



Lacto Japan

Lacto Japan Co., Ltd.
Value Creation Story



Our Mission

Corporate Philosophy

GLOBAL FOOD PROFESSIONAL COMPANY

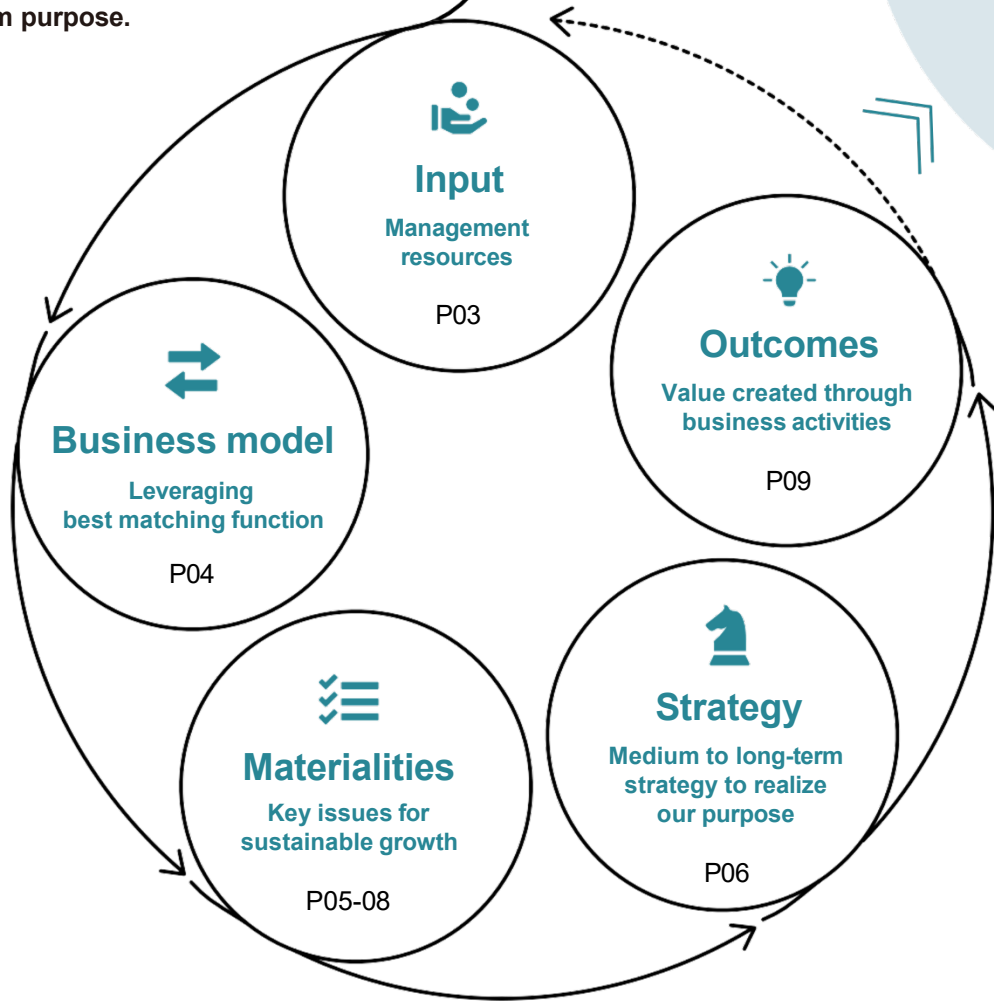
We aim to continue growing and developing together with society by supplying customers with safe and reliable ingredients in a stable way and contributing to the nutrition and health of people and the enjoyment of food.

Overview of Our Value Creation

We are working to create value by focusing on our long-term purpose.

Our Purpose

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



Megatrends and social issues

Risk and opportunity aspects

P05



Input (Management resources)

Our strengths are our overwhelming market share, our know-how regarding dairy products based on many years of experience, and our global network.



Human capital

Highly professional employees

- **More than 40** employees have been involved with dairy ingredients and cheese for more than 10 years.
- **A group of professionals** trusted by customers for their extensive knowledge and high level of on-site skills



Intellectual capital

Know-how regarding dairy products

- **Know-how accumulated since the dawn** of Japan's dairy product imports
- Direct contact with global suppliers and major food manufacturers to **understand the latest information and needs in the field**



Social capital

Suppliers around the world

- **Dealing with suppliers in major production areas of the world** as an independent trading company
- Deploying local subsidiaries in **Europe, Oceania and North America**, and working closely with suppliers and vendors
- **Network** with Japanese dairy and livestock farming industries



Manufacturing capital

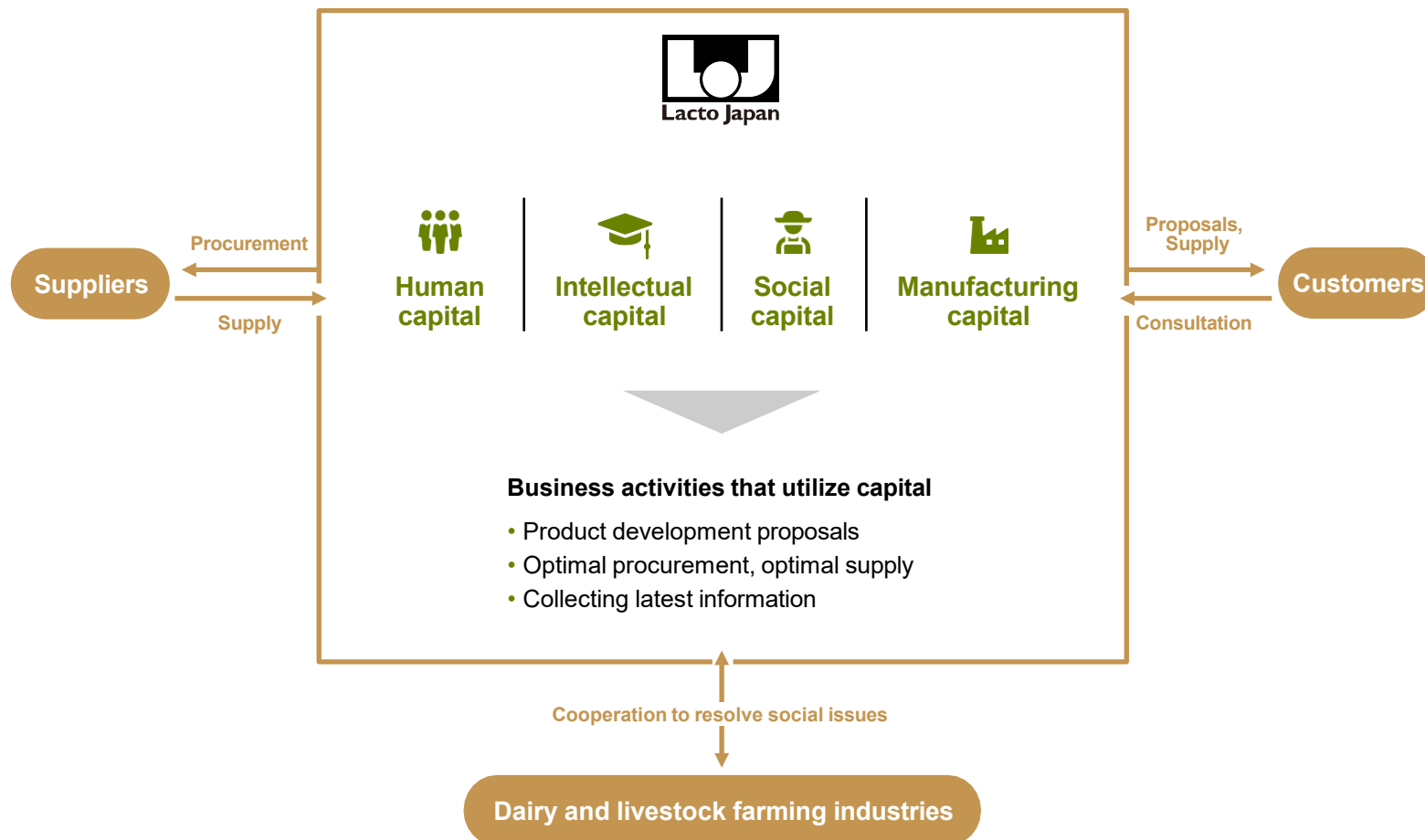
Own factories in Asia

- In addition to functioning as a trading company, also **functioning as a manufacturer** in Asia, a key market
- Realizing **product development** that meticulously meets the needs of each customer industries



Business model (leveraging best matching function)

We leverage a best matching function that proactively connects suppliers and customers while responding to the needs of society and thereby provide high value-added proposals and stable supply.





Materialities (Key issues for sustainable growth)

We specified six materialities by recognizing risks and opportunities based on business characteristics and megatrends in society.

Business model (leveraging best matching function)

Materialities



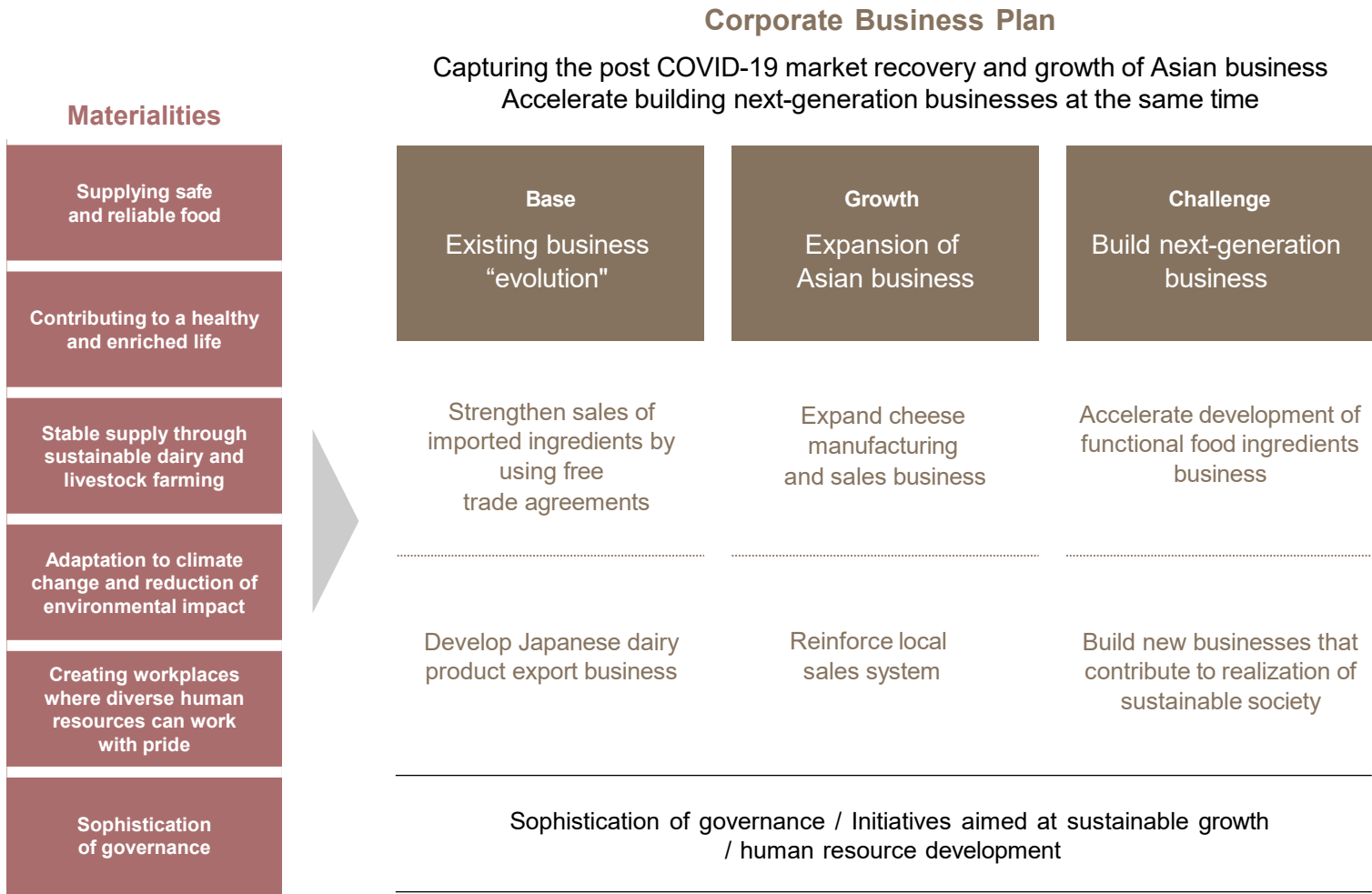
Megatrends and social issues (risk and opportunity aspects)

	Risks	Opportunities
Increasing health awareness	Intensifying competition due to rapid growth in demand for functional foods	Expansion of products handled and sales volume
Asia's economic growth	Intensifying competition associated with maturing markets	Demand growth due to westernization of food, improved purchasing power
Domestic population decline and super-aging society	Decrease in demand and workers	Increase in healthcare needs, changes in food needs
Progress of free trade agreements	Increase in competition	Increase in competitiveness of imported raw materials
Climate change problems	Sustainability of raw material procurement	Diversification of supply sources, increased efficiency of energy, including logistics
Innovations in digital technology	Disruption by other industries	Cost reductions due to increased business efficiency















Strategy (Medium- to long-term strategy to realize our purpose)

We will promote our corporate business plan based on materialities.





Materialities and Individual Measures

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



Examples of Materiality Initiatives

Topics 1

Expand dairy protein into sports nutrition field

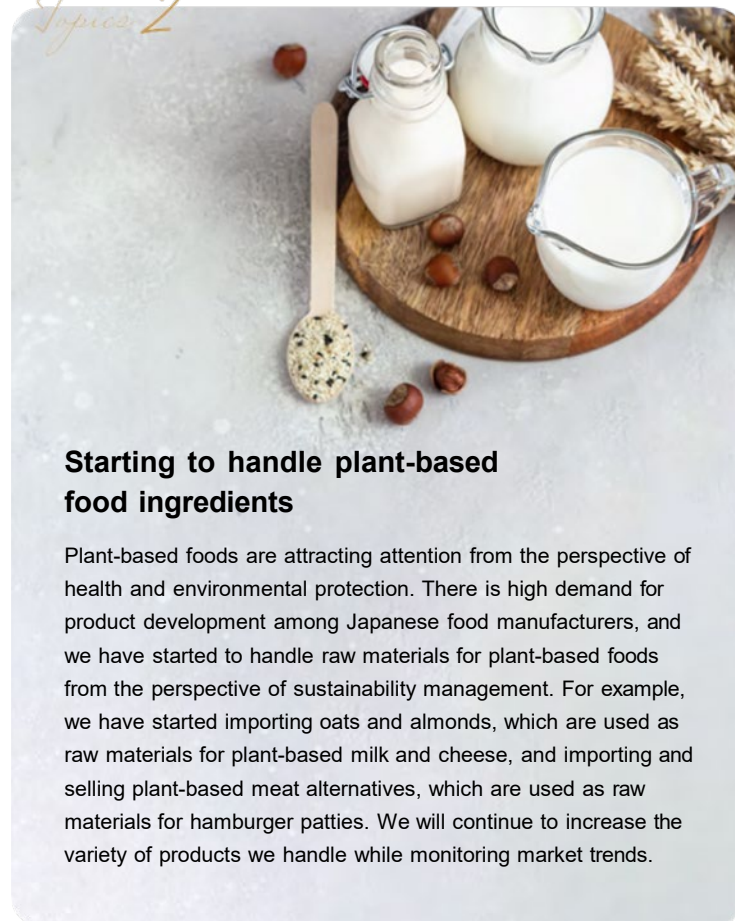
To support the healthy dietary habits of consumers, we are focusing on functional food ingredients. In particular, in recent years, dairy protein, which is rich in protein, has been attracting attention as a raw material for sports nutrition and health foods, and we are expanding the import and sales of milk-derived protein powder.



Topics 2

Starting to handle plant-based food ingredients

Plant-based foods are attracting attention from the perspective of health and environmental protection. There is high demand for product development among Japanese food manufacturers, and we have started to handle raw materials for plant-based foods from the perspective of sustainability management. For example, we have started importing oats and almonds, which are used as raw materials for plant-based milk and cheese, and importing and selling plant-based meat alternatives, which are used as raw materials for hamburger patties. We will continue to increase the variety of products we handle while monitoring market trends.





Outcomes (Value created through business activities)



Collaborating for sustainable dairy and livestock farming with low environmental impact

Currently, the dairy and livestock farming industries in Japan are facing a variety of challenges such as environmental impact and a lack of workers and successors. Efforts to resolve these challenges are essential for Lacto Japan to maintain and grow its business, and so we will continue to work with the industry as a whole.




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

Protecting “food safety and security” is the foundation of everything we do at Lacto Japan. In the course of handling delicate dairy products for many years, the entire group has refined its procurement capabilities and achieved stable supply. We will continue to supply food products that meet the needs of society.



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

Lacto Japan opened a representative office in Singapore immediately after its establishment in 1998 and began manufacturing processed cheese at its own factory in 2003. Since then, the company has established its position in the Asian market, where food is becoming increasingly westernized. We are contributing to the penetration of dairy products by developing products that meet specific local needs.



**Society continues to change every day.
The one thing that has not changed
is the desire to bring smiles to
people around the world through food,
including dairy products.**

**At Lacto Japan,
we would like to create
"a new future based on milk"
by sincerely facing future
social changes.**