



**Financial Results for year ending November, 2018
and financial forecast for year ending November, 2019**

- **1 Consolidated Financial Results for the year ending November 30,2018 P4
and forecasts for the year ending November 30,2019**

- **2 Business Information P13**

- **3 New Corporate Business Plan “NEXT-LJ2021” P26**

- **Reference information**
 - The risk of foreign exchange fluctuations on Lacto Japan P33
and separate accounting treatment**

■ Financial Summary for FY2018/11

For the year ending November 2018, Lacto Japan reached record highs in net sales, ordinary income, and net income.

Consolidated Net sales

- Lacto Japan attained record highs in both consolidated net sales and sales volumes.
- Further, in individual businesses, record highs were attained in both net sales and sales volumes for Dairy Ingredients and Cheese, which can be credited to an overall steadily expanding demand, and to the acquisition of new customers. Furthermore, business in the Asian region also attained record highs, which can be attributed to a result of successful expansion strategies within an important and expanding market.

Consolidated Ordinary income

- Ordinary income reached a record high, totaling an amount of 2,612 million yen; representative of an increase in profit of 90 million yen compared to the same quarter in the previous year.
- Upon taking into account currency-fluctuation-impact for like quarters, it becomes apparent that while in the previous quarter currency-fluctuation-impact yielded an increase in profit in an amount of 396 million yen, in the present comparable quarter currency-fluctuation-impact actually resulted in a decrease in profit in an amount of 59 million yen. Thus, when the effect of currency-variation-impacts in the quarters under comparison is taken into account, the present quarter shows an increase in profit of 546 million yen over the previous quarter.

■ Future policy

The medium-term business plan of "NEXT-LJ2020" and forecasts for FY2019/11

- Upon implementation of our medium-term business plan announced last year under the title of "NEXT-LJ2020," the business of Lacto Japan has been progressing successfully, and has now been updated to "NEXT-LJ2021."
- It is anticipated that the market environment will remain steady for the period ending November 2019; and by taking advantage of this favorable environment we will strive to achieve both steady and stable growth.

Medium-to-long-term business plan

- As a result of the continuing decrease in domestic raw milk production, it is anticipated that over the medium-to-long-term, domestic demand for imported milk products and ingredients will increase. Further, positive factors have developed as a result of the decisions on free trade agreements such as TPP11 and Japan-EU EPA. With the implementation of these free-trade agreements, Lacto Japan will be well-placed to increase its competitiveness and realize further growth.

1

Consolidated Financial Results for the year ending November 30,2018 and forecasts for the year ending November 30,2019



1

Consolidated Financial Results for the year ending November 30, 2018

Consolidated Financial Results for year ending November 30, 2018



(Millions of Yen)

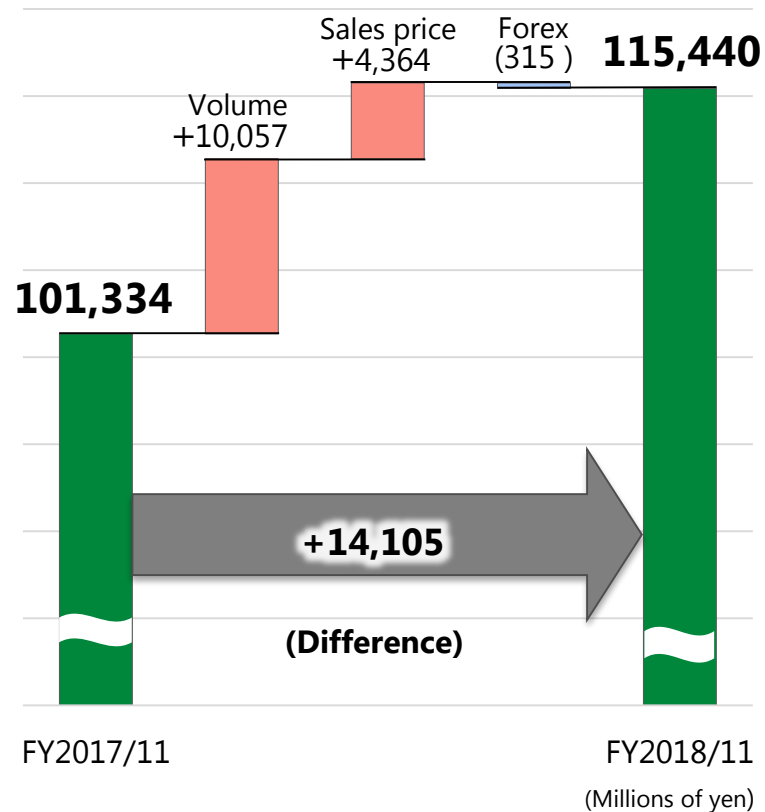
	FY2017/11 Actual	FY2018/11		
		Actual	Difference	Ratio (%)
Net Sales	101,334	115,440	+14,105	+13.9
Ordinary income	2,522	2,612	+90	+3.6
<i>Ordinary income ratio to net sales(%)</i>	2.5	2.3	(0.2)	-
Foreign exchange fluctuation on ordinary income(※)	+396	(59)	(456)	-
Net income attributable to owners of the parent	1,755	1,784	+29	+1.7
<i>Net income ratio to net sales(%)</i>	1.7	1.5	(0.2)	-
Net income per share (Yen)	358.96	364.62	+5.66	
Exchange rate (Yen/USD)	112.43	110.47	(1.96)	
Exchange rate (Yen/EURO)	125.71	130.91	+5.20	

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

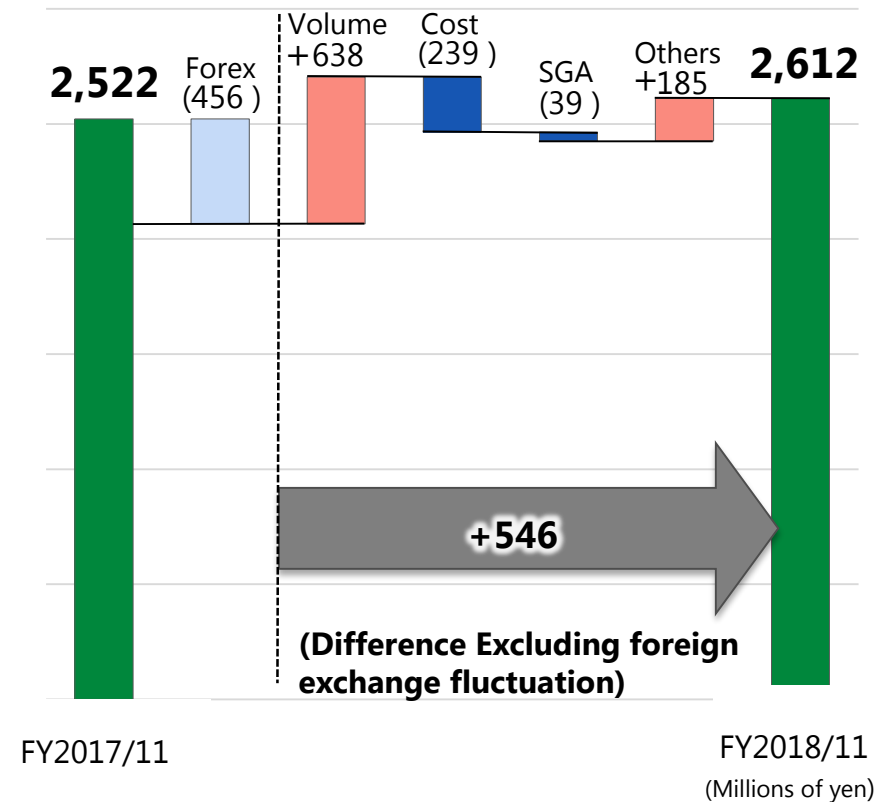
※Foreign exchange fluctuation on ordinary income: By applying "Separate accounting treatments", the total amount of the impact of foreign exchange hedging as sales costs and non-operating profit / losses. (Please refer P31-P34)

Net sales increased due to volume expansion; and, excluding the effect of currency fluctuations, impact ordinary income increased.

■ 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)

	FY2017/11	FY2018/11	Difference	Ratio (%)
Dairy Ingredients and Cheese	70,019	85,290	+15,270	+21.8
Meat Products	15,253	12,576	(2,677)	(17.6)
Asia Business (Dairy Ingredients)	13,348	14,578	+1,229	+9.2
Asia Business (cheese)	1,919	2,116	+197	+10.3
Asia Business (Others)	793	878	+85	+10.8

Sales Volume by Business

(Unit : MT)

	FY2017/11	FY2018/11	Difference	Ratio (%)
Dairy Ingredients and Cheese	172,885	198,445	+25,559	+14.8
Meat Products	26,349	21,595	(4,754)	(18.0)
Asia Business (Dairy Ingredients)	45,014	52,822	+7,808	+17.3
Asia Business (cheese)	2,509	2,668	+159	+6.3

(Millions of Yen)

	30-Nov-2017	30-Nov-2018	Difference
Current Assets	43,491	46,438	2,947
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)
Non-current assets	2,413	2,553	139
Property, plant and equipment	559	597	37
Intangible assets	20	39	18
Investment and other assets	1,833	1,917	83
Total Asset	45,905	48,992	3,086
Accounts payable	11,411	11,173	(237)
Interest-bearing Liabilities	19,778	20,948	1,170
Others	1,929	2,437	507
Liabilities	33,120	34,560	1,440
Net assets	12,785	14,431	1,646
Total Liabilities	45,905	48,992	3,086

Main Factor

- Increase of inventory
Increase in sales volume

(Amounts less than one million yen are omitted)

(Millions of Yen)

	FY2017/11	FY2018/11	Difference
Cash flows from operating activities	(5,048)	356	+5,404
Cash flows from investing activities	(137)	(863)	(726)
Cash flows from financing activities	2,384	989	(1,395)
Effect of exchange rate changes on cash and cash equivalents	20	7	(13)
Net change in cash and cash equivalents	(2,780)	489	+3,269
Cash and cash equivalents at beginning of year	5,767	2,987	(2,780)
Cash and cash equivalents at end of year	2,987	3,477	+489

Main Factor

- **Improvement of cash flows from operating activities**
Improvement of working capital
- **Decrease of working capital of cash flows from financing activities**
Decrease of interest-bearing debt

2

Consolidated forecasts for the year ending November 30, 2019

Consolidated forecasts for the year ending November 30, 2019



(Millions of Yen)

	FY2018/11 Actual	FY2019/11		
		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	-	-	

※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 P31-34)

2

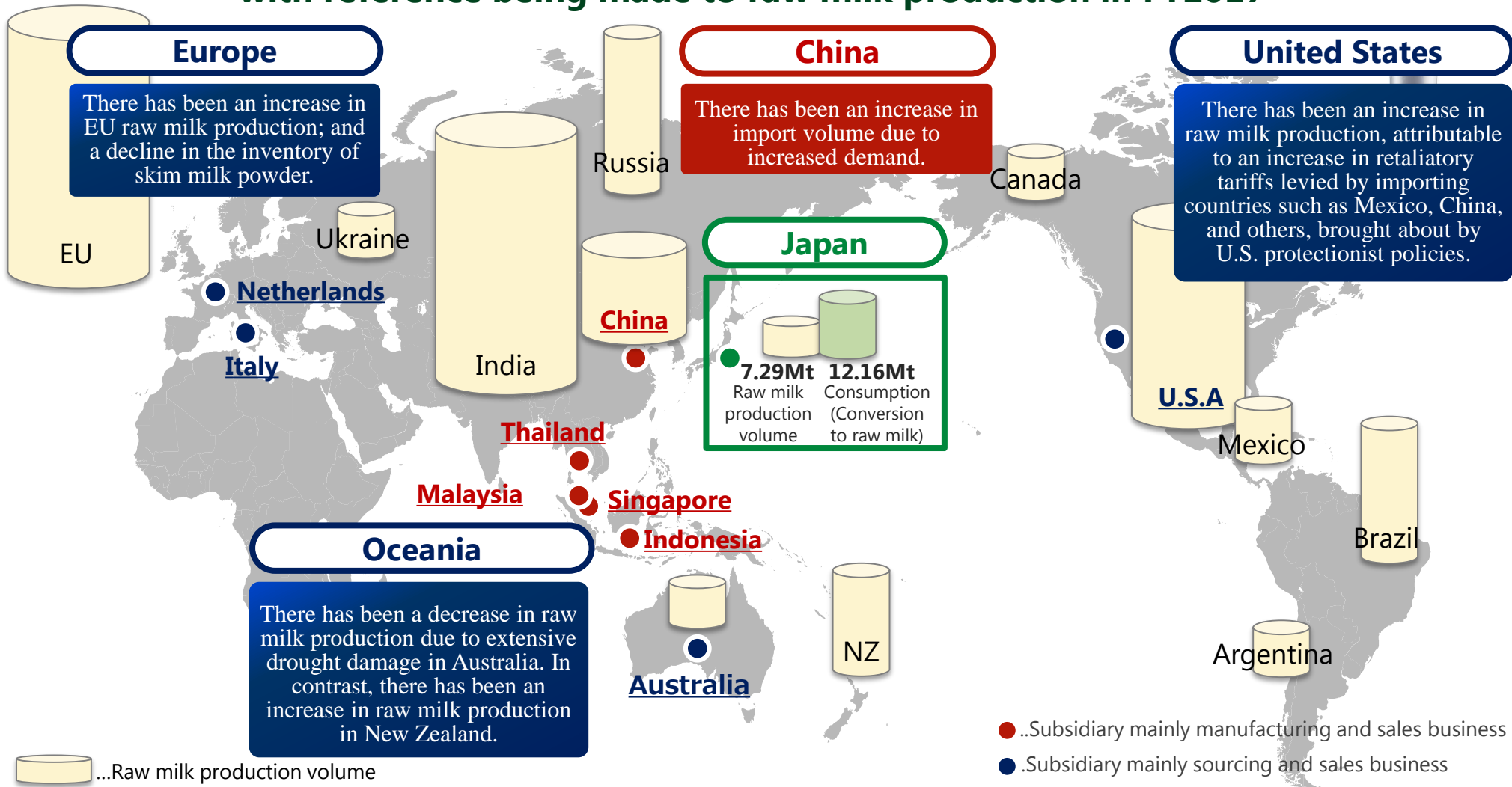
Business information



1

Business Environment

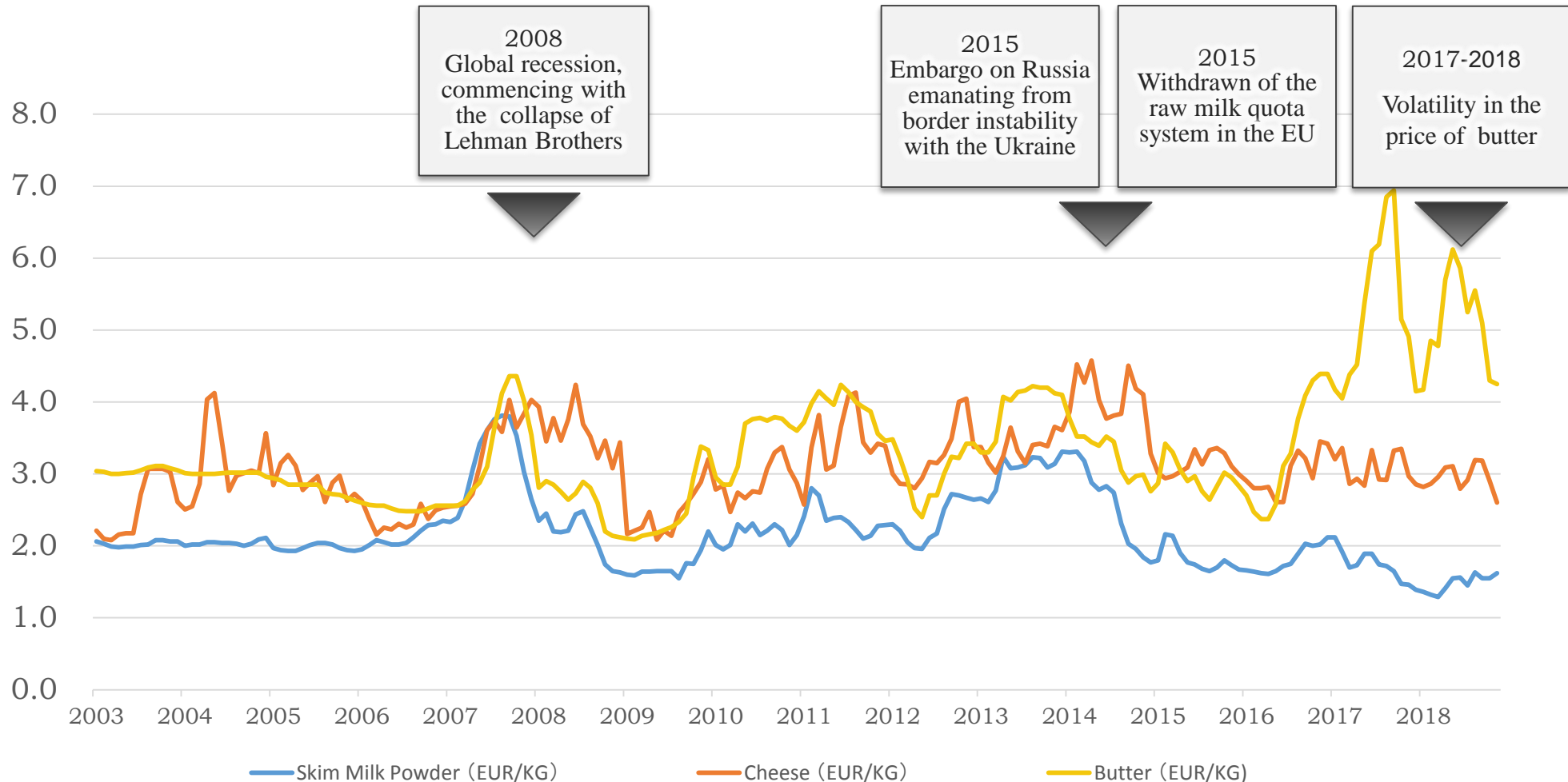
Global business environment for FY2018, with reference being made to raw milk production in FY2017



Data is generated based on information obtained by Lacto Japan from the United Department of Agriculture, and the Ministry of Agriculture, Forestry and Fisheries

Business Environment 2 The international market condition

International market conditions were highly volatile from 2007 to 2009; however, comparatively stable conditions are now evident; with stabilization of prices of milk products and ingredients in 2018, albeit accompanied by fluctuating butter price.



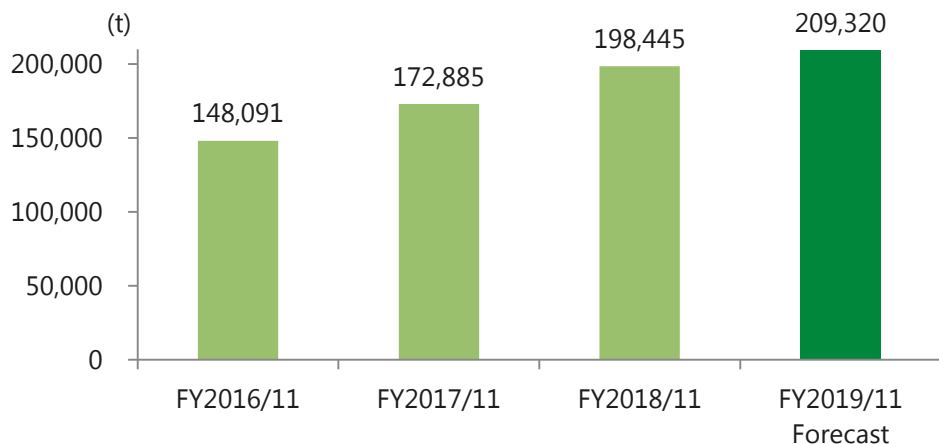
2

Summary of financial results for 2018 and Outlook by business for 2019

■ Net Sales and Sales Volume

	FY 2017 /11	FY2018/11			FY2019/11		
	Actual	Actual	Difference	Ratio (%)	forecast	Difference	Ratio (%)
Net Sales (Millions of Yen)	70,019	85,290	+15,270	+21.8	92,270	+6,980	+8.1
Sales Volume (t)	172,885	198,445	+25,559	+14.8	209,320	+10,875	+5.5

■ Sales Volume



■ Summary of Financial results

Net Sales 85.2 billion yen (+21.8%)

- ◆ There has been an increase in ALIC's bit framework resulting from raw milk product insufficiency in Japan, with high-gain shares being realized by use of our procurement abilities.
- ◆ There has been an increase in the importation of cheese due to the expansion of the cheese market in Japan, with high-gain shares being realized by use of our procurement abilities.
- ◆ New initiatives in the trade base for the drink and feed ingredient industries have stabilized in recent years.

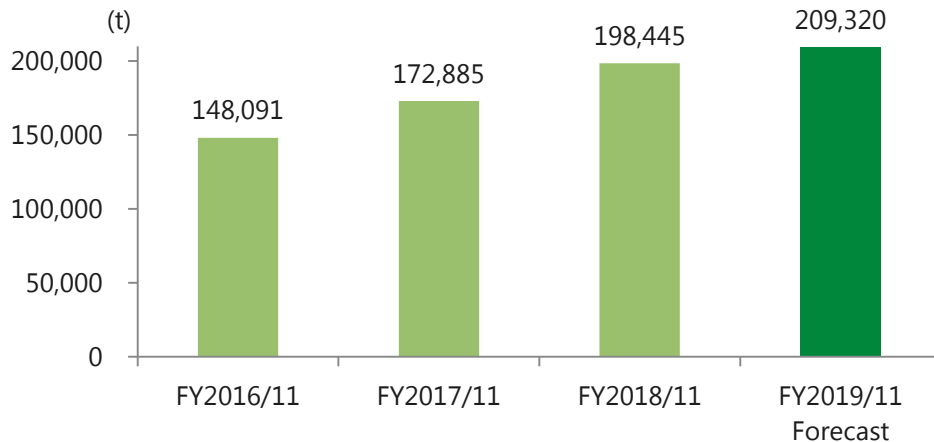
Business environment

- ◆ There remains a strong domestic market for imported dairy ingredients, which results from the continuing decline in domestic raw milk production.
- ◆ With regard to skim milk powder, the demand for which was high during the previous period, the effect of ALIC's supplementary import gained in the previous period has contributed to offsetting the shortage of skim milk powder for the time-being.
- ◆ Opportunities for growth in the dairy ingredient and cheese sectors are good, aided by a gradual lowering in tariffs resulting from conclusion and implementation of the TPP11 and Japan-EU EPA free trade agreements.

■ Net Sales and Sales Volume

	FY 2017 /11	FY2018/11			FY2019/11		
	Actual	Actual	Difference	Ratio (%)	forecast	Difference	Ratio (%)
Net Sales (Millions of Yen)	70,019	85,290	+15,270	+21.8	92,270	+6,980	+8.1
Sales Volume (t)	172,885	198,445	+25,559	+14.8	209,320	+10,875	+5.5

■ Sales Volume

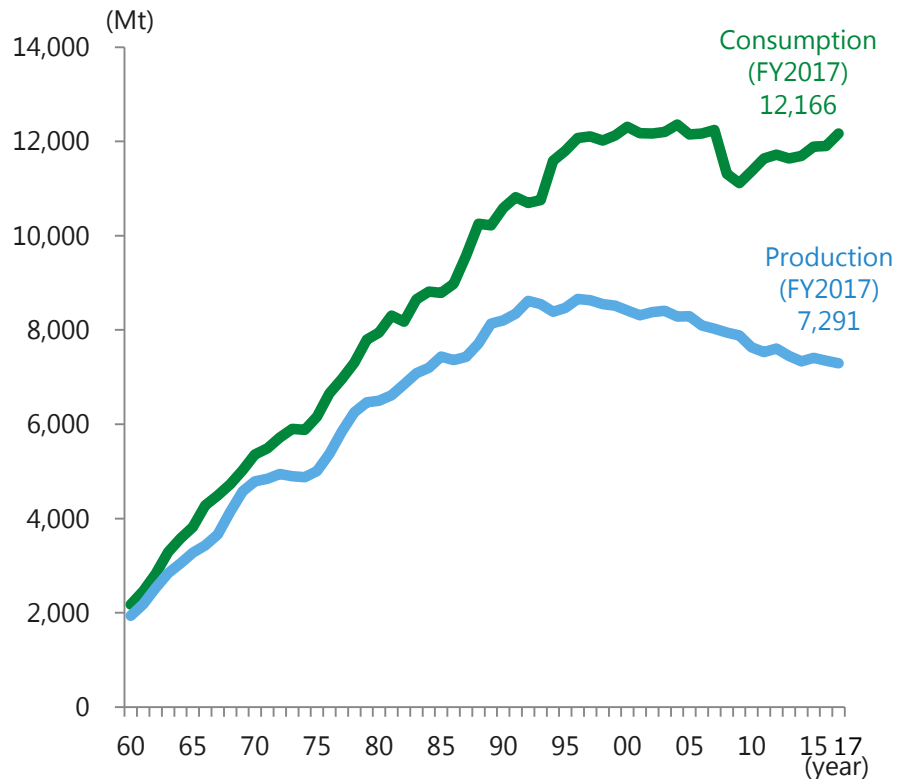


■ initiatives toward growth

- ◆ Expansion of business to meet an increased need for dependable supplies of imported milk ingredients; by continuing to strengthen business relations with existing suppliers while establishing business relations with new suppliers.
- ◆ Maintaining focus on business opportunities by implementing flexible yet stable activity within the new free trade frameworks of TPP11 and Japan-EU EPA..
- ◆ Discovery of new users across a broad range of food industries; this is a new development.

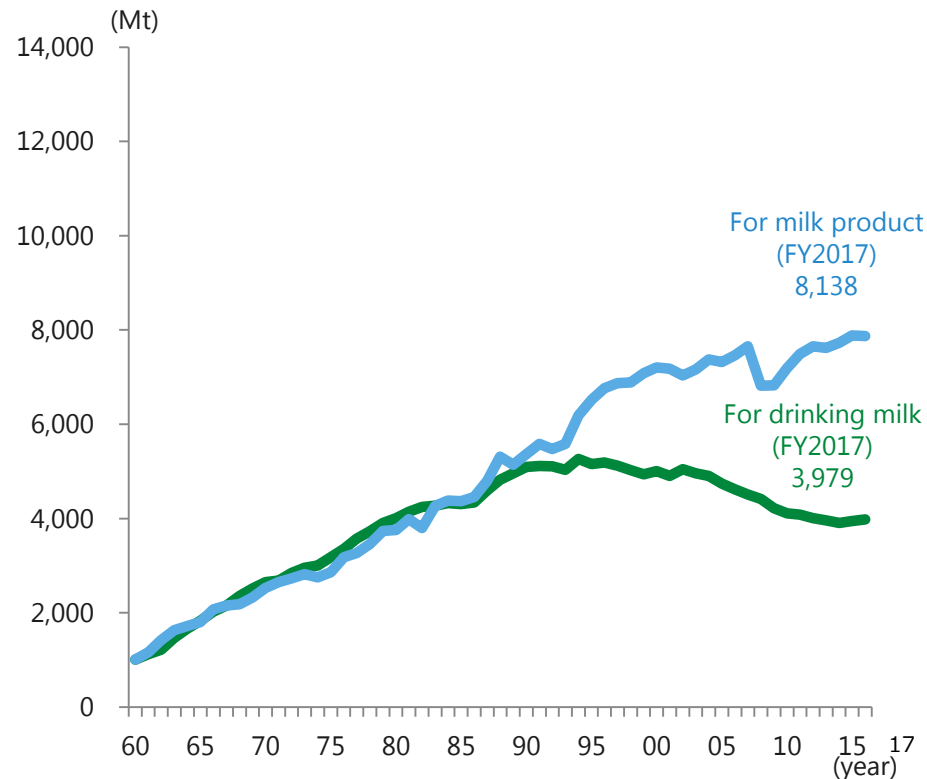
Although domestic production trends for raw milk continue to be downward, in contrast, consumption of milk and milk products remains high. Although, domestic demand for milk as a drink bottomed out as of 2015, outlook for demand appears increasingly healthy.

■ Domestic production and consumption for raw milk and milk products



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

■ Domestic Consumption for milk and milk products

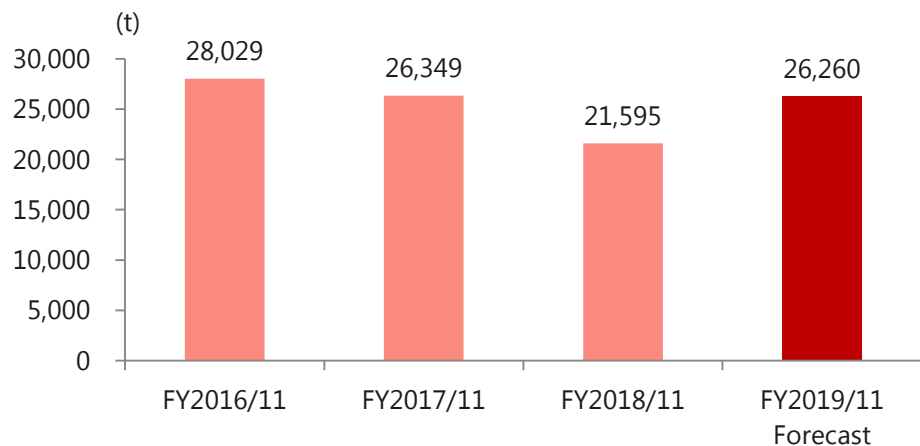


Source: Maff "Food supply and demand table for 2017"(Approximate value for 2017)
Data converted to raw milk

■ Net Sales and Sales Volume

	FY 2017 /11	FY2018/11			FY2019/11		
	Actual	Actual	Difference	Ratio (%)	forecast	Difference	Ratio (%)
Net Sales (Millions of Yen)	15,253	12,576	(2,677)	(17.6)	15,320	+2,744	+21.8
Sales Volume (t)	26,349	21,595	(4,754)	(18.0)	26,260	+4,665	+21.6

■ Sales Volume



■ Summary of Financial results

Net Sales 12.5 billion yen (-17.6%)

- ◆ Decline in sales responsive to a decrease in supply resulting from changes in the purchasing policy of some customers; a fall in the domestic pork market in the second half; and, the outbreak of African swine fever in Europe.
- ◆ Notwithstanding such setbacks, sales of profitable products increased with a concomitant increase in profit. Profit margins also improved.

Business environment

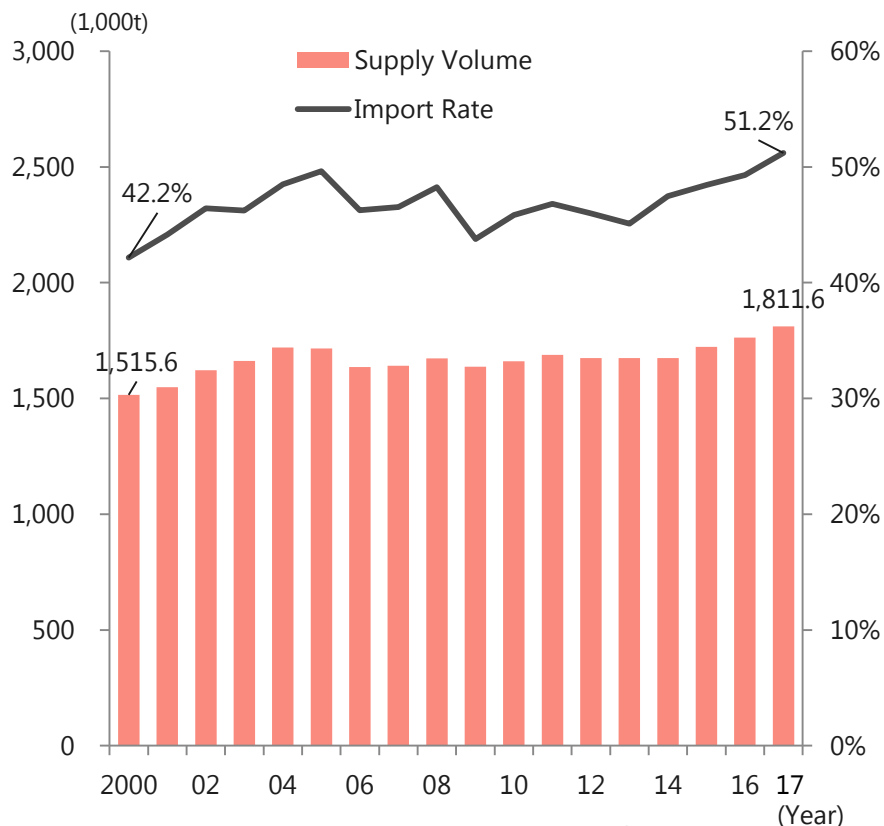
- ◆ In the Japanese market, the volume of imported foreign pork has increased due to an improvement in quality and increased international awareness of the requirements of the Japanese market. As a result of an increase in domestic pork production and coupled with continuing volume imports from the international market, an excess of supply has seen a softening in the market as of the second half.

■ initiatives toward growth

- ◆ Expanding and securing supply sources.
- ◆ Procurement of supply of frozen pork to compensate for a deficit in supply of chilled pork, for which there is increasing demand worldwide.
- ◆ Maintaining focus on business opportunities by implementing flexible yet stable activity within the new free trade frameworks of TPP11 and Japan-EU EPA.

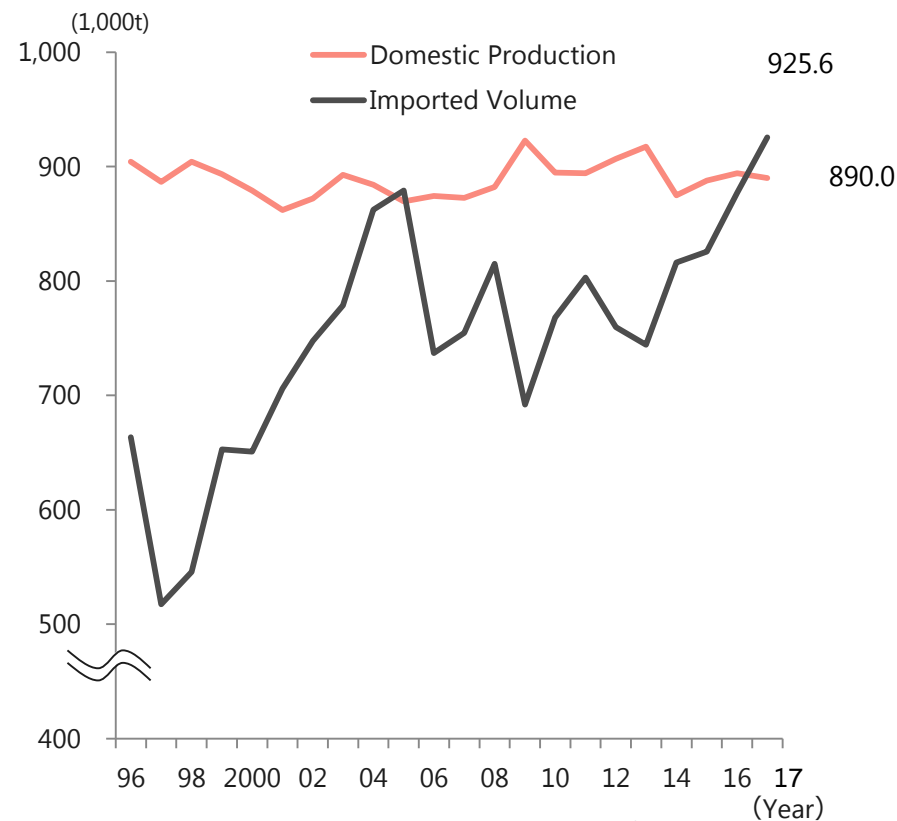
Pork imports in 2018 reached record highs. For the first time, the amount of imported pork products exceeded those of domestic pork products across the estimated distribution volume (range) in the market.

■ **Pork demand (Supply volume) and imported products ratio**



Source: Alic "Supply and demand table for Pork"

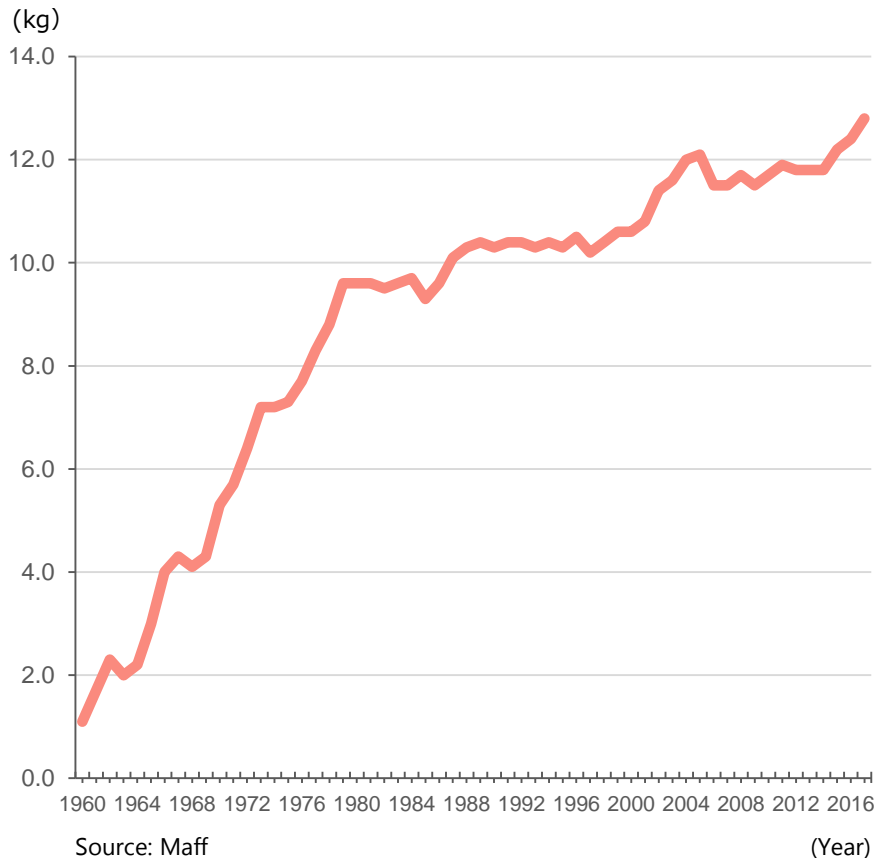
■ **Production volume and import volume of pork (Japan)**



Source: Alic "Supply and demand table for Pork"

An increase in consumption of pork per person, has resulted due to a favorable demand for table meat. While, consumption of pork remains comparatively high in Europe and America, a further increase in consumption in Japan is anticipated.

■ Consumption volume of pork per person



■ Consumption volume of pork per country

Comparison of annual pork consumption

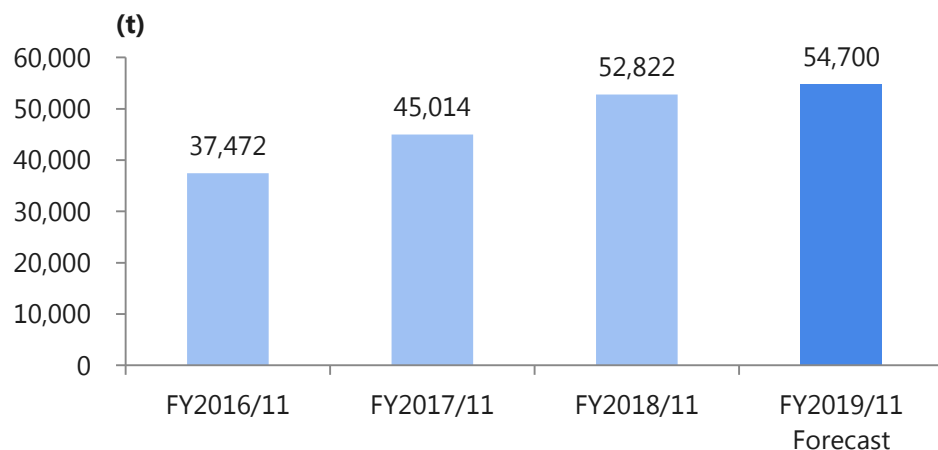
EU	: 32.1kg/Person
China	: 30.3kg/Person
Korea	: 29.8kg/Person
United States	: 23.1kg/Person
Japan	: 15.5 kg/Person

Source: OECD Meat consumption

■ Net Sales and Sales Volume

	FY 2017 /11	FY2018/11			FY2019/11		
	Actual	Actual	Difference	Ratio (%)	forecast	Difference	Ratio (%)
Net Sales (Millions of Yen)	13,348	14,578	+1,229	+9.2	14,330	(248)	(1.7)
Sales Volume (t)	45,014	52,822	+7,808	+17.3	54,700	+1,877	+3.6

■ Sales Volume



■ Summary of Financial results

Net Sales 14.5 billion yen (+9.2%)

- ◆ An increase in demand within the Asian milk product market resulting from population growth and Westernization of food habits, enhanced by stabilization of low prices of raw ingredients, particularly in the Philippines and Vietnam, in each of which the populations now stand at around 100 million.
- ◆ Expansion of business by maximizing Lacto Japan's quality service (proposal capability, information gathering ability, procurement ability), and increase sales by targeting both domestic and overseas companies.

Business environment

- ◆ Demand for skim milk powder and whole milk powder responsive to the expansion of the milk product market in Asia remains active.
- ◆ Diversification of needs for dairy ingredients in response to expanding demand for dairy ingredients in Asia. Provide our detail-oriented service cultivated in Japan together with a wide range of product lineups to meet customer needs (stable supply, high quality, good service, and attractive pricing).

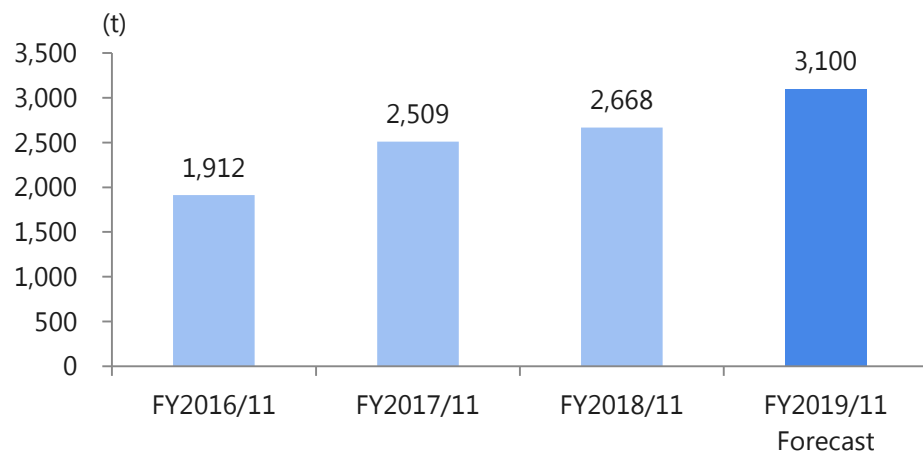
■ Initiatives toward growth

- ◆ Open a representative office in Thailand and strengthen our efforts to engage in new businesses; dairy ingredients sales business and meat-related business, in the Indochina region.
- ◆ Diversify supply sources for customers for whom attractive pricing is a requisite.
- ◆ Take advantage of the framework of free trade TPP11.

■ Net Sales and Sales Volume

	FY 2017 /11	FY2018/11			FY2019/11		
	Actual	Actual	Difference	Ratio (%)	forecast	Difference	Ratio (%)
Net Sales (Millions of Yen)	1,919	2,116	+197	+10.3	2,380	+263	+12.4
Sales Volume (t)	2,509	2,668	+159	+6.3	3,100	+431	+16.2

■ Sales Volume



■ Summary of Financial results

Net Sales 2.1 billion yen (+10.3%)

- ◆ Expand the sales routes and increase sales by taking advantage of the Westernization of food and demand of cheese in Southeast Asia.
- ◆ Diversify procurement of cheese and improve production efficiency, and strengthen price competitiveness by cutting down the cost.

Business environment

- ◆ The price of cheese is on the rise. However, the utilization of our group's supply source to procure more price-competitive ingredients is in progress.
- ◆ Competition has also intensified in the market for low price range products in Southeast Asia, particularly in Indonesia, Malaysia, and again in China, in which there is a strong orientation toward low prices.

■ Initiatives toward growth

- ◆ Expansion of "development type" operations to strengthen the development of an application in order to propose various recipes using our cheeses.
- ◆ Strengthen new development in regions where no sales routes have been established.
- ◆ Expand sales of natural shredded cheese, which is increasingly in demand, in addition to processed cheese by utilizing the advantage of "Lacto-quality."

3

Corporate Business Plan “NEXT-LJ2021”



New Corporate business plan "NEXT-LJ2021"

Reached the goals set in "NEXT-LJ2020" in the first year and updated the Corporate business plan into "NEXT-LJ2021".

FY2018.11 Actual

Net Sales	115.4billion
Ordinary Income	2.61billion
Consolidated Net income attributable to owners of the parent	1.78billion

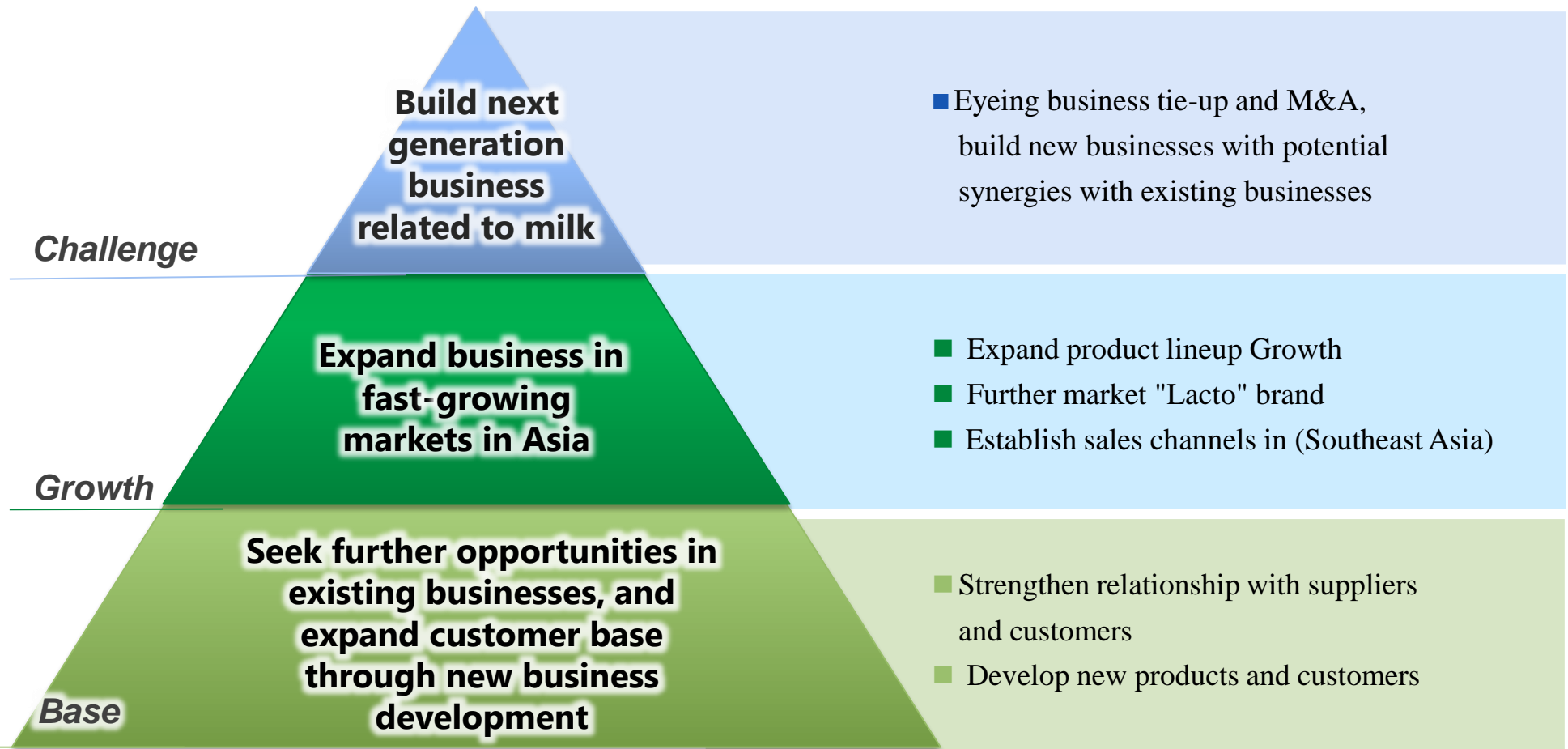


FY2021.11 Target

Net sales	145.0billion(+26%)
Ordinary Income	3.4billion(+30%)
Consolidated Net income attributable to owners of the parent	2.4billion(+35%)

Continue with Basic Principle and Main Project

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



Attain further growth accompanying changes in the business environment taking place as a result of the introduction of the new free trade agreements: TPP11 and Japan-EU EPA.

The main features of TPP11 and Japan-EU EPA	
Skim milk powder and butter	State traded item of ALIC bidding system is retained. However, a new import framework has been established for TPP participating nations
Whey	A fixed tariff and free trade agreements were established. Tariffs on whey will be progressively lowered over the next 11 years, with some safeguards remaining in place.
Cheese	Tariffs on hard cheeses (Cheddar, Gouda, etc.) will be progressively lowered over the next 16 years.



Increased demand is anticipated due to a lowering of product prices and implementation of retail campaigns, etc., underpinned by the stimulus of the new import framework and reductions in tariffs



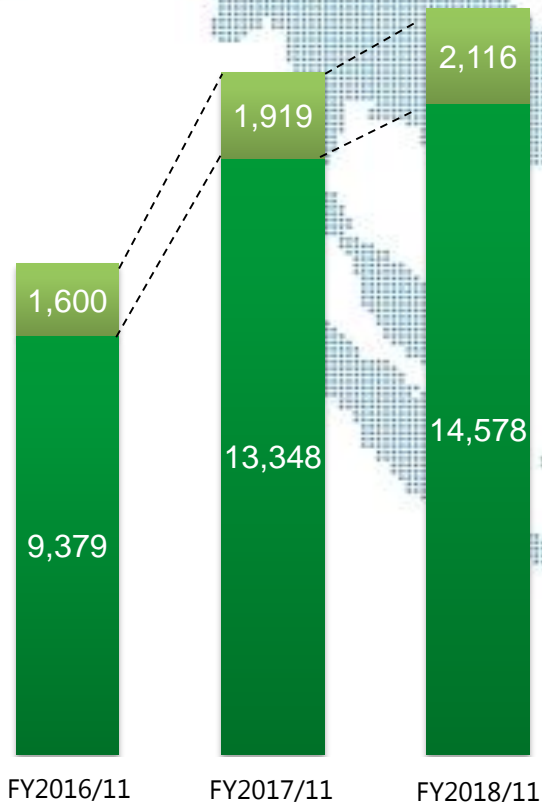
The supply sources are limited relative to an increasing global demand. A chance exists here for an expansion in trade for us, building on the work done on maintaining and strengthening relationships with suppliers and diversifying procurement sources.

Goals in NEXT-LJ2021: Growth of Asia business

Attain further growth of dairy ingredients sales and cheese production businesses in response to the increase of demand for dairy products and cheese in Asia.

Net sales of Asia business

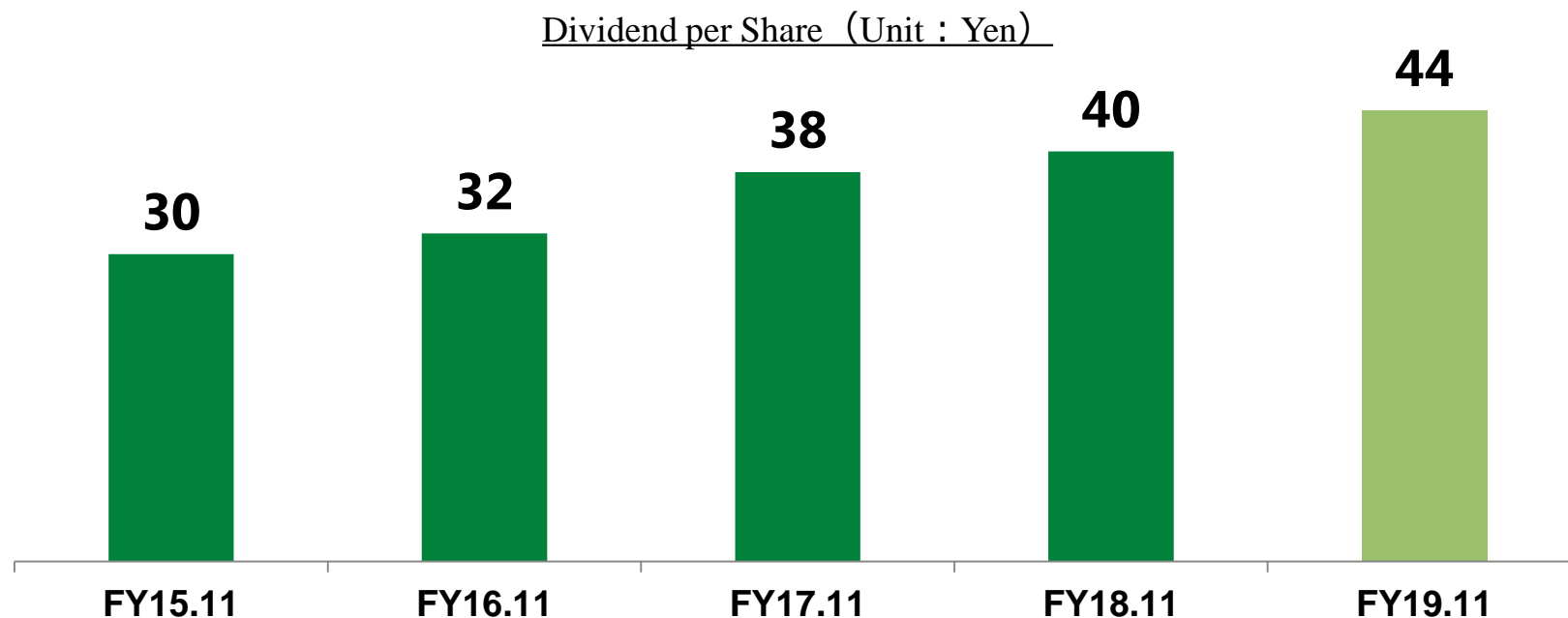
- Asia Business(Cheese manufacture and sales)
- Asia Business(Dairy Ingredients)



Strive for stable dividends

We continue to invest in the growth of our business and to enrich our own capital to maintain our augmented business foundations towards enhanced profitability.

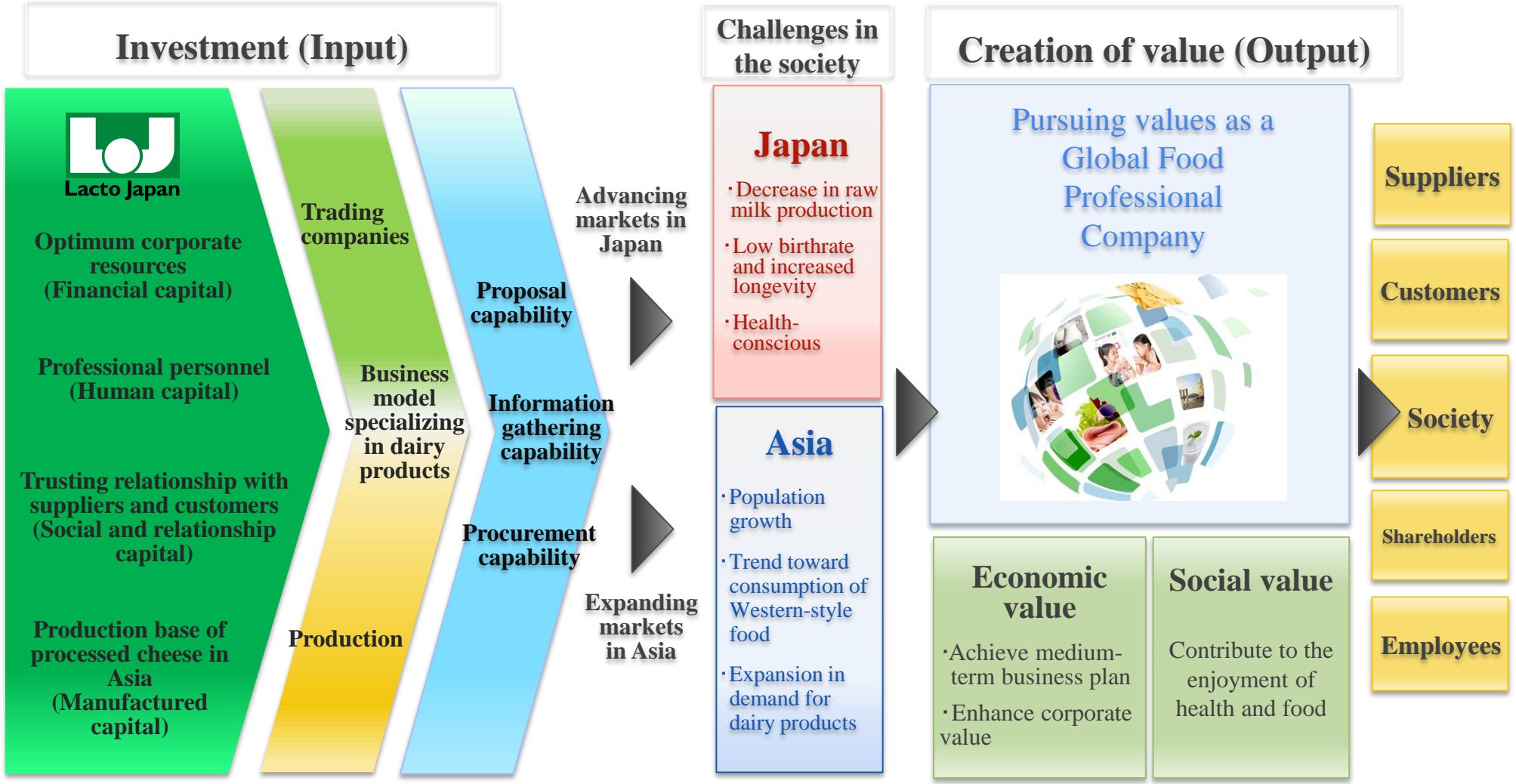
Meanwhile, we value the importance of shareholder returns in our overall business strategy, and the importance of increased dividend values.



What Lacto Japan values for the 20th anniversary



The objective of Lacto Japan is to create values for the stakeholders and society



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 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.

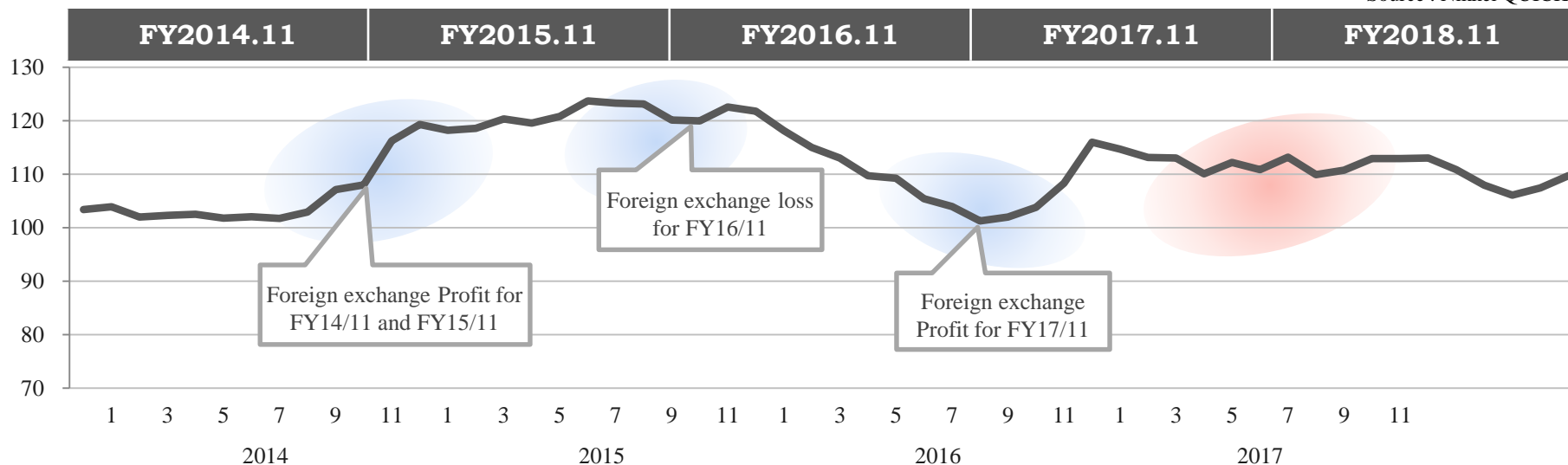
It is of note here that under Japanese accounting standards Lacto Japan applies “separate accounting treatments” to foreign currency exchange accounts.

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 profits/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)

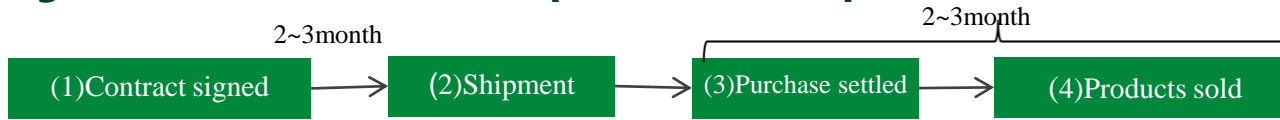
(Millions of Yen)

	FY2014.11	FY2015.11	FY2016.11	FY2017.11	FY2018.11
Net Sales	96,549	98,000	88,679	101,334	115,440
Gross profit	4,258	3,648	6,345	5,386	6,510
Operating income / loss	1,531	720	3,349	1,923	3,009
Foreign Exchange profit / loss(※)	638	1,052	(1,537)	1,158	(135)
Ordinary income / loss	1,653	1,343	1,434	2,522	2,612

※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.



Accounting

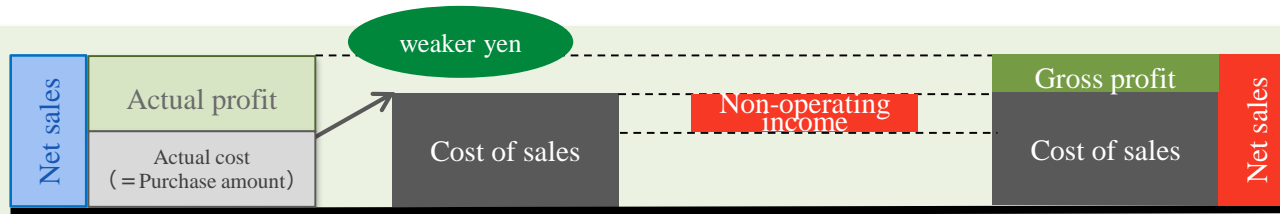
- Foreign exchange contract is signed (Rate as of (1) time)
- ※Following accounting treatment at the same time.
 - Foreign currency contract entered into with suppliers
 - Contract in yen amount entered into with customer
 - =Actual profit/loss and cost determined
- Recorded cost of sales = Actual rate 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

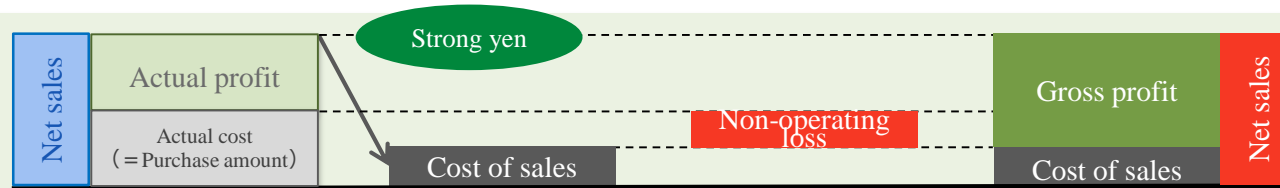


Currency Rate:
weaker yen



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).