Financial Results Briefing for First Half FY11/2025

Lacto Japan Co., Ltd.

July 18, 2025

INDEX

01 Consolidated Financial Results for H1 and Full-year Earnings Forecasts for FY11/2025

Overview of Consolidated Financial Results for H1 FY11/2025

- **For the first half of the fiscal year, net sales, ordinary profit, and profit attributable to owners of parent all reached record highs. All business divisions exceeded the prior-year results, demonstrating strong progress. Even excluding one-time (non-operating) income, ordinary profit hit a record high.**

(Million yen)	H1 FY11/2024	Initial forecast	H1 FY11/2025 Results	H1 FY11/2025 YoY Change (%)	H1 FY11/2025 Vs. Initial forecast (%)
Net sales	84,560	86,000	**95,293**	+12.7	+10.8
Ordinary profit	2,260	2,300	**3,832**	+69.5	+66.7
Ordinary profit margin (%)	2.7	2.7	**4.0**	–	–
Foreign exchange impact on ordinary profit *	(-24)	–	**(78)**	–	–
Ordinary profit after adjusting for foreign exchange effects	(2,285)	–	**(3,754)**	(+64.2)	–
Profit attributable to owners of parent	1,654	1,700	**2,797**	+69.1	+64.5
Net profit margin (%)	2.0	2.0	**2.9**	–	–

	H1 FY11/2024	Initial forecast	H1 FY11/2025 Results
Basic earnings per share (Yen)	165.97	170.71	**280.78**
Exchange rate (Yen/USD)	149.95	–	**150.14**
Exchange rate (Yen/EUR)	162.47	–	**161.27**

Main points for increase/decrease

❶ Net sales : Record high

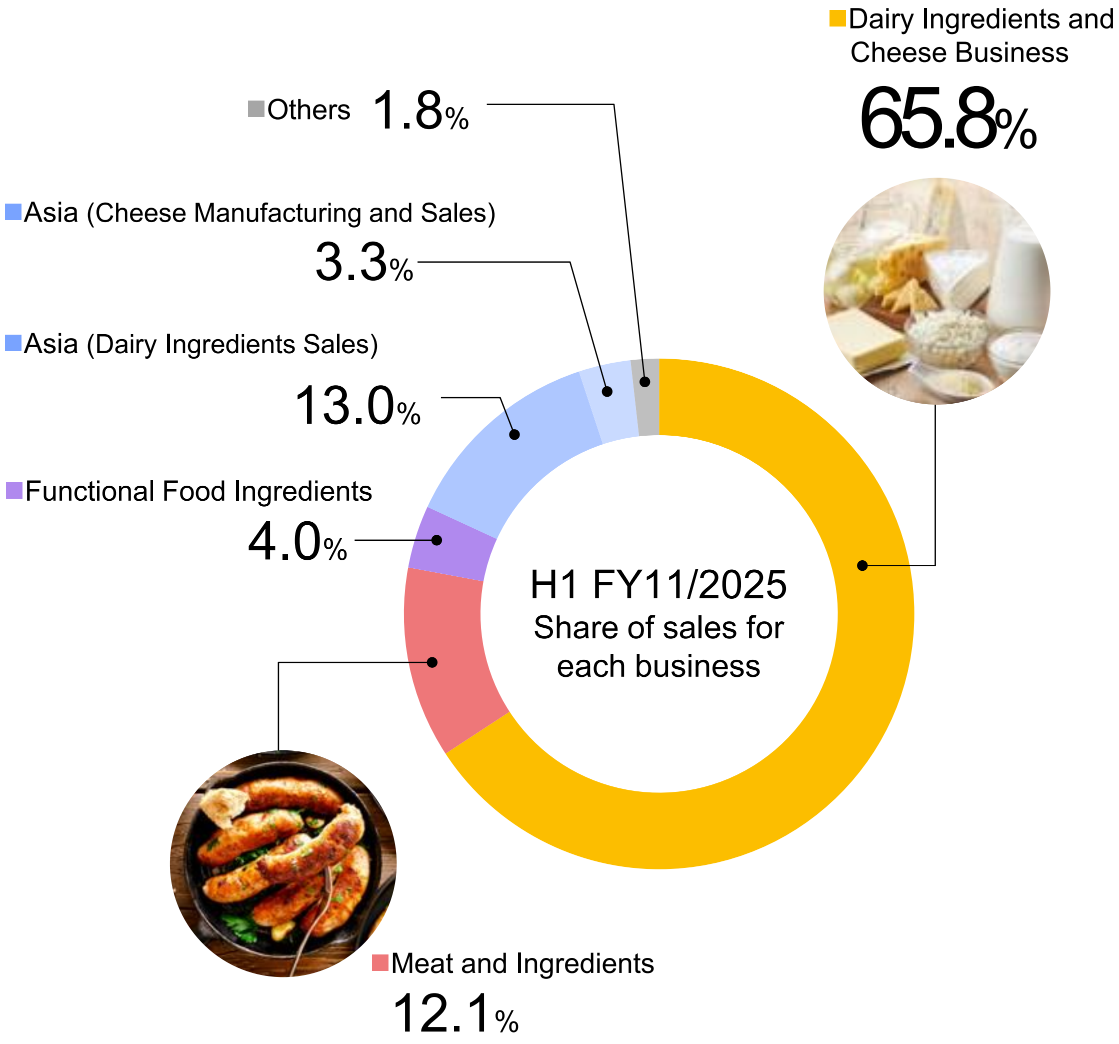
- All business divisions outperformed both the previous year's results and the initial plan, achieving double-digit growth in consolidated net sales.

❷ Ordinary profit : Record high

- Profit margins improved in the domestic Dairy Ingredients and Cheese Business Division and the Asian Cheese Manufacturing and Sales Division.
- Recorded non-operating income from compensation related to quality issues with certain products that occurred in the previous fiscal year.

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.

H1 FY11/2025 Net Sales and Sales Volume by Business Division (YoY Changes)



Dairy Ingredients and Cheese Business Division

Net sales	**62,686** million yen	YoY Change	**+6.4%**
Sales volume	**86,799** tons	YoY Change	**- 4.7%**

Meat and Ingredients Division

Net sales	**11,560** million yen	YoY Change	**+9.7%**
Sales volume	**16,180** tons	YoY Change	**+2.1%**

Functional Food Ingredients Division

Net sales	**3,779** million yen	YoY Change	**+134.9%**
Sales volume	**3,044** tons	YoY Change	**+140.1%**

Asian Business (Dairy Ingredients Sales Division)

Net sales	**12,418** million yen	YoY Change	**+27.6%**
Sales volume	**20,678** tons	YoY Change	**+11.7%**

Asian Business (Cheese Manufacturing and Sales Division)

Net sales	**3,142** million yen	YoY Change	**+17.3%**
Sales volume	**2,826** tons	YoY Change	**+11.4%**

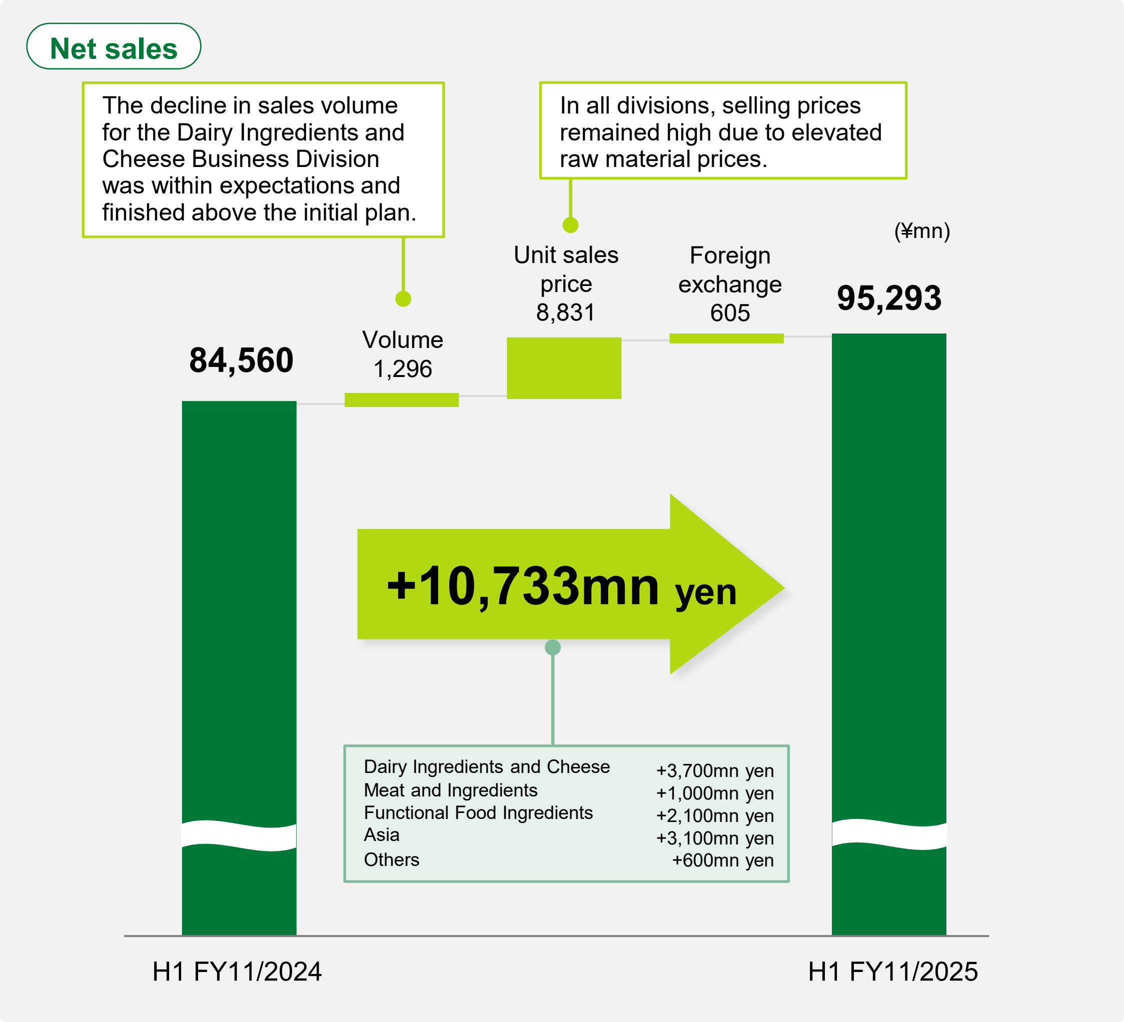
Others

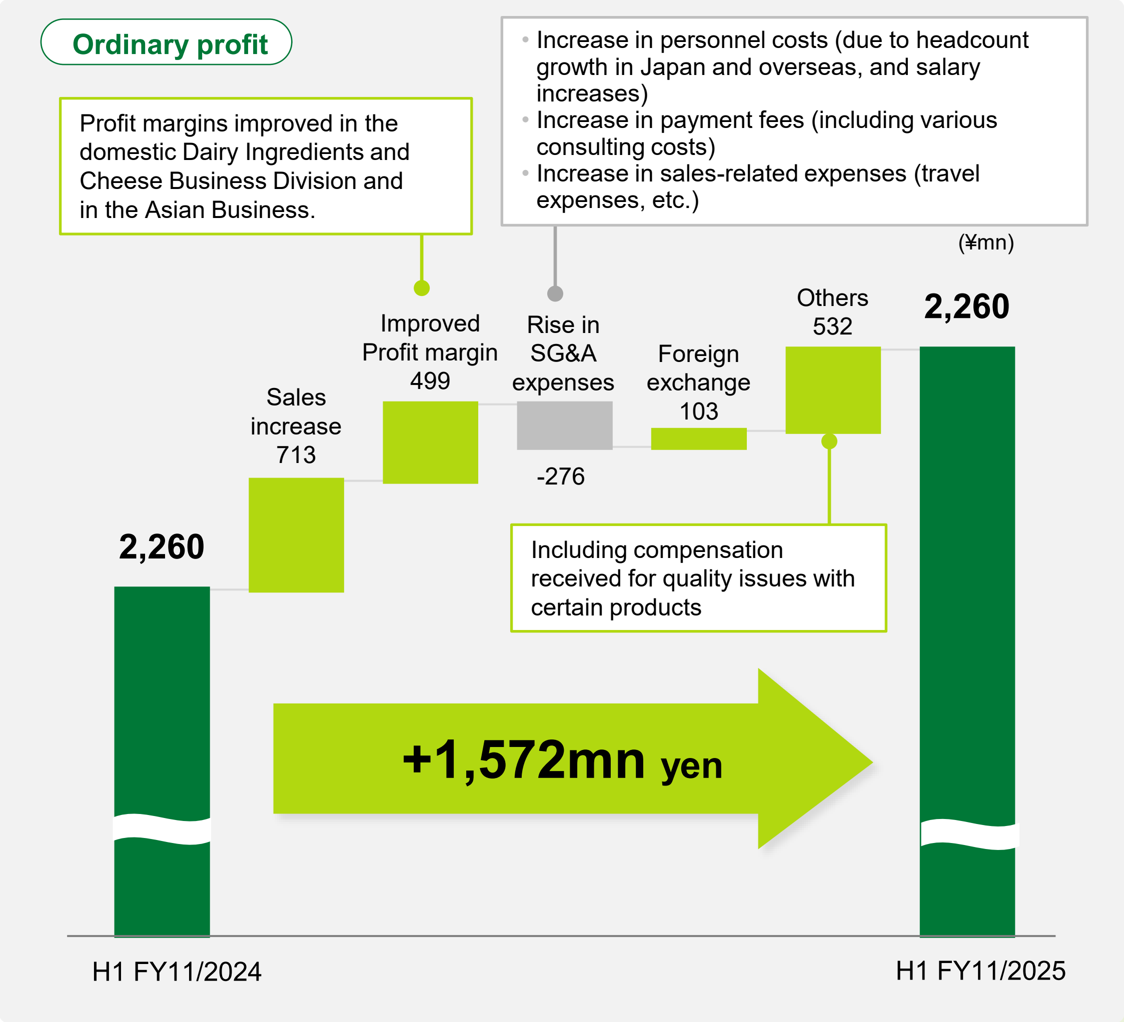
Net sales	**1,706** million yen	YoY Change	**+59.6%**

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:** Sales volume increased in all divisions except the Dairy Ingredients and Cheese Business Division, exceeding the previous year's results. Higher raw material prices led to elevated selling prices, contributing to increased revenue.
- **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-May 2025	Difference
Total current assets	**75,826**	**86,900**	**11,073**
Cash and deposits	9,076	10,359	1,282
Notes and accounts receivable	24,028	28,523	4,494
Inventories	42,119	46,528	4,408
Current assets, other	601	1,489	888
Total non-current assets	**5,608**	**6,001**	**392**
Property, plant and equipment	2,502	2,554	52
Intangible assets	321	728	407
Investments and other assets	2,785	2,717	-67
Total assets	**81,435**	**92,901**	**11,466**
Accounts payable	17,212	16,766	-445
Interest-bearing liabilities	33,435	43,669	10,234
Liabilities, other	3,206	3,040	-166
Total liabilities	**53,853**	**63,475**	**9,621**
Total net assets	**27,581**	**29,426**	**1,845**
Total liabilities and net assets	**81,435**	**92,901**	**11,466**

POINT ❶ (Notes and accounts receivable)
POINT ❷ (Inventories)
POINT ❸ (Interest-bearing liabilities)

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.

Main points for increase/decrease

Increase in notes and accounts receivable/inventories

❶ and ❷ An increase in the contracted volume of domestic sales for dairy ingredients and functional food ingredients, as well as meat sales.

Increase in interest-bearing liabilities

❸ Increase in short-term loans due to increase in working capital.

Consolidated Statements of Cash Flow

(Million yen)	H1 FY11/2025	
Cash flows from operating activities	-7,846	POINT ❶
Cash flows from investing activities	-546	POINT ❷
Cash flows from financing activities	9,718	POINT ❸
Effect of exchange rate change on cash and cash equivalents	-68	
Net increase in cash and cash equivalents	1,256	
Cash and cash equivalents at beginning of period	8,520	
Cash and cash equivalents at end of period	9,776	

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

Main points for increase/decrease

Operating CF

❶ Increase in working capital (accounts receivable and inventories) due to increased transactions.

Investing CF

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

Financing CF

❸ Increase in borrowings due to higher working capital requirements.

2. Revised FY11/2025 Consolidated Earnings Forecasts

- **In light of the first-half results and recent order trends, the full-year earnings forecast and year-end dividend forecast were revised upward on July 9. Aiming to achieve record full-year profit.**

(Million Yen)		FY11/2024 Results	FY11/2025 Initial Forecast	FY11/2025 Revised Forecast	FY11/2025 YoY increase	FY11/2025 YoY (%)
Net sales		170,907	180,000	**188,000**	+17,092	+10.0
Ordinary profit		4,320	4,600	**6,000**	+1,679	+38.9
Ordinary profit margin (%)		2.5	2.6	**3.2**	–	–
Profit attributable to owners of parent		3,146	3,300	**4,350**	+1,203	+38.3
Net profit margin (%)		1.8	1.8	**2.3**	–	–
Basic earnings per share (Yen)		315.83	331.38	**436.47**	+120.64	
Dividend per share (Yen)	Per year	80.00	100.00	**132.00**	+52.00	
	Interim	31.00	50.00	**50.00**	+19.00	
	FY-end	49.00	50.00	**82.00**	+33.00	

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. The Functional Food Ingredients Division and the Asian Cheese Business are expected to continue performing steadily.
In the Dairy Ingredients and Cheese Business, sales volume growth is expected to slow due to continued price increases for final products. However, profit is projected to increase year on year, driven by higher sales of high value-added products.

2. Raw material prices for both dairy ingredients and meat-related ingredients are expected to remain high.

3. Following revision to earnings forecast, the year-end dividend forecast has also been revised, with plans to increase from initial projection.

Progress on "NEXT-LJ 2025"

- Taking into account the progress in first-half performance and recent order trends, the full-year earnings forecast has been revised upward.
- An increase in profit is expected, and the dividend forecast has also been revised. The year-end dividend is planned to increase by ¥32 from the initial forecast, while maintaining a payout ratio above the initially planned 30%.

	FY11/2023 (Results)	FY11/2024 (Results)	FY11/2025 (Forecast) Revised July 9	Corporate Business Plan "NEXT-LJ 2025"		
				FY11/2023 (Target)	FY11/2024 (Target)	FY11/2025 (Target)
Consolidated net sales	¥158.3bn	¥170.9bn	¥188.0bn	¥160bn	¥180bn	¥200bn
Consolidated ordinary profit	¥2.85bn	¥4.32bn	¥6.0bn	¥3.2bn	¥3.6bn	¥4.0bn
Profit attributable to owners of parent	¥2.04bn	¥3.14bn	¥43.5bn	¥2.3bn	¥2.6bn	¥2.9bn

	FY11/2023 (Results)	FY11/2024 (Results)	FY11/2025 (Target) Revised July 9	FY11/2025 (Target) Corporate Plan Goals
ROE	8.7%	12.1%	-	10% or more
Dividend per share (Interim / End of FY)	¥48 (¥24 / ¥24)	¥80 (¥31 / ¥49)	¥132 (¥50 / ¥82)	-
Payout ratio	23.2%	25.3%	30.2%	20-25%
Consolidated equity ratio	34.2%	33.8%	-	30-35%

3. Net Sales by Business

- **In addition to revising the full-year earnings forecast, the underlying sales and sales volume forecasts for each division have also been revised.**

(Million yen)	FY11/2024				FY11/2025		
	Q1	Q2	Q3	Q4	Q1	Q2	Forecast (FY)
Dairy Ingredients and Cheese Business	**28,124**	**30,807**	**28,577**	**26,672**	**30,653**	**32,032**	**120,700**
YoY	1.9%	5.5%	8.4%	-7.0%	9.0%	4.0%	5.7%
Meat and Ingredients	**5,111**	**5,427**	**5,801**	**5,447**	**5,024**	**6,535**	**25,200**
YoY	25.8%	10.0%	31.3%	12.2%	-1.7%	20.4%	15.7%
Functional Food Ingredients	**744**	**863**	**1,408**	**2,124**	**1,744**	**2,035**	**8,100**
YoY	19.1%	-10.1%	23.3%	78.8%	134.1%	135.6%	57.5%
Asian Business (Dairy Ingredients)	**4,207**	**5,523**	**5,727**	**6,125**	**6,064**	**6,353**	**24,000**
YoY	-19.8%	3.9%	62.1%	27.0%	44.1%	15.0%	11.2%
Asian Business (Cheese)	**1,264**	**1,414**	**1,460**	**1,454**	**1,639**	**1,503**	**6,500**
YoY	16.3%	22.0%	19.0%	7.3%	29.6%	6.3%	16.2%
Others	**267**	**801**	**642**	**905**	**858**	**847**	**3,600**
YoY	111.9%	481.1%	233.9%	923.5%	221.4%	5.7%	37.6%
Total net sales	**39,720**	**44,839**	**43,618**	**42,729**	**45,984**	**49,308**	**188,000**
YoY	2.5%	7.5%	18.3%	4.2%	15.8%	10.0%	10.0%

(Amounts of less than one million yen have been omitted)
Note: The total net sales forecast for the full year of FY11/2025 includes a consolidated adjustment of -¥100 million. The full-year forecast figures are revised estimates.

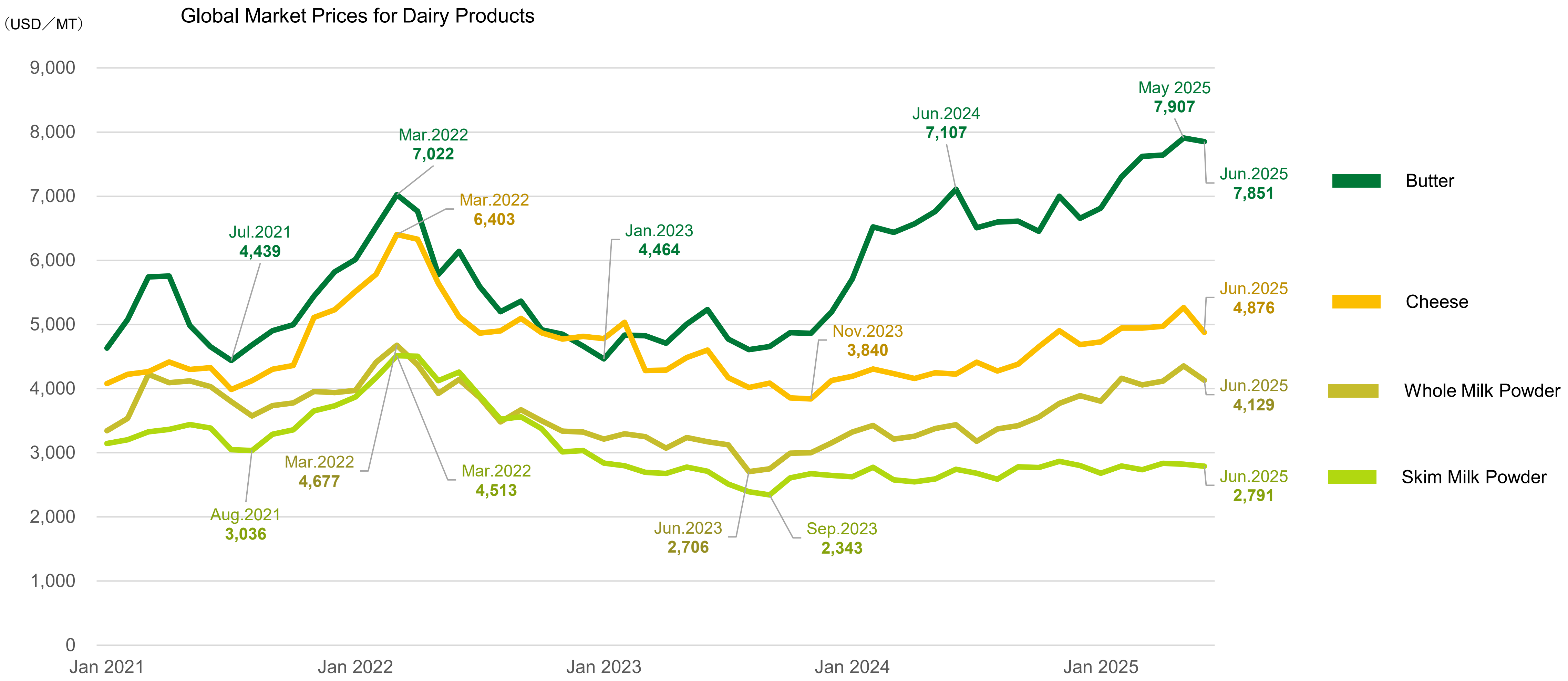
4. Sales Volume by Business

(tons)	FY11/2024				FY11/2025		
	Q1	Q2	Q3	Q4	Q1	Q2	Forecast* (FY)
Dairy Ingredients and Cheese Business	**45,583**	**45,515**	**43,043**	**42,259**	**43,972**	**42,827**	**166,800**
YoY	12.3%	1.7%	9.1%	-0.9%	-3.5%	-5.9%	-5.4%
Meat and Ingredients	**7,766**	**8,076**	**8,302**	**7,685**	**6,993**	**9,187**	**35,100**
YoY	29.3%	2.6%	19.3%	5.4%	-10.0%	13.8%	10.3%
Functional Food Ingredients	**584**	**683**	**1,170**	**1,761**	**1,293**	**1,750**	**6,600**
YoY	42.7%	-5.4%	58.9%	87.7%	121.4%	156.1%	57.2%
Asian Business (Dairy Ingredients)	**8,286**	**10,232**	**10,352**	**10,857**	**9,830**	**10,848**	**39,600**
YoY	-20.1%	-4.5%	62.0%	11.1%	18.6%	6.0%	-0.3%
Asian Business (Cheese)	**1,228**	**1,307**	**1,353**	**1,532**	**1,444**	**1,382**	**5,900**
YoY	6.4%	7.6%	15.5%	19.2%	17.5%	5.7%	8.8%

(Quantities of less than one ton have been rounded down.)
Note: The full-year forecast figures are revised estimates.

(Reference) Global Market Prices for Dairy Products

- **Global market prices for dairy products remain generally high.**



Source: Global Dairy Trade
Note: Cheese refers to cheddar cheese

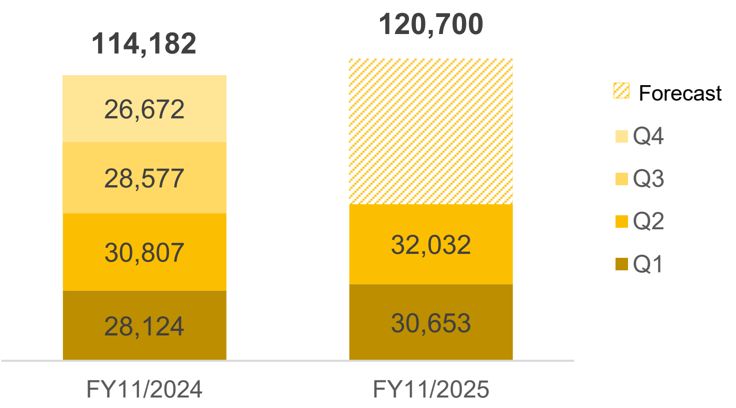
02 Overview of Operations for FY11/2025

Sales Volume by Business

Dairy Ingredients and Cheese Business Division

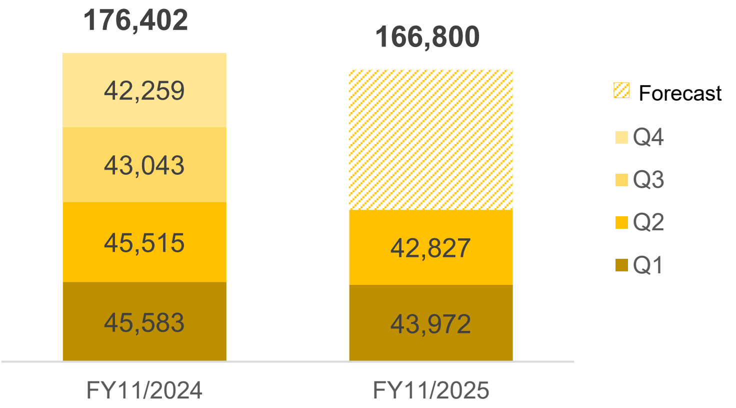
Net sales

(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 First Half

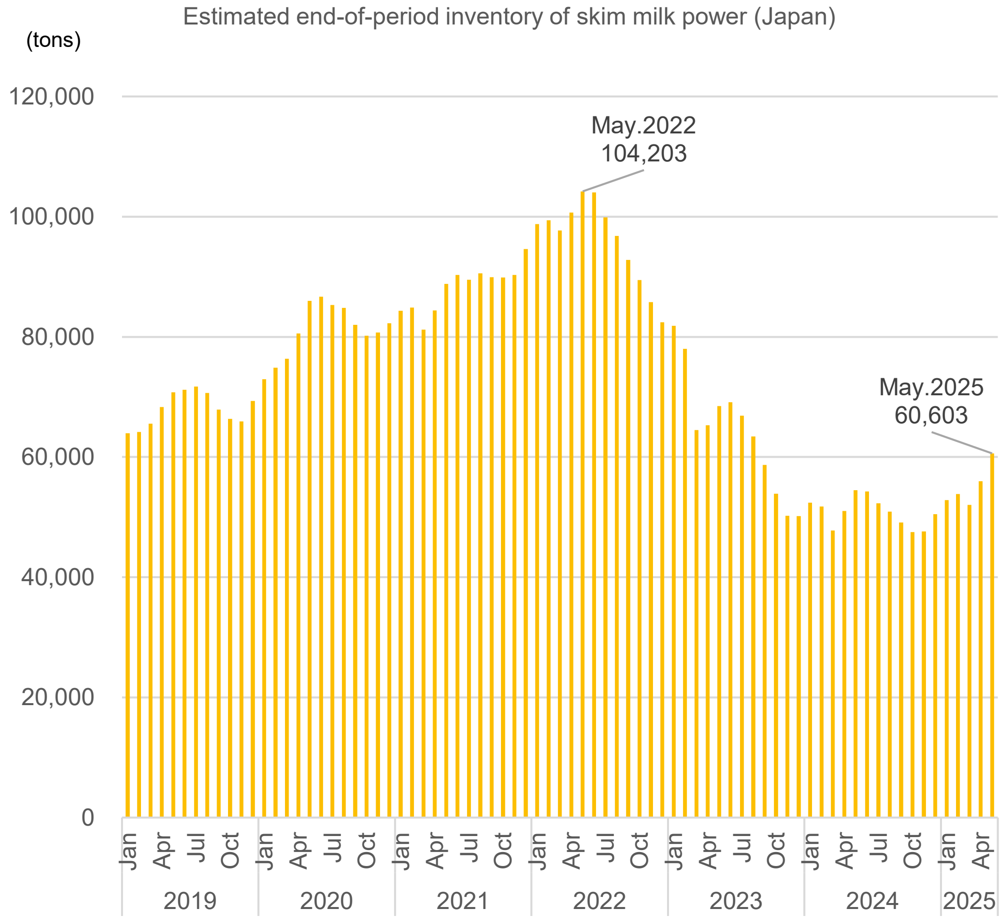
- Global dairy markets remained at elevated levels.
- Sales to growing markets were strengthened, with increased sales of high value-added fat-based and high-protein dairy ingredients.
- Higher sales of high value-added products contributed to improved profitability.
- Procurement was tailored to customer needs, leading to increased market share in cheese sales.

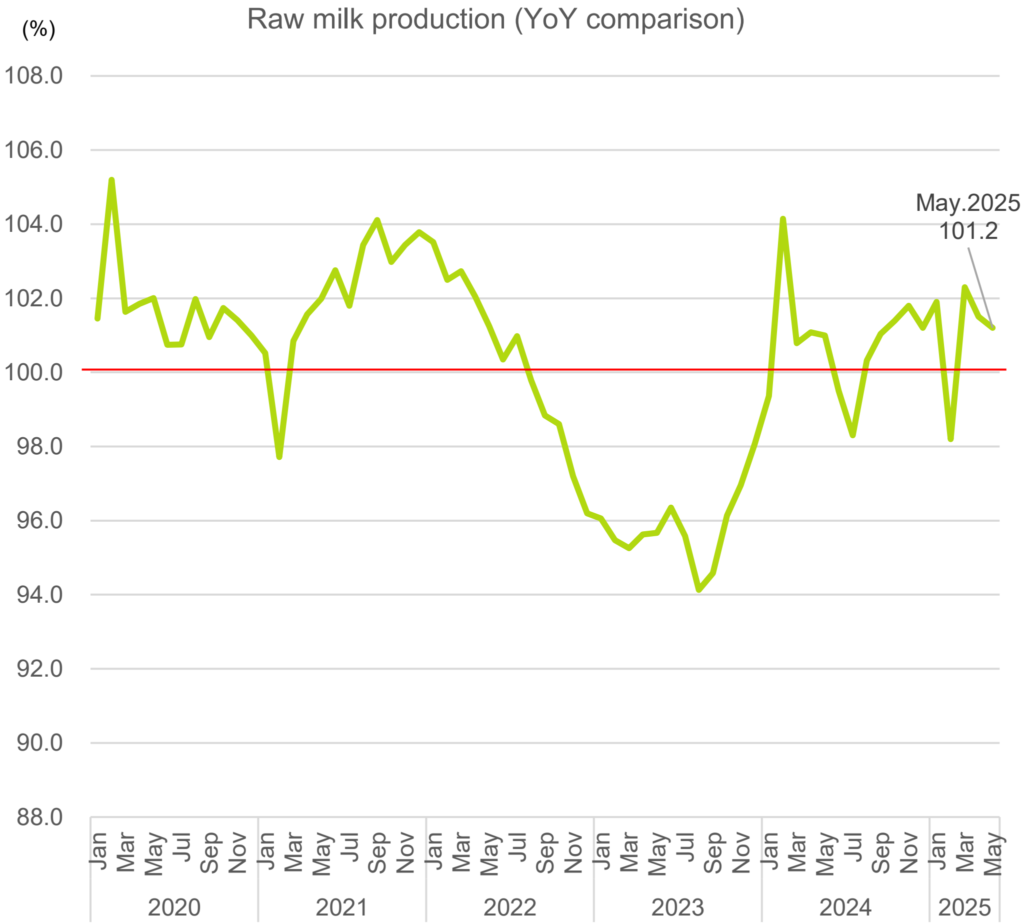
Forecast for the Second Half

- Dairy market prices are expected to remain high.
- Monitoring the impact of milk price increases on consumption.
- Watching for effects on raw milk production due to extreme heat and dairy farm closures.

Business Environment for the Domestic Dairy Industry

- With the recent increase in raw milk production, skim milk powder inventories reached 60,000 tons in May.
- The planned price increase for drinking milk in August may dampen dairy product consumption, so trends will be closely monitored.





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

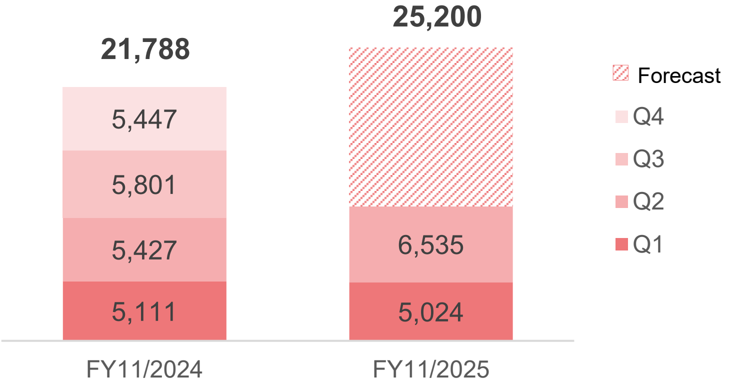
Sales Volume by Business

Lacto Japan

Meat and Ingredients Division

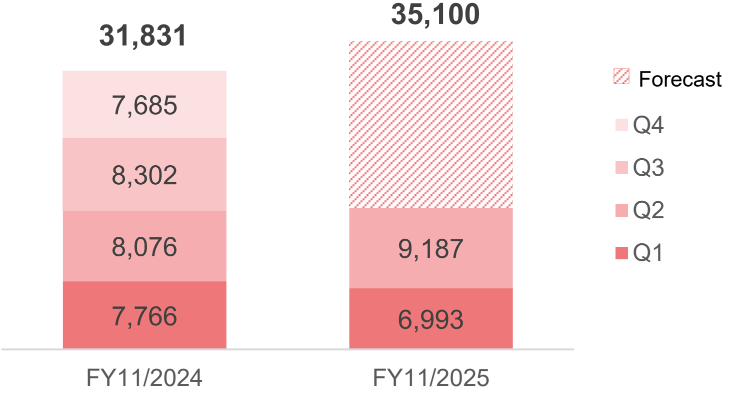
Net sales

(Million yen)



Sales volume

(tons)



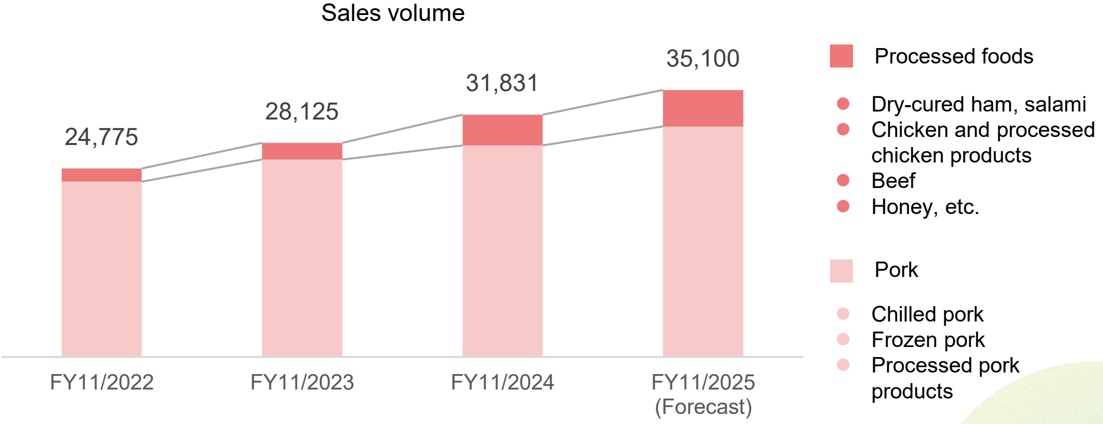
Note: Figures for both sales and sales volume are rounded down to the nearest whole number.

Business Overview for the First Half

- Sales exceeded both the previous year's results and the initial plan.
- Conditions improved in Q2, leading to a recovery in sales of North American pork.
- Sales of processed chicken products remained strong.

Forecast for the Second Half

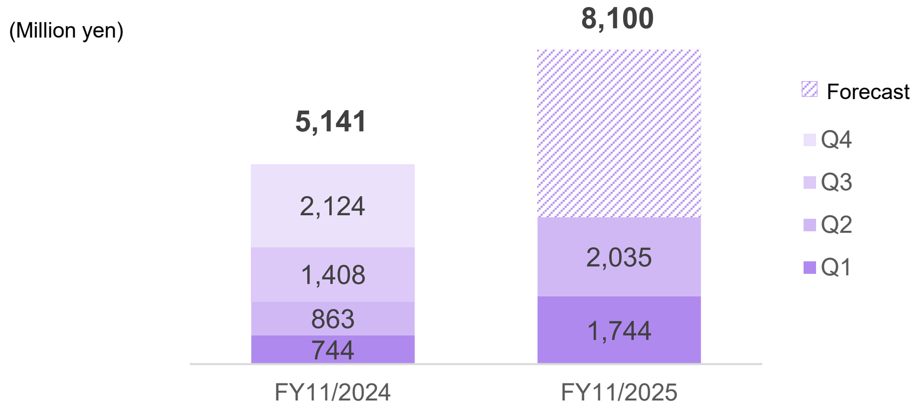
- Continue strengthening sales of processed foods.
- Enhance sales of frozen pork.
- Expecting synergy with existing businesses from the introduction of spices, which began in April.



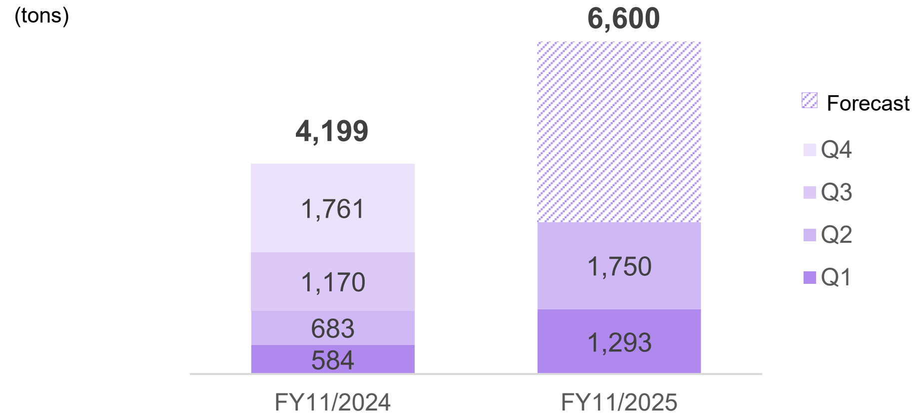
Sales Volume by Business

Functional Food Ingredients Division

Net sales



Sales volume



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

Business Overview for the First Half

- Amid strong global demand for high-protein products, raw material prices remained high.
- Domestic demand for protein continued to be strong, with solid sales performance.
- New business expanded through product design support and other efforts.

Forecast for the Second Half

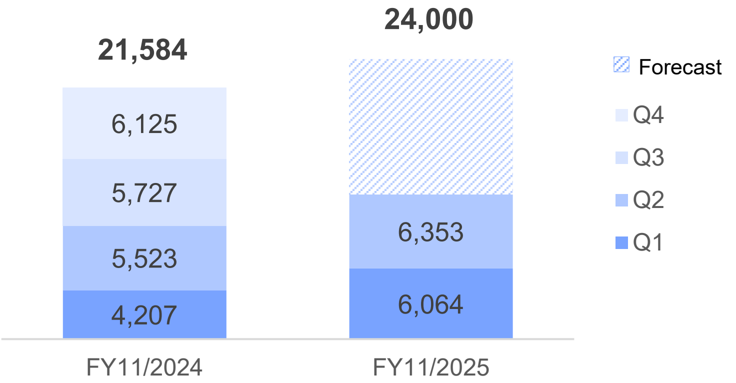
- Strengthen sales of functional ingredients other than protein-based raw materials.
- For high-protein ingredients, aim to expand sales other than existing applications by enhancing proposals to food manufacturers.

Sales Volume by Business

Asian Business
(Dairy Ingredients Sales Division)

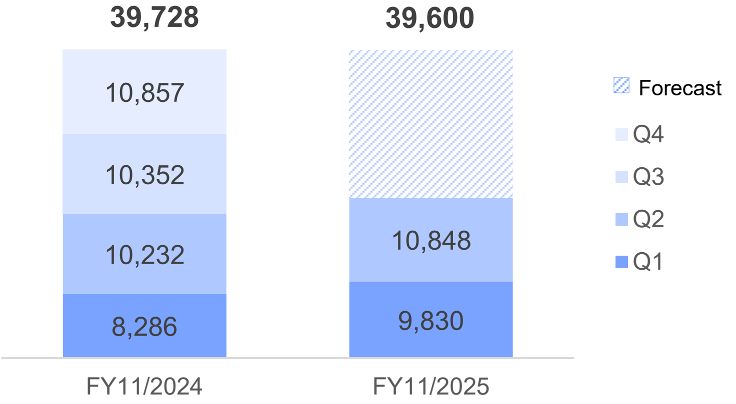
Net sales

(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 First Half

- Increased business with local companies in the Philippines, Thailand, and Malaysia.
- Expanded transactions with new suppliers in Indonesia.
- Growth in high value-added business for Japanese-affiliated companies.

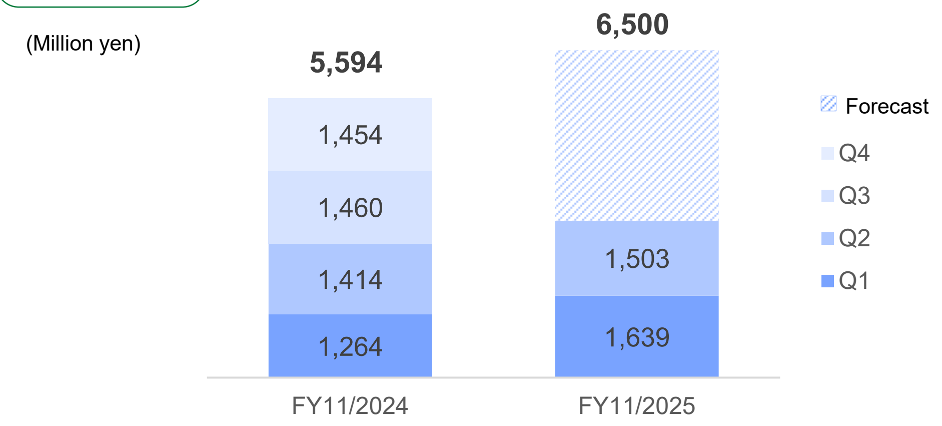
Forecast for the Second Half

- Strengthen collaboration among overseas offices to further expand transactions.
- Continue to reinforce sales to local companies.
- Monitor supply and demand trends for powdered milk mixtures destined for the Japanese market.

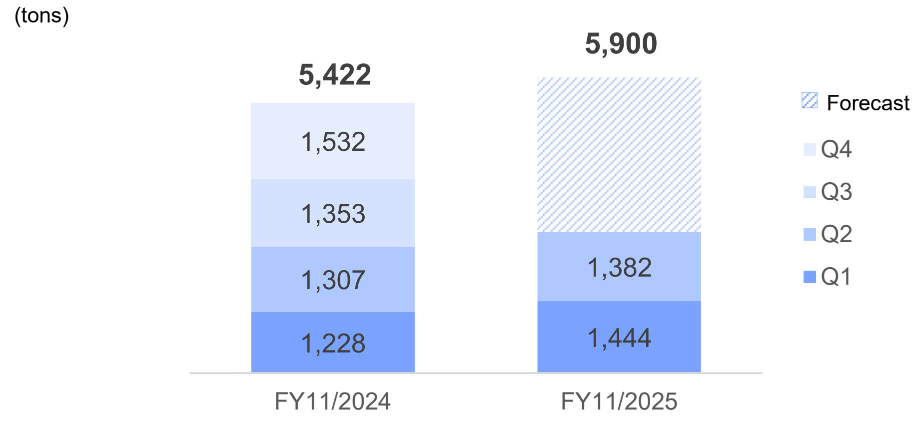
Sales Volume by Business

Asian Business (Cheese Manufacturing & Sales Division)

Net sales



Sales volume



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

Business Overview for the First Half

- Developed high value-added products tailored to customer needs, resulting in increased sales volume.
- Business expanded mainly for bakery, processed food, and foodservice industries.
- Implemented price revisions reflecting raw material costs, contributing to improved profit margins.

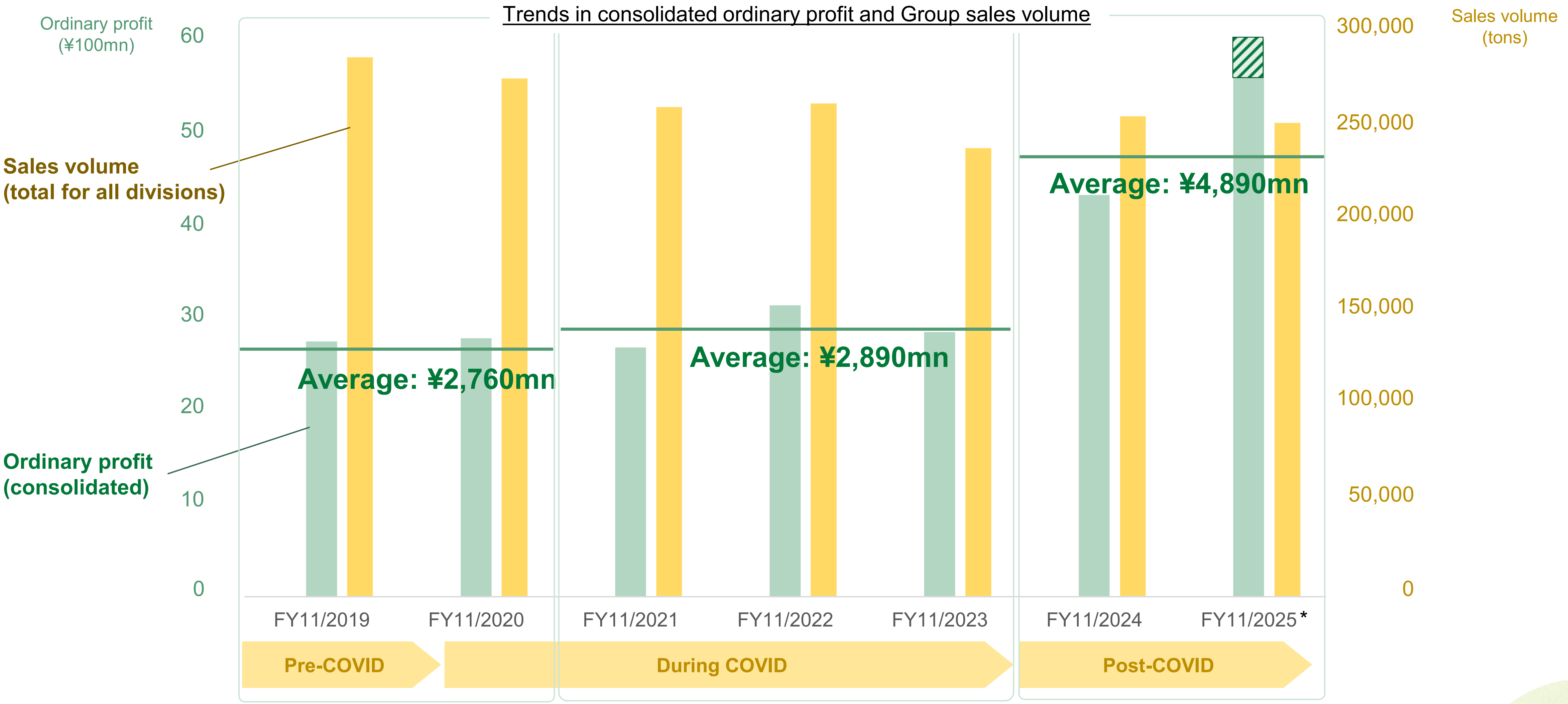
Forecast for the Second Half

- Aiming for further expansion by differentiating from local competitors' products.
- Pursuing a sales strategy focused on profitability.
- The new plant under construction in Singapore is scheduled to begin operations in FY11/2026.

03 Initiatives to Increase Profit in the Dairy Ingredients and Cheese Business Division

Trends in Ordinary Profit Levels

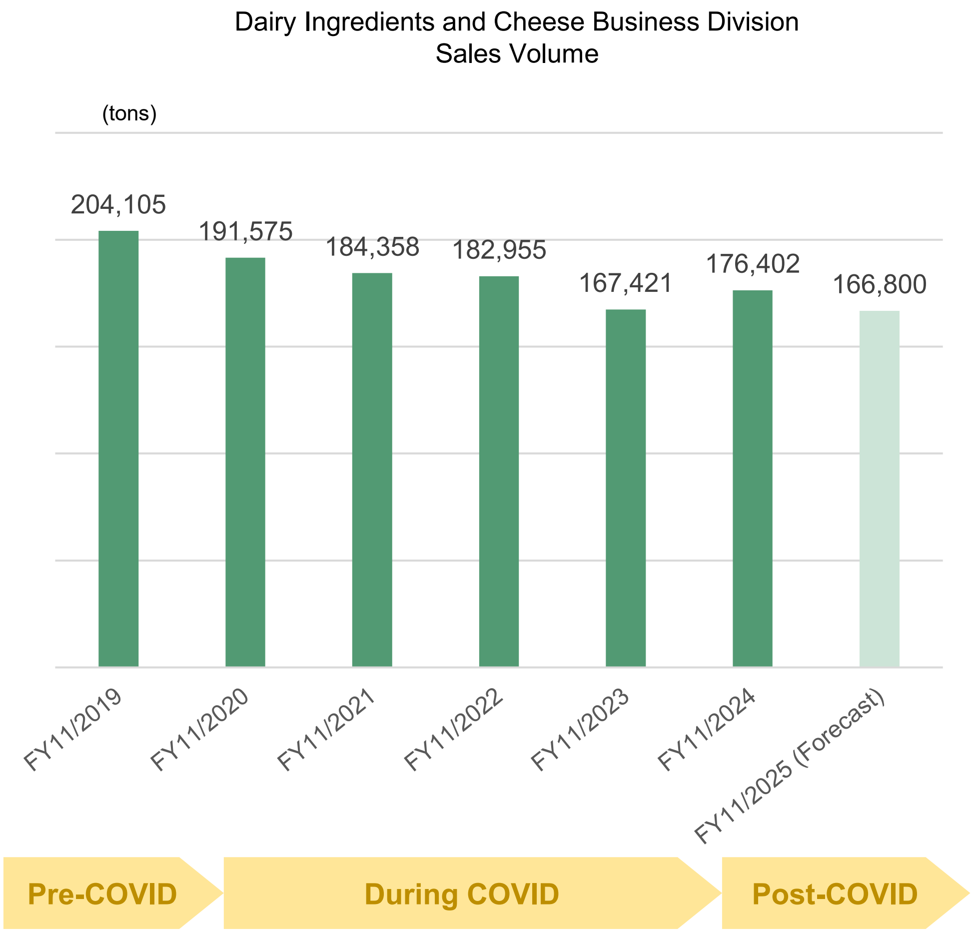
- **While overall sales volume has stagnated, the level of consolidated ordinary profit has improved.**

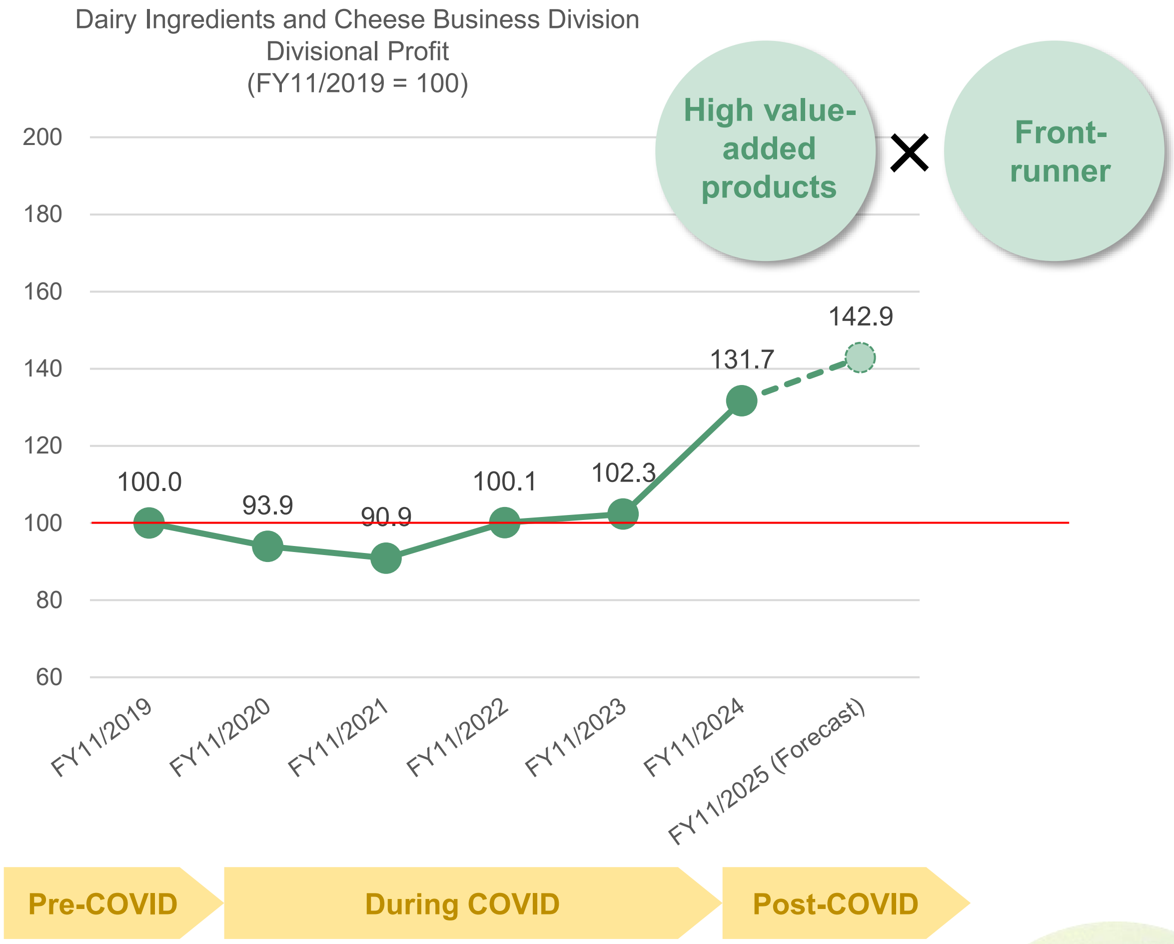


Note: 1. The figure for FY11/2025 is the total of the first-half results and second-half forecast.
2. [hatched box] indicates non-operating income.

Performance Trends in the Dairy Ingredients and Cheese Business Division

- Although sales volume in the Dairy Ingredients and Cheese Business Division has not yet returned to pre-COVID levels, divisional profit has increased significantly since the pandemic.
- The improvement in profitability is backed by strong proposal capabilities for high value-added products and the procurement and supply capabilities of a front-runner.





Note: Divisional profit is a reference figure based on internal management accounting and represents profit before allocation of expenses.

Lacto Japan

High value-added products

×

Front-runner

Many dairy ingredients are not produced domestically in Japan

(e.g., specially processed ingredients such as whey protein and casein protein)

Securing suppliers capable of providing high value-added products

Proposing and selling new ingredients faster than anyone else

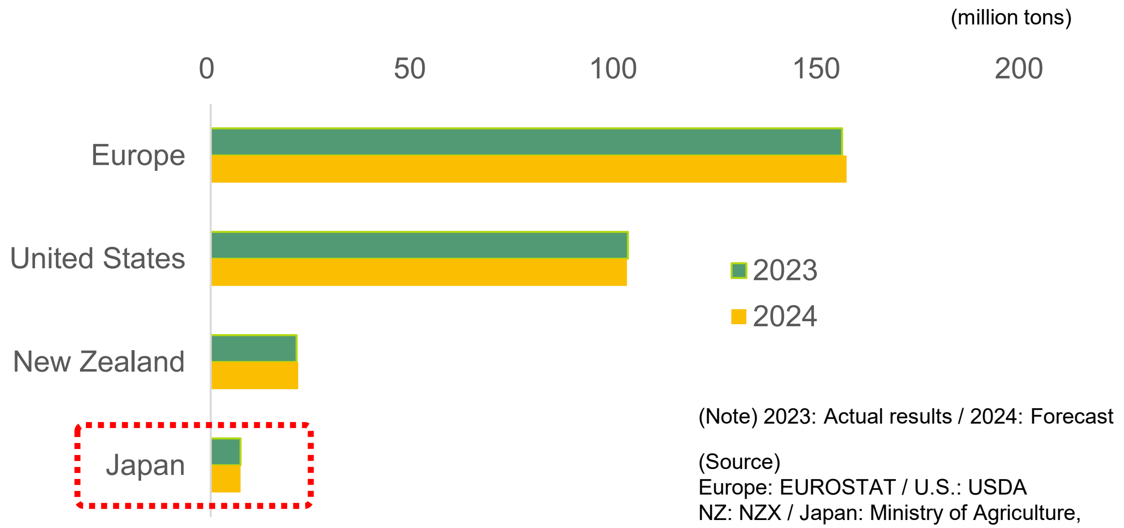
Engaging in dialogue and making proposals to users' product development departments

High Value-Added Products Are Primarily Imported

- **Low raw milk production**
- **High milk prices**
- **Tariffs**

In Japan, it is difficult to develop and mass-produce high value-added products

Raw milk production in major countries (2023 / 2024 Forecast)



(Note) 2023: Actual results / 2024: Forecast

(Source)
Europe: EUROSTAT / U.S.: USDA
NZ: NZX / Japan: Ministry of Agriculture, Forestry and Fisheries

Milk prices in major producing countries (as of June 2025)

Producing country	Milk price
Japan	¥108.6/kg
Germany	¥85.9/kg
Ireland	¥85.4/kg
United States	¥66.7/kg
New Zealand	¥74.8/kg

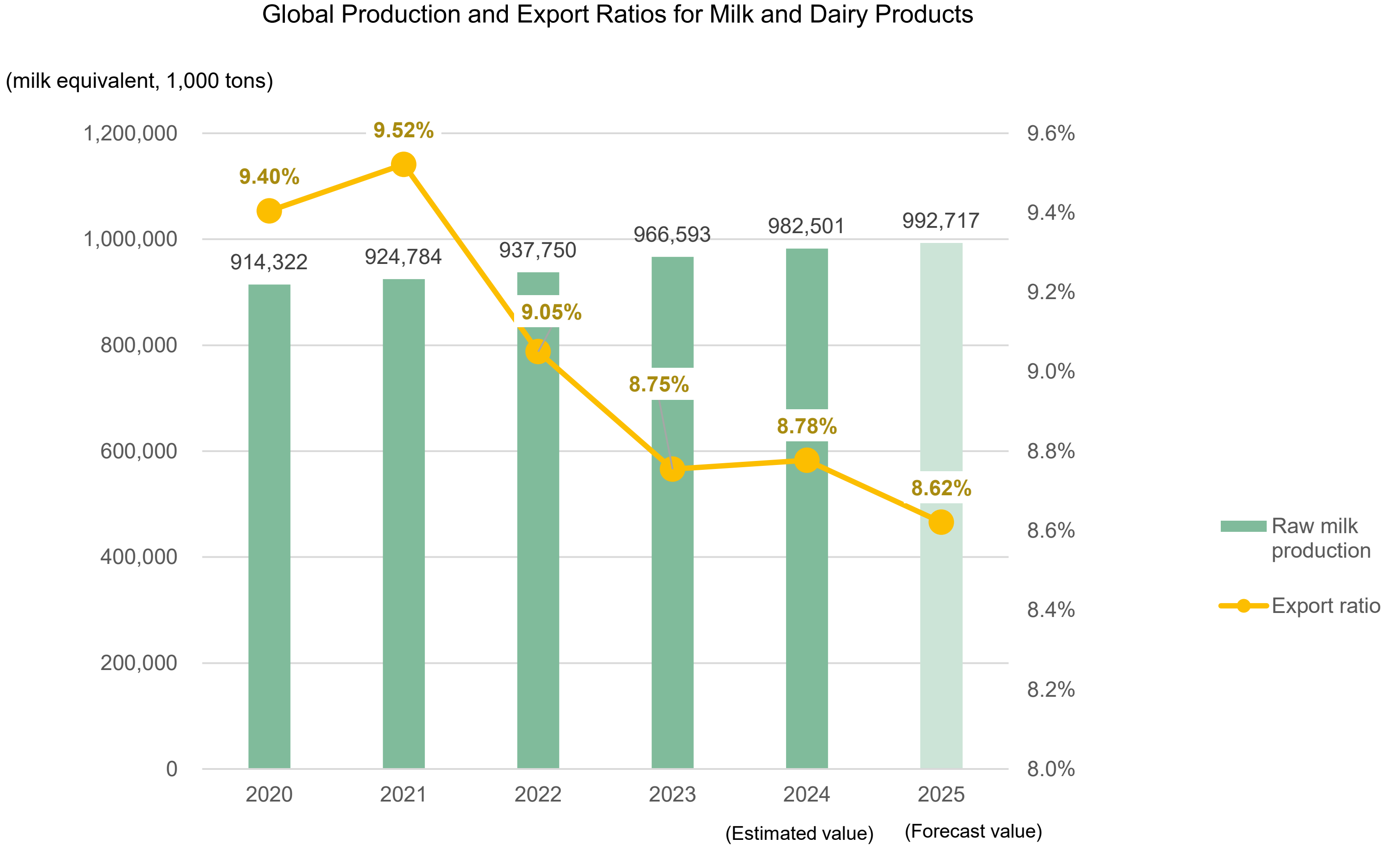
Source: Milk prices compiled by Lacto Japan

Lacto Japan

- **For the medium- to long-term growth of the Dairy Ingredients and Cheese Business Division, in addition to expanding sales of high value-added products, strengthening procurement capabilities and growing the Asian business will also be key.**

Global Production and Export Trends for Milk and Dairy Products

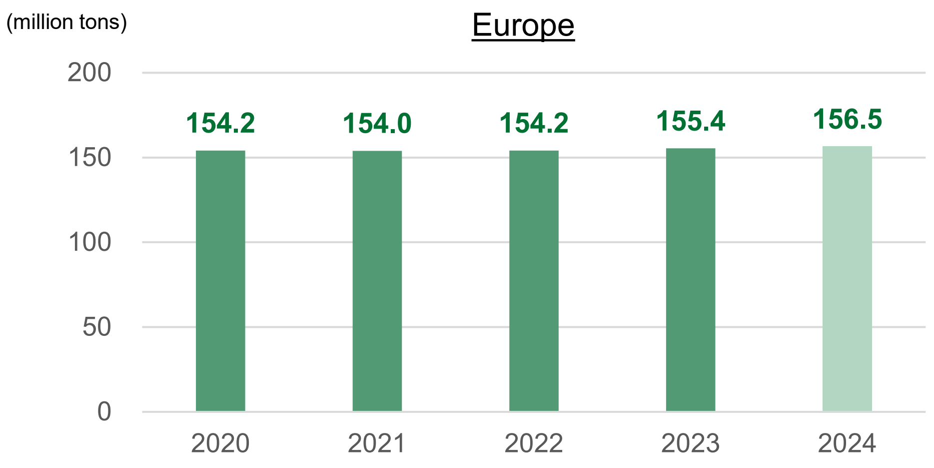
- **While global production of milk and dairy products continues to increase, the export ratio is showing a declining trend.**

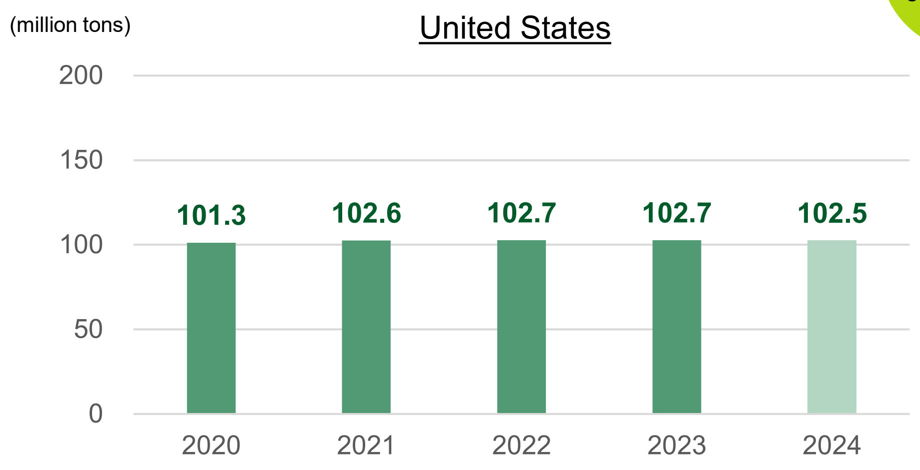


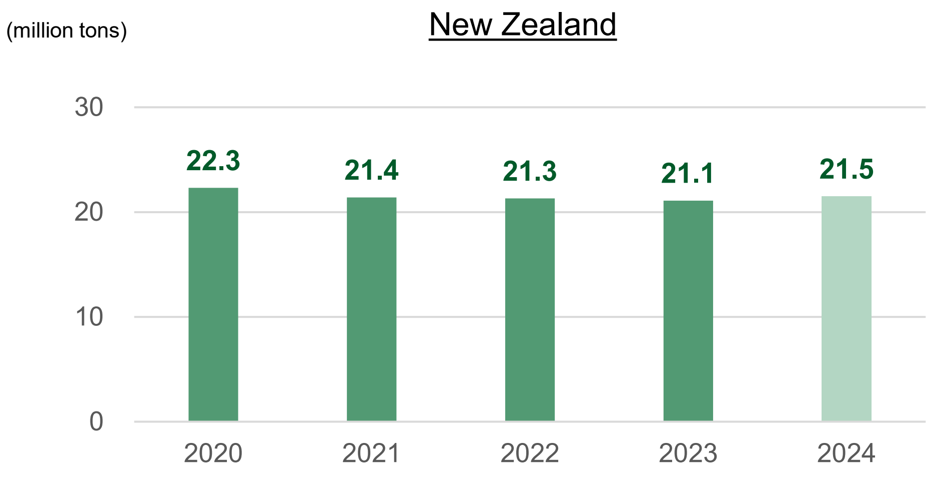
Source:
Milk and dairy product production in major countries, and
Dairy product exports in major countries, Japan Dairy Association (J-Milk)

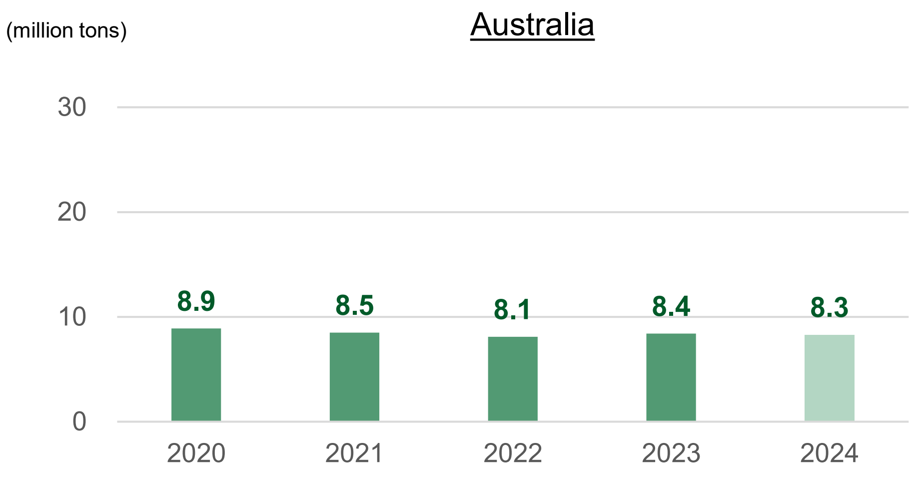
Raw Milk Production in Major Exporting Countries

- **Sluggish growth in raw milk production among major exporting countries is one of the underlying factors.**









(Note)
Through 2023: Actual results / 2024: Forecast

(Source)
Europe: EUROSTAT
United States: USDA
NZ: NZX
Australia: DAIRY AUSTRALIA

Relationship Between Strengthening Procurement Capabilities and Growth of the Asian Business

- **Expansion of the Asian cheese manufacturing and sales business also contributes to strengthening procurement capabilities.**

Strengthening procurement capabilities

Growth of the Asian business

Expanding sales of high value-added products

Procurement capability

Sales capability

- **Responding to customer needs**
- **Responding to supplier needs**
  - ✓ Sales volume
  - ✓ Continuity
  - ✓ Products — especially cheese

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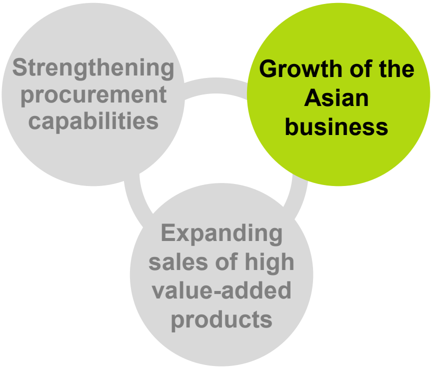
- ✓ Domestic cheese sales network
- ✓ Cheese sales network in Asia
- ✓ Cheese production and processing at in-house plants

Expansion of Cheese Production Capacity in Asia

- **A new plant is under construction to increase cheese production in line with market growth.**

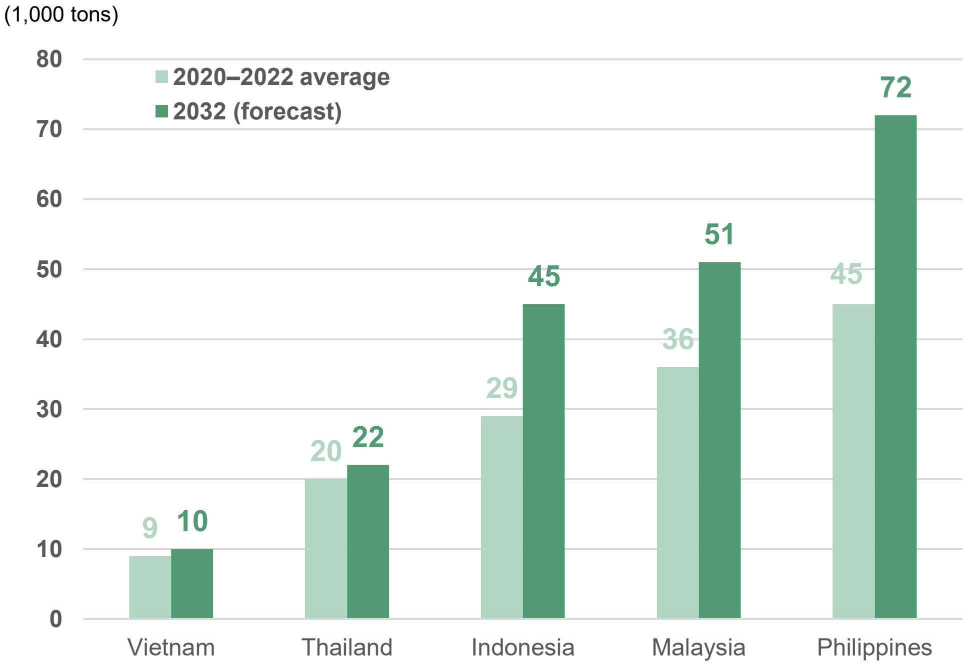


Overview of the plant

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

Location of new plant

Forecast of cheese consumption in the Asian region (ASEAN countries)



(Source) Excerpt from OECD-FAO Agricultural Outlook 2023–2032

Projected Schedule for Launch of New Plant in Singapore

- **Preparations for the launch of the new plant are progressing smoothly.**

Q1 FY11/2026	Q2 FY11/2026	Q3 FY11/2026	Q4 FY11/2026	FY11/2027

Completion of construction

Transfer complete

Start installation of production lines (test operation) » **Start production of some products (Phase 1)** *Production to run in parallel with old plant » **Expand production scale (Phase 2)** » **Expand production scale (full operation)**

Apply for various certifications »»» **Obtain various certifications**

Terminate old plant lease

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.

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