



Financial Summary for FY2020



Lacto Japan Co., Ltd.



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1. Financial Summary

(Million Yen)

	FY11/2019	FY11/2020		
		Actual	Difference	YoY Change(%)
Net sales	116,794	110,837	-5,956	-5.1
Ordinary income	2,746	2,780	34	1.2
Ordinary income ratio (%)	2.4	2.5	-	-
(Foreign exchange impact on ordinary income (*))	(-32)	(29)	-	-
Net income attributable to owners of the parent	1,963	2,062	99	5.1
Net income ratio (%)	1.7	1.9	-	-
Net income per share (Yen)	200.11	209.47	9.35	
Exchange rate (Yen/USD)	109.33	107.27	-2.06	
Exchange rate (Yen/EUR)	122.63	121.40	-1.23	

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. 8-10)

2. Net Sales by Business

(Million Yen)

	FY11/2019			FY11/2020			FY11/ 2021
	1st Half	2nd Half	Full-year	1st Half	2nd Half	Full-year	Budget
Dairy Ingredients and Cheese Business	42,675	42,530	85,206	39,927	38,402	78,330	81,470
YoY (%)	-2.6	2.5	-0.1	-6.4	-9.7	-8.1	4.0
Meat Products Business	6,104	6,175	12,280	6,107	5,788	11,895	12,990
YoY (%)	-7.7	3.6	-2.4	0	-6.3	-3.1	9.2
Asian Business (Dairy Ingredients)	7,303	8,723	16,026	10,138	6,886	17,025	15,640
YoY (%)	0	19.9	9.9	38.8	-21.1	6.2	-8.1
Asian Business (Cheese)	1,284	1,366	2,651	1,352	1,542	2,895	3,120
YoY (%)	28.8	22.1	25.2	5.3	12.9	9.2	7.8
Others	343	286	630	385	305	690	-
YoY (%)	-21.0	-35.4	-28.3	12.2	6.6	9.7	-
Total	57,712	59,082	116,794	57,912	52,925	110,837	115,000
YoY (%)	-2.5	5.0	1.2	0.3	-10.4	-5.1	3.8

3. Sales Volume by Business

(Unit : MT)

	FY11/2019			FY11/2020			FY11/ 2021
	1st Half	2nd Half	Full-year	1st Half	2nd Half	Full-year	Budget
Dairy Ingredients and Cheese Business	100,139	103,966	204,105	98,294	93,280	191,575	192,431
YoY (%)	-3.9	10.3	2.9	-1.8	-10.3	-6.1	0.4
Meat Products Business	10,511	11,020	21,532	11,453	10,471	21,925	25,210
YoY (%)	-7.5	7.7	-0.3	9.0	-5.0	1.8	15.0
Asian Business (Dairy Ingredients)	27,892	32,033	59,925	34,921	25,238	60,159	52,920
YoY (%)	5.5	21.4	13.4	25.2	-21.2	0.4	-12.0
Asian Business (Cheese)	1,804	1,933	3,737	1,983	2,213	4,197	4,593
YoY (%)	39.9	40.2	40.1	9.9	14.5	12.3	9.4

4. Consolidated Balance Sheets

(Million Yen)

	30-Nov-2019	30-Nov-2020	Difference
Current assets	45,774	40,623	-5,151
Cash and cash equivalents	4,474	5,004	529
Trade notes and accounts receivable	17,852	13,849	-4,002
Inventories	22,946	21,383	-1,563
Others	501	386	-114
Non-current assets	2,360	2,746	386
Property, plant and equipment	568	690	122
Intangible assets	29	20	-9
Investment and other assets	1,761	2,035	273
Total assets	48,134	43,369	-4,765
Accounts payable	12,649	9,739	-2,909
Interest-bearing liabilities	17,641	14,314	-3,327
Other	1,879	1,724	-155
Total liabilities	32,170	25,777	-6,392
Net assets	15,964	17,592	1,627
Total liabilities and net assets	48,134	43,369	-4,765

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

5. Consolidated financial forecast for FY2021 November

(Million Yen)

	Actual result for 30-Nov-2020	Forecast for 30-Nov-2021		
		Forecast	Difference	Ratio (%)
Net Sales	110,837	115,000	4,162	3.8
Ordinary income	2,780	2,600	-180	-6.5
Ordinary income ratio to net sales(%)	2.5	2.3	-	-
Net income attributable to owners of the parent	2,062	1,850	-212	-10.3
Net income ratio to net sales(%)	1.9	1.6	-	-
Net income per share (Yen)	209.47	187.35	-22.12	
Dividends per share (Yen)	30.00	32.00	2.00	

Reference Information

The risk of foreign exchange fluctuation

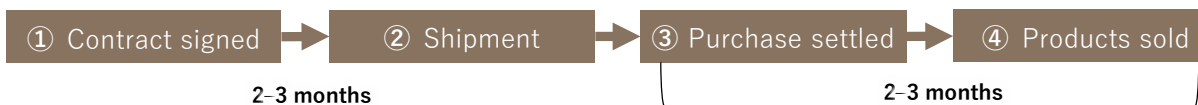


- **In principle, Lacto Japan's business model hedges risks of foreign exchange fluctuations.**
 - | Under Lacto Japan's basic business model, Lacto Japan enters into sales contracts with domestic customers at the same time as entering into foreign currency purchase contracts with overseas suppliers.
 - | 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.



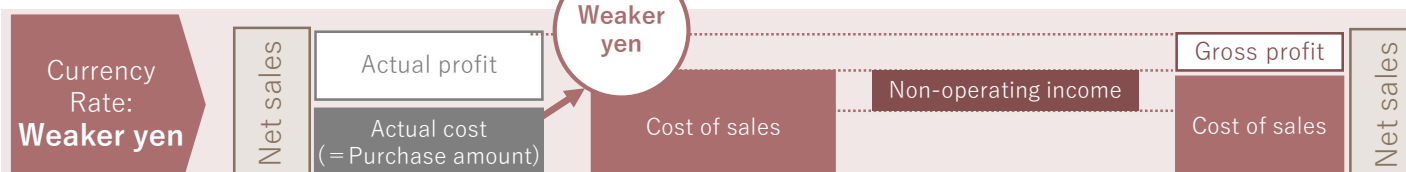
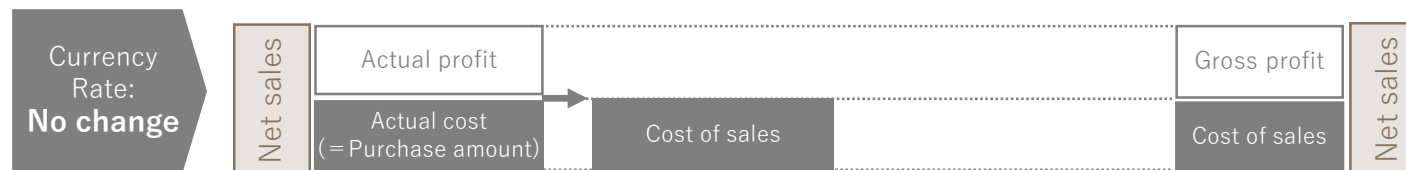
Accounting	Foreign exchange contract is signed (Rate as of ① time)	Recorded cost of sales	Exchange difference resulting from fluctuation between Rate ① and ② is recorded as foreign exchange gain/loss	Recorded sales
	<ul style="list-style-type: none"> * Following accounting treatment at the same time: • 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.



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



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.