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FY2022 First Half
Financial Results Briefing
July 2022



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**Consolidated Financial Results for
FY11/2022 1H and Full-Year
FY11/2022 Earnings Forecasts**

Demand recovered in tandem with the easing of restrictions on behavior, both net sales and ordinary income grew YoY and versus initial forecasts, and we revised up full-year earnings forecasts

Consolidated Net Sales: +32.6% YoY / +13.5% vs. initial forecast

- In the Dairy Ingredients and Cheese Business, commercial demand was in a recovery trend due to the easing of behavior restrictions. In particular, sales volume of cheese, which was not affected by domestic inventory problems, recorded growth.
- In the Meat Products Division, volume declined YoY due to restrictions on the purchase of processed product ingredients from US suppliers. Owing to the return of restaurant demand, sales of processed meat products such as dry-cured ham and salami were on a recovery trend.
- Sales in the Asian Business and Others segment increased strongly YoY due to a demand recovery, a rise in unit sales prices, and the impact of yen depreciation. In the Dairy Ingredient Sales Division, in addition to strong demand in the Asian region, a partial recovery in sales of dairy ingredient preparations contributed. The Cheese Manufacturing and Sales Division performed well overall, as the impact of a lockdown in the Shanghai area in China was offset by sales with underlying strength to Singapore and Malaysia.

Consolidated Ordinary Income: +17.9% YoY / +23.3 % vs. initial forecast

- Owing to the effect of higher sales, ordinary income also increased YoY. The ordinary income ratio decreased slightly because of increased costs associated with a change in the means of product transportation for some transaction in the domestic Dairy Ingredients and Cheese Business and a rise in raw material prices in the Cheese Manufacturing and Sales Division in Asia.
- In 1H, there was a ¥41 million negative foreign exchange impact on ordinary income, and after taking this into account, ordinary income increased 16.0% compared to the same period last year, when similarly adjusted.

FY11/2022 First Half Financial Results



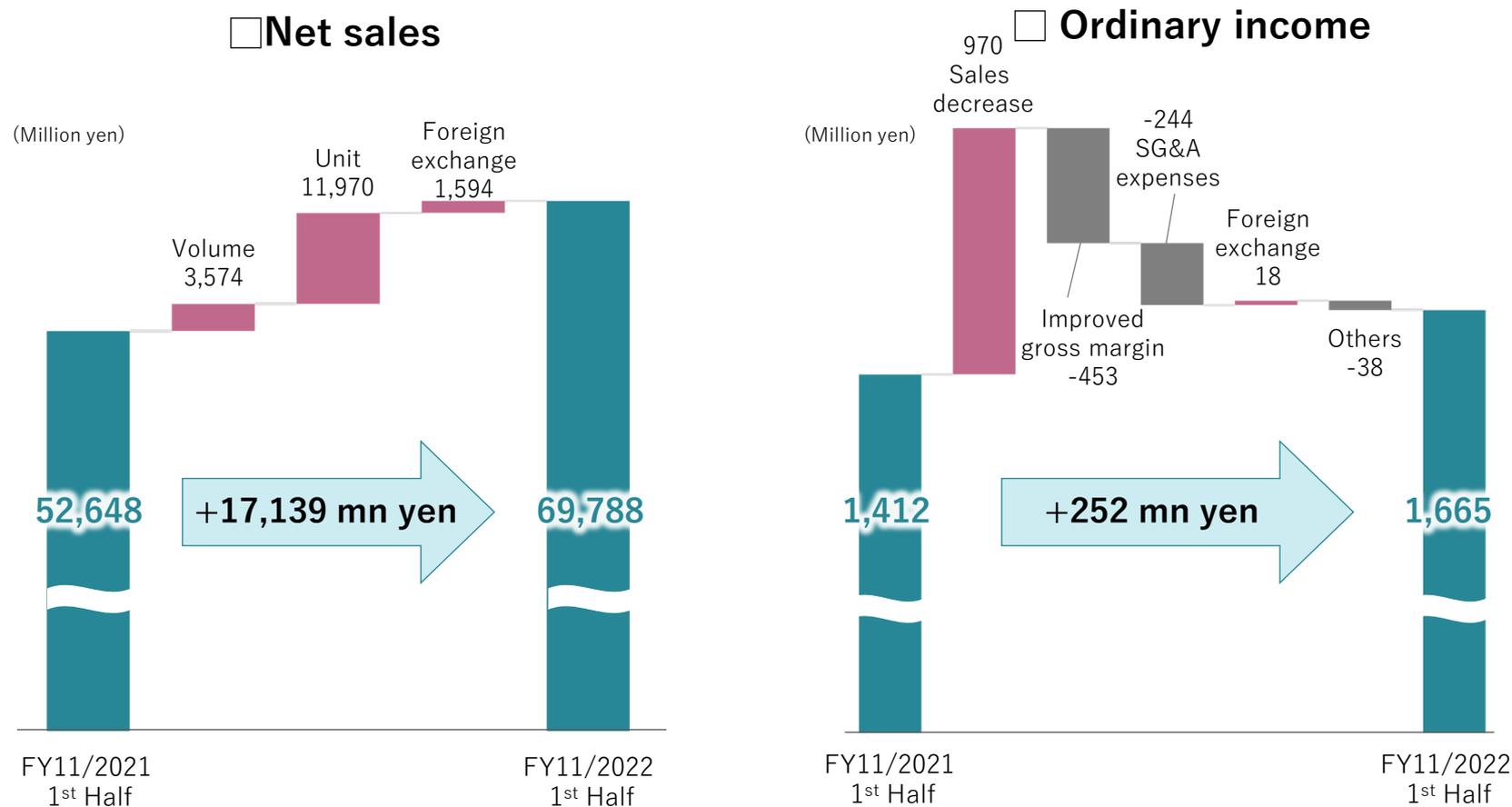
(Millions of Yen)

	FY11/ 2021 1st Half	Initial Forecast	FY11/ 2022 1st Half		
			Actual	YoY Change	vs. Initial Forecast Change
Net sales	52,648	61,500	69,788	32.6%	13.5%
Ordinary income	1,412	1,350	1,665	17.9%	23.3%
Ordinary income ratio	2.7%	2.2%	2.4%	—	—
(Foreign exchange impact on ordinary income*)	(-59)	—	(-41)	—	—
Net income attributable to owners of the parent	1,010	980	1,207	19.4%	26.4%
Net income ratio	1.9%	1.6%	1.7%	—	—
Net income per share (Yen)	102.52	99.38	122.38		
Exchange rate (Yen/USD)	106.65	—	119.55		
Exchange rate (Yen/EUR)	128.73	—	132.11		

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," the impact of foreign exchange hedging is recorded in both cost of goods sold and non-operating income/loss. Therefore, the amount of impact of foreign exchange hedging on both cost of goods sold and non-operating income/loss is shown.

Amid continuing logistics turmoil, sales volume increased as we firmly seized sales opportunities by taking advantage of our procurement capabilities, and in addition, sales unit prices increased due to higher international market prices and the impact of yen depreciation, resulting in sales growth. Despite a decline in the gross margin and an increase in SG&A expenses, ordinary income rose in response to the strong effect of higher sales.



(Millions of Yen)

	FY11/2021-end	May 2022-end	Difference
Current assets	50,018	58,597	8,579
Cash and cash equivalents	5,510	6,595	1,084
Trade notes and accounts receivable	19,277	20,525	1,248
Inventories	24,839	29,819	4,980
Other	390	1,657	1,266
Non-current assets	2,881	2,781	-100
Property, plant and equipment	709	781	72
Intangible assets	44	38	-6
Investment and other assets	2,128	1,961	-166
Total assets	52,899	61,379	8,479
Accounts payable	12,202	14,585	2,383
Interest-bearing liabilities	19,531	23,064	3,532
Other	1,587	1,807	220
Total liabilities	33,320	39,456	6,135
Net assets	19,578	21,922	2,343
Total liabilities and net assets	52,899	61,379	8,479

Major factors of change

Increase in inventories

- Increase in merchandise due to higher sales volume
- Impact of rise in product unit prices and foreign exchange (weaker yen)

Increase in accounts payable

- Same as reasons for increase in inventories

Increase in interest-bearing liabilities

- Increase in short-term loans and commercial paper due to increase in working capital

Note: Amounts of less than one million yen have been rounded down and the breakdown shows only major items.

(Million yen)

	FY11/2022 1 st Half
Cash flows from operating activities	-2,158
Cash flows from investing activities	-122
Cash flows from financing activities	3,103
Effect of exchange rate changes on cash and cash equivalents	262
Change in cash and cash equivalents	1,084
Cash and cash equivalents at beginning of period	5,014
Cash and cash equivalents at end of period	6,099

Major factors of change

Decrease in cash flows from operating activities

Increase in accounts receivable and inventories due to higher sales volume and rise in unit sales prices

Increase in cash flows from financing activities

Financial cash flows increased mainly due to short-term loans and issuance of commercial paper to meet increased working capital requirements

Note: Amounts of less than one million yen have been rounded down and the breakdown shows only major items.

FY11/2022 Consolidated Earnings Forecasts



(Million yen)

	FY11/2021 Actual	FY11/2022			
		Initial Forecast	Revised Disclosed on 5 July	YoY Difference	YoY Change
Net sales	110,883	126,000	140,000	29,116	26.3%
Ordinary income	2,681	2,900	3,100	418	15.6%
Ordinary income ratio	2.4%	2.3%	2.2%	—	—
Net income attributable to owners of the parent	1,959	2,100	2,250	290	14.8%
Net income ratio	1.8%	1.7%	1.6%	—	—
Net income per share (Yen)	198.73	212.95	227.94	29.21	
Dividends per share (Yen)	32.00	37.00	37.00	5.00	

【Net sales】

In light of the trends in 1H, we revised our sales volume forecasts for each division. In addition, we expect a rise in selling prices for both dairy ingredients and meat products due to continued high international market prices and continued yen depreciation.

【Ordinary income】

We expect continued logistic disruptions, higher raw material prices, and an increase in sales-related expenses.

Revisions to Full-year Forecasts for Sales and Sales Volume by Business Division

(Million yen)

□ Net sales	Initial Forecast	Revised Disclosed on 5 July	Difference	YoY Change
Dairy Ingredients and Cheese Business	85,000	97,200	12,200	14.4%
Meat Products Business	15,000	13,700	-1,300	-8.7%
Asian Business (Dairy Ingredients)	18,000	23,000	5,000	27.8%
Asian Business (Cheese)	3,650	4,000	350	9.6%
Others	4,350	2,100	-2,250	-51.7%

(MT)

□ Sales volume	Initial Forecast	Revised Disclosed on 5 July	Difference	YoY Change
Dairy Ingredients and Cheese Business	190,000	199,200	9,200	4.8%
Meat Products Business	28,300	24,800	-3,500	-12.4%
Asian Business (Dairy Ingredients)	50,000	53,000	3,000	6.0%
Asian Business (Cheese)	5,000	5,000	0	0.0%

Note: Amounts have been rounded down to the nearest million yen, and the ratios have been rounded to the first decimal place.



Overview of Business Divisions

Net Sales and Sales Volume by Business Division (YoY)

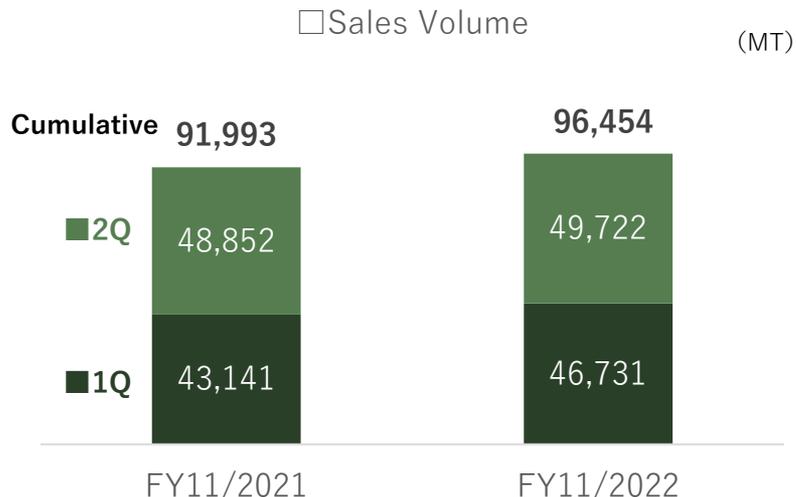
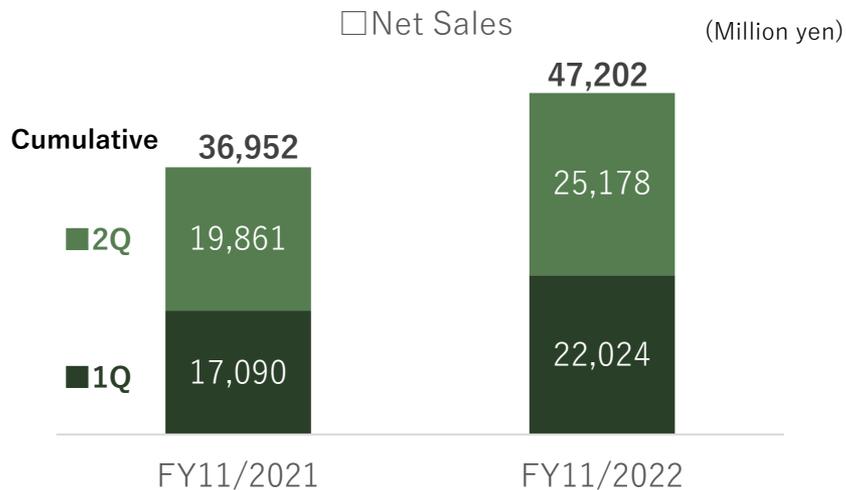
(Million yen)

□ Net sales	FY11/2021 2Q Cumulative	FY11/2022 2Q Cumulative	Difference	YoY Change
Dairy Ingredients and Cheese Business	36,952	47,202	10,250	27.7%
Meat Products Business	6,769	7,221	451	6.7%
Asian Business (Dairy Ingredients)	6,809	12,279	5,469	80.3%
Asian Business (Cheese)	1,689	1,827	137	8.1%
Others	427	1,257	830	194.4%

(MT)

□ Sales volume	FY11/2021 2Q Cumulative	FY11/2022 2Q Cumulative	Difference	YoY Change
Dairy Ingredients and Cheese Business	91,993	96,454	4,460	4.8%
Meat Products Business	12,567	12,096	-470	-3.7%
Asian Business (Dairy Ingredients)	22,690	26,549	3,859	17.0%
Asian Business (Cheese)	2,334	2,336	2	0.1%

Note: Amounts have been rounded down to the nearest million yen, and the ratios have been rounded to the first decimal place.



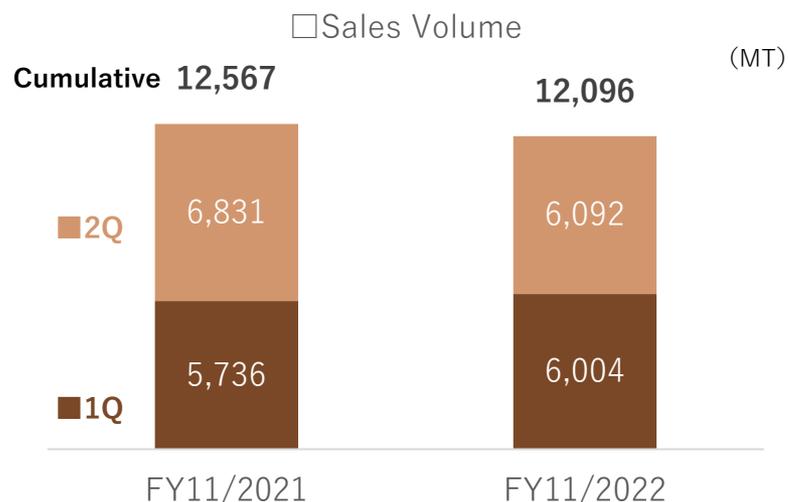
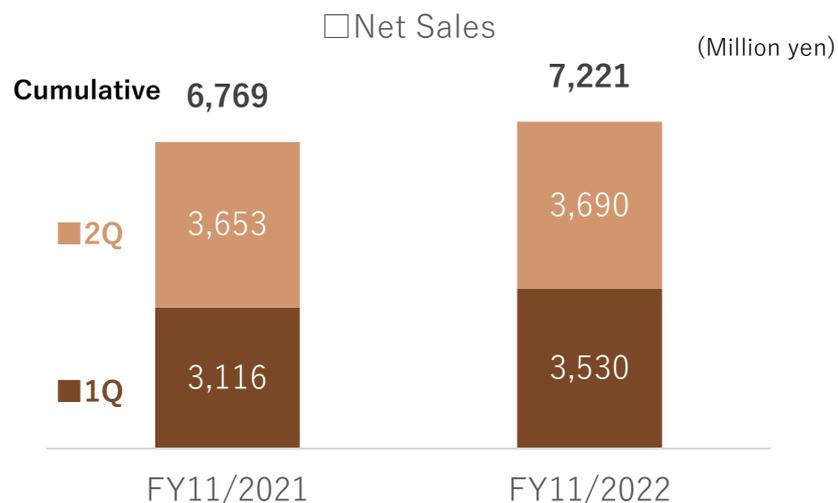
(Note) Figures for both sales and sales volume have been rounded down after the decimal point.

□ Business environment in the first half

- The Omicron strain outbreak caused a slump in commercial demand at the beginning of the term, but demand has been recovering with the lifting of restrictions on behavior.
- In contrast, as domestic raw milk production was also favorable, skim milk powder inventories remained at a high level.
- International prices of dairy products, which had maintained an upward trend, rose further against the backdrop of soaring feed and energy prices after Russia's invasion of Ukraine.
- Logistics disruptions (shipping delays) continued worldwide.

□ Sales trends

- Owing to the response to the countermeasures to reduce inventories of domestic skim milk powder, sales of domestic dairy ingredients increased. (sales to feed manufacturers, etc.)
- Cheese sales were favorable. We increased sales volume by responding in a timely manner to demand, which turned to a recovery trend amidst the ongoing logistics disruptions.



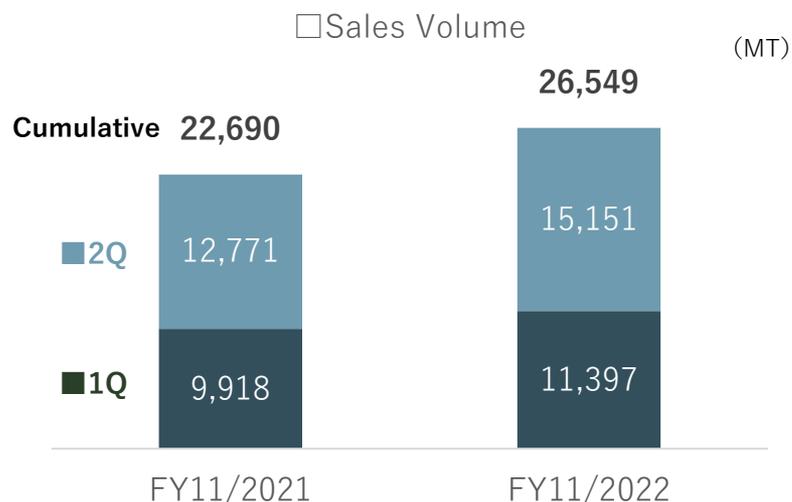
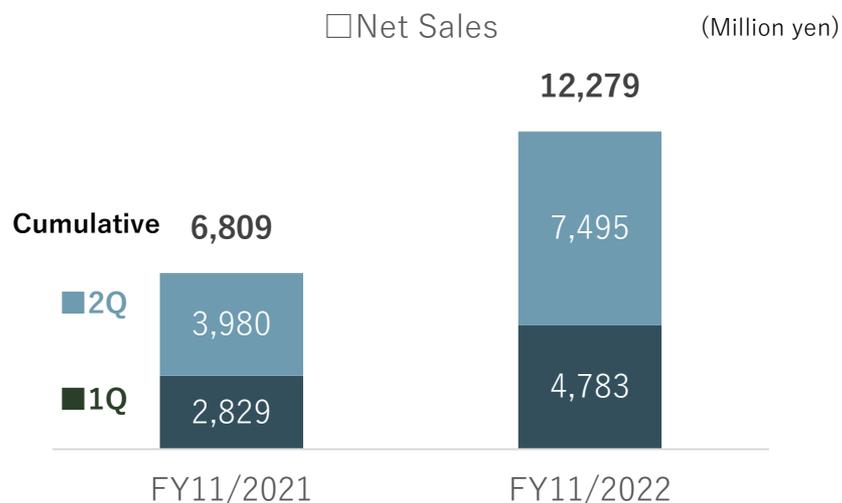
(Note) Figures for both sales and sales volume have been rounded down after the decimal point.

□ Business environment in the first half

- Restaurant demand turned to a recovery trend.
- Continuing labor shortages at a U.S. supplier that is our major supplier led to a decrease in production of highly processed goods for the Japanese market.
- Purchase unit prices were on an upward trend due to soaring feed prices, etc.

□ Sales trends

- Sales of chilled pork, a core product, to mass merchandisers remained firm. Also, owing to the return of restaurant demand, sales of processed meat products such as dry-cured ham and salami were on a recovery trend.
- We struggled to secure purchase quantities of frozen pork and processed pork ingredients for ham and sausages due to supply restrictions from suppliers. Sales were sluggish.
- Sales of Spanish frozen pork, etc., which have been promoted to diversify procurement routes, increased.



(Note) Figures for both sales and sales volume have been rounded down after the decimal point.

□ Business environment in the first half

- Due to excess inventories of domestic dairy ingredients in Japan, demand for dairy ingredient preparations for the Japanese market was weak.
- The export business associated with countermeasures for inventories of Japanese skim milk powder became full scale.

□ Sales trends

- Regarding sales of dairy ingredient preparations for the Japanese market, although the impact of excess inventories remained, sales of some ingredients that were difficult to replace with domestic products increased.
- Sales to food manufacturers in the Asian region showed underlying strength.
- Sales of Japanese skim milk powder related to the countermeasures project (the portion corresponding to exports) progressed favorably. The environment was further boosted by factors such as rising international prices for dairy products and the weak yen.



(Note) Figures for both sales and sales volume have been rounded down after the decimal point.

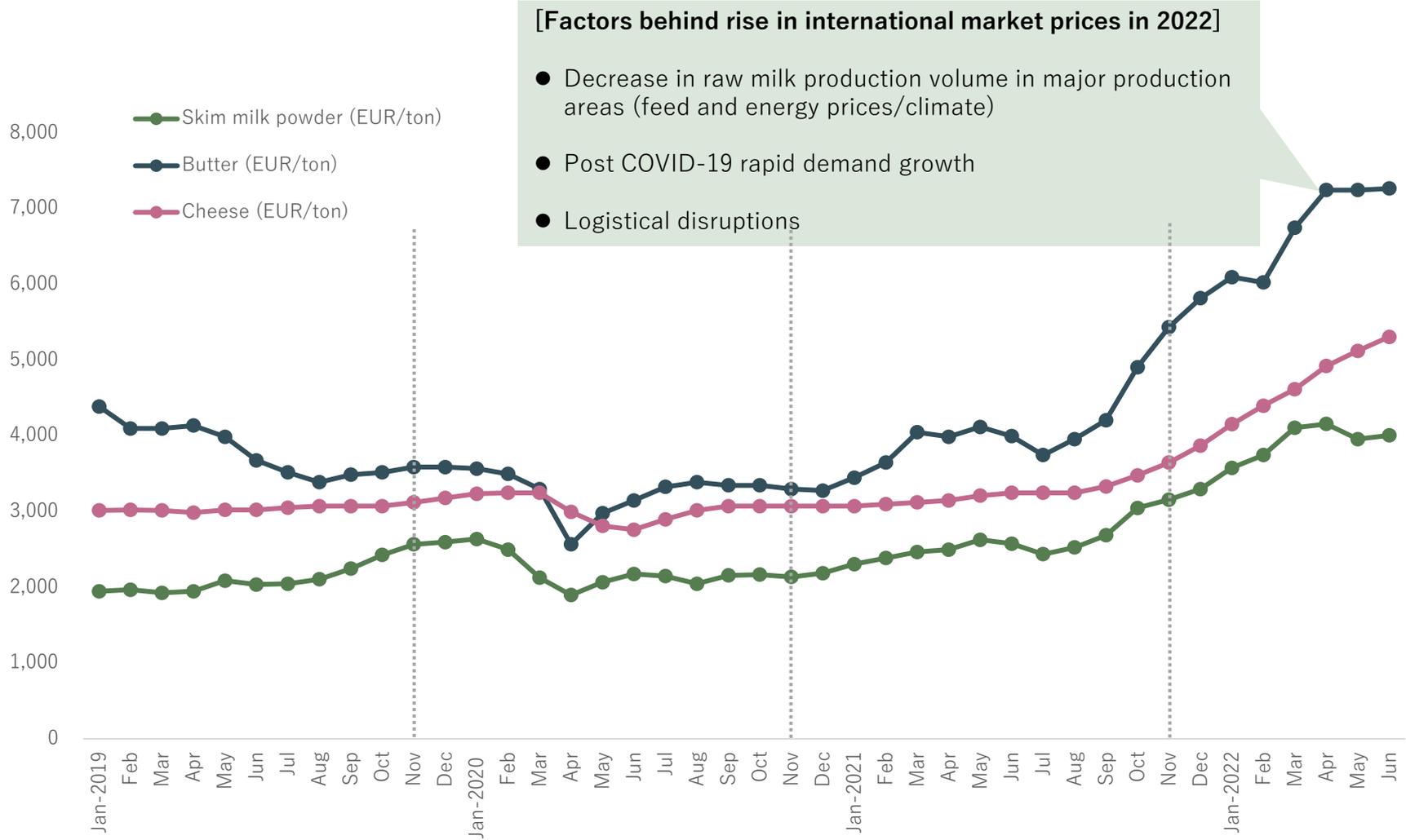
□ Business environment in the first half

- Commercial demand was in a recovery trend in tandem with the easing of behavior restrictions.
- The lockdown measures in the Shanghai area of China had a negative impact on sales to China.

□ Sales trends

- In Singapore and Malaysia, easing of restrictions on eating out, etc. was earlier than in Japan, and sales were strong.
- The lockdown in the Shanghai area led to sluggish sales to China.
- Negotiations to raise prices that we carried out from December 2021 generally progressed well. In Spring, we implemented the first phase of price rises.

International Prices of Dairy Products (last 3 years)



Note: Skim milk powder and butter: Dutch official price (pre-factory price) Cheese: German Edam cheese

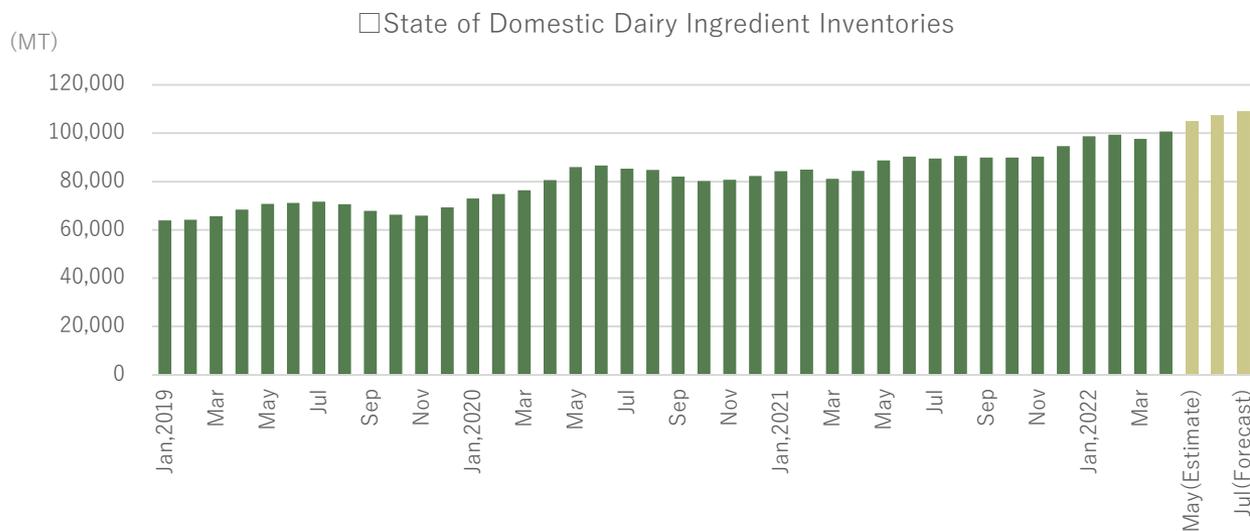


Business Environment in 2H and Future Initiatives

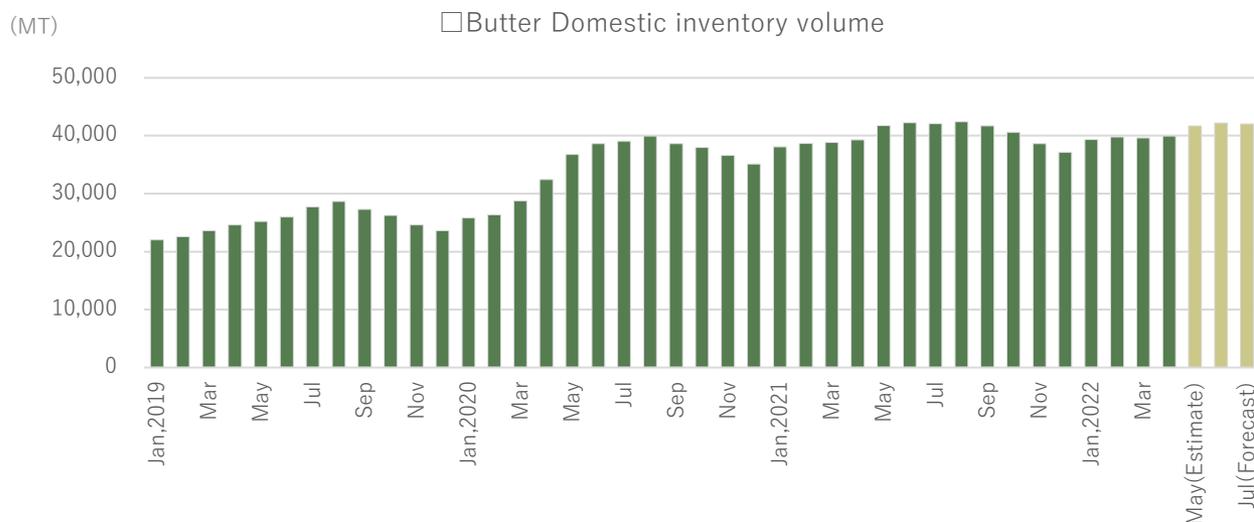
Business Divisions	Business environment expected in second half
Dairy Ingredients and Cheese Business Division	<ul style="list-style-type: none"> • We expect commercial demand, primarily restaurant demand, to recover. • On the other hand, excess inventories of domestically produced skim milk powder are expected to continue for some time, and ALIC's bidding for imported dairy products is expected to remain low. • We anticipate an increase in sales opportunities for domestic skim milk powder related to the countermeasure project. • Restrained purchasing of retail products due to price hikes by food manufacturers is a concern. • A milk price review is highly likely and we will closely monitor the impact on consumption trends of drinking milk.
Meat Products Business Division	<ul style="list-style-type: none"> • We expect purchasing costs to remain high due to the significant impact of rising feed and logistics costs. • Restrictions on supply from a major US supplier of processed pork products are likely to continue in 2H.
Asian Business Division / Others	<ul style="list-style-type: none"> • Sales of dairy preparation ingredients for the Japanese market are expected to recover in 2H for some customers. (Dairy ingredient sales) • Rising international market prices for dairy products and a weaker yen will be a tailwind for sales of Japanese dairy products based on the countermeasure project. (Dairy ingredient sales) • In sales of functional food ingredients, supply shortages will continue against growing demand for whey protein. (Others)

*ALIC: Agriculture and Livestock Industries Corporation

State of Domestic Dairy Ingredient Inventories

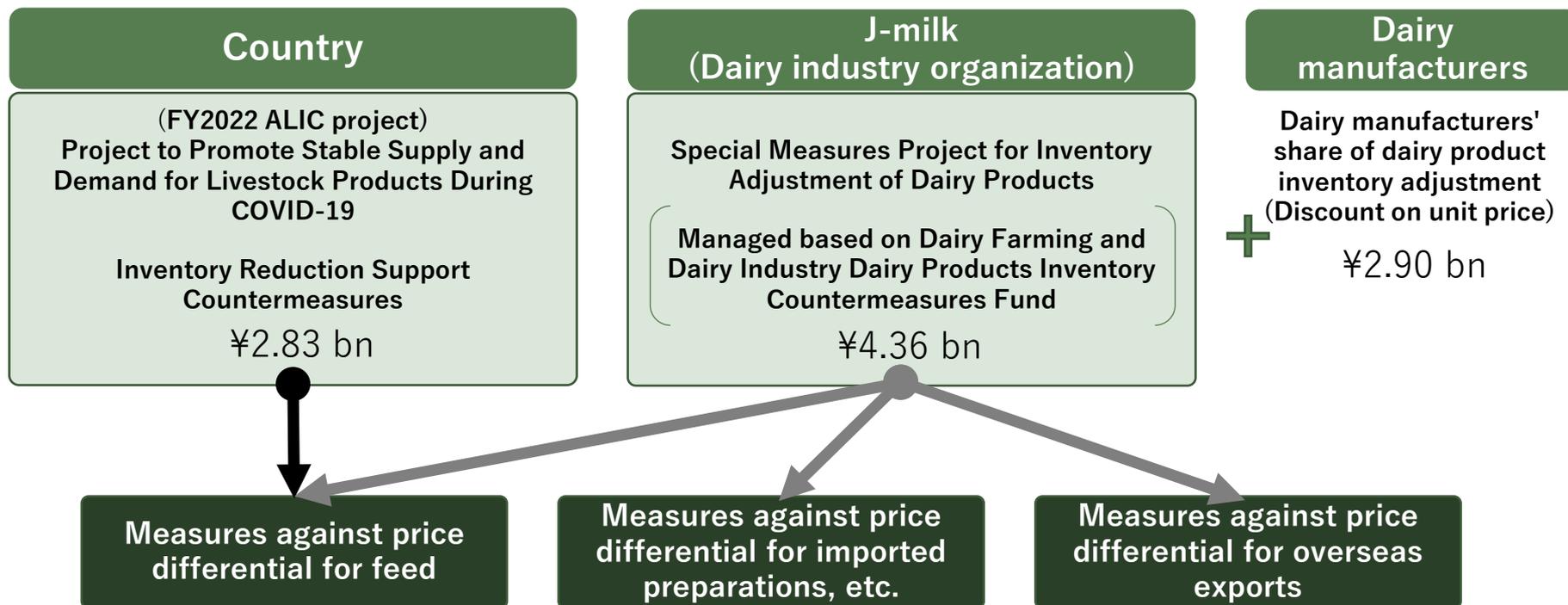


Inventory adjustment countermeasure project will continue.



Inventory adjustment is likely to make progress due to strong demand for butter.

Source: Ministry of Agriculture, Forestry and Fisheries, "Milk and Milk Products Statistics", according to the Agriculture and Livestock Industries Corporation (ALIC)



Method

The Dairy Farming and Dairy Industry Dairy Products Inventory Countermeasures Fund will be created with contributions from producers and dairy manufactures and used to subsidize the amount equivalent to the price difference resulting from the change of use of dairy products to feed, etc.

Implementation period

Apr 2022 - Sep 2023 (18 months) *Contributions to the Fund are for milk transactions in FY2022.

Applicable products

Dairy products (in this project, skim milk powder is applicable) * Some whey powder is also applicable.

Applicable volume

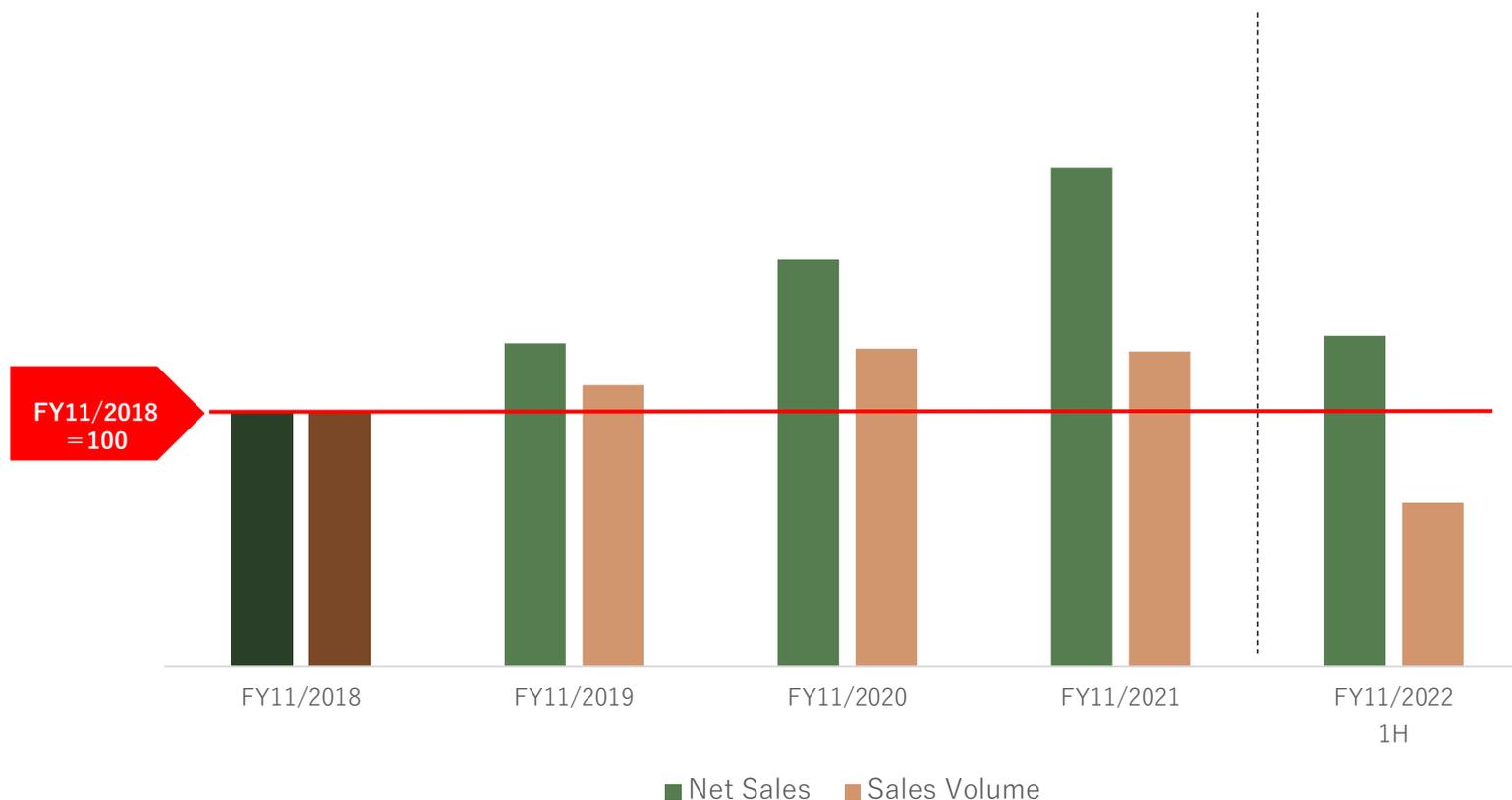
25,479 tons approx.

*J-milk: Japan Dairy Association

Source: Extracted from "Implementation Details of Special Measures Project for Inventory Adjustment of Dairy Products" on March 24, 2022 J-milk: Japan Dairy Association

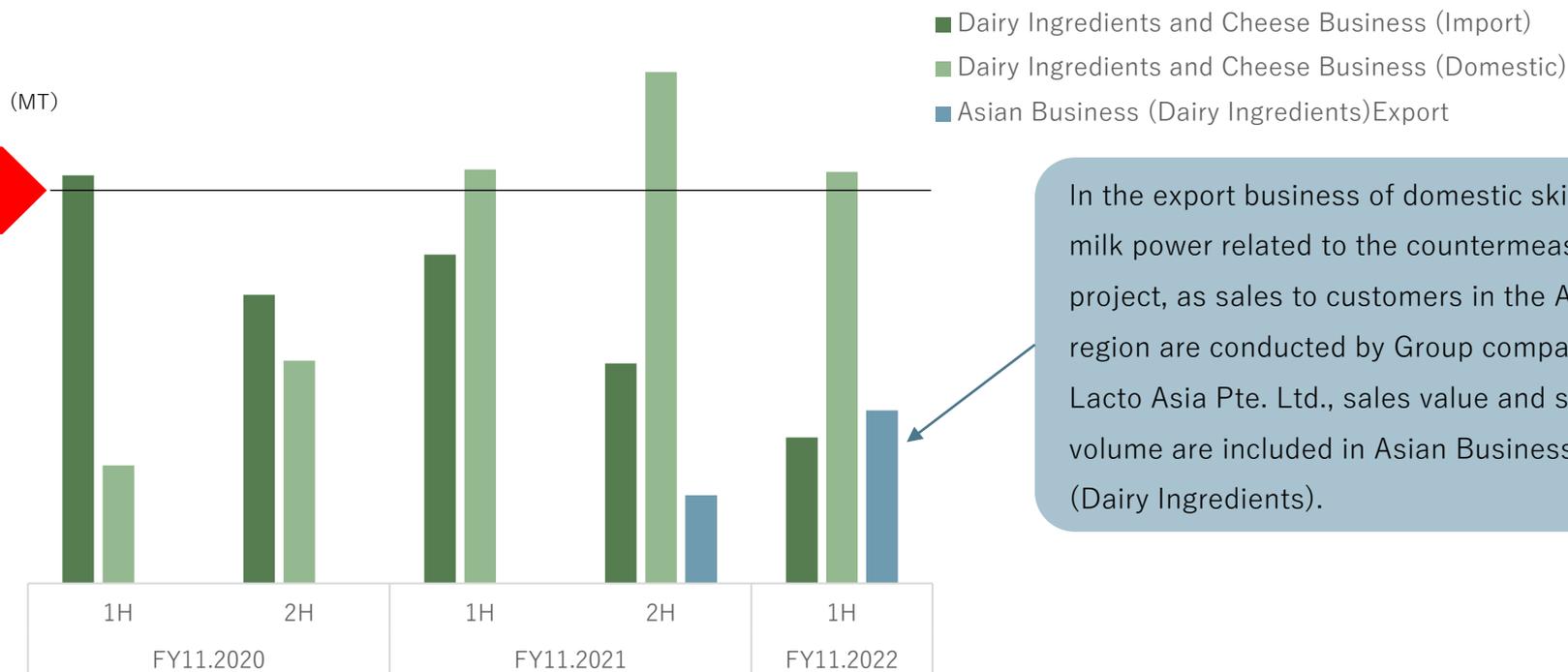
In sales to feed manufacturers, sales of domestically produced skim milk powder were newly added from FY11/2020, expanding transactions from before the COVID-19 pandemic.

□ Sales to feed manufacturers (FY11/2018 = 100)



Sales of domestically produced skim milk powder not only supplemented the decline in sales volume of imported products, but also contributed to the creation of new business opportunities in the export business.

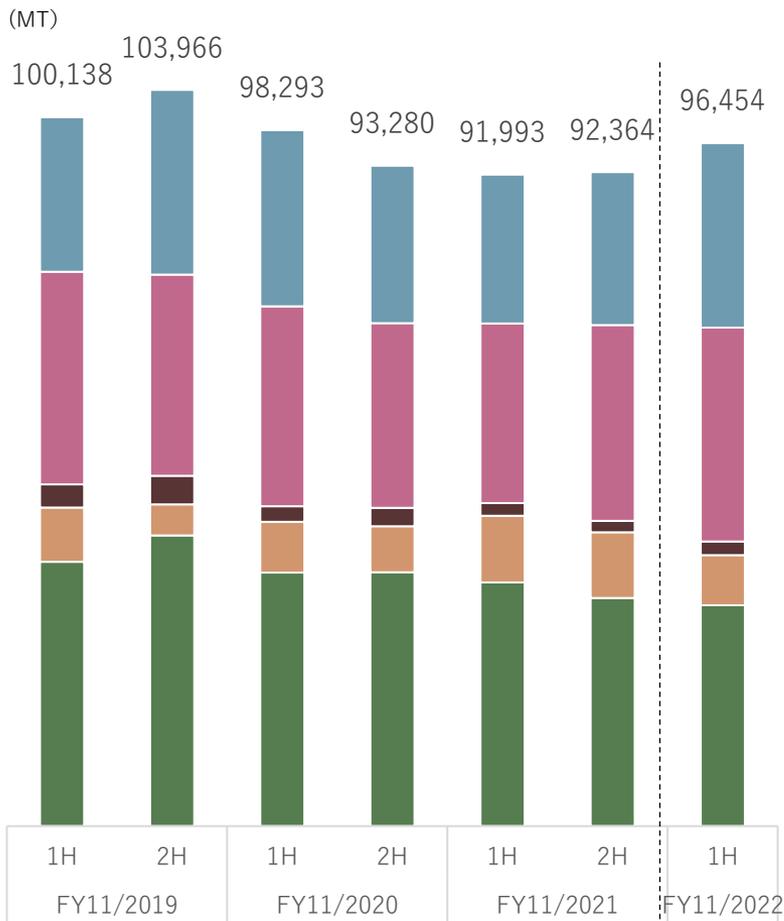
□ Sales volume of skim milk powder
(Dairy Ingredients and Cheese Business/Asian Business (Dairy Ingredients))



In the export business of domestic skim milk powder related to the countermeasure project, as sales to customers in the Asian region are conducted by Group company Lacto Asia Pte. Ltd., sales value and sales volume are included in Asian Business (Dairy Ingredients).

Priority measures in 2H (1) Respond aggressively to countermeasure project and product sales tailored to demand

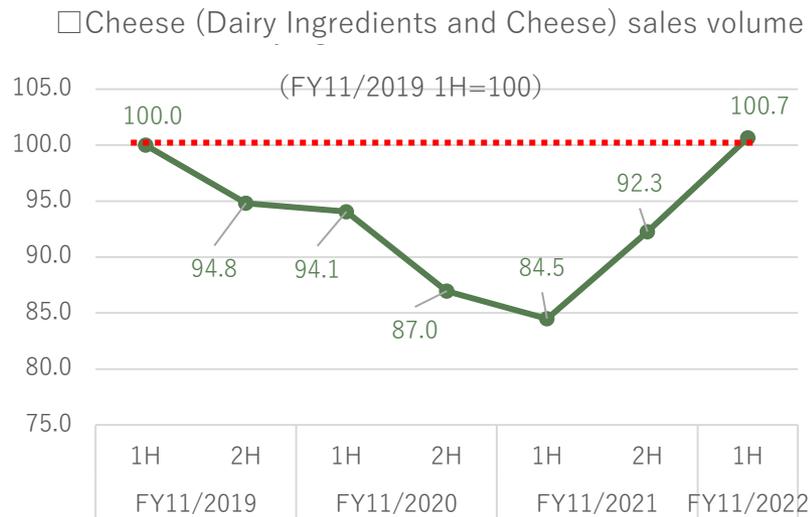
□ Sales composition of Dairy Ingredients and Cheese Business (volume basis)



- Aggressive sales of products less affected by domestic skim milk powder inventory (Whey products and high-protein products, etc.)
- Continue to work aggressively on countermeasures project and focus on sales of domestic products
- Cooperate with Lacto Asia in export of domestically produced skim milk powder

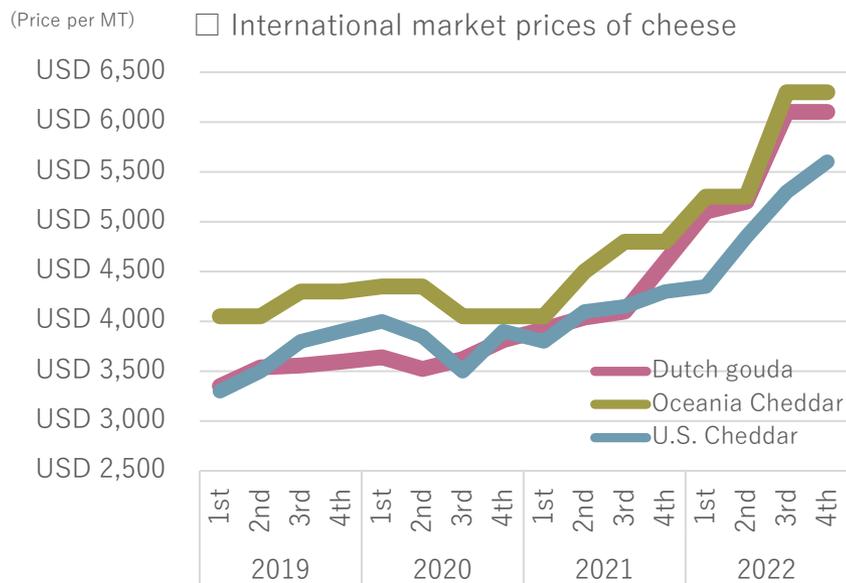
■ Dairy ingredient preparations ■ Skim milk powder
■ Butter ■ Cheese
■ Others

Priority measures in 2H (2) Expand market share for cheese sales



■ Sales volume recovering amid rising market prices and continued logistics disruptions. Strive to increase sales in 2H as well.

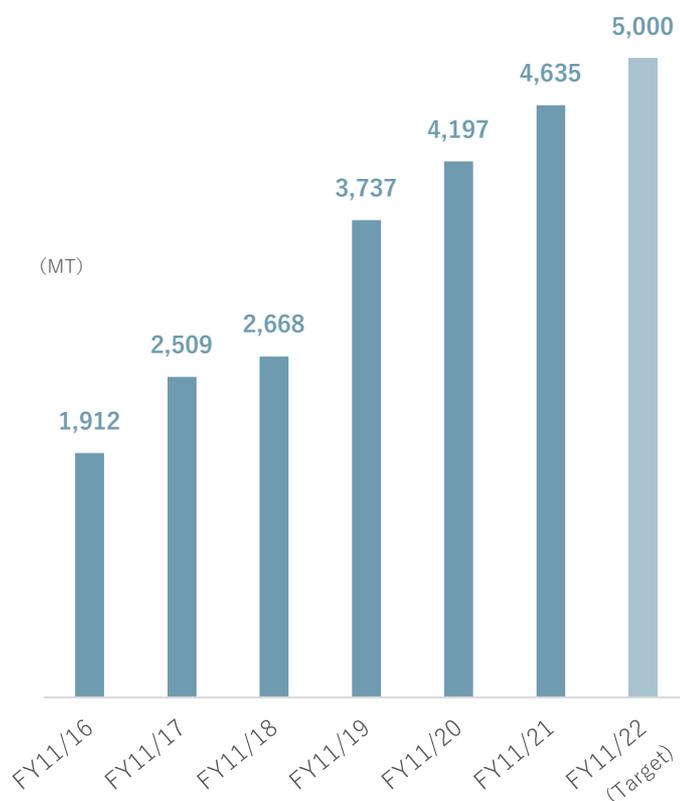
■ Aggressively expand market share by leveraging our procurement network.



■ Propose products from price-competitive production areas to business partners according to market conditions.

Source: Lacto Japan survey based on trade statistics

□ Sales Volume (Asian Cheese business)



Expansion in sales of processed cheese

Singapore Malaysia	Increase in sales of price-appealing products
Thailand	Aim to expand sales by responding to recovery of restaurant demand
China	Steady response to demand recovery after lockdown in Shanghai area

Expand manufacturing and sales of shredded cheese

(Utilization of semi-automatic weighing and filling machines installed at the Singapore plant last fiscal year)

Bringing competitively priced products to market by leveraging the Group's network to procure raw materials



Corporate Business Plan “NEXT-LJ2024”

Capturing the post COVID-19 market recovery and growth of Asian business Accelerate building next-generation businesses at the same time

	FY11/2021 Actual		FY11/2024 Targets
Net sales	110.8 billion yen	»»	150.0 billion yen
Ordinary income	2.68 billion yen		3.90 billion yen
Net income attributable to owners of parent	1.95 billion yen		2.85 billion yen

	Base Existing business “evolution”	Growth Expansion of Asian business	Challenges Build next-generation businesses
Business growth	Strengthen sales of imported ingredients by using free trade agreements	Expand cheese manufacturing and sales business	Accelerate development of functional food ingredients business
	Develop Japanese dairy product export business	Reinforce local sales system	Build new businesses that contribute to realization of sustainable society
Strengthening of management base	Sophistication of governance / Initiatives aimed at sustainable growth / human resource development		

Medium- to long-term capital requirements and financial targets

Capital requirements for Asian Business, pillar of growth strategy

Establishment of bases in promising sales markets

Capital requirements for expansion of Cheese Manufacturing and Sales Division in Asian Business

Enhancement of facilities (automation and expansion of manufacturing lines, establishment of new factories, etc.)

Funds for launch of new businesses

Establish new businesses related to "food" (Upstream, downstream, horizontal development)

Build new businesses that contribute to realization of sustainable society

Reinforcement of financial position

Reinforcement of shareholders' equity in preparation for diversification of business structure (from mainly trading company to trading company + manufacturer)

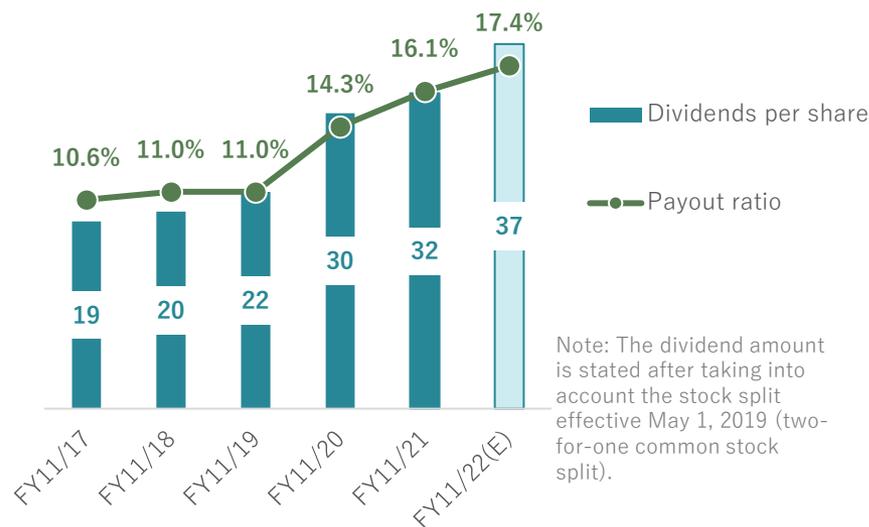
Targeted shareholders' equity ratio: 40%

Dividend policy

In order to achieve medium- to long-term growth, we will combine investment in the Asian Business with the reinforcement of our financial position. At the same time, we aim to continue to increase dividends based on stable dividends, positioning the return of profits to shareholders as a key management issue.

In FY11/2023, which will mark the company's 25th anniversary, we aim to achieve a payout ratio of 20%.

Dividends per share and payout ratio



[Our Purpose]

To contribute to the nutrition and health of people and the enjoyment of food through the stable supply of safe and reliable ingredients and to continue growing and developing as a company that makes a difference to society

[Value creation through business activities]

Collaborating for sustainable dairy and livestock farming with low environmental impact

Supplying safe and reliable food ingredients to ensure a rich diet and well being

Contributing to the penetration of dairy products in Asia with our cultivated know-how

[Megatrends and social issues]

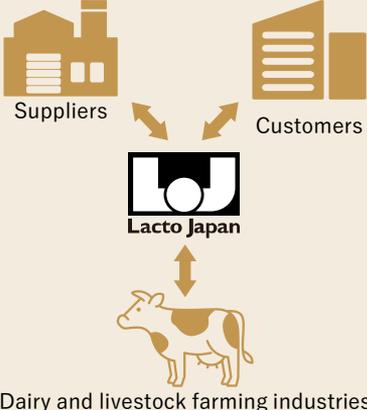
- Increasing health awareness
- Asia's economic growth
- Domestic population decline and super-aging society
- Progress of free trade agreements
- Climate change problems
- Innovations in digital technology

[Management resources]

 Human capital Highly professional employees	 Intellectual capital Know-how regarding dairy products
 Social capital Suppliers around the world	 Manufacturing capital Own factories in Asia

[Business model]

Best matching



Suppliers ↔ Customers

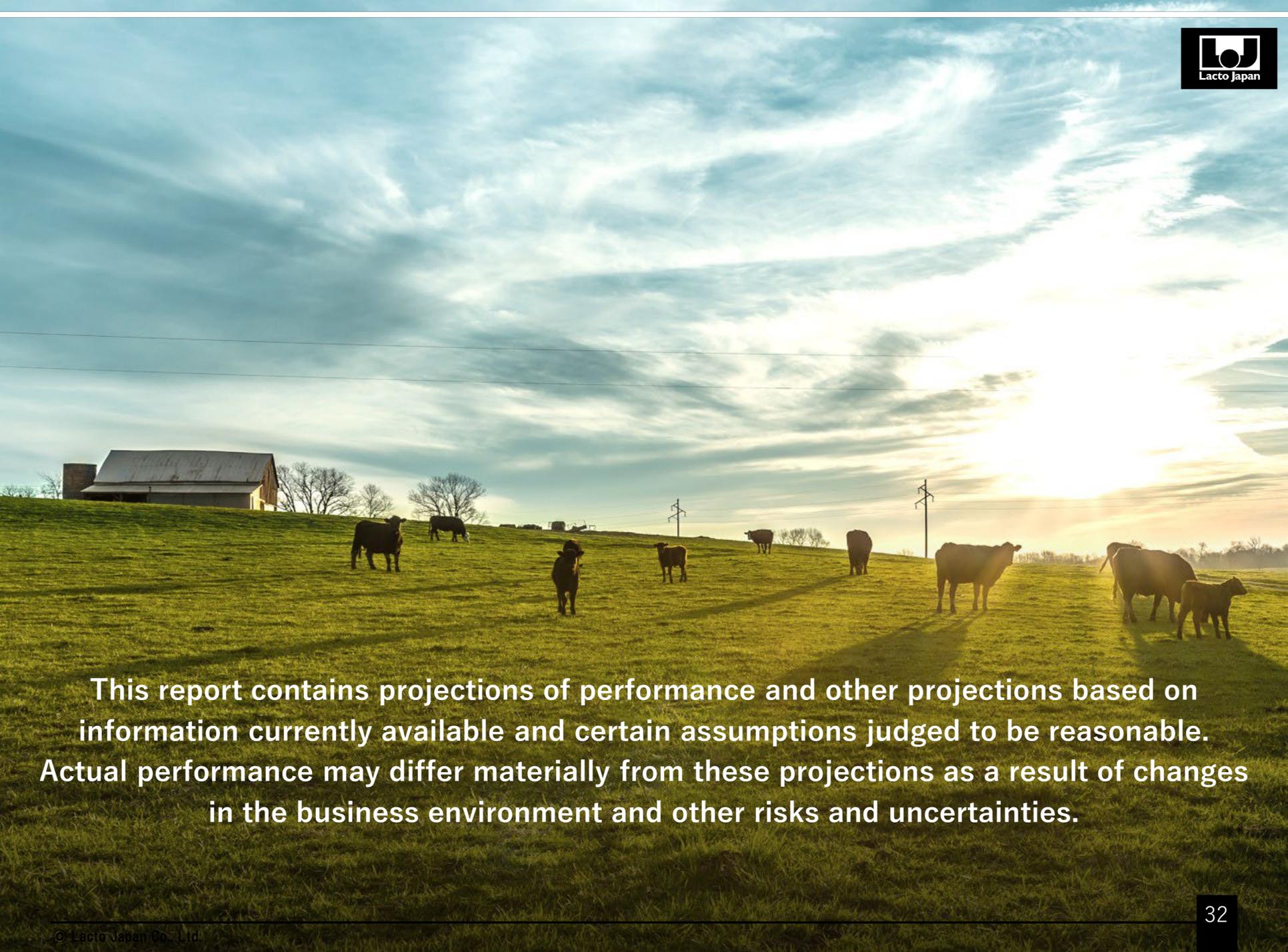
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Dairy and livestock farming industries

[Materialities]

- Supplying safe and reliable food
- Contributing to a healthy and enriched life
- Stable supply through sustainable dairy and livestock farming
- Adaptation to climate change and reduction of environmental impact
- Creating workplaces where diverse human resources can work with pride
- Sophistication of governance

<p>Supplying safe and reliable food</p>	<ul style="list-style-type: none"> ● Selection of suppliers (audit, inspection, sample testing) ● Thorough quality control (traceability, food defense, temperature control, etc.) ● Reinforcement of processed cheese manufacturing system (review of physical and non-physical aspects, employee training) 	 
<p>Contributing to a healthy and enriched life</p>	<ul style="list-style-type: none"> ● Sourcing dairy products that contribute to nutrition and health from around the world ● Expansion of plant-based food ingredients (to accommodate veganism, dairy allergies, etc.) ● Proposal of foods and raw materials that match diverse lifestyles 	  
<p>Stable supply through sustainable dairy and livestock farming</p>	<ul style="list-style-type: none"> ● Diversification of supply sources (quality, origin characteristics, price, etc.) ● Best matching (customers: proposing and procuring optimal raw materials / business partners: proposing sales opportunities and creating new demand) ● Dairy farmer development (supporting international human resource exchange, considering entering the dairy industry, etc.) ● Improving efficiency and labor saving in procurement and supply through promotion of digitalization 	   
<p>Adaptation to climate change and reduction of environmental impact</p>	<ul style="list-style-type: none"> ● Diversification of supply sources (mainly diversifying climate change risks, prioritizing and supporting environmentally conscious dairy farmers) ● Contributing to reduction of greenhouse gases (collaboration with dairy and livestock industries, provision of information and services to suppliers) ● Reduction of food loss (efforts to extend product life, setting appropriate expiration dates, reducing waste loss) ● Waste reduction (review of packaging materials) ● Optimization of logistics (best matching of logistics to reduce environmental impact) ● Reduction of environmental impact at our own offices and factories 	   
<p>Creating workplaces where diverse human resources can work with pride</p>	<ul style="list-style-type: none"> ● Promotion of diversity (women, localization/globalization, employment of people with disabilities, etc.) ● Development of good working environment (childcare leave and other systems, telework, etc.) ● Strengthening of human resource development (enhancement of education and training) 	   
<p>Sophistication of governance</p>	<ul style="list-style-type: none"> ● Corporate governance (proactive response to Corporate Governance Code) ● Risk management (BCP, information security, compliance) ● Responsible supply chain management 	  

A wide-angle photograph of a rural landscape at sunset. A herd of approximately ten 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 and poles 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 business environment and other risks and uncertainties.