



lacto

# Financial Results for the Fiscal Year Ended November 2022

(FY11/2022)



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# Consolidated Financial Results for FY11/2022

# FY11/2022 Consolidated Financial Results



Despite the impact of the COVID-19 pandemic, sales volume remained steady in tandem with the economic recovery  
 Sales increased substantially and profits also reached a record high due to a rise in selling prices  
 resulting from higher international market prices for dairy products and the yen's depreciation

(Million yen)

	FY11/2021	Forecast	FY11/2022		
			Actual	YoY Change (%)	vs. Forecast Change (%)
Net sales	110,883	140,000	147,423	+33.0	+5.3
Ordinary income	2,681	3,100	3,134	+16.9	+1.1
Ordinary income ratio (%)	2.4	2.2	2.1	—	—
(Foreign exchange impact on ordinary income*)	(△77)	—	(+117)	—	—
Ordinary income adjusted for foreign exchange impact	<b>2,759</b>		<b>3,016</b>	+9.3	
Net income attributable to owners of the parent	1,959	2,250	2,286	+16.7	+1.6
Net income ratio (%)	1.8	1.6	1.6	—	—
Net income per share (Yen)	198.73	227.94	231.64		
Exchange rate (Yen/USD)	108.97	—	129.67		
Exchange rate (Yen/EUR)	129.68	—	136.86		

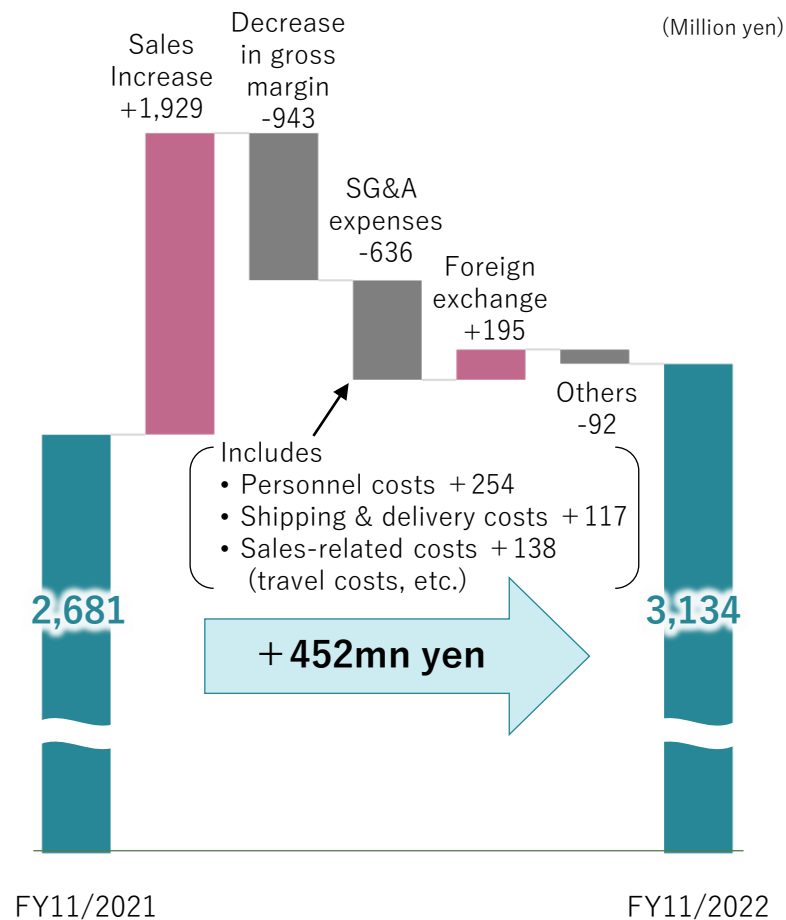
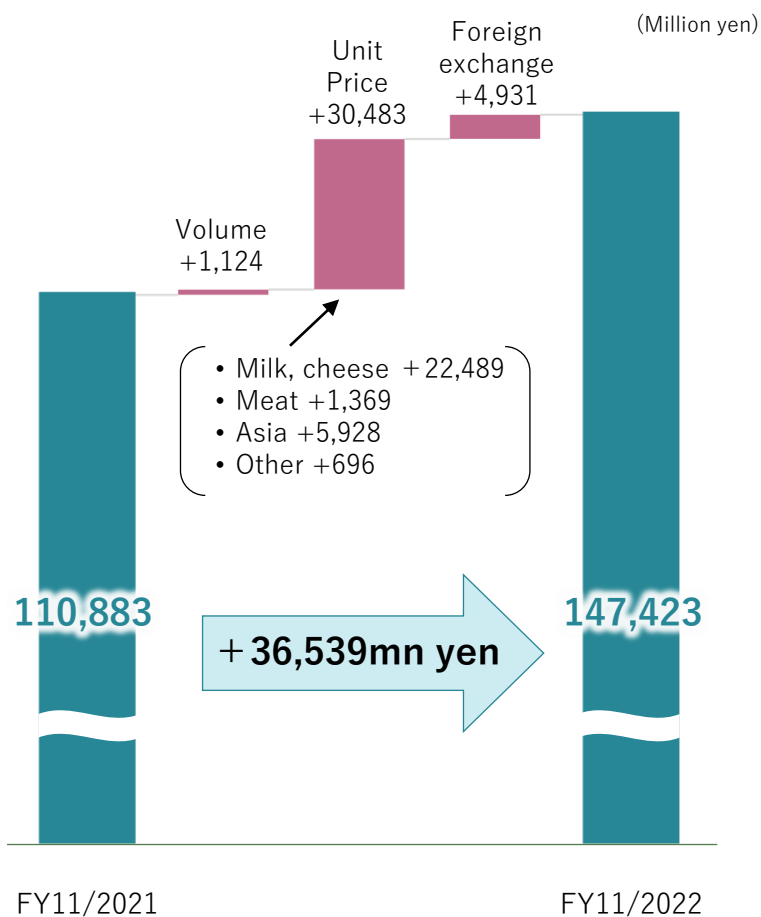
Note: Amounts have been rounded down to the nearest million yen, and the ratios have been rounded to the first decimal place.

\*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.

# Factors Contributing to Increase/Decrease in Sales and Ordinary Income

## Net sales

## Ordinary Income



# Consolidated Balance Sheets

(Million yen)

	FY11/2020-end	FY11/2021-end	Difference
<b>Current assets</b>	<b>50,018</b>	<b>70,067</b>	<b>20,049</b>
Cash and cash equivalents	5,510	6,379	868
Trade notes and accounts receivable	19,277	21,065	1,788
Inventories	24,839	41,382	16,543
Other	390	1,238	848
<b>Non-current assets</b>	<b>2,881</b>	<b>3,389</b>	<b>507</b>
Property, plant and equipment	709	942	233
Intangible assets	44	39	△5
Investment and other assets	2,128	2,408	280
<b>Total assets</b>	<b>52,899</b>	<b>73,456</b>	<b>20,556</b>
Accounts payable	12,202	17,349	5,147
Interest-bearing liabilities	19,531	31,262	11,730
Other	1,587	2,364	777
<b>Total liabilities</b>	<b>33,320</b>	<b>50,975</b>	<b>17,654</b>
<b>Net assets</b>	<b>19,578</b>	<b>22,481</b>	<b>2,902</b>
<b>Total liabilities and net assets</b>	<b>52,899</b>	<b>73,456</b>	<b>20,556</b>

## Main factors of change

### Increase in inventories

- Increase in merchandise due to increase in sales contracts resulting from resumption of economic activity
- Impact of both a rise in product unit prices due to soaring raw material 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- and long-term loans and CP 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.

\*Interest-bearing liabilities include lease liabilities.

	(Million yen)
	FY11/2022
Cash flows from operating activities	-10,408
Cash flows from investing activities	-287
Cash flows from financing activities	11,078
Effect of exchange rate changes on cash and cash equivalents	485
Change in cash and cash equivalents	868
Cash and cash equivalents at beginning of period	5,014
Cash and cash equivalents at end of period	5,883

## Main factors of change

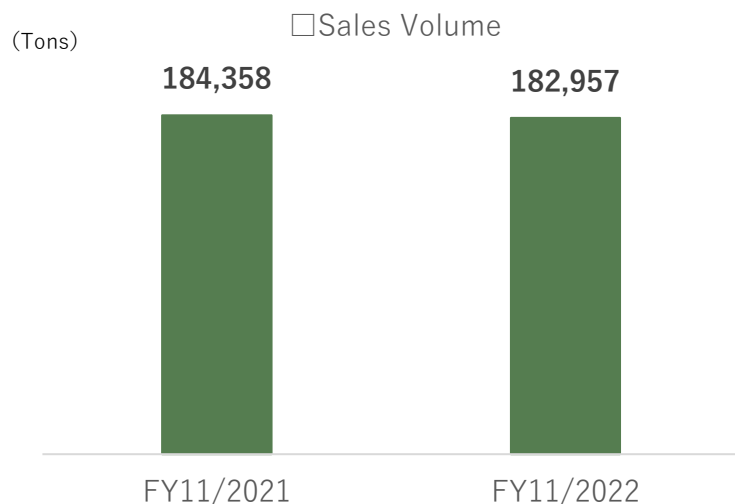
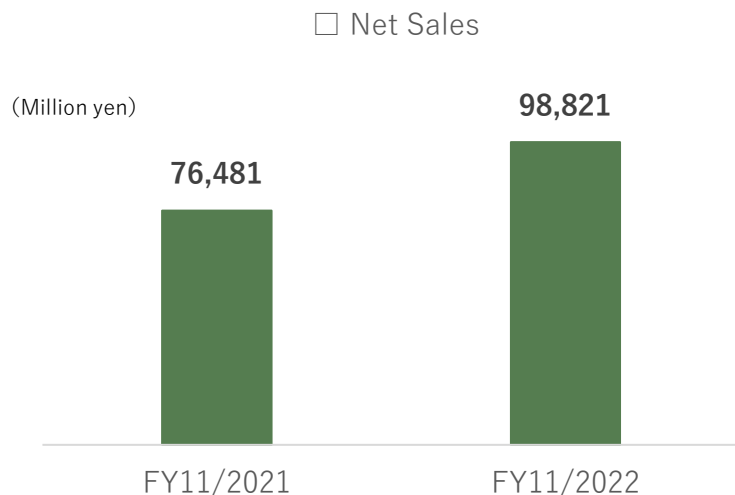
### Decrease in operating CF

- Working capital increased due to continued upward trend in purchase and selling prices resulting from soaring raw material prices and weaker yen

### Increase in financing CF

- Increase in short- and long-term loans and CP due to increase in working capital

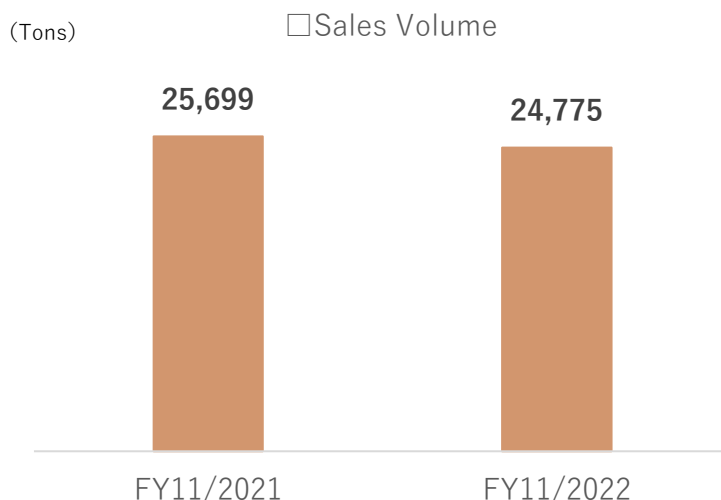
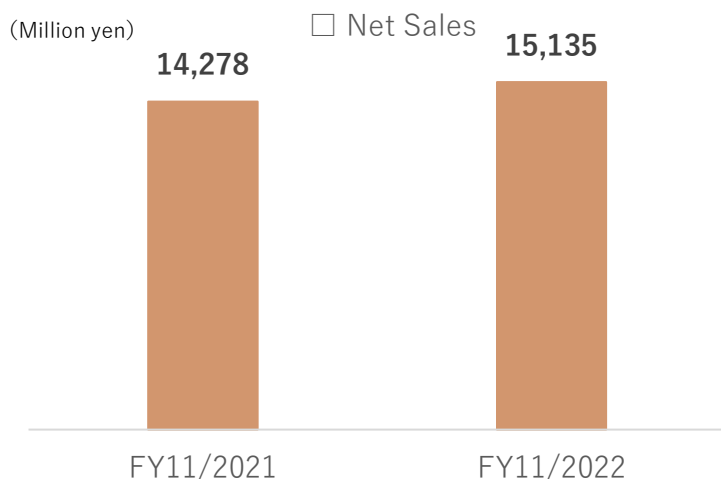
Note: Amounts of less than one million yen have been rounded down and the breakdown shows only major items.



## □ Overview of FY11/2022

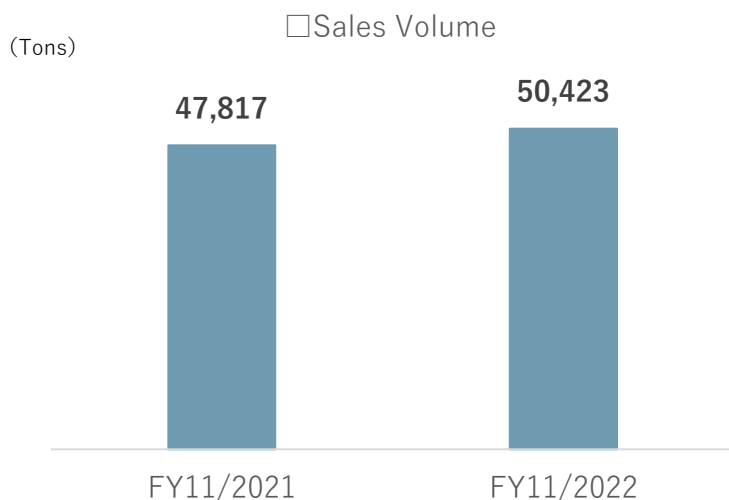
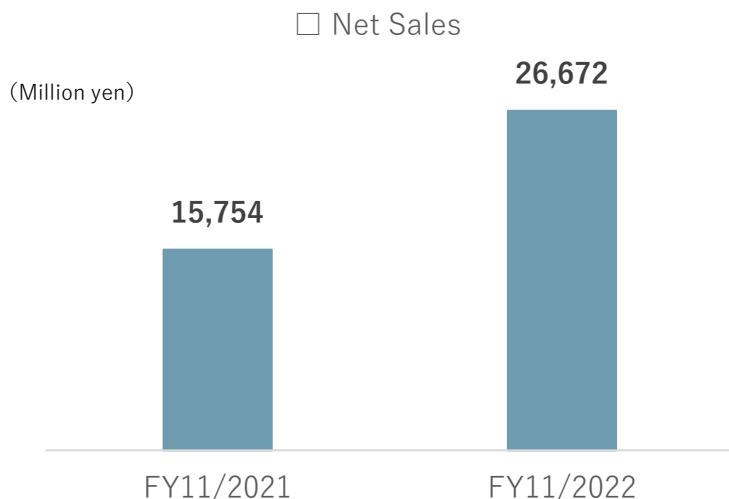
- | Sales increased significantly YoY due to higher selling prices resulting from soaring international market prices for dairy products and the yen's depreciation.
- | Sales volume stayed flat YoY. In 1H, sales volume was much higher than a year earlier due to the momentum of commercial demand, which began to recover. In 2H, however, sales volume growth was sluggish mainly due to the impact of declining consumption caused by price hikes for finished products, and the replacement of milk powder preparations with domestic raw materials, mainly for general-purpose products.
- | With regard to sales of domestic skim milk powder related to the Special Measures Project for Inventory Adjustment, the export business was the main contributor in FY11/2022.
- | Domestic skim milk powder inventories exceeded 100,000 tons at one point in May, and the severe environment of excess inventories continued during FY11/2022. As a result, imports of skim milk powder and butter by ALIC (Agriculture and Livestock Industries Corporation) remained at low levels.





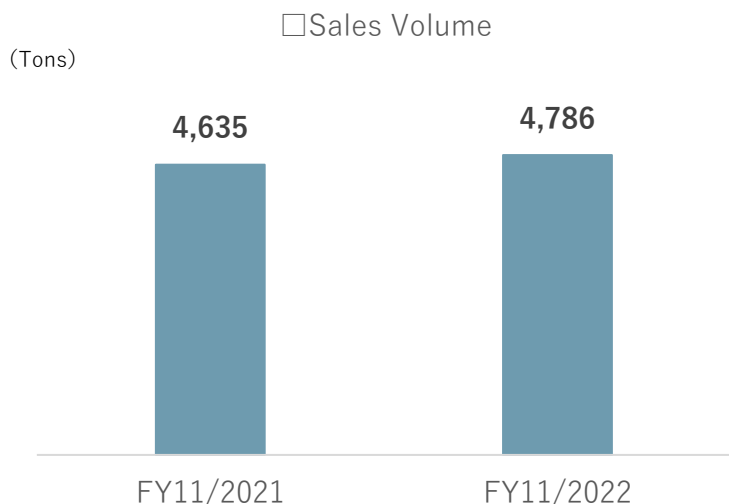
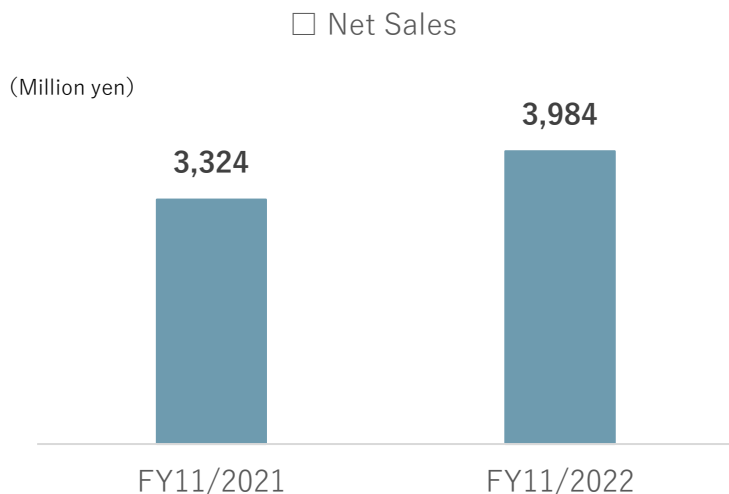
## □ Overview of FY11/2022

- | Sales increased YoY due to higher selling prices resulting from a rise in international market prices and the yen's depreciation.
- | Sales volume declined slightly YoY. This was due to the continued restriction of production of some products that require processing caused by a shortage of workers at a major U.S. supplier in the imported pork business . However, we made progress in developing alternative suppliers.
- | Sales volume of processed meat products such as dry-cured ham and salami were higher than in the previous year. In FY11/2022, Lacto Japan shifted its procurement to Spain due to the impact of the ASF (African swine fever) outbreak that occurred in Italy.



## □ Overview of FY11/2022

- | Unit sales prices rose and sales increased mainly due to the impact of international market prices and the yen's depreciation.
- | Local sales were strong in countries such as Singapore, Thailand, and Indonesia. Amid the slump in raw milk production in Oceania, our main source of supply, we have a stable supply of raw materials from other regions, such as Europe and the United States.
- | Sales of skim milk powder produced in Japan (Japanese skim milk powder export business) also contributed to the increase in sales volume.
- | Sales of raw materials for milk powder preparations to the Japanese market were weak, due in part to the replacement of domestic raw materials in Japan.



## □ Overview of FY11/2022

- | Sales increased due to higher unit sales prices, mainly reflecting multiple price revisions during FY11/2022 in response to rising raw material prices.
- | Price revisions generally progressed favorably, but sales volume to some customers declined.
- | Sales to China were sluggish due to the impact of the lockdown, but sales to Malaysia and Singapore, whose economies are recovering steadily, were firm.



# Consolidated Earnings Forecasts for FY11/2023

# FY11/2023 Consolidated Earnings Forecasts

We expect demand for dairy ingredients, cheese, and meat to be sluggish in 1H due to the impact of weak consumption caused by rising consumer prices.

In 2H, domestic skim milk powder inventories are expected to be optimized and imports of dairy ingredients to recover. In the Cheese Manufacturing and Sales Division in Asia, the profit margin is projected to decline in 1H due to the remaining impact of high raw cheese prices but then improve gradually in 2H.

(Million yen)

	FY11/2022 Actual	FY11/2023		
		Forecasts	YoY Difference	YoY Change (%)
<b>Net sales</b>	147,423	160,000	+12,576	+8.5
<b>Ordinary income</b>	3,134	3,200	+65	+2.1
<b>Ordinary income ratio (%)</b>	2.1	2.0	-	-
<b>Net income attributable to owners of the parent</b>	2,286	2,330	+43	+1.9
<b>Net income ratio (%)</b>	1.6	1.5	-	-
<b>Net income per share (Yen)</b>	231.64	235.52	+3.88	
<b>Dividends per share (Yen)</b>	Interim	0.00	24.00	+24.00
	FY-End	40.00	24.00	-16.00

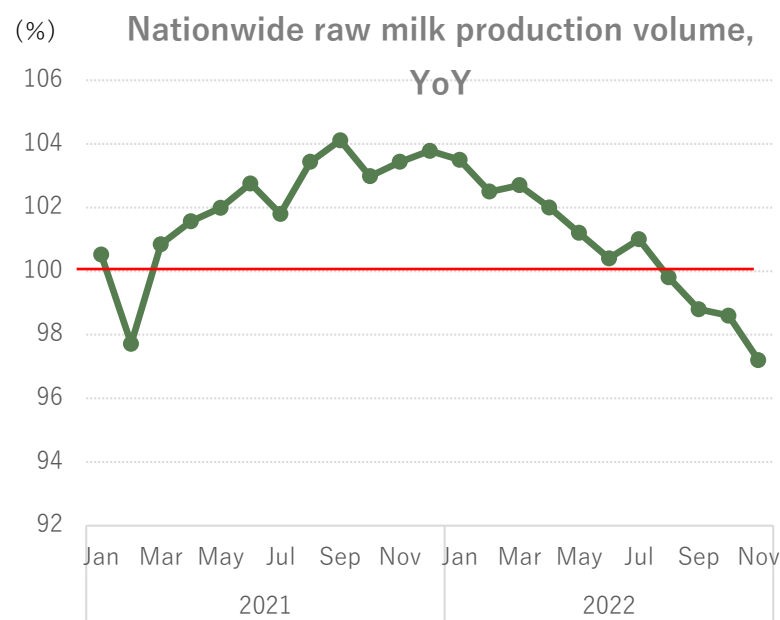
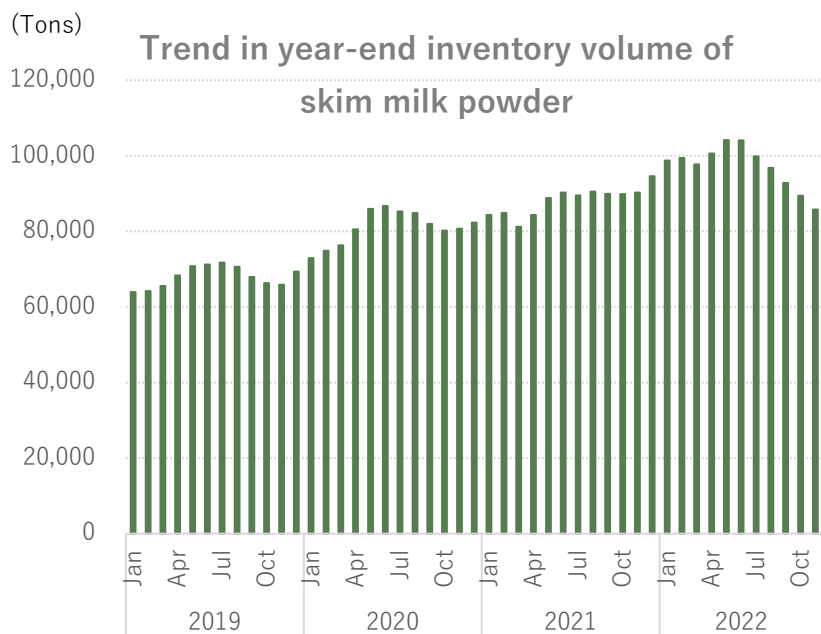
## Domestic skim milk powder inventory problems

Domestic raw milk production is declining due to the effects of production control policies. Skim milk powder inventories are also expected to head toward an appropriate level.

The project to eliminate domestic inventories of skim milk powder will continue (the project budgeted for FY2022 is ongoing)

## Domestic demand for dairy products

We expect commercial demand to be restored due to coexisting with the coronavirus and the recovery of inbound tourism. If adjustments in domestic raw milk production proceed, there is a possibility of a sharp turnaround in the supply-demand environment. However, consumption trends after the ongoing food price hikes are uncertain.

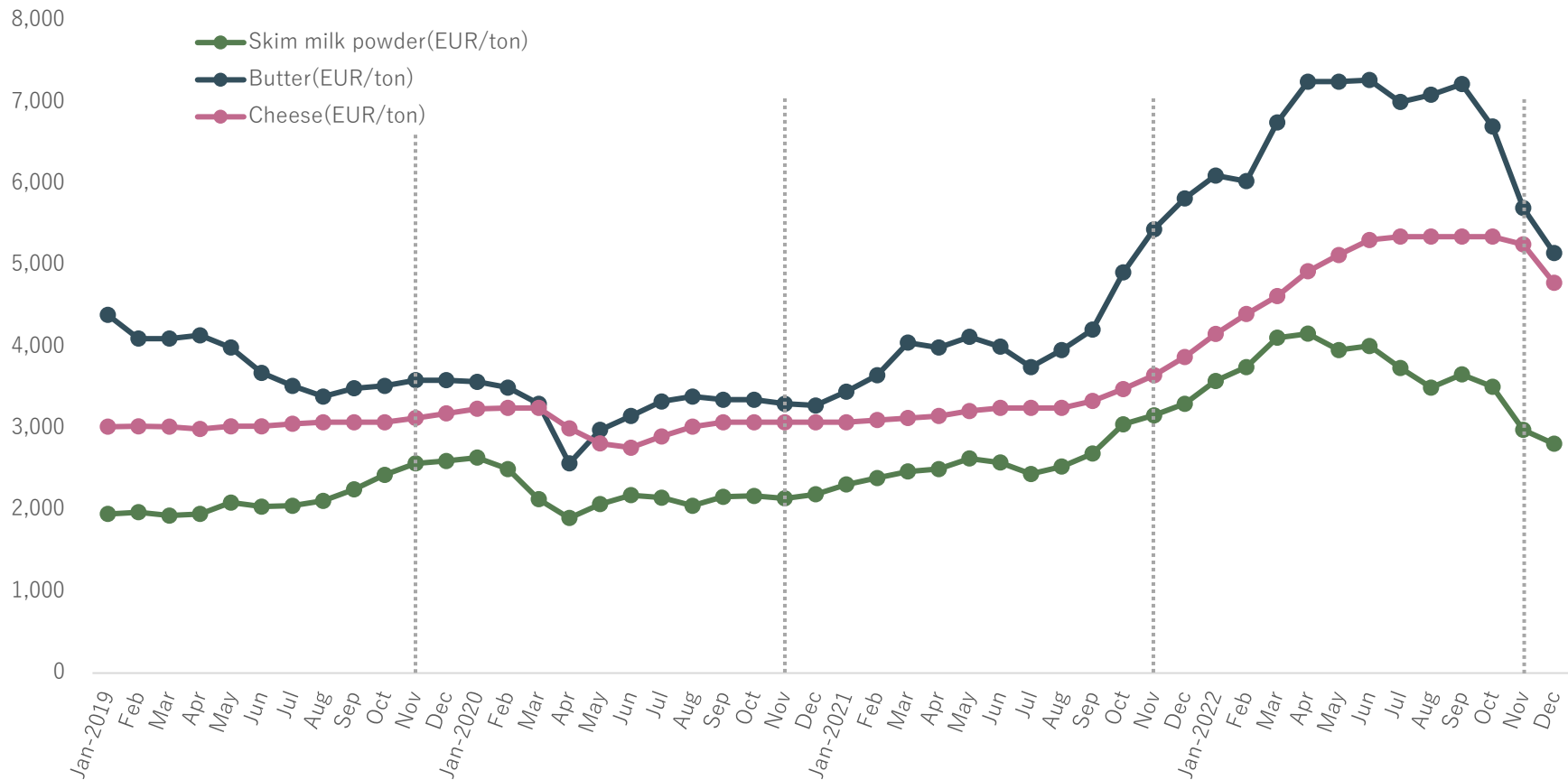


Source: Based on Ministry of Agriculture, Forestry and Fisheries, Statistical Table, "Raw Milk Production and Processing Volume by Use (Nationwide)."

## International Prices of Dairy Products

Although the surge in market prices should slow, we expect global inflation and high energy prices to remain unchanged and international market prices to trend at high levels.

Chinese demand and exchange rate trends are closely watched as factors that may cause market fluctuations.



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

## **International logistics problems**

In international logistics, the container backlog problem is on the way to being resolved, and freight rates are on a downward trend, indicating that logistics is on the way to normalization.

## **Product supply problems**

The shortage of workers at the main supplier of pork (in the U.S.) is gradually recovering and production of major products, which had been declining, is being restored.

We are developing supply sources, with increased procurement from Canada, Spain and Belgium. Currently, we are also promoting the development of other regions such as Mexico.

Regarding processed products such as dry-cured ham and salami, procurement of Italian products became difficult due to the ASF (African swine fever) outbreak in Italy, but we have secured products through procurement from Spain.

## **Domestic demand for meat and meat products**

We expect commercial demand to be restored due to the recovery of the restaurant and leisure industries as a result of coexisting with the coronavirus.

However, future consumption trends after food (finished product) price hikes are uncertain.



## **Dairy product demand in Asian region**

Demand in the ASEAN region is favorable. There are opportunities to expand trading of both dairy products and cheese.

Market trends are weak in China as economic stagnation is increasing from the lockdown.

## **Sales of ingredients for milk powder preparations to the Japanese market**

In FY11/2022, in the case of ingredients for general-purpose products, some imported milk powder preparations were being replaced by domestic milk powder preparations, and so the environment will remain challenging in FY11/2023.

## **Costs in Cheese Manufacturing and Sales Business**

Prices for raw cheese are expected to remain in a high range. However, we expect them to improve gradually in 2H.

We will further promote both revisions to appropriate selling prices in line with raw material prices and cost reductions.

# FY11/2023 Estimated Net Sales and Sales Volume by Business Division

## Net sales

(Million yen)

	FY11/2022			FY11/2023
	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year	Forecasts
<b>Dairy ingredients and Cheese</b>	47,202	51,618	98,821	106,400
<b>Meat Products</b>	7,221	7,914	15,135	15,200
<b>Asian Business (Dairy Ingredients)</b>	12,279	14,393	26,672	26,800
<b>Asian Business (Cheese)</b>	1,827	2,157	3,984	4,600
<b>Other</b>	1,257	1,551	2,808	7,000

## Sales volume

(Tons)

	FY11/2022			FY11/2023
	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year	Forecasts
<b>Dairy ingredients and Cheese</b>	96,454	86,502	182,957	172,000
<b>Meat Products</b>	12,096	12,679	24,775	28,000
<b>Asian Business (Dairy Ingredients)</b>	26,549	23,874	50,423	56,500
<b>Asian Business (Cheese)</b>	2,336	2,449	4,786	5,900

Note: Amounts of less than one million yen have been rounded down.



# Long-term Vision “LACTO VISION 2032”

Formulated a new management philosophy as our “second founding period”

## Management Philosophy

### Our Purpose

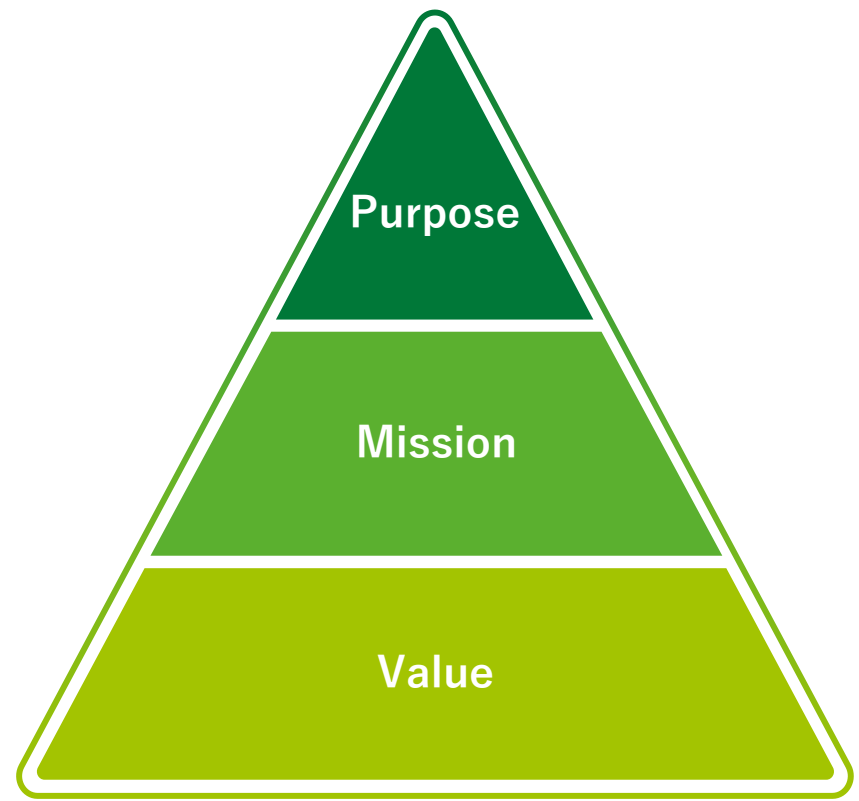
Bring health and happiness to people by connecting the world through food

### Our Mission

Contribute to the future of the primary food industries  
Create new demand for dairy products  
Enrich the lives of all stakeholders

### Our Value

Fairness



## Long-term vision in 10 years (FY11/2032)

### Slogans

Change from a trading company specializing in dairy products to a complex food company

Become No. 1 in Japan and the world in dairy product transaction volume

Create demand through best matching and contribute to the development of the dairy and livestock farming industries

### Numerical targets

Consolidated  
ordinary income

¥6.0 bn

Overseas ratio  
(Based on consolidated  
ordinary income)

40%

Dairy product  
transaction volume  
(Group total)

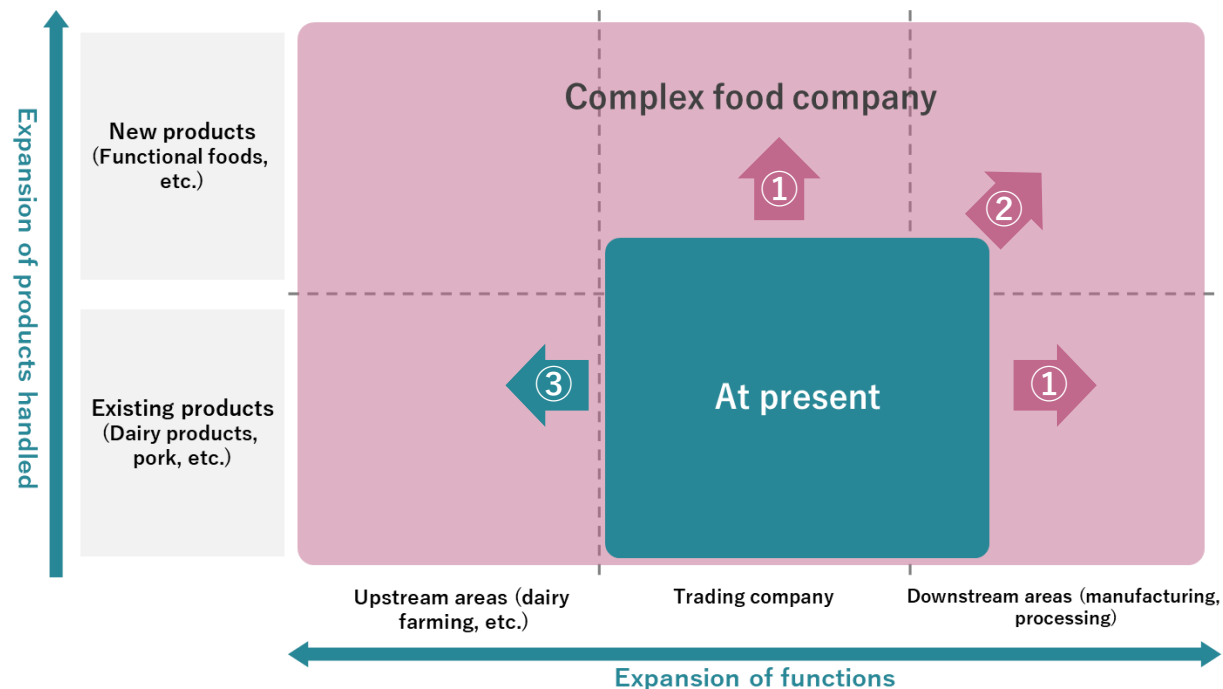
450,000  
tons

### ESG targets

We have identified six materialities and set individual measures and quantitative targets (in part)

Evolve into a complex food company by expanding product lineup and functions  
 Raise profit margins by increasing highly processed products

## Correspondence with business domains



### Raise degree of processing ①

- Handling of processed foods and luxury foods that are closer to final consumer goods than existing products
- Expansion into production and processing of prepared dishes, etc.

### Expand manufactured items other than cheese ②


- Contract manufacturing at overseas plants, etc.
- M&As with food product makers

### Contribute to sustainable dairy farming, etc. ③

- Environmentally friendly dairy farming

# ESG Targets: Materialities and Individual Measures

## Related SDGs

<p>Supplying safe and reliable food</p>	<ul style="list-style-type: none"> <li>● <b>Thorough quality control</b> (traceability, food defense, temperature control, etc.)</li> <li>● <b>Selection of suppliers</b> (audit, inspection, sample testing)</li> <li>● <b>Reinforcement of processed cheese manufacturing system</b> (review of physical and non-physical aspects, employee training)</li> </ul>	 
<p>Contributing to a healthy and enriched life</p>	<ul style="list-style-type: none"> <li>● <b>Sourcing dairy products that contribute to nutrition and health from around the world</b></li> <li>● <b>Expansion of plant-based food ingredients</b> (to accommodate veganism, dairy allergies, etc.)                             <ul style="list-style-type: none"> <li>- Transaction volume in 3 years: 1,900 tons (at present: 131 tons)</li> </ul> </li> <li>● <b>Proposal of foods and raw materials that match diverse lifestyles</b></li> </ul>	  
<p>Stable supply through sustainable dairy and livestock farming</p>	<ul style="list-style-type: none"> <li>● <b>Diversification of supply sources</b> (quality, origin characteristics, price, etc.)</li> <li>● <b>Best matching</b> (customers: proposing and procuring optimal raw materials / business partners: proposing sales opportunities and creating new demand)</li> <li>● <b>Dairy farmer development</b> (supporting international human resource exchange, considering entering the dairy industry, etc.)</li> <li>● <b>Improving efficiency and labor saving in procurement and supply through promotion of digitalization</b></li> </ul>	   
<p>Adaptation to climate change and reduction of environmental impact</p>	<ul style="list-style-type: none"> <li>● <b>Diversification of supply sources</b> (mainly diversifying climate change risks, prioritizing and supporting environmentally conscious dairy farmers)</li> <li>● <b>Contributing to reduction of greenhouse gases</b> (collaboration with dairy and livestock industries, provision of information and services to suppliers)</li> <li>● <b>Reduction of food loss</b> (efforts to extend product life, setting appropriate expiration dates, reducing waste loss)</li> <li>● <b>Waste reduction</b> (review of packaging materials)</li> <li>● <b>Optimization of logistics</b> (best matching of logistics to reduce environmental impact)</li> <li>● <b>Reduction of environmental impact at our own offices and factories</b></li> </ul>	   
<p>Creating workplaces where diverse human resources can work with pride</p>	<ul style="list-style-type: none"> <li>● <b>Promotion of diversity</b> (women, localization/globalization, employment of people with disabilities, etc.)                             <ul style="list-style-type: none"> <li>- Ratio of female managers: at least 20% in 3 years, at least 30% in 10 years (at present: 19.7%)</li> </ul> </li> <li>● <b>Development of good working environment</b> (childcare leave and other systems, telework, etc.)                             <ul style="list-style-type: none"> <li>- Male childcare leave (parental leave) acquisition rate of 100% in 3 years (at present: 66.7%)</li> </ul> </li> <li>● <b>Strengthening of human resource development</b> (enhancement of education and training)                             <ul style="list-style-type: none"> <li>- Education costs per person to triple in 2 years</li> </ul> </li> </ul>	   
<p>Sophistication of governance</p>	<ul style="list-style-type: none"> <li>● <b>Responsible supply chain management</b></li> <li>● <b>Full compliance in corporate governance</b></li> <li>● <b>Risk management</b> (BCP, information security, compliance)</li> </ul>	  



**Corporate Business Plan  
“NEXT-LJ 2025”  
(FY11/2023~FY11/2025)**



	Base Existing business "evolution"	Growth Expansion of Asian business	Challenges Build next-generation businesses
<b>Business growth</b>	Stable supply based on diversification of supply sources	Expand cheese manufacturing and sales business	Develop new products, starting with functional foods
	Consulting sales that create best matching	Reinforce local sales system Expand sales areas	Expand downstream areas of manufacturing and processing
	Export Japanese foodstuffs	Develop high value-added products that meet needs of religions and diverse food cultures	Participate in dairy farming and other upstream areas
	M&A (acquisition of overseas trading houses, acquisition of peers, business alliances)		
<b>Strengthening of management base</b>	Contribute to sustainable dairy and livestock farming industries Adapt to climate change and build business structure to reduce environmental impact		
	Strengthen human resource development / Enhance governance / Develop information systems		

**Ensure stable supply and increase market share through best matching**  
**In addition to expanding sales of functional foods to existing customers,**  
**develop exports on a full scale**

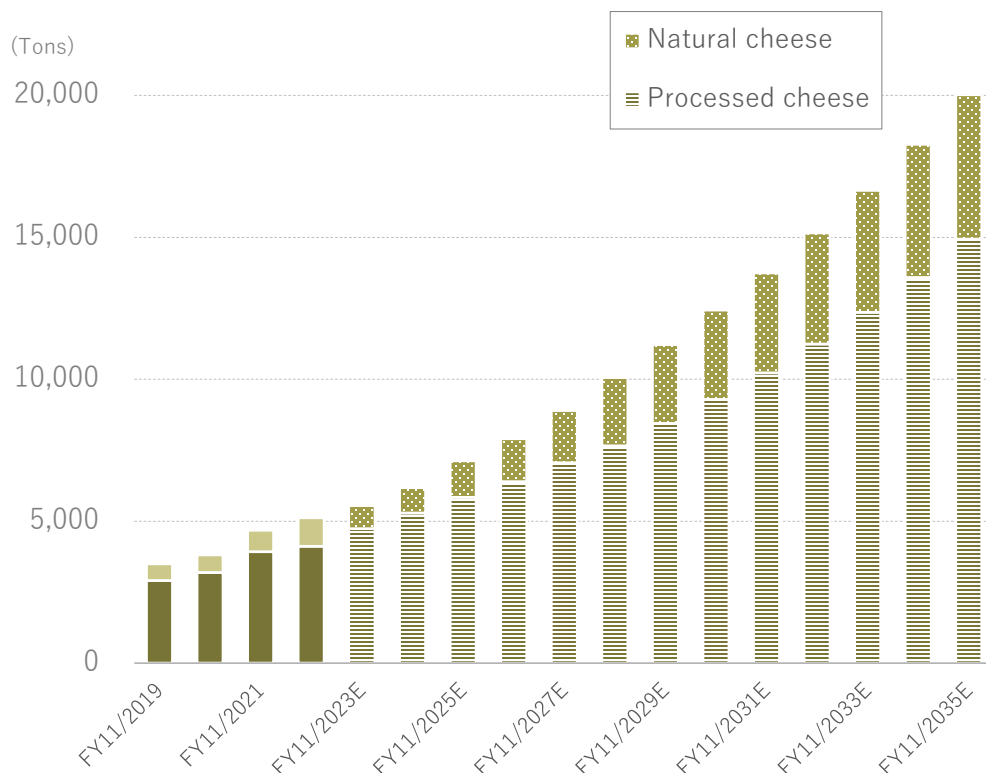
Business segment	Business policy	Major measures	Relationship to Basic Policy			
			Base	Growth	Challenges	Management base
<b>Dairy Ingredients (Domestic)</b>	Ensure stable supply and expand market share	<ul style="list-style-type: none"> <li>● Diversification of supply sources</li> <li>● Reinforcement of sales of domestic dairy ingredients, expansion of exports</li> <li>● Expansion of handling of plant-based products</li> </ul>	● ●		●	●
<b>Cheese (Domestic)</b>	Ensure stable supply and expand demand	<ul style="list-style-type: none"> <li>● Diversification of supply sources</li> <li>● Development of functional cheese</li> <li>● Exports of domestic cheese</li> </ul>	● ● ●			●
<b>Meat products</b>	Diversify from U.S. pork import business	<ul style="list-style-type: none"> <li>● Expansion of suppliers (raw material livestock breeds)</li> <li>● Expansion of suppliers (processed products and processed foodstuffs) and products handled</li> <li>● Expansion into production and processing of prepared dishes, etc.</li> </ul>	● ●		● ●	
<b>Functional foods</b>	Create next-generation business by proposing and selling new products to an existing blue-chip client base	<ul style="list-style-type: none"> <li>● Expansion of sales of functional foods such as sports nutrition</li> <li>● Business expansion through alliances and collaboration</li> <li>● Exports and trilateral trade of functional foods</li> </ul>		●	● ●	●

**Aggressive investment in strengthening local systems, relocation to new plants, etc.  
Evolve into a complex food company by expanding into upstream and downstream areas**

Business segment	Business policy	Major measures	Relationship to Basic Policy			
			Base	Growth	Challenges	Management base
<b>Dairy Ingredients (Asia)</b>	Strengthen local systems to capture robust market growth and increase market share	<ul style="list-style-type: none"> <li>● Diversification of supply sources</li> <li>● National staff development</li> <li>● Establishment of local subsidiary governance structure</li> <li>● Expansion of bases and development of areas</li> </ul>	●	●	●	●
<b>Cheese manufacturing (Asia)</b>	Expand manufacturing capacity to capture robust market growth and increase market share	<ul style="list-style-type: none"> <li>● Move to new factory in Singapore</li> <li>● Strengthening of Thai factory functions and enhancement of productivity</li> <li>● Development of high-value-added products</li> </ul>		●		●
<b>Manufacturing and processing (Downstream areas)</b>	Increase number of items manufactured overseas and raise manufacturer ratio	<ul style="list-style-type: none"> <li>● Manufacturing of health foods and supplements</li> <li>● Development and manufacture of products for retail market</li> <li>● M&amp;As with food product makers</li> </ul>			●	●
<b>Dairy farming, etc. (Upstream areas)</b>	Contribute to sustainable dairy and livestock farming industries	<ul style="list-style-type: none"> <li>● Involvement in dairy farming industry in Southeast Asia</li> <li>● Sales of environmentally friendly feed</li> </ul>			●	●

## Raise cheese manufacturing sales volume to 15,000 tons in Asia

Sales volume of cheese manufacturing and sales business  
\*Excluding Indonesian factory



Note: Estimated planned values from 2023 onward

### Expand production capacity - Triple group production capacity

- Relocate new factory in Singapore (move from current factory)
- Promote automation of manufacturing processes

### Expand sales of natural cheese products

- Expand manufacturing (processing) capacity
- Leverage synergies with processed cheese production and sales

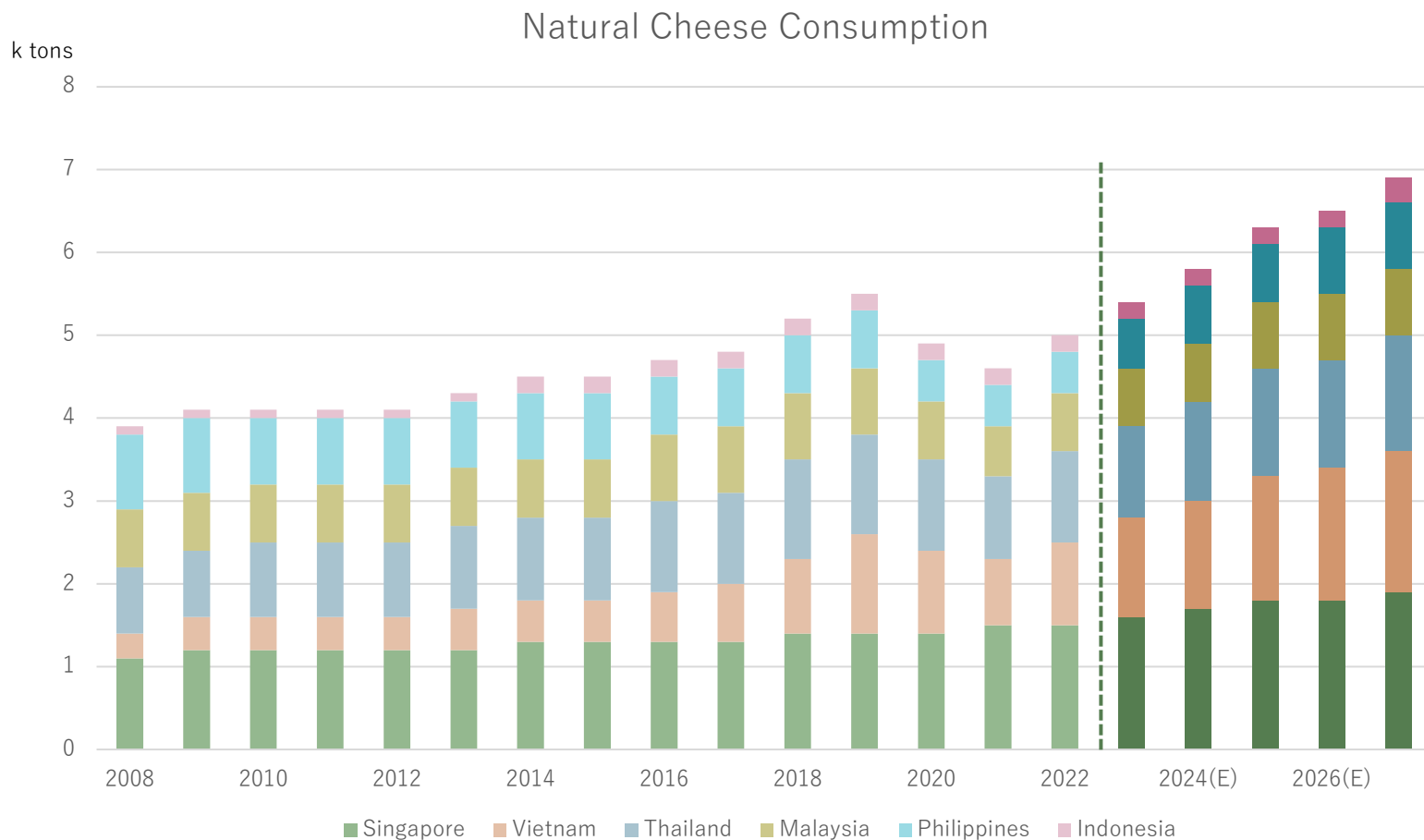
(Leverage strength of combining processed cheese production and natural cheese processing lines in same factory)

### Develop and manufacture new products

- High-value-added products such as vegan cheese
- Products for retail market

# Natural cheese consumption volume in Asian region (retail and restaurant industries)

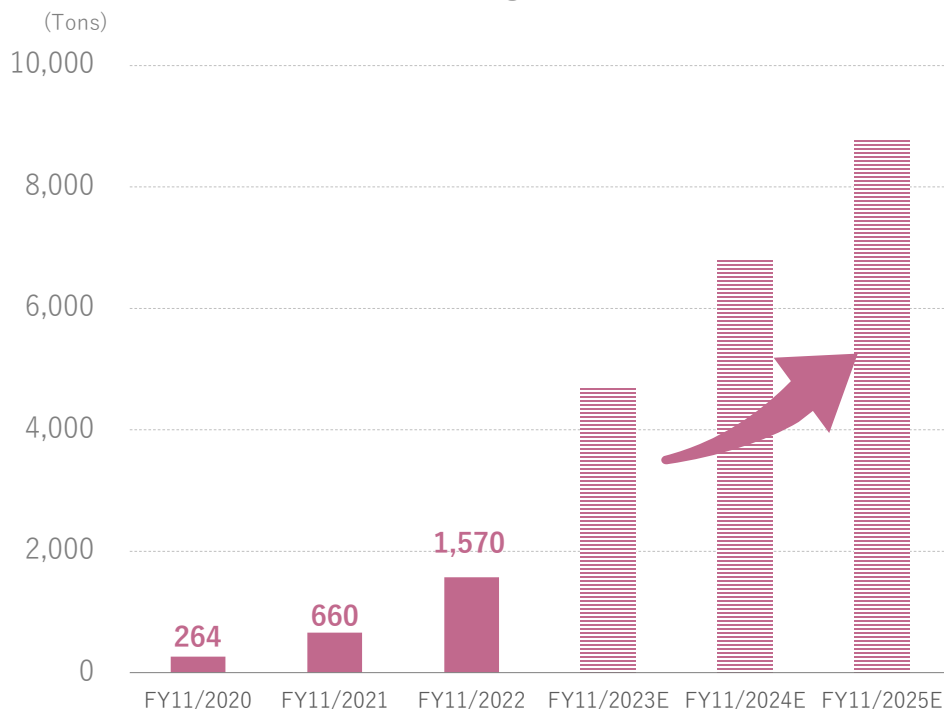
**We plan to strengthen processing and sales of natural cheese (shredded cheese) products. With regard to consumption volume in the retail and restaurant industries, the target market, we expect further expansion.**



(Source) Euro Monitor International

**Make functional food business a pillar of next-generation business and a “new growth engine”**  
**In addition, accelerate expansion including alliances & collaboration and exports**

### Functional food ingredients sales volume



**Continue aggressive development of marketing activities**

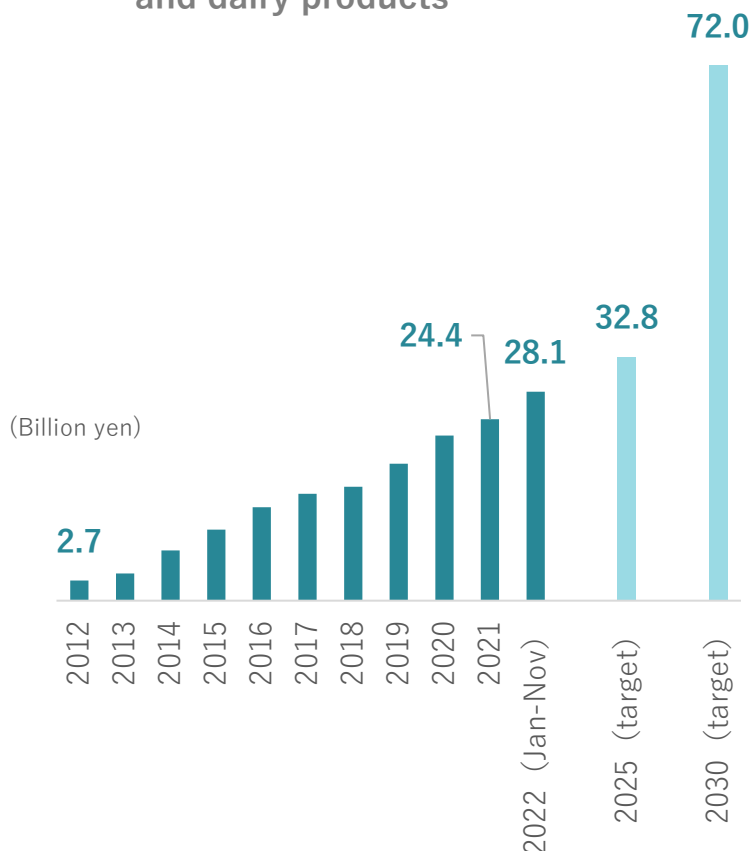
- Strengthen sports nutrition
- Propose and sell functional foods containing gelatin and collagen

**Acceleration through new development**

- Expand business domains through alliances and collaboration
- Exports and trilateral trade of functional foods in cooperation with overseas bases, etc.

## We aim to build an export and sales business for “Japanese food products,” including dairy products

Export value of Japan's milk and dairy products



### Export destination target is Asia

- Asian regions where “Made in Japan” is highly evaluated are the target
  - ✓ The quality of Japanese products is highly evaluated in Hong Kong and Taiwan
  - ✓ Increasing health awareness
  - ✓ Rapid expansion of wealthy and middle class population

### Leverage the dominance of Lacto Japan Group

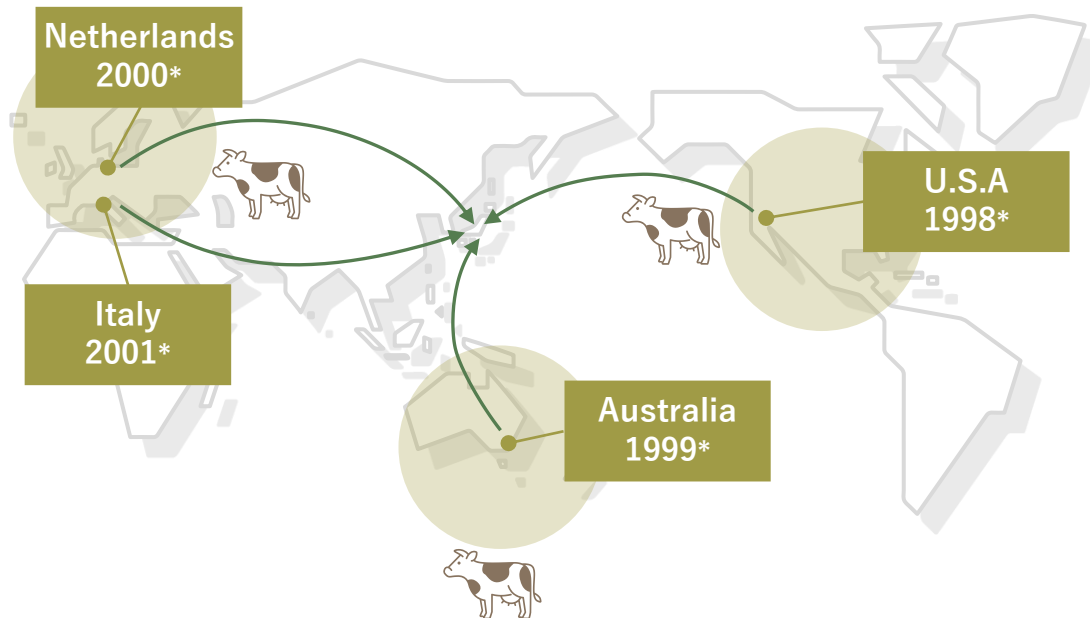
- Leverage the sales network in Asia
- It will be possible to source competitive dairy products by utilizing good relationships with Japanese dairy manufacturers

Source: Based on Ministry of Agriculture, Forestry and Fisheries (MAFF), “Statistical information regarding exports of agricultural, forestry and fishery products and foods”

## Diversify supply sources to ensure stable supply and address climate change issues

### Diversify meat business by diversifying suppliers and procurement items

#### Major production areas and procurement bases



- Major production areas for dairy Ingredients
- Our procurement bases  
\*Year is the year of establishment of the base or local subsidiary.

#### Diversify procurement of dairy ingredients and cheese

- Evolve global procurement network to ensure stable supply and address climate change issues
- Diversify forms of contracts

#### Diversify procurement of meat products

- Expand handling of not only pork, but also beef and chicken
- Diversify in terms of sources and items of processed products and processed foodstuffs



## Changed disclosure format from a rolling method to a fixed term method

By clarifying the goals for each period, we aimed to increase the effectiveness of the plan and make it a driving force for solid growth, while at the same time facilitating dialogue with our shareholders and investors.

Item	FY11/2022 (Actual)	FY11/2023 (Forecasts)	FY11/2024 (Plans)	FY11/2025 (Plans)
Consolidated net sales	¥147.4 bn	¥160.0 bn	¥180.0 bn	¥200.0 bn
Consolidated ordinary income	¥3.13 bn	¥3.2 bn	¥3.6 bn	¥4.0 bn
Net income attributable to owners of the parent	¥2.28 bn	¥2.3 bn	¥2.6 bn	¥2.9 bn

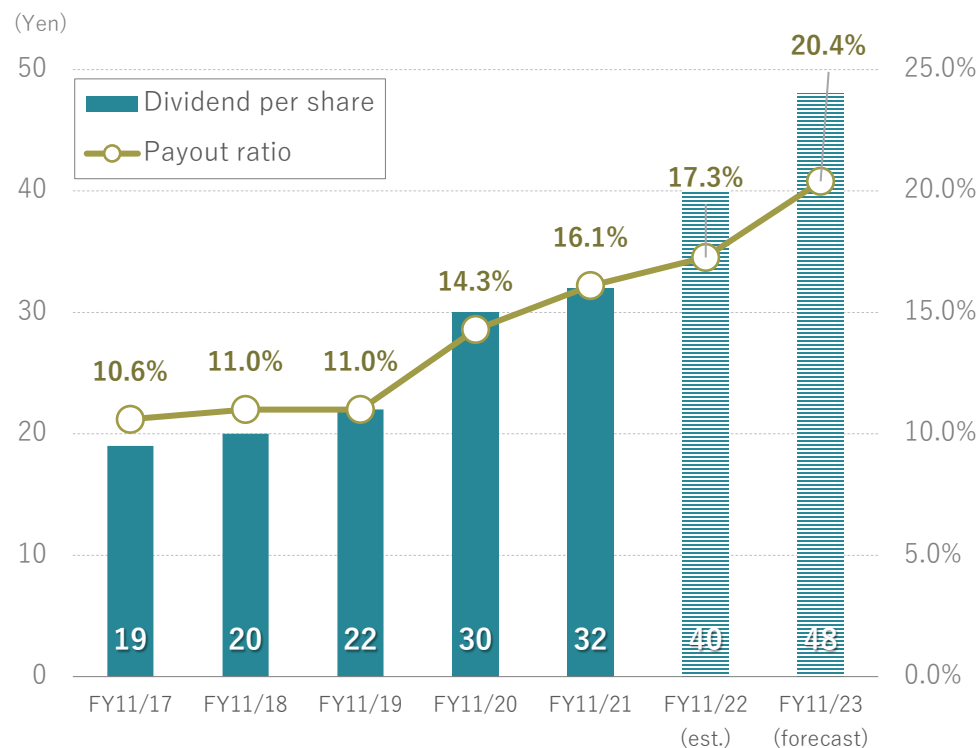
Item	FY11/2022 (Actual)	FY11/2025 (Plans)
ROE	10.9%	10% or more
Payout ratio	17.3%	20-25%
Consolidated shareholders' equity ratio	30.5%	30-35%

## Medium-term use of funds

- **Capital investment**…At present, we expect the move to the new factory in Singapore to be the largest investment during the period of NEXT – LJ2025
  - Investment related to move to new factory in Singapore
  - Investment related to maintenance and renewal of existing factory equipment
- **Business related investment**
  - Enhancement of marketing capabilities in Asia (expansion of bases, etc.)
  - Investment related to objective of expanding new businesses (product development, business alliances, M&A:, etc.)
  - Investments to improve business efficiency (e.g., updating core systems)
- **Shareholder returns**
  - Improvement of payout ratio
  - Flexible shareholder returns (start paying interim dividends)
- **Maintenance of financial soundness**
  - Maintain shareholders' equity ratio of more than 30%

## Shareholder return policy is based on increasing dividends and will promote raising of dividend payout ratio

### Trends in dividends and payout ratio



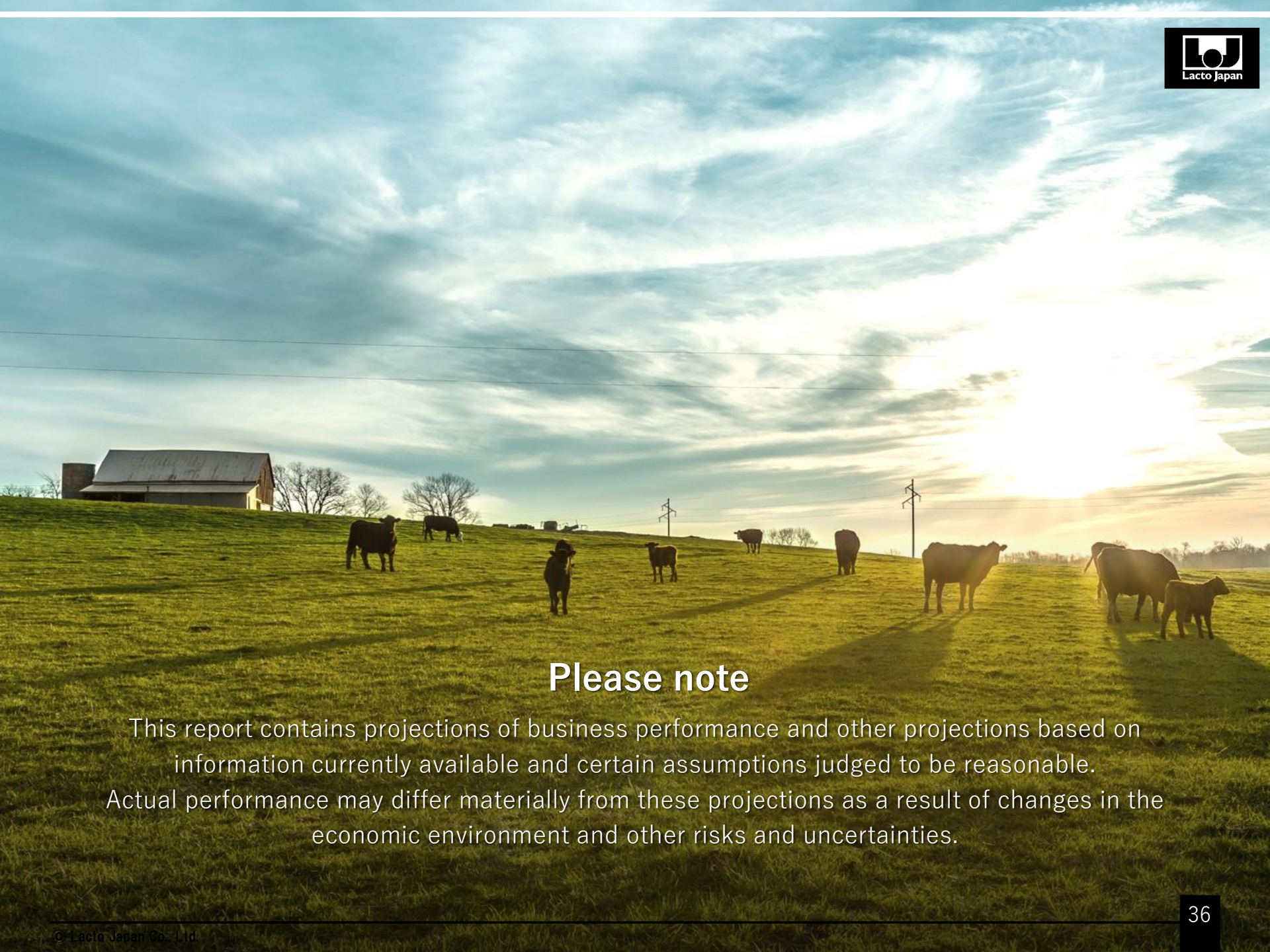
#### Increased dividends based on stable dividends

- 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 increase dividends based on stable dividends, positioning the return of profits to shareholders as a key management issue.

#### Increase in payout ratio

- We aim to further improve the dividend payout ratio from 20% in FY11/2023, the 25th anniversary of the company's founding, to a target of 20-25% in three years' time.

Note: The dividend amount is stated after taking into account the stock split (one common share split into two shares) with the effective date of May 1, 2019

A wide-angle photograph of a farm at sunset. The sun is low on the horizon, casting a warm glow over a green field where several cows are grazing. In the background, there is a barn, some trees, and utility poles. The sky is filled with soft, wispy clouds.

## Please note

This report contains projections of business 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 economic environment and other risks and uncertainties.



**Lacto Japan**

Nurture the future