



# Financial Summary for FY2018 First Quarter

Lacto Japan Co., Ltd.

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# 1. Financial Summary



(Millions of Yen)

	2017/11 1 Q	2018/11 1Q			2018/11 Budget
		Actual	Difference	Ratio (%)	
Net Sales	21,777	29,461	+7,684	135.3	110,300
Ordinary income	1,272	745	(527)	58.6	2,600
<i>Ordinary income ratio to net sales(%)</i>	5.8	2.5	(3.3)	-	2.4
Foreign exchange fluctuation on ordinary income(※)	+595	(44)	(639)	-	-
Net income attributable to owners of the parent	857	493	(364)	57.5	1,800
<i>Net income ratio to net sales(%)</i>	3.9	1.7	(2.2)	-	1.6
(Amounts of financial result less than one million yen are omitted)					
Net income per share (Yen)	175.28	100.81	(74.47)	57.5	367.91
Exchange rate (Yen/USD)	114.62	110.61	(4.01)	-	-
Exchange rate (Yen/EURO)	121.58	134.17	+12.59	-	-

※Foreign exchange fluctuations 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	
	1Q	2Q	3Q	4Q	1Q	Budget
<b>Net sales by Business</b>	(Millions of Yen)					
Dairy Ingredients and Cheese	13,573	16,349	19,276	20,821	21,972	78,400
Meat Products	4,301	4,087	3,520	3,345	3,337	15,000
Asia Business (Dairy Ingredients)	3,253	3,627	2,895	3,574	3,436	13,500
Asia Business (cheese)	453	437	482	547	499	2,200
Others	197	201	194	201	216	1,200
<b>Total</b>	<b>21,777</b>	<b>24,701</b>	<b>26,368</b>	<b>28,488</b>	<b>29,461</b>	<b>110,300</b>

### 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	184,500
Meat Products	7,492	7,085	6,030	5,742	5,789	26,000
Asia Business (Dairy ingredients)	10,847	12,258	10,068	11,841	11,977	49,600
Asia Business (cheese)	615	560	631	703	643	2,900

# 3. Consolidated Balance Sheets

(Millions of Yen)

	30-Nov-2017	28-Feb-2018	Difference
<b>Current Assets</b>	<b>43,491</b>	<b>45,917</b>	<b>+2,426</b>
Cash and cash equivalents	4,006	4,702	+695
Trade notes and accounts receivable	17,198	18,415	+1,217
Inventories	21,446	22,214	+768
Others	840	585	(254)
<b>Non-current assets</b>	<b>2,413</b>	<b>2,451</b>	<b>+37</b>
Property, plant and equipment	559	514	(45)
Intangible assets	20	20	0
Investment and other assets	1,833	1,916	+83
<b>Total Asset</b>	<b>45,905</b>	<b>48,369</b>	<b>+2,464</b>
Accounts payable	11,411	9,157	(2,254)
Interest-bearing Liabilities	19,778	24,559	+4,781
Others	1,931	2,098	+167
<b>Liabilities</b>	<b>33,120</b>	<b>35,814</b>	<b>+2,694</b>
<b>Net assets</b>	<b>12,785</b>	<b>12,554</b>	<b>(231)</b>
<b>Total Liabilities</b>	<b>45,905</b>	<b>48,369</b>	<b>+2,464</b>

(Amounts less than one million yen are omitted)

## Main Factor

- **Increase in Account Receivable and inventory**  
Increase in sales volume
- **Decrease of Account Payable**
  - Increase in customs duties to be paid by deferral under old framework; Lacto Japan changed the payment framework of the "Extension of the Time Limit for Payment of Customs Duty" in 1Q(※).
  - Increase purchase of products by Agriculture & Livestock Industries Corporation's bid at the end of November
- **Increase in Interest-bearing Liabilities**  
Increase in short-term debt for working capital demand due to sales expansion

※The Extension of the time Limit for Payment of Customs Duty: Under the Japanese Custom Duty system, a time limit can be changed by applying for an extension of custom duty pertaining to an import declaration, and by submitting security to customs upon submission by the importer of the import declaration.

# 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 profit/losses (gross profit/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.

