

**CONSOLIDATED EARNING REPORT
FOR THE FIRST HALF OF FISCAL 2006**

November 16, 2006

Company Name: BML, Inc
Stock Listing: Tokyo Stock Exchange
Code Number: 4694
Head Office: Tokyo
 Yutaka Arai, Senior Executive Corporate Officer
 and General Manager, Management Planning Division
 Tel: +81-3-3350-0308

Meeting of the Board of Directors

for the Approval of Result: November 16, 2006

SEC accounting standards: The company does not apply SEC accounting standards

1. Consolidated Results of Operations for Fiscal 2006 (April 1, 2006– September 30, 2006)

(1) Consolidated Business Results

(Rounded down to ¥ million)

	Sales		Operating income		Ordinary income	
	(¥million)	%	(¥million)	%	(¥million)	%
Intrim term of FY2006	36,633	1.6	2,479	△16.0	2,536	2.6
Intrim term of FY2005	36,052	5.6	2,952	3.0	2,473	2.1
Full term of FY2005	70,712	4.4	5,017	16.8	4,051	22.2

	Net income		Net income per share	Net income per share(diluted)
	(¥million)	%	(¥)	(¥)
Intrim term of FY2006	1,274	20.2	59.21	59.16
Intrim term of FY2005	1,060	△14.2	49.28	49.27
Full term of FY2005	1,972	14.8	88.68	88.62

Notes:

(1) Return on investments under the equity method:

Not applicable

(2) Weighted average number of shares (Consolidated):

Interim term of Fiscal 2006: 21,524,173 Interim term of Fiscal 2005: 21,524,173
 Fiscal 2005: 21,524,173

(3) No changes in accounting standards were applicable to the above figures

(4) The percentage figures accompanying net sales, operating income, ordinary income and net income represent year-on-year change.

(2) Consolidated Fiscal Situation

	Total assets (¥million)	Shareholders' equity (¥million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Intrim term of FY2006	57,746	36,418	63.1	1,691.61
Intrim term of FY2005	59,733	34,751	58.2	1,614.54
Full term of FY2005	57,413	35,514	61.9	1,647.01

(3) Consolidated Cash Flow Situation

	Operating activities (¥million)	Investing activities (¥million)	Financial activities (¥million)	End of year cash and cash equivalents (¥million)
Intrim term of FY2006	2,073	△2,865	△591	5,642
Intrim term of FY2005	3,862	△2,418	△890	7,758
Full term of FY2005	7,422	△3,685	△4,003	7,001

(4) Scope of Consolidation and Treatment under the Equity Method of Accounting

Consolidated subsidiaries: 14

Unconsolidated subsidiaries accounted for by the equity method: —

Affiliates accounted for by the equity method: —

(5) Changes in Scope of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries: —(new) —(excluded)

Affiliates accounted for under equity method: —(new) —(excluded)

2. Consolidated Outlook for Fiscal 2006(April 1, 2006 – March 31, 2007)

	Sales (¥million)	Ordinary income (¥million)	Net income (¥million)
Full term ending March 2005	72,250	4,100	1,980

Reference – Predicted net income per share for the entire year: ¥91.99

Notes:

The above outlook contains forward-looking statements based on BML's future plans as of November 16, 2006. Such statements contain risks to be affected by various factors. The issues related to the above outlook can be referred from page 8 to 9.

Management Policies

1. Review of Interim Term of Fiscal 2006

Since its foundation, BML has maintained a firm commitment to providing speedy, precise testing services across a broad range from routine to highly specialized testing. Today, we support and carry out more than 4,000 different tests. True to our corporate mission of contributing to health and welfare through medical services, we have been always quick to respond to market needs, introduce the latest technologies and positively promote quality control practice. While expanding clinical testing services as a main business and remaining committed to its motto: “Tireless in Working toward Quality and Productivity Enhancement”, the BML Group challenges to establish new domains and business models which place great importance on “technology” and “customer” of clinical testing as platform, strives for continuous growth and improve the company value.

Nowadays, as medical structural reform, various efforts have been made such as introduction of online and database of computerized patient billing, information disclosure based on Private Information Protection Law, improvement and promotion of medical quality by medical information system diffusion. While flexibly and rapidly responding to such transformation, BML aims at becoming a company to contribute to medical computerization by providing timely systems and services. Besides, from the viewpoint of social responsibility of business enterprise, we will expand the acquisition of ISO9001(Quality) and ISO14001(Environment) to the whole group and will enhance the customer satisfaction and promote environmental preservation by establishing management system based on ISO15189 which is specialized management system for clinical testing laboratory.

2. Profit Sharing

Profit sharing with shareholders is a central concern of management. Our policies on distribution of profit to our shareholders are securement of stable dividend from a business with robust foundations and a rising return on equity.

With regard to the appropriation of retained earnings, we will effectively use them for expansion of our testing system, plant-and-equipment investment in efficiency, and positive development of medical informatics business.

3. Financial Target

Operating income to consolidated sales ratio: 10%

Return on consolidated shareholders' equity: 8%

Focus on free cash flow

4. Medium-and-Long-Term Business Strategy

The BML Group develops a business operation aiming at ¥100 billion in sales of the fiscal 2010. For the achievement of the target, we formulate and promote medium-term business plan every three years.

With the end of the second medium-term business plan ending in March, 2005, we formulated and announced the third medium-term business plan “Realize-2009” ranging from fiscal 2006 to fiscal 2008. In the new business plan, we see the next generation laboratory systems and electronic patient chart systems as resources to enhance a competitive advantage of the BML Group, steadily promote business strategies concentrating on the both businesses

to establish earning basis and sustainable growth system.

Followings are the visions and the basic policies:

① Medium-term business plan

In order to realize our strategy of becoming “medical informatics company” by the next generation laboratory system and electronic patient chart systems.

- Enhancement of the quality as a medical informatics company as well as establishment of capability for sustainable growth by accomplishing the business strategy announced in the medium-term business plan.
- IT-oriented in the most advanced laboratory automation system fused with electronic patient chart system
- Expansion of medical informatics business to 10 billion business as soon as possible.
- Reinforcement of the competitiveness to aim for the leading position in our main three businesses, clinical testing, electronic patient chart system and food sanitation
- Target index

Ordinary income to consolidated sales ratio: 10%

Return on consolidated shareholders' equity: 8%

② Basic policies of medium-term business plan

- (a) Establishment of tough earning basis not affected by environment
- (b) Smooth operation of the next generation laboratory automation
- (c) Growth acceleration of the medical informatics business by positive infusion of management resources
- (d) Expansion of the BML Group and further strengthening of the group operation by M&A and alliance strategy
- (e) Enhancement of risk management system
- (f) Improvement of company value

5. Tasks Ahead

(1) Strengthening Business Structure

In clinical testing business, tough condition will be continued because sluggish growth in the quantity of specimens and cut-down in unit of consignment prices are estimated due to the influence on medical expenses control policies such as revision of medical service fee system and NHI(National Health Insurance) point system conducted by the government. For the above reasons, establishing robust business structure and earning capacity to endure such circumstances is urgently required. As well as making efforts to maintain and improve consignment prices, we conduct a review of unprofitable FMS/SPL methods, lease and management service of testing equipment and system / management of in-house clinical testing, promote reinforcement and thoroughness of profit management by reorganizing sales offices and laboratories. Also, with the introduction of next generation laboratory automation system, new testing laboratory building was built as a core part in November, 2005, we promote maintenance and improvement of earning capacity of our core clinical testing business by enhancing productivity and customer services.

(2) Early Fostering of Peripheral Business

Our peripheral businesses, medical informatics business and food sanitation business,

have been steadily growing, then we accelerate the growth to be new earning pillars by positive business development. Our main product of medical informatics business is Medical Station, electronic patient chart system. Since NHI points addition system for computerization is newly established as a incentive policy in the revision for fiscal 2006 of medical remuneration, market conditions for MS diffusion have been improved. We continuously make efforts to expand the business by improvement of various promotion activities, and maintenance and support system. In food sanitation business, BML already transferred its food sanitation testing business to BML Food Science Solutions, Inc. to contribute to business performance of the BML Group by developing business efficiencies and synergy effect .

(3) Reinforcement of Group Management

As a matter of fact, since our each group company plays a role of one of BML's business departments or local sales departments, we promote the efficiency of the group management and enhance the capital efficiency and the profitability by conducting sectional and regional business integration on a consolidated management-conscious basis. Especially, delivery operation system needs to promote unification and improve the efficiency of business operation with computerization as soon as possible. Also, in this fiscal year, promoting mutual subcontract, we eliminated and consolidated our local laboratories by alliances with regional laboratories. Then we develop business efficiency by innovative system.

6. Matters relating to the parent company

Not applicable

7. Main risk factors

Followings are the possible main risk factors affecting our operating performance, share price and financial condition

(1) Risk of Government Regulation to our Business Field

Clinical testing business, our core business, is regulated by the government in opening, equipment and management organization of clinical laboratories by "Law for Clinical Laboratory Technologist and Medical Technician". In the case of change or tighter regulations of the law, there would be possibilities of restriction of our activities and cost increase.

(2) Risk of Price Down Relating to Revision of NHI

In clinical testing business, NHI points which is a basis for remuneration is mostly set to each testing item. NHI points is revised every two years in accordance with the Health Insurance Law by Health, Labour and Welfare Ministry. When the remuneration system changes and prices are reduced as restriction of medical expenses, the business performance and financial condition of the BML Group would be affected due to the impact to consigned testing fees.

(3) Risk of Quality Control

Quality control is very important to our main business, therefore we operate survey program as certified body of CAP and introduce strict quality control measures by acquisition of ISO9001 and ISO15189. However, testing quality might become impaired in the case that tests could not be conducted by unexpected occurrence such as specimens which were below the testable certain amount or in inappropriate keeping condition. For that, the business performance and financial condition of the BML Group would be affected if a claim would be

made for the damage.

(4) Risk of Business Strategy

The BML group focused on the possibilities of electronic patient chart systems which are infrastructure of medical computerization as a new business, and has been investing to development and sales for the business establishment, willingness to introduce electronic patient chart systems could not be enhanced due to immature market and deteriorating management of medical institutions. In the case of that, the business performance and financial conditions of the BML Group would be affected by substantial delay of diffusion of electronic patient chart systems, failure of our strategy to get expected return.

(5) Risk of Compromise

The BML Group hold a large quantity of patients' personal data and testing data. As a medical informatics company, we have a commitment to ensure the security of the data. Also, in order to provide highly-reliable information we acquired ISMS certification which is for a system of information security. However, in the case of unexpected occurrences such as flow of personal data due to the increase and deterioration of recent crime relating to compromise, the business performance and financial condition of the BML Group would be affected by loss of credibility and social sanction against violation of patients' privacy.

Result of Operation

1. Review of Operation

① Review of Operation

In clinical testing industry in the first half of fiscal 2006, clinical testing fees were cut 10.2% on an average by wide revision in medical service fees at the beginning of this term. Also, outsourcing of in-house clinical testing of hospitals has a tendency of slowdown due to tighter specimen management addition by the revision of medical service fees. In addition, as incentives for medical computerization, computerized addition system were newly established which is given by meeting requirements such as receipt computerization. Additionally, from this October, some policies were announced such as obligation to medical institutions to issue clear, itemized billing statement, which is good opportunity to spread our strategy items, electronic patient chart systems.

Under the operation environment, in clinical testing business, the group made efforts to maintain and adjust consignment fees related to the revision of medical service fees. Regarding outsourcing of in-house clinical testing of hospitals, taking account of the impact to medical institutions related to specimen management additions, we carefully received orders.

As rationalization of testing consignment system, continuously we have been promoting elimination and consolidation of regional laboratories spotted through Japan. During this half, three laboratories were closed by utilizing mutual order system with local testing centers. Long construction of the next generation laboratory system "new symphony chemistry" which was new biochemistry testing line was completed and went into full-scale operation this October. On the other hand, as a strategy of M&A and alliance, we established and operated a joint laboratory "Kinkiyoken BML" with Kinkiyoken in Osaka in July, 2006, also concluded capital alliance with Odajima Morioka Clinical Testing Center which was big local testing center in Tohoku region in September.

Regarding food sanitation business belonging to other testing business, BML Food Science Solutions, Inc was carefully received orders considering profitability. In addition, orders of residual pesticides tests were increased by introducing positive list system.

In medical informatics business, for the impact of policies for medical computerization such as electronic addition, motivation of introducing electronic patient chart systems was certainly grew. 191 units were sold in the first half of fiscal 2006, increased 40 facilities from the same term of the previous fiscal year. We have been develop sales promotion activities such as medical IT seminars and advertisement on TV and specialized magazines. For that, introduced business matters were steadily increased from sales alliance partners. Also, development of MS functions is improved on user needs. In maintenance and support, outsourcing basement for telephone support was established for response to increasing users and enhancement of risk management.

In other businesses, in prescription pharmacy business, new pharmacy was opened in Kanazawa in September, 2006. Since drug-price margin was reduced by drug price revision, the sales was ensured the same as the level of the previous fiscal year but profit was reduced. Regarding SMO* and CRO* of Allegro, Inc. the sales was reduced by 38% from the previous fiscal year due to the decline in SMO, also the profit was in the red.

As a result of the above, in the first half of fiscal 2006, sales was ¥36,633 million, an increase of 1.6% or ¥580 from the previous fiscal year, ordinary income was ¥2,536 million, an increase of 2.6% or ¥63 million, and net income was ¥1,274 million, and increase of 20.2% or ¥213 million.

*Positive List System:

The system is to essentially ban the selling of food products which contains pesticides or other materials that are not regulated by specific standards over the designated quantity.

*Site Management Organization(SMO):

An organization takes care of and support a part of clinical trial in develop of drug medicine conducted by medical institutions.

*Clinical Research Organization (CRO):

An independent organization takes care of and support wholly or partially various matters related to clinical trial conducted by pharmaceutical companies or doctors.

②Financial Position

In financial position of the first half of fiscal 2006, total asset increased ¥333 million to ¥57,746 million, net asset increased ¥904 million to ¥36,418 million and equity capital ratio increased 1.2% to 63.1%.

Regarding main items in increase and decrease, in assets section, intangible assets was reduced by ¥710 million, while investment and other asset was increased by ¥1,055 million. In net assets, retained earnings was increased by ¥941 million in equity section.

Cash and cash equivalents of the first half of fiscal 2006 decreased ¥1,359 million from remaining value at the end of the previous fiscal year to ¥5,642 million. The position and the factors of each activity are classified as follows:

Operating activities produced net cash of ¥2,073 million, decrease of ¥1,789 million or 46.3% from the same term of the previous fiscal year. This was mainly reflected increase of ¥1,099 million in accounts receivable and ¥565 million in corporate tax payment.

Investing activities used net cash of ¥2,865 million, increase of ¥447 million or 18.5%

from the same term of the previous fiscal year.

Financing activities used net cash of ¥591 million, decrease of ¥298 million or 33.5% from the same term of the previous fiscal year.

Trend of each index

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (Interim term)
shareholders' equity ratio (%)	55.2	57.5	61.9	63.1
shareholders' equity ratio at the current prices (%)	59.4	62.9	82.9	95.4
years of liability reimbursement	1.0	1.2	0.5	0.8
interest coverage ratio	77.2	67.8	107.1	81.1

- Shareholders' equity ratio(%): shareholders' equity / total equity
- Shareholders' equity ratio based at the current prices(%):
capital stock at the current prices / gross asset
- Years for debt redemption: liability with interest / sales cash flow
- Interest coverage ratio: sales cash flow / interest payment

Note1: Each index is calculated on consolidated financial figures.

2: Total market shares is derived from closing stock price at fiscal year end × number of outstanding stocks at fiscal year end after deduction of treasury stocks

3: Operating cash flow was doubled for converting annual amount of operating cash flow of consolidated cash flow statement.

4: Interest payment is the amount payment of the interest of consolidated cash flow statement.

2. Outlook for FY 2006

In the clinical testing business, we will make continuous efforts in price negotiation with users who are unfinished in contract renewal related the revision of medical service fees, while expanding the number of users considering synergy effects with electronic patient chart systems by acquiring new users of clinics relatively untapped. Since the needs of outsourcing in house clinical testing for big facilities show slowdown tendency, new orders will be sluggish. However, we still improve profitability of facilities already outsourcing introduced. Also, we continuously eliminate and consolidate some local laboratories as in this first half. Odajima Morioka Clinical Testing Center, a capital tie-up partner, is positioned as the basement of Tohoku Area, and started an examination of establishment of new laboratories.

In medical informatics business, since we think that it is time of diffusion of electronic patient chart systems in this fiscal year, in order to intensify the expansion of MS sales, we promote restructuring of business systems such as recruitment of sales persons and instructors, training and enforcement of sales agencies and enhancement of operation system of maintenance and support. We also strengthen the function as an information antenna by advertisement activities using TV and specialized magazines, and reinforcement of the web contents. On the other hand, MS-H (Medical Station for Hospital) is under introduction to a hospital in this fiscal year, which will be completed in the second half of

this fiscal year.

In other business, prescription pharmacy business is concentrated on a new outlet of Aria Pharmacy in Seito, Kanazawa which is opened in this first half. Regarding SMO/CRO, we promote to reform the sales system for rollback with a focus on SMO.

In the view of the above considerations, we expect to report full term of fiscal 2006 with revision based on the actual performance of this first half, ordinary income ¥4,100 million on sales of ¥72,250 million. Net income is estimated at ¥1,980 million. Also, in non-consolidated performance of full year, we revise the sales and profit because operation weight of subsidiaries was increased by outsourcing and operation concentration of subsidiaries. We expect to report full term of this fiscal year, non-consolidated ordinary income ¥1,950 million on sales of ¥62,800 million. Net income is estimated at ¥1,050 million.