



Financial Summary for FY2021 Third Quarter



Lacto Japan Co., Ltd.



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1. Financial Summary

(Million Yen)

	FY11/2020 3Q	FY11/2021 3Q		
		Actual	Difference	YoY Change(%)
Net sales	85,064	79,630	-5,434	-6.4
Ordinary income	2,208	2,213	4	0.2
Ordinary income ratio (%)	2.6	2.8	-	-
(Foreign exchange impact on ordinary income (*))	(-4)	(-40)	-	-
Net income attributable to owners of the parent	1,607	1,600	-6	-0.4
Net income ratio (%)	1.9	2.0	-	-
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Net income per share (Yen)	163.39	162.41	-0.98	
Exchange rate (Yen/USD)	107.97	107.80	-0.17	
Exchange rate (Yen/EUR)	120.52	129.43	8.91	

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

(Million Yen)

	FY11/2020				FY11/2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Forecast
Dairy Ingredients and Cheese Business	20,061	19,866	19,997	18,405	17,090	19,861	18,044	81,470
YoY	-5.0%	-7.9%	-9.6%	-9.8%	-14.8%	-0.0%	-9.8%	4.0%
Meat Products Business	2,900	3,206	2,674	3,113	3,116	3,653	3,611	12,990
YoY	-1.4%	1.4%	-16.1%	4.2%	7.4%	13.9%	35.1%	9.2%
Asian Business (Dairy Ingredients)	4,411	5,726	3,614	3,272	2,829	3,980	4,302	15,640
YoY	47.4%	32.8%	-2.6%	-34.7%	-35.9%	-30.5%	19.0%	-8.1%
Asian Business (Cheese)	680	672	683	858	801	887	739	3,120
YoY	3.3%	7.3%	0.7%	25.0%	17.9%	32.0%	8.1%	7.8%
Others	167	218	182	122	156	270	284	-
YoY	-8.8%	36.3%	42.2%	-22.4%	-6.5%	24.0%	55.6%	-
Total	28,221	29,690	27,152	25,772	23,994	28,654	26,981	115,000
YoY	1.2%	-0.5%	-9.0%	-11.9%	-15.0%	-3.5%	-0.6%	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	2Q	3Q	Forecast
Dairy Ingredients and Cheese Business	49,413	48,880	47,240	46,040	43,141	48,852	43,039	192,431
YoY	-0.7%	-2.9%	-10.6%	-10.0%	-12.7%	-0.1%	-8.9%	0.4%
Meat Products Business	5,220	6,232	4,690	5,781	5,736	6,831	6,446	25,210
YoY	4.7%	12.8%	-19.2%	10.9%	9.9%	9.6%	37.4%	15.0%
Asian Business (Dairy Ingredients)	14,676	20,244	13,360	11,877	9,918	12,771	11,856	52,920
YoY	29.9%	22.0%	-3.6%	-34.7%	-32.4%	-36.9%	-11.3%	-12.0%
Asian Business (Cheese)	1,014	969	965	1,248	1,120	1,213	1,021	4,593
YoY	16.0%	4.2%	4.0%	24.2%	10.5%	25.2%	5.8%	9.4%

4. Consolidated Balance Sheets

(Million Yen)

	30-Nov-2020	31-Aug-2021	Difference
Current assets	40,623	47,208	6,585
Cash and cash equivalents	5,004	5,422	417
Trade notes and accounts receivable	13,849	15,429	1,579
Inventories	21,383	26,068	4,684
Others	386	289	-96
Non-current assets	2,746	2,859	113
Property, plant and equipment	690	752	61
Intangible assets	20	33	13
Investment and other assets	2,035	2,074	38
Total assets	43,369	50,068	6,698
Accounts payable	9,739	11,929	2,189
Interest-bearing liabilities	14,314	17,806	3,492
Other	1,724	1,271	-452
Total liabilities	25,777	31,007	5,229
Net assets	17,592	19,060	1,468
Total liabilities and net assets	43,369	50,068	6,698

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.

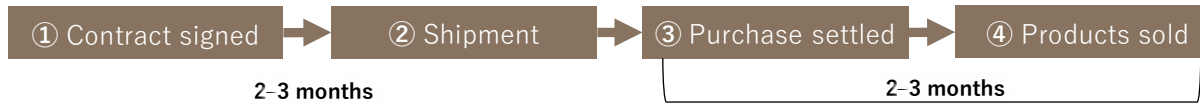
Ultimately, there is no impact on actual profit because sales and cost of sales are recorded based on the original exchange rate.

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)	Cost of sales recorded	Exchange difference resulting from fluctuation between Rate ① and ② is recorded as foreign exchange gain/loss	Sales recorded
	<ul style="list-style-type: none"> * 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	= Actual rate of exchange (Rate as of ②)		(Yen amount contracted at ①)

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.

Currency Rate:
No change



Currency Rate:
Weaker yen



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.

Currency Rate:
Yen appreciation



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 at sunset. 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, casting long, golden shadows across the grass. In the background, a large, weathered barn with a dark roof sits on a slight rise. The sky is filled with soft, wispy clouds, and the overall atmosphere is peaceful and serene.

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.