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May 12, 2023

CONSOLIDATED EARNINGS REPORT FOR FISCAL 2022

[Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
URL: <https://www.bml.co.jp>
Representative: Kensuke Kondo, President and Representative Director
Contact: Norihisa Takebe, Director and Senior Managing Executive Officer
 Tel: +81-3-3350-0111

Scheduled Date for the General Meeting of Shareholders: June 29, 2023
Scheduled Date for Filing of Annual Securities Report: June 29, 2023
Scheduled Date for Payment of Dividends: June 30, 2023
Creation of Supplementary Explanatory Materials: Yes
Holding of Explanatory Meeting: Yes

(Rounded down to nearest million yen)

1. Results for Fiscal 2022 (April 1, 2022–March 31, 2023)

(1) Consolidated business results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	159,462	(14.3)	23,936	(51.0)	24,182	(52.7)	15,578	(53.8)
FY2021	186,067	34.3	48,889	145.2	51,077	145.5	33,741	146.1

(Note) Comprehensive income: FY2022 ¥15,382 million / (55.7)% FY2021 ¥34,689 million / 137.0%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to sales ratio
	Yen	Yen	%	%	%
FY2022	395.84	395.62	13.1	13.9	15.0
FY2021	833.24	832.62	33.0	32.1	26.3

(Reference) Equity in earnings (losses) of affiliates: FY2022 ¥— million FY2021 ¥— million

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2023	168,943	126,751	72.5	3,138.63
As of March 31, 2022	179,200	121,684	64.8	2,909.29

(Reference) Equity capital: As of March 31, 2023 ¥122,467 million As of March 31, 2022 ¥116,163 million

(3) Consolidated cash flow position

	Operating activities ¥ million	Investing activities ¥ million	Financial activities ¥ million	Cash and cash equivalents at end of period ¥ million
FY2022	11,742	(7,627)	(9,715)	82,760
FY2021	45,603	(7,297)	(9,828)	88,360

2. Dividends

	Dividends per share					Total amount (Full year) ¥ million	Dividend payout ratio (Consolidated) %	Dividend on net asset (Consolidated) %
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen			
FY2021	–	35.00	–	85.00	120.00	4,817	14.4	4.7
FY2022	–	40.00	–	60.00	100.00	3,912	25.3	3.3
FY2023 (forecast)	–	40.00	–	40.00	80.00		41.1	

3. Consolidated Cumulative Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	135,000	(15.3)	11,500	(52.0)	11,800	(51.2)	7,600	(51.2)	194.78

*** Notes**

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

Increases: – Decreases: –

(2) Changes in accounting policies, accounting estimates, and restatements

- 1) Changes in accounting policies in conjunction with revisions to accounting standards: Yes
- 2) Other changes: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Number of outstanding shares (common shares)

a. Number of outstanding shares at the end of the fiscal year (treasury shares included)

As of March 31, 2023	42,613,626	As of March 31, 2022	43,514,726
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b. Number of treasury shares at the end of period

As of March 31, 2023	3,594,264	As of March 31, 2022	3,586,202
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c. Average number of shares during the period

FY2022	39,355,312	FY2021	40,494,591
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Reference: Non-Consolidated Results of Operations

1. Non-Consolidated Business Results for Fiscal 2022 (April 1, 2022–March 31, 2023)

(1) Non-consolidated management performance

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	128,311	(13.8)	16,233	(54.2)	18,593	(51.8)	16,085	(40.9)
FY2021	148,886	34.6	35,467	167.2	38,589	158.8	27,228	157.8

	Basic earnings per share Yen	Diluted earnings per share Yen
FY2022	408.73	408.50
FY2021	672.41	671.91

(2) Non-consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %	Net assets per share Yen
As of March 31, 2022	134,436	97,693	72.7	2,503.13
As of March 31, 2021	138,366	89,796	64.9	2,248.06

(Reference) Equity capital: As of March 31, 2022 ¥97,670 million As of March 31, 2021 ¥89,761 million

Notes:

* The earnings report is exempted from auditing 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 “(4) Forecasts” under “1. Overview of Operating Results” (page 7) of this earnings report concerning financial forecasts such as the assumptions used for financial forecasts and factors that could cause these assumptions to change, as well as cautionary notes.

1. Overview of Operating Results

(1) Overview of operating results in the fiscal period under review

In the consolidated fiscal year under review, the Japanese economy showed signs of a gradual recovery on the back of various policy measures under the “new normal.” However, a downturn in overseas economies amid such trends as the continued tightening of monetary policy around the world poses downside risks to the Japanese economy. Meanwhile, the impact notably of price inflation, supply-side restrictions, and movements in financial and capital markets requires careful monitoring.

Under these economic conditions, the operating environment remained challenging for the contract clinical testing business, which was faced with a lackluster trend in the number of people who sought medical care due to the impact of COVID-19, in addition to the impact of a reduction of medical service fees, while competition with peer companies continued.

In these conditions, net sales for the consolidated fiscal year under review were ¥159,462 million, a decrease of 14.3% year on year, and operating profit was ¥23,936 million, a decrease of 51.0% year on year. Ordinary profit decreased by 52.7% year on year to ¥24,182 million, and profit attributable to owners of parent decreased by 53.8% year on year to ¥15,578 million. Although testing numbers within existing testing increased for the BML Group, both net sales and profit decreased due to a reduction in medical service fees for testing related to COVID-19.

Conditions by business segment are described below.

In the clinical testing business, the BML Group made efforts to acquire new customers and also to enhance business performance by implementing activities to further develop sales to existing customers of such items as new testing items, unique testing items, and priority testing items. However, due to the considerable impact of the reduction in medical service fees for testing related to COVID-19, net sales in the clinical testing business declined 15.7% year on year.

In the food hygiene business, areas including food consulting and microbe testing grew. As a result, net sales increased by 6.1% year on year.

As a result of the above, net sales in the testing business overall decreased by 15.1%.

In the medical informatics business, net sales increased by 12.5% year on year. This reflected progress made generally as planned in sales of the cloud-based electronic patient chart system, which was released in April 2022, combined with increased orders for the online health insurance qualification check function. Maintenance sales were also solid, due to an increase in the number of units installed.

In other businesses, although the dispensing pharmacy business was affected by a revision of medical service fees (reduction in drug prices), an increase in the number of out-patients led to an increase in net sales by 1.1% year on year.

(2) Overview of financial position in the fiscal period under review

Regarding the financial position at the end of the consolidated fiscal year under review, total assets amounted to ¥168,943 million, a ¥10,256 million decrease over the end of the previous fiscal year, liabilities amounted to ¥42,192 million, a ¥15,323 million decrease over the end of the previous fiscal year, net assets totaled ¥126,751 million, up ¥5,066 million over the end of the previous fiscal year, and the equity ratio increased by 7.7% over the end of the previous fiscal year to 72.5%.

As for the main items contributing to an increase or decrease, in the assets section, notes and accounts receivable–trade decreased by ¥9,622 million. In the liabilities section, income taxes payable decreased by ¥11,991 million and accounts payable–other by ¥3,003 million. In net assets, retained earnings increased by ¥7,920 million.

(3) Overview of cash flows in the fiscal period under review

The balance of cash and cash equivalents at the end of the fiscal year under review was ¥82,760 million, down ¥5,599 million year on year. By type of activity, the cash flow situation and the main factors contributing to an increase or decrease are as follows.

Cash flows from operating activities resulted in a cash inflow of ¥11,742 million, a decrease of ¥33,860 million from the previous fiscal year. This largely reflected a decrease of ¥26,144 million in inflow from profit before income taxes and an increase of ¥9,573 million in outflow from income taxes.

Cash flows from investing activities resulted in a cash outflow of ¥7,627 million, an increase of ¥330 million from the previous fiscal year.

Cash flows from financing activities resulted in a cash outflow of ¥9,715 million, an decrease of ¥112 million from the previous fiscal year.

Reference: Trend of cash flow index

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity ratio (%)	66.5	65.4	63.5	64.8	72.5
Equity ratio on market value (%)	117.9	101.5	111.7	68.8	71.3
Interest-bearing debt to cash flow ratio (%)	34.8	34.6	21.5	9.4	43.2
Interest coverage ratio (times)	331.0	334.7	515.6	1,253.0	287.8

- Equity ratio: $\text{Equity capital} \div \text{total assets}$
- Equity ratio on market value: $\text{Current capital stock} \div \text{gross assets}$
- Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} \div \text{cash flow}$
- Interest coverage ratio: $\text{Cash flow} \div \text{interest expense}$

Note 1: The calculation of each index is on a consolidated basis.

Note 2: The total market value of listed shares is calculated by the number of outstanding shares excluding treasury shares.

Note 3: Cash flows are calculated using operating cash flow.

Note 4: In liabilities recorded on the consolidated balance sheet, interest-bearing debt means all liabilities with paid interest.

(4) Forecasts

Looking ahead, social and economic activities are expected to move further toward normalization with the reclassification of COVID-19 to Class V under the Infectious Diseases Control Law. For the clinical testing industry, the environment will likely remain challenging in view of the projected decrease in COVID-19-related tests, combined with business competition and the impact of medical service fee revisions.

In this operating environment, the Group has entered the final year of the Eighth Medium-Term Management Plan (FY2021–FY2023), which forms part of the management plan that the Group has been implementing as a nine-year project. The Company will further step up its commitment to quality and service improvement, which it has been pursuing over the years. At the same time, the Company will carefully assess post-pandemic changes and take measures promptly and accurately to respond to the changes, which specifically include expansion of genome areas, enhancement of non-insurance areas, and sales expansion of the cloud-based electronic patient chart system, and thereby seek to strengthen its competitiveness.

The Company is planning to construct a new building near BML General Laboratory in FY2024, which will bring the total floor area of BML General Laboratory to about 1.8 times the current level. With the concept of “establishing an infrastructure that supports sustainable growth for the next 10 years and beyond,” the new building has as its objectives consideration toward reducing environmental impact, countermeasures against intensifying disasters, and securing extensibility in line with expansion of business scope and improvement of processing capacity and processing efficiency.

For strengthening the business structure, the Company positions development and effective utilization of human resources as an important agenda and is setting up a new training system as part of its efforts to build a framework for its continuous development. Further, ESG initiatives will be actively pushed forward to achieve our goals of “contribution to a sustainable society” and “sustainable enhancement of corporate value.”

With respect to consolidated earnings for the fiscal year ending March 31, 2024, we forecast ¥135,000 million in net sales, ¥11,500 million in operating profit, ¥11,800 million in ordinary profit, and ¥7,600 million in profit attributable to owners of parent.

3. Management Policy

(1) Basic policies

Since its foundation, BML has maintained a firm commitment to providing speedy, precise testing services across a broad range from general to highly specialized tests. 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 always been 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 strives to seek continuous growth and improvement of company value.

These days, under progress of medical structural reform, since the requirements for medical efficiency and quality improvement are growing stronger, the business environment surrounding BML is showing drastic change. Against this backdrop, BML will respond flexibly and rapidly to these environmental changes. We will also provide systems and services based on an accurate understanding of these trends. Our overall aim is to become a company that contributes to the application of IT to medical care.

In addition, we will improve our service quality and customer satisfaction by means of obtaining ISO 9001 and ISO 15189, which is specialized management system for clinical testing laboratories. Furthermore, from the viewpoint of social responsibility of our business enterprise, we will make active efforts to protect the environment by means of expanding the acquisition of ISO 14001 to the whole Group.

(2) Financial targets

Ordinary income to net sales ratio (consolidated basis): 10.0%

Return on equity (consolidated basis): 8.0%

Focus on free cash flow

(3) Medium- to long-term business strategy

FY2023 is the final year of the Eighth Medium-Term Management Plan (FY2021–FY2023), which forms part of the management plan that the Group has been implementing as a nine-year project. Positioning this period to be a phase for taking the leap toward achieving the Group Vision “to become the most trusted choice in the medical world,” the Company will step up its commitment to quality and service improvement that it has been pursuing from the Sixth Medium-Term Management Plan.

Our mission, as set out in the Eight Medium-Term Management Plan, is threefold. The first is Customer Satisfaction, which is to seek maximization of customer satisfaction through quality and service enhancement. The second is Synergy, which is to aim for mutual growth with various companies. The third is Social Responsibility, which is to provide stable testing facilities and thereby fulfill our responsibilities toward society and the health care industry.

The Group positions FY2023, which is the final year of the Eighth Medium-Term Management Plan, to be an important year for launching various actions towards the start of the Ninth Medium-Term Management Plan. We will continue to work on the projects we have been pushing forward in the past years, including the establishment of a temperature control process during specimen collection and delivery, and the standardization of testing processes in nationwide laboratories based on SOP (Standard Operating Procedures), through which we will seek to enhance our corporate presence.

(4) Tasks ahead

1) Establishment of infrastructure through construction of a new building

In the new building construction plan, which is scheduled for completion in August 2024, we aim to establish an infrastructure that supports stable growth for the next generation. In the first phase, we will strengthen our BCP measures to prepare for natural disasters such as inundations and earthquakes. We will also work on reducing greenhouse gas emissions to lower our environmental impact by installing solar power generation systems and high-efficiency heat source equipment. In the second phase, we will seek to secure testing extensibility and put in place a highly efficient testing system. We will strive to enhance testing capacity to accommodate future expansion of our business scope and build a high-efficiency and low-cost structure while improving quality.

2) Enhancement and expansion of non-insurance areas

As businesses in non-insurance areas outside the scope of insured medical treatment, we will aim to strengthen the medical check-up business, the food hygiene business, and the medical informatics business. In the medical check-up business, we will push forward new activities using a nationwide collection and delivery system as well as expansion of optional medical examination items. In the food hygiene business, we will work on expanding the general consulting service in food quality control and expanding the certification business, while in the medical informatics business, we will seek to expand sales of the cloud-based electronic patient chart system (Qualis Cloud).

3) DX initiatives

For promotion of DX, we will focus on the three initiatives of cloud-based electronic patient charts (Qualis Cloud), clinical testing systems (B-Liner), and DRS (Digital Reporting System). Specifically, we will increase operational efficiency by promoting use of electronic patient charts and upgrading the functionality of clinical testing systems. Also, we will work on improving customer convenience and reducing workload using innovative DRS collection and delivery processes. Further, to respond to changes in the environment, we will work on establishing systems and infrastructure that would allow for utilization of digital technologies and IT innovation in the medium to long term, in order to further improve customer experience and increase operational efficiency.

4) Strengthening business structure

As part of initiatives to strengthen our management foundation, we will seek to enhance our corporate governance by improving the effectiveness of the Board of Directors and consolidating internal controls. Further, we will work on enhancing the education system for development and effective utilization of human resources, and push diversity forward by further promoting implementation of various measures aimed at career formation for female employees. Moreover, we will continue to promote the preservation and improvement of health for our employees and their families, while moving ahead with the creation of a healthy and pleasant working environment.

5) Initiatives to address climate change

In June 2022, the BML Group established the Sustainability Committee chaired by the Representative Director and Vice-President, and expressed its endorsement of the recommendations of the “Task Force on Climate-related Financial Disclosures.”

The Committee recognizes that addressing climate change is a high-priority issue and conducts a climate change scenario analysis (risks and opportunities). The Committee also identifies those risks that have a particularly large impact on management in terms of financial impact and the likelihood of

occurrence as critical risks. In addition, the Committee discusses risks and opportunities related to climate change, as well as the Group's targets and progress.

4. Basic Policy on the Selection of Accounting Standards

With regard to adopting the International Financial Reporting Standards (IFRS) in the future, BML Group will respond appropriately based on due consideration of circumstances.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	92,126	86,521
Notes and accounts receivable–trade	36,405	26,783
Merchandise and finished goods	467	359
Work in process	749	800
Raw materials and supplies	3,659	3,624
Other current assets	3,737	4,835
Allowance for doubtful accounts	(75)	(47)
Total current assets	137,070	122,877
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,844	10,353
Land	13,342	13,341
Leased assets, net	2,969	3,721
Others, net	6,180	7,733
Total property, plant and equipment	32,337	35,150
Intangible assets		
Other intangible assets	3,973	4,542
Total intangible assets	3,973	4,542
Investments and other assets		
Investment securities	1,701	2,673
Deferred tax assets	2,566	2,058
Other	1,635	1,757
Allowance for doubtful accounts	(83)	(116)
Total investments and other assets	5,819	6,373
Total non-current assets	42,130	46,066
Total assets	179,200	168,943

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	21,672	20,094
Lease liabilities	1,194	1,363
Income taxes payable	12,600	609
Provision for bonuses	3,616	3,720
Accounts payable–other	10,150	7,146
Other current liabilities	2,787	2,448
Total current liabilities	52,022	35,383
Non-current liabilities		
Lease liabilities	2,136	2,787
Provision for retirement benefits for directors (and other officers)	214	223
Retirement benefit liability	2,616	3,244
Other non-current liabilities	525	553
Total non-current liabilities	5,494	6,809
Total liabilities	57,516	42,192
Net assets		
Shareholders' equity		
Share capital	6,045	6,045
Capital surplus	6,646	6,646
Retained earnings	110,458	118,378
Treasury shares	(8,057)	(8,902)
Total shareholders' equity	115,094	122,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	453	268
Remeasurements of defined benefit plans	616	29
Total accumulated other comprehensive income	1,069	298
Share acquisition rights	35	23
Non-controlling interests	5,485	4,260
Total net assets	121,684	126,751
Total liabilities and net assets	179,200	168,943

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

(millions of yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Net sales	186,067	159,462
Cost of sales	99,116	98,016
Gross profit	86,951	61,446
Selling, general and administrative expenses	38,061	37,509
Operating profit	48,889	23,936
Non-operating income		
Rental income from real estate	60	65
Subsidy income	1,887	171
Other	343	263
Total non-operating income	2,292	500
Non-operating expenses		
Interest expenses	36	40
Cost of real estate lease revenue	44	27
Refund of subsidies	10	162
Other	13	23
Total non-operating expenses	104	254
Ordinary profit	51,077	24,182
Extraordinary income		
Gain on sales of investment securities	6	215
Gain on extinguishment of tie-in shares	20	–
Other	1	6
Total extraordinary income	29	221
Extraordinary losses		
Loss on retirement of non-current assets	449	158
Impairment losses	327	47
Other	0	14
Total extraordinary losses	777	219
Profit before income taxes	50,328	24,184
Income taxes—current	15,845	7,181
Income taxes—deferred	(195)	846
Total income taxes	15,650	8,027
Profit	34,678	16,156
Profit attributable to non-controlling interests	937	578
Profit attributable to owners of parent	33,741	15,578

Consolidated statements of comprehensive income

(millions of yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Profit	34,678	16,156
Other comprehensive income		
Valuation difference on available-for-sale securities	(43)	(185)
Remeasurements of defined benefit plans, net of tax	54	(589)
Total other comprehensive income	11	(774)
Comprehensive income	34,689	15,382
Breakdown		
Comprehensive income attributable to owners of parent	33,754	14,806
Comprehensive income attributable to non-controlling interests	935	575

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,045	6,705	81,220	(6,651)	87,320
Changes during period					
Dividends of surplus			(3,455)		(3,455)
Profit attributable to owners of parent			33,741		33,741
Purchase of treasury shares				(2,555)	(2,555)
Disposal of treasury shares		9		33	43
Cancellation of treasury shares		(68)	(1,048)	1,116	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(58)	29,237	(1,405)	27,773
Balance at end of current period	6,045	6,646	110,458	(8,057)	115,094

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	496	560	1,057	44	4,701	93,123
Changes during period						
Dividends of surplus						(3,455)
Profit attributable to owners of parent						33,741
Purchase of treasury shares						(2,555)
Disposal of treasury shares						43
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	(43)	55	12	(8)	783	787
Total changes during period	(43)	55	12	(8)	783	28,561
Balance at end of current period	453	616	1,069	35	5,485	121,684

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,045	6,646	110,458	(8,057)	115,094
Changes during period					
Dividends of surplus			(4,964)		(4,964)
Profit attributable to owners of parent			15,578		15,578
Purchase of treasury shares				(3,072)	(3,072)
Cancellation of treasury shares		1		44	45
Disposal of treasury shares		(1)	(2,181)	2,183	–
Purchase of shares of consolidated subsidiaries			(511)		(511)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,920	(845)	7,075
Balance at end of current period	6,045	6,646	118,378	(8,902)	122,169

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at beginning of current period	453	616	1,069	35	5,485	121,684
Changes during period						
Dividends of surplus						(4,964)
Profit attributable to owners of parent						15,578
Purchase of treasury shares						(3,072)
Disposal of treasury shares						45
Cancellation of treasury shares						–
Purchase of shares of consolidated subsidiaries						(511)
Net changes in items other than shareholders' equity	(185)	(586)	(771)	(12)	(1,224)	(2,008)
Total changes during period	(185)	(586)	(771)	(12)	(1,224)	5,066
Balance at end of current period	268	29	298	23	4,260	126,751

(4) Consolidated statements of cash flows

(millions of yen)

	Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	50,328	24,184
Depreciation	5,801	6,257
Impairment losses	327	47
Loss on retirement of non-current assets	449	158
Loss (gain) on sale of investment securities	(6)	(215)
Interest expenses	36	40
Decrease (increase) in trade receivables	(5,996)	9,589
Decrease (increase) in inventories	(836)	88
Increase (decrease) in trade payables	1,365	(1,577)
Increase (decrease) in provision for bonuses	196	103
Subsidy income	(1,887)	(171)
Refund of subsidies	10	162
Decrease (increase) in income taxes refund receivable	(74)	(2,051)
Increase (decrease) in accrued consumption taxes	1,512	(3,599)
Decrease (increase) in consumption taxes refund receivable	–	(1,243)
Other, net	1,581	(1,294)
Subtotal	52,807	30,480
Interest paid	(36)	(40)
Income taxes paid	(9,220)	(18,793)
Subsidies received	1,919	146
Refund of subsidy paid	(10)	(162)
Other proceeds	143	112
Net cash provided by (used in) operating activities	45,603	11,742
Cash flows from investing activities		
Payments into time deposits	(5,388)	(5,628)
Proceeds from withdrawal of time deposits	5,248	5,633
Purchases of property, plant and equipment	(5,694)	(4,562)
Purchases of intangible assets	(1,391)	(1,898)
Purchase of investment securities	(1)	(1,428)
Proceeds from sale of investment securities	32	404
Other, net	(102)	(147)
Net cash provided by (used in) investing activities	(7,297)	(7,627)

	(millions of yen)	
	Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Repayments of lease obligations	(1,378)	(1,423)
Dividends paid	(3,455)	(4,964)
Dividends paid to non-controlling interests	(151)	(211)
Purchase of treasury shares	(4,818)	(1,000)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(2,100)
Other, net	(23)	(13)
Net cash provided by (used in) financing activities	(9,828)	(9,715)
Net increase (decrease) in cash and cash equivalents	28,477	(5,599)
Cash and cash equivalents at beginning of period	59,853	88,360
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	28	–
Cash and cash equivalents at end of period	88,360	82,760

(5) Notes to consolidated financial statements

(Note on the assumption as a going concern)

Not applicable

(Basis of preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 20

Names of major consolidated subsidiaries: Kyodo Igaku Laboratories, Inc.

PCL Japan, Inc.

Daiichi Kishimoto Clinical Laboratories Inc.

(2) Number of non-consolidated companies: 7, including SPL

Reason for exclusion from the scope of consolidation:

Amounts for all non-consolidated subsidiaries, including total assets, net sales, profit (loss), and retained earnings, are not significant and would not materially change the overall consolidated financial statements. We have therefore excluded these subsidiaries from consolidation.

2. Scope of equity method

Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method: 9, including SPL

We have excluded these subsidiaries and affiliates not accounted for under the equity method because of their minor impacts on profit (loss) and retained earnings and on overall performance in the fiscal year under review.

(Changes in accounting policies)

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Implementation Guidance”) from the beginning of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group has decided to apply the new accounting policies set forth by the Fair Value Measurement Implementation Guidance going forward. This will have no impact on the consolidated financial statements.

<Segment information, etc.>

(Segment information)

1. Overview of reportable segments

The reportable segments of the Company and its subsidiaries are components for which discrete financial information is available and for which the Board of Directors makes decisions on the allocation of management resources and periodically considers operating results to evaluate business performance.

The Company and its subsidiaries are comprised of segments based on products and services and identify “testing business” as a reportable segment. In the other segment, which is not identified as a reportable segment, “medical informatics business” is included. The “testing business” engages in contracted clinical testing operations and others; additionally, we carry out production and sales of system equipment for medical institutions and provision of medical information service as “medical informatics business.”

2. Calculation of sales, profit or loss, assets, liabilities, and amounts of other items for each reportable segment

Accounting treatment for the reportable business segment is almost identical to that described in “Basis of preparation for consolidated financial statements.”

3. Information about sales, profit or loss, assets, liabilities, and other items by reportable segment

Since information related to the business other than the reportable “testing business” segment is deemed immaterial, separate disclosure of the information is omitted.

(Per share information)

	FY2021	FY2022
	Yen	
Net assets per share	2,909.29	3,138.63
Basic earnings per share	833.24	395.84
Diluted earnings per share	832.62	395.62

(Note) 1. Basic earnings per share and diluted earnings per share were calculated on the following basis.

		FY2021	FY2022
Basic earnings per share			
Profit attributable to owners of parent	¥ millions	33,741	15,578
Amount not attributable to common shareholders	¥ millions	–	–
Profit attributable to owners of parent that is related to common shares	¥ millions	33,741	15,578
Average number of shares during the period	Shares	40,494,591	39,355,312
Diluted earnings per share			
Amount for adjustment to profit attributable to owners of parent	¥ millions	–	–
Increase in common shares	Shares	29,938	21,736
(Share acquisition rights)	Shares	29,938	21,736
Descriptions of potentially dilutive common shares that were not included in the computation of diluted earnings per share because of their anti-dilutive effect		–	

2. Net assets per share were calculated on the following basis.

		FY2021	FY2022
Total net assets	¥ millions	121,684	126,751
Amounts deducted from total net assets	¥ millions	5,520	4,283
(Share acquisition rights)	¥ millions	35	23
(Non-controlling interests)	¥ millions	5,485	4,260
Net assets attributable to common stock at year-end of current period	¥ millions	116,163	122,467
Number of common shares at end of current period used in calculation of net assets per share	Shares	39,928,524	39,019,362

(Important subsequent events)

(Purchase of treasury shares)

The Company, at the meeting of its Board of Directors held on February 10, 2023, made a resolution on matters relating to purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act of Japan, as applicable through Article 165, Paragraph 3 of the Companies Act of Japan, and on cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act of Japan, and has executed the purchase of treasury shares. Details are as follows:

(1) Reason for the purchase of treasury shares

The objectives of the purchase of treasury shares are to improve capital efficiency and enhance shareholder returns.

(2) Details of the Board of Directors resolution on purchase of treasury shares

- (i) Class of shares to be purchased: Common shares
- (ii) Total number of shares to be purchased: 350,000 shares (maximum)
- (iii) Total amount to be spent on share purchasing: 1,000,000,000 yen (maximum)
- (iv) Period of purchase: February 13, 2023, to April 30, 2023

(3) Execution details of the purchase

- (i) Period of purchase: February 13, 2023, to April 14, 2023
 - (ii) Total number of shares purchased: 319,200 shares
 - (iii) Total amount spent on share purchasing: 999,992,800 yen
 - (iv) Method of purchase: Market transactions on the Tokyo Stock Exchange
- Note that the purchase of treasury shares was completed on April 14, 2023.

(4) Details of cancellation

- (i) Class of shares to be canceled: Common shares
- (ii) Total number of shares to be canceled: 319,200 shares
- (iii) Scheduled date of cancellation: May 31, 2023