

**BML Inc.**

**Financial Results Presentation for  
Fiscal 2022**

May 12, 2023  
Kensuke Kondo,  
President and  
Representative Director

# Overview of Fiscal 2022

# Earnings History in 10 Years

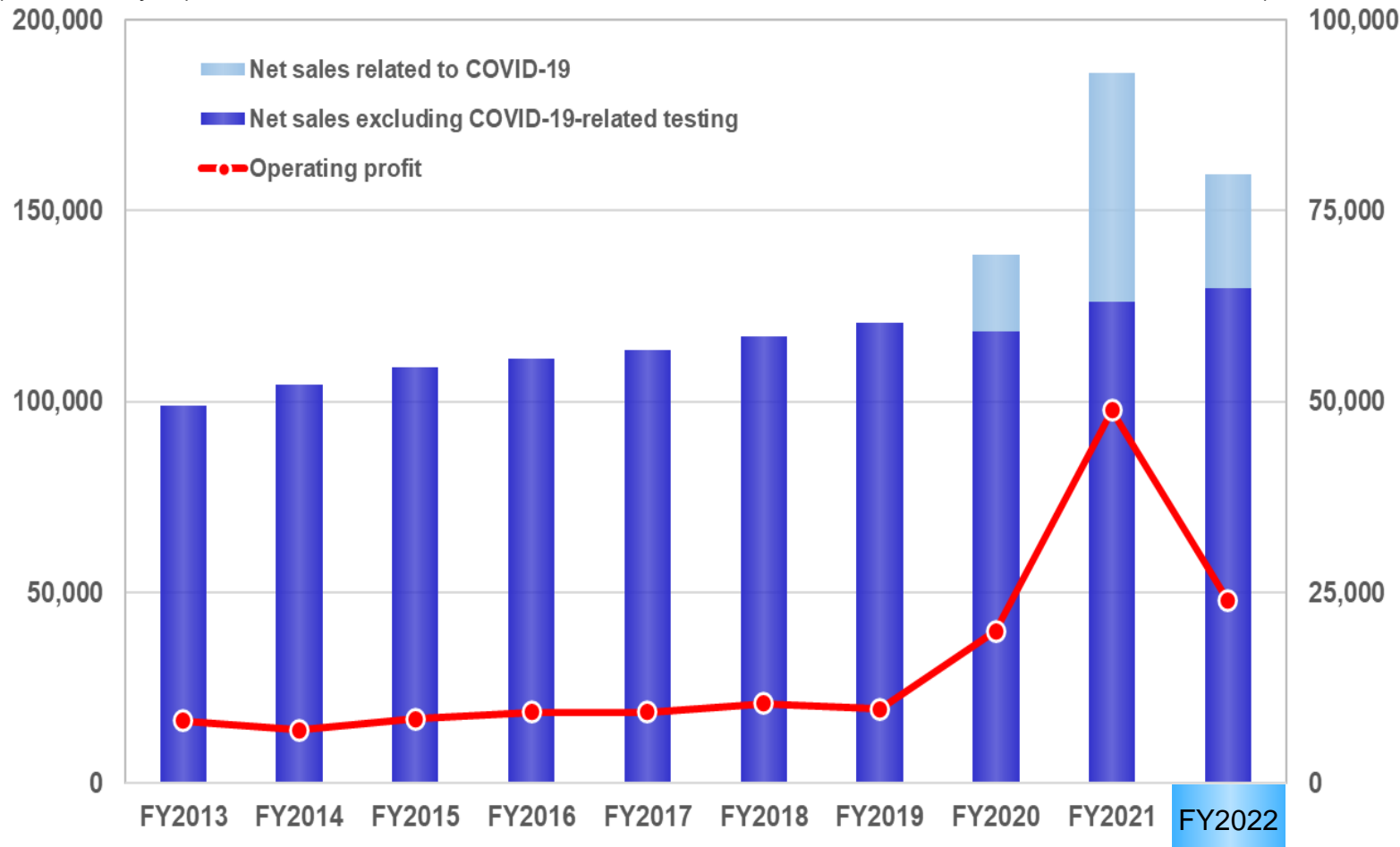
Decline in net sales and profit due to reduced health insurance points of COVID-19 PCR tests

## Net sales

(Millions of yen)

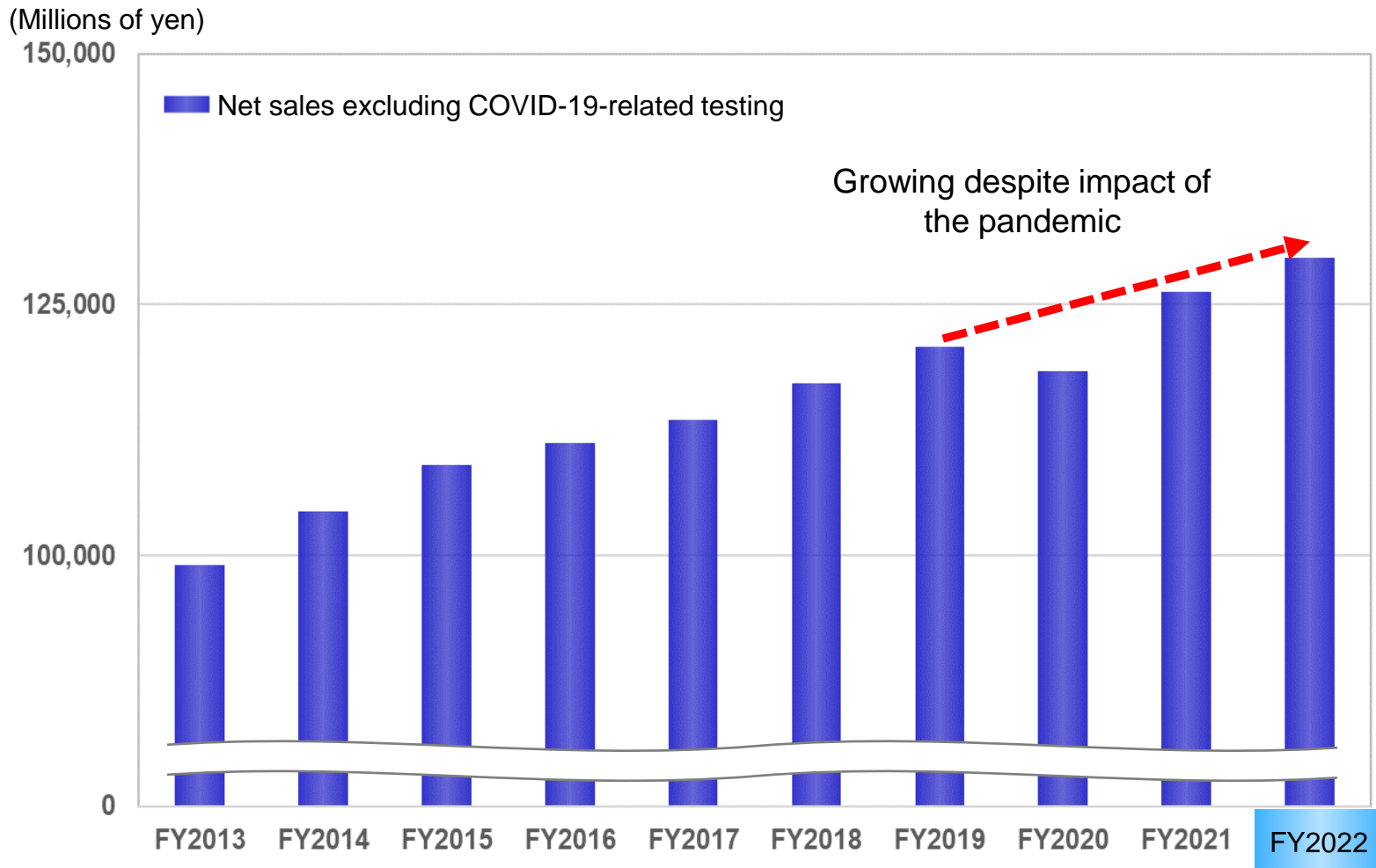
## Operating profit

(Millions of yen)



# 10-Year History of Net Sales Excluding COVID-19-Related Testing

## Growth of net sales excluding COVID-19-related testing



# Year-on-Year Comparison

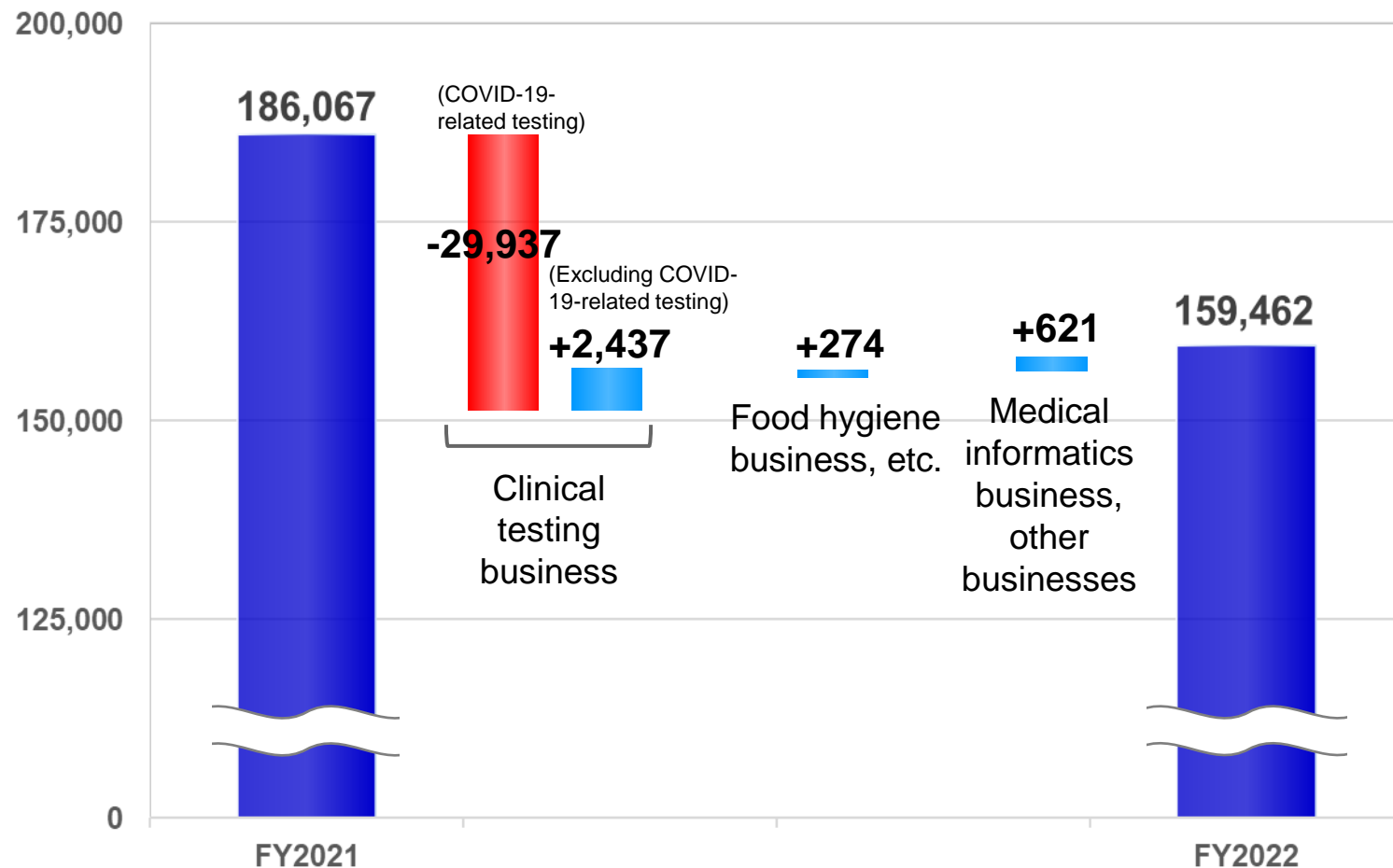
(Millions of yen)

	FY2021	FY2022	YoY	Change
Net sales	186,067	159,462	(26,605)	(14.3)%
Testing business	179,751	152,525	(27,226)	(15.1)%
Clinical testing	175,232	147,731	(27,500)	(15.7)%
Food hygiene business	4,519	4,793	274	6.1%
Medical informatics	4,816	5,420	604	12.5%
Other businesses	1,498	1,516	17	1.1%
Operating profit	48,889	23,936	(24,953)	(51.0)%
Ordinary profit	51,077	24,182	(26,894)	(52.7)%
Profit attributable to owners of parent	33,741	15,578	(18,163)	(53.8)%

# Breakdown of Changes in Sales by Business Segment

Net sales down ¥26,605m (14.3%) YoY

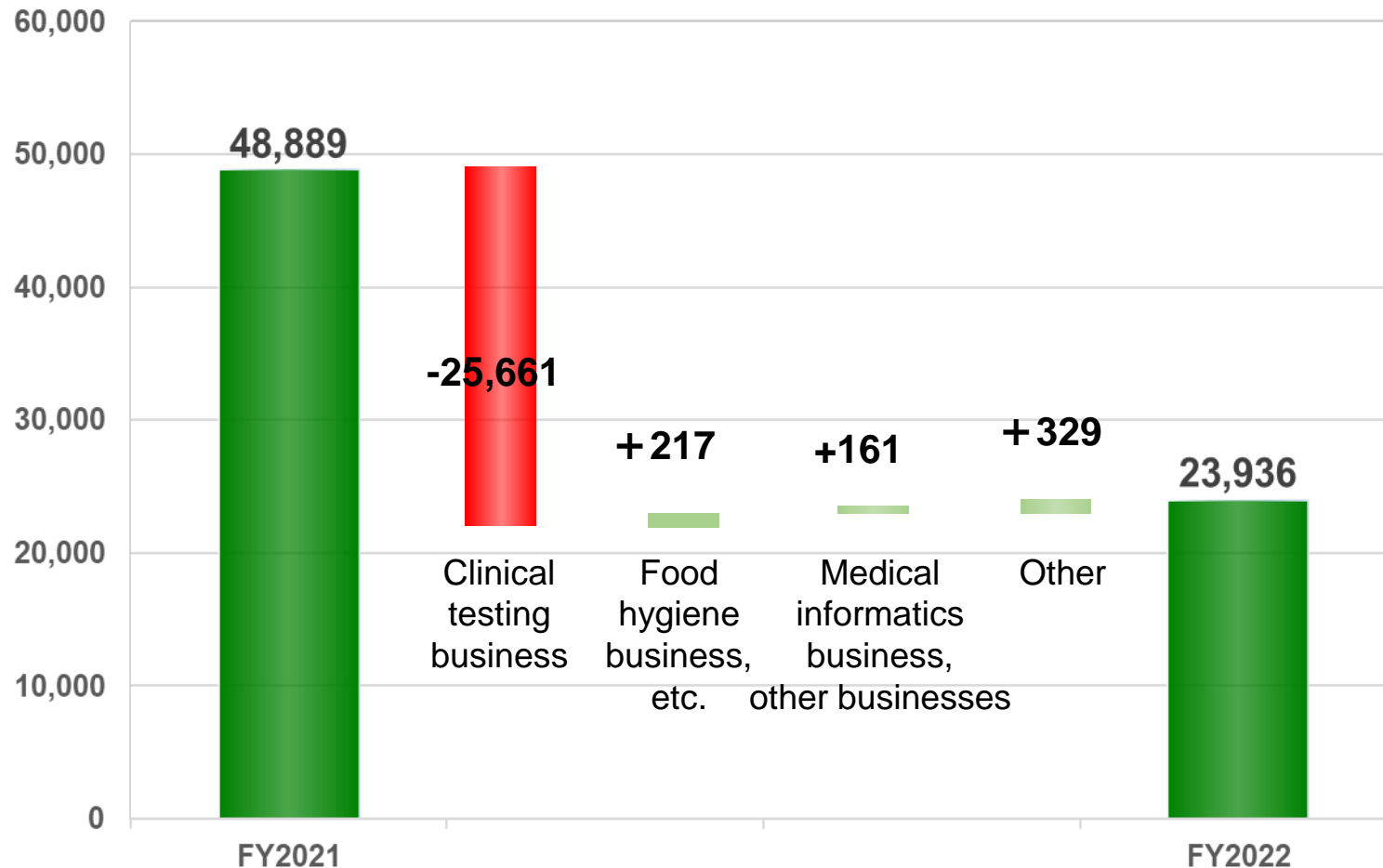
(Millions of yen)



# Breakdown of Changes in Operating Profit by Business Segment

Operating profit down ¥24,953m (51.0%) YoY

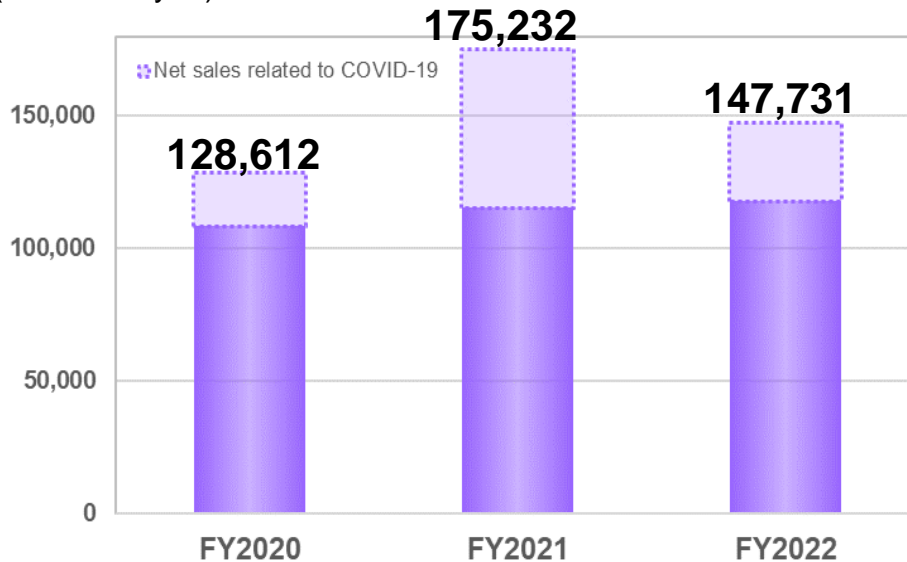
(Millions of yen)



# Overview of Clinical Testing Business

Net sales: ¥147,731m  
Down ¥27,500m (15.7%) YoY

(Millions of yen)



## Major topics

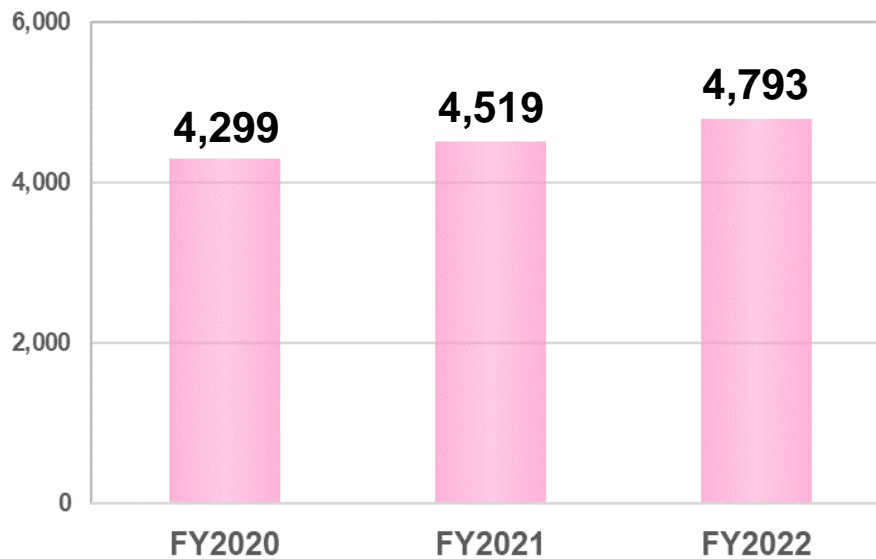
- ✓ Tests related to COVID-19
  - PCR tests
  - Number of tests: Down 19.3%
  - Reduction of health insurance points (700 points from July 2022)
- ✓ New acquisitions, pre-existing tests
  - Increase despite challenging business environment due to spread of infection (seventh and eight waves)
- ✓ Price fluctuations
  - Down 0.9% (Excluding COVID-19-related testing)



# Overview of Food Hygiene and Other Testing Business

Net sales: ¥4,793m  
Up ¥274m (6.1%) YoY

(Millions of yen)



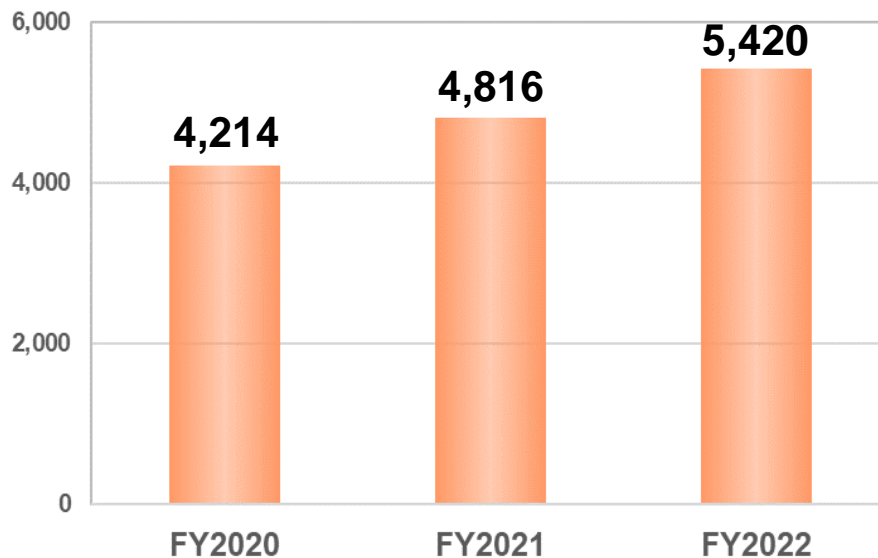
## Major topic

- ✓ Food Hygiene Business
  - Recovery trend continued although still short of pre-pandemic level (¥4,908m)

# Overview of Medical Informatics (Electronic Patient Chart) Business

Net sales: ¥5,420m  
Up ¥604m (12.5%) YoY

(Millions of yen)



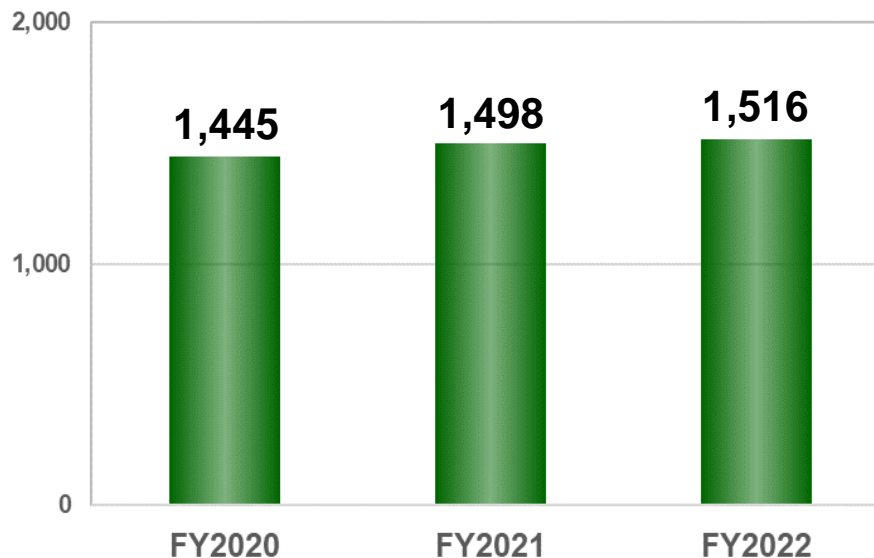
## Major topics

- ✓ **New release**
  - Sales volume increased by 27% year on year with the launch of Qualis Cloud
- ✓ **Replacement**
  - Responded to demand for switch from on-premises
- ✓ **Expansion**
  - Last year's strong trend continued in installation of online health insurance qualification check function
- ✓ **Maintenance**
  - Trending solid due to the greater number of facilities where systems are installed

# Overview of Other Businesses

Net sales: ¥1,516m  
Up ¥17m (1.1 %) YoY

(Millions of yen)

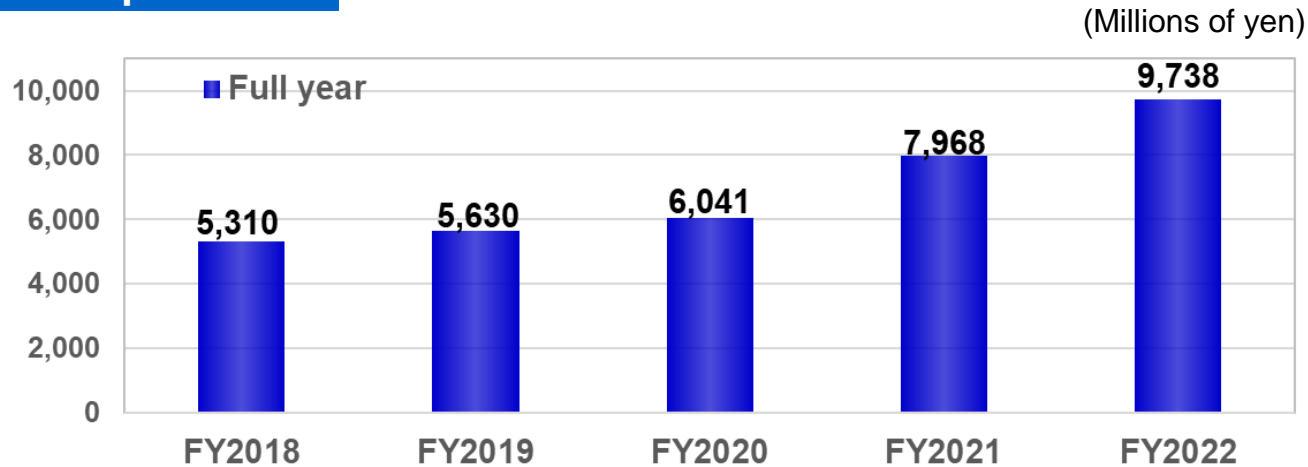


## Major topic

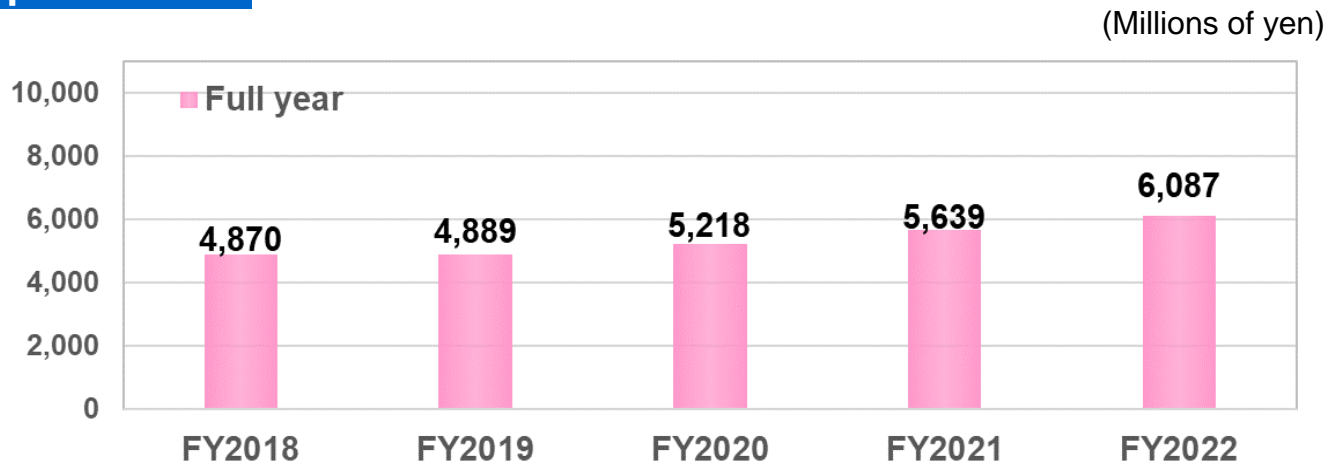
- ✓ Dispensing pharmacy business
  - Despite impact of reduction in drug prices, the number of fever outpatients increased leading to increase in the number of prescriptions

# Overview of Capital Expenditure and Depreciation

## Capital Expenditure



## Depreciation



# Overview of Cash Flow

(Millions of yen)

	FY2021	FY2022	YoY
Cash flows from operating activities	45,603	11,742	(33,860)
Cash flows from investing activities	(7,297)	(7,627)	(330)
Cash flows from financing activities	(9,828)	(9,715)	112
Cash and cash equivalents at end of period	88,360	82,760	(5,599)

Main items  
contributing to  
increases/  
decreases

## ■ Cash flows from operating activities

Profit before income taxes : -26,144  
Income taxes paid : -9,573

## ■ Cash flows from investing activities

Purchase of property, plant and equipment : +1,132  
Purchase of intangible assets : -507  
Purchase of investment securities : -1,427

## ■ Cash flows from financing activities

Dividends paid : -1,509  
Purchase of treasury shares : +1,717

# **Progress of the Medium-Term Management Plan**

- (1) Enhancement of laboratory network**
- (2) Enhancement of sales capabilities**
- (3) Innovation of collection and delivery processes**

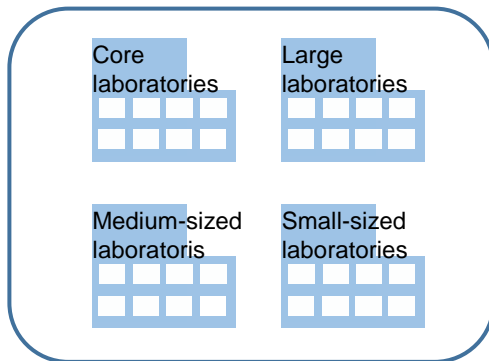
## (1) Enhancement of laboratory network

### Standardization of nationwide laboratory testing processes

#### ■ Quality improvement through standardization

→ Classified all laboratories into 4 categories based on the following standards

(1) Capabilities for processing (2) Test items (3) Headcount



Selection of standard models

→ An inspector can do testing anywhere in Japan

#### ■ Strengthening of laboratory management

→ Construction of calibration control system (scheduled to be completed in May 2023)

## The Eighth Medium-Term Management Plan



### Enhancement of Laboratory Network

#### Standardization of nationwide laboratory testing processes

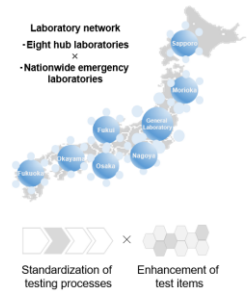
- Quality improvement through standardization
- Strengthening of laboratory management structure (profitability/quality/labor)
- Optimization of core laboratory services
  - Enhancement of bacteria testing
  - Expansion of capabilities for processing pathological and cytological examinations

#### Enhancement of test items

- Enhancement of mass spectrometers and next-generation sequencers
- Introduction of new tests in the field of infectious diseases
- Preparation for CDx (establishment of manufacturing and sales systems)

#### Gearing up for next-generation operations

- Study of next-generation laboratory concept (next-generation frontier, chemistry, hematology, bacteria)
- Reconstruction of BML General Laboratory



# Progress of the Medium-Term Management Plan

## (1) Enhancement of laboratory network

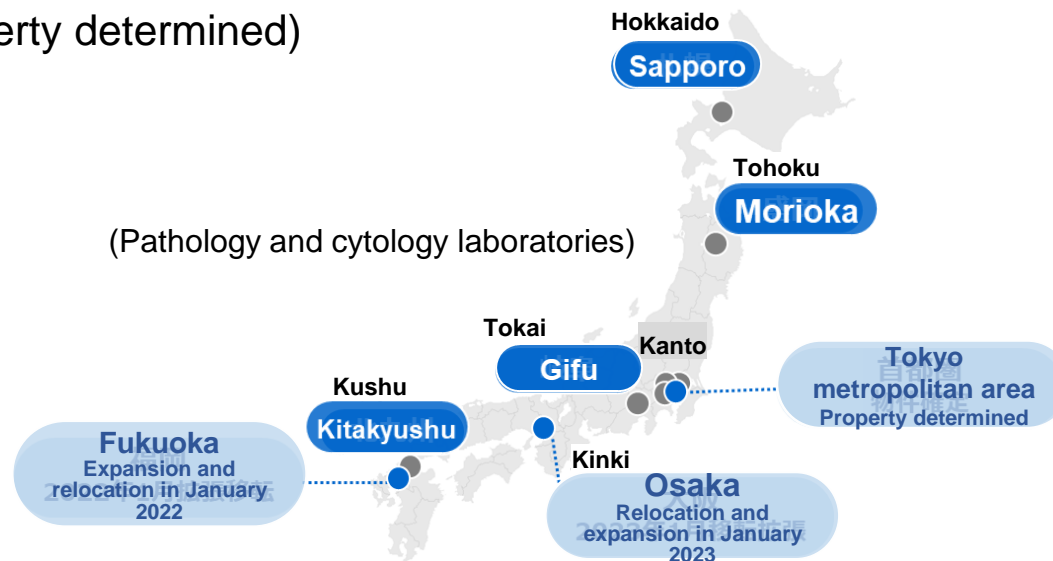
### ■ Optimization of core laboratory services

→ Expansion of capabilities for processing pathological and cytological examinations

Enhancement of specimen preparation capabilities

- PCL Fukuoka Laboratory: 120%
- PCL Osaka Laboratory: 261%

→ Consolidation and enhancement of laboratories in the Tokyo metropolitan area  
(Property determined)



## The Eighth Medium-Term Management Plan



### Enhancement of Laboratory Network

#### Standardization of nationwide laboratory testing processes

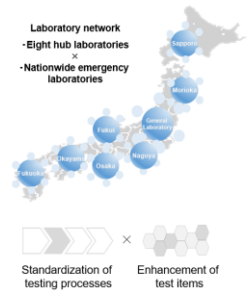
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# Progress of the Medium-Term Management Plan

## (1) Enhancement of laboratory network

### Enhancement of test items

- Enhancement of mass spectrometers and next-generation sequencers

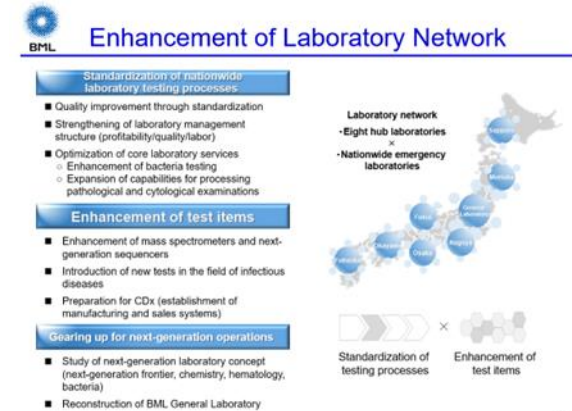
#### Development of proprietary testing

Genetic testing for congenital hearing loss	Upgrade to 50 genes, 1,135 mutations
Genetic testing for juvenile-onset bilateral sensorineural hearing loss	Upgrade to 11 genes
Sitosterol	Diagnostic markers for dyslipidemia
Campesterol	
Cholestanol	

#### Main new test

SF3B1 mutation analysis	MDS with ringed sideroblasts (MDS-RS)
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## The Eighth Medium-Term Management Plan



# Progress of the Medium-Term Management Plan

## (1) Enhancement of laboratory network

### Gearing up for next-generation operations

#### ■ Next-generation laboratory concept

→ Start of new building construction

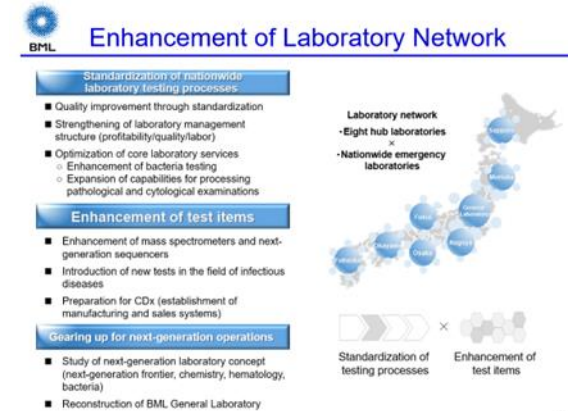
→ Phase 2 of new building construction  
(described separately)

- New automated dispensing system
- New biochemical and immunological testing system
- New testing system
- New microbiological testing system

(Scheduled to be completed in August 2024)



## The Eighth Medium-Term Management Plan



# Progress of the Medium-Term Management Plan

## (2) Enhancement of sales capabilities

### Strengthening of non-insurance areas

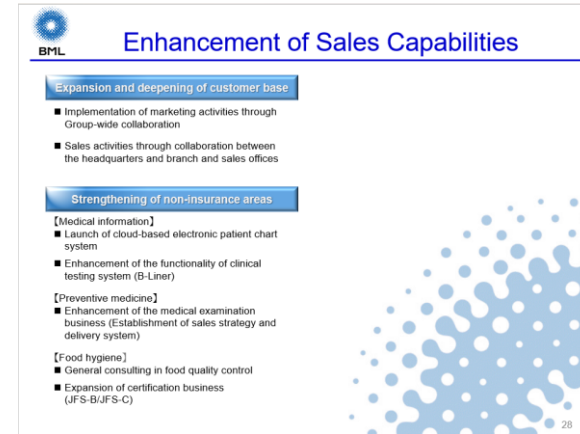
#### Medical check-up business

##### ■ Enhancement of solution capabilities

- Sales growth strategies
  - Expansion of optional examination items and sales promotion (including cancer-related)
- Operational efficiency improvement of medical check-up facilities
  - Roll-out of B-Label\*

\* Specimen labels with specimen/patient information and bar codes

#### The Eighth Medium-Term Management Plan



**BML Enhancement of Sales Capabilities**

- Expansion and deepening of customer base**
  - Implementation of marketing activities through Group-wide collaboration
  - Sales activities through collaboration between the headquarters and branch and sales offices
- Strengthening of non-insurance areas**
  - [Medical information]**
    - Launch of cloud-based electronic patient chart system
    - Enhancement of the functionality of clinical testing system (B-Liner)
  - [Preventive medicine]**
    - Enhancement of the medical examination business (Establishment of sales strategy and delivery system)
  - [Food hygiene]**
    - General consulting in food quality control
    - Expansion of certification business (JFS-B/JFS-C)

#### Information sheets on a rich selection of optional examination items



**超悪玉コレステロール**  
(small dense LDL コレステロール)

真の悪役 超悪玉コレステロール

血液検査でわかる

善玉 (HDL) 悪玉 (LDL) 超悪玉 (small dense LDL)

オレは多くなくても、コイツが潜んでいるかも

超悪玉チェック

一般的に超悪玉コレステロールが多いのは次のような人です。

- ✓ 腹心臓から動脈硬化にやわらかいことがある。
- ✓ 空腹に快便や心動脈硬化にやわらかいことがある。
- ✓ 血圧が高い。
- ✓ 中性脂肪が高い。
- ✓ 脂質代謝が悪い。
- ✓ 内臓脂肪が多い。
- ✓ 悪玉 (HDL) が多い。

株式会社ビーエムエル

## (2) Enhancement of sales capabilities

### Food sanitation

Comparison of service areas between BML Group and competitors

Consulting business			Testing business	
Store inspection	Factory audit and certification	Food labeling	Food sanitation testing	Intestinal bacteria testing
BML Group				
Company A			Company A	
Company C				
Company D				

#### ■ Clarification of the concept of general consulting

→ Develop a full line of functions from store inspection to intestinal bacteria testing

#### ■ Focus points

→ Expand certification business (JFS-B/JFS-C)

→ Enhance capabilities and reduce costs of intestinal bacteria testing (new building)

### The Eighth Medium-Term Management Plan



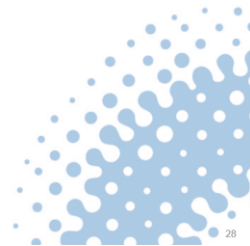
#### Enhancement of Sales Capabilities

##### Expansion and deepening of customer base

- Implementation of marketing activities through Group-wide collaboration
- Sales activities through collaboration between the headquarters and branch and sales offices

##### Strengthening of non-insurance areas

- [Medical information]
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- [Preventive medicine]
  - Enhancement of the medical examination business (Establishment of sales strategy and delivery system)
- [Food hygiene]
  - General consulting in food quality control
  - Expansion of certification business (JFS-B/JFS-C)



# Progress of the Medium-Term Management Plan

## (3) Innovation of collection and delivery processes

### Improvement of convenience / reduction of work load

#### ■ Promotion of digital reporting system (DRS)

##### → Effects of improved efficiency

	FY2021		FY2022
Number of B-Label specimens	1,800,000	➔	5,450,000
Cost-cutting effect in yen	¥12.5m		¥42m
Cost-cutting effect in hours	11,500 hrs.		35,000 hrs.

##### → Changes in the number of facilities adopting the DRS

	FY2021		FY2022
B-Connect <sup>*1</sup>	19,438 facilities	➔	20,458 facilities
B-Report <sup>*2</sup>	6,860 facilities		7,403 facilities

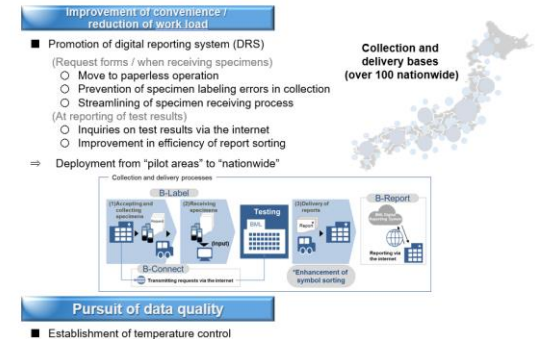
\*1 Request for testing and reporting of test results via internet

\*2 Inquiry on test results via internet

## The Eighth Medium-Term Management Plan



### Innovation of Collection and Delivery Processes



# Investment for the Next Generation

- (1) BML General Laboratory  
(6th Stage Building, Lab Corp Building)
- (2) Pathological Testing
- (3) Food Sanitation Testing
- (4) Software

# (1) BML General Laboratory

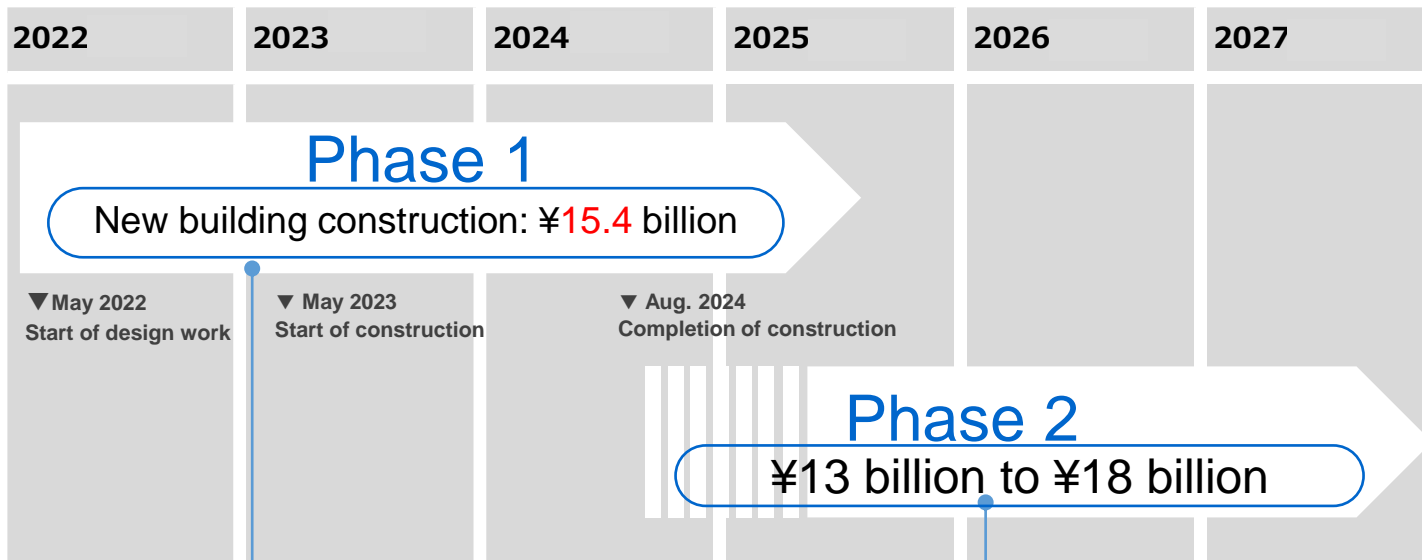
## ■ Roadmap to start of operations in new building

### Phase 1

Schedule for start and completion of construction: unchanged

Construction cost: Increased from ¥13.4 billion to **¥15.4 billion**

(as a result of additions to equipment functions and rising prices and labor costs)



### Construction

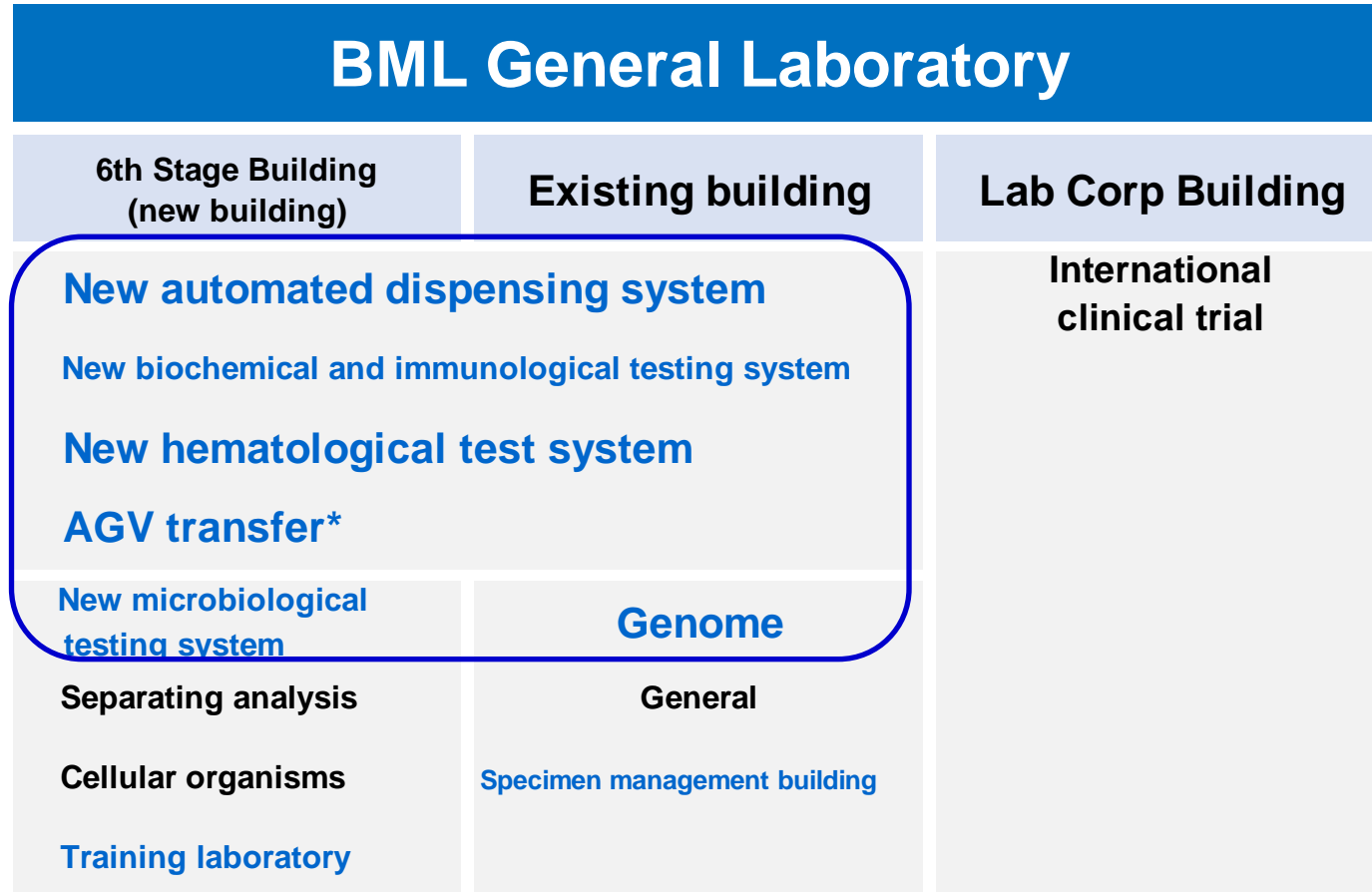
BCP, environment, expansion

### Next-generation laboratory concept

Reconfiguration, functionality enhancement, efficiency improvement

# (1) BML General Laboratory

- Main items of capital investment planned in Phase 2 of next-generation laboratory concept



\*Automatic Guided Vehicle



# (1) BML General Laboratory

## ■ Concept of capital investment

Areas	Concept
<b>New automated dispensing system</b> New biochemical and immunological test systems <b>New hematological test system</b> <b>AGV transportation</b>	<b>Expansion of testing capacity</b> <b>Improvement of testing efficiency</b>
<b>New microbiological test system</b>	<b>Quality improvement</b> <b>Introduction of new technologies</b>
<b>Genome</b>	<b>Testing capacity expansion</b> <b>Enhancement of test items</b> <b>Development of proprietary test items</b>

# (1) BML General Laboratory

## ■ Occurrence of depreciation

### Phase 1

<b>Buildings and facilities attached to buildings</b>	Investment	¥15.4 billion
	Depreciation	Approx. ¥400 million/year

→ Impact on business performance to be insignificant

### Phase 2

<b>Next-generation testing equipment</b>	Investment	¥13.0 to 18.0 billion (projected)
	Depreciation	Scheduled to be announced in the Ninth Medium-Term Management Plan

## (2) Pathological Testing

### ■ Investment in pathological testing

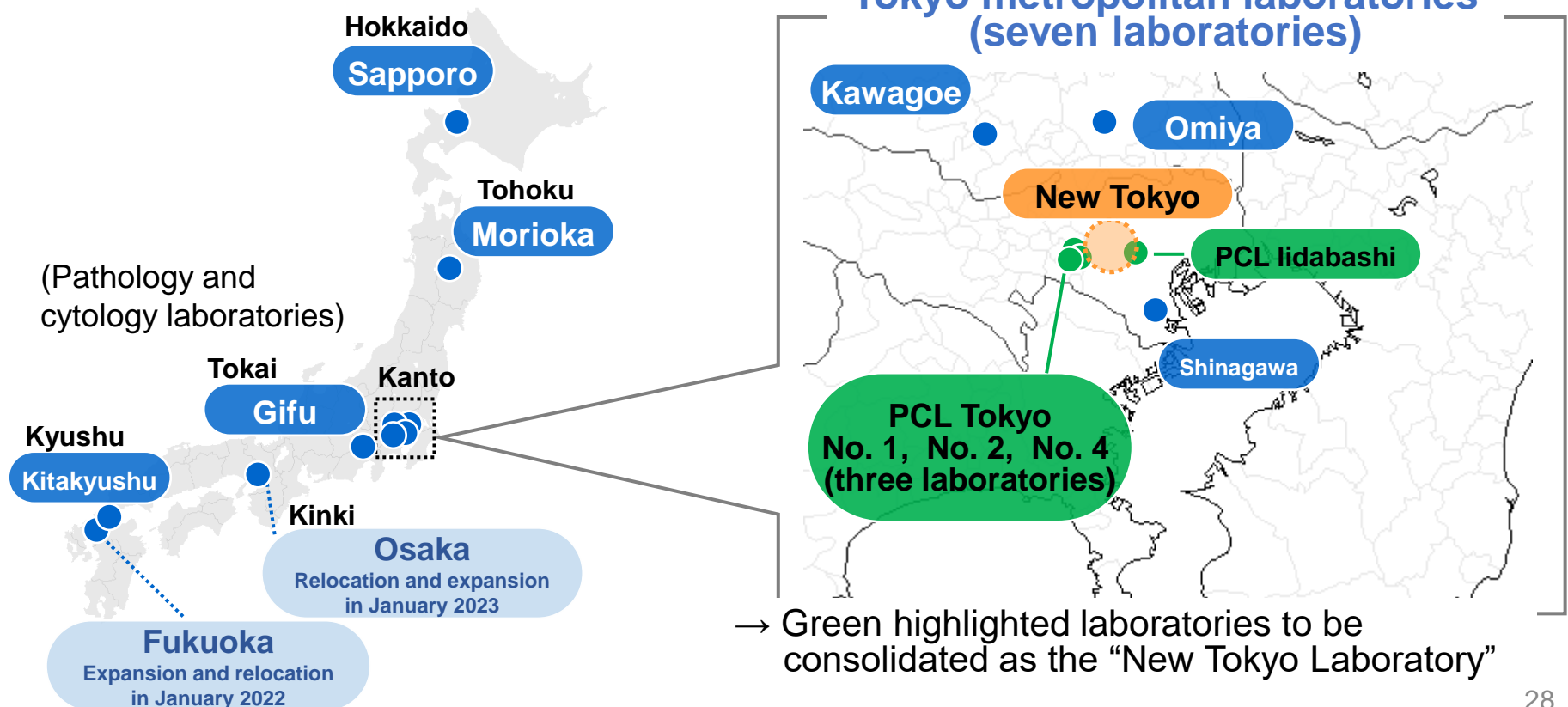
→ Expand testing capacity given the outlook for a continued stable growth

#### Outline of the investment

	Outline
Location	Ichigaya, Shinjuku-ku, Tokyo
Site area	693.39 m <sup>2</sup>
Total floor area	2,143.4 m <sup>2</sup>
Purchase costs	¥4.9 billion
Completion	November 2024

## (2) Pathological Testing

- Expansion of testing processing capacity to meet increase in number of specimens
  - Consolidate into the New Tokyo Laboratory (provisional name), expand and relocate (scheduled for January 2025)  
Increase specimen preparation capacity to 130%
    - To meet increasing number of specimens over the next 10 years



### (3) Food Sanitation Testing

- Investment in food sanitation testing with its huge growth potential

#### Outline of the investment

	Outline
Location	Matoba, Kawagoe-shi, Saitama
Site area	2,766.42 m <sup>2</sup>
Total floor area	3,994.5 m <sup>2</sup>
Construction costs	¥1.8 billion
Completion	February 2024

### (3) Food Hygiene Testing

- Construction of a new test center on the site adjacent to the existing food test center
  - BCP measures (equipment to be moved to higher floors where there is a risk of inundation affecting continuity of testing operations\*)
  - Increase testing processing capacity to about twice the current level
  - Secure price competitiveness through cost reduction

\* Intestinal bacteria laboratory, high-voltage power receiving and transforming equipment, water receiving tank



## (4) Software

### ■ Software Investment

Aside from regular software investment, around ¥5 billion of investment is planned over the next 10 years

→ Continue investment in the infrastructure for DX promotion, including investment in mission-critical system

- ◇ Browser-type electronic patient chart system
- ◇ Calibration control system
- ◇ Migration of the mission-critical system
- ◇ ERP system upgrade
- ◇ BCP measures for regional testing systems, etc.



# **Capital and Business Alliance with FALCO HOLDINGS Co., Ltd.**

- (1) Conclusion of Agreement**
- (2) Contracting of Specialized Testing**
- (3) Contract Testing in Provincial Areas**
- (4) ICT Functions**



## (1) Conclusion of Agreement

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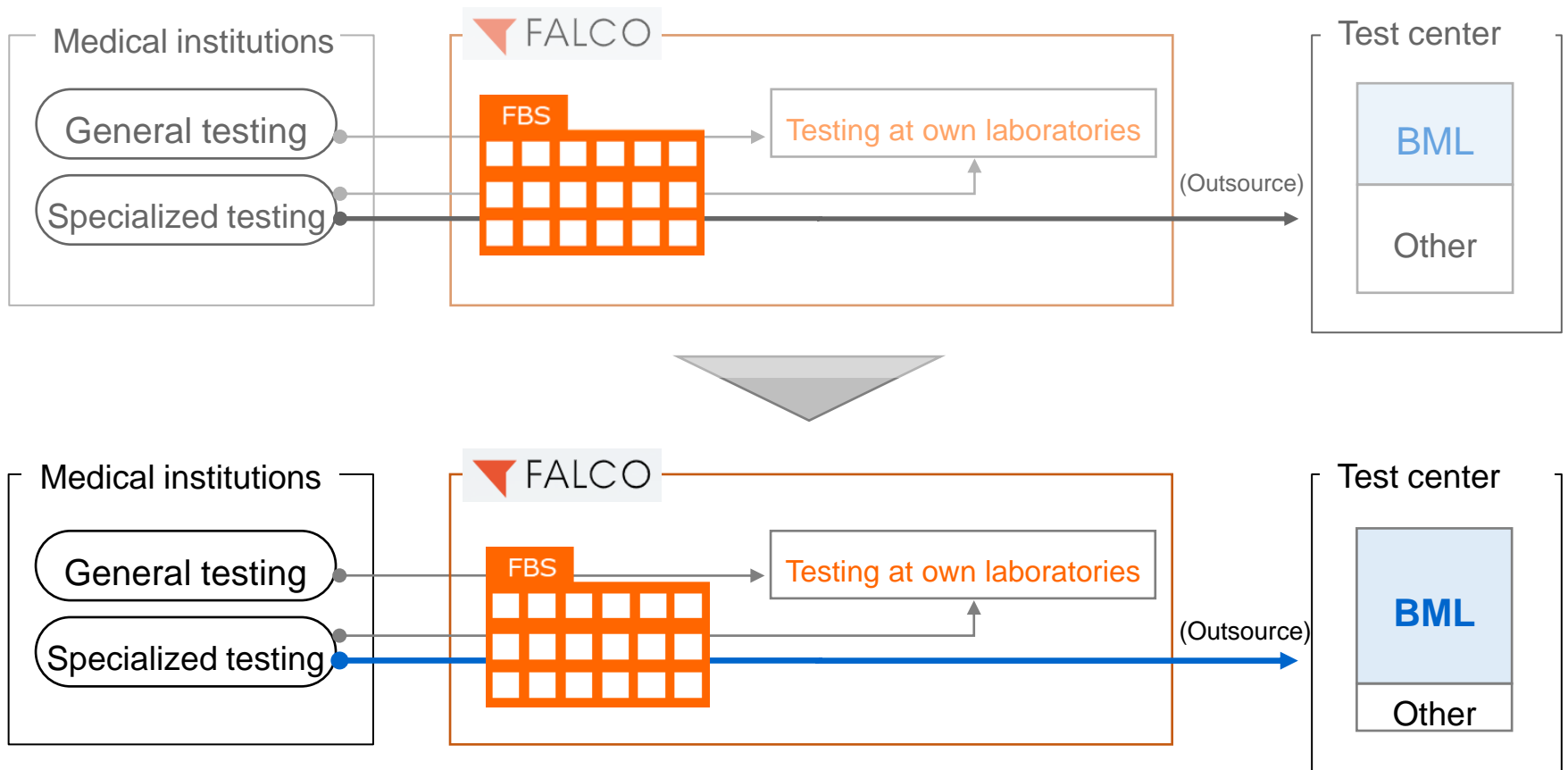
- “Agreement related to shares of BML” signed today (May 12, 2023)  
→ Acquisition of BML shares by FALCO HOLDINGS Co., Ltd.

### Details of acquisition

Period of acquisition	May 16 to September 29, 2023
Total acquisition cost	Up to ¥1,427,300,000

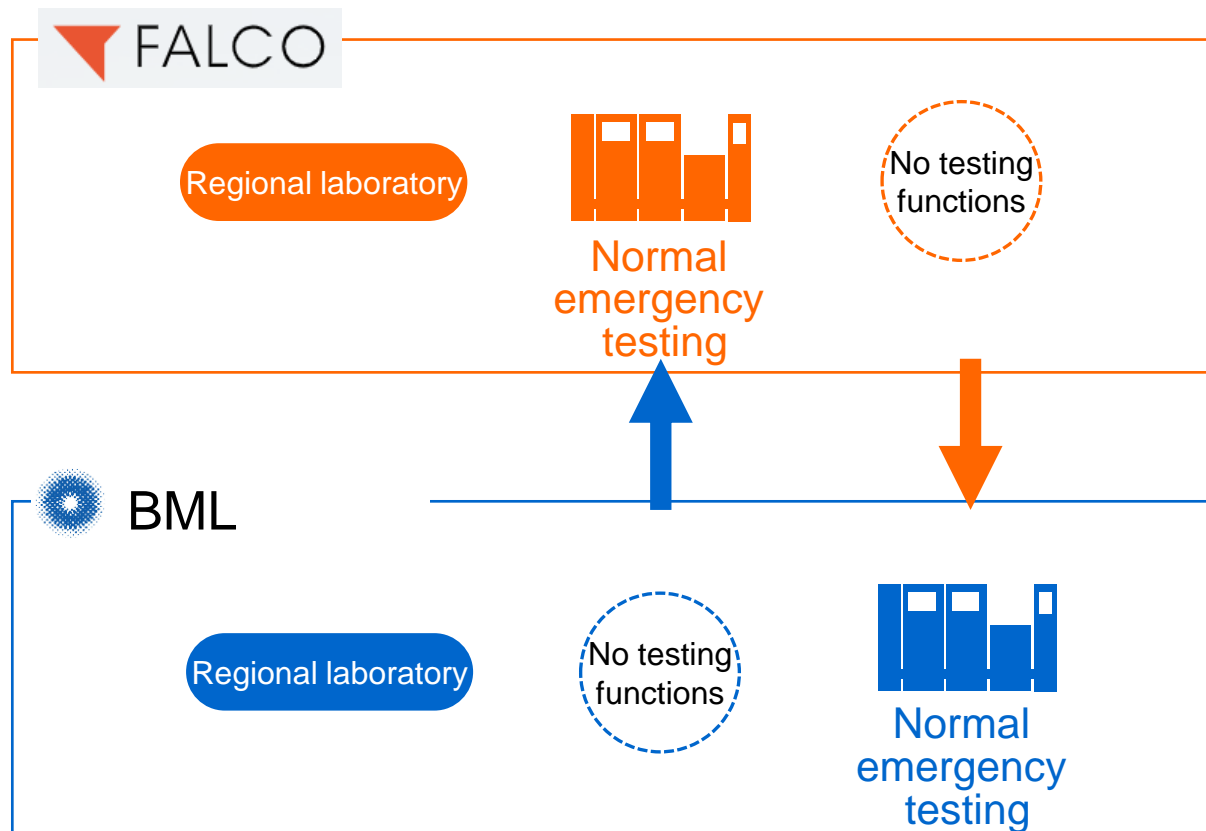
## (2) Contracting of Specialized Testing

- FALCO Biosystems Ltd. (FBS) to direct its outsourced specialized testing to BML



### (3) Contract Testing in Provincial Areas

- Mutual use of respective facilities in areas with no laboratories
  - Consider a complementary system for each laboratory testing function

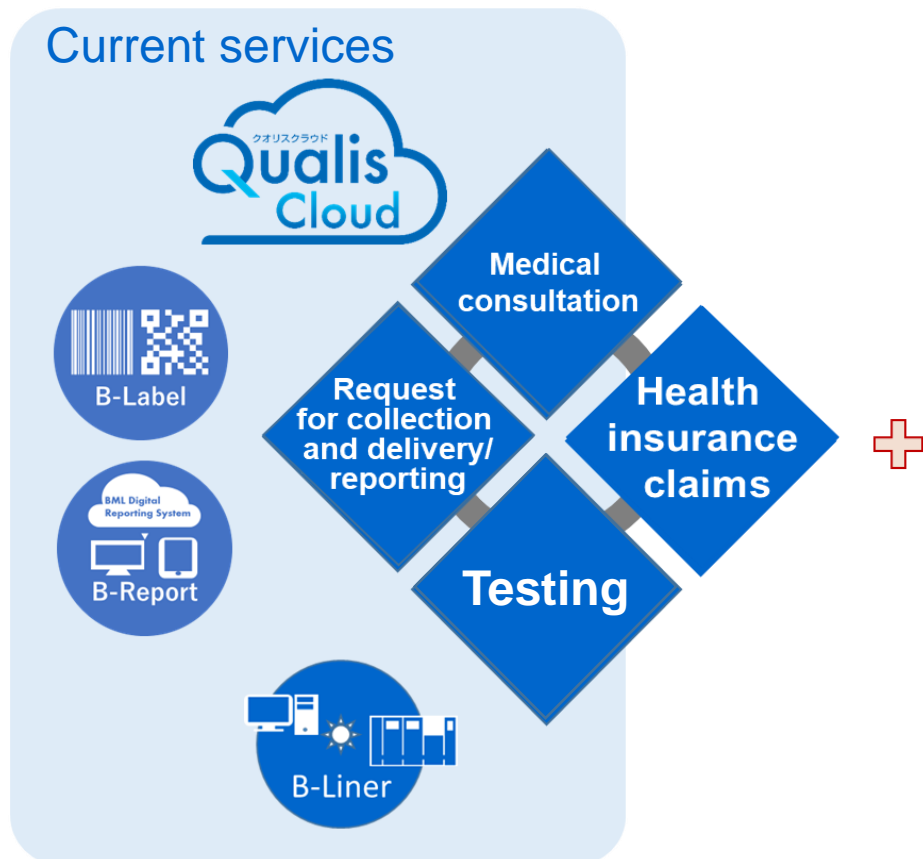


## (4) ICT Functions

### ■ Sale of ICT products

→ Promote DX in medical settings by complementing each other's system

#### BML



New service for promotion of DX



Health insurance  
claims support services  
provided by FALCO



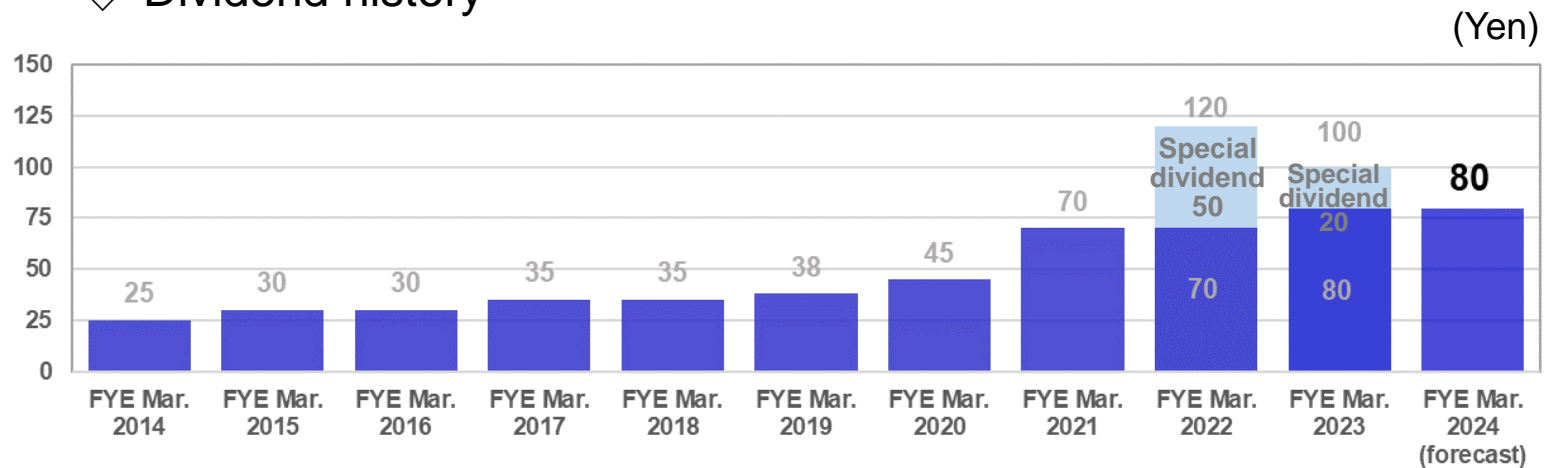
# **Forecast for FY2023 (Full-Year) Shareholder Returns**

# Forecast for FY2023 (Full Year)

			(Millions of yen)	
	FY2022	FY2023	YoY	Change
Net sales	159,462	<b>135,000</b>	<b>-24,462</b>	<b>(15.3)%</b>
Testing business	152,525	<b>128,700</b>	<b>-23,825</b>	<b>(15.6)%</b>
Clinical testing	147,731	<b>123,800</b>	<b>-23,931</b>	<b>(16.2)%</b>
Food hygiene business	4,793	<b>4,900</b>	107	2.2%
Medical informatics	5,420	<b>4,800</b>	<b>-620</b>	<b>(11.4)%</b>
Other businesses	1,516	<b>1,500</b>	<b>-16</b>	<b>(1.1)%</b>
Operating profit	23,936	<b>11,500</b>	<b>-12,436</b>	<b>(52.0)%</b>
Ordinary profit	24,182	<b>11,800</b>	<b>-12,382</b>	<b>(51.2)%</b>
Profit attributable to owners of parent	15,578	<b>7,600</b>	<b>-7,978</b>	<b>(51.2)%</b>

## Dividends

### ◇ Dividend history



(Note) Effective September 1, 2016, the Company implemented a two-for-one split of its common stock.

(Note) Figures for FYE Mar. 2016 and prior years are the amounts after the stock split.

(Note) For the fiscal year ended March 31, 2024, an annual dividend of 80 yen is scheduled to be paid.

# Appendix

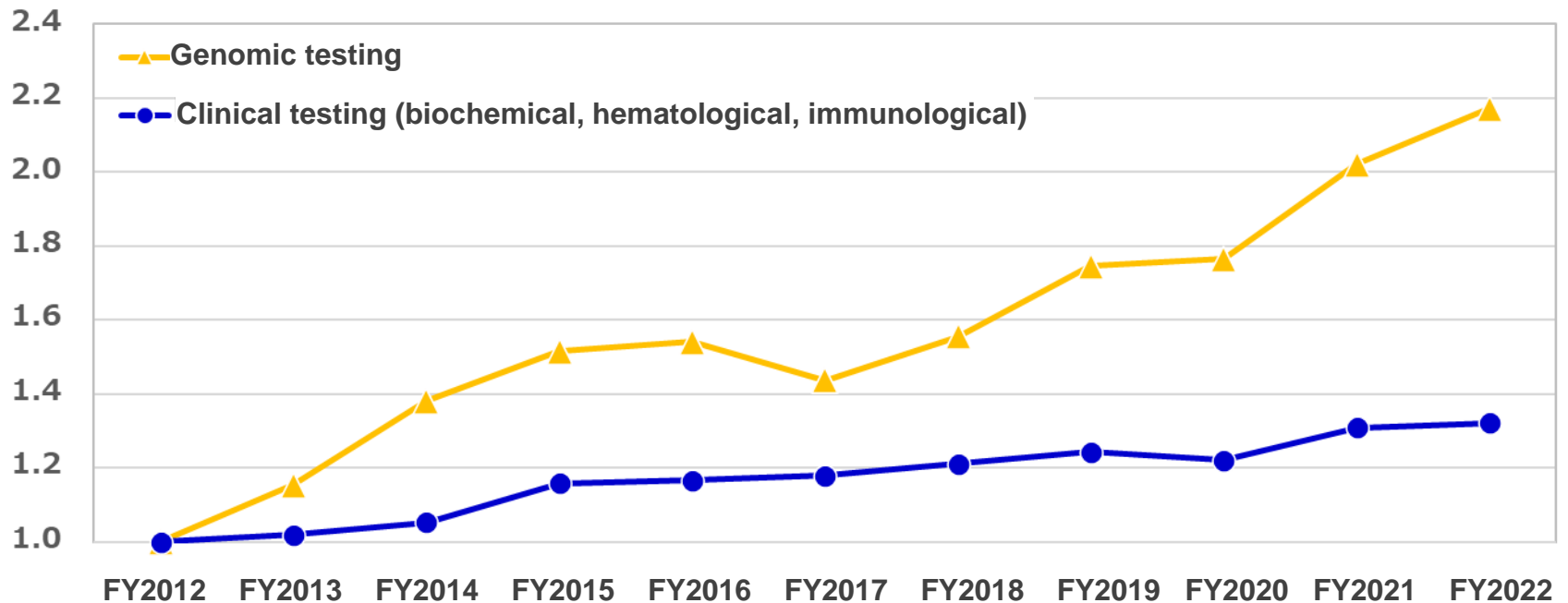


# Changes in Sales of Genomic Testing

- Net sales of genomic testing (excluding COVID-19-related) have been outperforming clinical testing\*

\*Biochemical, hematological, and immunological testing

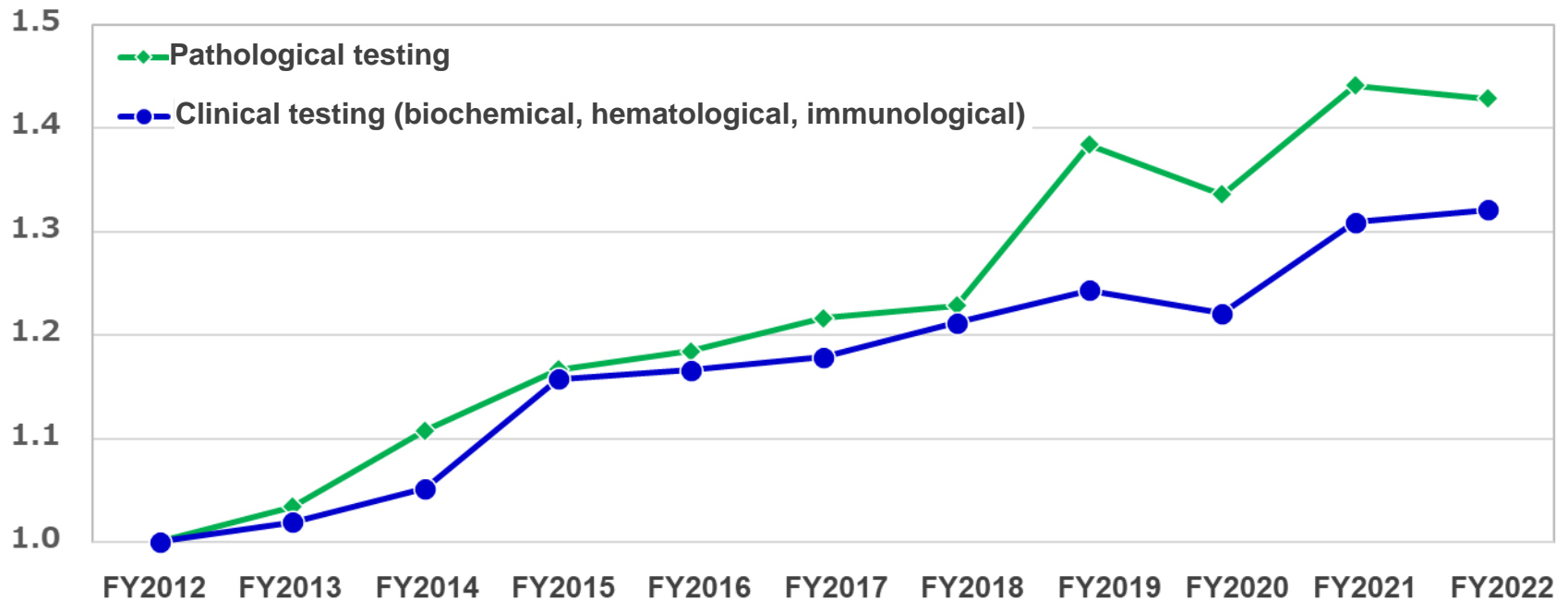
\*Rate of increase in net sales with FY2012 as the base year at 1.0



# Changes in Sales of Pathological Testing

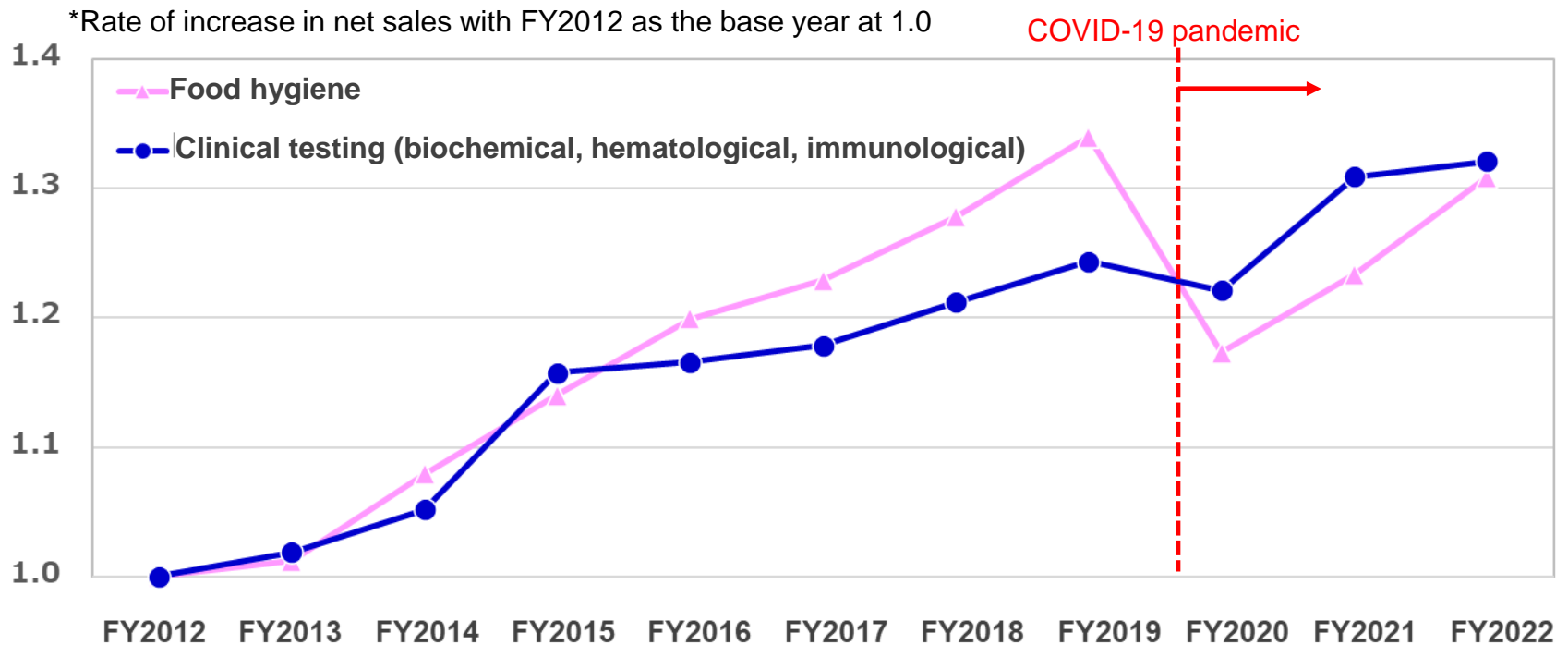
- Net sales of pathological testing have been outperforming clinical testing

\*Rate of increase in net sales with FY2012 as the base year at 1.0



# Changes in Sales of Food Hygiene

- Net sales of food hygiene declined due to COVID-19 but should grow at a higher rate than clinical testing once the business gets on track with return to normal



	FY2018	FY2019	FY2020	FY2021	FY2022
Operating profit ratio	8.9%	8.1%	14.4%	26.3%	15.0%
ROIC	9.0%	8.5%	15.1%	28.5%	13.1%
DOE	2.1%	2.5%	3.3%	4.2%	3.2%
Total payout ratio	24.3%	116.8%	20.7%	28.5%	31.5%

(Millions of yen)

EBITDA	15,753	15,102	26,258	56,005	30,312
Operating CF	12,507	12,771	19,574	45,603	11,742
FCF	8,567	7,558	14,990	38,306	4,115

## Health and productivity management

- Certified as a “White 500” in 2023 Health & Productivity Stock Selection



- Construction of a structure for promotion of health and productivity management
  - The Company will continue to promote work-life balance and create a workplace environment where diverse employees can demonstrate their skills, and support initiatives for employees to maintain and improve their mental and physical wellbeing, and engage in self-initiated activities to maintain and improve their wellbeing.

Becoming the most trusted  
choice in the medical world

**C**ustomer Satisfaction

**S**ynergy

**S**ocial Responsibility



## Cautions Regarding Use of This Document

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### <Cautions regarding forward-looking statements, etc.>

Forward-looking statements contained in this document, such as projections, strategies and plans, are based on the Company's judgment formed on the basis of various assumptions made at the time of preparation of the document from information currently available to the Company. There is no guarantee of the accuracy of statements and assumptions herein, and no assurance that the planned figures and policies will be realized. Due to a variety of factors, actual results may differ from projections presented in these statements. Also, be advised that information contained herein is subject to change without notice.