



Lacto Japan

Financial Summary for FY2019

Lacto Japan Co., Ltd.

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1. Financial Summary

(Amounts of financial result less than one million yen are omitted Millions of Yen)

	2018/11	2019/11			2020/11
		Actual	Difference	Ratio (%)	
Net Sales	115,440	116,794	1,353	1.2	130,000
Ordinary income	2,612	2,746	134	5.1	3,000
<i>Ordinary income ratio to net sales(%)</i>	2.3	2.4	0.1	-	2.3
Foreign exchange fluctuation on ordinary income(※1)	(59)	(31)	27	-	-
Net income attributable to owners of the parent	1,784	1,963	178	10.0	2,100
<i>Net income ratio to net sales(%)</i>	1.5	1.7	0.2	-	1.6
Net income per share (Yen)	182.31 _{※2}	200.11 _{※2}	17.80		213.80 _{※2}
Exchange rate (Yen/USD)	110.47	109.33	(1.14)		
Exchange rate (Yen/EURO)	130.91	122.63	(8.28)		
R O E	13.2%	13.0%			

*1 Foreign exchange fluctuation on ordinary income: By applying "Separate accounting treatments", the total amount of the impact of foreign exchange hedging as sales costs and non-operating profit / losses. (Please refer P7-9)

*2 Lacto Japan split its regular shares on May 1, 2019 in a 2-for-1 split. The share split has been treated as occurring at the beginning of the previous consolidated fiscal year, and Net income per share has been calculated accordingly.

2-1. Net Sales by Business



(Amounts less than one million yen are omitted) Millions of Yen

	2018/11					2019/11					2020/11
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year	Budget
Dairy Ingredients and Cheese	21,972	21,839	21,856	19,621	85,290	21,109	21,566	22,119	20,411	85,206	91,750
	61.9%	33.6%	13.4%	-5.8%	21.8%	-3.9%	-1.3%	1.2%	4.0%	-0.1%	7.7%
Meat Products	3,337	3,279	2,990	2,969	12,576	2,941	3,162	3,187	2,988	12,280	16,000
	-22.4%	-19.8%	-15.1%	-11.2%	-17.6%	-11.9%	-3.6%	6.6%	0.7%	-2.4%	30.3%
Asia Business (Dairy Ingredients)	3,436	3,866	3,128	4,147	14,578	2,992	4,310	3,709	5,013	16,026	18,950
	5.6%	6.6%	8.0%	16.0%	9.2%	-12.9%	11.5%	18.6%	20.9%	9.9%	18.2%
Asia Business (cheese)	499	498	554	564	2,116	658	626	679	687	2,651	2,800
	10.2%	14.0%	14.9%	3.1%	10.3%	31.9%	25.7%	22.6%	21.7%	25.2%	5.6%
Others	216	218	248	195	878	183	160	128	157	630	-
	9.6%	8.5%	14.9%	-3.0%	10.7%	-15.3%	-26.6%	22.6%	6.4%	-28.3%	-
Total	29,461	29,703	28,778	27,497	115,440	27,886	29,826	29,823	29,258	116,794	130,000

Note: Upper row of the table shows quarterly sales. lower row shows percentage change from corresponding quarter of the previous year.

2-2. Sales Volume by Business

(Unit : MT)

	2018/11					2019/11					2020/11
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year	Budget
Dairy Ingredients and Cheese	53,509	50,658	50,149	44,127	198,445	49,784	50,354	52,814	51,152	204,105	213,800
	49.6%	27.3%	5.1%	-11.0%	14.8%	-7.0%	-0.6%	5.3%	15.9%	2.9%	4.8%
Meat Products	5,789	5,576	5,138	5,090	21,595	4,985	5,525	5,806	5,214	21,532	29,900
	-22.7%	-21.3%	-14.8%	-11.4%	-18.0%	-13.9%	-0.9%	13.0%	2.4%	-0.3%	38.9%
Asia Business (Dairy Ingredients)	11,977	14,454	11,977	14,412	52,822	11,298	16,593	13,853	18,179	59,925	69,500
	10.4%	17.9%	19.0%	21.7%	17.3%	-5.7%	14.8%	15.7%	26.1%	13.4%	16.0%
Asia Business (cheese)	643	646	660	718	2,668	874	930	928	1,004	3,737	3,900
	4.6%	15.4%	4.6%	2.1%	6.3%	35.9%	44.0%	40.6%	39.9%	40.1%	4.3%

Note: Upper row of the table shows quarterly sales volume. lower row shows percentage change from corresponding quarter of the previous year.

3. Consolidated Balance Sheets

(Amounts less than one million yen are omitted Millions of Yen)

	30-Nov-2018	30-Nov-2019	Difference
Current Assets	46,337	45,774	(562)
Cash and cash equivalents	4,929	4,474	(454)
Trade notes and accounts receivable	15,873	17,852	1,979
Inventories	25,216	22,946	(2,269)
Others	318	501	182
Non-current assets	2,630	2,360	(270)
Property, plant and equipment	597	568	(28)
Intangible assets	39	29	(9)
Investment and other assets	1,994	1,761	(232)
※ Total Asset	48,967	48,134	(832)
Accounts payable	11,173	12,649	1,475
Interest-bearing Liabilities	20,948	17,641	(3,307)
Others	2,413	1,879	(533)
※ Liabilities	34,536	32,170	(2,365)
Net assets	14,431	15,964	1,532
Total Liabilities	48,967	48,134	(832)

* Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 February 16, 2018) and the like have been applied from the beginning of this consolidated fiscal year. Deferred tax assets are indicated in the Investment and other assets category and deferred tax liabilities are indicated in the Non-current liabilities category.

4. Consolidated financial forecast for FY2020 November



(Amounts of financial result less than one million yen are omitted Millions of Yen)

	Actual result for 30-Nov-2019	Forecast for 30-Nov-2020		
		Forecast	Difference	Ratio (%)
Net Sales	116,794	130,000	13,205	11.3%
Ordinary income	2,746	3,000	253	9.2%
<i>Ordinary income ratio to net sales(%)</i>	2.4	2.3	(0)	-
Net income attributable to owners of the parent	1,963	2,100	136	7.0%
<i>Net income ratio to net sales(%)</i>	1.7	1.6	(0.1)	-
Net income per share (Yen)	200.11	213.80	13.69	
Dividends per share (Yen)	22	30	8	

Note: Foreign exchange fluctuation on ordinary income: By applying "Separate accounting treatments", the total amount of the impact of foreign exchange hedging as sales costs and non-operating profit / losses. (Please refer P7-9)

Reference information: The risk of foreign exchange fluctuation

The risk of foreign exchange fluctuation in Lacto Japan and separate accounting treatment



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 a 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.

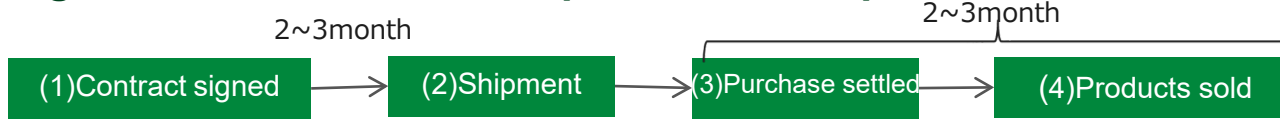
It is of note here that under Japanese accounting standards Lacto Japan applies "separate accounting treatments" to foreign currency exchange accounts.

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, the part of the actual profit/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 fluctuation have no impact on actual profit under our basic business model.



Accounting

■ Foreign exchange contract is signed (Rate as of (1) time)
 ※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

■ Recorded cost of sales = Actual rate of exchange (Rate as of (2) time)

■ Exchange difference resulting from fluctuation between Rate (1) and (2) is recorded as foreign exchange gain/loss

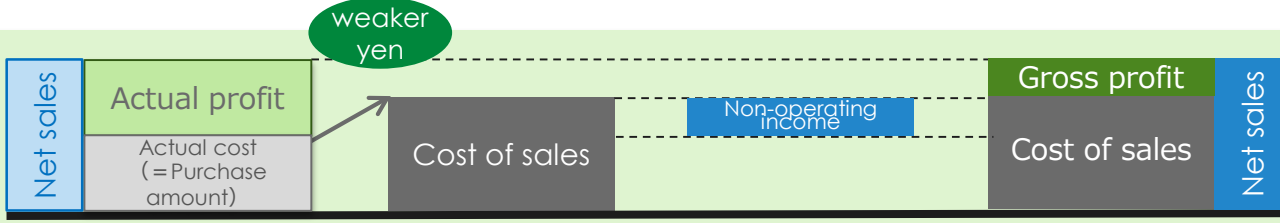
■ Recorded Sales (Contract in yen amount entered into at (1))

Product sold during the same financial period as that of the sales contract for the product
 Sum the amounts from (1) to (4). The same amount as the actual profit/loss and cost at (1) is recorded.
Product is not sold during the same financial period as that of the sales contract for the product
 The sales contract for the product, the part of the actual profit/losses will be recorded in the next financial period.

Currency Rate: **No change**

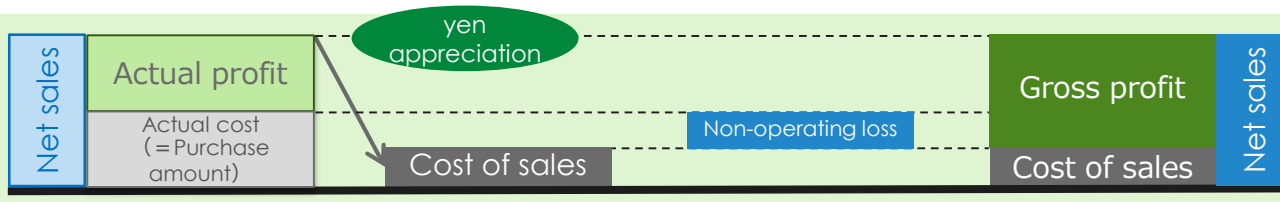


Currency Rate: **weaker yen**



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).