FY11/2024 Financial Results Briefing

Lacto Japan Co., Ltd.

January 2025

INDEX

01 Consolidated Financial Results for FY11/2024 and Forecasts for FY11/2025

Overview of Consolidated Financial Results for FY11/2024

- **Net sales, ordinary profit, and profit attributable to owners of parent increased year on year and reached a record high**
- **Ordinary profit and profit attributable to owners of parent reached the Corporate Business Plan NEXT-LJ 2025 final-year targets ahead of schedule**

(¥mn)	FY11/2023	Initial forecast Released on 2024/1/12	Revised forecast Released on 2024/7/12	FY11/2024			
				Results	YoY Change (%)	Vs. Initial forecast (%)	Vs. Revised forecast (%)
Net sales	158,328	160,000	164,000	170,907	+7.9	+6.8	+4.2
Ordinary profit	2,847	3,400	4,100	4,320	+51.7	+27.1	+5.4
Ordinary profit margin (%)	1.8	2.1	2.5	2.5	–	–	–
Foreign exchange impact on ordinary profit*	**-59**	–	–	**-71**	–	–	–
Ordinary profit after adjusting for foreign exchange effects	2,907	–	–	4,392	+51.1	–	–
Profit attributable to owners of parent	2,048	2,400	3,000	3,146	+53.6	+31.1	+4.9
Net profit margin (%)	1.3	1.5	1.8	1.8	–		–

	FY11/2023	Initial forecast	Revised forecast	FY11/2024 Results
Earnings per share (yen)	206.46	241.06	301.13	315.83
Exchange rate (Yen/USD)	139.80	–	–	150.77
Exchange rate (Yen/EUR)	150.80	–	–	163.63

Note: Amounts have been rounded down to the nearest million yen. Percentage changes 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 the cost of goods sold and non-operating income/loss. Therefore, the impact of foreign exchange hedging on both the cost of goods sold and non-operating income/loss is shown.

POINT ❶ (Net sales)
POINT ❷ (Ordinary profit)

Main points regarding YoY changes

Net sales: YoY increase

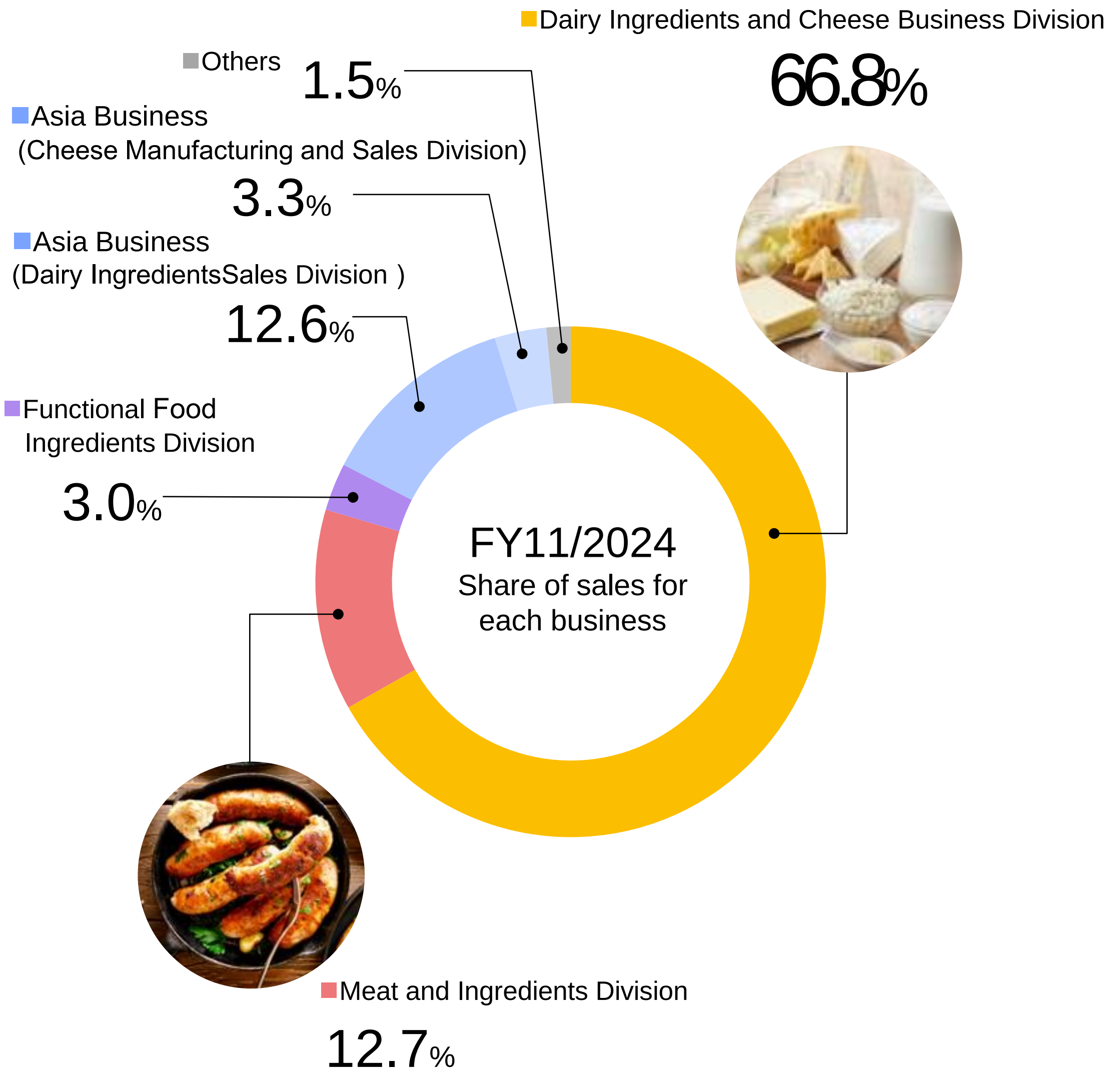
❶Both the Domestic Business and the Asian Business saw an increase in sales volume in all divisions. Sales increased year on year and exceeded the most recent revised forecast.

Ordinary profit: YoY increase

❷In the Domestic Business, profit increased thanks to an increase in the share of high-margin products mainly in the Dairy Ingredients and Cheese Business Division.

The Asian Business also saw a profit increase owing to an increase in sales volume and profit margin in both the Dairy Ingredients Sales Division and the Cheese Manufacturing and Sales Division. The effects of lower ingredient prices and improved manufacturing efficiency were particularly noticeable in the Cheese Manufacturing and Sales Division.

FY11/2024 Net Sales and Sales Volume by Business Division (YoY changes)



Dairy Ingredients and Cheese Business Division

Net sales	**114,182** million yen	YoY Change	**+2.1**%
Sales volume	**176,402** tons	YoY Change	**+5.4**%

Meat and Ingredients Division

Net sales	**21,788** million yen	YoY Change	**+19.3**%
Sales volume	**31,831** tons	YoY Change	**+13.2**%

Functional Food Ingredients Division

Net sales	**5,141** million yen	YoY Change	**+31.2**%
Sales volume	**4,199** tons	YoY Change	**+49.6**%

Asian Business (Dairy Ingredients Sales Division)

Net sales	**21,584** million yen	YoY Change	**+14.1**%
Sales volume	**39,728** tons	YoY Change	**+6.6**%

Asian Business (Cheese Manufacturing & Sales Division)

Net sales	**5,594** million yen	YoY Change	**+15.9**%
Sales volume	**5,422** tons	YoY Change	**+12.3**%

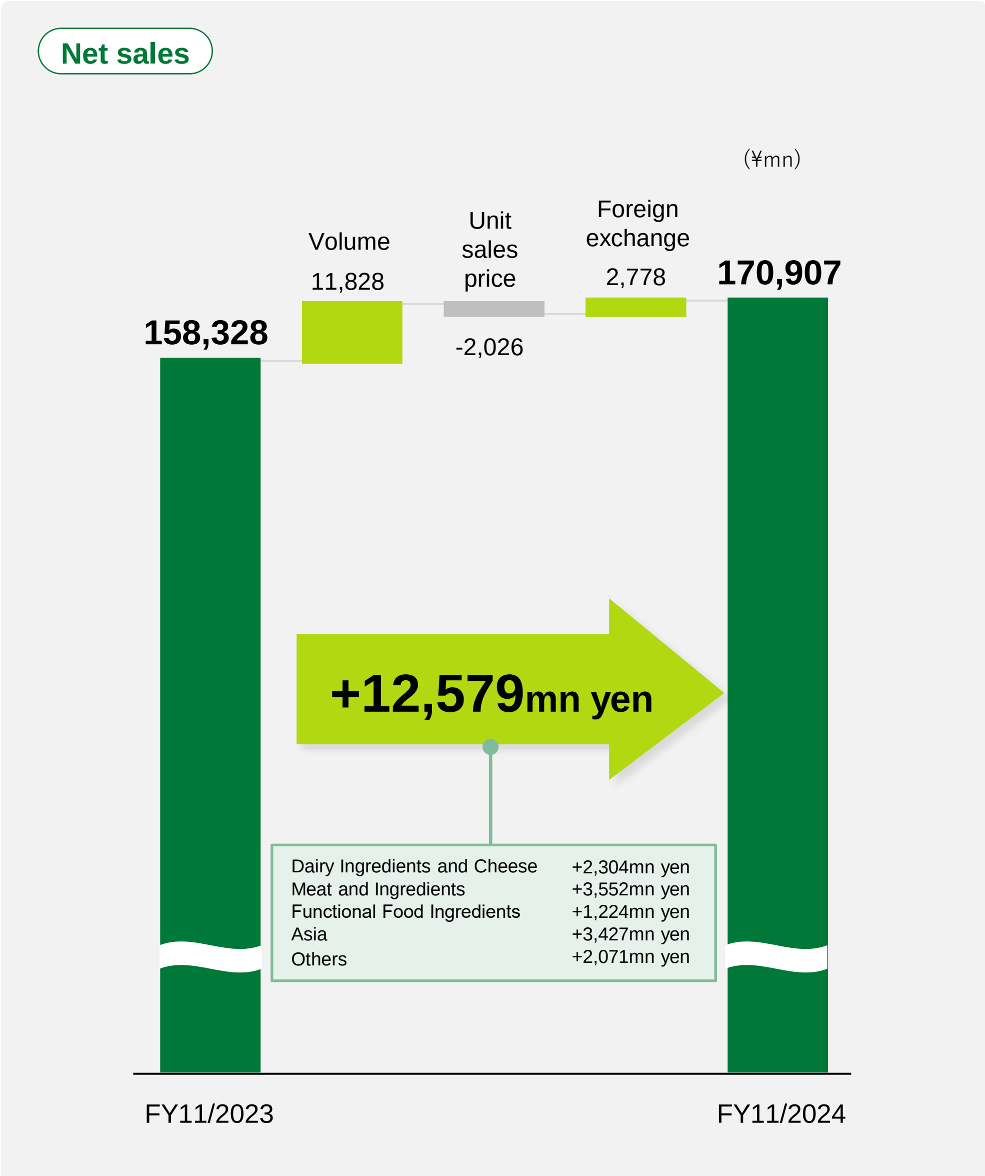
Others

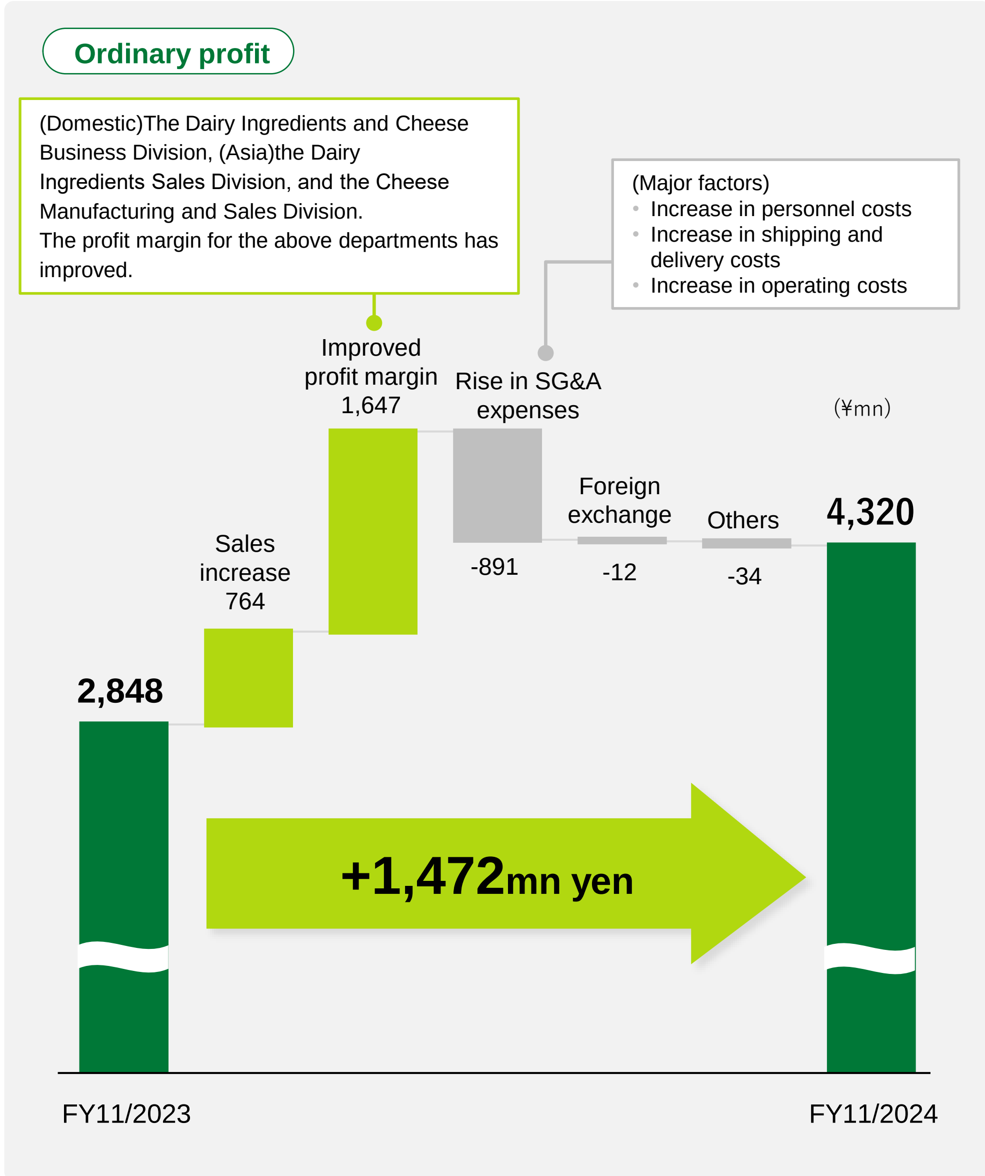
Net sales	**2,616** million yen	YoY Change	**+380.2**%

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: Increased YoY mainly because of an increase in sales volume**
- **Ordinary profit: Benefited from increased sales and profit margin**





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

Consolidated Balance Sheets

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(Million Yen)	End-November 2023	End-November 2024	Difference	
Total current assets	**67,068**	**75,826**	**8,758**	
Cash and deposits	7,779	9,076	1,297	
Notes and accounts receivable	18,700	24,028	5,328	POINT ❶
Inventories	39,806	42,119	2,313	POINT ❷
Current assets, other	782	601	-180	
Total non-current assets	**4,969**	**5,608**	**638**	
Property, plant and equipment	2,185	2,502	317	
Intangible assets	73	321	247	
Investments and other assets	2,710	2,785	74	
Total assets	**72,038**	**81,435**	**9,397**	
Accounts payable	14,033	17,212	3,178	POINT ❸
Interest-bearing liabilities	31,518	33,435	1,916	
Liabilities, other	1,763	3,206	1,443	
Total liabilities	**47,314**	**53,853**	**6,539**	
Total net assets	**24,724**	**27,581**	**2,857**	
Total liabilities and net assets	**72,038**	**81,435**	**9,397**	

Main points regarding YoY changes

Increase in notes and accounts receivable/inventories

❶❷The Meat and Ingredients Division and the Functional Food Ingredients Division saw an increase in unit purchase prices, as well as an increase in contract volume associated with business expansion.

Increase in accounts payable

❸Trade accounts payables increased in the Domestic Business along with an increase in contract volume.

*An increase in notes and accounts receivable - trade and in accounts payable - trade includes the effects of the end of the fiscal year falling on a holiday.

Note: Amounts have been rounded down to the nearest million yen.

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

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(¥mn)	FY11/2024	
Cash flows from operating activities	636	POINT 1
Cash flows from investing activities	-596	POINT 2
Cash flows from financing activities	1,101	POINT 3
Effect of exchange rate change on cash and cash equivalents	96	
Net increase in cash and cash equivalents	1,237	
Cash and cash equivalents at beginning of period	7,282	
Cash and cash equivalents at end of period	8,520	

Note: Amounts have been rounded down to the nearest million yen. The breakdown includes only major items.

Main points regarding YoY changes

Operating CF

1 Cash flows from operating activities positive owing to an increase in profit before income taxes despite an increase in working capital (trade receivables and inventories) related to higher sales.

Investing CF

2 Cash flows from investing activities negative as we invested in a new plant in Singapore and increased upfront investment in the development of a new system.

Financing CF

3 Cash flows from financing activities positive because of an increase in short-term borrowings (commercial paper) associated with an increase in working capital.

FY11/2025 Consolidated Earnings Forecasts

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- **Both the Domestic Business and the Asian Business expect an increase in sales and profit as the operating environment continues to improve.**

(¥mn)	FY11/2023 Results	FY11/2024 Forecast	FY11/2024 YoY increase	FY11/2024 YoY (%)	
Net sales	170,907	180,000	+9,092	+5.3	POINT ❶
Ordinary profit	4,320	4,600	+279	+6.5	POINT ❷
Ordinary profit margin (%)	2.5	2.6	–	–	
Profit attributable to owners of parent	3,146	3,300	+153	+4.9	
Net profit margin (%)	1.8	1.8	–	–	

		FY11/2023 Results	FY11/2024 Forecast	FY11/2024 YoY increase	
Earnings per share (yen)		315.83	331.38	+15.55	
Dividend per share (yen)	Per year	80.00	100.00	+20.00	
	Interim	31.00	50.00	+19.00	POINT ❸
	FY-end	49.00	50.00	+1.00	

Note: Amounts have been rounded down to the nearest million yen. Percentages have been rounded to the second decimal place.

Earnings forecast assumptions

❶The Dairy Ingredients and Cheese Business Division expects a recovery in demand for imported dairy products (fat-based dairy ingredients and high-protein ingredients).

The Functional Food Ingredients Division expects to maintain strong sales of protein ingredients and expand sales of other functional ingredients.

The Dairy Ingredients Sales Division of the Asian Business expects a recovery in sales of preparation ingredients for the Japan market and an increase in sales to local customers. The Cheese Manufacturing and Sales Division of the Asian Business expects sales of cheese to continually expand, mainly to the food-service industry.

❷We expect an increase in ordinary profit along with an increase in sales.

❸We plan to increase dividends to strengthen shareholder returns.
We aim to achieve a payout ratio of 30%.

Net Sales by Division

(¥mn)	FY11/2023					FY11/2024					FY11/2025
	1Q	2Q	3Q	4Q	FY-end	1Q	2Q	3Q	4Q	FY-end	Full-year forecast
Dairy Ingredients and Cheese Business	**27,594**	**29,196**	**26,367**	**28,687**	**111,845**	**28,124**	**30,807**	**28,577**	**26,672**	**114,182**	**119,600**
YoY	25.3%	16.0%	4.8%	8.4%	13.2%	1.9%	5.5%	8.4%	-7.0%	2.1%	4.7%
Meat and Ingredients	**4,063**	**4,933**	**4,416**	**4,854**	**18,268**	**5,111**	**5,427**	**5,801**	**5,447**	**21,788**	**22,000**
YoY	15.1%	33.7%	19.2%	15.4%	20.7%	25.8%	10.0%	31.3%	12.2%	19.3%	1.0%
Functional Food Ingredients	**625**	**961**	**1,142**	**1,188**	**3,917**	**744**	**863**	**1,408**	**2,124**	**5,141**	**7,600**
YoY	93.2%	65.5%	155.3%	64.8%	89.0%	19.1%	-10.1%	23.3%	78.8%	31.2%	47.8%
Asian Business (Dairy Ingredients)	**5,248**	**5,316**	**3,534**	**4,823**	**18,922**	**4,207**	**5,523**	**5,727**	**6,125**	**21,584**	**24,300**
YoY	9.7%	-29.1%	-50.4%	-33.6%	-29.1%	-19.8%	3.9%	62.1%	27.0%	14.1%	12.6%
Asian Business (Cheese)	**1,087**	**1,158**	**1,226**	**1,355**	**4,828**	**1,264**	**1,414**	**1,460**	**1,454**	**5,594**	**6,800**
YoY	16.3%	29.9%	15.2%	24.1%	21.2%	16.3%	22.0%	19.0%	7.3%	15.9%	21.5%
Others	**126**	**137**	**192**	**88**	**544**	**267**	**801**	**642**	**905**	**2,616**	**2,700**
YoY	-20.3%	-29.1%	-3.0%	-52.0%	-25.9%	111.9%	481.1%	233.9%	923.5%	380.2%	3.2%
Total net sales	**38,745**	**41,704**	**36,880**	**40,997**	**158,328**	**39,720**	**44,839**	**43,618**	**42,729**	**170,907**	**180,000**
YoY	22.0%	9.7%	-2.2%	2.7%	7.4%	2.5%	7.5%	18.3%	4.2%	7.9%	5.3%

Note: Amounts of less than one million yen have been omitted

※The total sales forecast for the fiscal year ending November 2025 includes a consolidated adjustment of -3,000 million yen.

Sales Volume by Business

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(tons)	FY11/2023					FY11/2024					FY11/2025
	1Q	2Q	3Q	4Q	FY-end	1Q	2Q	3Q	4Q	FY-end	Full-year forecast
Dairy Ingredients and Cheese Business	**40,578**	**44,757**	**39,464**	**42,622**	**167,421**	**45,583**	**45,515**	**43,043**	**42,259**	**176,402**	**177,400**
YoY	-13.2%	-10.0%	-11.6%	1.8%	-8.5%	12.3%	1.7%	9.1%	-0.9%	5.4%	0.6%
Meat and Ingredients	**6,005**	**7,872**	**6,957**	**7,289**	**28,125**	**7,766**	**8,076**	**8,302**	**7,685**	**31,831**	**32,000**
YoY	0.0%	29.2%	13.5%	11.3%	13.5%	29.3%	2.6%	19.3%	5.4%	13.2%	0.5%
Functional Food Ingredients	**409**	**722**	**736**	**938**	**2,806**	**584**	**683**	**1,170**	**1,761**	**4,199**	**5,800**
YoY	61.1%	67.0%	134.8%	65.3%	79.0%	42.7%	-5.4%	58.9%	87.7%	49.6%	38.1%
Asian Business (Dairy Ingredients)	**10,374**	**10,713**	**6,390**	**9,772**	**37,251**	**8,286**	**10,232**	**10,352**	**10,857**	**39,728**	**48,700**
YoY	-9.0%	-29.3%	-48.3%	-15.2%	-26.1%	-20.1%	-4.5%	62.0%	11.1%	6.6%	22.6%
Asian Business (Cheese)	**1,154**	**1,214**	**1,172**	**1,286**	**4,827**	**1,228**	**1,307**	**1,353**	**1,532**	**5,422**	**6,300**
YoY	-7.9%	12.1%	-5.7%	6.6%	0.8%	6.4%	7.6%	15.5%	19.2%	12.3%	16.2%

Note: Quantities of less than one ton have been rounded down.

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

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- **The Company's stock price increased significantly in FY11/2024, with a P/B ratio exceeding 1x.**

- **The current P/E ratio is lower than pre-pandemic levels and the industry average (wholesale) of the Tokyo Stock Exchange Prime Market. However, we believe that the ratio could increase further because profit is steadily growing as the operating environment improves and new businesses make steady progress.**

- **ROE was 12.1% at the end of the fiscal year under review, a significant year-on-year increase. We will maintain our efforts to raise the figure even further by improving profitability and strengthening shareholder returns. To be more specific, we adopted ROIC as a management performance indicator in the previous fiscal year to improve profitability and maintain balance sheet efficiency.**

	FY11/2019	FY11/2020	FY11/2021	FY11/2022	FY11/2023	FY11/2024
ROE (%)	13.0	12.3	10.6	10.9	8.7	12.1
P/E (x)	17.57	14.05	11.75	9.16	9.45	9.13
P/B (x)	2.17	1.66	1.18	0.94	0.79	1.04
Share price at end of period (yen)）	3,515	2,943	2,336	2,121	1,951	2,882

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	Challenges	Initiatives
Improved ROE	Implement sales strategy with an emphasis on profit margins	• Introduction of ROIC as a management indicator for business divisions (Employees' attitude is gradually changing. We plan to use it for personnel evaluations and business decisions during this fiscal year.)
	Expand high value-added businesses	• Expand the Cheese Manufacturing and Sales Division of the Asian Business (improve cost of sales ratio/sales volume) • Increase the handling of functional food ingredients • Strengthen our business portfolio as a medium- to long-term endeavor
	Involve ourselves deeply in key areas of the supply chain	• Strengthen the development of special products by enhancing collaboration with suppliers • Promote sustainability management
	Invest in growth areas	• Build a new plant (through relocation) in Singapore (the Cheese Manufacturing and Sales Division of the Asian Business)
	Improve shareholder returns	• Increase the dividend payout ratio, and make continual efforts to increase it even further (FY11/2023：23.2% → FY11/2024：25.3% → FY11/2025 [forecast]：30.2%)
Improved P/E	Encourage growth expectations	• Present a clear strategy for growth (we plan to release a new corporate business plan)
	Strengthen dialogue with shareholders and investors to gain trust	• Review KPIs for executive compensation • Strengthen IR by expanding staff (from FY11/2025), expand opportunities for dialogue with investors
	Expand information dissemination	• Enhance information in the integrated report and on the website • Expand English-language information disclosure

03 Dialogue with Shareholders and Investors

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Currently,We hold regular dialogue with investors in Japan.

Main events

* FY11/2024 results

Activities	Event details		Representative
For institutional investors	Financial results briefing (full year and 2nd quarter)	Twice	President, Executive Vice President (in charge of Investor & Public Relations)
	Individual meetings (mainly with domestic institutional investors)	1H: 54 times 2H: 61 times * Total number of meetings	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
	Small meetings (brokerage firms)	3 times	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
	Shareholder meetings (mainly with domestic institutional investors)	10 times	Executive Vice President (in charge of Investor & Public Relations), Manager of Investor Relations & Public Relations Department
For individual investors	Briefings for individual investors	Twice	President

Main themes of dialogue

1. **Recent business performance and the 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
2. **Medium-term growth strategy**
   - Initiatives for the growth of core and priority businesses
   - Investment plan (status of the new Singapore plant)
   - Approach to financial strategy
   - Shareholder Returns Policy
3. **Disclosure of sustainability initiatives and related information**
   - Progress of the succession plan (corporate governance)

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Details of dialogue with shareholders, investors, etc. (Examples of key dialogue)

Questions and comments from shareholders and investors	Summary of our responses
Tell us about changes in the operating environment.	Demand for domestic dairy ingredients, particularly those for commercial use, began to recover. In terms of supply, demand recovered for imported ingredients despite the weak yen. This was because the international prices of dairy ingredients became stable and because the inventory of overstocked skim milk powder, which had negatively affected the Japanese market, began to decline.
Please improve the dividend payout ratio (a request regarding the shareholder return policy).	We regard shareholder returns as the most important management issue. We are seeking to increase the dividend payout ratio while balancing growth and returns. We had strong earnings this fiscal year. Therefore, we decided to increase shareholder returns and raise dividend during the year. We expect to achieve a 25% payout ratio set forth in the Corporate Business Plan ahead of schedule. We intend to maintain our current stance and further increase our dividend payout ratio.
Tell us about the progress of the succession plan.	The Nomination and Compensation Advisory Committee conducts interviews with executive officers and managers (department managers). The committee discusses the information obtained in these interviews. This content is also shared with the Board of Directors.
Tell us about the relocation of the Cheese Manufacturing & Sales Business in Singapore to a new plant.	The expansion of the Cheese Manufacturing & Sales Business in Asia is one of the priority measures in the Group's growth strategy. Preparations for the new factory are progressing smoothly, with the aim of launching operations starting in FY11/2026.
Tell us about the management that considers ROIC.	We will introduce ROIC as a management performance indicator for each division. We began to calculate ROIC this fiscal year (FY11/2024) to grasp the current situation regarding profitability. We began to have discussion with each department to share our ideas and thoughts. We are preparing to use ROIC in formulating strategies for each business division and in evaluating employees starting in the next fiscal year (FY11/2025). We hold study sessions to ensure that all employees have a thorough understanding of ROIC.

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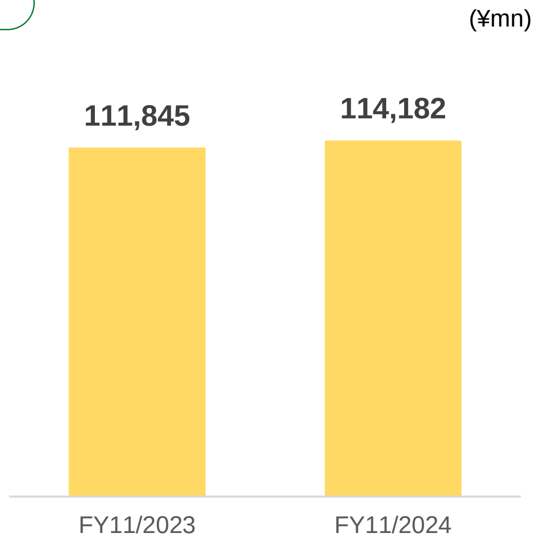
- **We have expanded information disclosure in response to the feedback received during our dialogue with shareholders and investors. We also improved our disclosure format and information dissemination tools.**
- **We plan to expand English-language disclosure and release sustainability-related KPIs in the future.**

	Questions and comments from shareholders and investors	Our responses
Information disclosure in English	English-language information disclosure should be improved. (Request by the Tokyo Stock Exchange)	For timely disclosure items, our basic stance is to disclose information both in Japanese and English at the same time. We also release summaries of financial results (kessan tanshin) in English (from April 2024).
Enhanced shareholder returns	Please raise your dividend payout ratio.	We have been increasing our dividend payments and payout ratio continuously since we went public. For FY11/2024, we decided to increase dividends during the year in line with our business performance. We expect to achieve a 25% payout ratio set forth in the Corporate Business Plan ahead of schedule.
Sustainability-related issues	You should make more aggressive efforts to expand disclosure of climate change-related information.	We issued Integrated Report Vol. 2 to expand the disclosure of non-financial information (August 2024). We established the Corporate Sustainability Department to strengthen our sustainability initiatives (October 2024).
Financial strategy	You should consider the balance sheet and capital efficiency in managing your business.	We introduced ROIC as a management indicator for each division (from FY11/2024).

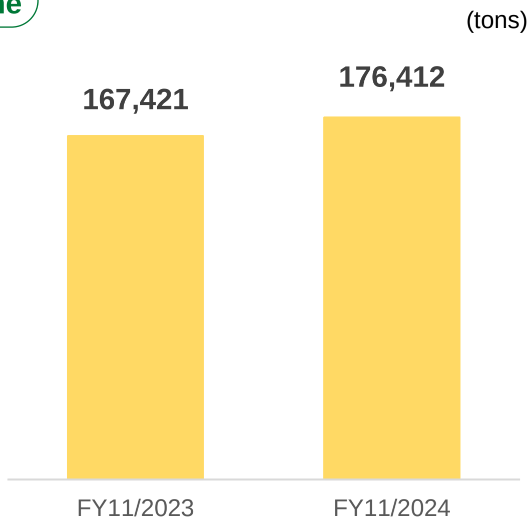
04 Overview of Operations for FY11/2024

Dairy Ingredients and Cheese Business Division

Net sales



Sales volume

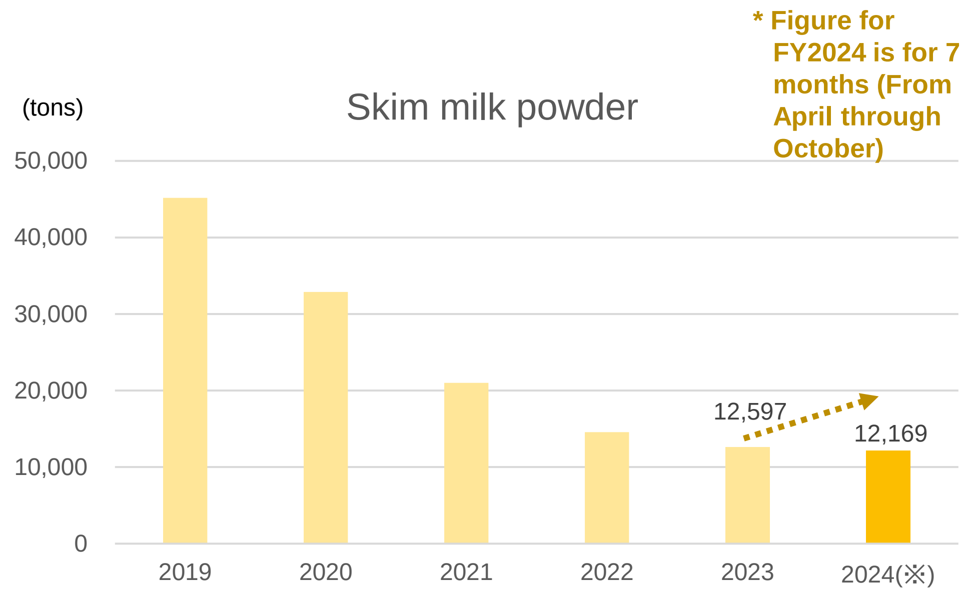


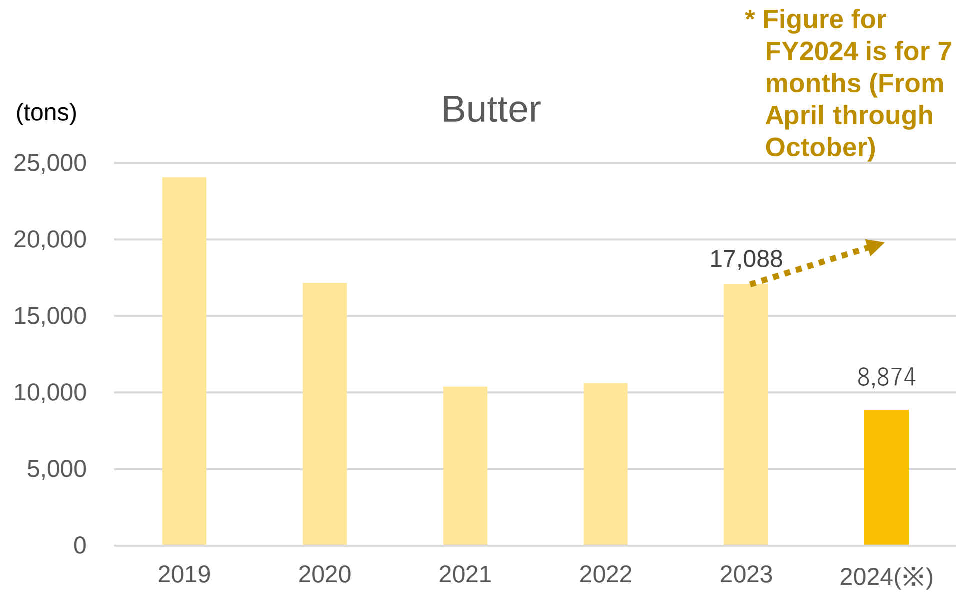
Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

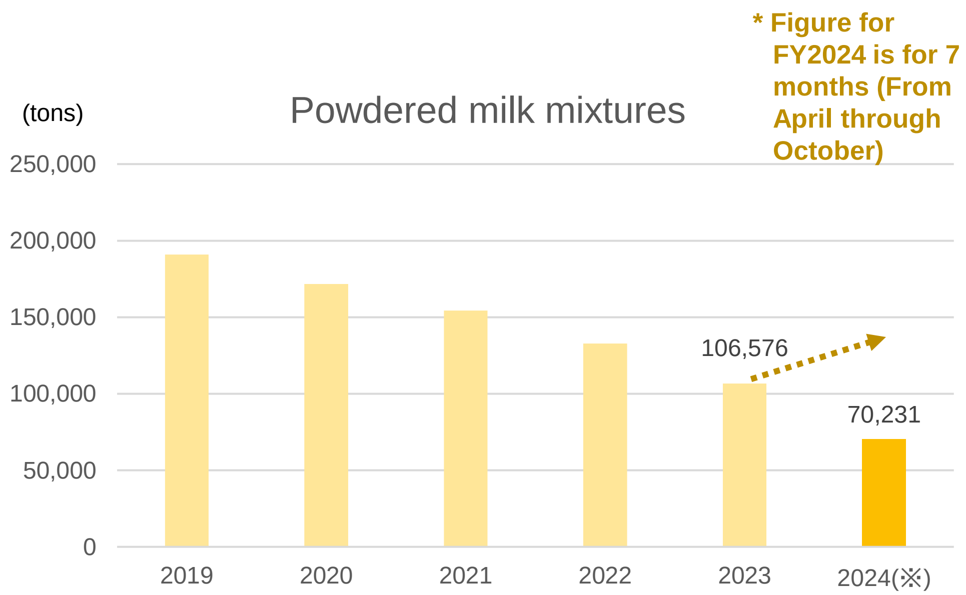
Business overview

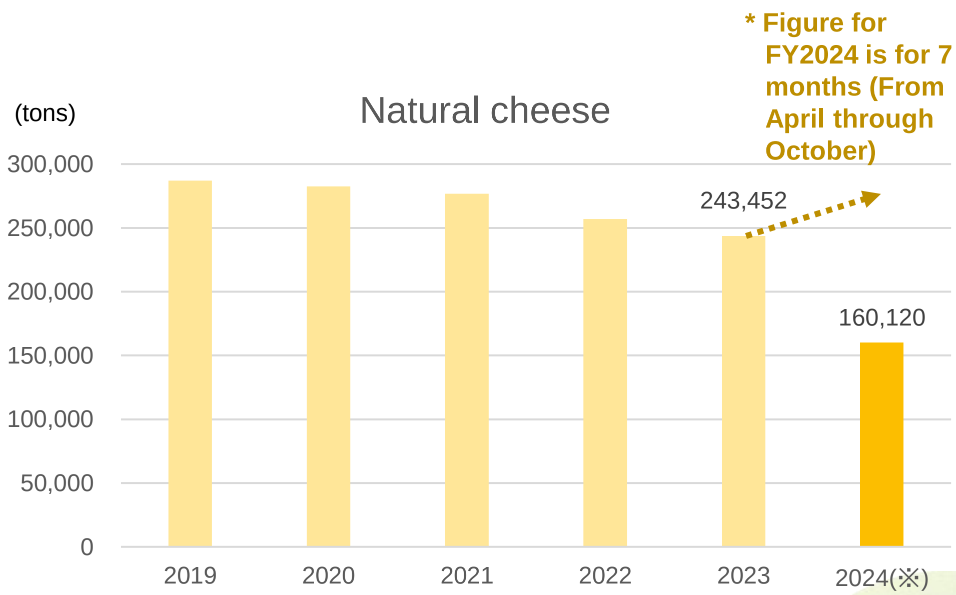
- The leisure and food service industries experienced robust growth, leading to increased demand for food products for commercial use and for ingredients for souvenir items. Demand for ice cream ingredients was also strong, as was the case in the previous year.
- Demand for imported fat-based dairy ingredients remained strong because the supply of domestic ingredients was limited at a time when demand for butter and cream was increasing.
- The progress of inventory adjustments for domestically produced skim milk powder has led to a recovery in the use of powdered milk ingredients by non-dairy manufacturers and feed manufacturers.
- Regarding cheese sales, demand was strong for commercial use, such as for the food service industry, even as demand for household use was sluggish due to the impact of price increases.
- Net sales increased YoY mainly as a result of an increase in sales volume.

Japan's major dairy imports









Source: *Shuyona nyuseihin no yunyuryo no suii* (Changes in imports of major dairy products) (FY) released by J-milk

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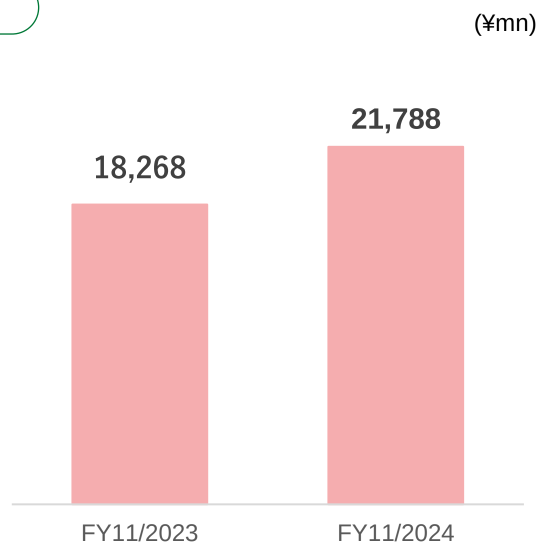
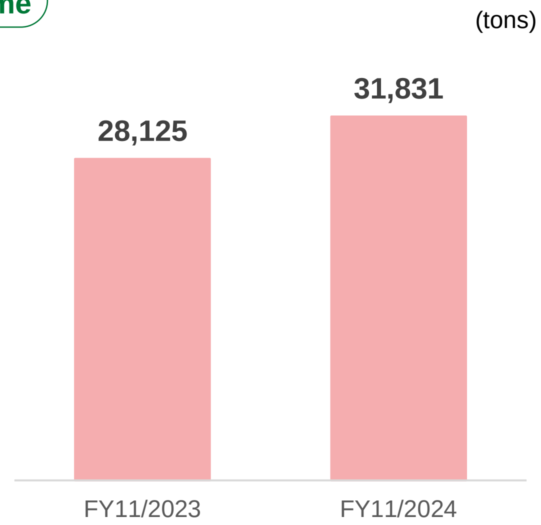
Meat and Ingredients Division

Net sales

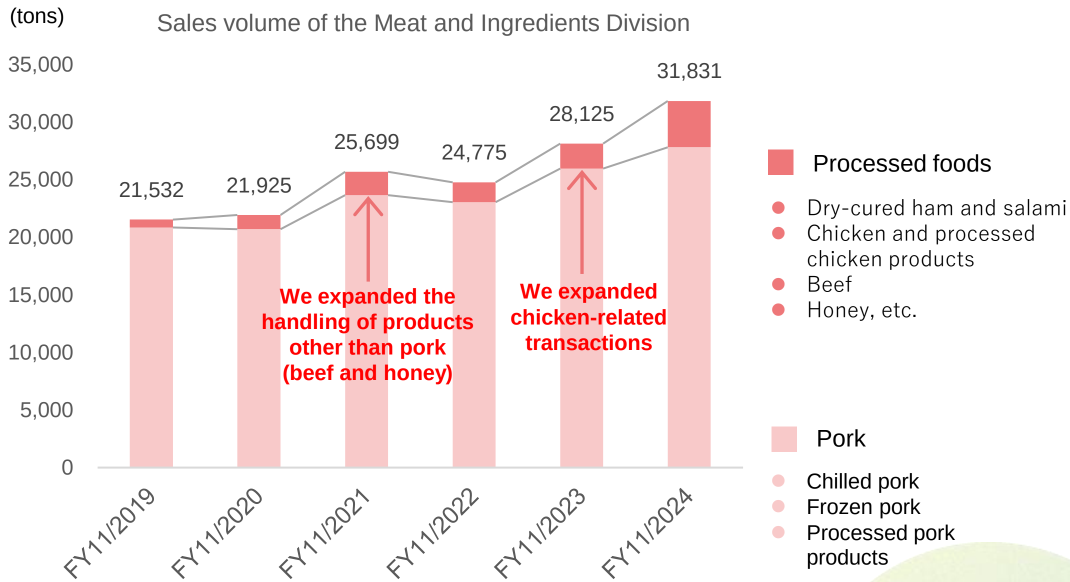


Sales volume



Business overview

- Competition with domestic meat has intensified because of high international market prices and the weak yen. The division achieved a record sales volume despite a challenging business environment.
- Sales of pork remained strong, while those of processed meat also grew. Sales of chicken and processed chicken products contributed to earnings for the entire year.
- Higher market prices for pork and a weaker yen resulted in higher unit sales prices. Net sales in the division increased YoY as a result.

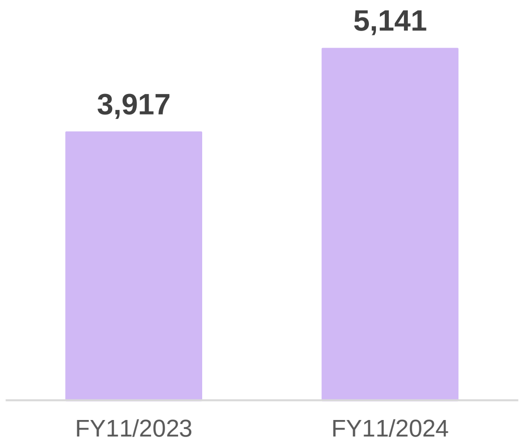


Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

Functional Food Ingredients Division

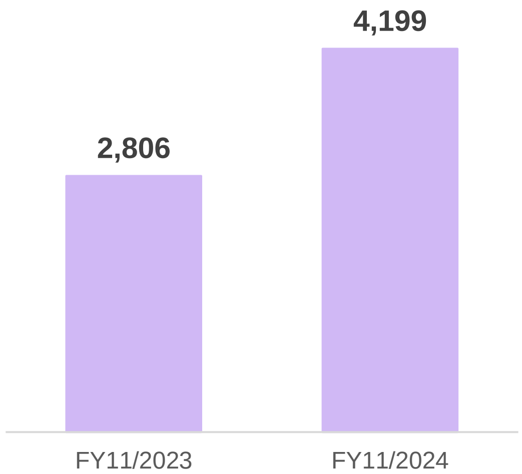
Net sales

(¥mn)



Sales volume

(tons)



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

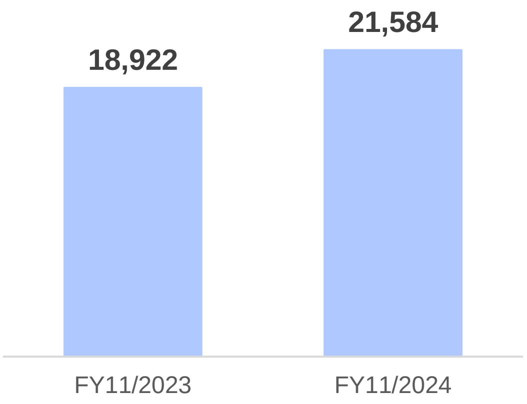
Business overview

- Sales of milk proteins, which are ingredients for protein products, continued to grow. Product sales also expanded outside the sports-related sector.
- As for sales of ingredients for protein products, we made steady progress in developing new customers. We expanded transactions through new styles of business development. For example, we provided full support to protein manufacturers entering the market for the first time as they launched a new brand.
- The division's sales and sales volume increased year on year thanks to brisk sales of protein ingredients, even though we struggled to meet our initial sales target for plant-derived ingredients.
- As a new initiative, we have started exporting and selling functional food ingredients from Japan, utilizing our sales network in Asia.

Asian Business (Dairy Ingredients Sales Division)

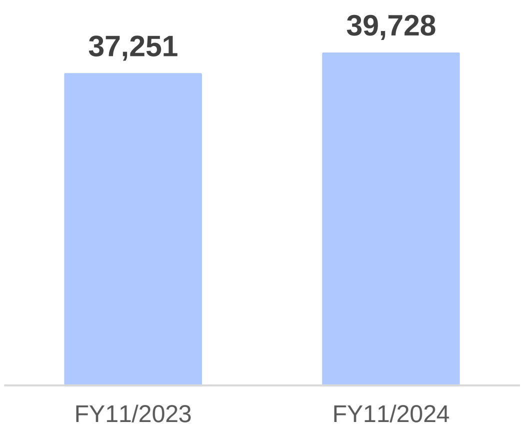
Net sales

(¥mn)



Sales volume

(tons)



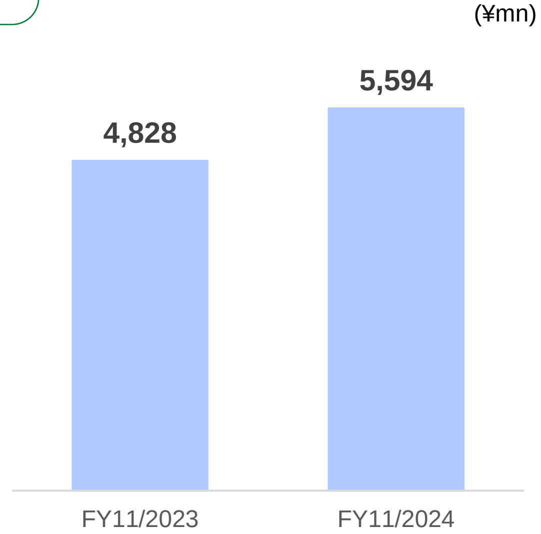
Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

Business overview

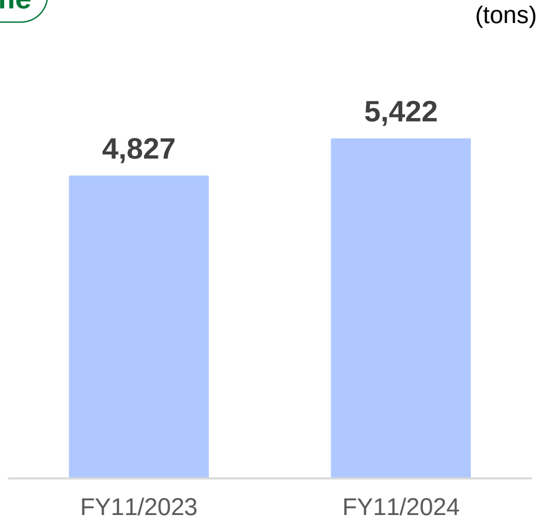
- Demand for powdered milk mixtures had bottomed out in Japan, with the result that there were signs of recovery in sales of related ingredients.
- Special products for Japanese companies sold well. We also increased transactions with local companies in the Philippines and Malaysia.
- We have launched a full-scale trading business at our Indonesian base.
- Net sales increased YoY mainly because of an increase in sales volume.

Asian Business (Cheese Manufacturing & Sales Division)

Net sales



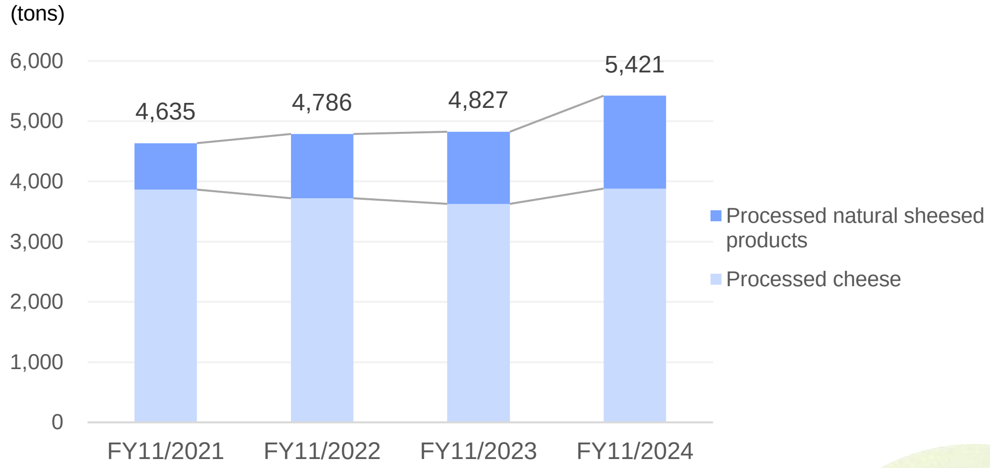
Sales volume



Business overview

- We focused on expanding sales of natural cheese, for which the market is expected to expand. We increased sales of processed natural cheese products for the food service industry, mainly in Singapore and Malaysia.
- Sales of processed cheese for the food service industry and bakeries also began to recover. Production efficiency has improved as the market prices of raw cheese stabilized and production volume increased, further contributing to profit.

Sales volume of the Asian Business
(Cheese Manufacturing & Sales Division)

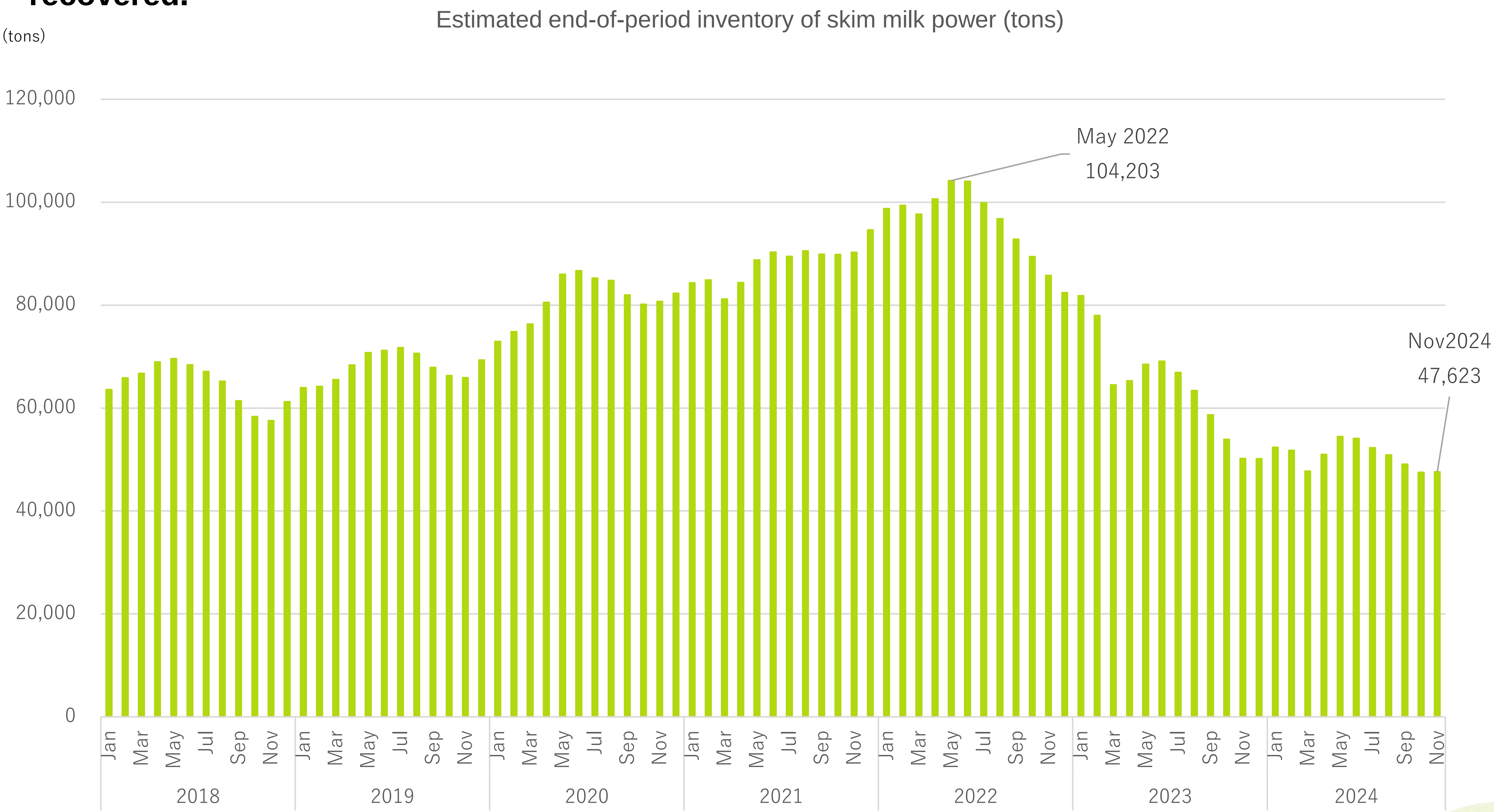


Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

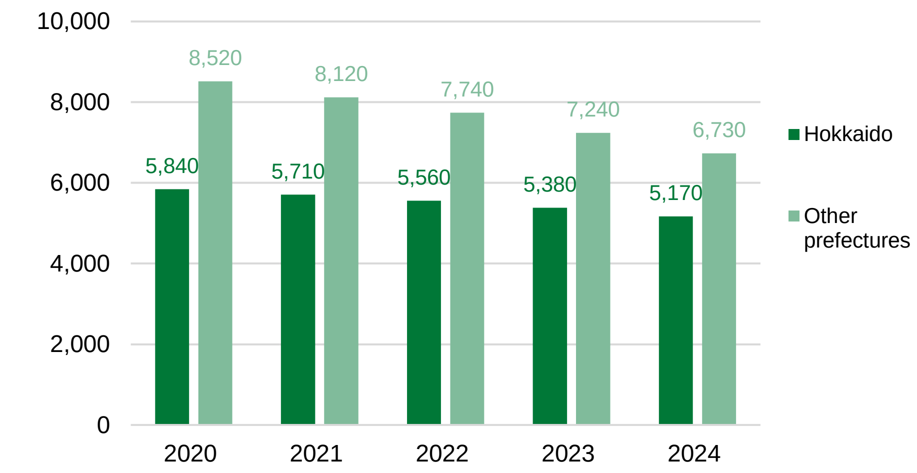
05 Business Environment (Mainly the Dairy Products Sales Business)

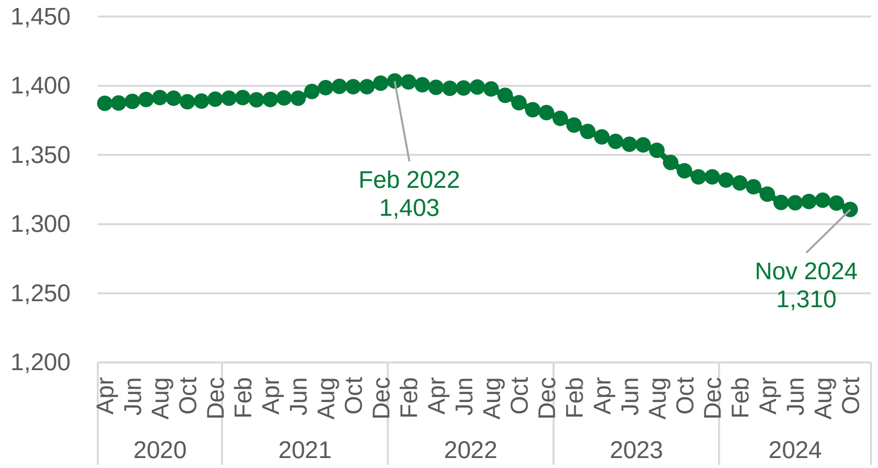
Lacto Japan

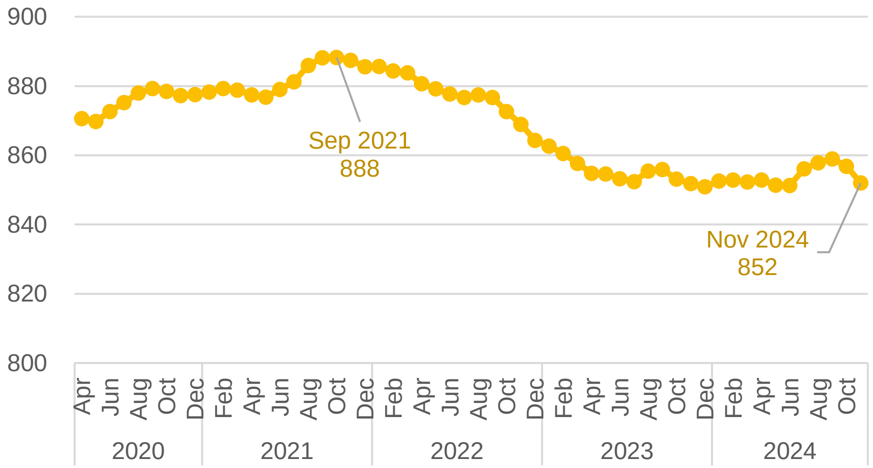
● **Progress has been made in the adjustment of the inventory of skim milk powder as dairy manufacturers and others continued to implement countermeasures and as domestic demand recovered.**

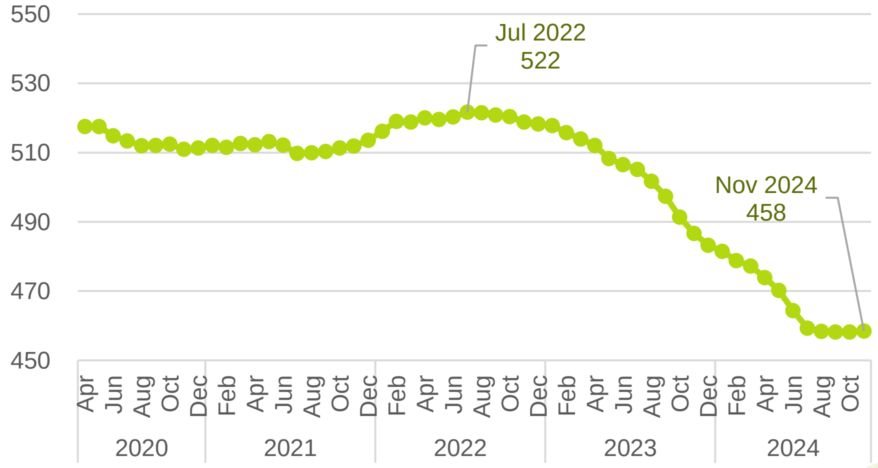


- **The number of cattle breeders (dairy farmers) and the number of cattle both declined as the production cost increased.**



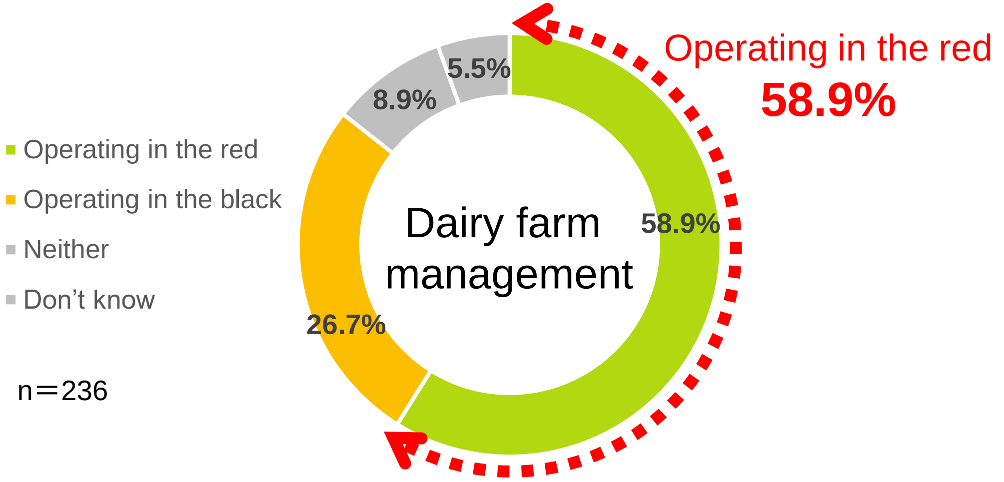


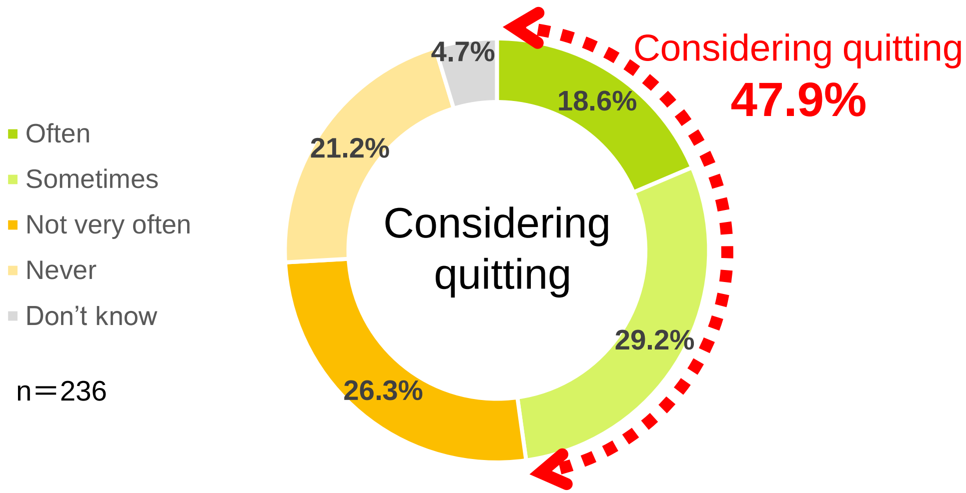


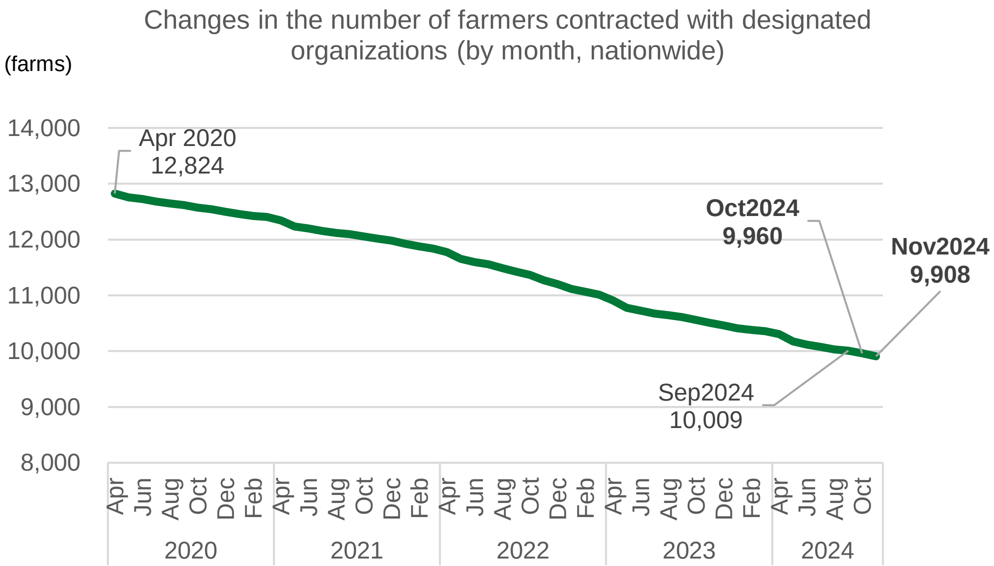


Source: *Nendo betsu kenbetsu getsurei betsu nyuyoshu mesu no shiyo tosu* (Number of dairy cows [female] by year, prefecture, and month [FY2020-2023])(J-Milk)

- **A total of 60% of Japanese dairy farmers are in the red, and half are considering quitting**
- **The number of dairy farms contracted with designated organizations fell below 10,000 for the first time in October 2024.**







(Source)

Nihon no rakunoka no keiei jokyo ni kansuru chosa (Survey on the management status of Japanese dairy farmers)

Released by the Japan Dairy Council

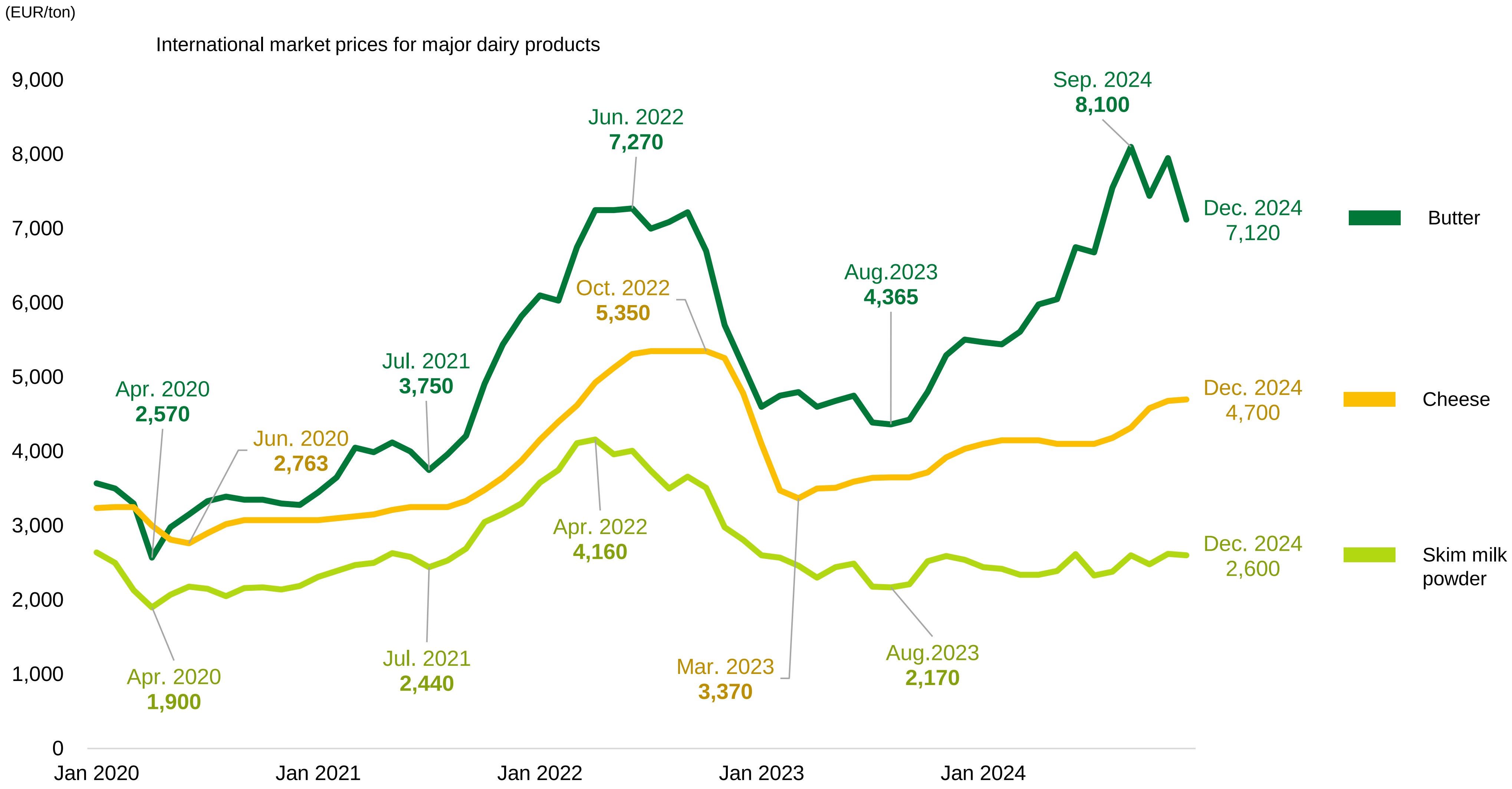
Survey period: November 15 to 25, 2024

Survey method: Questionnaire (online/fax)

Survey subjects: 236 dairy farmers in Japan

Lacto Japan

International market prices of butter soared toward the second half of 2024, while the prices of cheese and skim milk powder remained stable.



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

06 Initiatives for FY11/2025

Lacto Japan

Dairy Ingredients and Cheese Business Division

Business environment

- Expected full-scale recovery in demand for imported dairy ingredients
- Impact of price revision on cheese and other food products

Initiatives

- Strengthen sales of high-protein ingredients and ingredients for ice cream, for which demand is expected to increase
- Strengthen the development and sales of fat-based dairy ingredients, for which demand is expected to increase
- Improve ROIC by improving profit margin and CCC
- Improve procurement capabilities by strengthening relationships with existing suppliers and cultivating new suppliers

(Note) CCC: cash conversion cycle

Lacto Japan

Meat and Ingredients Division

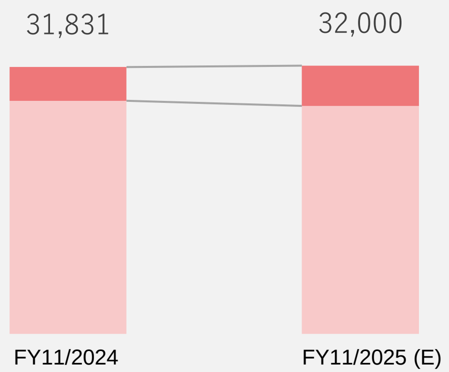
Business environment

- Expected ongoing demand for U.S. pork
- Increasing demand for processed foods in Japan

Initiatives

- Strengthen collaboration with U.S. suppliers and expand sales of pork by capitalizing on product appeal
- Strengthen sales of processed foods (mainly chicken products)
- Launched a sales agency business representing a time-honored European spice manufacturer this fiscal year Focus on winning new customers by leveraging the synergies with existing businesses

Sales volume of the Meat and Ingredients Division



Processed foods

- Dry-cured ham, salami
- Chicken and processed chicken products
- Beef
- Honey, etc.

Pork

- Chilled pork
- Frozen pork
- Processed pork products

Processed chicken products (our own products)

Lacto Japan

Functional Food Ingredients Division

Business environment

- Increasing need for differentiation of protein products
- Health-food boom spreading to Asia

Initiatives

- Expand sales of protein ingredients by offering various shapes and specifications
- Strengthen proposals by combining multiple functional ingredients (expand the handling of functional food ingredients other than proteins)
- Expand sales of gelatin, collagen, and plant-derived ingredients.
- Begin full-scale export and sales of functional ingredients to the Asian market

Lacto Japan

Asian Business (Dairy Ingredients Sales Division)

Business environment

- Expected recovery in demand for powdered milk mixtures in Japan
- Expected recovery and increase in demand for dairy products in Southeast Asian countries

Initiatives

- Strengthen sales of ingredients produced in Oceania
- Strengthen local sales force for dairy ingredients (Indonesia, Thailand)
- Collaborate with the head office and make efforts to sell functional food ingredients

Lacto Japan

Asian Business (Cheese Manufacturing & Sales Division)

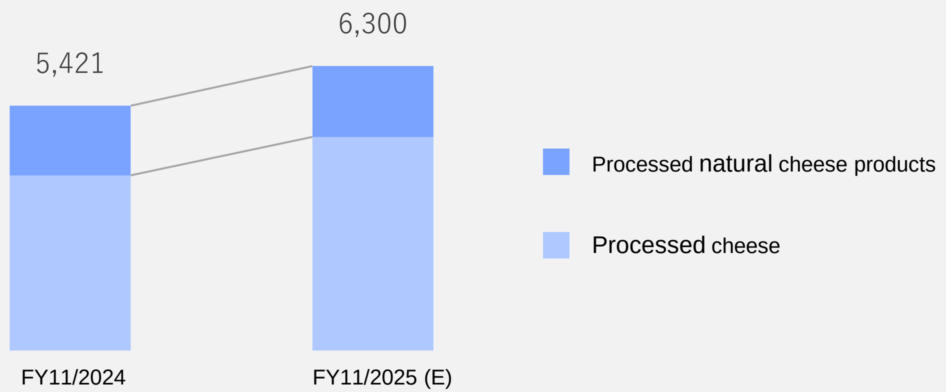
Business environment

- Japanese restaurant chains' aggressive expansion in Asia
- It is estimated that profitability may improve due to lower ingredient prices

Initiatives

- Strengthen production and sales of processed natural cheese products
- Win new customers to prepare for the launch of a new plant in FY11/2026
- Improve manufacturing efficiency by reviewing merchandise

Sales volume of the Asian Business
(Cheese Manufacturing & Sales Division)



Natural shredded cheese
(our own product)

(Reference) Overview of the new Singapore factory

New plant: visual representation

Construction progress (January 2025)

Construction progress (January 2025)

Overview of the plant

Location	Senoko, Sembawang
Production volume	Maximum capacity: 10,000 tons
Floor space	Approximately 6,500㎡
Start of operation	From FY11/2026

07 Progress of the Corporate Business Plan NEXT-LJ 2025

- Focus on strengthening the foundation for growth during the three-year period from FY11/2023 to FY11/2025 as the first step toward achieving the long-term vision

	Base Evolution of existing business	Growth Expansion of Asian business	Challenge Build next-generation businesses
Business growth	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 cater to various faith traditions and food cultures	Participate in dairy farming and other upstream areas
	M&A (Acquisition of overseas trading houses, acquisition of peers, and business alliances)		
Strengthening of management base	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		

Lacto Japan

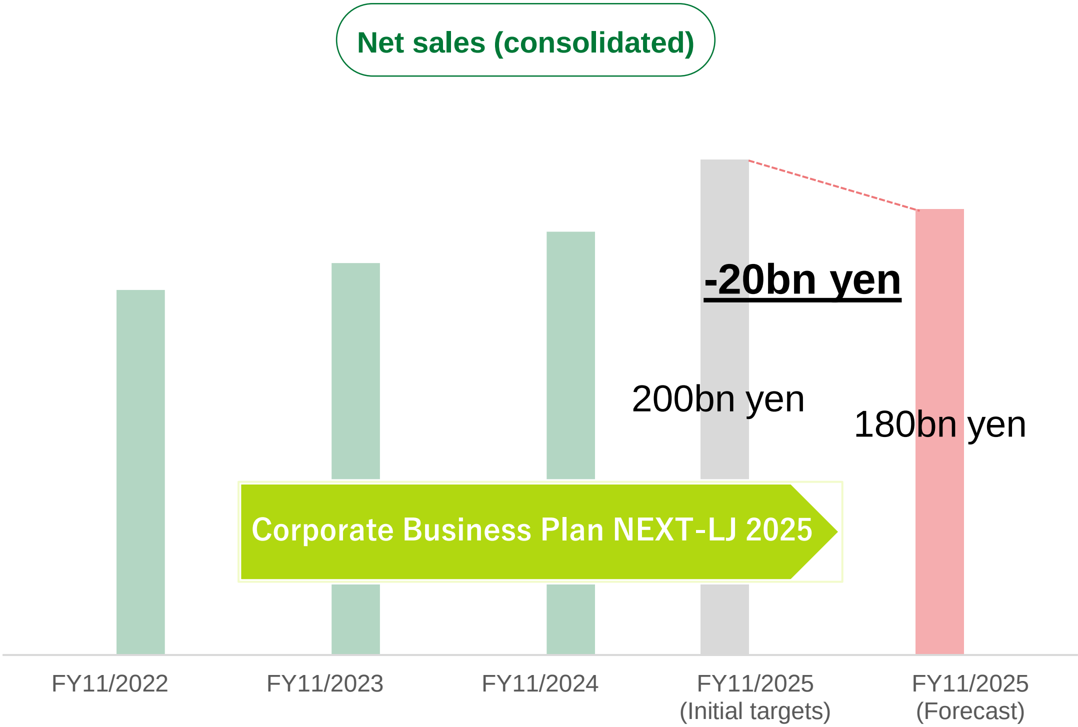
Implement each measure steadily in accordance with the basic policies

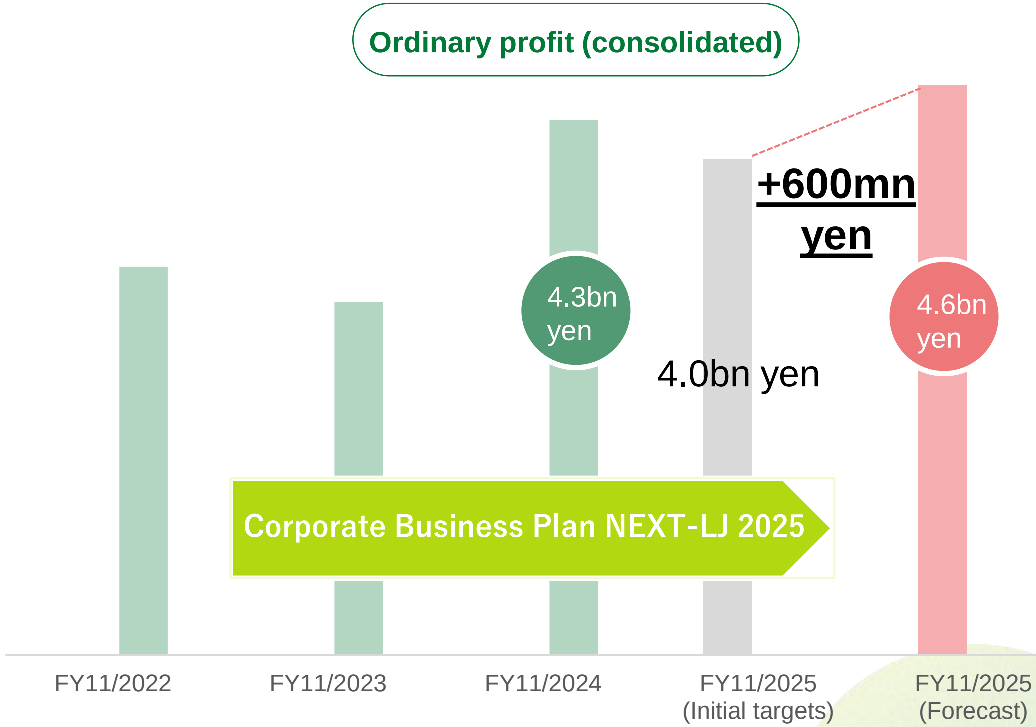
	Base Evolution of existing businesses	Growth Expansion of the Asian Business	Challenge Establishment of next-generation businesses
Progress	Diversification of supply sources ● **Made progress in cultivating new suppliers and strengthening ties with existing suppliers (dairy ingredients)** Best matching ● **Increased market share for several products amid declining imports of dairy ingredients and cheese** Export Japanese food products ● **Launched export sales of functional food ingredients**	Expansion of the Cheese Manufacturing & Sales Business ● **Made progress in the preparation for the construction of a new plant in Singapore** (to be launched in FY11/2026) ● **Strengthened cooperation among factories** (strengthening the Thai factory's backup system) **for the launch of the new factory** Strengthening of the local sales force ● **Strengthened our sales force in Indonesia and Thailand**	New products ● **Expanded the functional food ingredients sales business** (Developed businesses not limited to ingredient trading) (Began exporting and selling to Asia)
Ongoing Challenges	Export Japanese food products ● **Exploring ways to develop export operations**	Expansion of the Cheese Manufacturing & Sales Business ● **Expansion of sales to local Asian companies continues to be an issue for both dairy ingredients sales and cheese manufacturing and sales.**	New products ● **Expansion of the handling of non-protein ingredients** (plant-derived ingredients, gelatin, collagen, etc.)

We raised the final-year targets of the Corporate Business Plan NEXT-LJ 2025

Corporate Business Plan NEXT-LJ 2025

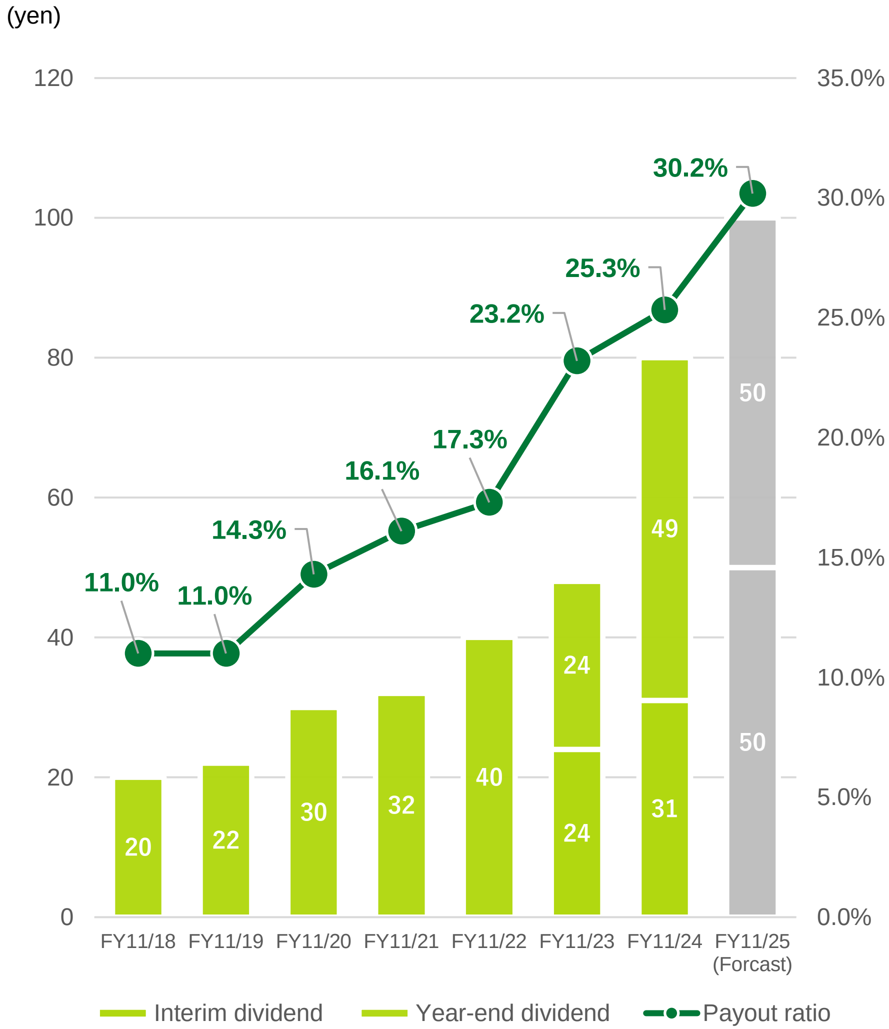
	FY11/2022 (Results)	FY11/2023 (Results)	FY11/2024 (Results)	FY11/2025 (Initial targets)	FY11/2025 (Forecast)	FY11/2025 (Revised targets)	Vs. FY11/2022
Net sales (Consolidated)	147.4bn yen	158.3bn yen	170.9bn yen	200bn yen	180bn yen	(20bn yen)	+22.1%
Ordinary profit (Consolidated)	3.13bn yen	2.85bn yen	4.32bn yen	4.0bn yen	4.6bn yen	+600mn yen	+46.7%
Profit attributable to owners of parent	2.29bn yen	2.05bn yen	3.15bn yen	2.9bn yen	3.3bn yen	+400mn yen	+44.3%





The basic policy on shareholder returns is to increase dividends as we continue to improve the dividend payout ratio.

Changes in dividends and the dividend payout ratio



Policy on shareholder returns

- We regard the appropriate return of profits to our shareholders as an important management issue. Our basic policy is to improve the dividend payout ratio while securing investment funds for future growth and internal reserves.
- For this fiscal year, we plan to pay an annual dividend of 100 yen per share (including an interim dividend of 50 yen) in order to achieve, ahead of schedule, our long-term target of a dividend payout ratio of 30% or more. This will be possible because our financial base has been greatly enhanced through the accumulation of profit through business growth.

Note: The dividend amount reflects the stock split (two-for-one common stock split) that took effect on May 1, 2019

Caution

This document contains forward-looking statements regarding the Company's strategies and future performance. These statements reflect our current views and expectations and are subject to risks and uncertainties. Actual performance may differ depending on changes in our operating environment and various other factors.

Lacto Japan