



# Financial Results Briefing for FY11/2025

Lacto Japan Co., Ltd.

January 21, 2026

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**(Appendix)**

# 01

## Consolidated Financial Results for FY11/2025 and Forecasts for FY11/2026

## Overview of Consolidated Financial Results for FY11/2025

- For the current consolidated fiscal year, net sales, ordinary profit, and profit attributable to owners of parent all reached record highs.
- Profit performance progressed favorably across all business divisions, and even excluding one-off income (non-operating income), profit reached a record high.

(Million yen)	FY11/2024	Initial forecast Released on 2025/1/14	Revised forecast Released on 2025/7/9	FY11/2025			
				Results	YoY Change (%)	Vs. Initial forecast (%)	Vs. Revised forecast (%)
<b>Net sales</b>	170,907	180,000	188,000	<b>182,816</b>	+7.0	+1.6	-2.8
<b>Ordinary profit</b>	4,320	4,600	6,000	<b>5,796</b>	+34.1	+26.0	-3.4
<b>Ordinary profit margin (%)</b>	2.5	2.6	3.2	<b>3.2</b>	—	—	—
<b>Foreign exchange impact on ordinary profit*</b>	<b>-71</b>	—	—	<b>-76</b>	—	—	—
<b>Ordinary profit after adjusting for foreign exchange effects</b>	<b>4,392</b>	—	—	<b>5,872</b>	+33.7	—	—
<b>Profit attributable to owners of parent</b>	3,146	3,300	4,350	<b>4,317</b>	+37.2	+30.8	-0.8
<b>Net profit margin (%)</b>	1.8	1.8	2.3	<b>2.4</b>	—	—	—
<b>Earnings per share (yen)</b>	315.83	331.38	436.47	<b>433.18</b>			
<b>Exchange rate (Yen/USD)</b>	150.77	—	—	<b>149.53</b>			
<b>Exchange rate (Yen/EUR)</b>	163.63	—	—	<b>167.21</b>			

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 profit: As Lacto Japan applies separate accounting treatments, the impact of foreign exchange hedging is recorded in both cost of goods sold and non-operating profit/loss.

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

### Main points for increase/decrease

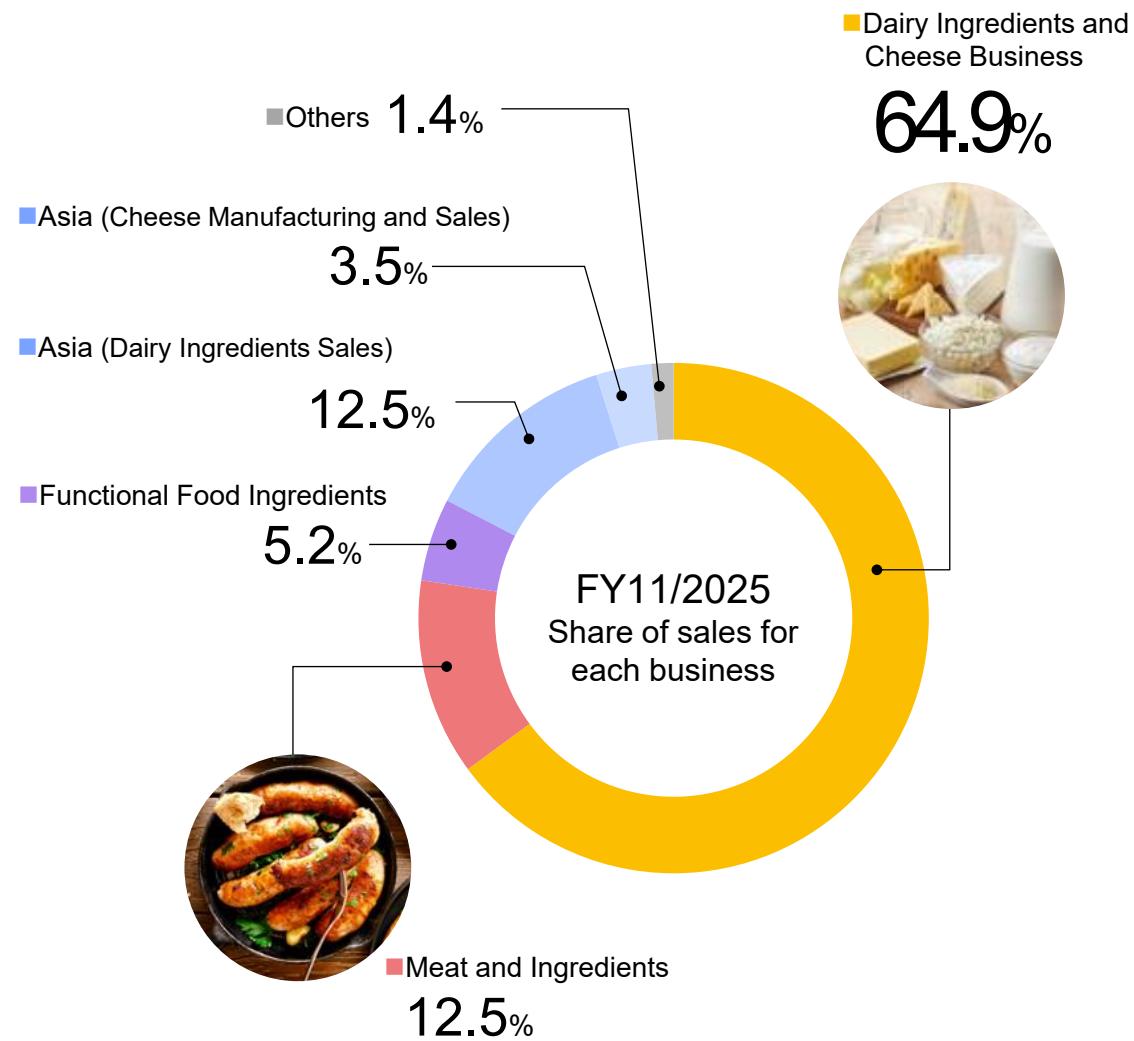
#### ① Net sales : Record high

- Increase in unit sales prices.
- Growth in sales volume in the Meat and Ingredients Division and the Functional Food Ingredients Division.

#### ② Ordinary profit : Record high

- Profit margin improved in both domestic and Asian businesses.
- Even excluding compensation income (non-operating income) related to quality issues with certain products recorded in the previous fiscal year, profit reached a record high.

## FY11/2025 Net Sales and Sales Volume by Business Division (YoY Changes)


**Dairy Ingredients and Cheese Business Division**

Net sales	<b>118,679</b> million yen	YoY Change	<b>+3.9%</b>
Sales volume	<b>165,501</b> tons	YoY Change	<b>-6.2%</b>

**Meat and Ingredients Division**

Net sales	<b>22,770</b> million yen	YoY Change	<b>+4.5%</b>
Sales volume	<b>32,794</b> tons	YoY Change	<b>+3.0%</b>

**Functional Food Ingredients Division**

Net sales	<b>9,594</b> million yen	YoY Change	<b>+86.6%</b>
Sales volume	<b>7,073</b> tons	YoY Change	<b>+68.4%</b>

**Asian Business (Dairy Ingredients Sales Division)**

Net sales	<b>22,819</b> million yen	YoY Change	<b>+5.7%</b>
Sales volume	<b>38,078</b> tons	YoY Change	<b>-4.2%</b>

**Asian Business (Cheese Manufacturing and Sales Division)**

Net sales	<b>6,391</b> million yen	YoY Change	<b>+14.2%</b>
Sales volume	<b>5,640</b> tons	YoY Change	<b>+4.0%</b>

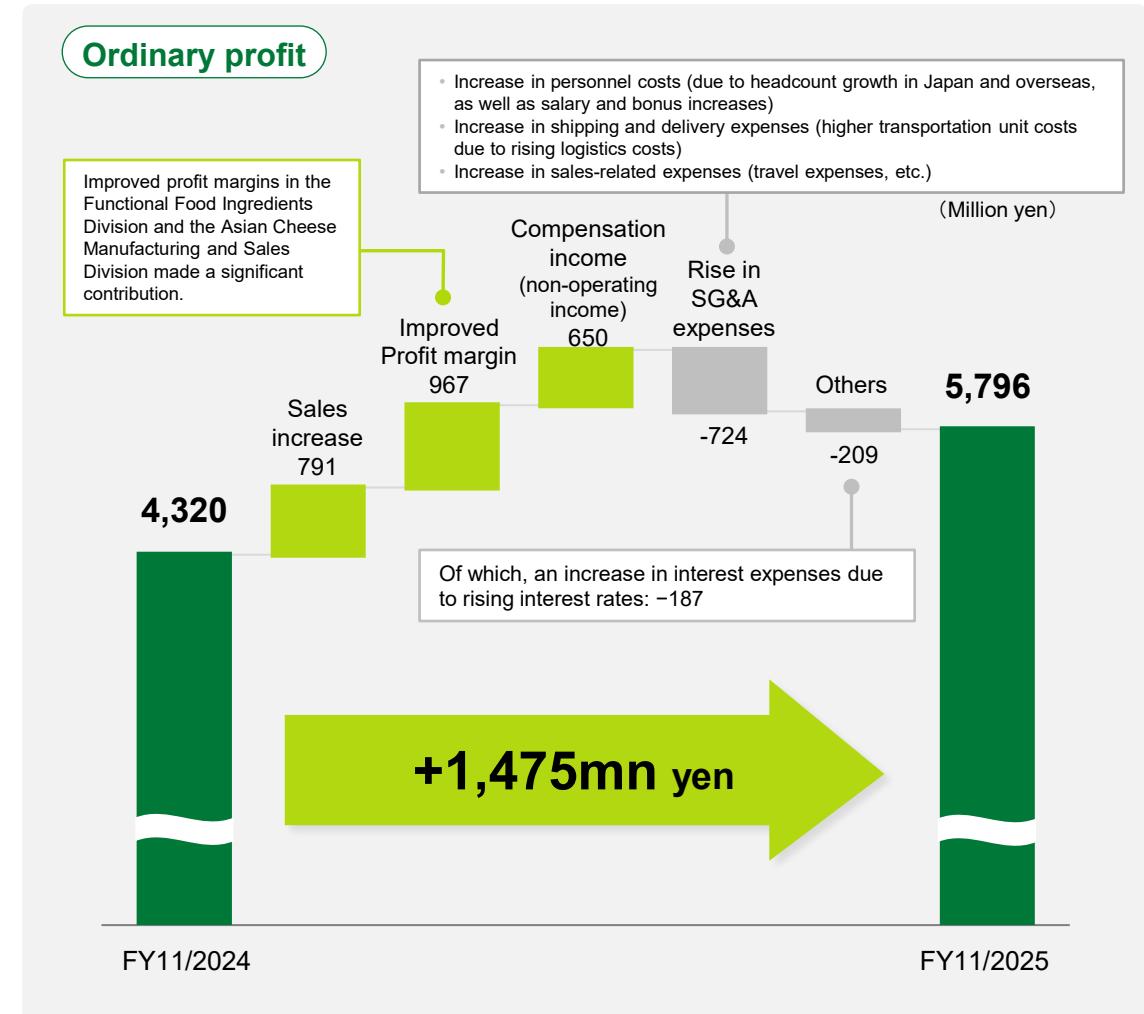
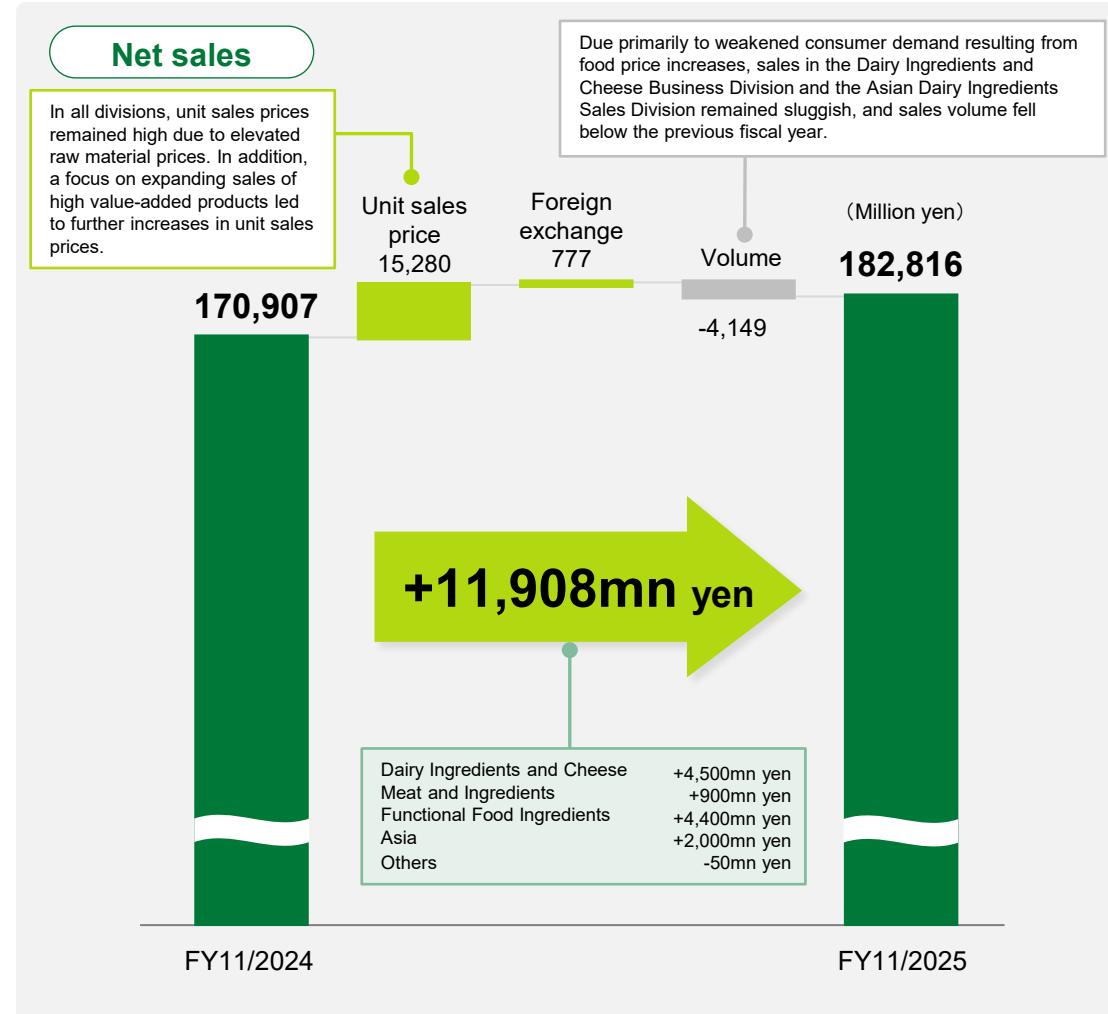
**Others**

Net sales	<b>2,561</b> million yen	YoY Change	<b>-2.1%</b>
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Note: Figures for both sales and sales volume have been rounded down to the nearest whole number. YoY changes have been rounded to the first decimal place.

## Factors Contributing to YoY Changes in Net Sales and Ordinary Profit

- Net sales: In addition to higher raw material market prices, strong sales of high value-added products kept unit sales prices at elevated levels, resulting in increased net sales.
- Ordinary profit: In addition to the effect of higher revenue, improved profit margins in the Dairy Ingredients and Cheese Business Division and the Asian Cheese Manufacturing and Sales Division contributed to increased profit.



Note: Breakdown of changes in net sales and ordinary income: rounded to the nearest whole number

## Consolidated Balance Sheets

(Million yen)	End-November 2024	End-November 2025	Difference
<b>Total current assets</b>	<b>75,826</b>	<b>83,151</b>	<b>7,324</b>
Cash and deposits	9,076	10,157	1,080
Notes and accounts receivable	24,028	23,951	△77
Inventories	42,119	46,160	4,040
Current assets, other	601	2,881	2,280
<b>Total non-current assets</b>	<b>5,608</b>	<b>7,058</b>	<b>1,449</b>
Property, plant and equipment	2,502	3,550	1,047
Intangible assets	321	754	433
Investments and other assets	2,785	2,753	△31
<b>Total assets</b>	<b>81,435</b>	<b>90,209</b>	<b>8,774</b>
Accounts payable	17,212	17,179	△32
Interest-bearing liabilities	33,435	37,156	3,721
Liabilities, other	3,206	3,426	220
<b>Total liabilities</b>	<b>53,853</b>	<b>57,761</b>	<b>3,907</b>
<b>Total net assets</b>	<b>27,581</b>	<b>32,448</b>	<b>4,867</b>
<b>Total liabilities and net assets</b>	<b>81,435</b>	<b>90,209</b>	<b>8,774</b>

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### Main points for increase/decrease

#### ① Increase in inventories

- Higher product unit prices.
- A temporary increase in inventory levels due to the closure of a supplier's factory.

#### ② Increase in non-current assets

- Increase in property, plant and equipment associated with the construction of a new plant in Singapore.
- Increase in intangible assets associated with the development of the core system.

#### ③ Increase in interest-bearing liabilities

This is due to an increase in working capital.

Note: Amounts have been rounded down to the nearest million yen. Breakdowns show only major items.

\* Our business model is one in which we take no inventory risk. As a rule, all of our inventory is destined for sale.

## Consolidated Statements of Cash Flow

(Million yen)	FY11/2025
<b>Cash flows from operating activities</b>	<b>-268</b>
<b>Cash flows from investing activities</b>	<b>-1,508</b>
<b>Cash flows from financing activities</b>	<b>2,431</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>329</b>
<b>Net increase in cash and cash equivalents</b>	<b>984</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,520</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,504</b>

### Main points for increase/decrease

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#### ① Operating CF

Increase in inventories due to higher product unit prices and a temporary buildup of inventory resulting from the closure of a supplier's factory, among other factors.

#### ② Investing CF

Including investments related to the construction of a new plant in Asia and the replacement of the core system.

#### ③ Financing CF

Increase in borrowings due to higher working capital requirements.

Note: Amounts have been rounded down to the nearest million yen, and the breakdown shows only major items.

## FY11/2026 Consolidated Earnings Forecasts

- Ongoing food (finished product) price increases are expected to continue to dampen end-consumer purchasing appetite, resulting in a persistently challenging business environment.
- While expenses will increase due to upfront investments for the future, the Company will strengthen initiatives in growth areas and aim to expand its business.

(Million yen)	FY11/2025 Results	FY11/2026		
		Forecast	YoY increase	YoY (%)
<b>Net sales</b>	182,816	<b>193,000</b>	+10,183	+5.6
<b>Ordinary profit</b>	5,796	<b>4,800</b>	-996	-17.2
<b>Ordinary profit margin (%)</b>	3.2	<b>2.5</b>	—	—
<b>※Ordinary profit after depreciation adjustment</b>	5,146 <sup>*1</sup>	<b>5,350<sup>*2</sup></b>	+204	+4.0
<b>Profit attributable to owners of parent</b>	4,317	<b>3,450</b>	-867	-20.1
<b>Net profit margin (%)</b>	2.4	<b>1.8</b>	—	—
<b>Earnings per share (yen)</b>	433.18	<b>346.00</b>	+15.55	
<b>Dividend per share (yen)</b>	Per year	132.00	<b>132.00</b>	+20.00
	Interim	50.00	<b>66.00</b>	+19.00
	FY-end	82.00	<b>66.00</b>	+1.00

Note: Amounts have been rounded down to the nearest million yen. Percentage changes have been rounded to the first decimal place.

### Earnings forecast assumptions

- ① Aim to drive business growth by strengthening initiatives in food categories with strong growth potential and developing new products.
- ② Seek to expand the business with a primary focus on capturing robust cheese demand in Asia.

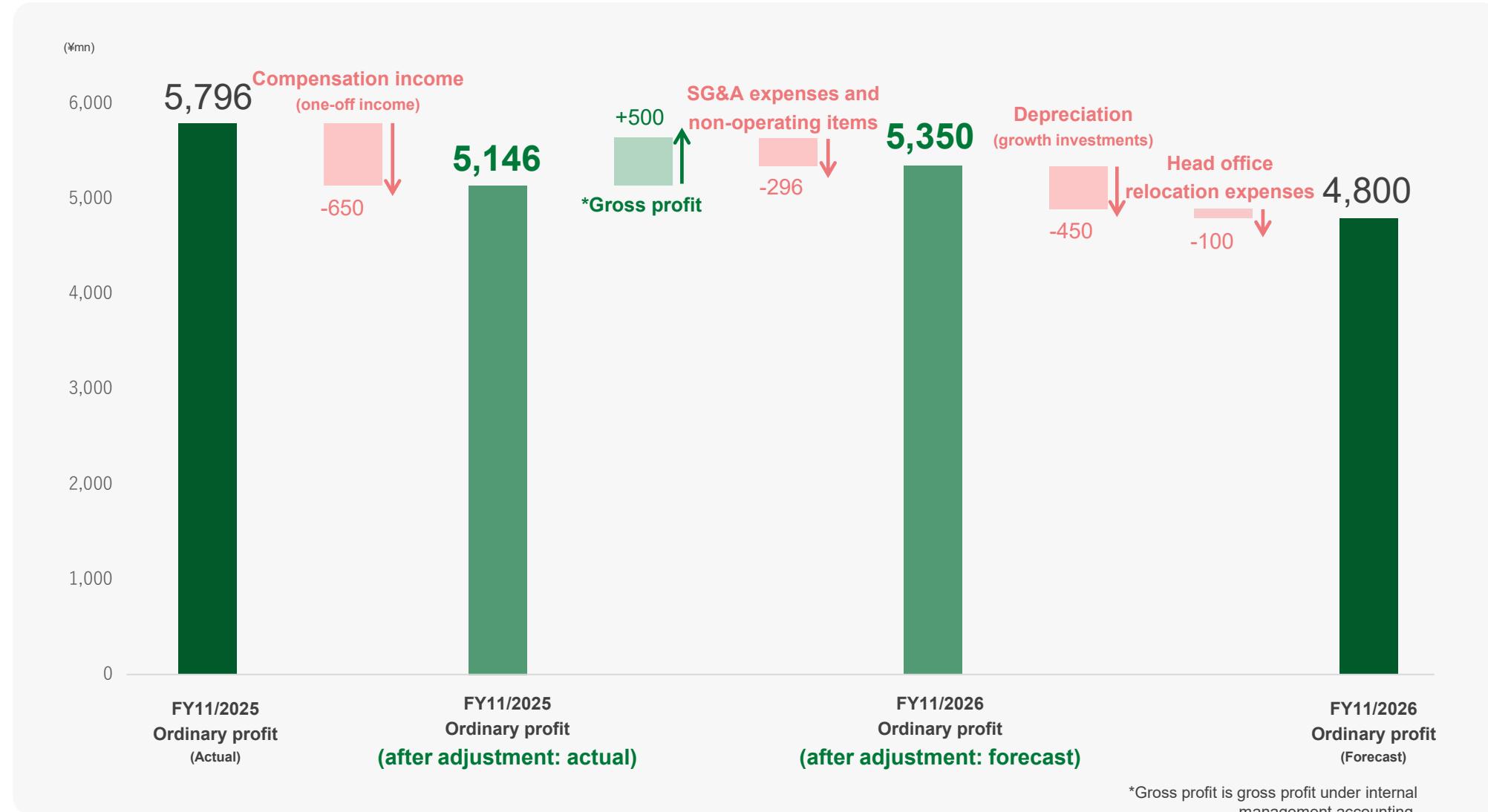
### ※Ordinary profit after depreciation adjustment

\*1 Ordinary profit for FY11/2025 (actual) excluding one-off compensation income of 650 million yen.

\*2 Ordinary profit for FY11/2026 (forecast) with the two items below added.

- Depreciation related to growth investments: 450 million yen
- One-off expenses associated with the relocation of the head office: 100 million yen

## Breakdown of Ordinary profit after Adjustment



## Net Sales by Business

(Million yen)	FY11/2024					FY11/2025					FY11/2026
	Q1	Q2	Q3	Q4	FY-end	Q1	Q2	Q3	Q4	FY-end	Forecast (FY)
<b>Dairy Ingredients and Cheese Business</b>	28,124	30,807	28,577	26,672	114,182	30,653	32,032	27,263	28,728	118,679	121,000
YoY	1.9%	5.5%	8.4%	-7.0%	2.1%	9.0%	4.0%	-4.6%	7.7%	3.9%	2.0%
<b>Meat and Ingredients</b>	5,111	5,427	5,801	5,447	21,788	5,024	6,535	5,593	5,616	22,770	24,300
YoY	25.8%	10.0%	31.3%	12.2%	19.3%	-1.7%	20.4%	-3.6%	3.1%	4.5%	6.7%
<b>Functional Food Ingredients</b>	744	863	1,408	2,124	5,141	1,744	2,035	2,518	3,295	9,594	12,600
YoY	19.1%	-10.1%	23.3%	78.8%	31.2%	134.1%	135.6%	78.8%	55.1%	86.6%	31.3%
<b>Asian Business (Dairy Ingredients)</b>	4,207	5,523	5,727	6,125	21,584	6,064	6,353	4,800	5,601	22,819	24,000
YoY	-19.8%	3.9%	62.1%	27.0%	14.1%	44.1%	15.0%	-16.2%	-8.6%	5.7%	5.2%
<b>Asian Business (Cheese)</b>	1,264	1,414	1,460	1,454	5,594	1,639	1,503	1,449	1,798	6,391	7,600
YoY	16.3%	22.0%	19.0%	7.3%	15.9%	29.6%	6.3%	-0.7%	23.6%	14.2%	18.9%
<b>Others</b>	267	801	642	905	2,616	858	847	511	344	2,561	3,500
YoY	111.9%	481.1%	233.9%	923.5%	380.2%	221.4%	5.7%	-20.4%	-62.0%	-2.1%	36.6%
<b>Total net sales</b>	39,720	44,839	43,618	42,729	170,907	45,984	49,308	42,137	45,385	182,816	193,000
YoY	2.5%	7.5%	18.3%	4.2%	7.9%	15.8%	10.0%	-3.4%	6.2%	7.0%	5.6%

(Amounts of less than one million yen have been omitted)

## Sales Volume by Business

(tons)	FY11/2024					FY11/2025					FY11/2026
	Q1	Q2	Q3	Q4	FY-end	Q1	Q2	Q3	Q4	FY-end	Forecast (FY)
<b>Dairy Ingredients and Cheese Business</b>	45,583	45,515	43,043	42,259	176,402	43,972	42,827	37,890	40,811	165,501	172,500
YoY	12.3%	1.7%	9.1%	-0.9%	5.4%	-3.5%	-5.9%	-12.0%	-3.4%	-6.2%	4.2%
<b>Meat and Ingredients</b>	7,766	8,076	8,302	7,685	31,831	6,993	9,187	8,149	8,464	32,794	33,600
YoY	29.3%	2.6%	19.3%	5.4%	13.2%	-10.0%	13.8%	-1.8%	10.1%	3.0%	2.5%
<b>Functional Food Ingredients</b>	584	683	1,170	1,761	4,199	1,293	1,750	1,792	2,236	7,073	8,400
YoY	42.7%	-5.4%	58.9%	87.7%	49.6%	121.4%	156.1%	53.2%	27.0%	68.4%	18.8%
<b>Asian Business (Dairy Ingredients)</b>	8,286	10,232	10,352	10,857	39,728	9,830	10,848	8,235	9,164	38,078	41,000
YoY	-20.1%	-4.5%	62.0%	11.1%	6.6%	18.6%	6.0%	-20.5%	-15.6%	-4.2%	7.7%
<b>Asian Business (Cheese)</b>	1,228	1,307	1,353	1,532	5,422	1,444	1,382	1,263	1,550	5,640	6,800
YoY	6.4%	7.6%	15.5%	19.2%	12.3%	17.5%	5.7%	-6.6%	1.2%	4.0%	20.5%

(Quantities of less than one ton have been rounded down.)

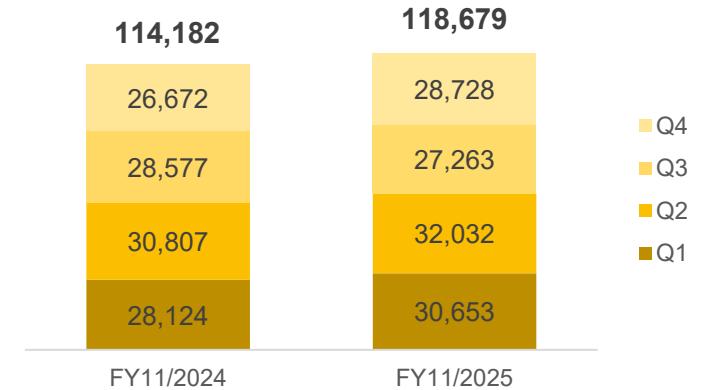
## 02 Overview of Operations for FY11/2025

## Overview of Each Division

### Dairy Ingredients and Cheese Business Division

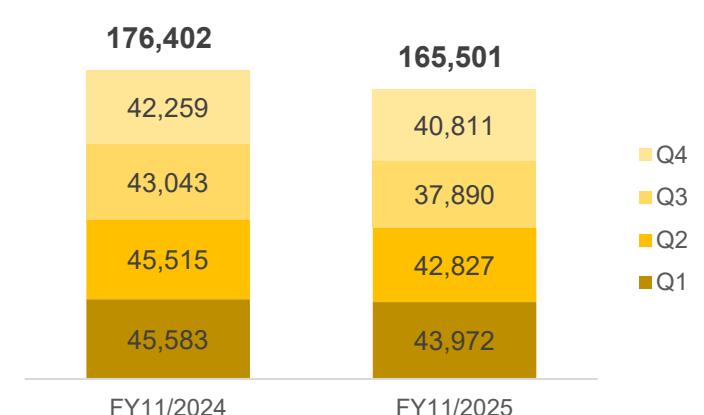
#### Net sales

(Million yen)



#### Sales volume

(tons)



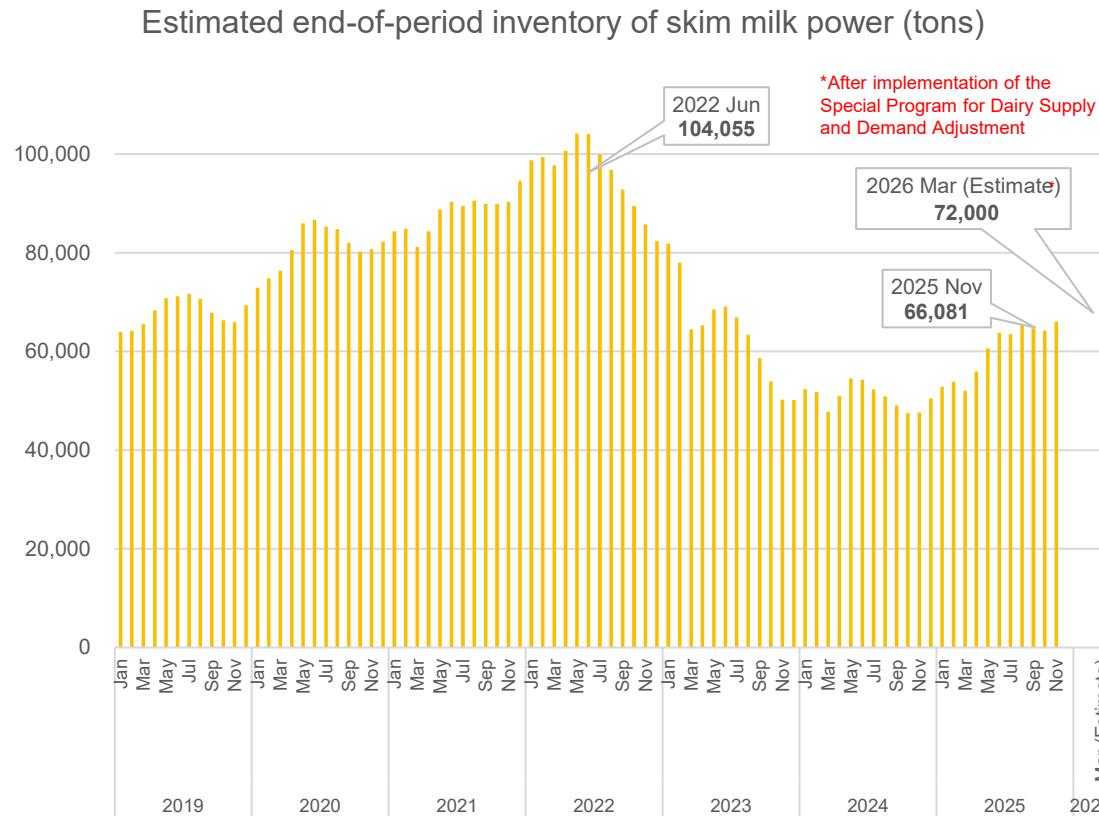
Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

### Business Overview for the Full Fiscal Year

- International market prices for major dairy product ingredients remained at elevated levels from the beginning of the fiscal year.
- Due to the impact of rising prices, overall demand for food products trended below expectations, and sales volume of dairy ingredients declined year on year.
- In cheese sales, the impact of product price increases was also significant, with demand (particularly for retail channels) remaining sluggish.
- Sales volume of ingredients related to the expanding ice cream market and high-protein products remained firm.
- As unit sales prices stayed above the level of the previous fiscal year, net sales ended the year higher year on year.

## (Reference) Business Environment for the Domestic Dairy Industry

- Due to a recent increase in raw milk production and a decline in milk consumption resulting from higher drinking milk prices, skim milk powder inventories have been trending upward.
- As of the end of March 2026, domestic skim milk powder inventories are projected to reach 72,000 tons after the implementation of the “Special Program for Dairy Supply and Demand Adjustment.”



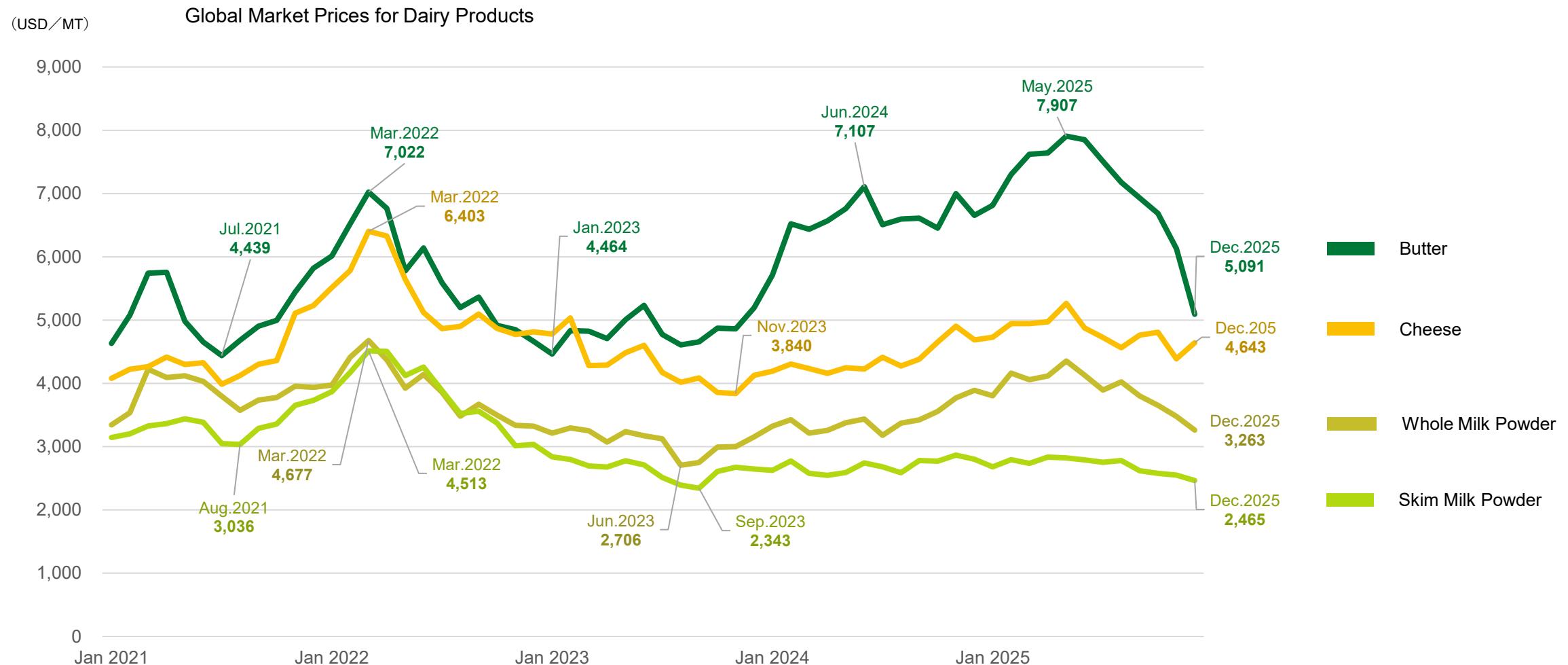
### What is the “Special Program for Dairy Supply and Demand Adjustment”?

- The program aims to stabilize dairy farming and dairy industry operations by establishing, through industry-wide cooperation, a framework that can respond swiftly to fluctuations in supply and demand for raw milk and dairy products. To this end, the Dairy Supply and Demand Adjustment Fund was established through contributions from all domestic producers and dairy companies.
- Using the Dairy Supply and Demand Adjustment Fund as a financial resource, subsidies are provided for initiatives such as measures to reduce dairy product inventories and planned production increase programs.
- As the first initiative since the establishment of the fund, efforts are scheduled to reduce domestic skim milk powder inventories by 12,000 tons between January and March 2026.

(Source) Based on the Statistical Survey on Milk and Dairy Products (Ministry of Agriculture, Forestry and Fisheries)

## (Reference) Global Market Prices for Dairy Products

- International market prices for dairy products trended downward toward the second half of 2025.



Source: Global Dairy Trade

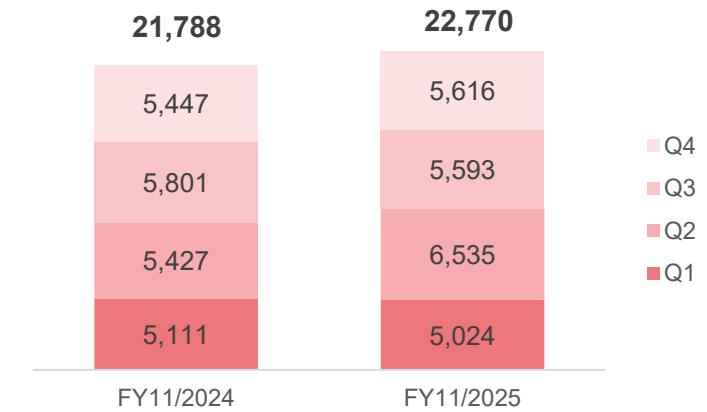
Note: Cheese refers to cheddar cheese

## Overview of Each Division

### Meat and Ingredients Division

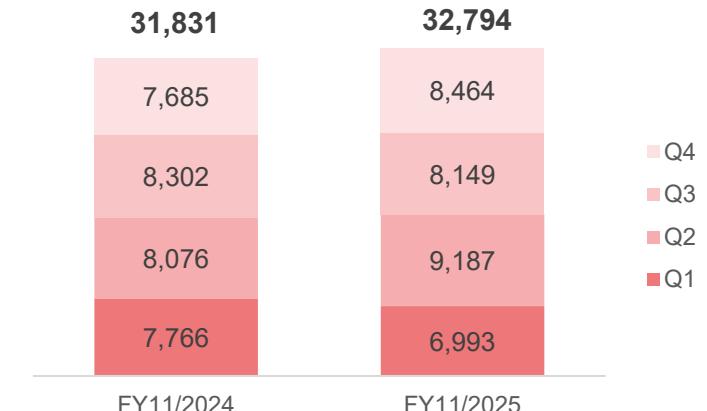
#### Net sales

(Million yen)



#### Sales volume

(tons)

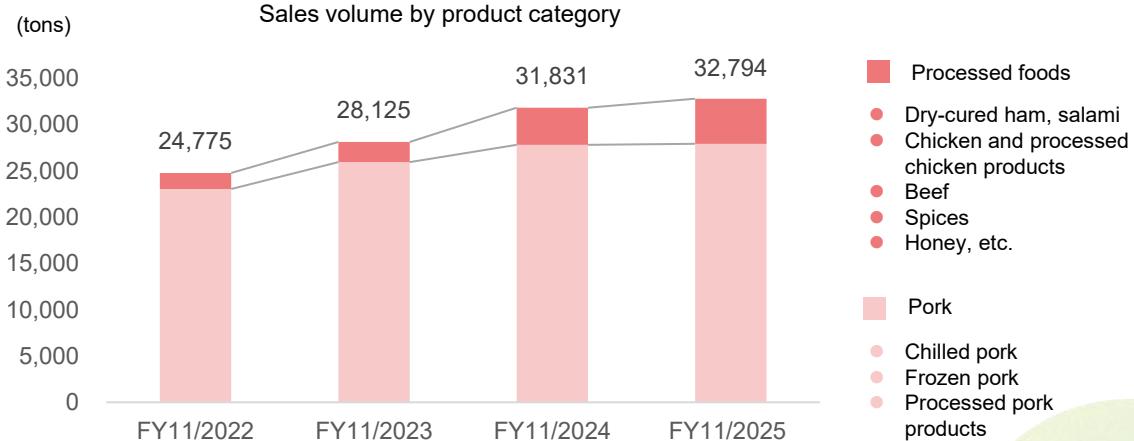


Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

### Business Overview for the Full Fiscal Year

- International market prices for imported pork remained at elevated levels throughout the year.
- As a result of actively developing new procurement sources and making proposals tailored to customer needs, sales volume increased.
- Sales of chicken-related products remained firm, supported by steady demand from existing customers.
- Sales progressed steadily following the launch of new product offerings, including spices, spice extracts, and rock salt.

#### Sales volume by product category

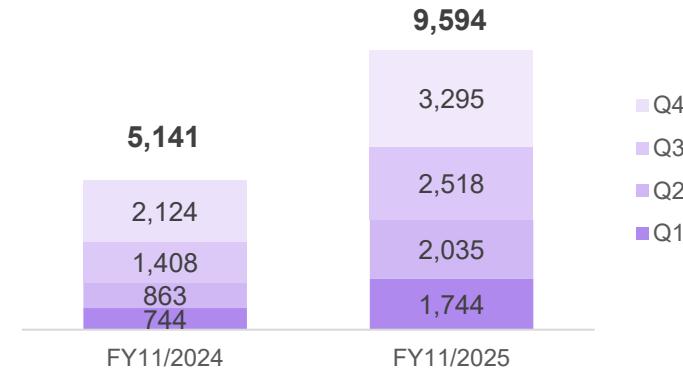


## Overview of Each Division

### Functional Food Ingredients Division\*

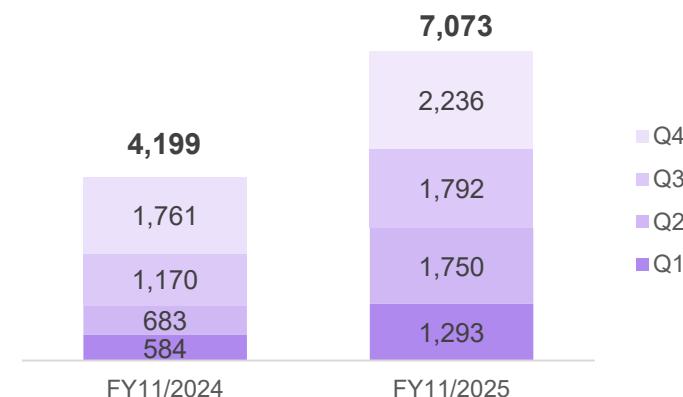
#### Net sales

(Million yen)



#### Sales volume

(tons)



Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

### Business Overview for the Full Fiscal Year

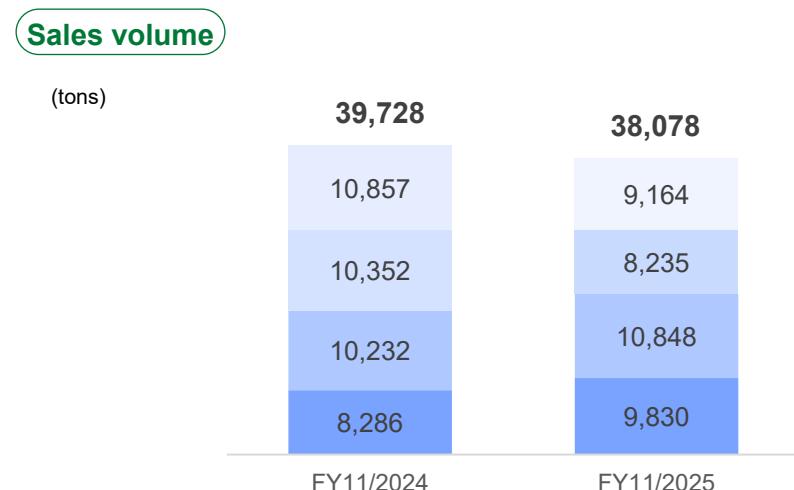
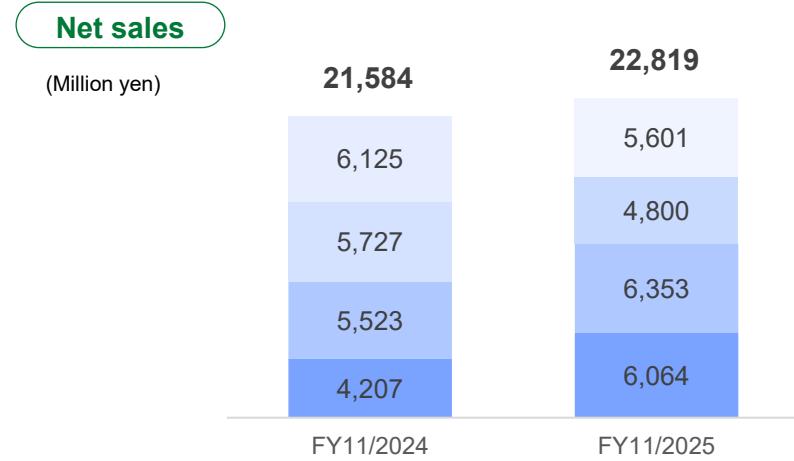
- Driven by the global increase in demand for high-protein ingredients, international market prices remained at elevated levels throughout the year.
- Focused on expanding sales of plant-based high-protein ingredients, particularly soy protein.
- Support for building supply chains tailored to customer needs was well received, leading to an expansion of transactions with both existing and new customers.

\*

Effective December 1, 2025, the Functional Food Ingredients Division was renamed the Life Science Business Division.

## Overview of Each Division

### Asian Business (Dairy Ingredients Sales Division)



Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

### Business Overview for the Full Fiscal Year

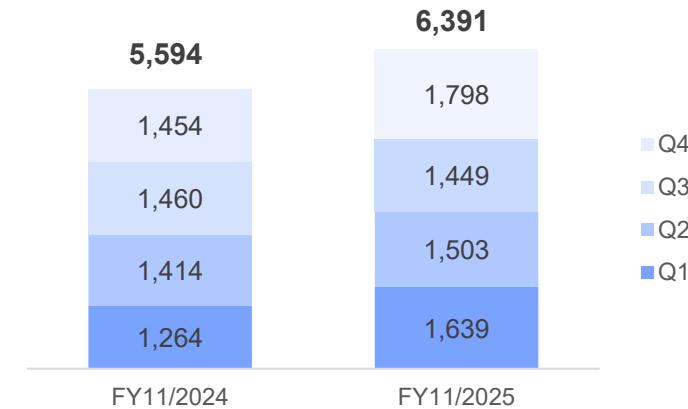
- Sales of ingredients for local markets in Southeast Asia remained firm, primarily driven by Japanese food manufacturers.
- Due to the impact of domestic skim milk powder inventories in Japan, the recovery of the powdered milk mixtures business for the Japanese market was slower than expected.
- Although sales volume declined year on year, net sales exceeded the previous fiscal year as a result of higher unit sales prices reflecting elevated market conditions.

## Overview of Each Division

### Asian Business (Cheese Manufacturing & Sales Division)

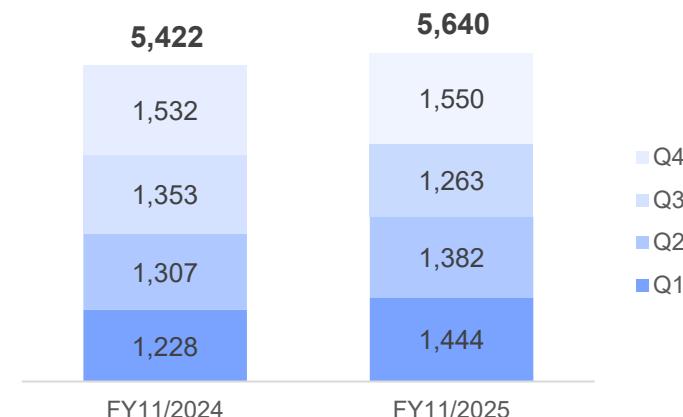
#### Net sales

(Million yen)



#### Sales volume

(tons)



Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

### Business Overview for the Full Fiscal Year

- Demand remained firm, primarily from local foodservice operators, bakeries, and processed food manufacturers.
- Sales grew steadily, thanks to the emphasis on quality and after-sales follow-up services.
- As a result of price revision negotiations, sales volume fell short of plan; however, profit margins improved year on year.

## 03 Report on the Results of the Medium-Term Management Plan “NEXT-LJ 2025”

## Business Environment

### Impact

**More positive changes than expected**

- Expansion of the protein market
- Expansion of the ice cream market
- Growth in inbound demand

- Increased demand driven by greater-than-expected market expansion
- Increased demand for fat-based dairy ingredients
- Foodservice-related businesses remained firm

**More negative changes than expected**

- Delayed economic recovery in China
- Decline in dairy product demand
- Continued food price increases

- Strategic restructuring of China-related businesses
- Increase in domestic skim milk powder inventories and a decline in import volumes
- Weakening of personal consumption

## Review of “NEXT-LJ 2025” (Performance Trends and Key Achievements)

- In the final year of “NEXT-LJ 2025,” all quantitative targets other than net sales were achieved.

“NEXT-LJ 2025”				
	FY11/2022	FY11/2023	FY11/2024	FY11/2025
Net sales	147.4bn yen	158.3bn yen (160.0bn yen)	170.9bn yen (180.0bn yen)	182.8bn yen (200.0bn yen)
Ordinary Profit	3.13bn yen	2.84bn yen (3.2bn yen)	4.32bn yen (3.6bn yen)	5.79bn yen (4.0bn yen)
Profit attributable to owners of parent	2.28bn yen	2.04bn yen (2.3bn yen)	3.14bn yen (2.6bn yen)	4.31bn yen (2.9bn yen)
ROE	10.9%	8.7%	12.1%	14.4% (10% or higher)
Payout ratio	17.3%	23.2%	25.3%	30.5% (20-25%)
Consolidated equity-to-asset ratio	30.5%	34.2%	33.8%	35.9% (30-35%)

\*Figures in parentheses are planned figures for “NEXT-LJ 2025”.

### Key Achievements of “NEXT-LJ 2025”

- ① Establishment of a high value-added business model in the domestic Dairy Ingredients and Cheese Business Division
- ② Accelerated growth of the Functional Food Ingredients business
- ③ Improved profitability of the Asian Cheese Manufacturing and Sales business

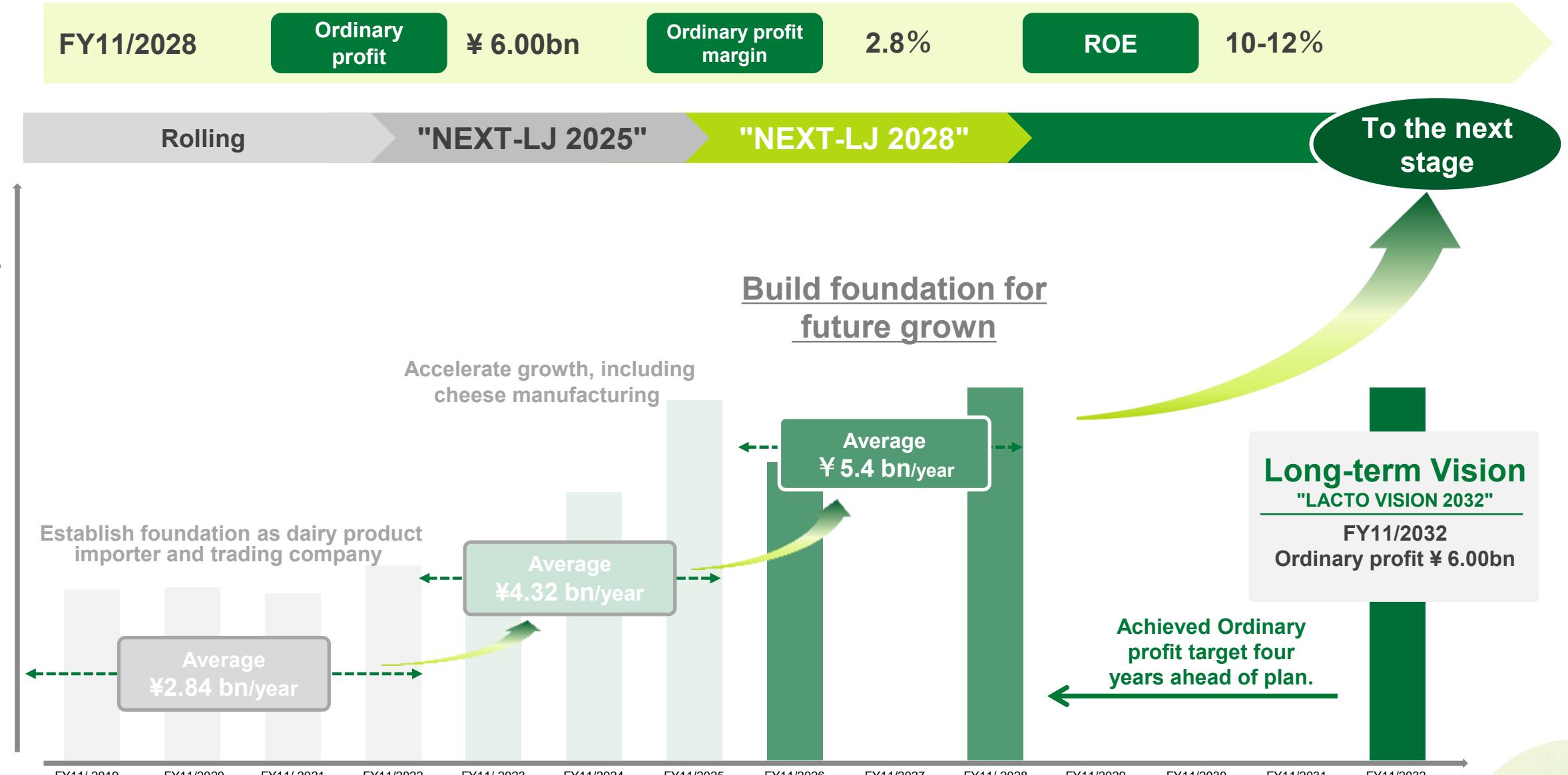
# 04

## Summary of the Medium-Term Management Plan “NEXT-LJ 2028”

## Overview of "NEXT-LJ 2028"

Vision	<h3>Building the foundations for Growth</h3>								
Concept	<p><b>Three tsu-na-gu (to connect) promises</b></p> <p><b>(1) Connecting Food &amp; Health (2) Connecting Value (3) Connecting Aspirations</b></p>								
Basic Policy: Future Growth	<ul style="list-style-type: none"> <li>• Focus on Growth Areas and enhance Value Creation.</li> <li>• Maximize Return on Capital.</li> <li>• Strengthen Global Talent.</li> </ul>								
Key Strategies	<ul style="list-style-type: none"> <li>• Domestic: Focus on growth sectors and supply chain resilience.</li> <li>• Overseas: Accelerate growth through deeper market penetration and expansion. New factory operation.</li> <li>• Enhance value-add opportunities through initiatives to become a diversified food company.</li> <li>• Maximize shareholder value by reinforcing financial strength and improved return on capital.</li> <li>• Solidify growth opportunities through the promotion of People &amp; Talent and Global HR strategies.</li> <li>• Promote sustainability initiatives.</li> </ul>								
FY2028 Financial Targets	<table border="1"> <thead> <tr> <th data-bbox="601 1218 1011 1288">Ordinary profit</th><th data-bbox="1011 1218 1472 1288">ROE</th><th data-bbox="1472 1218 2035 1288">Consolidated equity-to-asset ratio</th><th data-bbox="2035 1218 2442 1288">Payout ratio</th></tr> </thead> <tbody> <tr> <td data-bbox="601 1288 1011 1369">¥6.00bn</td><td data-bbox="1011 1288 1472 1369">10%-12%</td><td data-bbox="1472 1288 2035 1369">35%-40%</td><td data-bbox="2035 1288 2442 1369">35%</td></tr> </tbody> </table>	Ordinary profit	ROE	Consolidated equity-to-asset ratio	Payout ratio	¥6.00bn	10%-12%	35%-40%	35%
Ordinary profit	ROE	Consolidated equity-to-asset ratio	Payout ratio						
¥6.00bn	10%-12%	35%-40%	35%						

## Roadmap for Achieving "LACTO VISION 2032"



Note: Ordinary income after depreciation adjustment refers to ordinary income adjusted for depreciation costs arising from large-scale investments (new factory, core systems)

## "NEXT-LJ 2028" Future growth

- Focus on growth areas and improve value creation capabilities.
- Maximize return on capital.
- Strengthen global talent.



## Profit Generation

### Major Strategies

- Domestic: Focus on growth sectors. Improve resilience of local supply chain.
- Overseas: Accelerate growth through market penetration and expansion. Commence new factory operation.
- Maximize value-add capabilities through initiatives to become a diversified food company.

## Value Enhancement

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### Major Strategies

- Improve financial structure and maximize return on capital.
- Governance and risk management.
- Promote sustainability initiatives.
- Strengthen Investor Relations.

## Optimized Cost of Capital

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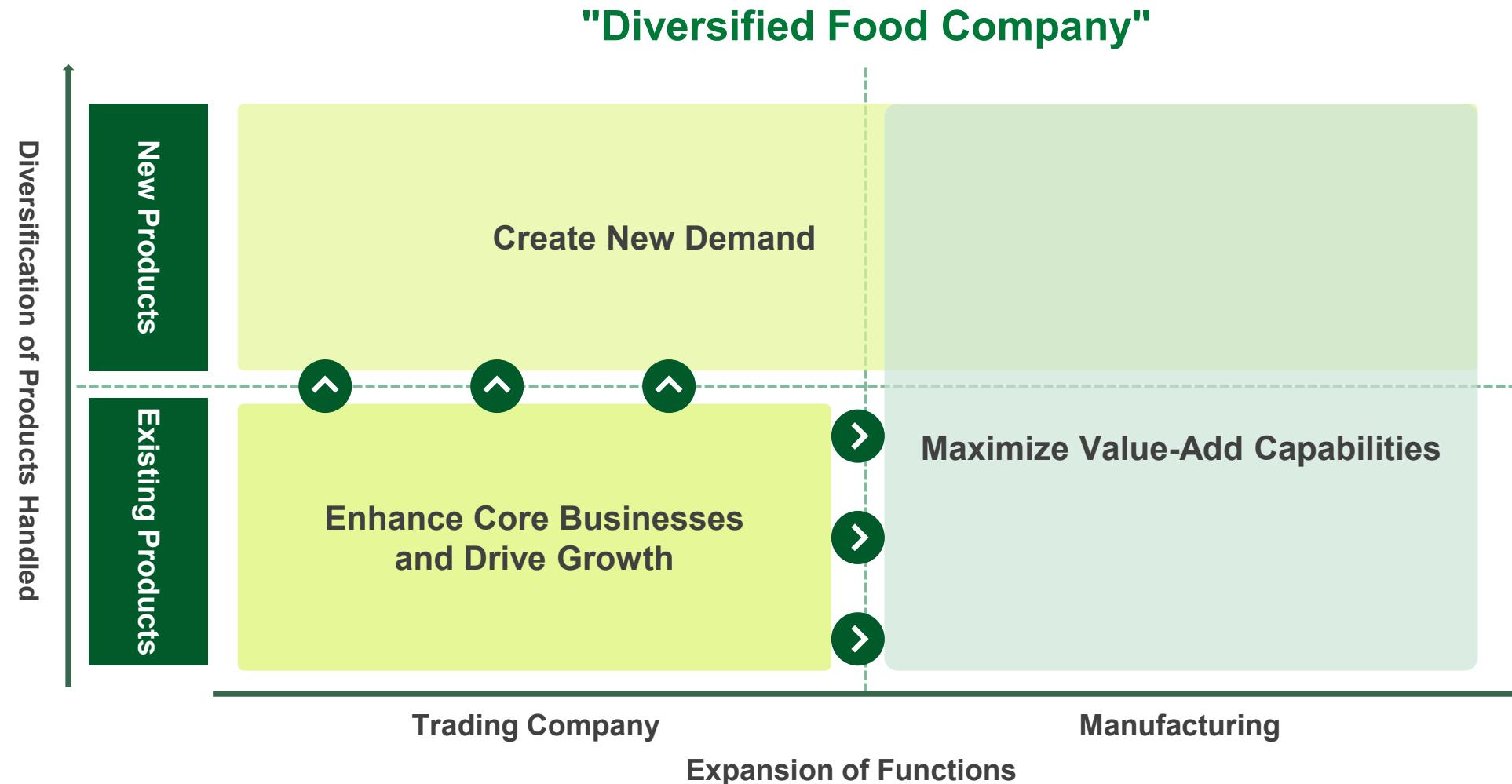
### Major Strategies

- Promote People & Talent Management.
- Drive sustainability initiatives.
- New business initiatives. (including M&A)

## Future Growth Potential

## Diversified Food Company With Combined Trading and Manufacturing Functions

- Build a unique organization by combining Trading and Manufacturing functions.



## Changes in Business Environment

- Stable procurement and reliability of supply is becoming increasingly difficult and uncertain.
- Food culture continues to evolve across Asia with the westernization of diets and the continued development of economies and infrastructure.
- Increasing diversity in health awareness across countries presents opportunities to create new markets.

**Increasing Food Supply Risks  
Associated with Climate  
Change and International  
Conditions**

**Changes in Social Structures  
and the Shrinking/Diversifying  
Domestic Market**

**Changes in Global Values and  
the Rise of New Demand**

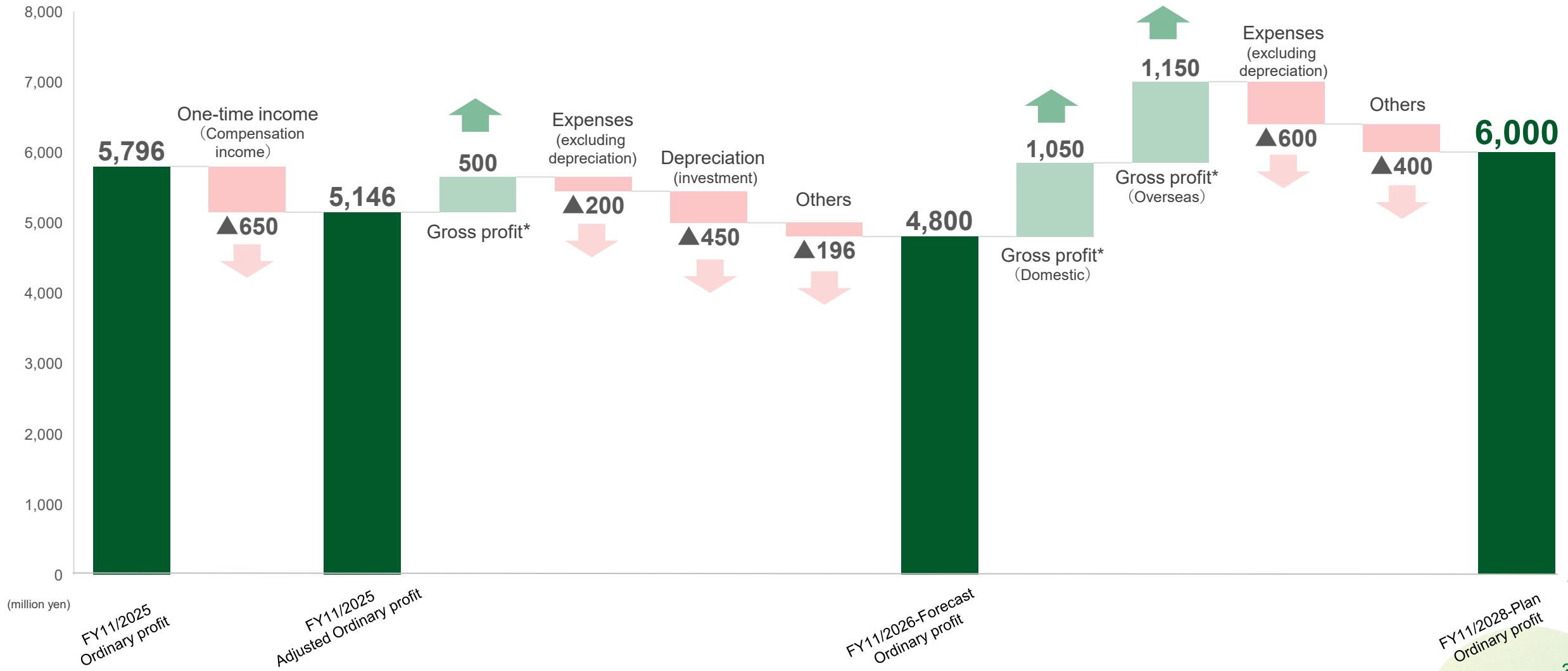
## Financial Targets

- "NEXT-LJ 2028" Strategy targets sustained and profitable growth, maximizing corporate value.

Item	FY11/2025 (Results)	FY11/2026 (Forecast)	FY11/2028 (Plan)
Net sales	¥182.8 bn	¥193.0 bn	¥210.0 bn
Ordinary profit	¥5.79 bn	¥4.80 bn	¥6.00 bn
Profit attributable to owners of parent	¥4.31 bn	¥3.45 bn	¥4.35 bn
ROE	14.4%	-	10%-12%
Payout ratio	30.5%	38.2%	35%
Consolidated equity-to-asset ratio	35.9%	-	35%-40%

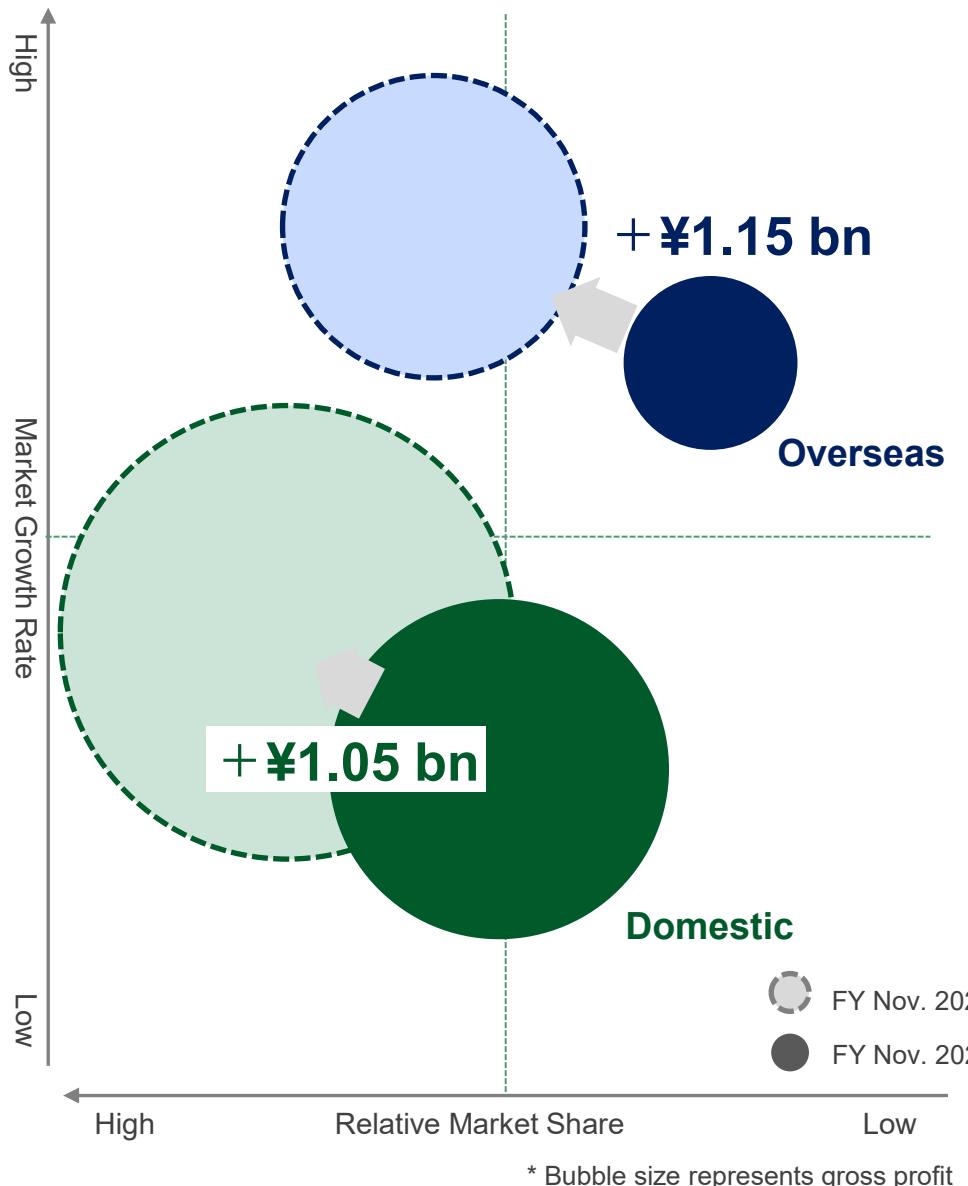
## Projected Changes in Ordinary Profit

- In FYE Nov. 2028, depreciation costs from future investments (new factory, core system updates) will be absorbed by increased gross profit, maintaining continued profitability.



## Lacto Japan Group's Vision for Growth

### Direction of Domestic and Overseas Businesses



### Key Actions

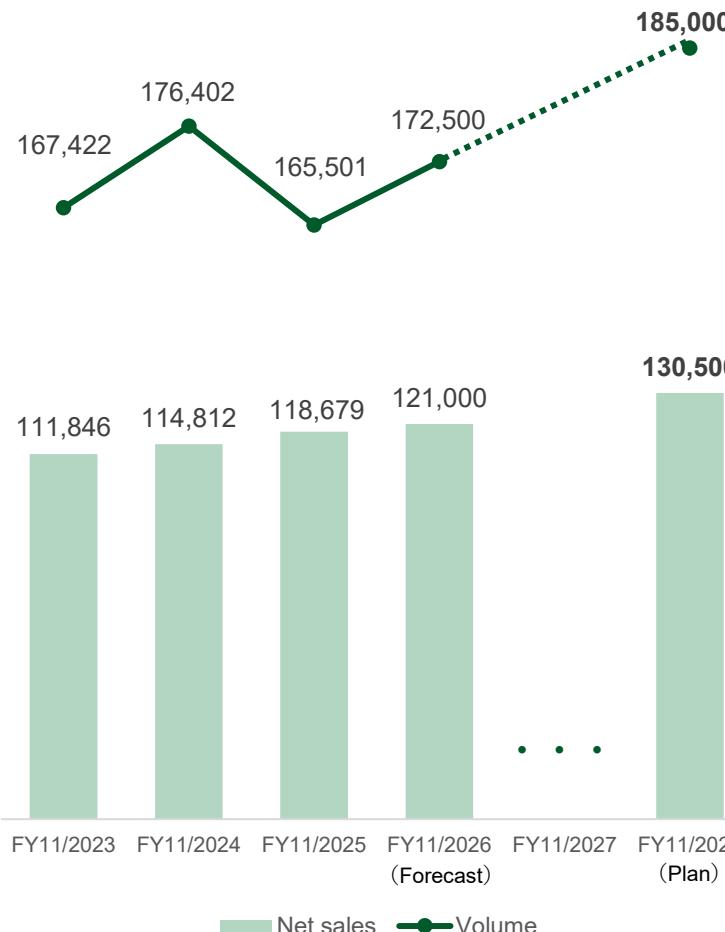
<b>Growth</b> <b>Base</b>	<b>Solid execution of growth strategies</b>  <b>Build and execute sales strategies tailored to local food cultures</b>	
	<b>Strengthening of production systems within the Asian region</b>  <b>Resilience of supply sources</b>	
<b>Growth</b> <b>Base</b>	<b>Initiatives aimed at becoming a Diversified Food Company</b>  <b>Generate new demand by building stronger customer development capabilities</b>	
	<b>Unlocking new value in meat</b>  <b>Accelerate overseas expansion and identify local market needs</b>	
<b>Growth</b> <b>Base</b>	<b>Strengthen the business foundation by focusing on and expanding strategic categories</b>	
		

## Strategy: Dairy Ingredients and Cheese Business Division

- Deepen partnerships by strengthening collaboration with suppliers and customers to improve stable procurement capabilities.
- Accelerate deeper penetration of growth markets through value proposals tailored to customer needs and the development of new channels.

### Sales and Volume Trends

(Sales: million yen, Volume: MT)



### Strategic Framework

Strengthen the business foundation by focusing on and expanding strategic categories\*

#### Point 1

- Value-added dairy ingredients × Utilization of trade systems
- Enhance problem-solving capabilities for customers and co-create new value

\* Strategic categories: Value-added products, share countermeasure products, new products, etc.

Ensure procurement sustainability through supply source resilience

#### Point 2

- Promote strengthening of the global supply chain (Deepen initiatives with existing suppliers and develop new suppliers)
- Improve flexibility with innovative procurement methods, etc.

Generate new demand by building stronger customer development capabilities

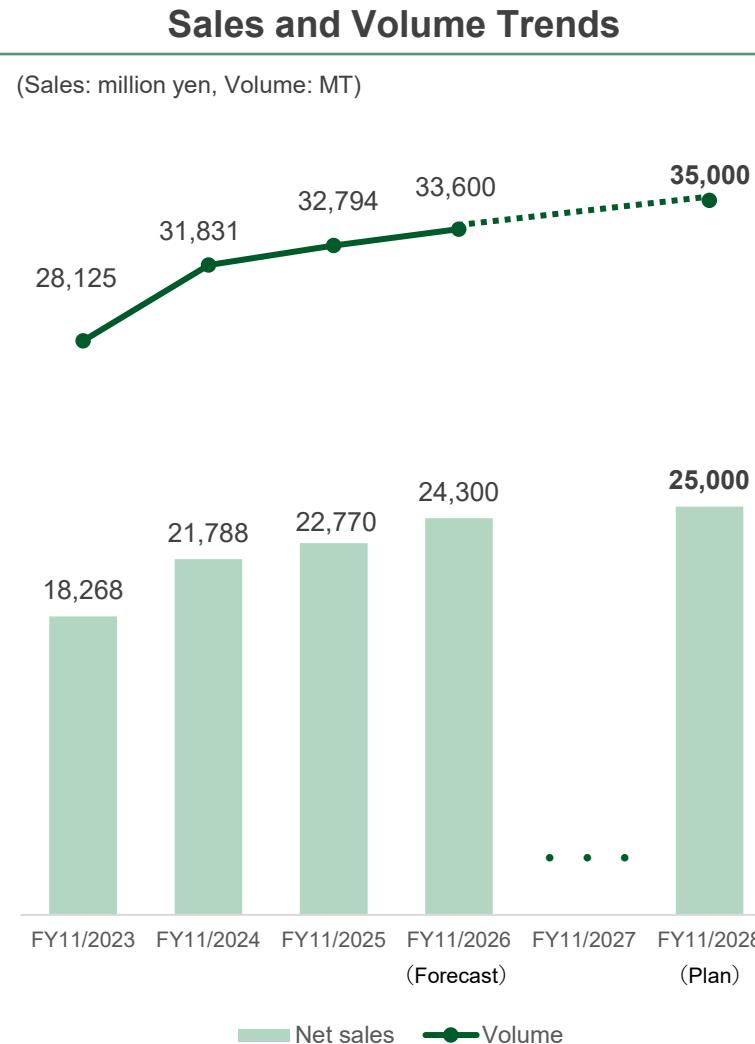
#### Point 3

- Enter untapped business models and deepen existing business models
- Create new demand through joint development of ingredients and products

Note: Total sales and volume by division differ from the sales figures on p.29, as they include other businesses.

## Strategy: Meat and Ingredients Division

- Improve problem-solving capabilities for customer issues such as labor shortages by combining meat with processed foods.
- Maximize the potential of meat and take on the challenge of creating new value.



### Strategic Framework

#### Sales generation through product diversification and pairing

##### Point 1

- Improve proposal capabilities by pairing new products such as spices.
- Develop new business models and customers by diversifying ingredients.

#### Construction of a stable supply system

##### Point 2

- Strengthen initiatives with existing suppliers (partners).
- Strengthen supply chains and improve supply reliability by diversifying source countries.

#### Unlock new value in meat

##### Point 3

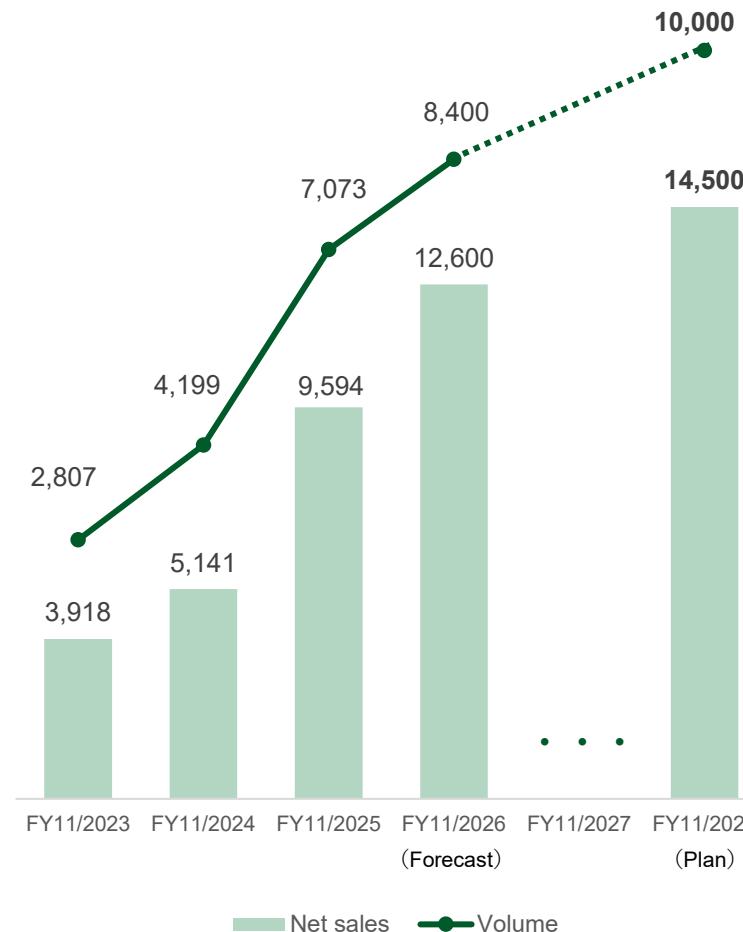
- Develop a range of semi-finished prepared foods with the assistance of the overseas office network.
- Create value and expand sales channels by increasing the processing degree.

Note: Total sales and volume by division differ from the sales figures on p.29, as they include other businesses.

- Accurately capture changing health needs and provide health value that leverage expertise.
- As a proposal-based partner for customers, establish a new business model.

## Sales and Volume Trends

(Sales: million yen, Volume: MT)



## Strategic Framework

### Market development and expansion through protein value innovation

#### Point 1

- Create new markets by developing new industries and applications.
- Enhance protein functionality through the use of functional ingredients.
- Develop new protein ingredient options in response to the protein shortage.

#### Point 2

### Accelerate overseas expansion and identify local market needs

- Develop sales opportunities for unique-to-Japan materials and functional ingredient products.
- Develop export sales opportunities for Japanese protein powder.

#### Point 3

### Strengthen the ability to solve customer challenges through robust supply chains

- Ensure flexible responsiveness with a broad network.
- Strengthen customer relationships through contract manufacturing arrangements.
- Accelerate expansion into the beauty, health and senior-focused food markets.

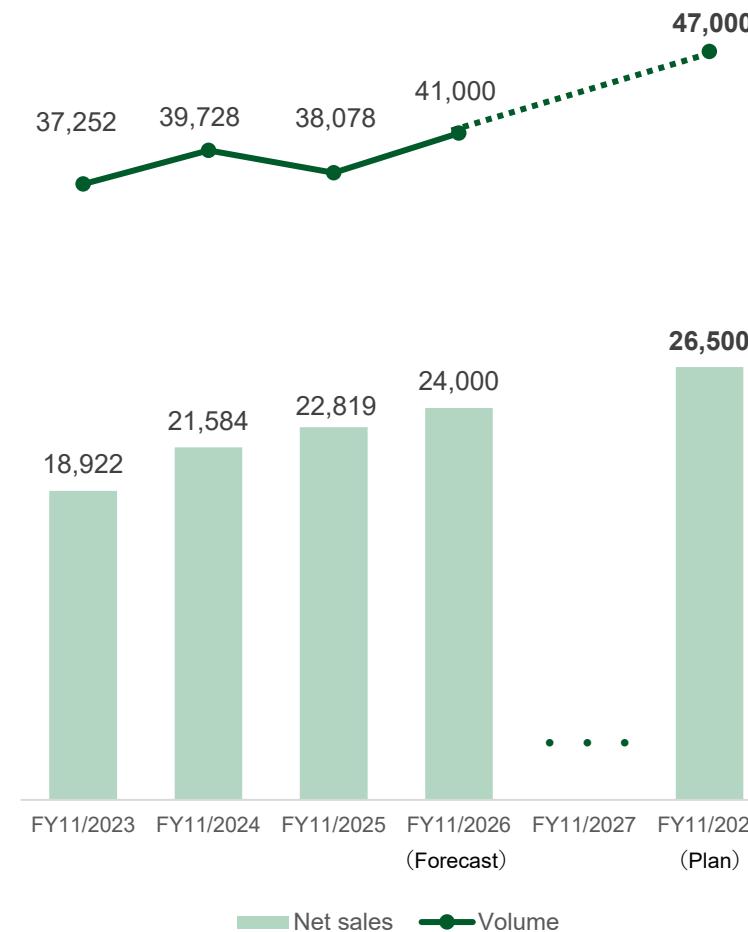
Note: Total sales and volume by division differ from the sales figures on p.29, as they include other businesses.

## Strategy: Asian Business (Dairy Ingredients Sales Division)

- Build a unique presence through a strong supply chain and local engagement.
- Drive sustainable growth via new locations and key partnerships.

### Sales and Volume Trends

(Sales: million yen, Volume: MT)



### Strategic Framework

#### Solid execution of growth strategies

- Develop growth markets by establishing new local subsidiaries.
- Diversify sales and enhance high-protein & functional ingredient initiatives.
- Expand business opportunities via enhanced regulatory responsiveness.

#### Point 1

#### Strengthen supply sources to ensure sustainable procurement

- Improve flexibility with innovative procurement methods
- Strengthen existing supplier relationships and expand new suppliers.

#### Point 2

#### Enhance supplier relationships through new initiatives

- Enhance regional presence through strategic partnership initiatives, develop new customers, and improve responsiveness to customer needs.

#### Point 3

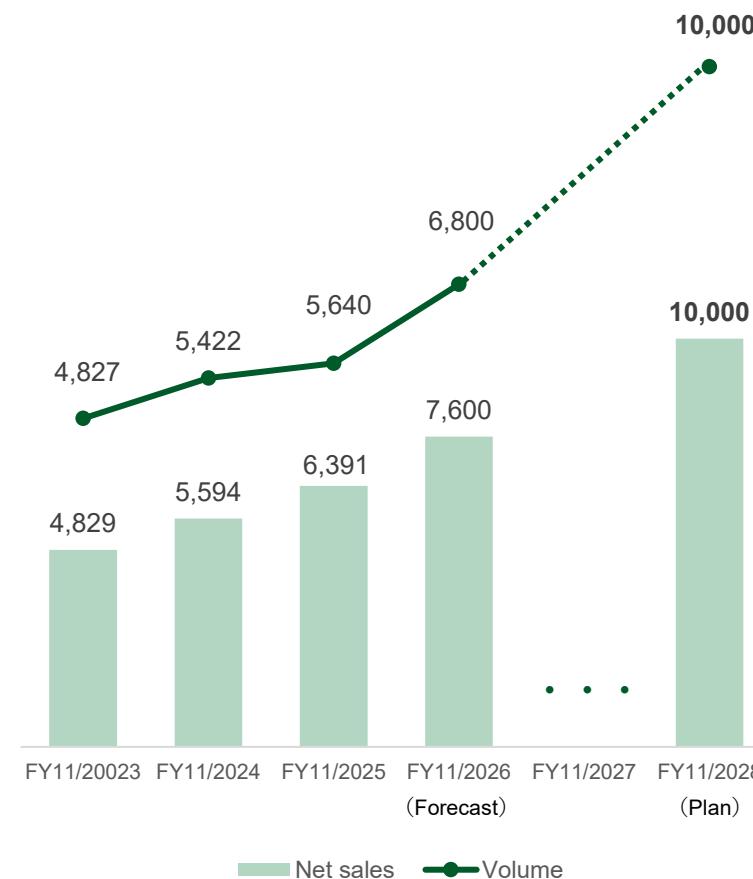
Note: Total sales and volume by division differ from the sales figures on p.29, as they include other businesses.

## Strategy: Asian Business (Cheese Manufacturing and Sales Division)

- Respond to robust demand by expanding manufacturing capacity through starting the operation of the new factory.
- Promote awareness of food cultures that include cheese through proposals adapted to each country's regional characteristics.

### Sales and Volume Trends

(Sales: million yen, Volume: MT)



### Strategic Framework

#### Point 1

#### Strengthening of the production system within the Asian region

- Increase production volume through full-scale operation of new Singapore factory.
- Improve efficiencies through expansion of production capabilities.

#### Point 2

#### Build and execute sales strategies tailored to local food cultures

- Promote awareness of food cultures that include cheese and develop new demand.
- Promote New Product Development concepts aligned to regional characteristics and local food culture of target markets.

#### Point 3

#### Technical Development to meet diverse needs and enable differentiation

- Upgrade Core Business, R&D and Production skill base.
- Develop functions and flavors that drive competitive advantage.

Note: Total sales and volume by division differ from the sales figures on p.29, as they include other businesses.

## New Singapore Factory: Scheduled to Start Operations in FY Nov.2026

- The new Singapore factory will see an increase in cheese production and supply to meet demand growth across Asia.
- Leverage community-focused proposals and local partnerships to develop regional demand and contribute to local food culture.

### Boost Manufacturing Capacity

#### Accelerate market growth by expanding cheese production

- Increase production capacity to respond to robust growth in demand.
- Expand NPD capabilities that align to local food cultures.

Operation to commence  
March 2026

Floor area  
Approx.  
6,500 m<sup>2</sup>

Investment  
Approx.  
¥3.5 bn

Produced items  
Processed cheese  
Shredded cheese



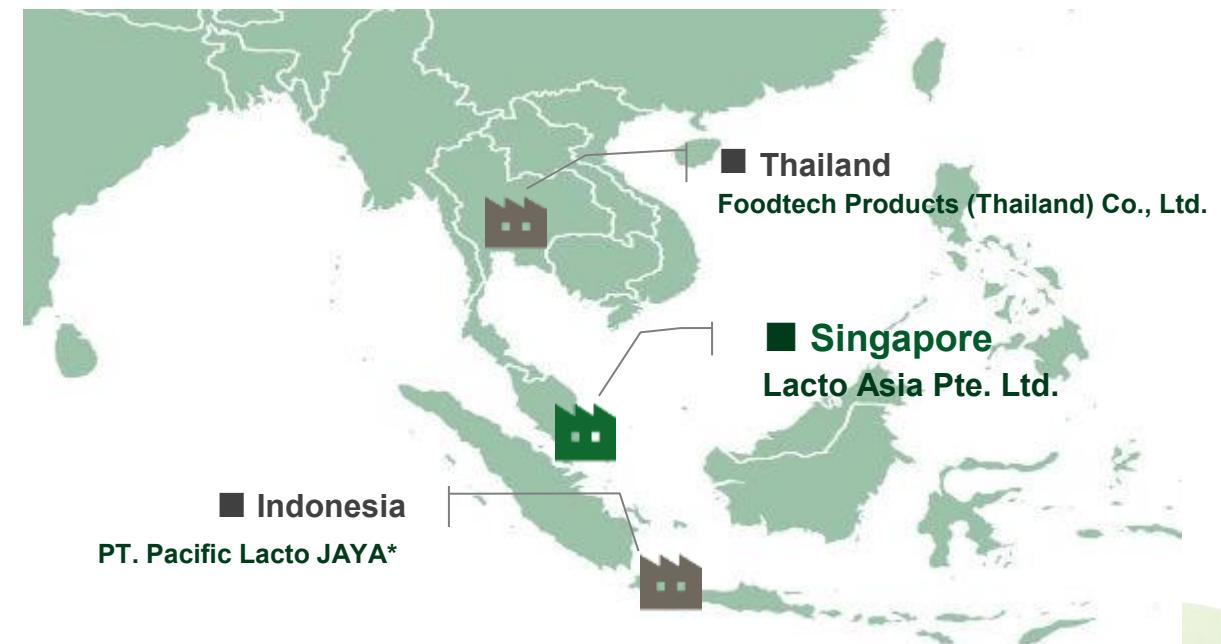
New Factory Image

### Market Penetration and Sales Expansion

#### Serve as a key production hub in Asia to support local food culture development.

Target Markets: Mainly within Asia

Target Customers: Locally based Japanese food companies, local food service companies & food manufacturers.

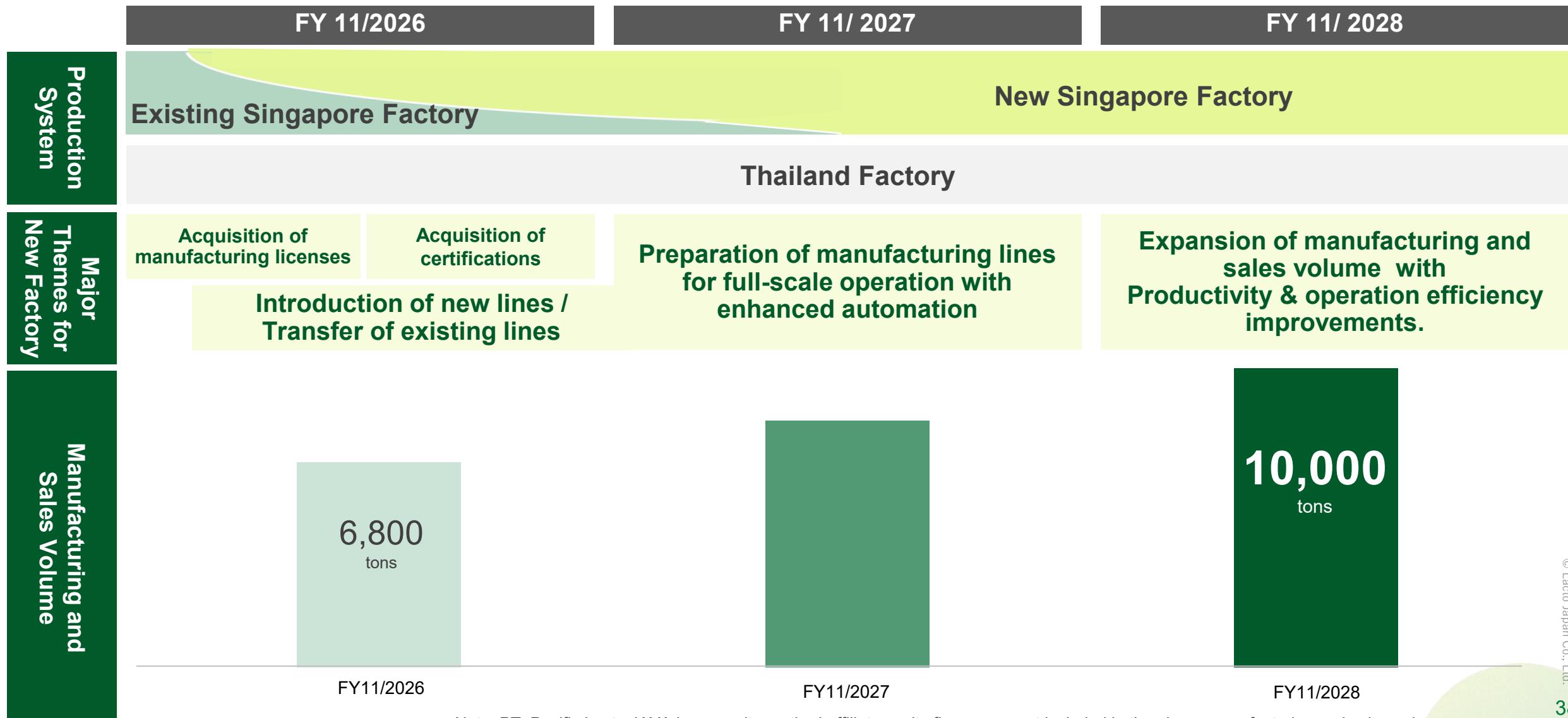


\* PT. Pacific Lacto JAYA is an equity-method affiliate

## Asian Business (Cheese Manufacturing and Sales Division)

### Expand Sales Volume to 10,000 MT with the New Singapore Factory in Operation

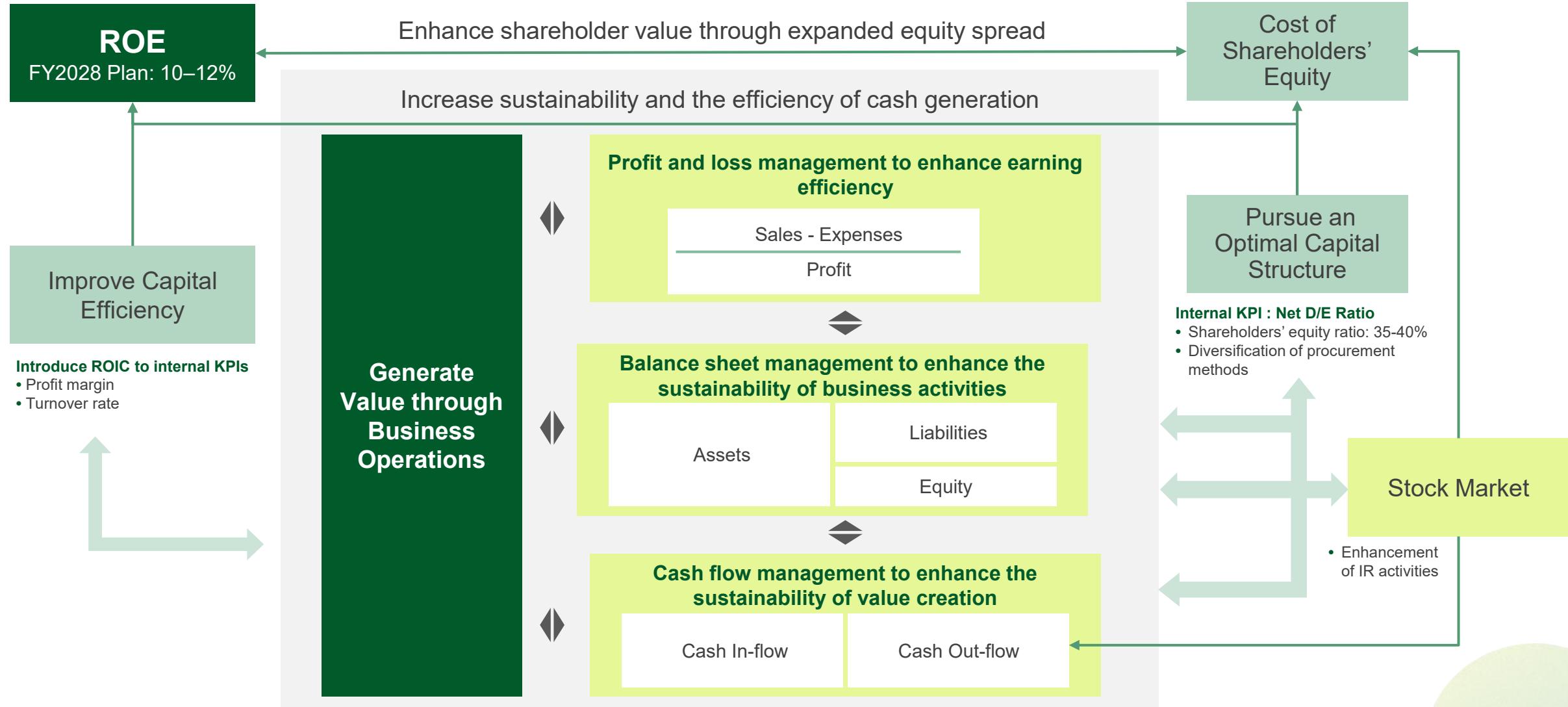
- With the full-scale operation of the new Singapore factory, we will expand sales across Asia and to other regions.



Note: PT. Pacific Lacto JAYA is an equity-method affiliate, so its figures are not included in the above manufacturing and sales volumes.

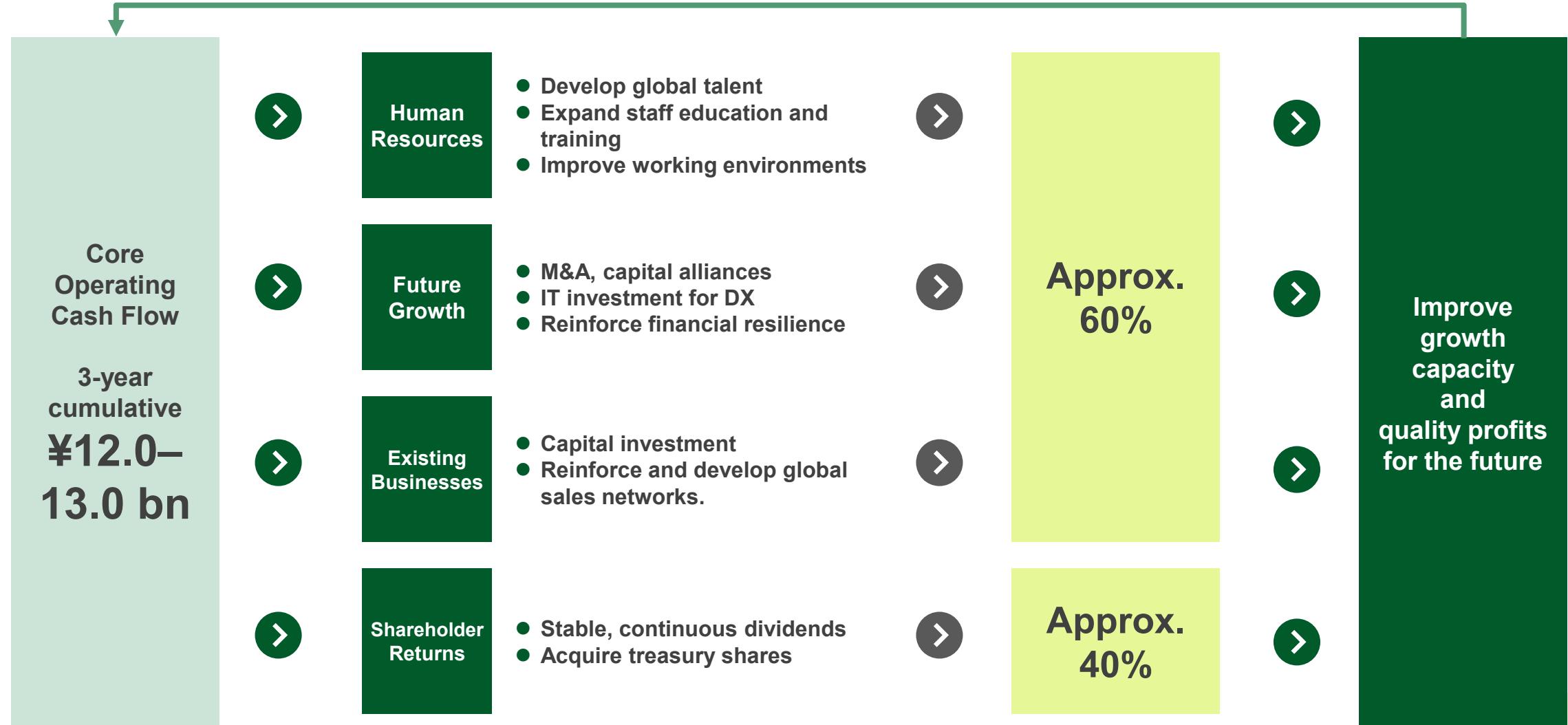
## Overview of Financial Strategy and ROE Management

- Manage group operations with careful consideration to stock price and cost of capital.
- Pursue management efficiency by appropriately monitoring and optimizing ROE.



## Cash Flow Allocation

- Using core operating cash flow\* as the source, allocate approximately 60% to human resources and Businesses for future growth, and approximately 40% to shareholder returns.



\* "Core operating cash flow" refers to cash flow calculated by deducting changes in working capital from accounting operating cash flows

## People and Talent Strategy

- Drive long-term corporate value by aligning employee well-being with business growth.
- Build an internationally competitive foundation through diversity and the growth of global talent.
- Offer competitive compensation and incentives to drive competitiveness.

### Objectives

**Create a workplace where employees find purpose and pride.  
Drive corporate value through people-focused growth.**

#### HR Policy/System/Development



#### Better Work Environment



#### Strategy & Organization Alignment



### Most Important Management Resource - People & Talent

- Sustainable growth of individuals and the organization
- Corporate operation with a small, elite workforce
- Ensuring and respecting diversity; promotion of active participation
- Passing down the "Lacto style" and conducting business activities accordingly
- Human resource capabilities to thrive in a global environment
- Well-being of all employees

## Promote Sustainability Initiatives

- Update key material issues in line with external environment changes and "NEXT-LJ 2028" plans.
- Balance economic and social value while addressing societal challenges.

### Contribute to a Sustainable Society Through Business Activities



#### |Sustainability Strategy

- Growing awareness of human rights
- Growing awareness and recognition of diversity

#### |Business Strategy

- Changes in business environment and strategic stages
- New factory operation

#### Dairy Industry

Activities to address social issues  
Use initiatives such as  
the Regional Revitalization Support Tax system

## Materiality

### Materiality

### Initiatives for each materiality topics

### KPI

### Related SDGs

Supplying safe and reliable food	<ul style="list-style-type: none"> <li>Strengthen the quality control framework</li> <li>Conduct training related to quality</li> </ul>	<ul style="list-style-type: none"> <li>Obtain and maintain GFSI-recognized certification FSSC 22000 at all overseas production sites</li> <li>Achieve a 100% completion rate for training related to ensuring the safety of imported foods</li> </ul>	 
Contributing to a healthy and enriched life	<ul style="list-style-type: none"> <li>Increase handling volume of dairy ingredients and cheese in Japan and Asia</li> <li>Propose products that meet diverse lifestyles</li> <li>Increase handling volume of functional ingredients<sup>*1</sup> in Japan and overseas</li> </ul>	<ul style="list-style-type: none"> <li><b>Handling volume of dairy-derived proteins (such as WPC):</b> 2025 actual : 8,779 tons → 2028 target : 11,000 tons</li> <li><b>Handling volume of plant-derived raw materials:</b> 2025 actual : 530 tons → 2028 target : 700 tons</li> </ul>	  
Building a sustainable supply system	<ul style="list-style-type: none"> <li>Diversify suppliers and deepen relationships</li> <li>Ensure optimal matching between suppliers and customers</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular strategic discussions with existing suppliers and develop new suppliers</li> <li>Propose applications to suppliers and customers, and pursue joint development</li> </ul>	   
Reducing environmental impact	<ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions</li> <li>Reduce food loss</li> </ul>	<ul style="list-style-type: none"> <li>Aim to achieve carbon neutrality by 2050</li> </ul>	   
Respect for human rights and diversity	<ul style="list-style-type: none"> <li>Respect human rights</li> <li>Promote diversity (women, localization, global talent, employment of people with disabilities, etc.)</li> <li>Improve the working environment</li> </ul>	<ul style="list-style-type: none"> <li>Establish and disclose a human rights policy, and conduct human rights due diligence and human rights training</li> <li>The ratio of female director · The ratio of female manager : 30% or more by 2030</li> <li>Conduct diversity &amp; inclusion training annually with a 100% completion rate</li> <li>Achieve a short working-hour utilization rate of 80% or more among employees returning from childcare leave</li> <li>Conduct engagement surveys</li> <li>Provide ¥200,000 per employee in education expenses by 2028</li> </ul>	   
Strengthening governance	<ul style="list-style-type: none"> <li>Strengthen risk management</li> <li>Strengthen corporate governance</li> <li>Ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>Update the business continuity plan (BCP) regularly and conduct training once a year</li> <li>Conduct information security training once a year and targeted email attack drills twice a year</li> <li>Conduct evaluations of the effectiveness of the Board of Directors and address key issues</li> <li>Achieve zero cases of serious compliance violations<sup>*2</sup></li> </ul>	   

\*1 Functional ingredients: Ingredients used in products other than general foods, expected to provide health benefits or functional effects.

\*2 Serious compliance violations: Violations of laws, treaties, or regulations that impact social credibility, business performance, and other areas.

## Shareholder Return Policy

- Continue proactive shareholder returns while maintaining growth investment and financial discipline.
- A progressive dividend policy will be maintained so long as growth in shareholders' equity from net profit exceeds the reduction resulting from shareholder returns.

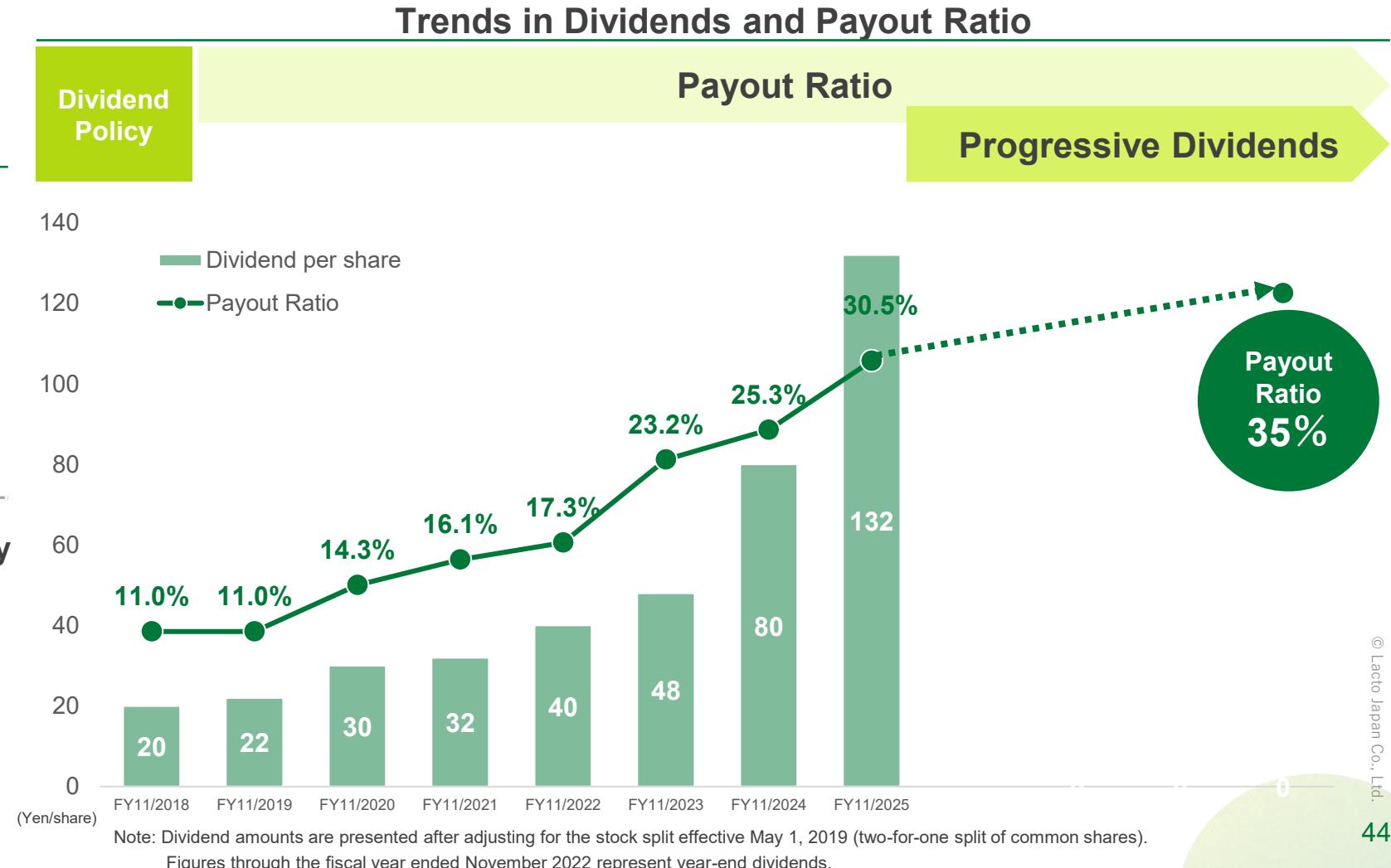
### Basic Policy on Shareholder Returns

- Emphasize growth investment, financial discipline and autonomy
- Maximize corporate value and capital efficiency

### Shareholder Benefits\*

- Long-term holding of company shares
- Promote understanding of Lacto Japan

\*While dividends are our primary form of shareholder returns, shareholder benefit programs are positioned as an opportunity to enhance understanding of our company and foster shareholder engagement.



(Appendix)

Aiming for Operations That Consider the Cost of Capital  
and Share Price

## Current Situation

- In FY11/2025, the results of management initiatives focused on profit margins and the balance sheet gradually became evident, resulting in double-digit profit growth compared with both the previous fiscal year and the initial forecast. Reflecting the strong earnings progress, the share price at times approached an all-time high; however, the share price softened toward the end of the fiscal year. As a result, while the PBR exceeded 1.0x, the PER remained at 8.02x.
- The PER level is low compared with the industry average on the TSE Prime Market (Wholesale: 13.1x), and the Company recognizes this as an issue requiring improvement. While expectations have been expressed regarding the expansion of manufacturing operations in Asia and the growth of the Functional Food Ingredients Division (now the Life Science Business Division), the Company believes that its overall growth potential, including existing businesses, may not yet be fully reflected in market valuation. Accordingly, the Company aims to improve its PER through more proactive engagement and dialogue with the capital markets.
- ROE is emphasized as a key management indicator shared with shareholders. Under the new Medium-Term Management Plan, the Company intends to maintain ROE at a double-digit level of 10–12%, while continuing to incur expenses related to growth investments.



	FY11/2021	FY11/2022	FY11/2023	FY11/2024	FY11/2025
ROE (%)	10.6	10.9	8.7	12.1	<b>14.4</b>
PER (x)	11.75	9.16	9.45	9.13	<b>8.02</b>
PBR (x)	1.18	0.94	0.79	1.04	<b>1.07</b>
Share price at end of period (yen)	2,336	2,121	1,951	2,882	<b>3,475</b>

(Reference) PER and PBR by size and industry (consolidated): November 2025

Wholesale industry (Prime Market): PER 13.1x / PBR 1.2x

\*Simple averages

	Challenges	Initiatives
Improved PER	Clarification of growth strategy	<ul style="list-style-type: none"> <li>Proactively communicate initiatives to develop and strengthen sales of high value-added products</li> <li>Advance the new Medium-Term Management Plan (clarifying specific measures and their growth potential)</li> </ul>
	Timely communication of performance and progress	<ul style="list-style-type: none"> <li>Strengthen initiatives to improve profitability and clearly explain progress</li> <li>Increase opportunities for dialogue (including more one-on-one meetings and more engagement opportunities with new investors)</li> <li>Enhance information disclosure (utilization of tools, enrichment of disclosed content, and expansion of disclosure channels, etc.)</li> </ul>

	Challenges	Initiatives
Improved ROE	Improving profitability of trading businesses	<ul style="list-style-type: none"> <li>Introduce ROIC by business segment and focus on improving profitability across each business</li> <li>Expand the handling of high value-added products (strengthening the development and sales of retained products tailored to customer needs)</li> </ul>
	Expansion of the Asian cheese manufacturing and sales business	<ul style="list-style-type: none"> <li>Develop products suited to local characteristics and food cultures in each country, in line with customer needs</li> <li>Improve manufacturing efficiency (enhancing efficiency through expanded manufacturing capacity and increasing sales volume through expansion of sales regions, etc.)</li> <li>Growth investments: the new Singapore plant is scheduled to commence operations in FY11/2026</li> </ul>
	Challenge of improving profitability of business divisions	<ul style="list-style-type: none"> <li>Strengthen value creation capabilities by advancing toward a “composite food company,” with the aim of improving profitability at the business division level</li> </ul>
	Financial management with a focus on efficiency	<ul style="list-style-type: none"> <li>Strengthen balance sheet management (improving capital efficiency: emphasis on ROIC and improvement of the cash conversion cycle (CCC))</li> <li>Implement proactive shareholder returns while maintaining financial soundness</li> </ul>

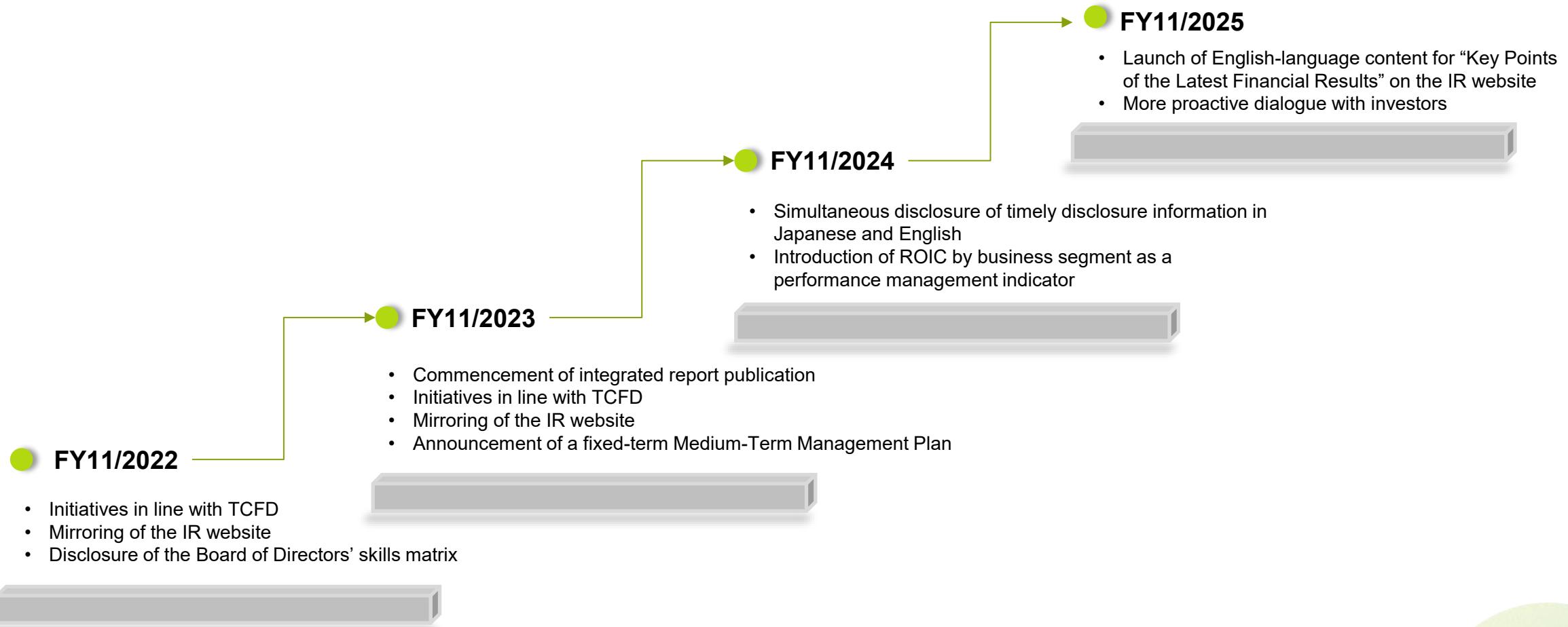
(Appendix)

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## Dialogue with Shareholders and Investors

## Initiatives to Enhance IR Activities and Disclosure

- The Company has consistently engaged sincerely in dialogue with shareholders and investors, and has worked to enhance its IR activities and information disclosure by incorporating insights gained through these discussions. Going forward, the Company will continue to pursue proactive dialogue to further deepen understanding.



### Main events

Activities	Event details		Representative
For institutional investors	Financial results briefing (full year and 2nd quarter)	Twice per year	President; Executive Vice President (in charge of IR and public relations)
	One-on-one meetings (post-results announcement interviews)	January–May 2025: 63 meetings July–November 2025: 63 meetings	Executive Vice-President (in charge of IR and public relations); Head of IR
	Small meetings (securities firms)	3 meetings	President; Executive Vice President (in charge of IR and public relations)
	Shareholder meetings	10 meetings (held once per year on a continuous basis)	Executive Vice President (in charge of IR and public relations); Head of IR
For individual investors	Participation in individual investor briefings (with explanatory videos)	Once	President

### Dialogue themes

#### 1. Recent performance trends and business environment

- Progress of business performance (vs. initial forecast and full-year forecast)
- Changes in the operating environment, skim milk powder inventory in Japan, and future outlook
- Business environment and business development in Asia

#### 3. Background and rationale behind investment evaluations of the Company, as well as expectations

- Institutional investors' management structures and key factors considered when determining investment targets
- Evaluation of the Company's share price
- Areas for improvement in IR activities

#### 2. Medium-term growth strategy

- Initiatives for the growth of core and priority businesses
- Investment plan (construction progress of the new Singapore plant)
- Financial strategy and approach to shareholder returns
- Preparation for the next Medium-Term Management Plan

(Hearings conducted by the Company regarding market expectations and information to be disclosed)

## Examples of Engagement with Shareholders and Investors (December 2024 – November 2025)

	Questions and comments from shareholders and investors	Summary of our responses
1	<b>Background to the favorable business performance</b>	<p>(Domestic) Across all divisions, sales of products with high profit margins were strong. The Functional Food Ingredients Division (now the Life Science Business Division) made a particularly high contribution to profits.</p> <p>(Asia) Improved profit margins and increased sales volume in the Cheese Manufacturing and Sales Division.</p> <p>(Overall) Steady expansion of businesses in growth areas (Asian cheese business and functional food ingredients). Under ROIC-focused management, awareness of profitability has become firmly embedded across the organization.</p>
2	<b>Business environment for the domestic dairy industry</b>	In the current fiscal year, raw milk production in Japan has increased steadily, particularly in Hokkaido. Factors include the lifting of production restraints imposed in the previous fiscal year, the stabilization of imported feed prices, and milk price increases carried out during the current fiscal year. While domestic skim milk powder inventories have shown a slight upward trend, levels remain within industry expectations, and response measures, including industry-wide programs, are being considered. Accordingly, we do not anticipate a sharp deterioration in the business environment comparable to that experienced during the COVID-19 period.
3	<b>Relocation of the Cheese Manufacturing &amp; Sales Business in Singapore to a new plant</b>	The expansion of the Cheese Manufacturing & Sales Business in Asia is one of the priority measures in the Group's growth strategy. The new plant is scheduled to commence operations from FY11/2026, and preparations are progressing smoothly. While depreciation expenses will be relatively heavy in the initial phase, the Company expects profit growth associated with business expansion to absorb the depreciation burden over time.
4	<b>ROIC-focused management (initiatives and progress)</b>	From FY11/2025, ROIC by business segment has been introduced as a management performance indicator. It is being utilized in business strategy formulation and personnel evaluations at the business division level. The effects of heightened awareness among sales personnel are gradually beginning to be reflected in actual performance, including avoiding excessive pursuit of low-margin transactions, focusing on profitability by transaction, and emphasizing inventory reduction.
5	<b>Shareholder return policy</b>	Shareholder returns are positioned as one of our most important management priorities. While maintaining a balance between growth and returns, our policy is to strengthen shareholder returns. In the current fiscal year, interim dividends were increased reflecting strong business performance. Over the long term, we aim to achieve a dividend payout ratio of around 30%. The policy of prioritizing shareholder returns will remain unchanged going forward. The approach, including benchmarks, will be explained in the next Medium-Term Management Plan.

	Questions and comments from shareholders and investors	Our responses
<b>Information disclosure in English</b>	English-language information disclosure should be improved. (Request by the Tokyo Stock Exchange)	For timely disclosure information, our basic stance is to disclose information both in Japanese and English (from April 2024). From the current fiscal year, among the English pages of the "Investor Relations" section of the website, English-language coverage of the "Key Points of the Latest Financial Results" page has been launched.
<b>Enhancement of shareholder returns</b>	Aim to improve the dividend payout ratio.	We have been increasing our dividend payments and payout ratio continuously since we went public. In FY11/2025, an interim dividend increase was decided during the fiscal year in light of strong business performance. The long-term target dividend payout ratio of 30% was achieved ahead of schedule.
<b>Sustainability-related issues</b>	You should make more aggressive efforts to expand disclosure of climate change-related information.	We issued Integrated Report Vol. 3. Changed the publication timing to align with the annual report cycle. (Going forward, the report will be published every May)
<b>Financial strategy</b>	You should consider the balance sheet and capital efficiency in managing your business.	We introduced ROIC as a management indicator for each division. (Reflected in personnel evaluations from FY11/2025)
<b>Medium-Term Management Plan</b>	Clarify strategies, explain the profit structure, and provide an explanation of cash allocation.	Compiled "voices from the capital markets" regarding the new Medium-Term Management Plan and reported them to senior management and the Corporate Planning Department via the Investor Relations and Public Relations Department. Reflected these inputs in the new Medium-Term Management Plan.

## Caution

**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 economic environment and other risks and uncertainties.**

