



Financial Summary for FY2020 First Quarter



Lacto Japan Co., Ltd.

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1. Financial Summary

	FY11/2019 1Q	FY11/2020 1Q			(Millions of Yen)
		Actual	Difference	YoY Change	FY11/2020 Forecast
Net sales	27,886	28,221	+ 335	+1.2%	130,000
Ordinary income	535	753	+217	+40.6%	3,000
Ordinary income ratio	1.9%	2.7%	-	-	2.3
Foreign exchange impact on ordinary income (*1)	(-98)	(29)	-	-	-
Net income attributable to owners of the parent	375	545	+169	+45.3%	2,100
Net income ratio	1.3%	1.9%	-	-	1.6
(Amounts of less than one million yen have been omitted)					
Net income per share (Yen)(*2)	38.36	55.53	+17.17		213.62
Exchange rate (Yen/USD)	110.62	109.53	-1.09		-
Exchange rate (Yen/EUR)	125.89	120.87	-5.02		-

*1 Foreign exchange impact on ordinary income: As Lacto Japan applies "Separate accounting treatments," foreign exchange fluctuations may have an impact at each income level. (Please refer to P. 7-9)

*2 Lacto Japan conducted a 2-for-1 split of its common shares on May 1, 2019. The share split has been assumed to have occurred at the beginning of the previous consolidated fiscal year, and net income per share has been calculated accordingly.

2. Net Sales by Business

(Millions of Yen)

	FY11/2019				FY11/2020	
	1Q	2Q	3Q	4Q	1Q	Forecast
Dairy Ingredients and Cheese Business	21,109	21,566	22,119	20,411	20,061	91,750
YoY	-3.9%	-1.3%	1.2%	4.0%	-5.0%	7.7%
Meat Products Business	2,941	3,162	3,187	2,988	2,900	16,000
YoY	-11.8%	-3.6%	6.6%	0.7%	-1.4%	30.3%
Asian Business (Dairy Ingredients)	2,992	4,310	3,709	5,013	4,411	18,950
YoY	-12.9%	11.5%	18.6%	20.9%	47.4%	18.2%
Asian Business (Cheese)	658	626	679	687	680	2,800
YoY	31.9%	25.7%	22.5%	21.7%	3.3%	5.6%
Others	183	160	128	157	167	-
YoY	-15.1%	-26.9%	-48.2%	-19.2%	-8.8%	-
Total	27,886	29,826	29,823	29,258	28,221	130,000
YoY	-5.3%	0.4%	3.6%	6.4%	1.2%	11.3%

(Amounts of less than one million yen have been omitted)

3. Sales Volume by Business

(Unit : MT)

	FY11/2019				FY11/2020	
	1Q	2Q	3Q	4Q	1Q	Forecast
Dairy Ingredients and Cheese Business	49,784	50,354	52,814	51,152	49,413	213,800
YoY	-7.0%	-0.6%	5.3%	15.9%	-0.7%	4.8%
Meat Products Business	4,985	5,525	5,806	5,214	5,220	29,900
YoY	-13.9%	-0.9%	13.0%	2.4%	4.7%	38.9%
Asian Business (Dairy Ingredients)	11,298	16,593	13,853	18,179	14,676	69,500
YoY	-5.7%	14.8%	15.7%	26.1%	29.9%	16.0%
Asian Business (Cheese)	874	930	928	1,004	1,014	3,900
YoY	35.8%	43.9%	40.6%	39.9%	16.0%	4.3%

4. Consolidated Balance Sheets

(Millions of Yen)

	30-Nov-2019	29-Feb-2020	Difference
Current assets	45,774	50,836	5,061
Cash and cash equivalents	4,474	5,161	686
Trade notes and accounts receivable	17,852	21,698	3,845
Inventories	22,946	23,504	557
Others	501	472	-28
Non-current assets	2,360	2,488	128
Property, plant and equipment	568	650	82
Intangible assets	29	27	-2
Investment and other assets	1,761	1,810	48
Total assets	48,134	53,325	5,190
Accounts payable	12,649	12,197	-451
Interest-bearing liabilities	17,641	23,482	5,840
Other	1,879	1,501	-378
Total liabilities	32,170	37,182	5,011
Net assets	15,964	16,143	179
Total liabilities and net assets	48,134	53,325	5,190

(Amounts of less than one million yen have been omitted)

Reference Information

The risk of foreign exchange fluctuation



■ In principle, Lacto Japan's business model hedges risks of foreign exchange fluctuations.

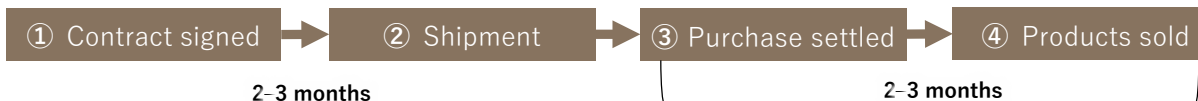
- | Under Lacto Japan's basic business model, Lacto Japan enters into sales contracts with domestic customers at the same time as entering into foreign currency purchase contracts with overseas suppliers.
- | By entering into a forward exchange contract with a financial institution upon concluding a contract with an overseas supplier, Lacto Japan is able to fix actual profits/losses (gross profits/losses adjusted for forex gains/losses) at the time of the sales contract.
- | As a result, once a sales contract is concluded, under our basic business model foreign exchange fluctuations have no impact on actual profit/loss.

■ It is of note here that under Japanese accounting standards Lacto Japan applies “separate accounting treatments” to foreign currency exchange accounts.

- | Lacto Japan applies “separate accounting treatments” to adjust amounts of foreign exchange gains/losses caused by exchange fluctuations to amounts of gross profit/loss and non-operating income/loss.
- | In addition, if a product is not sold during the same financial period as that of the sales contract for the product, part of the actual profits/losses will be recorded in the next financial period. (Please refer to the business flow model on the next page.)

Model of Business Flow (Impact of Foreign Exchange Fluctuation in Separate Accounting)

Foreign exchange fluctuations have no impact on actual profit under our basic business model.



Accounting	Foreign exchange contract is signed (Rate as of ① time)	Recorded cost of sales	Exchange difference resulting from fluctuation between Rate ① and ② is recorded as foreign exchange gain/loss	Recorded sales
	<ul style="list-style-type: none"> * Following accounting treatment at the same time: • Foreign currency contract entered into with suppliers • Contract in yen amount entered into with customer = Actual profit/loss and cost determined 	Actual rate of exchange (Rate as of ② time)		(Contract in yen amount entered into at ①)

Products sold during the same financial period as that of the sales contract for the product:
Sum of the amounts from ① to ④. The same amount as the actual profit/loss and cost at ① is recorded.

Products not sold during the same financial period as that of the sales contract for the product:
If the end of the financial period (quarter) is between the time of ③ and ④, the foreign exchange difference (non-operating profit/loss) is recorded in advance in the current financial period.

Currency Rate:
No change



Currency Rate:
Weaker yen




The purchase price at ② is higher than the amount of the forward exchange contract at ①.

Currency Rate:
Yen appreciation



Foreign exchange loss occurs. The purchase price at ② is cheaper than the yen amount of the contract at ①.

A wide-angle photograph of a rural landscape at sunset. A herd of dark-colored cows is scattered across a lush green field. In the background, a large barn with a corrugated metal roof sits on a slight rise. The sky is filled with dramatic, wispy clouds, and the sun is low on the horizon, casting long, soft shadows across the grass. Power lines are visible in the distance.

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections as a result of changes in the economic environment and other risks and uncertainties.