



# Financial Summary for FY2018

Lacto Japan Co., Ltd.

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# 1. Financial Summary

(Millions of Yen)

	2017/11	2018/11			2019/11
		Actual	Difference	Ratio (%)	Budget
Net Sales	101,334	115,440	+14,105	+13.9	125,200
Ordinary income	2,522	2,612	+90	+3.6	2,800
<i>Ordinary income ratio to net sales(%)</i>	2.5	2.3	(0.2)	-	2.2
Foreign exchange fluctuation on ordinary income(※)	+396	(59)	(456)	-	-
Net income attributable to owners of the parent	1,755	1,784	+29	+1.7	1,930
<i>Net income ratio to net sales(%)</i>	1.7	1.5	(0.2)	-	1.5

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

Net income per share (Yen)	358.96	364.62	+5.66	394.16
Exchange rate (Yen/USD)	112.43	110.47	(1.96)	-
Exchange rate (Yen/EURO)	125.71	130.91	+5.20	-

※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 P5-7)

## 2. Net Sales and Sales Volume by Business

	2017/11				2018/11				2019/11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Budget

### Net sales by Business

(Millions of Yen)

Dairy Ingredients and Cheese	13,573	16,349	19,276	20,821	21,972	21,839	21,856	19,621	92,270
Meat Products	4,301	4,087	3,520	3,345	3,337	3,279	2,990	2,969	15,320
Asia Business (Dairy Ingredients)	3,253	3,627	2,895	3,574	3,436	3,866	3,128	4,147	14,330
Asia Business (cheese)	453	437	482	547	499	498	554	564	2,380
Others	197	201	194	201	216	218	248	195	900
Total	21,777	24,701	26,368	28,488	29,461	29,703	28,778	27,497	125,200

### Sales Volume by Business

(Amounts less than one million yen are omitted)

(Unit : MT)

Dairy Ingredients and Cheese	35,772	39,795	47,729	49,589	53,509	50,658	50,149	44,127	209,320
Meat Products	7,492	7,085	6,030	5,742	5,789	5,576	5,138	5,090	26,260
Asia Business (Dairy ingredients)	10,847	12,258	10,068	11,841	11,977	14,454	11,977	14,412	54,700
Asia Business (cheese)	615	560	631	703	643	646	660	718	3,100

# 3. Consolidated Balance Sheets

(Millions of Yen)

	30-Nov-2017	30-Nov-2018	Difference
<b>Current Assets</b>	<b>43,491</b>	<b>46,438</b>	<b>2,947</b>
Cash and cash equivalents	4,006	4,929	923
Trade notes and accounts receivable	17,198	15,873	(1,325)
Inventories	21,446	25,216	3,769
Others	839	419	(420)
<b>Non-current assets</b>	<b>2,413</b>	<b>2,553</b>	<b>139</b>
Property, plant and equipment	559	597	37
Intangible assets	20	39	18
Investment and other assets	1,833	1,917	83
<b>Total Asset</b>	<b>45,905</b>	<b>48,992</b>	<b>3,086</b>
Accounts payable	11,411	11,173	(237)
Interest-bearing Liabilities	19,778	20,948	1,170
Others	1,929	2,437	507
<b>Liabilities</b>	<b>33,120</b>	<b>34,560</b>	<b>1,440</b>
<b>Net assets</b>	<b>12,785</b>	<b>14,431</b>	<b>1,646</b>
<b>Total Liabilities</b>	<b>45,905</b>	<b>48,992</b>	<b>3,086</b>

## Main Factor

- **Increase in Account Receivable and inventory**  
Increase in sales volume

(Amounts less than one million yen are omitted)

# 4. Consolidated financial forecast for FY2019 November



(Millions of Yen)

	Actual result for 30-Nov-2018	Forecast for 30-Nov-2019		
		Forecast	Difference	Ratio (%)
Net Sales	115,440	125,200	9,759	+8.5%
Ordinary income	2,612	2,800	187	+7.2%
<i>Ordinary income ratio to net sales(%)</i>	2.3	2.2	△0.1	-
Foreign exchange fluctuation on ordinary income(※)	(△59)	-	-	-
Net income attributable to owners of the parent	1,784	1,930	145	+8.2%
<i>Net income ratio to net sales(%)</i>	1.5	1.5	0.0	-
Net income per share (Yen)	364.62	394.16	29.54	
Exchange rate (Yen/USD)	110.47	-	-	
Exchange rate (Yen/EURO)	130.91	-	-	

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

# 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.**

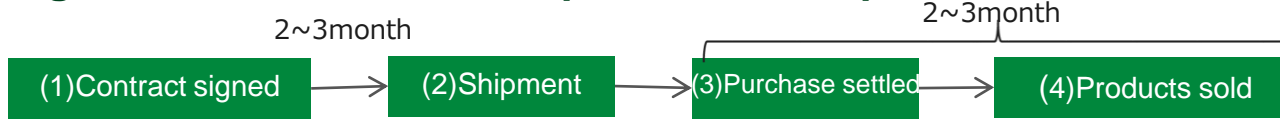
Lacto Japan applies "separate accounting treatments" to adjust amounts of foreign exchange gains/losses caused by exchange fluctuations to amounts of gross profit/loss and non-operating income/loss.

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))

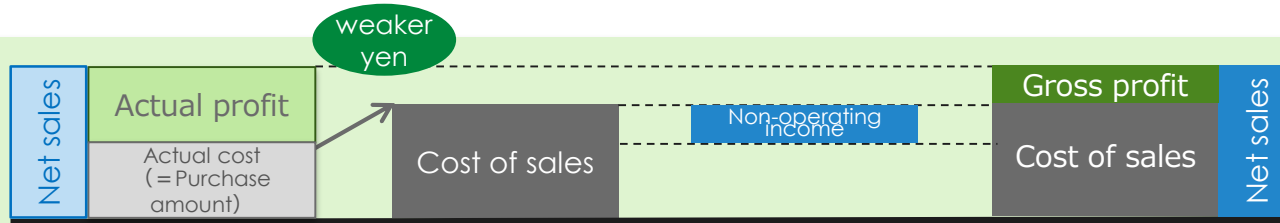
**Product sold during the same financial period as that of the sales contract for the product**  
 Sum the amounts from (1) to (4). The same amount as the actual profit/loss and cost at (1) is recorded.

**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**

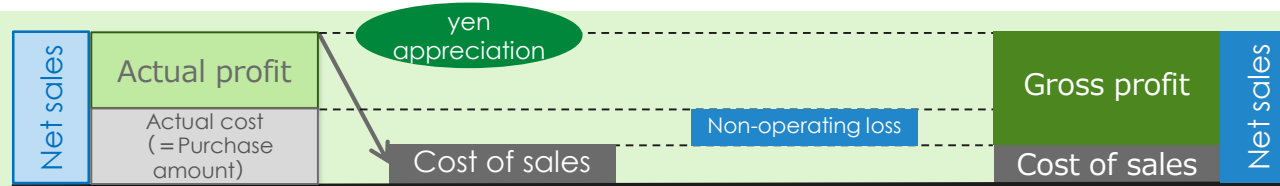


Currency Rate: **weaker yen**



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).