

CONSOLIDATED EARNING REPORT FOR THE THIRD QUARTER OF FISCAL 2009

February 10, 2010

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Stock Listing: Tokyo Stock Exchange
Code Number: 4694
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1. Results for the Third Quarter of Fiscal 2009 (April 1, 2009 – December 31, 2009)

(1) Results

(Rounded down to ¥ million)

	Sales		Operating income		Ordinary income		Net income	
	(¥million)	%	(¥million)	%	(¥million)	%	(¥million)	%
3Q of FY2009	60,369	2.2	5,531	16.4	5,694	15.3	2,981	15.0
3Q of FY2008	59,067	—	4,750	—	4,938	—	2,593	—

	Net income per share	Net income per share(diluted)
	(¥)	(¥)
3Q of FY2009	140.48	140.19
3Q of FY2008	122.20	122.00

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 (¥)
3Q of FY2009	66,198	43,881	65.2	2,032.00
3Q of FY2008	62,809	41,482	65.0	1,924.01

Reference: Equity capital 3rd Quarter of FY2009 ¥43,131million
3rd Quarter of FY2008 ¥40,835million

2. Dividend

Record date	Dividends per share				
	1 st quarter	3 rd quarter	3 rd quarter	4 th quarter	Total
Fiscal 2008	Yen —	Yen 12.50	Yen —	Yen 17.50	Yen 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) : NoNote: 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 December 31, 2009: 22,007,363
As of March 31, 2009: 22,007,363
 - b. Treasury stock at end of period:
As of December 31, 2009: 781,044
As of March 31, 2009: 783,464
 - c. Average number of shares during the period (cumulative quarterly period):
Nine months ended December 31, 2009: 21,225,115
Nine months ended December 31, 2008: 21,223,979

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 showed a slight decline. However, the ratio of tests for special medical checkups for metabolic syndrome, which were started in April 2008, fell far short of the targets and the future business performance of these tests is unclear.

Under the environment, the BML Group worked to continuously 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. During the three months ended December 31, 2009, the number of testing showed a sluggish growth because there was a tendency of reduction in consultation rate in ordinary patients due to the spread of new influenza. However, the accumulated number of tests conducted in the first nine months steadily increased, as a result, the sales of the business increased by 2.7% 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 almost the same level as those in the second 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 database system of electronic patient charts at clinics, we developed marketing activities integrating the clinical testing business and the medical informatics business by organizational change. While the declining number of existing users who need to replace their servers and other equipment compared with the same period the previous year, software of receipt system showed good sales due to decision of subsidization to computerization of receipt system. As a result of that, totally, net sales slightly decreased. However, this business continued to make a profit in the first nine 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 nine months were ¥60,396 million, an increase of 2.2% from the same period a year ago, consolidated operating income was ¥5,531 million, an increase of ¥ 16.4%, and consolidated ordinary income was ¥5,694

million, an increase of ¥ 15.3%. Net income increased 15.0% to ¥2,981 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 nine months of fiscal 2009, total assets increased ¥3,389 million from the previous year to ¥66,198 million, net assets increased ¥2,399 million to ¥43,881 million, and the equity capital ratio increased 0.2% to 65.2%. Looking at the main items in increase and decrease, notes and accounts receivable under current assets increased ¥3,142 million, short-term loans under current liabilities increased ¥995 million. Retained earnings under net assets increased ¥2,287 million.

(2) Cash Flow

Cash and cash equivalents increased ¥3,839 million to ¥15,165 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 ¥6,262 million, an increase of ¥1,277 from the previous year. This mainly reflected an increase of ¥650 million in net income before taxes and other adjustments and increase of ¥577 million in depreciation and amortization.

Investing activities used net cash of ¥2,568 million, a year-on-year decrease of ¥2,119 million. This mainly reflected a decrease of ¥1,197 million in acquisition of tangible fixed assets including testing equipment and ¥480 million in acquisition of intangible fixed assets.

Financing activities produced net cash of ¥145 million, a year-on-year use of ¥964 million. This mainly reflected an increase of short-term debt of ¥995 million.

3. Qualitative information on consolidated earnings forecast

There is no revision of the full-year consolidated earnings forecast announced on November 12, 2009.

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 third 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

	3Q Fiscal 2009 As of December 31, 2009	Fiscal 2008 As of March 31, 2009
ASSET		
Current Assets		
Cash and Time Deposits	15,172,086	12,029,899
Notes and Accounts Receivable	14,565,841	13,968,896
Securities	700,000	—
Goods	125,671	154,543
Products	314,350	394,830
Raw Materials	1,109,798	985,117
Other Current Assets	1,317,688	1,677,157
Allowance for Doubtful Accounts	(66,601)	(65,867)
Total Current Assets	33,238,834	29,144,577
Non-current Assets		
Property, plant and equipment		
Building and structures (Net)	9,711,586	10,150,754
Land	10,805,839	10,727,959
Others (Net)	5,318,856	5,464,576
Total Property, plant and equipment	25,836,283	26,343,289
Intangible assets		
Other intangible assets	3,218,377	3,540,853
Total Intangible assets	3,218,377	3,540,853
Investments and other assets		
Others	3,980,191	3,852,081
Allowance for doubtful accounts	(75,040)	(71,261)
Total Investments and other assets	3,905,151	3,780,819
Total Non-current Assets	32,959,812	33,664,963
Total assets	66,198,646	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	8,913,281	8,543,535
Short-term bank loans	1,946,500	951,500
Accrued income taxes	893,342	1,548,799
Other current liabilities	5,611,320	5,617,946
Total current liabilities	17,364,445	16,661,782
Long-term liabilities		
Accrued employees' retirement benefits and allowance	3,364,337	3,123,460
Accrued directors' and auditors' retirement benefits	166,678	132,373
Other long-term liabilities	1,421,405	1,409,789
Total long-term liabilities	4,952,421	4,665,622
Total liabilities	22,316,866	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	31,641,305	29,353,522
Treasury stock	△1,264,969	△1,268,830
Total shareholders' equity	43,068,920	40,777,288
Valuation and translation' equity		
Unrealized gain on securities	62,991	57,775
Total valuation and translation' equity	62,991	57,775
Stock options	56,035	39,963
Minority interests	693,831	607,109
Total net asset	43,881,779	41,482,135
Total liabilities and net assets	66,198,646	62,809,540

(2) Consolidated Statements of Income

	Third Quarter Fiscal 2008 (April 1, 2008 to December 31,2008)	Third Quarter Fiscal 2009 (April 1, 2009 to December 31,2009)
Net sales	59,067,183	60,396,028
Cost of sales	36,961,351	37,743,100
Gross profit	22,105,832	22,652,928
Selling, general and administrative expenses	17,355,136	17,121,858
Operating income	4,750,695	5,531,070
Other income		
Rental revenue from real estate	38,711	37,013
Other	194,250	173,579
Other income net	232,961	210,593
Other expenses		
Interest expense	15,527	26,026
Rental cost of real estate	19,086	14,025
Other	10,214	6,724
Other expenses net	44,828	46,775
Ordinary income	4,938,828	5,694,887
Extraordinary income		
Gain on sale of fixed assets	3,653	—
Reversal of allowance for doubtful accounts	8,900	—
Gain on insurance claim	—	20,325
Other	4,673	4,924
Total extraordinary income	17,227	25,249
Extraordinary losses		
Loss on disposal of property, plant and equipment	73,008	160,764
Loss on impairment	58,728	—
Other	30,254	115,164
Total extraordinary losses	161,991	275,928
Income before income tax minority interests	4,794,064	5,444,208
Corporate, inhabitant and enterprise tax	1,783,555	2,038,610
Deferred taxes	301,447	311,198
Total corporate tax and others	2,085,003	2,349,808
Minority interest	115,393	112,769
Net income	2,593,667	2,981,630

(3) Consolidated Statements of Cash Flows

	Third Quarter Fiscal 2008 (April 1, 2008 to December 31,2008)	Third Quarter Fiscal 2009 (April 1, 2009 to December 31,2009)
Cash flows from operating activities		
Income before tax	4,794,064	5,444,208
Depreciation and amortization	2,586,071	3,163,868
Loss on impairment	58,728	—
Amortization of goodwill	216,307	172,726
Increase(decrease) in reserve for retirement allowance	124,317	240,877
Interest expenses	15,527	26,026
Loss on disposal of property, plant and equipment	73,008	160,764
Decrease(increase) in trade receivables	△1,046,259	△596,945
Decrease(increase) in inventories	208,675	△15,328
Increase(decrease) in trade payables	714,401	369,745
Increase in accrued consumption tax	111,885	296,014
Other	△795,878	△434,012
Sub-total	7,060,851	8,827,944
Interest paid	△15,153	△25,642
Income tax paid	△2,270,522	△2,691,832
Other	210,416	152,186
Cash flows from operating activities	4,985,592	6,262,655
Cash flows from investing activities		
Purchases of tangible assets	△3,139,969	△1,942,011
Purchases of intangible assets	△922,821	△442,064
Purchases of investment in securities	△407,862	△189,437
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	—	△44,332
Proceeds from loans receivable	△47,097	—
Other	24,748	—
Other	△4,008	49,084
Cash flows from Investing Activities	△4,688,678	△2,568,761
Cash flows from financing activities		
Net increase in short-term bank loan	55,000	—
Net decrease in short-term bank loan	△101,205	—
Net increase(decrease) in short-term bank loan	—	995,000
Proceeds from issuance of long-term loan	△328,400	—
Dividends paid	△583,658	△689,813
Proceeds from lease obligation	—	△133,152
Other	△6,546	△26,300
Net cash used in financing activities	△964,810	△145,733
Net change in cash and cash equivalents	△667,896	3,839,628
Cash and cash equivalents at beginning of quarter	11,785,906	11,325,911
Cash and cash equivalents at end of quarter	11,118,009	15,165,539

(4) Notes on premise of going concern

First nine months of FY2009 (April 1, 2009 to December 31, 2009)

No items to report.

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

First nine months of FY2009 (April 1, 2009 to December 31, 2009)

No items to report.

6. Other Information

Breakdown of Sales

Testing		3Q of FY2008 (April 1, 2008 to December 31, 2008)		3Q of FY2009 (April 1, 2009 to December 31, 2009)		Change (%)
		¥ Thousand	% of total	¥ Thousand	% of total	
Testing business	Clinical testing business	24,225,813	41.0	25,146,011	41.6	3.8
	Biochemical tests					
	Hematological tests	4,894,999	8.3	4,995,276	8.3	2.1
	Immunological tests	11,910,979	20.2	11,835,793	19.6	△0.6
	Microbiological tests	3,237,007	5.5	3,319,455	5.5	2.6
	Pathological tests	3,965,933	6.7	4,116,368	6.8	3.8
	Other tests	5,270,935	8.9	5,551,367	9.2	5.3
	Other testing business	2,508,446	4.2	2,485,310	4.1	△0.9
Testing business subtotal		56,014,116	94.8	57,449,583	95.1	2.6
Medical informatics business		2,699,970	4.6	2,666,531	4.4	△1.2
Other businesses		353,096	0.6	279,913	0.5	△20.8
Total		59,067,183	100.0	60,396,028	100.0	2.2

Note: Monetary amounts do not include consumption taxes.