



Financial Summary for FY2021 First Quarter



Lacto Japan Co., Ltd.

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1. Financial Summary

(million Yen)

	FY11/2020 1Q	FY11/2021 1Q		
		Actual	Difference	YoY Change(%)
Net sales	28,221	23,994	-4,227	-15.0
Ordinary income	753	737	-15	-2.1
Ordinary income ratio (%)	2.7	3.1	-	-
(Foreign exchange impact on ordinary income (*))	(29)	(-28)	-	-
Net income attributable to owners of the parent	545	527	-18	-3.4
Net income ratio (%)	1.9	2.2	-	-
Net income per share (Yen)	55.53	53.37	-2.16	
Exchange rate (Yen/USD)	109.53	104.30	-5.23	
Exchange rate (Yen/EUR)	120.87	126.62	5.75	

Note: Amounts have been rounded down to the nearest million yen, and the ratios have been rounded to the first decimal place.

* 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. Net Sales by Business

(Millions of Yen)

	FY11/2020				FY11/2021	
	1Q	2Q	3Q	4Q	1Q	Forecast
Dairy Ingredients and Cheese Business	20,061	19,866	19,997	18,405	17,090	81,470
YoY (%)	-5.0	-7.9	-9.6	-9.8	-14.8	4.0
Meat Products Business	2,900	3,206	2,674	3,113	3,116	12,990
YoY (%)	-1.4	1.4	-16.1	4.2	7.4	9.2
Asian Business (Dairy Ingredients)	4,411	5,726	3,614	3,272	2,829	15,640
YoY (%)	47.4	32.8	-2.6	-34.7	-35.9	-8.1
Asian Business (Cheese)	680	672	683	858	801	3,120
YoY (%)	3.3	7.3	0.7	25.0	17.9	7.8
Others	167	218	182	122	156	-
YoY (%)	-8.8	36.3	42.2	-22.4	-6.5	-
Total	28,221	29,690	27,152	25,772	23,994	115,000
YoY (%)	1.2	-0.5	-9.0	-11.9	-15.0	3.8

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

3. Sales Volume by Business

(Unit : MT)

	FY11/2020				FY11/2021	
	1Q	2Q	3Q	4Q	1Q	Forecast
Dairy Ingredients and Cheese Business	49,413	48,880	47,240	46,040	43,141	192,431
YoY (%)	-0.7	-2.9	-10.6	-10.0	-12.7	0.4
Meat Products Business	5,220	6,232	4,690	5,781	5,736	25,210
YoY (%)	4.7	12.8	-19.2	10.9	9.9	15.0
Asian Business (Dairy Ingredients)	14,676	20,244	13,360	11,877	9,918	52,920
YoY (%)	29.9	22.0	-3.6	-34.7	-32.4	-12.0
Asian Business (Cheese)	1,014	969	965	1,248	1,120	4,593
YoY (%)	16.0	4.2	4.0	24.2	10.5	9.4

4. Consolidated Balance Sheets

(Million Yen)

	30-Nov-2020	28-Feb-2021	Difference
Current assets	40,623	46,003	5,379
Cash and cash equivalents	5,004	5,784	779
Trade notes and accounts receivable	13,849	16,162	2,312
Inventories	21,383	23,469	2,086
Others	386	587	201
Non-current assets	2,746	2,766	20
Property, plant and equipment	690	661	-29
Intangible assets	20	18	-1
Investment and other assets	2,035	2,086	51
Total assets	43,369	48,770	5,400
Accounts payable	9,739	10,538	799
Interest-bearing liabilities	14,314	18,667	4,353
Other	1,724	1,371	-352
Total liabilities	25,777	30,577	4,800
Net assets	17,592	18,192	600
Total liabilities and net assets	43,369	48,770	5,400

Note: Amounts have been rounded down to the nearest million yen.

Reference Information

The risk of foreign exchange fluctuation



In principle, Lacto Japan's business model does not bear foreign exchange risk.

Lacto Japan enters into sales contracts with domestic customers at the same time as entering into foreign currency purchase contracts with overseas suppliers.

In such cases, Lacto Japan hedges the foreign exchange risk by entering into a forward exchange contract for the amount of foreign currency purchased.

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

There is always an impact on the presentation of gross profit and non-operating income/losses (foreign exchange gains/losses.)

Transactions that straddle the end of the financial period (sales during and after the next financial period) will have an impact on the presentation of periodic profit and loss.

Characteristics of presentation

Since the exchange rate used for recording differs depending on the stage of the transaction, foreign exchange gains and losses occur at intermediate stages of the transaction.

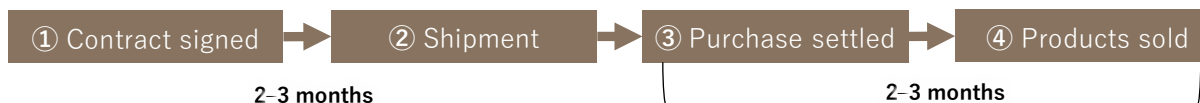
Ultimately, there is no impact on actual profit because sales and cost of sales are recorded based on the original exchange rate.

However, at intermediate stages prior to the recording of sales,

- ① there is an impact on the presentation of gross profit and non-operating income/losses, and
- ② as recording straddles financial periods, there is an impact on periodic profit and loss.

Illustration of Business Flow (Impact of Foreign Exchange Fluctuation)

Foreign exchange fluctuations have no impact on actual profit.



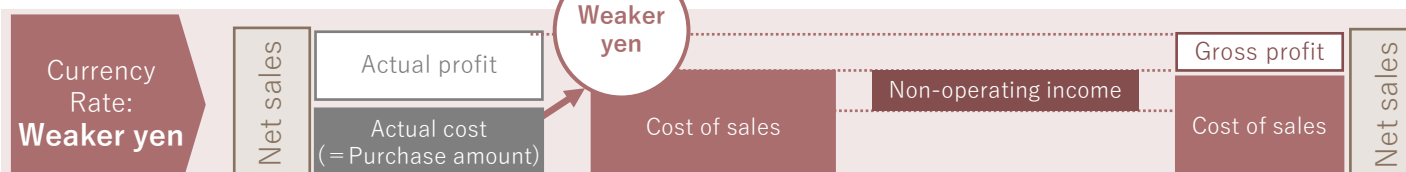
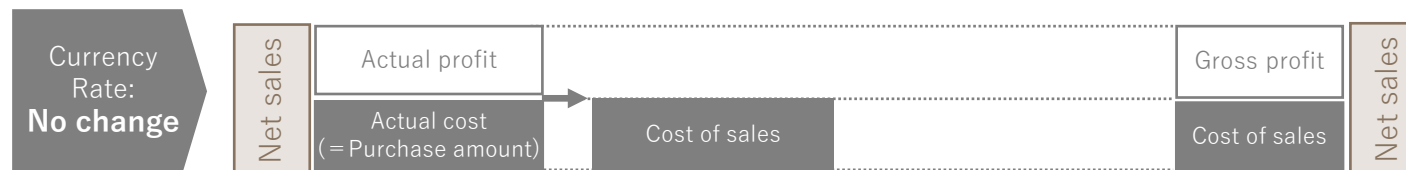
Accounting	Foreign exchange contract is signed (Rate as of ①) * Following treatment at the same time: - Foreign currency contract entered into with suppliers - Contract in yen amount entered into with customer = Actual profit/loss and cost determined	Cost of sales recorded = Actual rate of exchange (Rate as of ②)	Exchange difference resulting from fluctuation between Rate ① and ② is recorded as foreign exchange gain/loss	Sales recorded (Yen amount contracted at ①)
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Completion of transaction (completed up to ④)

When completed up to sale at ④, treatments at time of ① to ④ are aggregated and **the same amount as the actual profit/loss and cost at ① is recorded.**

If the end of the financial period arrives during the transaction

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.




Forex gain is recorded in advance as non-operating profit at time of ③.

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



Forex loss is recorded in advance as non-operating loss at time of ③.

The purchase price at ② is cheaper than the yen amount of the contract at ①.

A wide-angle photograph of a rural landscape. In the foreground, a herd of dark-colored cows is grazing on a lush green field. The sun is low on the horizon to the right, creating a warm, golden glow and long shadows. The sky is filled with wispy, white clouds. In the background, a large barn with a corrugated metal roof is visible on the left, and several utility poles with power lines stretch across the middle ground.

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 business environment and other risks and uncertainties.