



Financial Results for year ending November, 2017 and financial forecast for year ending November, 2018

- 1. Consolidated Financial Results for the year ending November 30, 2017 and forecasts for the year ending November 30, 2018**
- 2. Market Environment and Future Initiatives**
- 3. Reference : Corporate Overview**

Consolidated financial results

- For year ending November 2017, Lacto Japan reached record highs in both sales and current net profit. We also met our projection as updated in July 2017.

The medium-term business plan of “NEXT-LJ2020” and forecasts for FY11/18

- Upon implementation of our medium-term business plan announced last year under the title of “NEXT-LJ2019,” Lacto Japan was able to achieve our initial target of the first year. Thus, excluding foreign exchange factors, Lacto Japan saw steady growth in sales volumes attained by concentrating on our core strengths.
- Upon achieving our initial target, we updated our target plan as a new medium-term business plan named “NEXT-LJ2020.” The objective of the target plan is to further develop and enhance our strategic abilities to attain further growth and profit within an essentially steady market environment.
- We expect the market environment to remain steady for the period ending November 2018; and by taking advantage of this favorable environment we will strive to attain steady and stable growth.

Shareholder returns

- For the period ending November 2017, share dividends increased to a record high of 38 yen. This upward movement in share value, was driven in part by transfer of Lacto Japan from the 2nd Section to the 1st Section of the JPX.
- Dividends are expected to increase in value to 40 yen for the period ending November 2018.
- We continue to invest in the growth of our business and to further augment the foundation of our business. On the other hand, we think that shareholder returns is an important factor in our overall business strategy, with an emphasis on increased dividend values.

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Consolidated Financial Results for the year ending November 30, 2017 And forecasts for the year ending November 30,2018



**Lacto Japan has achieved both record sales and record profit;
and we have also met our projections as updated in July 2017.**

(Millions of yen)

	2016/11 Actual	2017/11					
		Actual	Difference (2017-2016)	Ratio (2017-2016)	Forecast Updated n July	Difference (Actual- Forecast)	Achievement Rate
Net Sales	88,679	101,334	12,655	+ 14.3%	95,600	5,734	105.9%
Ordinary income	1,434	2,522	1,088	+ 75.9%	2,020	502	124.8%
<i>Ordinary income ratio to net sales(%)</i>	1.61%	2.48%			2.11%		
Gains or losses are scheduled to be reported in a future period	266	(130)					
Net income attributable to owners of the parent	946	1,755	809	+ 85.5%	1,380	375	127.1%
<i>Net income ratio to net sales(%)</i>	1.06%	1.73%			1.44%		
Net income per share (Yen)	193.57	358.96			282.24		
Exchange rate(Yen/USD)	109.33	112.43					
Exchange rate (Yen/EURO)	121.18	125.71					

(Financial Amounts than one million yen are omitted)

* Specifically, transactions whose purchase settlements were completed at the end of a set period and for which exchange gain/loss for forex hedging has been reported, but for which gain or loss is scheduled to be reported in a future period are referred to here under the title "Gain/loss scheduled to be reported in a future period"; the rationale being that relevant sales will occur in a future period..

In principle, Lacto Japan's business model hedges risks of foreign exchange fluctuations.

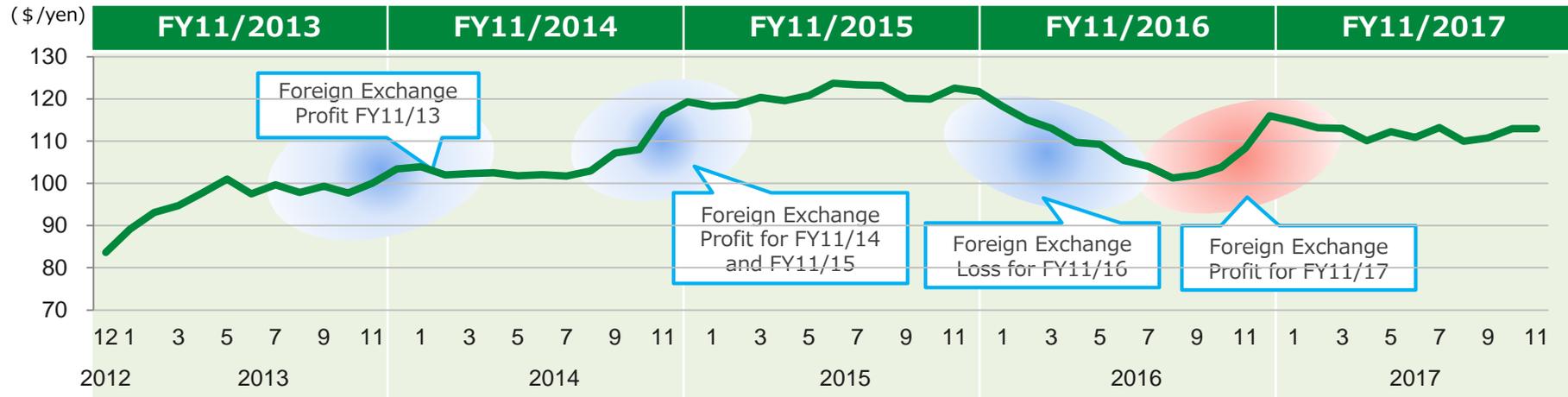
- Under Lacto Japan's Basic Business model, Lacto Japan enters into sales contracts with domestic customers at the same time as entering into foreign currency purchase contracts with overseas suppliers.
- By entering into a forward exchange contract with a financial institution upon concluding a contract 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.)

Trends of Foreign Exchange (Spot rate of Tokyo stock market)

source) NIKKEI QUICK



Trends of Net Sales and Profit and loss(Consolidated basis)

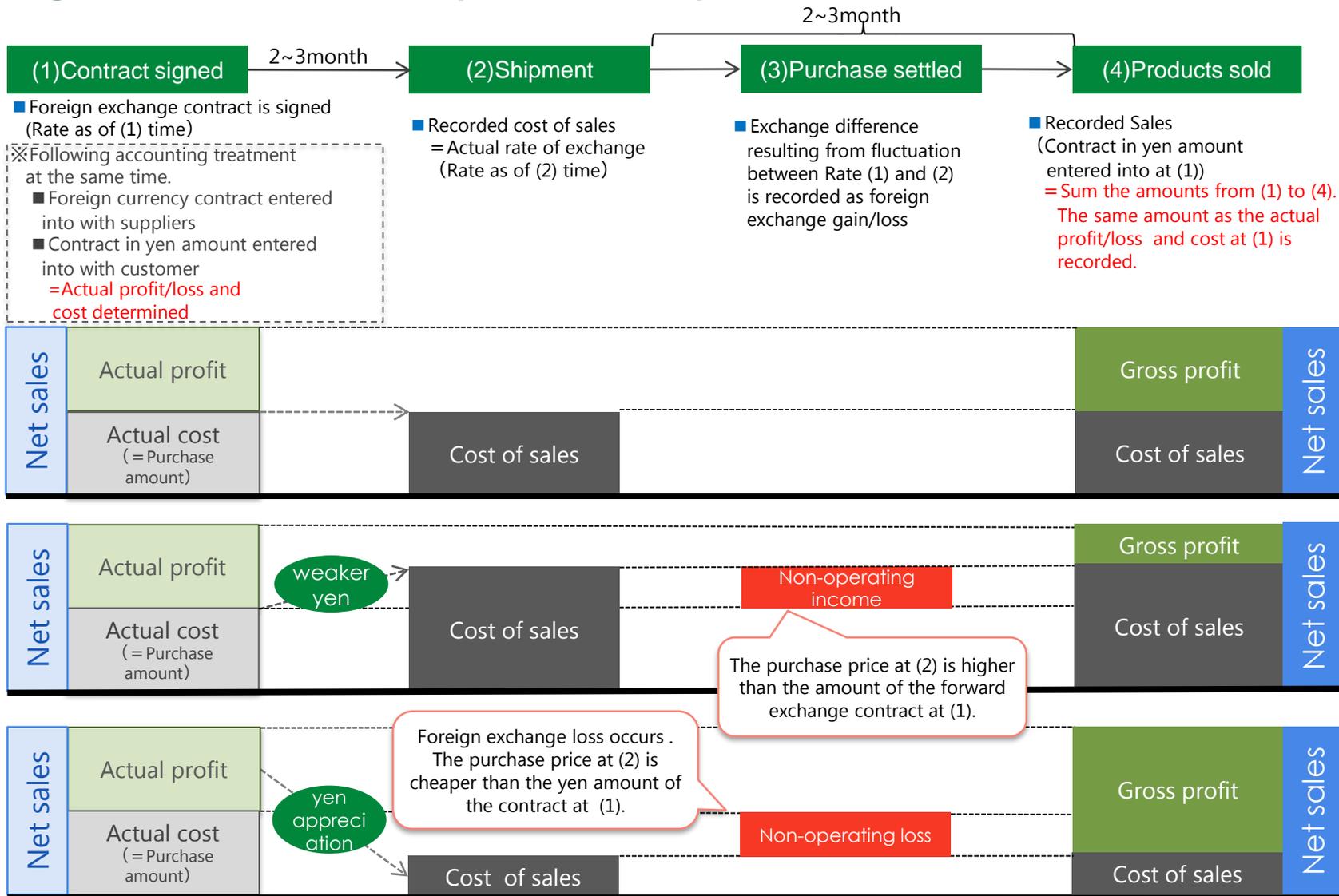
(millions of yen)

	FY11/2013	FY11/2014	FY11/2015	FY11/2016	FY11/2017
Net Sales	75,942	96,549	98,000	88,679	101,334
Gross profit	3,258	4,258	3,648	6,345	5,386
Operating Profit/loss	699	1,531	720	3,349	1,923
Foreign Exchange profit loss(※)	1,188	638	1,052	(1,537)	1,158
Ordinary income /loss	1,669	1,653	1,343	1,434	2,522

※Trends of Foreign Exchange Profit/loss in the Other income and expense

Model of business flow (Impact of foreign exchange fluctuation in separate accounting)

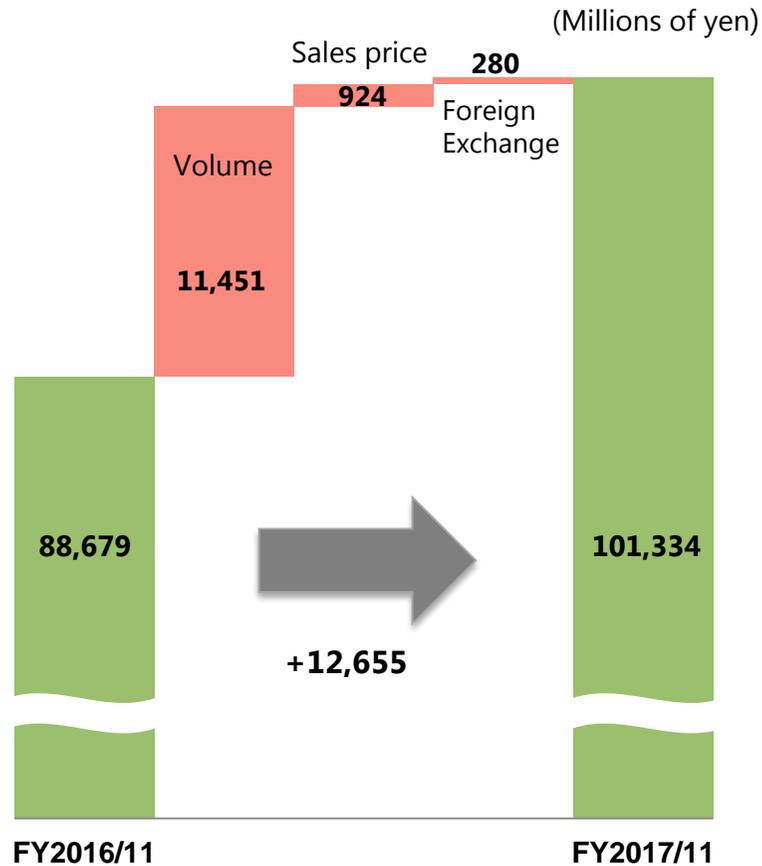
Foreign exchange fluctuation have no impact on actual profit under our basic business model.



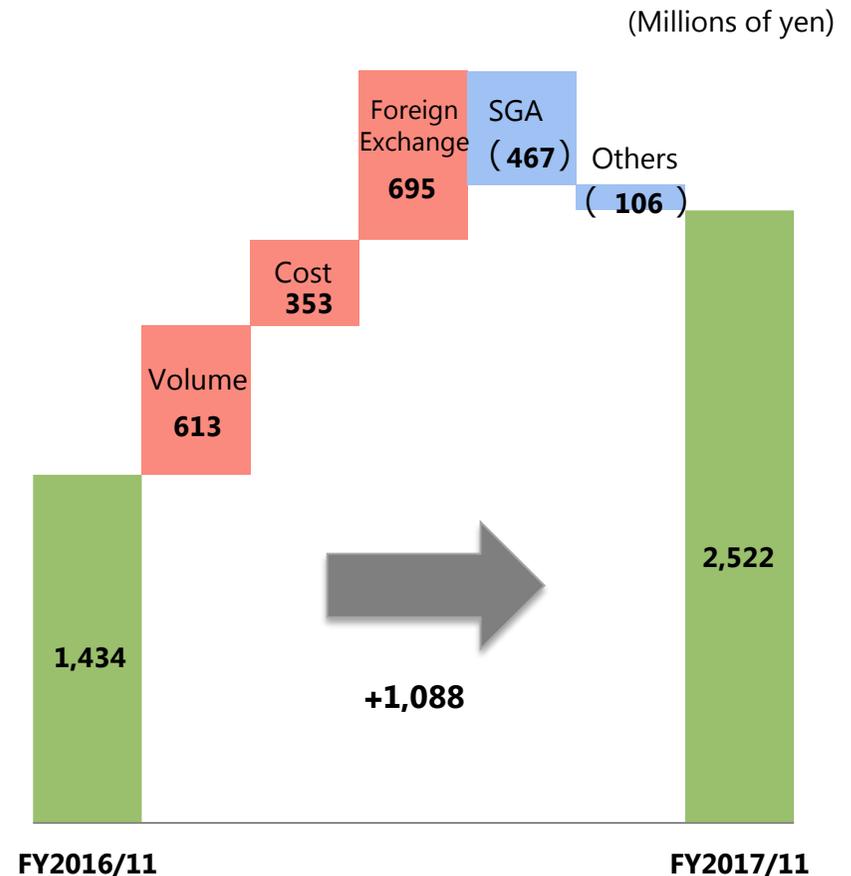
Analysis for Net sales and Ordinary income

Revenue increased due to volume expansion; and ordinary income increased due to the higher revenue, excluding currency effects.

Consolidated net sales



Consolidated ordinary income



※Foreign Exchange :
Foreign exchange fluctuation on ordinary income

Sales expansion for Dairy Ingredients and Cheese, Asia business and others

Net sales by Business

(Millions of yen)

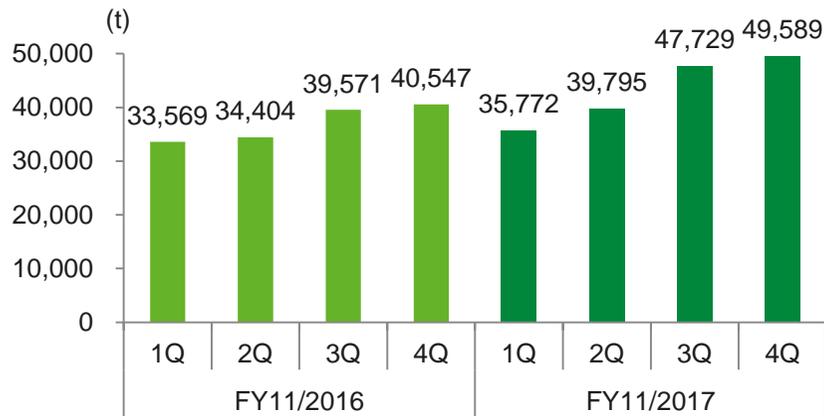
	FY2016.11 Actual	FY2017.11 Actual	Change	Business Topics
Dairy Ingredients and Cheese	60,543	70,019	9,476	<ul style="list-style-type: none"> Along with the sales of finished products such as ice cream and chocolate remaining steady, sales of imported raw milk ingredients to be used as ingredients increased due to the shortage in the production of domestic raw milk. As for cheese, sales quantity increased due to favorable demand in the Japanese market as well as increased new transactions.
Meat Products	16,338	15,253	(1,085)	<ul style="list-style-type: none"> Sales quantity decreased in response to changes in the purchasing policy of a major customer. Though we worked to diversify and expand our purchasing and sales routes and met our goal of the plan, sales decreased compared to the same period of the previous year.
Asia Business and others	11,797	16,061	4,264	<ul style="list-style-type: none"> Since the cost of milk products rose worldwide, there was a positive shift in the sales of our products which are competitively priced as a result of our purchasing network. Sales quantity increased for the cheese production and sales department as a result of adding to our product lineup in many price ranges and improving production efficiency.

Sales Volume by Business

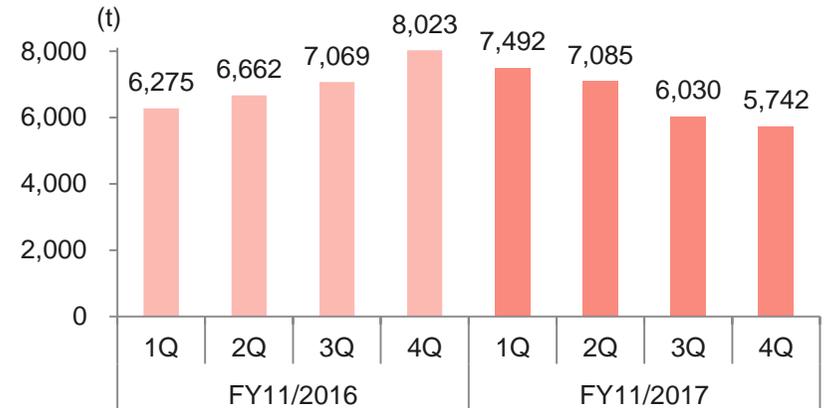
(Unit : Mt)

	FY2016.11 Actual	FY2017.11 Actual	Change	Ratio
Dairy Ingredients and Cheese	148,091	172,885	24,794	+ 16.7%
Meat Products	28,029	26,349	(1,680)	(6.0%)
Asia Business (Dairy ingredients)	37,472	45,014	7,542	+ 20.1%
Asia Business (cheese)	1,912	2,509	597	+ 31.2%

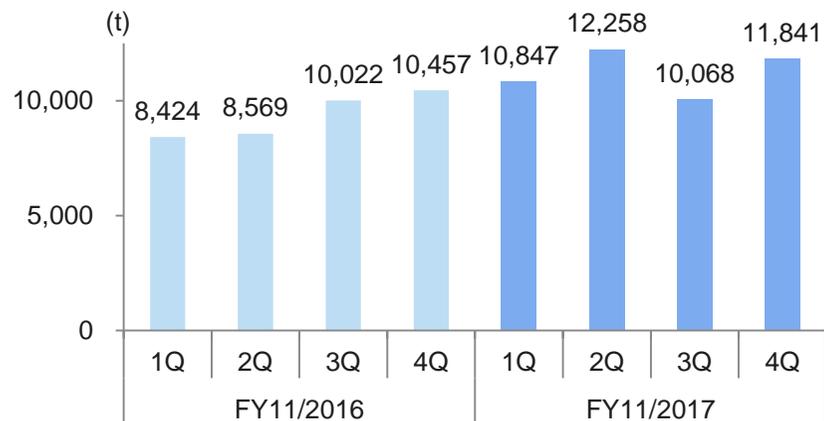
■ Dairy Ingredients and Cheese



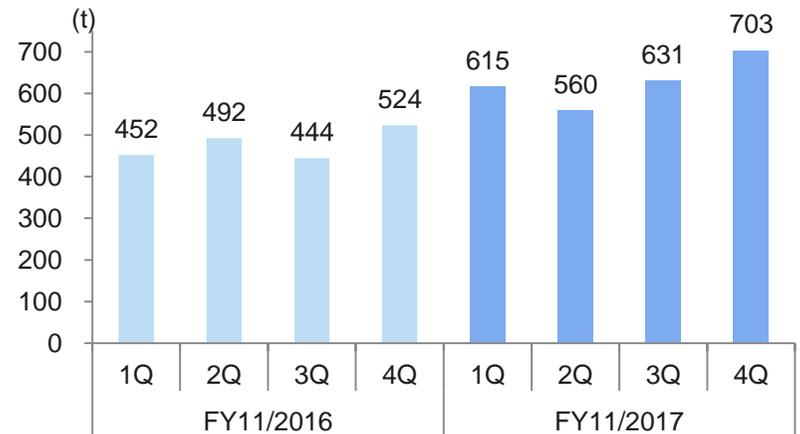
■ Meat Products



■ Asia Business(Dairy ingredients)



■ Asia Business (Cheese)



Consolidated Balance Sheets

(Millions of Yen)

	30-11-2016	30-11-2017	Difference
Current Assets	35,132	43,491	8,359
Trade notes and Account receivable	14,278	17,198	2,920
Inventory	13,101	21,446	8,345
Non-Current assets	2,428	2,413	(15)
Property, plant and Equipment	662	559	(103)
Intangible assets	55	20	(35)
Investment and Other assets	1,710	1,833	123
Total Assets	37,561	45,905	8,344
Current Liabilities	12,499	20,907	8,408
Account payable	6,890	11,411	4,521
Interest-bearing Liabilities	4,303	8,379	4,076
Non-Current Liabilities	13,642	12,212	(1,430)
Interest-bearing Liabilities	12,799	11,306	(1,493)
Liabilities	26,142	33,120	6,978
Net assets	11,419	12,785	1,366
Total Liabilities	37,561	45,905	8,344

Main Factor

– Increase in Account Receivable and inventory

Increase in sales volume
Rise in purchase and sales price

– Increase in Account Payable

Increase in sales volume

– Increase in Interest-bearing Liabilities

Increase in short-term debt for working capital demand due to sales expansion

(※) Summary Balance Sheet

(Millions of Yen)

	FY11/2016	FY11/2017	Difference
Cash flows from operating activities	3,560	(5,048)	(8,608)
Cash flows from investing activities	4	(137)	141
Cash flows from financing activities	(1,655)	2,384	4,039
Net change in cash and cash equivalents	1,736	(2,780)	
Cash and cash equivalents (at November 31)	5,767	2,987	

Main Factor

– Cash Out from operating activities

Increase in Inventory and working capital due to sales expansion

– Cash in from financing activities

Procurement of interest-bearing debt increased for Cash Out from Operating activities

Consolidated forecasts for the year ending November 30,2018

- Our target is to maintain sustained growth in sales and profit by continuing to develop and enhance our core strengths.
- As noted, dividends are expected to increase to 40 yen for the period ending November 2018. We continue to invest in the growth of our business and to further augment the foundation of our business. On the other hand, we think that shareholder returns is an important factor in our overall business strategy, with an emphasis on increased dividend values.

(Millions of yen)

	FY11/2017 Actual	FY11/2018		
		Forecast※	Difference	Ratio
Net Sales	101,334	110,300	8,966	+ 8.9 %
Ordinary Income	2,522	2,600	78	+ 3.1 %
Gain or loss is scheduled to be reported	(130)	-		
Net income attributable to owners of the parent	1,755	1,800	45	+ 2.6%
Net income per share(Yen)	358.96	367.91		
Dividend per share(Yen)	38.0	40.0		
Dividend payout Ratio	10.6%	10.9%		

■ Dairy Ingredients and Cheese

- Although the stable market sentiment remains unchanged for milk product costs worldwide, the rate of increase is not expected to be as much as the previous period, and intensified competition in sales pricing is anticipated(Profit↓).
- Along with steady sales of finished products, increased demand for imported raw milk ingredients due to the shortage in the production of domestic raw milk(Sales Volume↑).

■ Meat Products

- The sales quantity decrease in response to changes in the purchasing policy of some customers which started in the latter half of the previous period will affect this entire year(Sales Volume↓).
- Opening up purchasing and sales routes by diversifying and expanding(Sales Volume↑).
- Improving profitability by expanding and upgrading our offerings of products with added value(Profit↑).

■ Asia Business and others

- Differentiating from other companies with our Group's procurement capability as well as detail-oriented sales activities cultivated in Japan(Unit price↑/Sales Volume↑).
- Reduce deficit by expanding production at our Thai subsidiary (cheese production)(Profit↑).

2

Market environment and Initiatives for growth



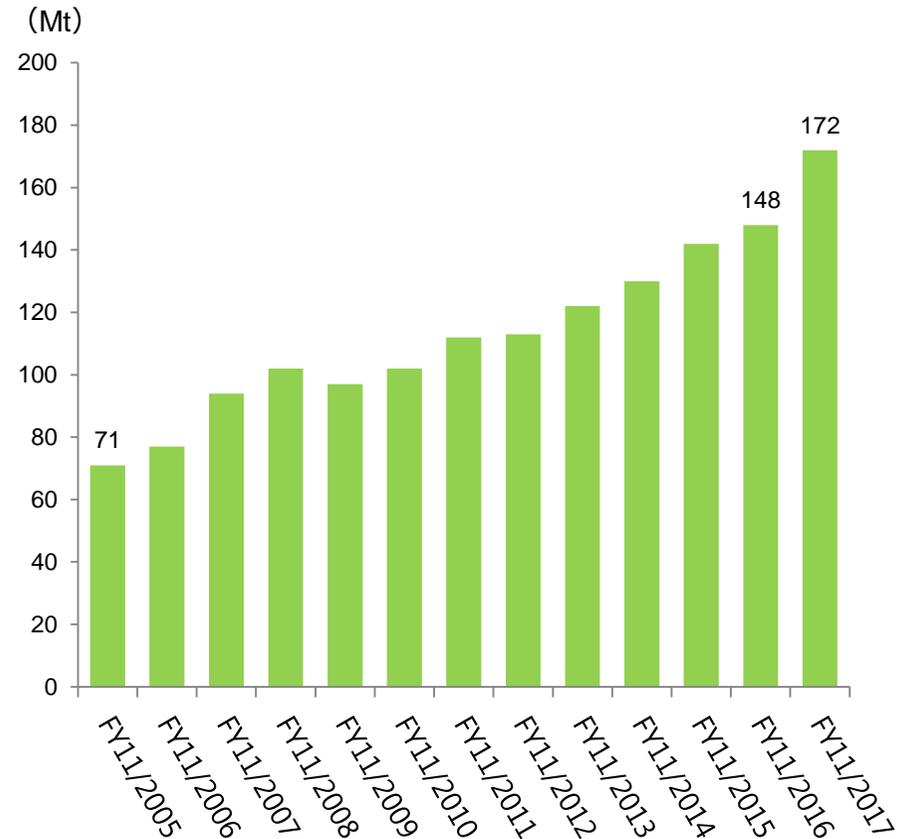
■ Initiatives for growth

- Expand business with dependable supply of imported milk ingredients increasing in need (consistently supplement decreasing domestic milk ingredients).
- Expand milk ingredient supply for ice cream and chocolate remaining steady whose demand remains steady.
- Expand sales of preparations for drinks (acquire new customers).
- Diversify international supply sources.

■ Progress in Business situation for FY2017

- As the domestic production of raw milk continues its downward trend, the consumption of milk and milk products remain high (Increase bid quantity in ALIC bidding).
- Further, milk for drinking has also bottomed out since 2015.
- domestic demand is becoming increasingly healthy.
※ALIC = Agriculture & Livestock Industries Corporation's

■ Sales Volume (Dairy Ingredients and Cheese)

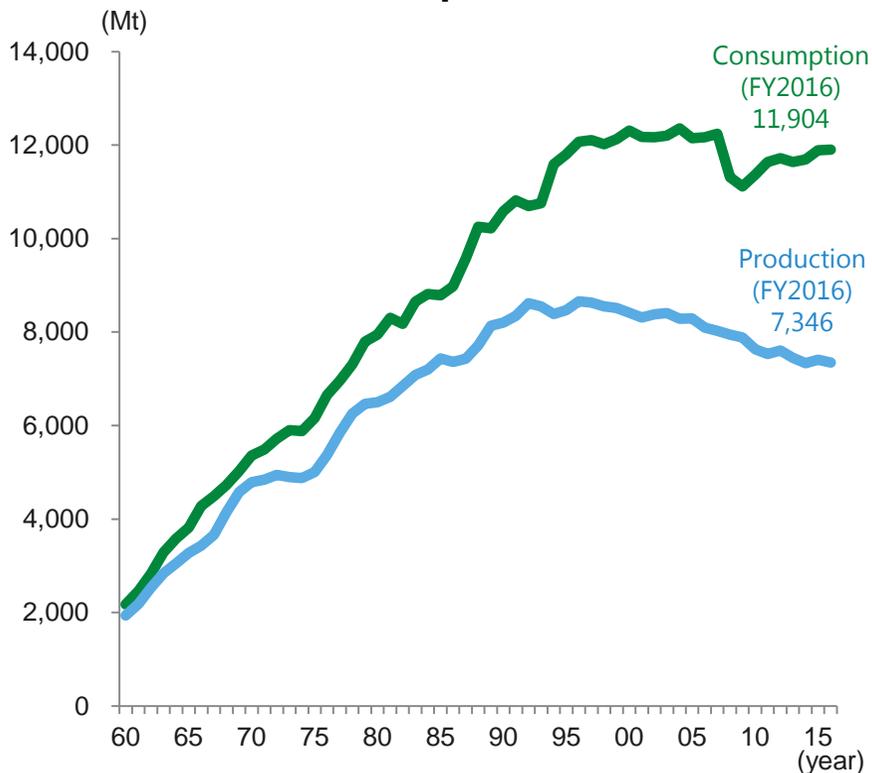


※Data converted to solids

Although the trend for domestic production of raw milk continues to be downward, the consumption of milk and milk products remains high.

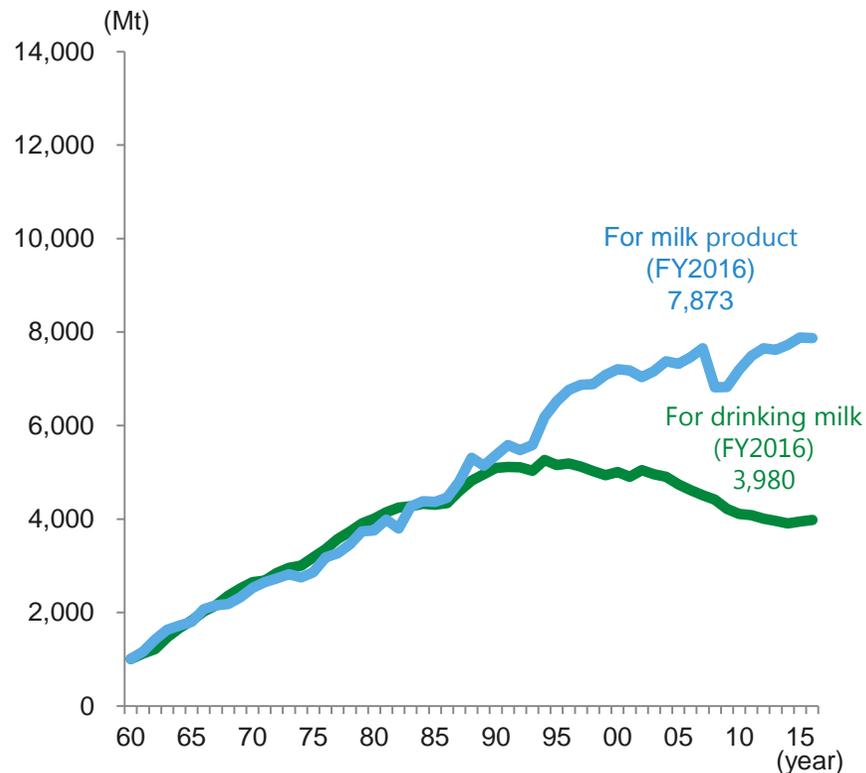
Demand for milk as a drink bottomed out as of 2015, but domestic demand once more looks increasingly healthy.

■ Domestic production and consumption for raw milk and milk products



Source: Maff "Food supply and demand table for 2017"(Approximate value for 2016)
Data converted to raw milk

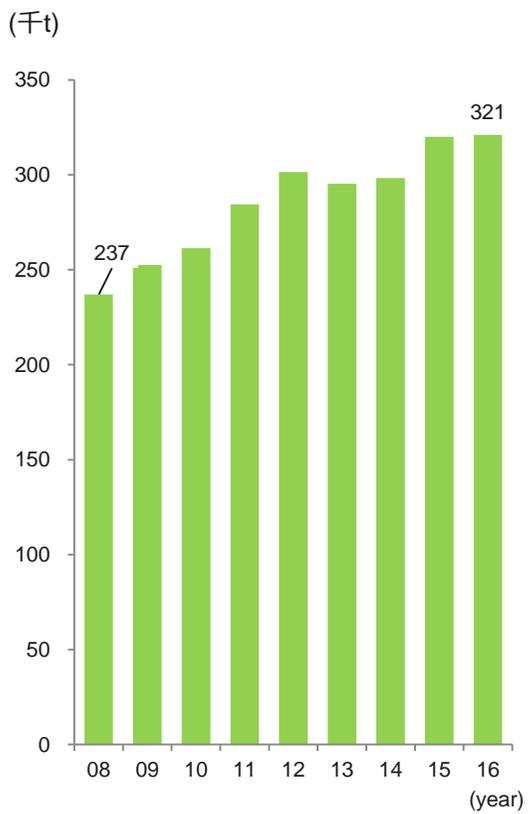
■ Domestic Consumption for milk and milk products



Source: Maff "Food supply and demand table for 2017"(Approximate value for 2016)
Data converted to raw milk

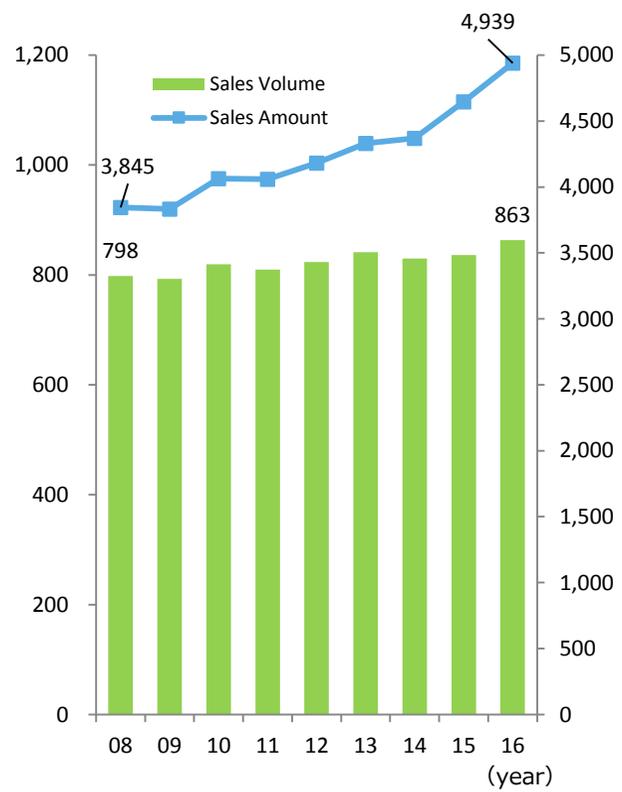
Domestic production and consumption of cheese, ice cream, and chocolate are steady. Correspondingly, demand for imported milk ingredients is increasingly healthy.

■ Consumption of cheese in japan



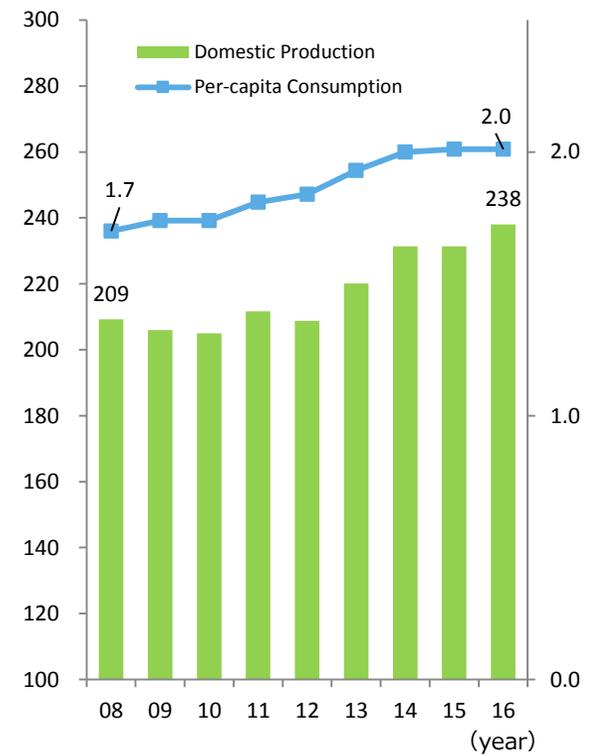
Source: Maff "Food supply and demand table for 2017" (Amounts for 2016 is Approximate value)

■ Sales quantity and Sales for ice cream and Frozen dessert



Source : Japan Ice Cream Association

■ Domestic Production and consumption for Chocolate product



Source : Chocolate and cocoa association in japan

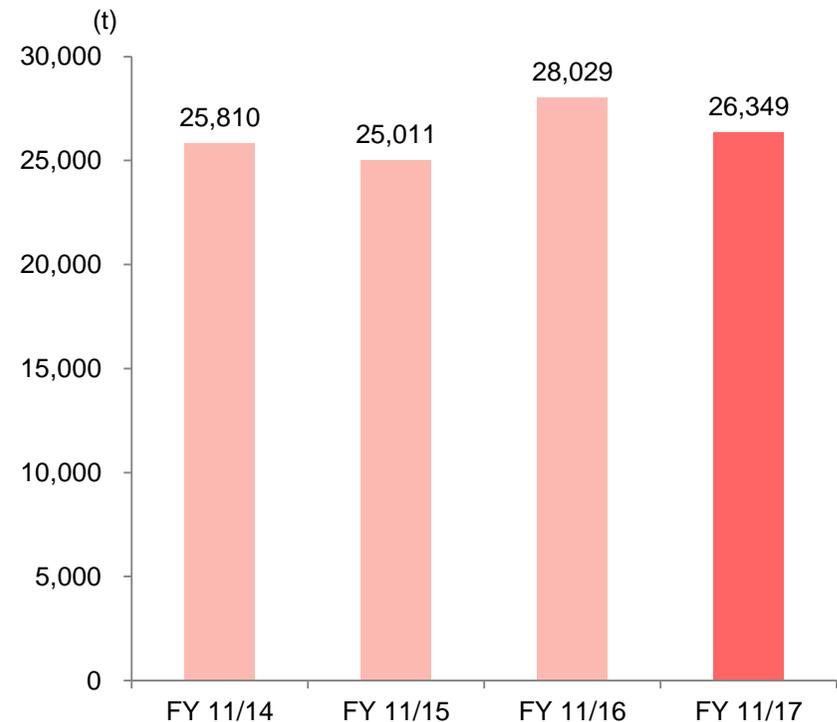
■ Initiatives for growth

- Diversify customers for chilled and frozen pork.
- Diversify supply sources.
- Develop a pork brand (intensify strategies to differentiate from imported pork).

■ Progress in business situation for FY2017

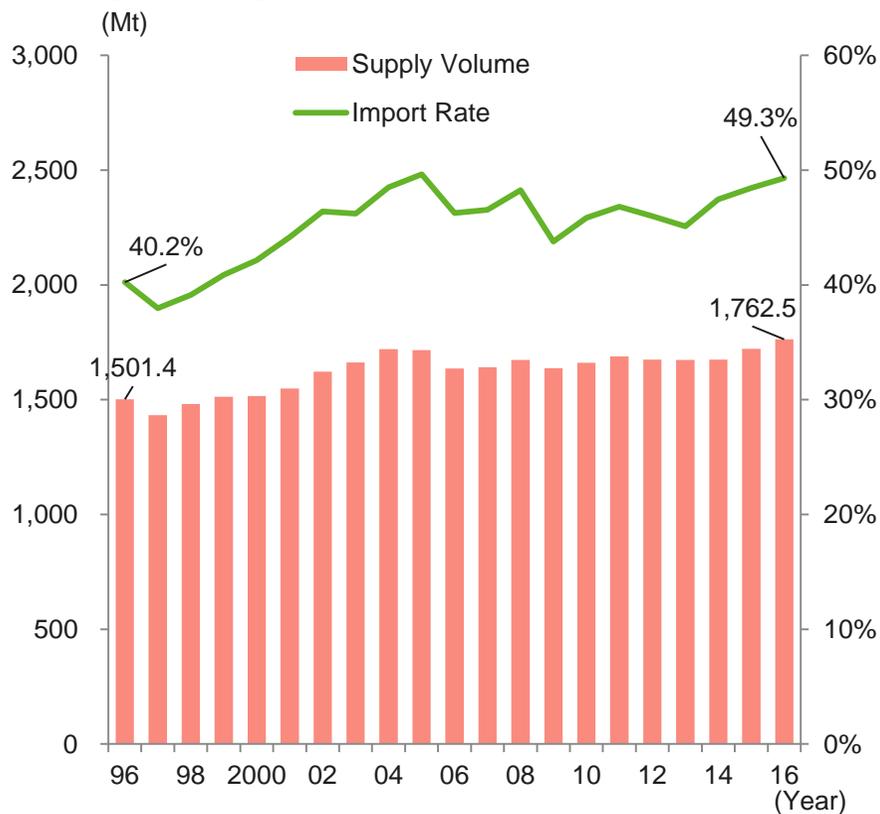
- Sales of foreign pork remained steady with increased domestic awareness of foreign pork and due to high prices of domestic pork as the number shipped was much lower than initial expectations.
- Expand customers with a focus on major ham and sausage manufacturers.
- Expand our offerings of U.S. chilled pork and other origins.
- Started trading branded pork in the beginning of 2017.

■ Sales Volume(Meat Products)



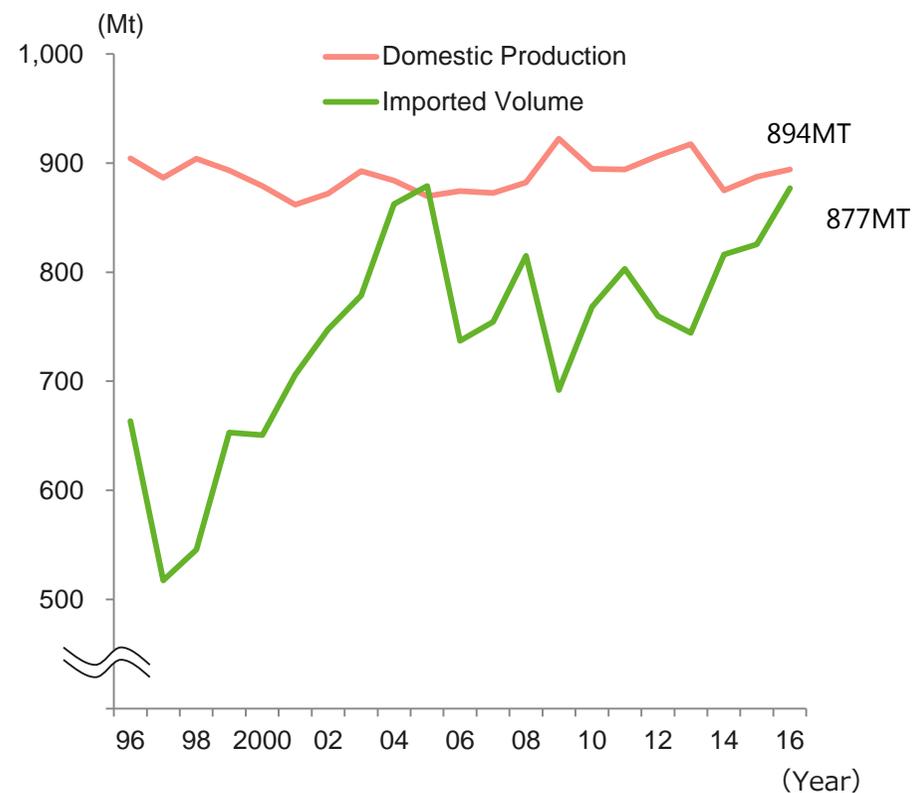
Domestic demand for pork is steadily increase. The import ratio reaches 49%.

■ Pork demand (Supply volume) and imported products ratio



Source: Alic "Supply and demand table for Pork"

■ Production volume and import volume of pork (Japan)



Source: Alic "Supply and demand table for Pork"

■ Initiatives for growth

- Reinforce our cheese production and sales business (expand sales of items for retail sale, develop low-priced products for the price-appeal market).
- Increasing awareness of the Lacto brand by expanding and upgrading our product lineup.

■ Progress in business situation for FY2017

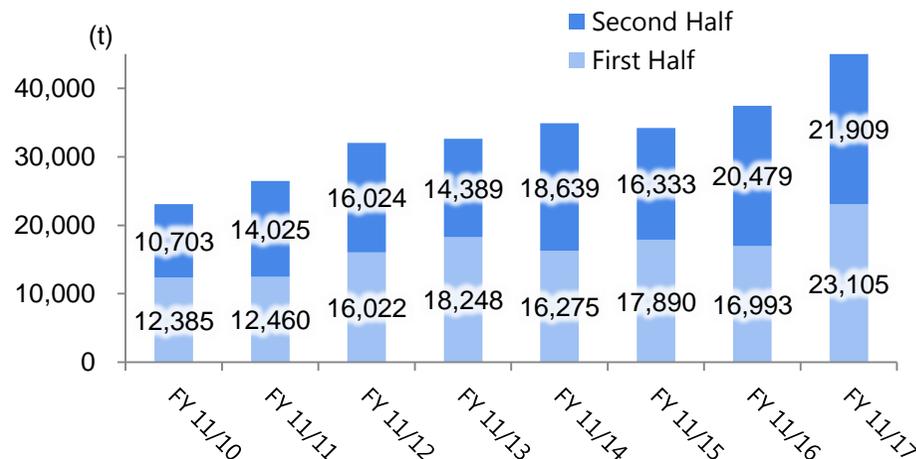
Asia Business (Sales of Dairy ingredients)

- Dominate in procuring competitively priced products by using our procurement abilities to have many superior supply sources.
- Our detail-oriented sales activities cultivated in Japan is regarded highly also by customers in the Asia region.
- Increase human resources to reinforce our sales structure in the Asia region.

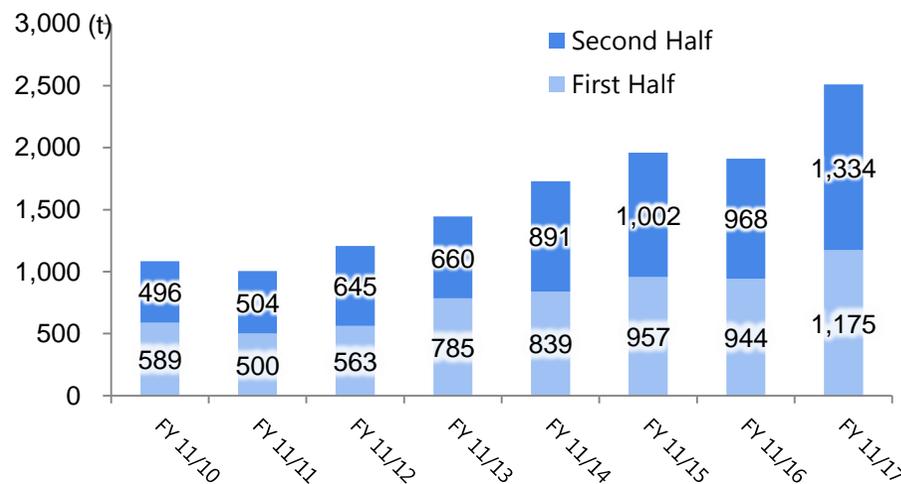
Asia Business(Manufacturing of cheese)

- Reduce deficit by expanding production and improving operations at our Thai subsidiary.
- Reinforce our product lineup, such as starting to produce and sell low-priced products to meet the region's high need for price-appeal products.

■ Asia Business (Sales of Dairy ingredients)



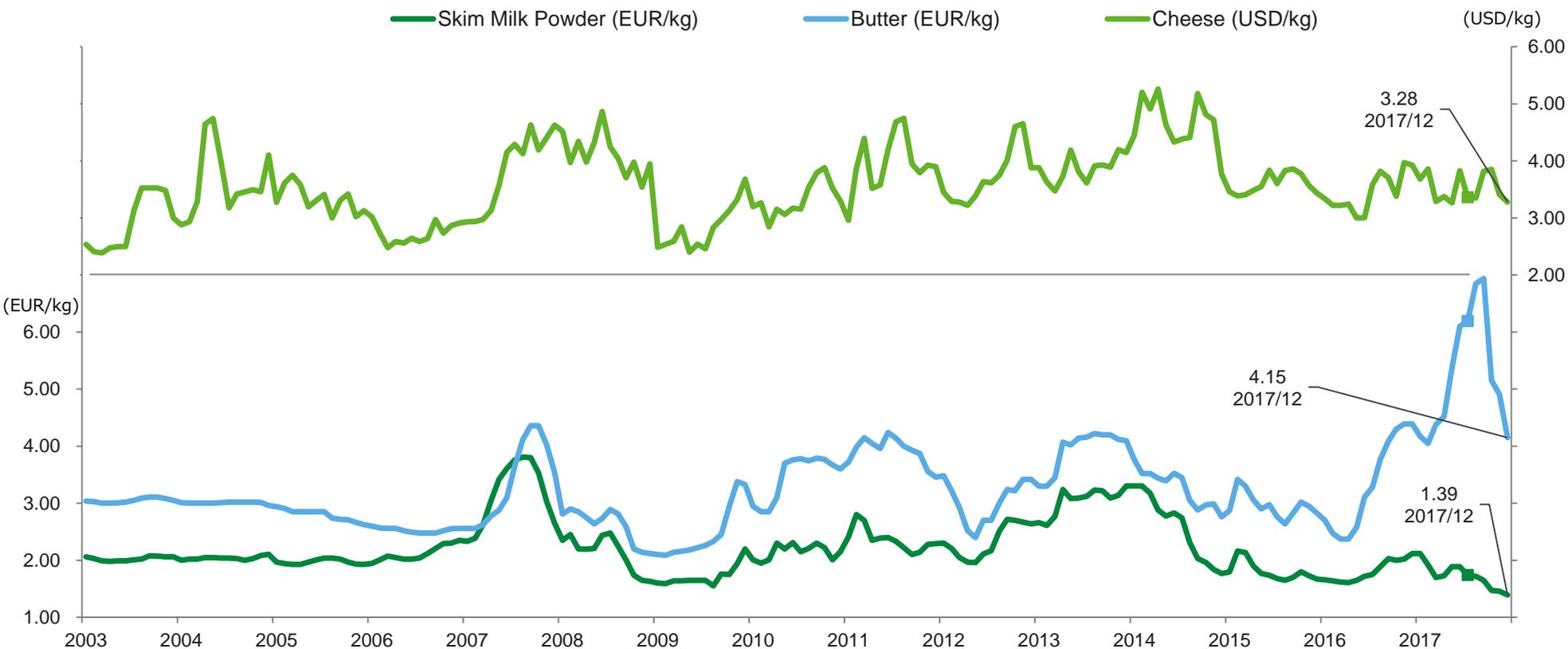
■ Asia Business(Manufacturing of cheese)





Global Market for Dairy Ingredients increase steadily

Market price of Global Market



The goals set in the medium-term business plan NEXT-LJ2019 in the first year have been reached.

(Millions of yen)

	Actual results for FY2017	Target of FY2019 in NEXT-LJ2019
Consolidated Net sales	101,334	97,140
Consolidated Ordinary income	2,522	1,830
Consolidated Net income attributable to owners of the parent	1,755	1,310

The reasons for reaching the goals set can be summarized as follows
: provision of detailed customer-oriented service; recognizing and utilizing fully the opportunity for growth provided by increasing demand in Japan and Asia.

LACTO VALUE

Positioning in growth markets

- ① **Japan market** : Increased demand for imported dairy raw materials by the dairy farmers of the decrease
- ② **Asia market** : Demand increase due to changes in food culture

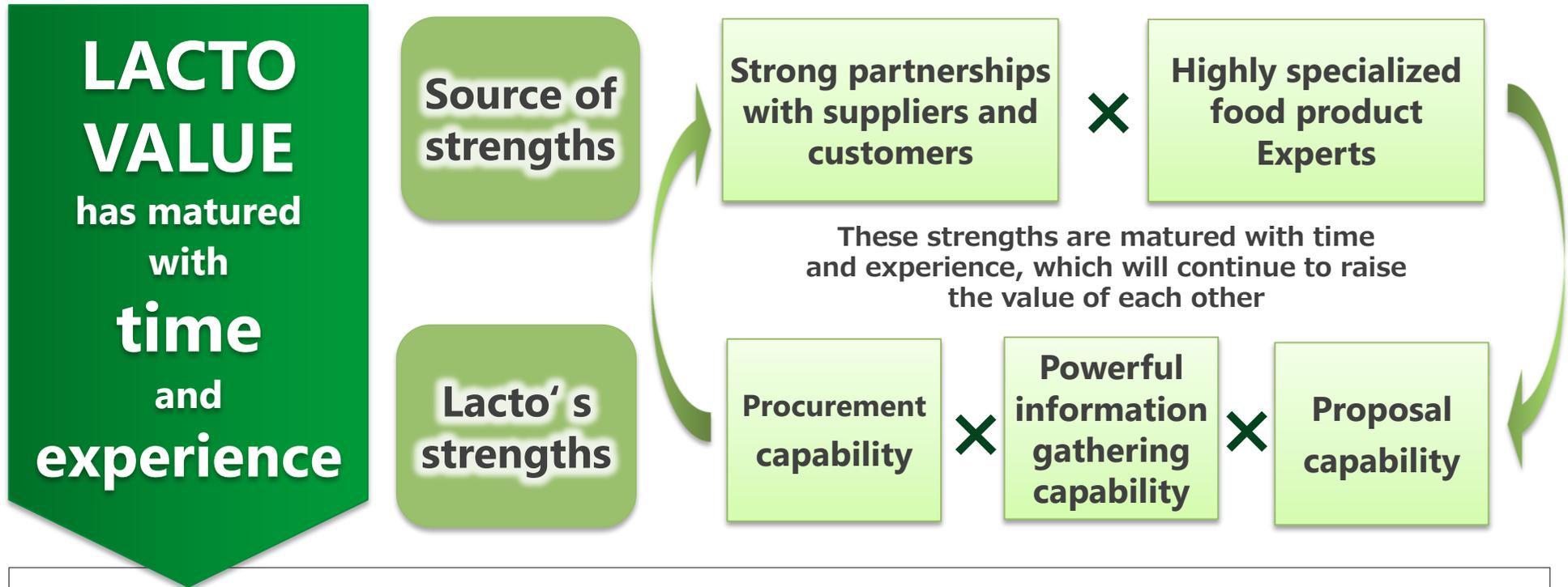
Strong position in growing markets

; provision of detailed market-oriented services, achieved by analysis and understanding in advance of perceived opportunities for growth (changes in market environment, emerging requirements, etc.) in advance:

- ① **Response to customer needs;**
Refinement of detailed customer-oriented services, with an emphasis on satisfying customer demand for food safety
- ② **Responses to market fluctuations and environmental changes;**
Responses to short-term rises in market prices and increased bidding opportunities brought about by increased demand
- ③ **Customer expansion in new industry;**
Cultivation of new customer bases in industries sown and ready for development

"LACTO VALUE" : Lacto Japan's Added Value

Acquire opportunities for growth by using our strengths as professionals who have matured with time and experience, and by continuing to stay closely attuned to the needs of our suppliers and customers.



**Enhance our existing strengths,
and target sustained growth so as to remain the customers'
partner of preference in the growing dairy market industry.**

New Corporate Business Plan “NEXT-LJ2020”



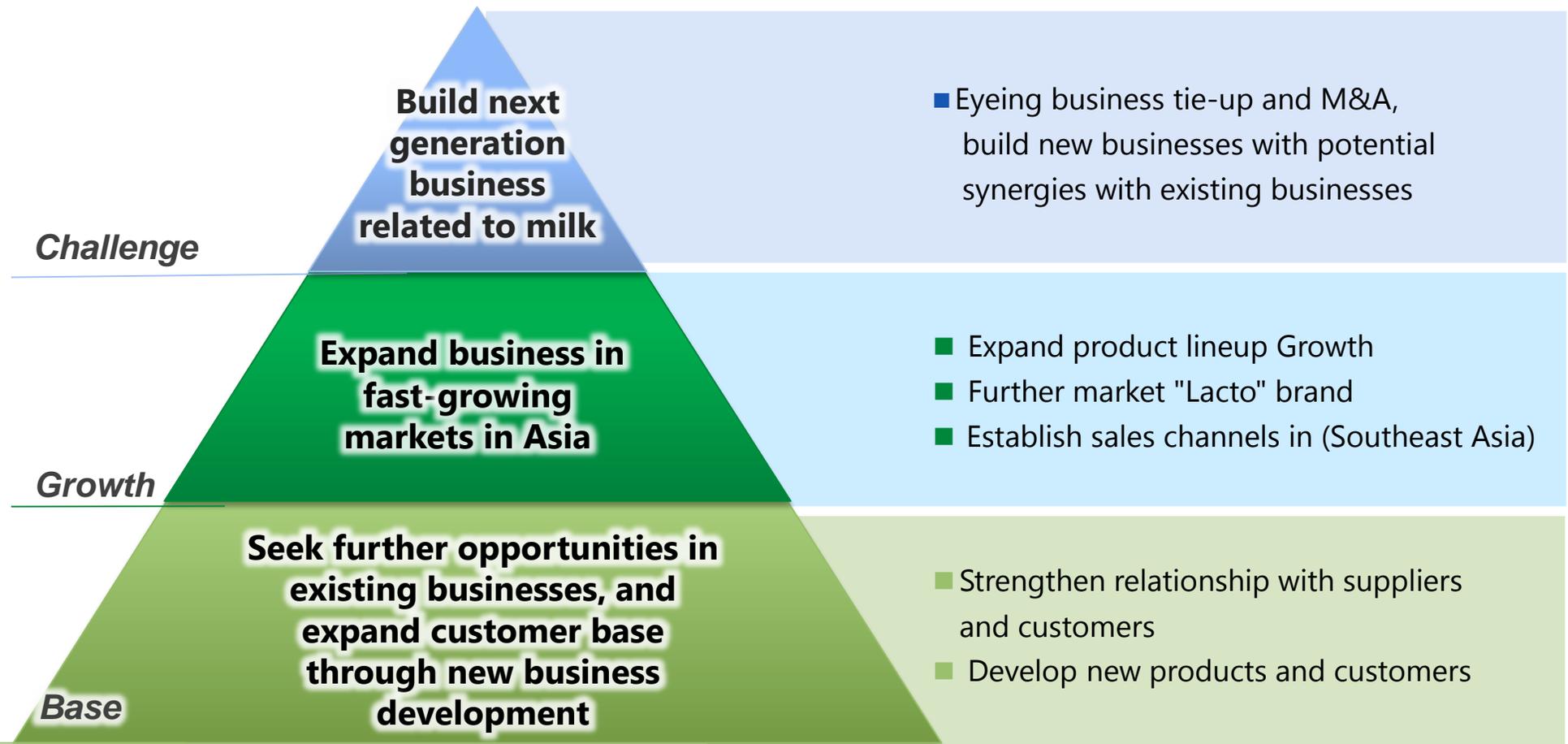
Reached the goals set in “NEXT-LJ2019” in the first year and updated the Corporate business plan into “NEXT-LJ2020”.

(Millions of Yen)

	Target FY11/2020
Consolidated Net Sales	125,000
Consolidated Ordinary income	3,000
Consolidated Net income attributable to owners of the parent	2,100

Continue with Basic Principle and Main Project

Lacto Japan provides health and eating pleasure for consumers as Global Food Professional Company



Expand the production of cheese as a business in the Asian region; and develop a cheese manufacturing business as a pillar for new earnings.

Expansion new transaction with high trust in Japanese brands

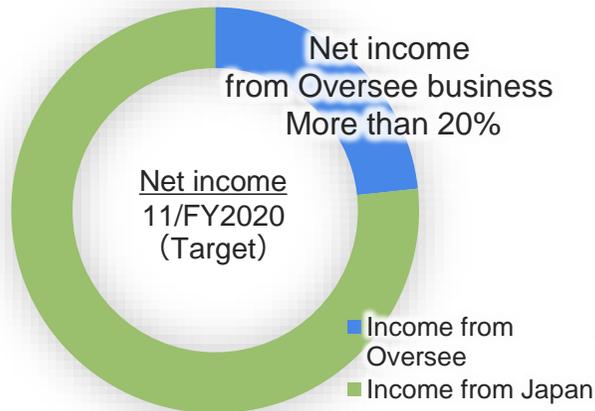
With high trust in Japanese brands, expand new transactions by customer response ability to accurately grasp needs.

Expansion the Market of Dairy products in Asia

Dairy products market in Asia increased steadily due to changes in food culture.

Expansion of the manufacturing business

By expanding the manufacturing business with high profitability, Aim for construction of new earnings pillars over the medium to long term.



Factory in Singapore



Factory in Thai

3

Corporate Overview



1

One of the leading companies in the sector: a specialist dairy ingredient and cheese trading company handling a comprehensive range of products

2

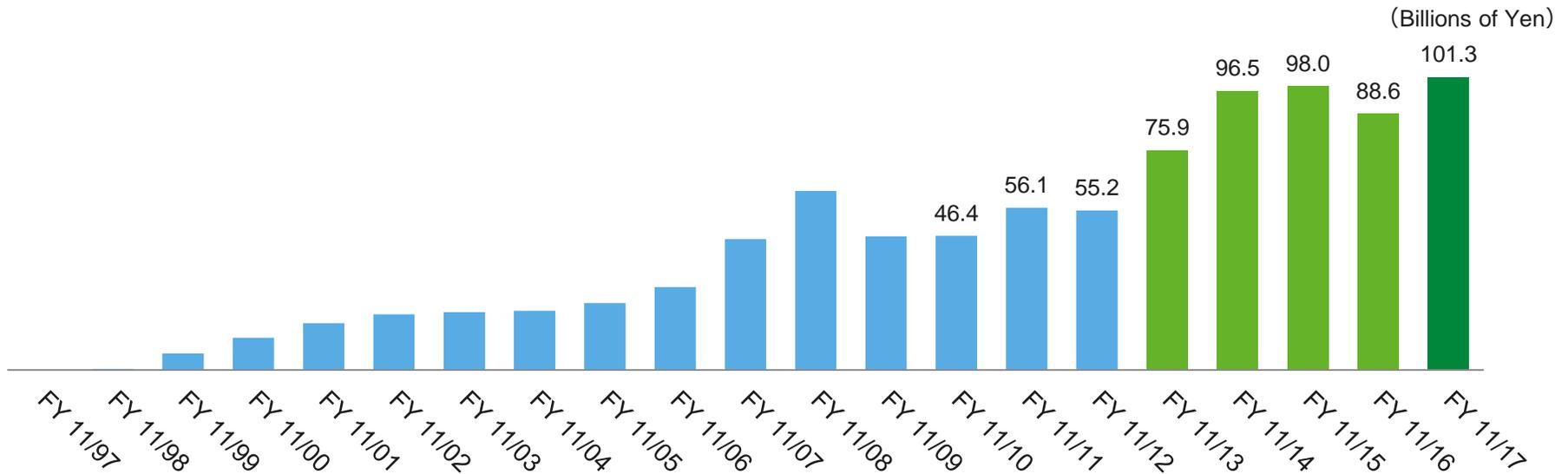
Unique market position: unparalleled scale and sourcing capabilities in Japan and a business model that leverages our strengths as an independent food trading company

3

Growth potential: cultivating new markets by strengthening our position as a producer in Asia, where demand for dairy products is starting to take off

Lacto Japan has grown steadily by expanding its business in dairy ingredients and cheese

■ Net sales (parent only sales through FY11/12, consolidated sales from FY11/13)



May 1998: Lacto Japan Co., Ltd. established, starts operations

November 1998: Representative office opened in Singapore

March 2005: Processed meat product business launched
Begins sales of imported ham and salami

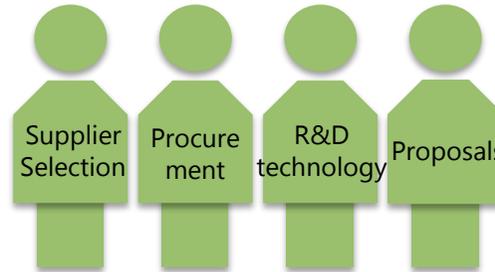
A Business Model that Leverages our Strengths as an Independent Food Trading Company



Powerful information gathering, proposal and customer response capabilities backed by specialist expertise
Careful response to customer needs regardless of business group affiliations



Lacto Japan



Specialist in various fields

Customized product ideas
Ability to address individual customer needs
Proposal capabilities

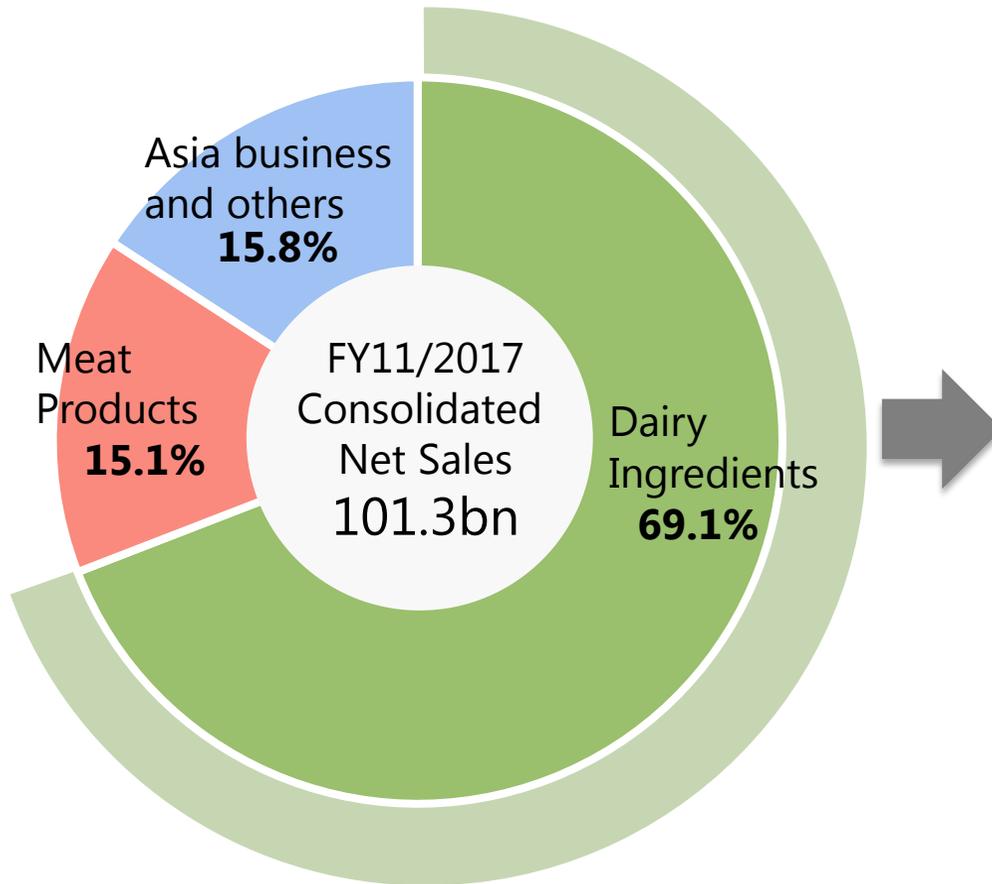
Strong product development
Needs among domestic users
(Manufacturer of Dairy
Ingredients, Confectionery, Fats and oils, Beverage)

Joint development of **customized** products tailored to user needs
Strong relationships with suppliers based on information gathering capabilities

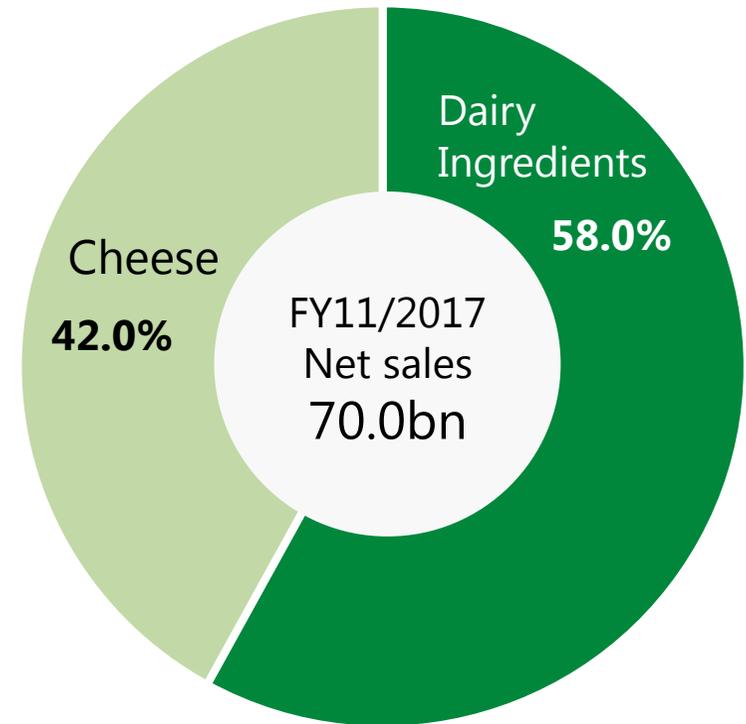
Strategic supplier
245 company



Consolidated Net Sales by Business

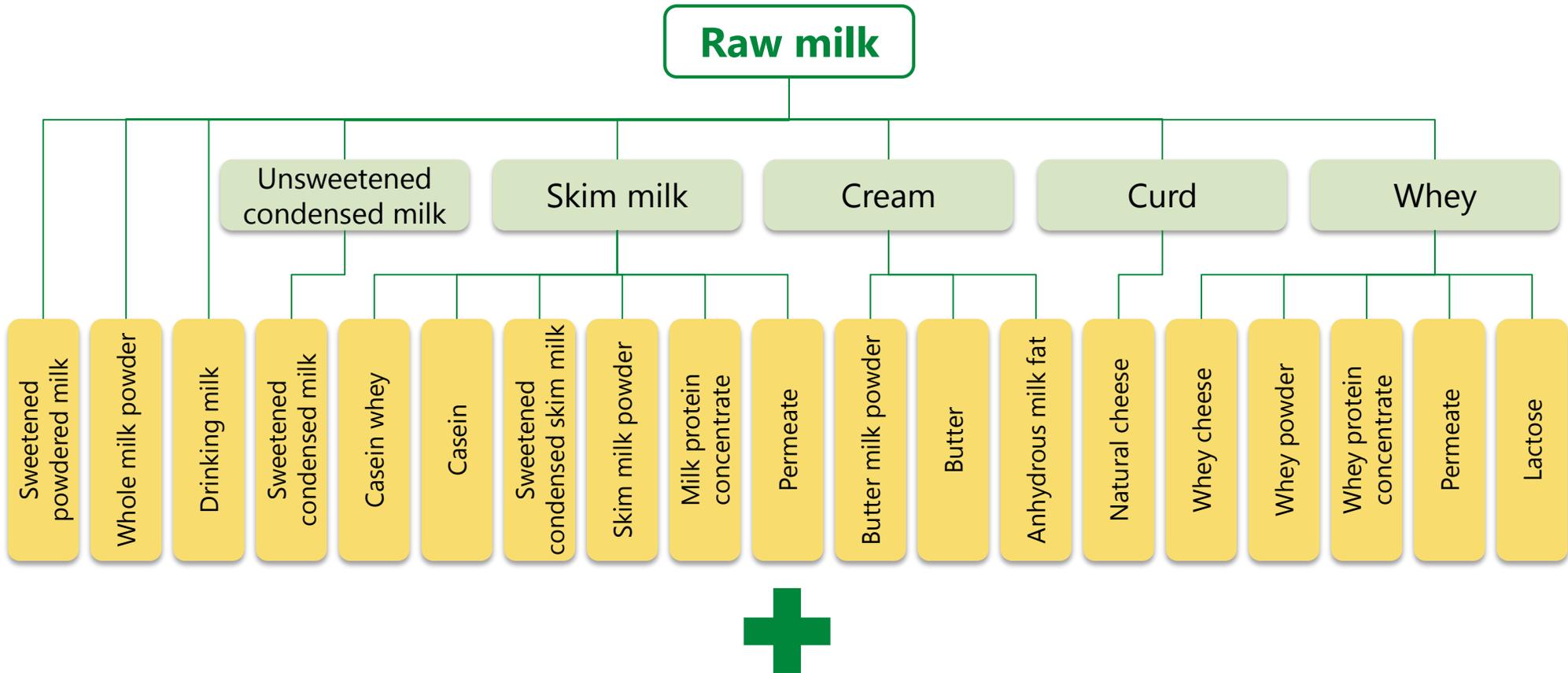


Net Sales by Dairy Ingredients and Cheese



Business (1) Dairy Ingredient Business – 1

Lacto Japan handles around 40 general-use dairy ingredients and about 500 customized dairy products

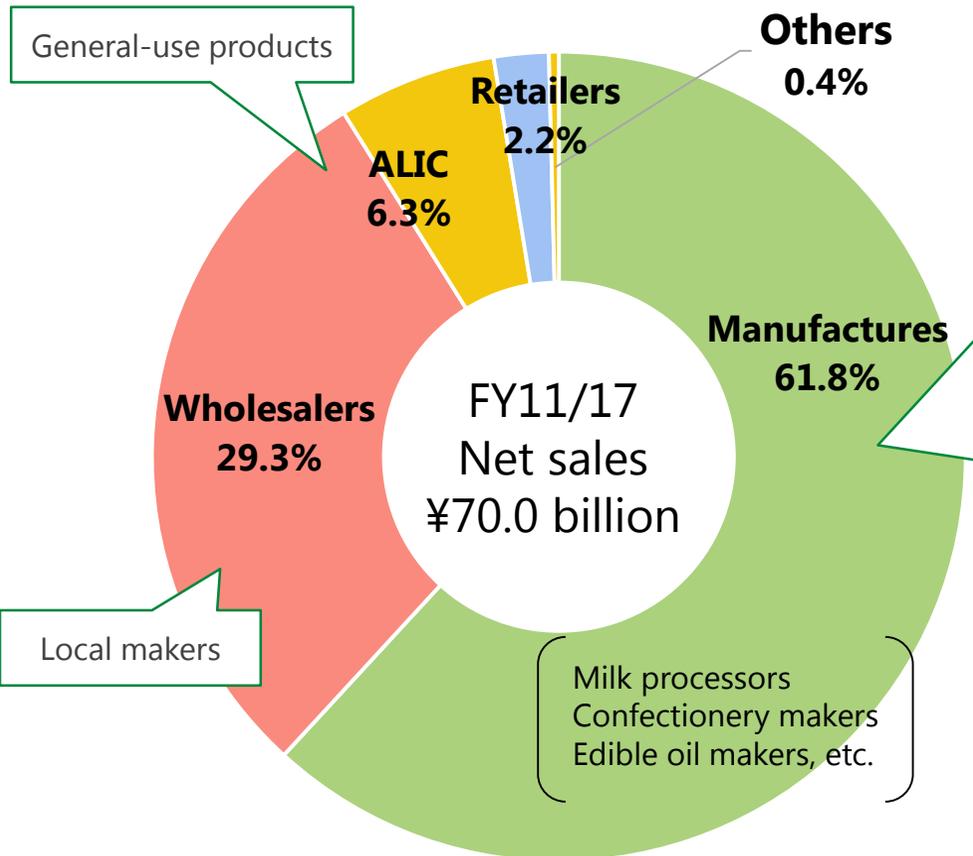


Customized products (primary processed products) Over **500** types

Business (1) Dairy Ingredient Business – 2

Lacto Japan sells its products to a diverse base of major manufacturers, local makers and retailers

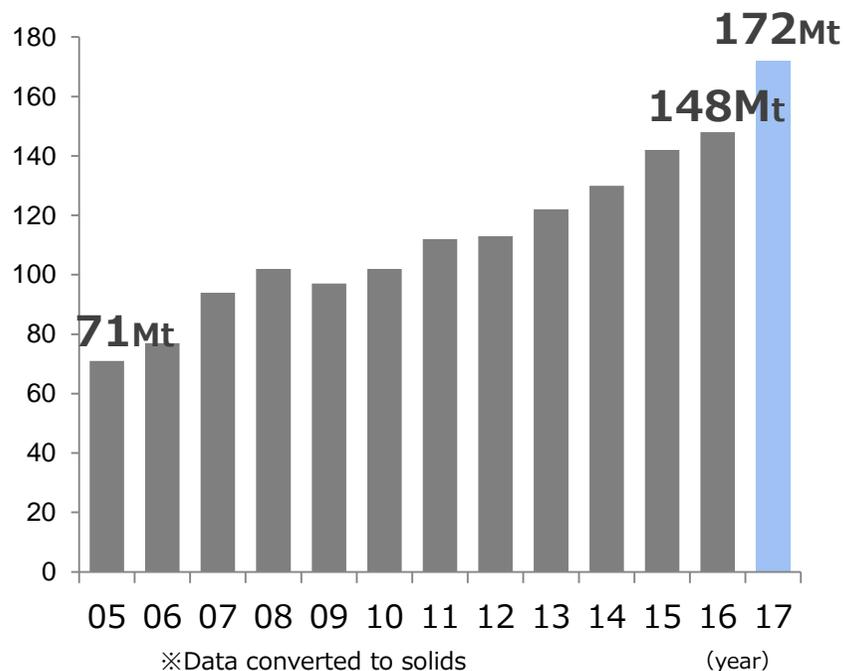
Breakdown of sales by customer sector
(dairy ingredient business)



One of Japan's leading trading company of dairy products,
The sales quantity of dairy product and cheese doubled in the past 10 years
(32.5% share of imports in FY11/16).

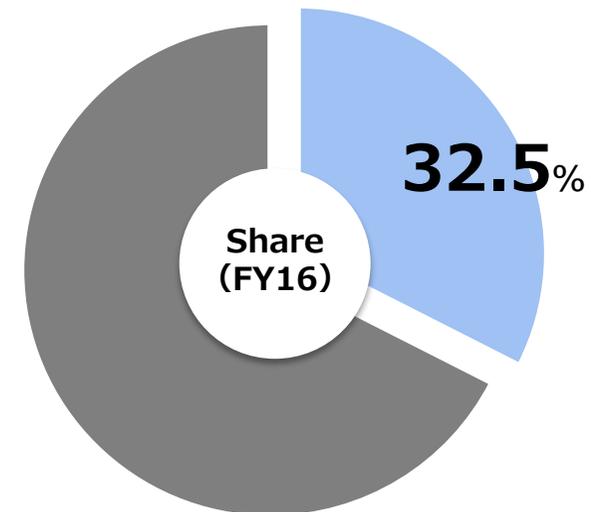
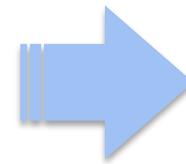
Sales quantity (Dairy product and cheese)

(Unit : 1000t)



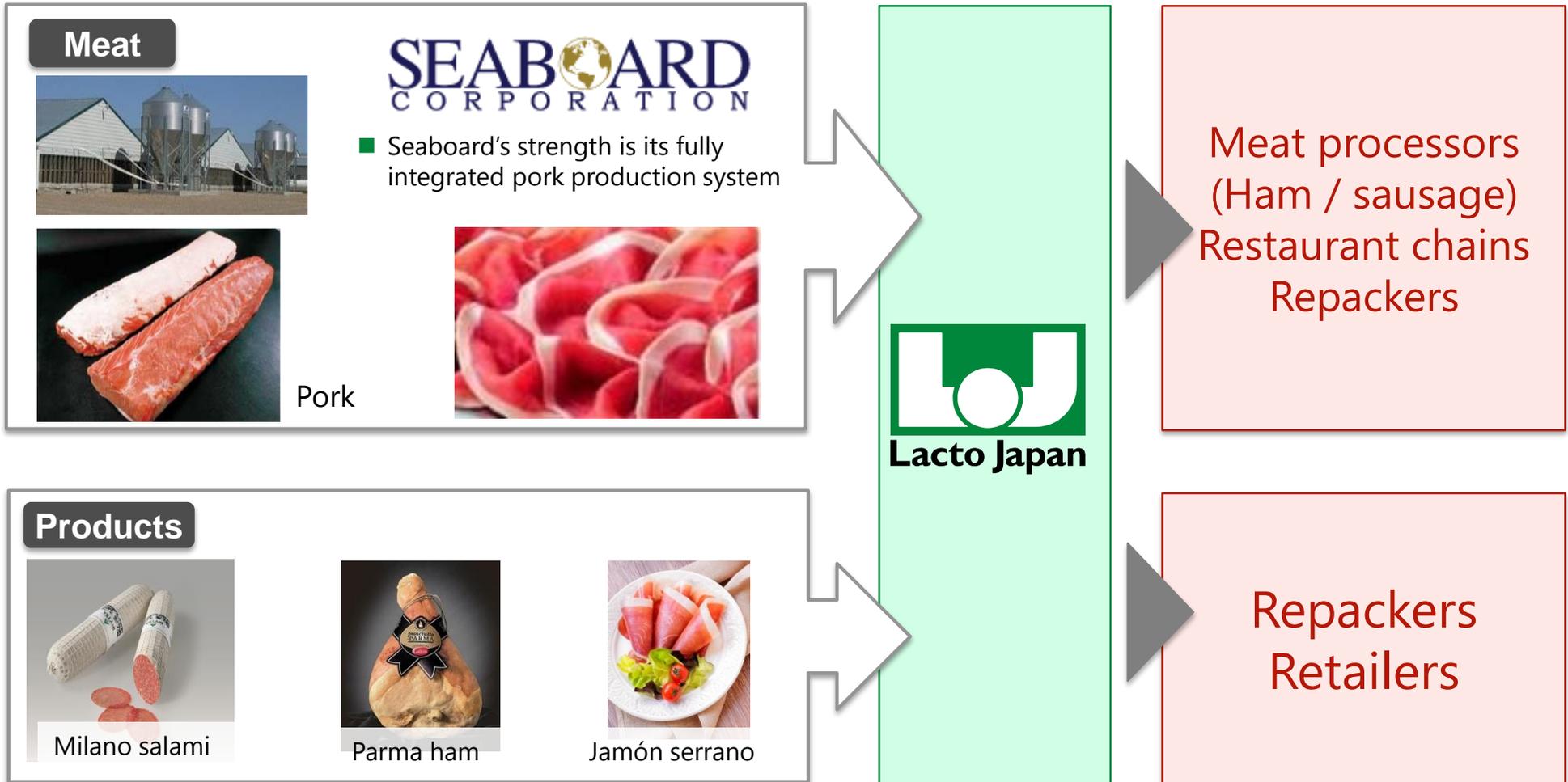
Our share in import dairy products

Total import volume to Japan : **455t** (FY2016)
Lacto Japan : **148t** (FY2016)



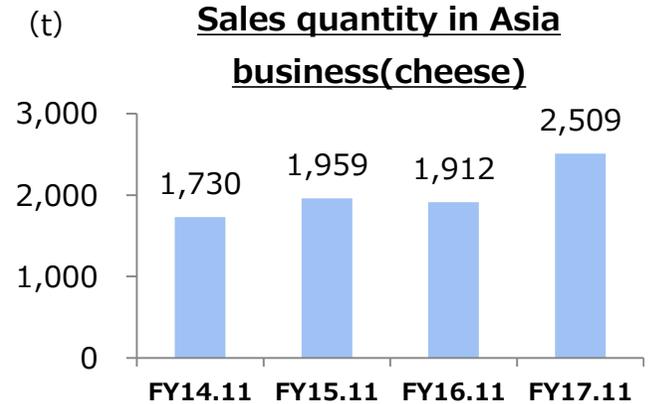
Source) Compiled by Lacto Japan based on Food supply and demand table of Ministry of Agriculture, Forestry and Fisheries

Lacto Japan sources and sells pork, ham and other processed meat products



Lacto Japan also makes cheese in Singapore which it supplies as a food ingredient to customers in Asia

- Established 18 years ago
- Supplies "Japan-quality" dairy ingredients and cheese to Japanese companies in Asia



Lacto Asia Pte Ltd. Singapore Factory



Cheese heat treatment and melting



Quality control

Brands



Shredded cheese



Cream cheese for dessert

Lacto Japan has a global sourcing and sales network

••• Subsidiary mainly manufacturing and sales business
 ••• Subsidiary mainly Sourcing and sales business
 *Date is year of establishment

Netherlands:
2000

Responsible for securing suppliers in Europa area, sale (supply) of dairy ingredients and cheese

Italy:
2001

Thailand:
2013

Manufacture and sale of processed cheese for the Asia market

Malaysia:
2010

Sale of Lacto Japan cheese brands for the Malaysia market

China:
2013

Singapore:
1999

Indonesia:
2012

Regional head quarter in the Asia business. Supply of dairy ingredients, manufacture and sale of cheese for the Asian market

Manufacture and sale of cheese for the Indonesia market

US:
1998

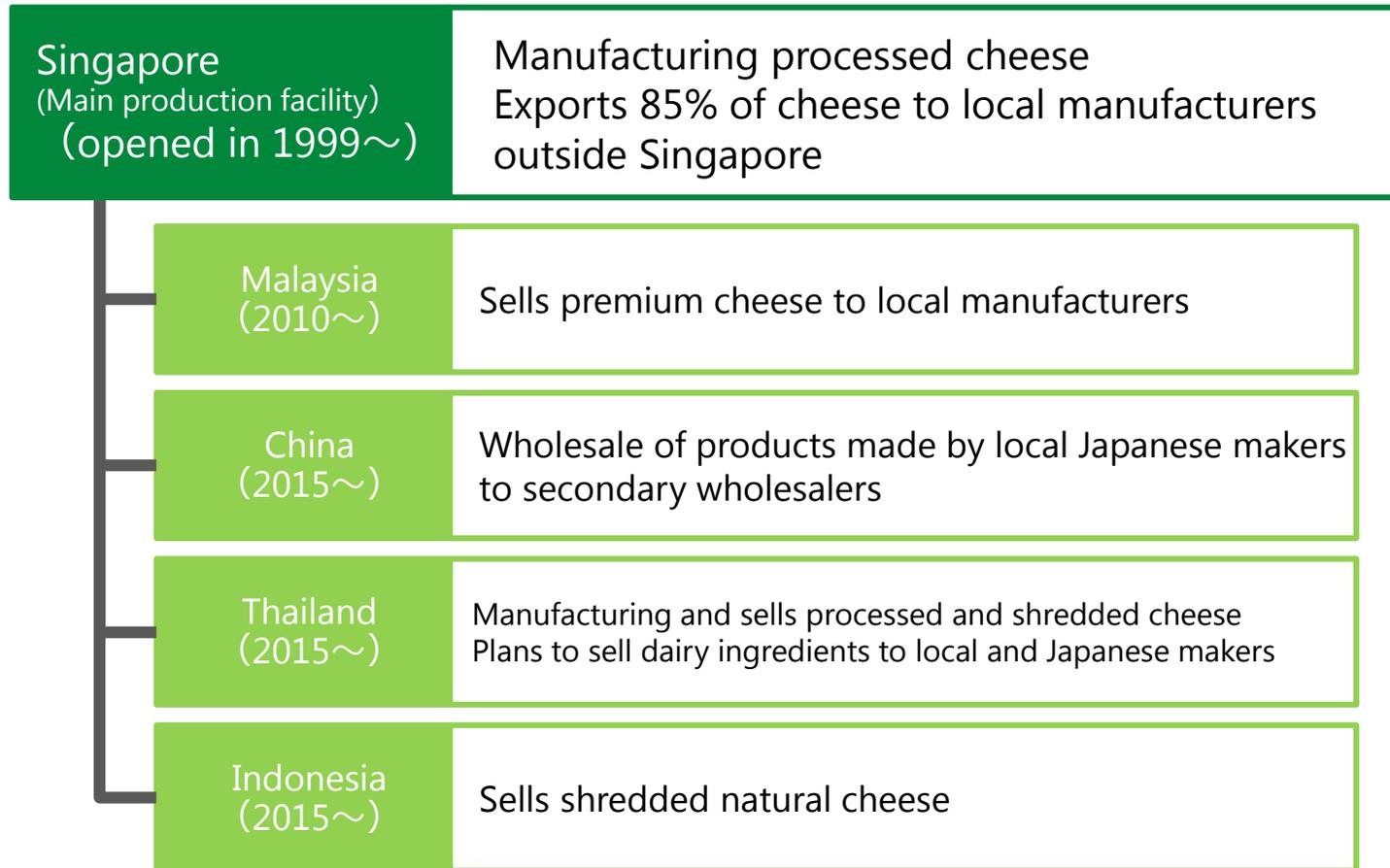
Responsible for securing suppliers in North America, sale (supply) of dairy ingredients and cheese

Australia:
1999

Responsible for securing suppliers in Australia, sale (supply) of dairy ingredients and cheese

Supplying cheese in Asian area by Singapore factory

Expansion of production basis and strengthening of production system



*Date is first year of full operation

Creating dairy ingredients and cheese market in Asia by exporting Japanese food culture

Proposal of unique application

Proposal of cuisine based on Japanese food culture

High quality

AVA evaluation※
Acquired "A" rating for 12 consecutive years

The foundation of growth in Asia

Halal certification acquired



※AVA (= Singapore Agricultural Foods and Veterinary Bureau) audits once a year and certifies against companies that are thoroughly sanitary / safety controlled foods based on ISO and HACCP. Not only foods but manufacturing facilities are subject to audit.



Lacto Japan