



# Financial Summary for FY2020 Third Quarter



Lacto Japan Co., Ltd.



## **1 Financial Summary P. 3**

## **2 Net Sales by Business P. 4**

## **3 Sales Volume by Business P. 5**

## **4 Consolidated Balance Sheets P. 6**

## **Reference Information P. 7**

- The risk of foreign exchange fluctuation in Lacto Japan and separate accounting treatment
- Model of business flow

# 1. Financial Summary

(Millions of Yen)

	FY11/2019 3Q	FY11/2020 3Q		
		Actual	Difference	YoY Change(%)
<b>Net sales</b>	87,536	85,064	-2,471	-2.8
<b>Ordinary income</b>	2,086	2,208	121	5.8
<b>Ordinary income ratio (%)</b>	2.4	2.6	-	-
<b>(Foreign exchange impact on ordinary income (*))</b>	<b>-26</b>	<b>-4</b>	-	-
<b>Net income attributable to owners of the parent</b>	1,490	1,607	117	7.9
<b>Net income ratio (%)</b>	1.7	1.9	-	-
<b>Net income per share (Yen)</b>	151.94	163.39	11.45	
<b>Exchange rate (Yen/USD)</b>	109.71	107.97	-1.74	
<b>Exchange rate (Yen/EUR)</b>	123.73	120.52	-3.21	

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)

	FY11/2019				FY11/2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Dairy Ingredients and Cheese Business</b>	21,109	21,566	22,119	20,411	20,061	19,866	19,997
YoY (%)	-3.9	-1.3	1.2	4.0	-5.0	-7.9	-9.6
<b>Meat Products Business</b>	2,941	3,162	3,187	2,988	2,900	3,206	2,674
YoY (%)	-11.8	-3.6	6.6	0.7	-1.4	1.4	-16.1
<b>Asian Business (Dairy Ingredients)</b>	2,992	4,310	3,709	5,013	4,411	5,726	3,614
YoY (%)	-12.9	11.5	18.6	20.9	47.4	32.8	-2.6
<b>Asian Business (Cheese)</b>	658	626	679	687	680	672	683
YoY (%)	31.9	25.7	22.5	21.7	3.3	7.3	0.7
<b>Others</b>	183	160	128	157	167	218	182
YoY (%)	-15.1	-26.9	-48.2	-19.2	-8.8	36.3	42.2
<b>Total</b>	27,886	29,826	29,823	29,258	28,221	29,690	27,152
YoY (%)	-5.3	0.4	3.6	6.4	1.2	-0.5	-9.0

### 3. Sales Volume by Business

(Unit : MT)

	FY11/2019				FY11/2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Dairy Ingredients and Cheese Business</b>	49,784	50,354	52,814	51,152	49,413	48,880	47,240
YoY (%)	-7.0	-0.6	5.3	15.9	-0.7	-2.9	-10.6
<b>Meat Products Business</b>	4,985	5,525	5,806	5,214	5,220	6,232	4,690
YoY (%)	-13.9	-0.9	13.0	2.4	4.7	12.8	-19.2
<b>Asian Business (Dairy Ingredients)</b>	11,298	16,593	13,853	18,179	14,676	20,244	13,360
YoY (%)	-5.7	14.8	15.7	26.1	29.9	22.0	-3.6
<b>Asian Business (Cheese)</b>	874	930	928	1,004	1,014	969	965
YoY (%)	35.8	43.9	40.6	39.9	16.0	4.2	4.0

## 4. Consolidated Balance Sheets

(Millions of Yen)

	30-Nov-2019	31-Aug-2020	Difference
<b>Current assets</b>	<b>45,774</b>	<b>43,075</b>	<b>-2,699</b>
Cash and cash equivalents	4,474	5,683	1,208
Trade notes and accounts receivable	17,852	13,813	-4,039
Inventories	22,946	23,108	161
Others	501	471	-30
<b>Non-current assets</b>	<b>2,360</b>	<b>2,579</b>	<b>219</b>
Property, plant and equipment	568	679	110
Intangible assets	29	23	-5
Investment and other assets	1,761	1,877	115
<b>Total assets</b>	<b>48,134</b>	<b>45,655</b>	<b>-2,479</b>
Accounts payable	12,649	9,724	-2,924
Interest-bearing liabilities	17,641	17,295	-345
Other	1,879	1,373	-506
<b>Total liabilities</b>	<b>32,170</b>	<b>28,393</b>	<b>-3,776</b>
<b>Net assets</b>	<b>15,964</b>	<b>17,261</b>	<b>1,297</b>
<b>Total liabilities and net assets</b>	<b>48,134</b>	<b>45,655</b>	<b>-2,479</b>

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 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.

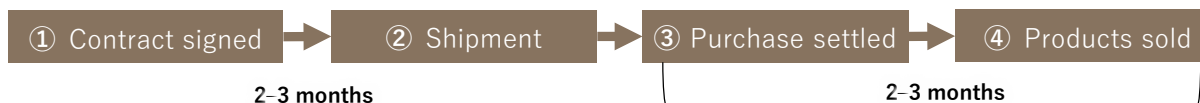
## ■ It is of note here that under Japanese accounting standards Lacto Japan applies “separate accounting treatments” to foreign currency exchange accounts.

- | 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.



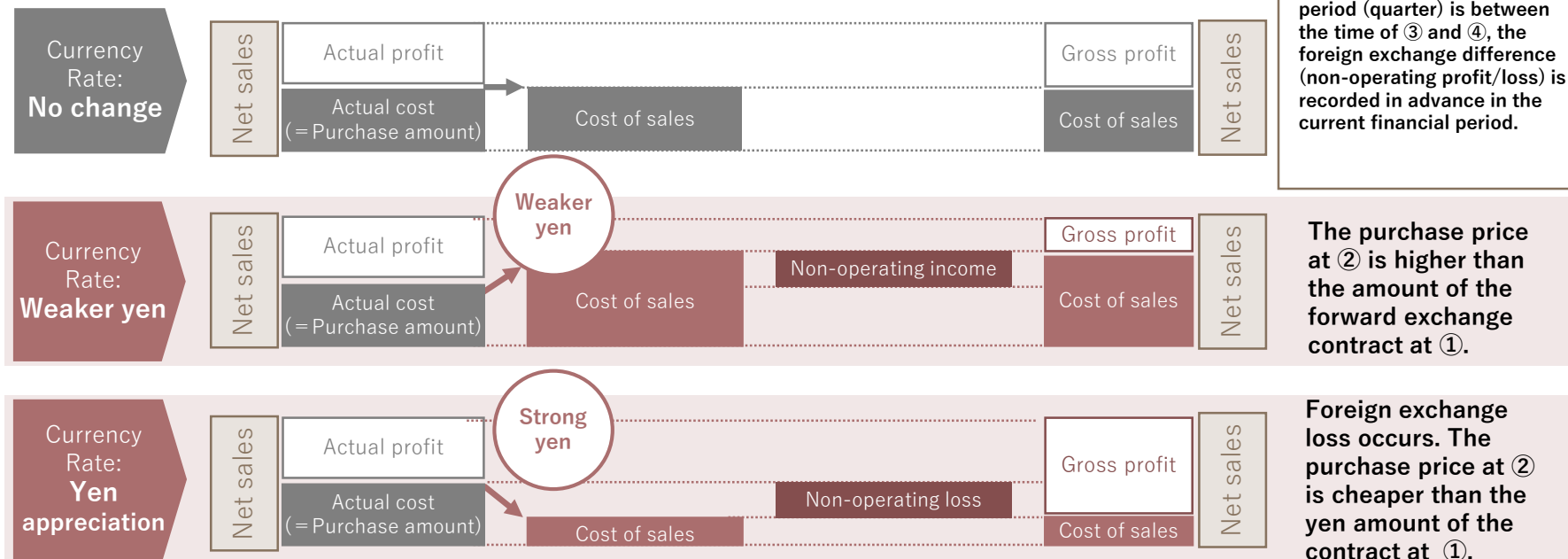
<b>Accounting</b>	Foreign exchange contract is signed (Rate as of ① time)	Recorded cost of sales	Exchange difference resulting from fluctuation between Rate ① and ② is recorded as foreign exchange gain/loss	Recorded sales
	<ul style="list-style-type: none"> <li>* Following accounting treatment at the same time:</li> <li>• Foreign currency contract entered into with suppliers</li> <li>• Contract in yen amount entered into with customer</li> <li>=Actual profit/loss and cost determined</li> </ul>	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.**