

Consolidated Financial Statements – Summary

January 13, 2023

(For the year ended November 30, 2022)

English translation from the original Japanese-language document.

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Company name: **Lacto Japan Co., Ltd.** (Code number 3139)

(Amounts less than one million yen are omitted)

1. Results of Fiscal Year Ended November 30, 2022 (December 1, 2021 through November 30, 2022)

(1) Consolidated financial results

(Each percentage shows changes year-on-year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended November 30, 2022	147,423	33.0	2,971	6.6	3,134	16.9	2,286	16.7
FY ended November 30, 2021	110,883	0.0	2,787	(5.8)	2,681	(3.6)	1,959	(5.0)

(Note): Comprehensive income: FY ended November 30, 2022 3,173 million yen (34.0%)
 FY ended November 30, 2021 2,367 million yen (33.2%)

	Earnings per share	Diluted earnings per share	Return on equity	Net income/ Total capital	Operating income/ Net sales
	Yen	Yen	%	%	%
FY ended November 30, 2022	231.64	228.80	10.9	5.0	2.0
FY ended November 30, 2021	198.73	195.90	10.6	5.6	2.5

(Note): Share of profit of entities accounted for using equity method: FY ended November 30, 2022 9 million yen
 FY ended November 30, 2021 15 million yen

(2) Consolidated Financial Position

	Total Assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of November 30, 2022	73,456	22,481	30.5	2,265.51
As of November 30, 2021	52,899	19,578	36.9	1,978.42

(Note): Shareholders' equity: As of November 30, 2022 22,412 million yen
 As of November 30, 2021 19,509 million yen

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended November 30, 2022	(10,408)	(287)	11,078	5,883
FY ended November 30, 2021	(4,037)	(291)	4,658	5,014

2. Dividend Status

(Base date)	Dividend per share					Total cash dividends (annual)	Dividends payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended November 30, 2021	—	0.00	—	32.00	32.00	315	16.1	1.7
FY ended November 30, 2022	—	0.00	—	40.00	40.00	395	17.3	1.9
FY ending November 30, 2023 (Forecast)	—	24.00	—	24.00	48.00		20.4	

3. Estimation of Business Results of Fiscal Year Ending November 30, 2023

(December 1, 2022 through November 30, 2023)

	Net sales		Ordinary income		Net income attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY ending May 31, 2023	77,000	10.3	1,540	(7.5)	1,125	(6.8)	113.72
FY ending November 30, 2023	160,000	8.5	3,200	2.1	2,330	1.9	235.52

* Notes

(1) Any changes in important subsidiaries during the term (Change in specific subsidiaries as a result of a change in the scope of consolidation): No

New inclusion: — companies (company name)

Elimination: — companies (company name)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

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| (i) Changes in accounting policies associated with the revision of accounting standards, etc.: | Yes |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |

(3) Total number of outstanding shares (Common stock)

(i) Total number of outstanding shares at term end (Includes treasury stock):

As of November 30, 2022: 9,915,200 shares

As of November 30, 2021: 9,899,200 shares

(ii) Total treasury stock at term end:

As of November 30, 2022: 22,266 shares

As of November 30, 2021: 37,821 shares

(iii) Average number of outstanding shares during the period:

For the year ended November 30, 2022: 9,872,182 shares

For the year ended November 30, 2021: 9,858,171 shares

(Reference) Summary of Non-consolidated financial statements

1. Results of Fiscal Year Ended November 30, 2022 (December 1, 2021 through November 30, 2022)

(1) Non-consolidated Financial Results

(Each percentage shows changes year-on-year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended November 30, 2022	119,368	29.6	2,575	20.1	2,289	25.5	1,575	24.9
FY ended November 30, 2021	92,117	1.1	2,143	(6.5)	1,823	(11.9)	1,261	(12.3)

	Earnings per share	Diluted earnings per share
	Yen	Yen
FY ended November 30, 2022	159.61	157.65
FY ended November 30, 2021	128.01	126.19

(2) Non-consolidated Financial Position

	Total Assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	%
As of November 30, 2022	66,426	17,565	26.3	1,768.57
As of November 30, 2021	47,089	16,251	34.4	1,641.04

(Note): Shareholders' equity: As of November 30, 2022 17,496 million yen
As of November 30, 2021 16,182 million yen

* Quarterly financial summaries are not subject to quarterly review by any certified public accountant or auditing firm.

* Note to proper use of forecast of operating results and other special remarks

(Cautionary Statement)

The performance forecasts contained in this report are based on information available at the present time and certain premises thought to be reasonable. Accordingly, the final results may change substantially due to various factors.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY2021 As of November 30, 2021	FY2022 As of November 30, 2022
Assets		
Current assets		
Cash and deposits	5,510,855	6,379,503
Notes and accounts receivable	19,277,467	21,065,703
Merchandise and finished goods	24,335,151	39,914,577
Raw materials and supplies	503,985	1,468,404
Other	412,359	1,260,834
Allowance for doubtful accounts	(21,794)	(21,904)
Total current assets	50,018,025	70,067,118
Non-current assets		
Property, plant and equipment		
Buildings	743,486	840,636
Accumulated depreciation	(544,837)	(644,365)
Buildings, net	198,649	196,270
Machinery, equipment and vehicles	922,600	1,180,693
Accumulated depreciation	(677,196)	(876,128)
Machinery, equipment and vehicles, net	245,403	304,564
Leased assets	523,422	844,392
Accumulated depreciation	(282,905)	(456,127)
Leased assets, net	240,517	388,265
Construction in progress	379	27,345
Other	78,575	86,782
Accumulated depreciation	(54,479)	(61,154)
Other, net	24,096	25,628
Total property, plant and equipment	709,046	942,074
Intangible assets		
Software	44,060	38,782
Other	497	362
Total intangible assets	44,557	39,145
Investments and other assets		
Investment securities	838,177	795,182
Deferred tax assets	259,653	456,332
Other	1,047,253	1,176,460
Allowance for doubtful accounts	(16,999)	(19,607)
Total investments and other assets	2,128,084	2,408,367
Total non-current assets	2,881,688	3,389,587
Total assets	52,899,714	73,456,705

Consolidated Balance Sheet

(Thousands of yen)

	FY2021 As of November 30, 2021	FY2022 As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable	12,202,080	17,349,867
Short-term borrowings	10,668,813	13,949,482
Commercial papers	1,000,000	4,000,000
Current portion of long-term borrowings	2,610,000	3,960,000
Income taxes payable	364,822	723,379
Other	678,916	1,119,264
Total current liabilities	27,524,632	41,101,992
Non-current liabilities		
Long-term borrowings	5,010,000	8,960,000
Deferred tax liabilities	44,402	17,032
Retirement benefit liability	362,341	410,850
Asset retirement obligations	37,857	45,151
Other	341,696	440,327
Total non-current liabilities	5,796,298	9,873,361
Total liabilities	33,320,931	50,975,353
Net assets		
Shareholders' equity		
Share capital	1,151,970	1,158,810
Capital surplus	1,185,808	1,178,027
Retained earnings	16,680,685	18,651,916
Treasury shares	(111,793)	(65,828)
Total shareholders' equity	18,906,671	20,922,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241,015	176,327
Deferred gains or losses on hedges	35,008	(99,634)
Foreign currency translation adjustment	327,285	1,412,932
Total accumulated other comprehensive income	603,309	1,489,624
Share acquisition rights	68,801	68,801
Total net assets	19,578,782	22,481,351
Total liabilities and net assets	52,899,714	73,456,705

(2) Consolidated Income Statements

(Thousands of yen)

	FY ended November 30, 2021	FY ended November 30, 2022
Net sales	110,883,524	147,423,378
Cost of sales	104,242,620	139,961,710
Gross profit	6,640,904	7,461,667
Selling, general and administrative expenses	3,853,533	4,490,356
Operating income	2,787,370	2,971,311
Non-operating income		
Interest income	3,537	5,483
Dividend income	14,038	16,583
Share of profit of entities accounted for using equity method	15,127	9,305
Foreign exchange gains	80,530	445,077
Subsidy income	14,182	11,682
Insurance return	27,927	2,660
Miscellaneous income	19,829	19,839
Total non-operating income	175,174	510,633
Non-operating expenses		
Interest expenses	134,494	182,183
Commission expenses	116,931	139,605
Miscellaneous losses	29,300	25,546
Total non-operating expenses	280,726	347,334
Ordinary income	2,681,818	3,134,610
Income before income taxes	2,681,818	3,134,610
Income taxes - current	729,421	1,014,128
Income taxes - deferred	(6,729)	(166,312)
Total income taxes	722,691	847,816
Net Income	1,959,126	2,286,794
Net income attributable to owners of parent	1,959,126	2,286,794

(3) Consolidated Statements of comprehensive income

(Thousands of yen)

	FY ended November 30, 2021	FY ended November 30, 2022
Net Income	1,959,126	2,286,794
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,381)	(64,688)
Deferred gains or losses on hedges	94,316	(134,643)
Foreign currency translation adjustment	321,252	1,070,992
Share of other comprehensive income of entities accounted for using equity method	9,109	14,654
Total other comprehensive income	408,295	886,315
Comprehensive income	2,367,422	3,173,110
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,367,422	3,173,110
Comprehensive income attributable to non-controlling interests	—	—

(4) Consolidated Statements of Cash-Flow

(Thousands of yen)

	FY ended November 30, 2021	FY ended November 30, 2022
Cash flows from operating activities		
Income before income taxes	2,681,818	3,134,610
Depreciation	296,994	324,965
Increase (decrease) in allowance for doubtful accounts	18,871	(325)
Increase (decrease) in retirement benefit liability	12,199	48,508
Interest and dividend income	(17,576)	(22,067)
Interest expenses	134,494	182,183
Decrease (increase) in trade receivables	(5,160,549)	(964,725)
Decrease (increase) in inventories	(3,391,355)	(16,225,177)
Increase (decrease) in trade payables	2,266,822	4,579,083
Other, net	113,134	(630,801)
Subtotal	(3,045,146)	(9,573,745)
Interest and dividends received	17,945	22,179
Interest paid	(141,877)	(181,869)
Income taxes paid	(868,175)	(675,010)
Net cash provided by (used in) operating activities	(4,037,253)	(10,408,446)
Cash flows from investing activities		
Decrease (increase) in time deposits	(1)	(0)
Purchase of investment securities	(50,260)	(9,017)
Purchase of property, plant and equipment	(161,832)	(150,550)
Proceeds from sale of property, plant and equipment	18	26
Purchase of intangible assets	(25,313)	(9,717)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,999)	—
Purchase of golf club membership	—	(9,569)
Proceeds from sale of golf club membership	—	7,050
Proceeds from maturity of insurance funds	44,078	2,839
Purchase of insurance funds	(92,233)	(91,440)
Other, net	(1,020)	(26,838)
Net cash provided by (used in) investing activities	(291,565)	(287,218)

Consolidated Statements of Cash-Flow

(Thousands of yen)

	FY ended November 30, 2021	FY ended November 30, 2022
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	5,159,723	3,247,506
Increase (decrease) in commercial papers	1,000,000	3,000,000
Proceeds from long-term borrowings	3,000,000	8,300,000
Repayments of long-term borrowings	(3,660,000)	(3,000,000)
Redemption of bonds	(270,000)	—
Purchase of treasury shares	(144,980)	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	18,810	13,680
Repayments of lease obligations	(148,480)	(167,202)
Dividends paid	(296,154)	(315,448)
Net cash provided by (used in) financing activities	4,658,917	11,078,535
Effect of exchange rate change on cash and cash equivalents	175,096	485,776
Net increase (decrease) in cash and cash equivalents	505,195	868,647
Cash and cash equivalents at beginning of period	4,508,366	5,014,713
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,151	—
Cash and cash equivalents at end of period	5,014,713	5,883,360