30	
Royalty income	61	76	
Subsidies for employment adjustment	-	97	
Other	167	132	
Total non-operating income	260	336	
Non-operating expenses			
Interest expense	18	19	
Rent cost of real estate	14	13	
Other	8	1	
Total non-operating expenses	41	35	
Ordinary income	6,415	5,275	
Extraordinary income			
Gain on sales of investment securities	1	252	
Other	2	1	
Total extraordinary income	4	254	
Extraordinary losses			
Loss on retirement of non-current assets	14	25	
Other	3	5	
Total extraordinary losses	17	30	
Profit before income taxes	6,402	5,498	
Income taxes—current	1,979	1,827	
Income taxes—deferred	124	9	
Total income taxes	2,104	1,837	
Profit	4,297	3,660	
Profit attributable to non-controlling interests	226	145	
Profit attributable to owners of parent	4,071	3,514	

Consolidated statements of comprehensive income

April 1, 2020 – September 30, 2020

(millions of yen)

	2nd Quarter Ended September 30, 2019 (April 1, 2019 to September 30, 2019)	2nd Quarter Ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Profit	4,297	3,660
Other comprehensive income		
Valuation difference on available-for-sale securities	88	(197)
Remeasurements of defined benefit plans, net of tax	(39)	(14)
Total other comprehensive income	48	(212)
Comprehensive income	<u>4,346</u>	<u>3,448</u>
Breakdown		
Comprehensive income attributable to owners of parent	4,121	3,302
Comprehensive income attributable to non-controlling interests	225	145

(3) Consolidated statements of cash flows

(millions of yen)

	2nd Quarter Ended September 30, 2019	2nd Quarter Ended September 30, 2020 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	6,402	5,498
Depreciation	2,404	2,517
Interest expenses	18	19
Decrease (increase) in notes and accounts receivable—trade	(1,104)	(3,495)
Decrease (increase) in inventories	95	(509)
Increase (decrease) in notes and accounts payable—trade	1,140	875
Loss (gain) on sales of investment securities	(1)	(252)
Subsidies for employment adjustment	-	(97)
Other, net	<u>(388)</u>	<u>(90)</u>
Subtotal	<u>8,566</u>	<u>4,467</u>
Interest expenses paid	(18)	(19)
Income taxes paid	(2,019)	(1,471)
Proceeds from subsidies for employment adjustment	-	95
Other proceeds	<u>143</u>	<u>110</u>
Net cash provided by (used in) operating activities	<u>6,671</u>	<u>3,181</u>
Cash flows from investing activities		
Payments into time deposits	(2,096)	(2,405)
Proceeds from withdrawal of time deposits	1,796	2,135
Purchase of property, plant and equipment	(1,642)	(1,552)
Purchase of intangible assets	(636)	(472)
Proceeds from sales of investment securities	17	448
Other, net	<u>(797)</u>	<u>(58)</u>
Net cash provided by (used in) investing activities	<u>(3,358)</u>	<u>(1,904)</u>
Cash flows from financing activities		
Repayments of lease obligations	(668)	(687)
Cash dividends paid	(809)	(1,015)
Dividends paid to non-controlling interests	(137)	(144)
Other, net	<u>(21)</u>	<u>81</u>
Net cash provided by (used in) financing activities	<u>(1,636)</u>	<u>(1,766)</u>
Net increase (decrease) in cash and cash equivalents	1,676	(488)
Cash and cash equivalents at beginning of period	<u>49,204</u>	<u>48,246</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	268	-
Cash and cash equivalents at the end of period	51,149	47,758

(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, 2021 (April 1, 2020 to September 30, 2020)

None

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

First six months of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020)

None

3. Supplementary information

Breakdown of sales

	Testing	2Q of FY2019 (April 1, 2019 to September 30, 2019)		2Q of FY2020 (April 1, 2020 to September 30, 2020)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	24,410	39.4	22,588	37.8	(7.5)
	Hematological tests	5,123	8.3	4,718	7.9	(7.9)
	Immunological tests	12,979	21.0	11,320	18.9	(12.8)
	Microbiological tests	3,486	5.6	3,092	5.2	(11.3)
	Pathological tests	4,378	7.1	3,841	6.4	(12.3)
	Other tests	6,295	10.1	9,665	16.1	53.5
	(Clinical testing business subtotal)	56,673	91.5	55,226	92.3	(2.6)
	Other testing business	2,293	3.7	1,796	3.0	(21.7)
Testing business subtotal		58,966	95.2	57,023	95.3	(3.3)
Medical informatics business		2,197	3.6	2,100	3.5	(4.4)
Other businesses		744	1.2	705	1.2	(5.2)
Total		61,908	100.0	59,828	100.0	(3.4)

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