

CONSOLIDATED EARNING REPORT FOR THE SECOND QUARTER OF FISCAL 2009

November 12, 2009

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Stock Listing: Tokyo Stock Exchange
Code Number: 4694
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1. Results for the Second Quarter of Fiscal 2009 (April 1, 2009 – September 30, 2009)

(1) Results

(Rounded down to ¥ million)

	Sales		Operating income		Ordinary income		Net income	
	(¥million)	%	(¥million)	%	(¥million)	%	(¥million)	%
2Q of FY2009	40,454	3.4	4,017	24.2	4,132	22.1	2,054	21.2
2Q of FY2008	39,108	—	3,235	—	3,384	—	1,695	—

	Net income per share	Net income per share(diluted)
	(¥)	(¥)
2Q of FY2009	96.81	96.62
2Q of FY2008	79.90	79.77

Note: The percentage figures represent changes from the quarter of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets (¥million)	Shareholders' equity (¥million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
2 nd Quarter of FY2009	65,600	43,278	64.9	2,005.96
2 nd Quarter of FY2008	62,809	41,482	65.0	1,924.01

Reference: Equity capital 2nd Quarter of FY2009 ¥42,579million

2nd Quarter of FY2008 ¥40,835million

2. Dividend

Record date	Dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	—	12.50	—	17.50	30.00
Fiscal 2009	—	15.00	—	—	—
Fiscal 2009 (Forecasts)	—	—	—	15.00	30.00

3. Consolidated Outlook for Fiscal 2009 (April 1, 2009 – March 31, 2010)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Entire year	79,300	2.7	6,280	12.3	6,500	11.2	3,250	5.7	153.12

4. Other

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Use of simplified accounting methods and accounting methods specific to preparation of the quarterly consolidated financial statements: Yes
Note: For more details, refer to “Others” (page 5).
- (3) Changes in accounting rules, procedures, presentation method, etc. for the consolidated financial statements
 - a. Changes in consolidated accounting methods: Yes
 - b. Changes other than (a) : No
 Note: For more details, refer to “Others” (page 5).
- (4) Number of shares issued and outstanding (common stock)
 - a. Number of shares at end of period (including treasury stock):
 - As of September 30, 2009: 22,007,363
 - As of March 31, 2009: 22,007,363
 - b. Treasury stock at end of period:
 - As of September 30, 2009: 781,012
 - As of March 31, 2009: 783,464
 - c. Average number of shares during the period (cumulative quarterly period):
 - Six months ended September 30, 2009: 21,224,599
 - Six months ended September 30, 2008: 21,223,999

Notes: The above outlook contains forward-looking statements based on BML's future plans as of August 8, 2009. Such statements contain risks to be affected by various factors.

Qualitative information and Financial Statements, etc.

1. Qualitative information about consolidated operation results

In the healthcare industry, national healthcare expenditure has climbed to record levels against the backdrop of an increasingly aged population and progress made in healthcare technologies. The Japanese government has implemented measures to curb healthcare costs and various reforms to make healthcare more efficient.

In the clinical testing business, fiscal 2009 was not a year for the revision of national health insurance (NHI) points, which is carried out every two years. Because there was no reduction in NHI fees for clinical testing, our unit testing fees remained stable. However, the ratio of tests for special medical checkups for metabolic syndrome, which were started in April 2008, was substantially below targets and the future business performance of these tests is unclear.

Under the environment, the BML Group worked to expand the foundation of the clinical testing business by increasing market share by continuing to step up marketing efforts in the clinic market, and by strengthening proposal-based marketing to large facilities of the leasing and instruction of testing equipment and systems and operation at in-house testing rooms. As a result, the number of tests conducted in the first six months steadily increased, and net sales in the clinical testing business increased 4.3% year on year. On the earnings front, gross profit rose significantly due to increased revenues and orders. Furthermore, we succeeded in reducing the time of reporting service for a part of testing items due to the operation of the new automatic order-system "New Frontier" that was completed at the General Laboratories during the previous fiscal year.

In the food hygiene and environmental-related businesses, BML Food Science Solutions, Inc. experienced reduced orders primarily in the consulting business of the food hygiene field due mainly to the tightening of expenditure by client companies caused by the worsening business conditions. As a result, the company's income suffered and revenues declined significantly. However, net sales for the entire business operations remained level with those in the first quarter of last year due to the addition of the consolidated subsidiary of Q&C Inc., which was purchased in September 2008.

Regarding Medical Station (MS), a system that databases electronic patient charts at clinics, we developed marketing activities that unite the clinical testing business and the medical informatics business by organizational change. Net sales decreased by 8.3% due to the declining number of existing users who need to replace their servers and other equipment compared with the same period the previous year. However, this business continued to make a profit in the first six months.

In other businesses, Allegro, Inc., which operates the SMO* and CRO* businesses, continuously received lackluster levels of orders after the slump in the previous fiscal year.

As a result of these factors, consolidated net sales for the first six months were ¥40,454 million, an increase of 3.4% from the same period a year ago, consolidated operating income was ¥4,017 million, an increase of ¥ 24.2%, and consolidated ordinary income was ¥4,132 million, an increase of ¥ 22.1%. Net income increased 21.2% to ¥2,054 million.

*Site Management Organization(SMO):

An organization takes care of and support a part of clinical trial in development 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.

2. Qualitative information on Financial Position

(1) Assets, Liabilities and Net Assets

As regards the financial position of the first six months of fiscal 2009, total assets increased ¥2,790 million from the previous year to ¥65,600 million, net assets increased ¥1,796 million to ¥43,278 million, and the equity capital ratio decreased 0.1% to 64.9%. Looking at the main items in increase and decrease, notes and accounts receivable under current assets increased ¥2,637 million, trade payable under current liabilities increased ¥390 million and accrued income taxes increased ¥248 million. Retained earnings under net assets increased ¥1,679 million.

(2) Cash Flow

Cash and cash equivalents increased ¥2,389 million to ¥13,946 million from the end of the previous fiscal year. The position and the factors of each activity are classified as follows.

Operating activities produced net cash of ¥4,942 million, an increase of ¥1,447 from the previous year. This mainly reflected an increase of ¥629 million in net income before taxes and other adjustments and increase of ¥444 million in depreciation and amortization.

Investing activities used net cash of ¥1,836 million, a year-on-year decrease of ¥1,295 million.

This mainly reflected an increase of ¥481 million in acquisition of tangible fixed assets including testing equipment and ¥457 million in acquisition of intangible fixed assets.

Financing activities used net cash of ¥485 million, a year-on-year decrease of ¥105 million. This mainly reflected the absence of a repayment of long-term debt, which was made in the previous fiscal year.

3. Qualitative information on consolidated earnings forecast

Regarding clinical testing business, we expect slight year-on-year decline in testing prices, but there is the tendency of decline in the number of tests by the spread of the new influenza, because patients of other diseases avoid going to a hospital.

In other businesses, the performance of BML Food Science Solutions, Inc. is decline in its revenue and profit because of downturn of business environment, also severe situation will be continued in the second half.

In medical informatics business, there is no change in sales forecast because it almost meets its initial target.

In this environment, regarding full-year consolidated performance, there has been no change in the initial target of net sales of ¥79,300 million. In profit, we increase the forecast on the basis of the result of the first half and the above situation, operating income of ¥6,280 million, ordinary income ¥6,500 million and net income of ¥3,250 million. Also, in non-consolidated performance, we revise up the initial target to ¥66,500 million in net sales, ¥4,300 million in operating income, ¥4,850 million in ordinary income and ¥2,710 million in net income.

4. Others

- (1) Change in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Use of simplified accounting methods and accounting methods specific to preparation of the quarterly consolidated financial statements
Calculation of depreciation expense of fixed asset
Regarding asset adopting declining-balance method, depreciation expense related to consolidated fiscal year is divided by period.

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements
Changes related to application of new accounting standards

Hitherto, BML had applied the completed contract method as the standard for recording testing earnings related to contracting system development. However, from the first quarter of the current fiscal year BML applied the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan [ASBJ] Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). As a result, the percentage of completion method (based on the method of the ratio of actual cost incurred to total estimated cost) was applied to contracts for which work began during the first quarter, and for which the outcome is deemed certain by the end of the second quarter, while the completed contract method was applied to other contracts as the standard for testing earnings.

This change had an immaterial impact on the financial statements.

5. Consolidated financial statements

(1) Consolidated balance sheets

	2Q Fiscal 2009 As of September 30, 2009	Fiscal 2008 As of March 31, 2009
ASSET		
Current Assets		
Cash and Time Deposits	14,667,126	12,029,899
Notes and Accounts Receivable	14,522,512	13,968,896
Goods	216,810	154,543
Products	483,737	394,830
Raw Materials	1,006,893	985,117
Other Current Assets	1,681,836	1,677,157
Allowance for Doubtful Accounts	(64,700)	(65,867)
Total Current Assets	32,514,216	29,144,577
Non-current Assets		
Property, plant and equipment		
Building and structures (Net)	9,896,372	10,150,754
Land	10,804,064	10,727,959
Others (Net)	5,263,452	5,464,576
Total Property, plant and equipment	25,963,890	26,343,289
Intangible assets		
Other intangible assets	3,276,592	3,540,853
Total Intangible assets	3,276,592	3,540,853
Investments and other assets		
Others	3,919,506	3,852,081
Allowance for doubtful accounts	(73,675)	(71,261)
Total Investments and other assets	3,845,830	3,780,819
Total Non-current Assets	33,086,313	33,664,963
Total assets	65,600,529	62,809,540

	2Q Fiscal 2009 As of September 30, 2009	Fiscal 2008 As of March 31, 2009
Liabilities		
Current Liabilities		
Trade noted/accounts receivable	8,933,797	8,543,535
Short-term bank loans	946,511	951,500
Accrued income taxes	1,796,851	1,548,799
Other current liabilities	5,945,193	5,617,946
Total current liabilities	17,622,343	16,661,782
Long-term liabilities		
Accrued employees' retirement benefits and allowance	3,287,077	3,123,460
Accrued directors' and auditors' retirement benefits	128,619	132,373
Other long-term liabilities	1,283,855	1,409,789
Total long-term liabilities	4,699,551	4,665,622
Total liabilities	22,321,894	21,327,404
Net assets		
Shareholders' equity		
Common stock	6,045,586	6,045,586
Capital surplus	6,646,998	6,647,010
Retained earnings	31,032,889	29,353,522
Treasury stock	△1,264,890	△1,268,830
Total shareholders' equity	42,460,583	40,777,288
Valuation and translation' equity		
Unrealized gain on securities	118,698	57,775
Total valuation and translation' equity	118,698	57,775
Stock options	39,963	39,963
Minority interests	659,390	607,109
Total net asset	43,278,634	41,482,135
Total liabilities and net assets	65,600,529	62,809,540

(2) Consolidated Statements of Income

	Second Quarter Fiscal 2008 (April 1, 2008 to September 30, 2008)	Second Quarter Fiscal 2009 (April 1, 2009 to September 30, 2009)
Net sales	39,108,869	40,454,853
Cost of sales	24,301,475	25,031,414
Gross profit	14,807,394	15,423,439
Selling, general and administrative expenses	11,571,608	11,406,064
Operating income	3,235,785	4,017,374
Other income		
Rental revenue from real estate	26,613	25,170
Other	150,971	122,913
Other income net	177,585	148,084
Other expenses		
Interest expense	10,828	16,399
Rental cost of real estate	11,304	11,199
Other	6,887	4,932
Other expenses net	29,020	32,532
Ordinary income	3,384,350	4,132,926
Extraordinary income		
Reversal of allowance for doubtful accounts	11,199	—
Gain on insurance claim	—	20,325
Other	8,247	192
Total extraordinary income	19,446	20,517
Extraordinary losses		
Loss on disposal of property, plant and equipment	44,485	146,861
Loss on impairment	58,728	—
Compensation	—	50,000
Other	8,546	35,440
Total extraordinary losses	111,760	232,301
Income before income tax minority interests	3,292,037	3,921,142
Corporate, inhabitant and enterprise tax	1,574,504	1,809,638
Deferred taxes	△35,901	△21,524
Total corporate tax and others	1,538,603	1,788,114
Minority interest	57,686	78,208
Net income	1,695,747	2,054,819

(3) Consolidated Statements of Cash Flows

	Second Quarter Fiscal 2008 (April 1, 2008 to September 30,2008)	Second Quarter Fiscal 2009 (April 1, 2009 to September 30,2009)
Cash flows from operating activities		
Income before tax	3,292,037	3,921,142
Depreciation and amortization	1,588,947	2,033,372
Loss on impairment	58,728	—
Amortization of goodwill	143,041	115,139
Increase(decrease) in reserve for retirement allowance	78,613	163,617
Interest expenses	10,828	16,399
Loss on disposal of property, plant and equipment	44,485	146,861
Decrease(increase) in trade receivables	△721,481	△553,615
Decrease(increase) in inventories	12,970	△172,949
Increase(decrease) in trade payables	521,372	390,261
Increase in accrued consumption tax	33,950	166,175
Other	△339,861	149,390
Sub-total	4,723,632	6,375,794
Interest paid	△11,025	△15,935
Income tax paid	△1,378,876	△1,560,941
Other	160,880	143,405
Cash flows from operating activities	3,494,610	4,942,322
Cash flows from investing activities		
Purchases of tangible assets	△1,941,650	△1,459,676
Purchases of intangible assets	△654,208	△196,500
Purchases of investment in securities	△299,719	△120,246
Payments for acquisition of shares in affiliates	△191,667	—
Payments for acquisition of a subsidiary's stock accompanied by a change in the scope of consolidation	△47,097	—
Proceeds from loans receivable	8,460	5,000
Other	△6,599	△65,110
Cash flows from Investing Activities	△3,132,481	△1,836,534
Cash flows from financing activities		
Net increase in short-term bank loan	35,000	—
Net decrease in short-term bank loan	△81,032	—
Net increase(decrease) in short-term bank loan	—	△5,000
Proceeds from issuance of long-term loan	△220,600	—
Dividends paid	△318,360	△371,418
Other	△6,444	△109,244
Net cash used in financing activities	△591,436	△485,663
Net change in cash and cash equivalents	△229,308	2,620,124
Cash and cash equivalents at beginning of quarter	11,785,906	11,325,911
Cash and cash equivalents at end of quarter	11,556,597	13,946,035

(4) Notes on premise of going concern

First six months of FY2009 (April 1, 2009 to September 30, 2009)

No items to report.

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

First six months of FY2009 (April 1, 2009 to September 30, 2009)

No items to report.

6. Other Information

Breakdown of Sales

Testing		1Q of FY2008 (April 1, 2008 to September 30, 2008)		1Q of FY2009 (April 1, 2009 to September 30, 2009)		Change (%)
		¥ Thousand	% of total	¥ Thousand	% of total	
Testing business	Clinical testing business	16,004,824	40.9	16,845,646	41.6	5.3
	Biochemical tests					
	Hematological tests	3,273,778	8.4	3,377,584	8.3	3.2
	Immunological tests	8,006,661	20.5	8,050,036	19.9	0.5
	Microbiological tests	2,155,042	5.5	2,251,989	5.6	4.5
	Pathological tests	2,522,683	6.5	2,692,829	6.7	7.3
	Other tests	3,461,425	8.8	3,713,780	9.2	7.3
	Other testing business	1,577,201	4.0	1,632,753	4.0	3.5
Testing business subtotal		37,001,617	94.6	38,564,619	95.3	4.2
Medical informatics business		1,860,646	4.8	1,705,424	4.2	△8.3
Other businesses		246,604	0.6	184,809	0.5	△25.1
Total		39,108,869	100.0	40,454,853	100.0	3.4

Note: Monetary amounts do not include consumption taxes.