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August 11, 2020

CONSOLIDATED EARNINGS REPORT FOR THE FIRST QUARTER OF FISCAL 2020 [Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
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Scheduled Date for Filing of Quarterly Report: August 14, 2020
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 2020 (April 1, 2020–June 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	%
1Q of FY2020	26,109	(15.3)	(108)	-	17	(99.5)	111	(94.8)
1Q of FY2019	30,844	3.1	3,179	(1.8)	3,332	0.5	2,134	2.6

(Note) Comprehensive income: 1Q of FY2020 ¥(149) million / -% 1Q of FY2019 ¥2,345 million / 6.8%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (diluted)
	Yen	Yen
1Q of FY2020	2.74	2.74
1Q of FY2019	50.11	50.04

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %
As of June 30, 2020	112,660	79,113	66.5
As of March 31, 2020	116,273	80,422	65.4

(Reference) Equity capital: As of June 30, 2020 ¥74,944 million As of March 31, 2020 ¥76,099 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2019	—	20.00	—	25.00	45.00
FY2020	—				
FY2020 (forecast)		20.00	—	25.00	45.00

(Note) Revision of dividend projection from recently announced figures: Yes

For details of the amendments to dividend forecasts, please refer to “Notice Concerning Amendments to Earnings Forecasts and Dividend Forecasts” issued on August 11.

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	117,450	(2.7)	7,350	(24.7)	7,850	(23.1)	4,850	(23.9)	119.36

(Note) Revision from recently projected results: Yes

For details of the amendments to earnings forecasts, please refer to “Notice Concerning Amendments to Earnings Forecasts and Dividend Forecasts” issued on August 11.

*** 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, 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 the period

As of June 30, 2020	3,389,469	As of March 31, 2020	3,393,015
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c. Average number of shares during the period

As of June 30, 2020	40,623,492	As of June 30, 2019	42,597,263
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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 first quarter of the consolidated fiscal year under review, the Japanese economy was plunged into extremely difficult conditions such as a sharp decline in corporate revenue and a weakened employment situation caused by the spread of novel coronavirus infections. Although personal consumption is trending toward recovery accompanying the lifting of states of emergency, the future remains uncertain.

Under these circumstances, even in the contract clinical testing business, the spread of the novel coronavirus has reduced the number of patients receiving medical care. Moreover, the business environment remained harsh due to continuing competition among companies.

In these conditions, net sales for the first quarter of the fiscal year under review were ¥26,109 million, a decrease of 15.3% year on year, and operating loss was ¥108 million, versus an operating income of ¥3,179 million in the same period of the previous fiscal year. Ordinary income decreased at 99.5% year on year to ¥17 million, and profit attributable to owners of parent decreased 94.8% to ¥111 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). However, the quantity of tests has declined by 19.5% under the impact of fewer patients receiving medical care because of the spread of infections from the coronavirus. As a result, net sales in the clinical testing business decreased 15.2% 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 33.0% year on year.

As a consequence of the above, net sales in the testing business overall decreased 15.9% year on year.

In the medical informatics business, net sales decreased 3.5% 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 7.3% 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

Assets, Liabilities and Net Assets

At the end of the first quarter of the consolidated fiscal year under review, total assets amounted to ¥112,660 million, a ¥3,613 million decrease over the end of the previous fiscal year, net assets totaled ¥79,113 million, down ¥1,309 million over the end of the previous fiscal year, and the equity ratio was 66.5 %, a 1.1% 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, cash and deposits decreased by ¥2,524 million and notes and accounts receivable-trade decreased by ¥987 million. In the liabilities section, under current liabilities, notes and accounts payable-trade decreased by ¥872 million, provision for bonuses decreased by ¥408 million, and other current liabilities decreased by ¥909 million. In net assets, retained earnings increased by ¥904 million.

(3) Consolidated earnings forecasts and others

The spread of infections from the novel coronavirus has had a major impact on the medical sector, making it difficult to assess conditions in the future.

In this operating environment, the BML Group is working to reduce operating costs by improving the efficiency of its collection and delivery operations and reviewing its capital investments, among other efforts.

Our consolidated earnings forecast for the fiscal year ending March 31, 2021, is net sales of ¥117,450 million, operating income of ¥7,350 million, ordinary income of ¥7,850 million, and profit attributable to owners of parent of ¥4,850 million.

For details, please refer to “Notice Concerning Amendments to Earnings Forecasts and Dividend Forecasts” issued on August 11, 2020.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	51,213	48,689
Notes and accounts receivable–trade	21,175	20,188
Merchandise and finished goods	262	320
Work in process	545	682
Raw materials and supplies	2,324	2,363
Other current assets	1,194	1,125
Allowance for doubtful accounts	(105)	(81)
Total current assets	76,610	73,287
Non-current assets		
Property, plant and equipment		
Land	13,556	13,556
Others, net	16,199	16,345
Total property, plant and equipment	29,755	29,902
Intangible assets		
Other intangible assets	4,039	3,927
Total intangible assets	4,039	3,927
Investments and other assets		
Other	5,962	5,638
Allowance for doubtful accounts	(93)	(95)
Total investments and other assets	5,868	5,542
Total non-current assets	39,663	39,372
Total assets	116,273	112,660

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	15,762	14,890
Provision for bonuses	3,198	2,790
Other current liabilities	10,075	9,165
Total current liabilities	29,036	26,846
Non-current liabilities		
Provision for directors’ retirement benefits	236	238
Net defined benefit liability	3,952	3,798
Other non-current liabilities	2,625	2,663
Total non-current liabilities	6,813	6,699
Total liabilities	35,850	33,546
Net assets		
Shareholders’ equity		
Capital stock	6,045	6,045
Capital surplus	6,705	6,703
Retained earnings	69,337	68,433
Treasury stock	(6,701)	(6,694)
Total shareholders’ equity	75,387	74,487
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	671	423
Remeasurements of defined benefit plans	40	33
Total accumulated other comprehensive income	712	456
Subscription rights to shares	59	54
Non-controlling interests	4,263	4,114
Total net assets	80,422	79,113
Total liabilities and net assets	116,273	112,660

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

April 1, 2020 – June 30, 2020

	(millions of yen)	
	1st Quarter Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	1st Quarter Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net sales	30,844	26,109
Cost of sales	19,489	18,035
Gross profit	11,354	8,073
Selling, general and administrative expenses	8,174	8,181
Operating income (loss)	3,179	(108)
Non-operating income		
Real estate rent	15	15
Royalty income	55	55
Other	107	75
Total non-operating income	178	146
Non-operating expenses		
Interest expense	9	9
Rent cost of real estate	9	9
Other	6	1
Total non-operating expenses	25	20
Ordinary income	3,332	17
Extraordinary income		
Gain on sales of investment securities	-	252
Other	2	1
Total extraordinary income	2	254
Extraordinary losses		
Loss on retirement of non-current assets	12	22
Other	0	0
Total extraordinary losses	13	22
Profit before income taxes	3,321	249
Income taxes—current	672	317
Income taxes—deferred	408	(174)
Total income taxes	1,080	142
Profit	2,241	106
Profit (loss) attributable to non-controlling interests	106	(4)
Profit attributable to owners of parent	2,134	111

Consolidated statements of comprehensive income

April 1, 2020 – June 30, 2020

	(millions of yen)	
	1st Quarter Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	1st Quarter Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Profit	2,241	106
Other comprehensive income		
Valuation difference on available-for-sale securities	124	(248)
Remeasurements of defined benefit plans, net of tax	(20)	(7)
Total other comprehensive income	103	(255)
Comprehensive income	2,345	(149)
Breakdown		
Comprehensive income attributable to owners of parent	2,239	(143)
Comprehensive income attributable to non-controlling interests	105	(5)

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

None

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

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

None

3. Supplementary information

Breakdown of Sales

Testing		1Q of FY2019 (April 1, 2019 to June 30, 2019)		1Q of FY2020 (April 1, 2020 to June 30, 2020)		Change (%)
		¥ million	% of total	¥ million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	12,146	39.4	10,088	38.6	(16.9)
	Hematological tests	2,537	8.2	2,073	7.9	(18.3)
	Immunological tests	6,732	21.8	5,372	20.6	(20.2)
	Microbiological tests	1,692	5.5	1,469	5.6	(13.1)
	Pathological tests	2,070	6.7	1,619	6.2	(21.8)
	Other tests	3,154	10.3	3,394	13.0	7.6
	(Clinical testing business subtotal)	28,333	91.9	24,018	91.9	(15.2)
	Other testing business	1,073	3.4	719	2.8	(33.0)
Testing business subtotal	29,407	95.3	24,738	94.7	(15.9)	
Medical informatics business	1,051	3.4	1,014	3.9	(3.5)	
Other businesses	385	1.3	356	1.4	(7.3)	
Total	30,844	100.0	26,109	100.0	(15.3)	

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