

# COMPANY RESEARCH AND ANALYSIS REPORT

## Lacto Japan Co., Ltd.

3139

Tokyo Stock Exchange Prime Market

5-Sep.-2025

FISCO Ltd. Analyst

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3139 Tokyo Stock Exchange Prime Market

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<https://www.lactojapan.com/en/ir.html>

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## Summary

**In FY11/25, net sales and profits are both expected to reach record highs. Earnings power will increase due to enhanced capacity to offer high-added-value products**

Lacto Japan Co., Ltd. <3139> (hereafter, also “the Company”) is an independent specialist food trading company that imports food ingredients such as dairy ingredients and cheese (hereafter, “dairy ingredients”), meat, and processed meat products from overseas. The Company has one of the largest dairy product transaction volumes in the Japanese market. While positioning importing and selling dairy ingredients as its core business, the Company has expanded its business scope to importing and selling items such as meat and processed meat products and functional food ingredients, as well as importing and selling dairy ingredients and manufacturing and selling cheese in Asia. In 2023, the Company announced its long-term vision, in which it aims to achieve further growth by changing from a food specialist trading company to a complex food company combining the functions of a global trading company and a manufacturer.

### 1. Overview of 1H FY11/25 results

In its consolidated results for 2Q FY11/25 (hereafter, “1H”), the Company posted record high net sales and profits for 1H results. Net sales rose 12.7% year on year (YoY) to ¥95,293mn, operating profit grew 46.8% to ¥3,571mn, ordinary profit increased 69.5% to ¥3,832mn, and 1H profit attributable to owners of parent grew 69.1% to ¥2,797mn, with both net sales and profits exceeding the initial forecasts. Sales volumes increased YoY in all divisions except the Dairy Ingredients and Cheese Business Division, while unit sales prices remained high due to the impact of factors such as high international market prices for raw materials and the weakening yen, with net sales increasing in all divisions. The decrease in the Dairy Ingredients and Cheese Business Division’s sales volume was an expected decline, due to factors such as declining consumption based on the prices of cheese and other end products rising. However, since sales of high-added-value products like fat-based dairy ingredients and high protein ingredients were strong and profitability improved in the Asian Cheese Manufacturing and Sales Division, the gross profit margin rose 0.8 percentage points (pp) to 6.8%. Selling, general, and administrative expenses increased 10.5% due to factors such as an increase in staff and rising wages in line with business expansion, but this was offset by the increase in gross profit. In non-sales-related expenses, compensation of ¥650mn was recorded relating to quality defects for some products, but when this is excluded, the real ordinary profit margin rose 0.6pp to 3.3%.

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## Summary

### 2. FY11/25 forecasts

In its consolidated results for FY11/25, net sales and profits are forecast to reach record highs. The Company forecasts net sales of ¥188,000mn (up 10.0% YoY), ordinary profit of ¥6,000mn (up 38.9%), and profit attributable to owners of parent of ¥4,350mn (up 38.3%). Based on recent results and other factors, the initial forecasts have been upwardly revised, adding ¥8,000mn for net sales and ¥1,400mn for ordinary profit. In 2H, consumption is expected to decline due to the impact of price hikes for dairy products following milk price hikes and price hikes for food in general associated with rising energy, ingredient, distribution, and personnel costs. Net sales in 2H are therefore expected to decline 2.7% from 1H. A decline in income compared to 1H is expected in the Dairy Ingredients and Cheese Business Division as well as the Asian Business's Dairy Ingredients Sales Division. Declining consumption in Japan is anticipated to have an impact on milk preparation ingredient sales to Japan in Asia. On the other hand, demand is healthy for other divisions, with sales volumes and net sales projected to grow strongly in 2H as well. In terms of profit and loss, since net sales will decrease from 1H in the Dairy Ingredients and Cheese Business Division, which accounts for a significant share of sales, and the Asian Dairy Ingredients Sales Division, the full-year ordinary profit margin excluding compensation received is projected to be 2.8%, down 0.5pp from the 1H result but 0.3pp higher than the previous fiscal year's level. The Company has upwardly revised the dividend forecast to ¥132.0 per share, a YoY increase of ¥52.0 that brings the dividend payout ratio to 30.2%, as it aims to achieve a dividend payout ratio of 30%.

### 3. Progress on Corporate Business Plan

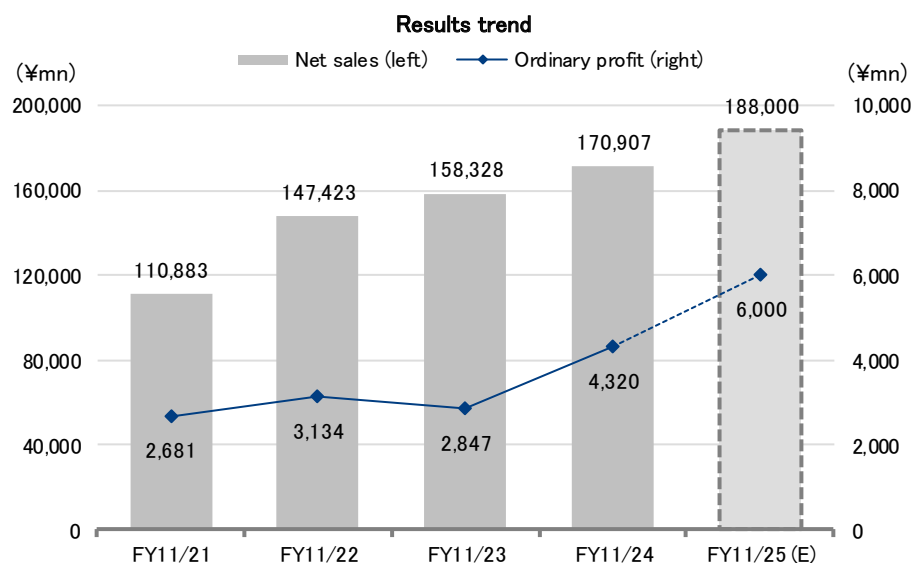
In January 2023, the Company announced its new corporate philosophy along with its long-term vision, LACTO VISION 2032, under which it aims to evolve into a complex food company by increasing the complexity of its products, business, and trading business and targets FY11/32 consolidated ordinary profit of ¥6,000mn, with 40% of that generated overseas. The first step towards this target is the Corporate Business Plan NEXT-LJ 2025, under which the Company aims to achieve FY11/25 net sales of ¥200,000mn, with consolidated ordinary profit of ¥4,000mn and profit attributable to owners of parent of ¥2,900mn. The ordinary profit target was achieved one year ahead of schedule in FY11/24, and in FY11/25, the Company is on track to achieve the target for FY11/32. The Company has made efforts not just to expand the top-line, but also to raise corporate value and improve profitability as well as transition to a corporate culture that is conscious of capital efficiency through measures such as the full-scale introduction of ROIC\* in its business divisions. It can be said that these efforts are bearing fruit.

\* ROIC: An abbreviation for Return On Invested Capital, it represents the profit margin on invested capital and is calculated as follows:  $\text{Net Operating Profit After Tax} \div (\text{Equity Ratio} + \text{Interest-bearing Debt}) = \text{Operating Profit Margin} \times \text{Invested Capital Turnover Ratio}$ .

### Key Points

- Net sales and profits reached record highs for 1H results in 1H FY11/25
- Net sales and profits are also expected to reach record highs in FY11/25, and the initial forecasts have been upwardly revised
- The dividend per share in FY11/25 has been upwardly revised by ¥52.0 YoY to ¥132.0

## Summary



Source: Prepared by FISCO from the Company's financial results

## Company profile

### A global procurement network and leading position in Japan as a trader of imported dairy products

The Company is headquartered in Nihonbashi, Chuo Ward, Tokyo. It is an independent food specialist trading company that imports food ingredients such as dairy ingredients, functional food ingredients, meat, and processed meat products. The Group includes the Company, one domestic consolidated subsidiary, nine overseas consolidated subsidiaries, and one equity-method affiliate. The Company name Lacto is from the Latin word for “milk.” As its name suggests, the Company has grown its business in the food domain, mainly in the business of importing dairy ingredients. Its share of the transaction volume of Japan's imported dairy products is one of the highest in Japan at around 35%\*.

\* Source: The Company's briefing materials for individual investors

#### Company profile

The Company was formed by a split off of the Dairy Division of Toshoku Ltd. (currently, Cargill Japan Limited), which was conducting an import business at the very dawn of dairy product importing as a food specialist trading company. At the time of the Company's foundation, it already had a certain level of trading base in Japan and overseas. Since its foundation, the Company has established local subsidiaries in key dairy production areas around the world, such as North America, Europe, and Oceania, and has built close relationships with suppliers. The Company also imports and sells meat and processed meat products in Japan and is working to diversify its suppliers and the items that it procures, while working in step with the rising demand for health foods to expand its handling of functional food ingredients such as milk-derived protein ingredients. In addition, the Company is expanding beyond the import and sales business in Japan by establishing subsidiaries and affiliates in the rapidly growing markets of Asia, where it is conducting import and sale of dairy products as well as manufacturing and sales of processed cheese and processed natural cheese products with the aim of achieving sustainable growth.

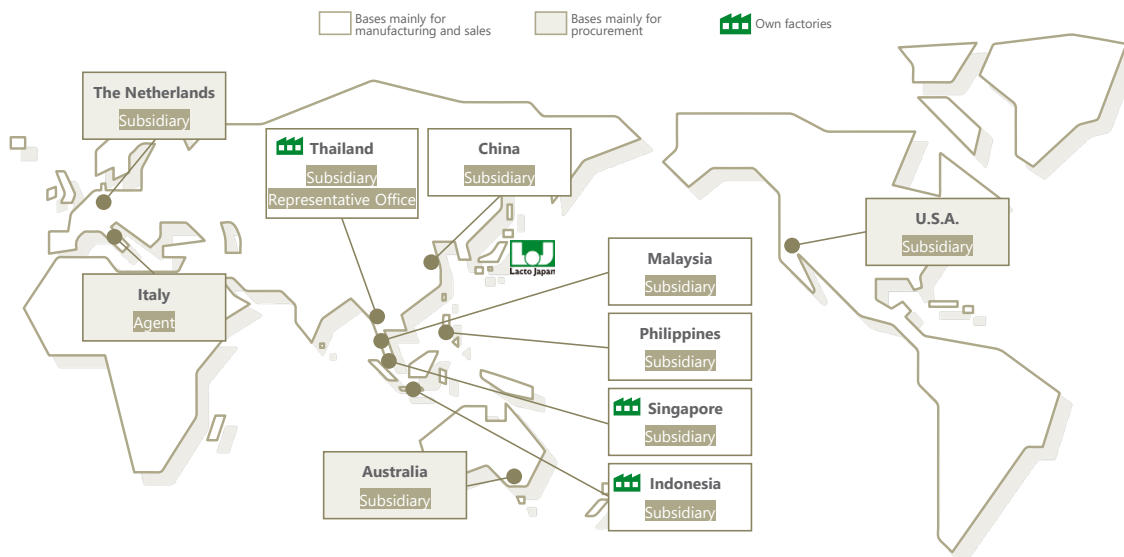
Among the Company's overseas subsidiaries, three are dairy product ingredients bases in raw milk production areas, namely Lacto USA Inc. (hereafter "Lacto USA") in the United States, Lacto Oceania Pty. Ltd. in Australia (hereafter "Lacto Oceania") and Lacto Europe B.V. (hereafter "Lacto Europe") in the Netherlands. Lacto USA conducts exports of dairy product ingredients, meat, and functional food ingredients to Japan and the Asia region. Lacto Oceania and Lacto Europe are mainly involved in support operations for the Group's Dairy Ingredients and Cheese Business Division, gathering beneficial information for the dairy ingredients and cheese business through the exchange of information with suppliers in Oceania and Europe, conducting price negotiations, and developing new suppliers.

In the Asian markets, the Company's main growth driver is in developing the expanding dairy products market. In Singapore, Lacto Asia Pte. Ltd. (hereafter "Lacto Asia") conducts wholesaling of dairy ingredients and cheese manufacturing and sales operations. It serves as the core company for the region, where the Company has established five subsidiaries: in Malaysia, Lacto Asia (M) Sdn. Bhd.; in Thailand, Foodtech Products (Thailand) Co., Ltd. (hereafter "FTT"); in China, Lacto Shanghai Co., Ltd.; in Indonesia, PT. Lacto Trading Indonesia (hereafter "LTI"); and in the Philippines, Lacto Philippines Inc.; as well as one 50% jointly invested affiliate: PT. Pacific Lacto JAYA (hereafter "PLJ"). Each of the subsidiaries and the affiliate sell dairy product ingredients purchased overseas to Japanese companies, local food product makers, and others in their home countries and the surrounding nations. Lacto Asia, FTT, and PLJ are also engaged in the development, manufacture, and sale of cheese products at their own plants.

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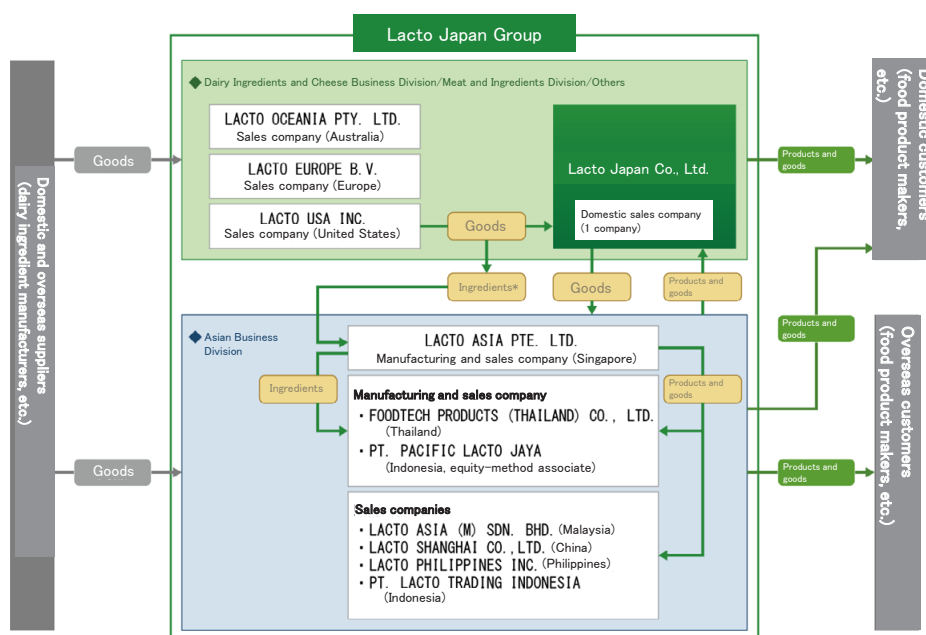
## Company profile

### Global network



Source: The Company's introduction materials

### Business schematic diagram



**Note:** \* indicates cheese for use as ingredients purchased from Lacto USA Inc. by Lacto Asia Pte. Ltd. to manufacture cheese products

Source: Prepared by FISCO from the Company's annual securities report

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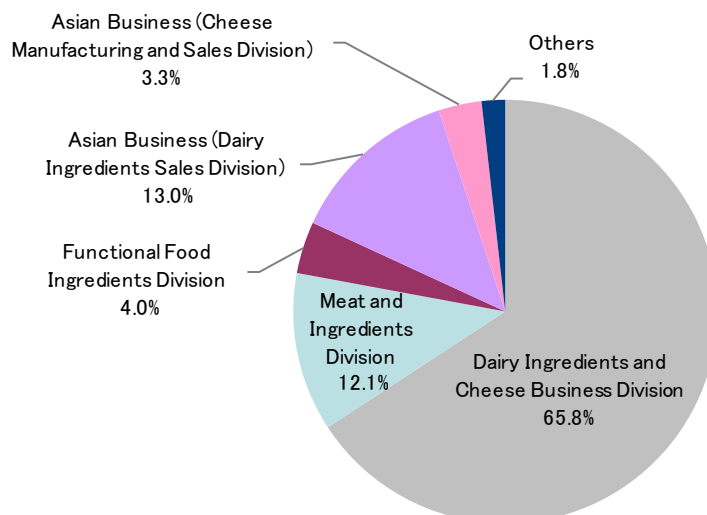
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## Business overview

**Expanding business domains with hybrid management based on trading company and manufacturing company functions. Rapid growth in sales of functional food ingredients, such as milk-derived protein, etc.**

The Company is an independent food specialist trading company that imports food ingredients such as dairy ingredients, functional food ingredients, meat, and processed meat products. It has expanded its business domains based on the import and sales operations of dairy ingredients and has continued to grow steadily. The Company has only one reportable segment, comprising the following business divisions: Dairy Ingredients and Cheese Business Division, Meat and Ingredients Division, Functional Food Ingredients Division, Asian Business (Dairy Ingredients Sales Division), Asian Business (Cheese Manufacturing and Sales Division), and Others. Functional food ingredients business, which is expected to grow in the future, was included in the Asian Business/Others through FY11/23, but the Company started disclosing net sales and sales volumes as the independent Functional Food Ingredients Division from FY11/24 accompanying growth in the scale of the business. In the breakdown of 1H FY11/25 consolidated net sales, the Dairy Ingredients and Cheese Business Division contributed 65.8%, the Meat and Ingredients Division 12.1%, the Functional Food Ingredients Division 4.0%, the Asian Business (Dairy Ingredients Sales Division) 13.0%, the Asian Business (Cheese Manufacturing and Sales Division) 3.3%, and Others 1.8%.

Breakdown of net sales by business division (1H FY11/25)



Source: Prepared by FISCO from the Company's results briefing materials

## Business overview

### 1. Dairy Ingredients and Cheese Business Division

This division imports dairy ingredients and cheese from overseas and sells them to dairy businesses and manufacturers of food, confectionery, oils and fats, beverages, and feed. In dairy ingredients, the division handles items derived from raw milk, such as whole milk powder, skim milk powder, butter, cream, and whey, as well as primary processed milk preparations made by adding sugar, oils and fats, etc. to these. They are used as ingredients in dairy products such as ice cream, yogurt, and milk beverages, as well as in a wide range of foods, such as raw materials in processed foods, including for bread and confectionery. The division handles over 500 products, including powdered milk mixtures, prepared butter mixtures, and cocoa preparations. In cheeses, the division imports natural cheeses (mainly gouda, cheddar, mozzarella, and cream cheese) and sells these to dairy manufacturers and others in Japan, mainly as ingredients for processed cheese\* and shredded cheese. There is no other trading company in Japan that handles such a lineup of products.

\* Processed cheese is made by adding an emulsifier to several types of natural cheese and heating them to melting point, then remaking them. The heat treatment destroys lactic acid bacteria and enzymes, making the cheese mold resistant to achieve excellent preservation characteristics. It is also possible to blend several types of natural cheese to create flavors suited to consumer tastes.

There is a significant domestic and foreign price difference for dairy ingredients compared with overseas. With a view to protecting domestic producers, imports have been restricted by non-tariff measures, but in 1988 import volume restrictions were abolished on certain dairy products such as processed cheese and ice cream as a result of negotiations between Japan and the United States. Subsequently, multilateral trade negotiations concluded in 1993 (the GATT Uruguay Round) resulted in an agreement to apply tariffs and reduce the tariff rate to specified dairy products, etc.\* from 1995 onward. Based on this agreement, three modes of import were established: 1) current access import by the Agriculture & Livestock Industries Corporation of the minimum import volume of butter and skim milk powder, etc. promised by Japan to the WTO (137,000 t/year raw milk equivalent), 2) tariff allocation imports, under which a low tariff rate is allocated to a set quota for private sector consumers, etc., and 3) general imports that allow anyone to import specified dairy products, etc. by paying the set tariff. Subsequently, the tariff allocation volume has been expanded and tariffs reduced by the coming into effect of the Japan-Australia EPA (Economic Partnership Agreement), the CPTPP (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, also known as TPP11), and the Trade Agreement between Japan and the United States.

\* Specified dairy products, etc.: dairy products including skim milk powder, butter, whey, whey preparations, and condensed milk that comply with the standards stipulated in the Act Concerning the Stabilization of Price of Livestock Products and whose import has now been allowed by the application of tariffs.

Domestic raw milk production in Japan is declining over the medium to long term due to dairy farmers withdrawing from the business and so forth. On the other hand, domestic dairy product demand is trending steadily, mainly due to the routine consumption of functional yogurts based on growing health awareness and changes in dietary habits. In FY2023, domestic consumption of 11.70mn t (raw milk equivalent) comprised 7.32mn t from domestic production and 4.55mn t of imports, for an import ratio of approximately 38%.\* The Company has demonstrated its value as an organizer supporting the smooth procurement of ingredients to fill the demand and supply gap for ingredients as imports of dairy products were liberalized. In addition, by responding to increasingly diverse development needs and the product characteristics of dairy ingredients for customers in Japan and proposing development and manufacture of high quality, high-added value ingredients to suppliers, the Company has established a unique position as a business partner.

\* Source: The Company's briefing materials for individual investors

## 2. Meat and Ingredients Division

The Meat and Ingredients Division imports processed meat products such as chicken, processed chicken products, and dry-cured ham and salami, primarily pork (chilled and frozen), from around the world and supplies them to food product makers, such as ham and sausage manufacturers, as well as wholesalers and retailers in Japan. For pork, the Company's main supplier is the leading US meat processing company Seaboard Foods LLC, which conducts integrated production from pig raising through to processing with traceability. At the same time, it has also secured supply sources in Canada, Spain, and other countries in order to diversify its suppliers. In processed meat products such as dry-cured ham and salami, the Company imports high-quality products with brand capability from major European production areas, which it sells to repacking manufacturers with sales channels through major supermarkets, etc. (repacking manufacturers process the dry-cured ham ingredients into shapes and sizes suitable for selling and packaging them). Moreover, to meet the needs of increasingly diverse customers, the Company is diversifying its business by expanding the lines of items handled to include beef and chicken, etc.

## 3. Functional Food Ingredients Division

The Company is focusing on sales of functional food ingredients as a new growth pillar. Since the start of the Foods with Functional Claims system in 2015, food and health and the functionality of food have been in focus, with many food products appearing with functionality claims, such as yogurt, gum, and chocolate, and a general increase in interest in health among consumers. The Company established a new business development headquarters in April 2020 and started importing and selling functional food ingredients such as high protein ingredients derived from milk. Demand has been growing, mainly for protein ingredients, from the sports nutrition industry, health and beauty industry, nursing care industry, and food industry. The Company is expanding the range of items it handles, including high protein ingredients derived from milk and food ingredients with various functions, and proposing combinations of functional ingredients to differentiate them. Moreover, the Company is developing higher-value-added businesses, such as collaborations with OEM partner companies, to make planning and development proposals for end products that incorporate the unique qualities of dairy products to brand owners and sports gyms that sell protein products on e-commerce websites and do not have their own plants. Looking ahead, the Company plans to expand its business by widening the range of products that it handles, concentrating on ingredients that can be promoted for their health-contributing functions, such as plant-based food ingredients, gelatin, and collagen, in addition to ingredients derived from milk.

## 4. Asian Business, Others

### (1) Dairy Ingredients Sales Division

Targeting the markets of Asia, where the adoption of Western food cultures is expected to drive expansion of the dairy products market, the Company has established subsidiaries and an affiliate in Malaysia, Thailand, China, Indonesia, and the Philippines, with subsidiary Lacto Asia in Singapore serving as the core company, to promote its business. As with the Dairy Ingredients and Cheese Business Division, the Company sells dairy ingredients imported from overseas to Japanese and local food product makers in countries where it has subsidiaries and neighboring countries. Lacto Asia sells dairy ingredients to companies in Singapore and South Korea, which export milk preparations to Japan, in addition to exporting powdered milk mixtures to Japan.

## Business overview

### (2) Cheese Manufacturing and Sales Division

Lacto Asia in Singapore, FTT in Thailand, and PLJ in Indonesia have their own factories and mainly manufacture and sell commercial-use cheese, for which there is little competition. In Singapore and Thailand, in addition to processed cheese, the Company also manufactures and sells shredded cheese made by processing natural cheese, which is seeing growing demand recently for use on pizzas and so forth. In Indonesia, the Company manufactures and sells only shredded cheese. Commercial-use cheese is being developed as a product under a policy of carefully identifying the needs and issues of customers such as food product makers and restaurant operators and solving issues together with a market-in approach. Currently, the Company supplies two original brand products, “FOODTECH” and “CHOOSY.” In addition, the Company is moving forward with plans in Singapore to relocate from its current plant to a new plant and aims to expand its production system with the start of operations at the new plant in November 2026.

With regard to quality, the Company manufactures products under the rigorous quality standards it has developed in the Japanese market and follows a policy of supplying high-quality products. Under this policy, the Company strives to differentiate itself from local companies. As a result, in the mainstay Singapore market, it has continuously received the highest “A” grade evaluation from the Singapore Food Agency (SFA), which supervises food factories in the country, since it was founded. Moreover, to sell products in Asia, the Company obtained Halal certification to guarantee that Muslims in countries such as Singapore, Malaysia, and Indonesia can eat its products with confidence. The Company obtained Halal certification in FY2004 when it started its manufacturing business and supplies products that align with local trade practices. In June 2021, the Company obtained the FSSC 22000 international standard for food safety management systems, and its policy is to continue making further quality improvements and manufacturing and supplying products that offer greater security and safety.

### (3) Others

This includes food ingredients exporting business conducted by local subsidiaries overseas outside of Asia.

## 5. Business strengths

To provide customers with high value in the import of dairy- and livestock-related ingredients, it is necessary to have expert knowledge of all factors, including trends in production areas, international market conditions, product characteristics, complex internal and external agricultural policies and import systems, trade operations, and tariffs. The Company has accumulated knowledge and expertise regarding dairy products and import operations since the early days of dairy product imports and has highly expert employees who are constantly ascertaining the latest local information and needs while keeping up direct contact with global suppliers and major food product makers. With this human and intellectual capital as its foundation, the Company has established local subsidiaries in various regions and built up relationships of trading and trust over many years with major dairy manufacturers who are overseas suppliers, which are considerable strengths. As a result, the Company has direct access to its suppliers’ advanced technologies and the latest information about ingredient development, enabling it to purchase and supply ingredients that meet its customers’ diverse needs, develop products, and provide the latest information. Moreover, the Company has built business relationships with diverse customers, including not only domestic dairy manufacturers but also food, beverage, and feed manufacturers. This enables it to discover new needs and feed these back to its suppliers to develop new products.

# Business overview

Even amid the supply chain disruption that occurred due to the spread of COVID-19, the Company utilized its global procurement network to maintain a stable supply of ingredients. To counter the risk of production volume fluctuations due to the impacts of climate change or natural disasters, the Company has another major strength in its ability to procure ingredients stably from diverse suppliers in widely dispersed areas. Moreover, having entered the Asian business at an early stage, the Company also has a network of suppliers and is well versed in the Asian markets. Furthermore, in addition to trading company functions, the Company also has manufacturing functions, having its own local cheese factories, and has accumulated successes in realizing the development of products that are carefully tailored to customers' needs and creating markets for them. In the future, the Company could also expand the sale of Japanese dairy products to meet needs in Asia. In fact, the Company has built networks with a wide range of stakeholders, including the dairy and livestock industry and the government of Japan, and has addressed surplus inventories of skim milk powder in Japan by selling domestically produced skim milk powder instead of its imported counterpart as well as through export sales of domestically produced skim milk powder to Asia. Having manufacturing functions in Asia is also a strength in that it offers higher profit margins than wholesaling.

## Results trends

### Net sales and profits reached record highs in 1H FY11/25, with net sales increasing YoY across all divisions

#### 1. Overview of 1H FY11/25 results

In its consolidated results for 1H FY11/25, the Company reached record highs in net sales and profits for 1H results. Net sales rose 12.7% YoY to ¥95,293mn, operating profit grew 46.8% to ¥3,571mn, ordinary profit increased 69.5% to ¥3,832mn, and 1H profit attributable to owners of parent rose 69.1% to ¥2,797mn. Net sales also grew 10.8% and ordinary profit 66.7% compared to the initial forecasts. Sales volumes increased YoY in all divisions except the Dairy Ingredients and Cheese Business Division, and with unit sales prices remaining high because of high international market prices, net sales also increased both YoY and versus the initial forecast for all divisions. The decrease in the Dairy Ingredients and Cheese Business Division's sales volume was an expected decline, due to factors such as declining consumption based on rising prices for cheese and other end products. On the other hand, sales of fat-based dairy ingredients and high protein ingredients remained strong due in part to growth of markets such as ice cream, protein, etc. Sales of pork and processed foods grew steadily due to product supply in production areas with price advantages, growth of new business partners, etc. In the Asian Business as well, both the Dairy Ingredients Sales Division and Cheese Manufacturing and Sales Division were supported by recovery demand and stronger sales activities, including development of new business partners, leading to growth in sales.

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Results trends

In terms of profit and loss, the gross profit margin increased 0.8pp YoY to 6.8%, and gross profit rose 27.9%. This was due to an improved product mix based on increased sales of fat-based dairy ingredients such as butter with a high profit margin and high protein ingredients used as ingredients in protein, etc. and strong performance by the Asian Cheese Manufacturing and Sales Division. On the other hand, selling, general, and administrative expenses increased ¥277mn (10.5%) YoY, owing to increased staffing and rising wages in Japan and overseas in line with business expansion, corporate planning consulting expenses, and growth in expenses related to strengthening sales activities, such as travel costs. This was offset by the increase in gross profit, and operating profit grew about 1.5 times YoY. Furthermore, ¥650mn in compensation related to quality defects for some products that occurred in the previous fiscal year was recorded as non-operating income, and ordinary profit grew about 1.7 times. The ordinary profit margin when compensation received is excluded increased 0.6pp to 3.3%. Ordinary profit after adjusting for foreign exchange effects, which do not correspond to the cost of sales during the fiscal year, increased 64.2% to ¥3,754mn.

Results for 1H FY11/25

(¥mn)

	1H FY11/24			1H FY11/25			
	Results	vs. net sales	Initial forecast	Results	vs. net sales	YoY	vs. initial forecast
Net sales	84,560	100.0%	86,000	95,293	100.0%	12.7%	10.8%
Gross profit	5,073	6.0%	-	6,488	6.8%	27.9%	-
Operating profit	2,432	2.9%	-	3,571	3.7%	46.8%	-
Ordinary profit	2,260	2.7%	2,300	3,832	4.0%	69.5%	66.7%
(Foreign exchange effects included in ordinary profit)	(-24)			(78)			
Ordinary profit after adjustment for foreign exchange effects	2,285	2.7%	-	3,754	3.9%	64.2%	-
1H profit attributable to owners of parent	1,654	2.0%	1,700	2,797	2.9%	69.1%	64.5%
Foreign exchange rate (USD/JPY)	149.95			150.14			
Foreign exchange rate (EUR/JPY)	162.47			161.27			

Source: Prepared by FISCO from the Company's financial results and results briefing materials

## 2. Trends by business division

### (1) Dairy Ingredients and Cheese Business Division

For this division, restaurant and leisure demand remains strong, driven in part by inbound tourism, and there has been no change in trends since 2H of the previous fiscal year. In particular, sales of fat-based dairy ingredients used as ingredients for ice cream, etc. and high protein ingredients for the food industry, which is undergoing a protein boom, remained strong. With domestic consumption of cheese, especially retail products, declining owing to the impact of international price hikes, the Company expanded its sales share by offering products with price competitiveness aligned with customer needs using ingredients from multiple production areas, including Europe, Oceania, and the US. Not only does the Company have the highest share of the transaction volume for US cheese, whose costs are relatively stable, but it has an established reputation for rapidly responding to complaints, etc. if quality issues or other problems occur. This strength of the Company seems to be leading to expansion of its share. As a result, while the Dairy Ingredients and Cheese Business Division's sales volume fell 4.7% YoY to 86,799 t, it exceeded the initial forecast, which assumed weaker performance from the outset. Due to factors such as the weakening yen, dairy product prices remaining high on the international market, and international cheese price hikes, net sales rose 6.4% to ¥62,686mn. In terms of profit and loss, the product mix improved due to strong sales of fat-based dairy ingredients, which have high added value, and high protein ingredients, and the profit margin improved as well.

# Results trends

## (2) Meat and Ingredients Division

For this division, the sales volume for pork, which is the major product, remained strong, particularly for frozen products, owing to the acquisition of new customers and other factors. The sales volume for chicken and processed foods, especially processed chicken, was likewise strong. Furthermore, the unit sales price for pork increased due to the impact of high market prices and the weakening yen. As a result, both sales volume and net sales exceeded the initial forecasts. Sales volume increased 2.1% YoY to 16,180 t, while net sales rose 9.7% to ¥11,560mn.

## (3) Functional Food Ingredients Division

Sales remained strong in the Functional Food Ingredients Division, which the Company aims to expand as a new growth pillar. Sales were especially brisk for high protein ingredients derived from milk, which is an ingredient for protein products. In Japan, “high protein” is becoming a development theme not just for sports nutrition but for food in general, and the market is expanding to general consumers including health-conscious women and seniors. Against the backdrop of global demand for high protein, prices remained high on the ingredients market, and substitutes such as low-priced soybean protein were also offered in line with customer needs. Both sales volume and net sales exceeded the initial forecasts. Sales volume increased 140.1% YoY to 3,044 t, while net sales rose 134.9% to ¥3,779mn. The division made steady progress in developing new customers by, for example, providing full support to food manufacturers entering the market as they launch new brands, and the transaction volume with existing customers also increased.

## (4) Asian Business (Dairy Ingredients Sales Division)

For this division, sales of powdered milk mixture ingredients for Japan remained firm, while sales to local companies in the Asia region were strong, including an increase in new transactions with local companies in the Philippines, Thailand, and Malaysia. In Indonesia, sales volume grew as LTI sold dairy ingredients produced in Oceania as a distributor. Moreover, sales of high-added-value products to local Japanese companies increased. Both sales volume and net sales exceeded the initial forecasts. Sales volume grew 11.7% YoY to 20,678 t, while net sales rose 27.6% to ¥12,418mn.

## (5) Asian Business (Cheese Manufacturing and Sales Division)

For this division, sales of products to Japanese restaurant operators, processed food manufacturers in Malaysia, and bakeries in Singapore and Thailand remained firm. In Southeast Asia, cheese processors specializing in manufacturing price-conscious products are increasing. The Company’s processed cheese has an advantage due to its high quality and stable supply structure. There is fierce price competition due to ongoing price revisions to cover rising ingredient costs. Both sales volume and net sales fell somewhat short of the initial high targets, but the division’s profit margin increased owing to improvements in manufacturing efficiency along with the effect of price revisions, which contributed to profit growth in the consolidated results. Sales volume rose 11.4% YoY to 2,826 t and net sales grew 17.3% to ¥3,142mn, both of which exceeded the previous fiscal year’s results.

## (6) Others

For this division, net sales grew 59.6% YoY to ¥1,706mn, with an increase in transactions entailing directly selling dairy ingredients to Japanese customers at an overseas subsidiary.

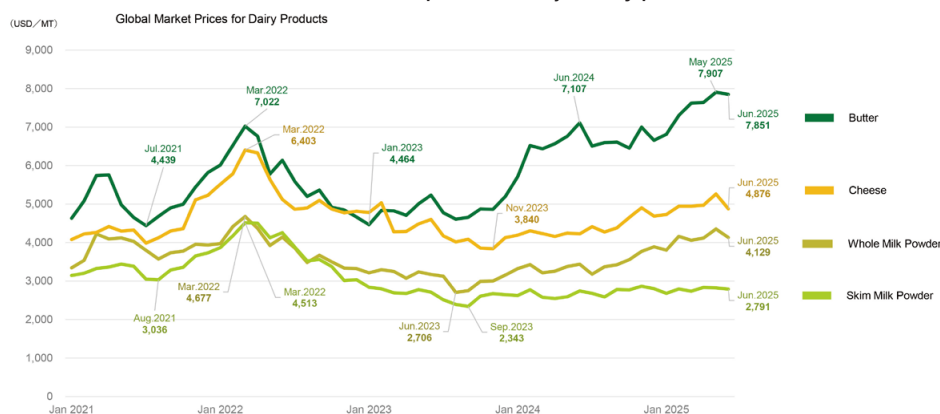
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## Results trends

### International market prices for major dairy products



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

Source: The Company's results briefing materials

## 3. Financial position

In the 1H FY11/25 period, accounts receivable increased ¥4,494mn from the end of the previous fiscal year owing to sales growth in all divisions in Japan, inventories increased ¥4,408mn, and a need arose for working capital of ¥9,347mn, including a ¥445mn decrease in accounts payable. Net sales for the Japanese Dairy Ingredients and Cheese Business Division in 2Q FY11/25 alone (March to May 2025) grew 20.1% compared to 4Q (September to November 2024) of the previous fiscal year alone (total amount of accounts receivable and inventories grew 13.5% compared to the end of the previous fiscal year). While the Company is devoting effort to shortening its cash conversion cycle, as an import trading company it cannot avoid increases in logistics inventory such as inventory at sea linked to increased sales to customers. Net cash used in operating activities was ¥7,846mn, but basic net cash provided by operating activities, which excludes required working capital, was ¥1,708mn. The basic net cash provided by operating activities decreased ¥234mn YoY. It fell because, even though 1H profit before taxes increased ¥1,572mn to ¥3,832mn, the amount of corporate taxes, etc. paid increased ¥825mn, accounts receivable-other increased ¥650mn due to a change in the payment timing for compensation received (paid in June 2025), interest expenses increased ¥92mn, and so forth. The Company therefore deems that there is no change in its basic capacity to generate net cash.

Net cash used in investing activities was ¥546mn due to increased upfront investment in a new plant in Singapore and new system development costs, but net cash provided by financing activities was ¥9,718mn due to a net ¥10,324mn increase in long- and short-term borrowing to meet working capital needs, and the remaining funds increased cash and deposits by ¥1,256mn. As a result of increases in cash and deposits, notes and accounts receivable-trade, and inventories, current assets rose ¥11,073mn and total assets increased ¥11,466mn to ¥92,901mn. Total liabilities increased ¥9,621mn to ¥63,475mn due to increases in short- and long-term borrowings. Net assets increased ¥1,845mn to ¥29,426mn, but the equity ratio decreased 2.2pp from the end of the previous fiscal year to 31.6% due to a significant increase in liabilities.

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Results trends

Consolidated balance sheets

	End of FY11/24	End of 1H FY11/25	Change
(¥mn)			
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	46,527	4,408
Non-current assets	5,608	6,001	392
Property, plant and equipment	2,502	2,554	52
Intangible fixed assets	321	728	407
Investments and other assets	2,785	2,717	-67
<b>Total assets</b>	<b>81,435</b>	<b>92,901</b>	<b>11,466</b>
Current liabilities	44,455	52,388	7,933
Accounts payable	17,212	16,766	-445
Commercial paper	3,000	3,000	0
Short-term borrowings	21,625	30,256	8,631
Non-current liabilities	9,398	11,086	1,687
Long-term borrowings	8,293	9,949	1,656
<b>Total liabilities</b>	<b>53,853</b>	<b>63,475</b>	<b>9,621</b>
<b>Total net assets</b>	<b>27,581</b>	<b>29,426</b>	<b>1,845</b>

Source: Prepared by FISCO from the Company's financial results

Consolidated statements of cash flow

	1H FY11/24	1H FY11/25
(¥mn)		
Cash flows from operating activities	-1,590	-7,846
Cash flows from investing activities	295	-546
Cash flows from financing activities	2,195	9,718
Change in cash and cash equivalents	1,125	1,256
<b>Cash and cash equivalents at end of 1H</b>	<b>8,408</b>	<b>9,776</b>

Source: Prepared by FISCO from the Company's financial results

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## ■ Outlook

### The Company forecasts record high net sales and profits for FY11/25

#### 1. FY11/25 forecasts

The Company forecasts record high sales and profits, with net sales of ¥188,000mn (up 10.0% YoY), ordinary profit of ¥6,000mn (up 38.9%), and profit attributable to owners of parent of ¥4,350mn (up 38.3%). Based on recent results and other factors, the initial forecasts have been upwardly revised, adding ¥8,000mn for net sales and ¥1,400mn for ordinary profit. In 1H, sales grew strongly in all divisions, but in 2H, consumption is expected to decline due to the impact of price hikes for dairy products following milk price hikes and price hikes for food in general associated with rising energy, ingredient, distribution, and personnel costs. Net sales in 2H are therefore expected to decline 2.7% from 1H. A decline in income compared to 1H is anticipated in the Dairy Ingredients and Cheese Business Division as well as the Asian Business's Dairy Ingredients Sales Division. Declining consumption of food products such as dairy products in Japan is anticipated to have an impact on milk preparation ingredient sales to Japan in Asia. On the other hand, in the Meat and Ingredients Division, the Company expects continued demand for US pork and increased demand for processed foods in Japan. In the Functional Food Ingredients Division, the policy is to enhance sales of functional ingredients besides protein ingredients as well as enhancing offerings to food manufacturers entering the booming protein market. Furthermore, in the Asian Business's Cheese Manufacturing and Sales Division, sales volume and net sales are both projected to exceed 1H in 2H. However, with higher cheese ingredient prices and intensifying competition, sales will be carried out with a focus on profitability, so the initially announced volume target of 6,300 t has been conservatively lowered to 5,900 t. In terms of profit and loss, factoring in higher personnel costs due to an increase in staff and wage level hikes, increased sales-related expenses, and increased education and training expenses for overseas training, job level-based training, etc., the ordinary profit margin excluding compensation received is forecast to fall 0.5pp from the 1H result to 2.8%, but it will be 0.3pp higher than the previous fiscal year's level.

#### FY11/25 forecasts

	FY11/24 Results	FY11/25 Initial forecast	Revised forecast	YoY	
				Change	Change rate
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%	-	-

Source: Prepared by FISCO from the Company's financial results

## Outlook

### 2. Results forecast by business division

#### Full-year net sales and sales volume forecasts by business division

	Net sales (¥mn)			Sales volume (t)		
	FY11/24 Results	FY11/25 Revised forecast	Change rate	FY11/24 Results	FY11/25 Revised forecast	Change rate
Dairy Ingredients and Cheese Business Division	114,182	120,700	5.7%	176,402	166,800	-5.4%
Meat and Ingredients Division	21,788	25,200	15.7%	31,831	35,100	10.3%
Functional Food Ingredients Division	5,141	8,100	57.5%	4,199	6,600	57.2%
Asian Business (Dairy Ingredients Sales Division)	21,584	24,000	11.2%	39,728	39,600	-0.3%
Asian Business (Cheese Manufacturing and Sales Division)	5,594	6,500	16.2%	5,422	5,900	8.8%
Others	2,616	3,600	37.6%	-	-	-

Source: Prepared by FISCO from the Company's financial results and results briefing materials

#### 2H net sales and sales volume forecasts by business division

	Net sales (¥mn)			Sales volume (t)		
	1H FY11/25 Results	2H FY11/25 Forecast	Change rate	1H FY11/25 Results	2H FY11/25 Forecast	Change rate
Dairy Ingredients and Cheese Business Division	62,686	58,014	-7.5%	86,799	80,001	-7.8%
Meat and Ingredients Division	11,560	13,640	18.0%	16,180	18,920	16.9%
Functional Food Ingredients Division	3,779	4,321	14.3%	3,044	3,556	16.8%
Asian Business (Dairy Ingredients Sales Division)	12,418	11,582	-6.7%	20,678	18,922	-8.5%
Asian Business (Cheese Manufacturing and Sales Division)	3,142	3,358	6.9%	2,826	3,074	8.8%
Others	1,706	1,894	11.0%	-	-	-

Source: Prepared by FISCO from the Company's financial results and results briefing materials

#### (1) Dairy Ingredients and Cheese Business Division

For this division, prices for foods in general will continue rising due to rising energy, ingredient, personnel, and distribution costs, and prices hikes for dairy products have also been implemented since July. Due to rising production costs, producers and dairy manufacturers reached an agreement to raise the price of milk for processing in June 2025 and the price of milk for beverages, fermented milk, etc. in August 2025. Since July, major dairy manufacturers in particular have gradually been implementing price hikes of around 3% to 11% for butter and oils and fats, 3% to 4% for cheese, 2% to 17% for yogurt, milk beverages, and protein drinks, and 5% to 9% for ice cream. Factoring in declining consumption owing to the price hikes, the Company has downwardly revised its initial forecast for sales volume, which is expected to decrease 5.4% YoY to 166,800 t. On the other hand, since dairy product market prices remain high globally, it has upwardly revised its initial forecast for net sales, which are expected to rise 5.7% to ¥120,700mn. It will strengthen sales of high-added-value dairy ingredients such as fat-based ingredients and high protein ingredients that serve as ingredients for products whose markets are expected to continue growing, such as ice cream and protein, which is projected to increase profits. The Company aims to expand its share of cheese sales based on stable supply that responds to customer needs in terms of price, quantity, and quality (including quality control at the distribution stage).

## Outlook

Inventories of domestically produced skim milk powder declined from 98,000 t at the end of March 2022 to 52,000 t at the end of March 2025, reflecting progress in joint public-private efforts to reduce excess inventory launched in March 2022. The excess inventory reduction project ended in FY2024. Raw milk production increased (up 0.7% YoY) for the first time in three years after having been curbed to adjust the supply-demand balance during the COVID-19 pandemic in FY2024 (April 2024–March 2025), and in FY2025, it is forecast to decrease only slightly (down 0.5%). Therefore, the skim milk powder inventory trended upward somewhat to 63,808 t at the end of June 2025 and is projected to rise again to 80,600 t by the end of March 2026. As a result, it has been remarked that measures of some kind are necessary, but at the same time, there are concerns that raw milk production will be less than forecast due to extreme heat. Situations may be anticipated where the Company attracts interest due to its role in export of domestically produced skim milk powder to Asia and stable procurement of imported dairy ingredients. Regardless of this, as the number of dairy farmers and livestock continues to trend downward due to rising production costs for dairy farms caused by feed and energy price hikes, domestic supply appears to be reaching its limit.

### (2) Meat and Ingredients Division

Despite anticipating continued brisk sales of frozen pork for processed foods as well as chicken and processed chicken products, the Company's plan is somewhat conservative because of concerns about demand cooling for chilled pork for retail distribution due to rising market prices for pork and rising import prices. In 2H, it expects increased sales of frozen pork and has upwardly revised the initial forecasts for both sales volume and net sales for this division. Sales volume is expected to grow 10.3% YoY to 35,100 t and net sales to increase 15.7% to ¥25,200mn due to price hikes, etc. Net sales have been revised substantially upward by ¥3,200mn from the initial forecast. Despite its small size, the sales agency business representing a time-honored European spice manufacturer, whose products the Company began handling in April 2025, will expand its business domain by selling spices for commercial use, spice extracts, and rock salt via its meat and ingredients channel.

### (3) Functional Food Ingredients Division

For this division, the protein market is expected to continue expanding, and the Company forecasts net sales to increase 57.5% YoY to ¥8,100mn and sales volume to increase 57.2% to 6,600 t, mainly due to growth in ingredients for protein products. Both have been upwardly revised from the initial forecasts. In addition to sports nutrition applications, the Company plans to pursue sales expansion by strengthening its offering, such as providing products with uses other than existing applications to food manufacturers entering the growing protein market. Sales to dairy product manufacturers and the like are included in the Dairy Ingredients and Cheese Business Division. Moreover, the Company plans to strengthen sales of functional food ingredients other than protein, such as gelatin, collagen, and plant-based ingredients, and develop the export of functional food ingredients to Asia as a new business domain.

### (4) Asian Business (Dairy Ingredients Sales Division)

For this division, the Company anticipates that demand for powdered milk mixture ingredients for Japan will slow due to declining domestic consumption caused by dairy product price hikes in Japan. It has therefore downwardly revised the initial forecast for both sales volume and net sales. Sales volume is expected to decline 0.3% YoY to 39,600 t and net sales to grow 11.2% to ¥24,000mn due to an increase in international market prices for dairy products. While strengthening collaboration between sites in Thailand and surrounding nations, the Company aims to enhance sales to local companies.

## Outlook

### (5) Asian Business (Cheese Manufacturing and Sales Division)

In the Asia region, cheese demand is growing strongly, especially for restaurants. However, price competition due to price hikes is intensifying with local competitors, who are increasing in number. To differentiate itself from other competing companies, the Company's policy is to develop profit-focused sales. It has therefore downwardly revised the high initial sales volume target of 6,300 t announced at the start of the fiscal year for this division. Sales volume is expected to grow 8.8% YoY to 5,900 t and net sales to increase 16.2% to ¥6,500mn. The new Singapore plant is scheduled for completion in 1Q FY11/26, after which manufacturing equipment will be installed and test operation will begin. Starting in 2Q of the same fiscal year, the Company plans to apply for various approvals and start manufacturing certain products concurrently with the old plant. In 3Q, it plans to expand the scope of production, then beginning in 4Q, it will start mass production based on full-scale operation and shut down the old plant's lines.

### (6) Others

The Company expects its overseas subsidiary to continue direct sales of dairy ingredients and projects net sales to increase 37.6% YoY to ¥3,600mn.

## Medium- to long-term growth strategies and shareholder returns

### Aiming to change from a trading company specializing in dairy products to a complex food company

The Company marked its 25th founding anniversary in May 2023. It positioned the next 25 years as a "second founding period" leading to the next major anniversary and announced a new management philosophy, long-term vision, and Corporate Business Plan, NEXT-LJ 2025 (FY11/23 to FY11/25), in January 2023. In the past, the Company's Corporate Business Plan was a rolling-type plan that was revised every year. However, starting with NEXT-LJ 2025, the Company has changed to a fixed approach, disclosing earning targets for each fiscal year and revising the plan every three years. By clarifying the targets for each fiscal year, the validity of the plan is enhanced, making it a driving force for steady growth while also facilitating dialogue with shareholders and other investors.

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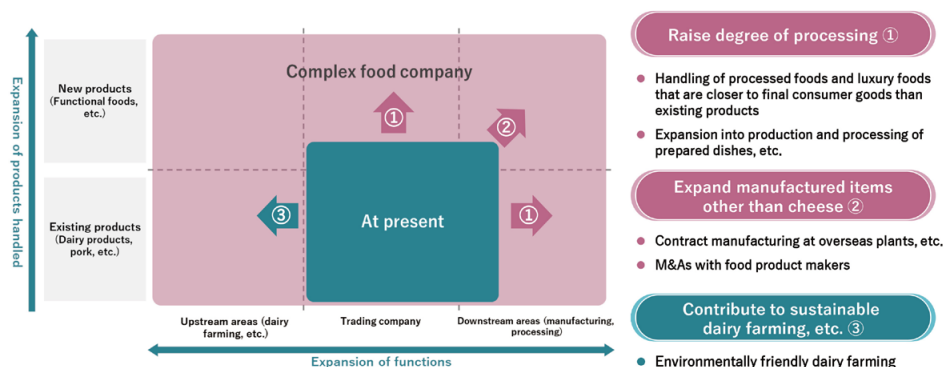
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Medium- to long-term growth strategies and shareholder returns

## 1. Long-term vision

The Company has established its long-term vision, LACTO VISION 2032, and adopted the slogans: “Change from a trading company specializing in dairy products to a complex food company,” “Become No. 1 in Japan and the world in dairy product transaction volume,” and “Create demand through best matching and contribute to the development of the dairy and livestock farming industries.” To change to a complex food company, the Company aims to expand its business domains by further expanding its trading company functions. Initiatives will include expanding the range of new handled products from existing products such as dairy products and pork to items that are close to goods for final consumption, such as processed food, ready-made side dishes, and functional foods, providing technology and expertise to the frontlines of production upstream, including improvement of feed ingredients and personnel exchanges with dairy farmers in Asia, and entering downstream domains such as manufacturing and processing of products other than cheese. The word “complex” incorporates three meanings: “increase complexity of products,” “increase complexity of business,” and “increase complexity of trading business.” The Company aims to increase the complexity of products by proposing new solutions combining dairy products as a base with other materials such as meat and functional food ingredients. It intends to increase the complexity of business by promoting product development and business development leveraging both its trading company functions and its manufacturing functions. Finally, it will increase the complexity of the trading business by not only importing but also exporting from Japan to adjust the demand and supply balance of dairy products in Japan.

### Correspondence with business domains



The Company's numerical targets for FY11/32 are consolidated ordinary profit of ¥6,000mn, an overseas ratio for ordinary profit of 40%, and total Group dairy product trading volume of 450,000 t. Furthermore, it has set the following six materialities, individual strategies, and certain quantitative targets as its ESG targets.

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Medium- to long-term growth strategies and shareholder returns

### ESG targets and materialities

- 1) Supplying safe and reliable food (thorough quality control, selection of suppliers, reinforcement of processed cheese manufacturing system)
- 2) Contributing to a healthy and enriched life (sourcing dairy products that contribute to nutrition and health from around the world, expansion of plant-based food ingredients: transaction volume in three years: 1,900 t [FY11/22: 131 t], proposal of foods and raw materials that match diverse lifestyles)
- 3) Stable supply through sustainable dairy and livestock farming (diversification of supply sources, best matching, dairy farmer development, improving efficiency and labor saving in procurement and supply through promotion of digitalization)
- 4) Adaptation to climate change and reduction of environmental impact (diversification of supply sources, contributing to reduction of greenhouse gases, reduction of food loss, waste reduction, optimization of logistics, reduction of environmental impact at own offices and factories)
- 5) Creating workplaces where diverse human resources can work with pride (promotion of diversity: ratio of female managers at least 20% in three years, at least 30% in ten years [FY11/22: 19.7%], development of good working environment: male childcare leave [parental leave] acquisition rate of 100% in three years [FY11/22: 66.7%], strengthening of human resource development: education costs per person to triple in three years)
- 6) Enhance governance (responsible supply chain management, full compliance in corporate governance, risk management)

## 2. Progress on Corporate Business Plan NEXT-LJ 2025 and shareholder returns

### (1) Basic policies and major measures

During the three-year period from FY11/23 to FY11/25, the Company plans to focus on solidifying its foundation for growth as the first step toward achieving its long-term vision. The three basic policies for business growth are: Base (Evolution of existing business), Growth (Expansion of Asian business), and Challenges (Build next-generation businesses). For each basic policy, the Company has established measures to achieve business growth and strengthen the management base that supports it.

#### Basic policies of the Corporate Business Plan

	<b>Base</b> Evolution of existing business	<b>Growth</b> Expansion of Asian business	<b>Challenge</b> Build next-generation businesses
<b>Business growth</b>	Stable supply based on diversification of supply sources	Expand cheese manufacturing and sales business	Develop new products, starting with functional foods
	Consulting sales that create best matching	Reinforce local sales system Expand sales areas	Expand downstream areas of manufacturing and processing
	Export Japanese foodstuffs	Develop high value-added products that meet 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)		
<b>Strengthening of management base</b>	Contribute to sustainable dairy and livestock farming industries Adapt to climate change and build business structure to reduce environmental impact		
	Strengthen human resource development / Enhance governance / Develop information systems		

Source: The Company's results briefing materials

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Medium- to long-term growth strategies and shareholder returns

For existing business “evolution,” the Company’s policy is to achieve business growth through stable supply based on diversification of supply sources, consulting sales that create best matching, and export of Japanese foodstuffs. The most important priority measure is stable supply based on diversification of supply sources. To avoid regional fluctuations in production of dairy and livestock products due to climate change, viruses, and geopolitical supply risks, the Company will further expand its global procurement network to ensure stable supply, not only in the Dairy Ingredients and Cheese Business Division but also in the Meat and Ingredients Division. For dairy ingredients, the Company is making progress in developing new suppliers and strengthening collaboration with existing suppliers. Regarding the export of Japanese foodstuffs, the Company has started the export of dairy products, health foods, and other products based on its track record of exporting domestically produced skim milk powder.

For the expansion of Asian Business, the Company’s policy is to achieve business growth by expanding the cheese manufacturing and sales business, reinforcing the local sales system and expanding sales areas, and developing high-value-added products that meet the needs of religions and diverse food cultures. The most important priority measure is the expansion of the cheese manufacturing and sales business. The new plant in Singapore, which is slated to enter operation in FY11/26, will leave room for the expansion of plants and facilities, and with this new plant as a starting point, the Company aims to raise the manufacturing and sales volume of its three Asian plants to a total of 15,000 t, or nearly triple the current amount. Until the new plant is completed, the Company faces the challenge of maintaining its supply structure in Asia, where demand is growing, by strengthening the functions and improving the productivity of the Thai plant so that it can coordinate with the current Singapore plant and alleviate its burden. The Company planned to increase sales volume to 6,300 t in FY11/25, but it has lowered the target to 5,900 t since it will now pursue profit-focused sales in light of intensifying price competition. The Company will also expand sales of processed natural cheese products such as shredded cheese, which is seeing increased demand. Processed cheese is processed and manufactured by heating the natural cheese used as a raw material, so the Company can leverage its strength of combining processed cheese production and natural cheese processing lines in the same plant. The Company is also moving forward with developing and manufacturing high-added-value products such as vegan cheese and other new products for the retail market in order to meet religious dietary restrictions and cater to diverse customer needs.

For building next-generation businesses, the Company’s policy is to achieve business growth by developing new products, starting with functional foods, expanding downstream areas of manufacturing and processing, and participating in dairy farming and other upstream areas. The most important priority measure is the development of new products, starting with functional foods. In the Functional Food Ingredients Division, the Company plans to further expand sales of high protein ingredients used as raw materials in the protein food market, which is seeing growing demand for sports nutrition and health-oriented functional foods. The Company’s strategy for developing products is to differentiate itself by proposing combinations of high protein ingredients and food ingredients with various functions. In developing this business, the Company has already established a business model in which it plans, develops, and proposes products through alliances and collaboration with OEM partner companies to target brand owners primarily selling through e-commerce websites and sports gyms. In the future, it plans to expand its business domains through alliances and collaboration with general food product makers that are entering the market. As Japanese functional foods are also attracting attention in Asia, the Company is looking into trilateral trade including exports to Asia in the future. In FY11/24, it started export sales of functional food ingredients. With regard to expanding downstream areas of manufacturing and processing, the Company intends to contribute to sustainable dairy and livestock farming industries by developing and producing feed ingredients in collaboration with overseas suppliers and through human resource exchanges between Japanese and Asian dairy farmers.

Medium- to long-term growth strategies and shareholder returns

Under these three basic policies, the Company is considering a wide range of measures to achieve business growth, such as M&A and other business alliances. It is also enhancing its sustainability efforts to strengthen its management base. The Sustainability Promotion Task Team, which is responsible for sustainability activities, has been reorganized into a cross-divisional team to promote and manage progress in promoting the Company's six materialities. It also established four policies in September 2024: the Environmental Policy, the Sustainable Procurement Policy, the Information Security Policy, and the Industrial Safety and Health Policy. In October of the same year, it established a Sustainability Promotion Department and set up a system in which it works together with the Sustainability Promotion Task Team, taking into consideration long-term business risks and responses to opportunities and making proposals at executive management meetings. As part of its efforts to adapt to climate change and reduce its environmental impact, the Company will also continue to disclose climate change-related information, calculate Scope 1, 2, and 3 emissions, and set reduction targets based on the TCFD (Task Force on Climate-related Financial Disclosures) Recommendations. Furthermore, the Company intends to strengthen human resource development, enhance governance, and develop information systems. In December 2024, it established a human resources development office with the aim of enhancing personnel recruitment and development and establishing a good working environment, and it has already made progress in preparing for the full-fledged operation of a new human resource system aimed at updating core systems at its head office.

## (2) Numerical targets

The Corporate Business Plan aims for consolidated net sales of ¥200,000mn, consolidated ordinary profit of ¥4,000mn, and profit attributable to owners of parent of ¥2,900mn in FY11/25, while simultaneously targeting ROE of 10% or more, a payout ratio of 20–25%, and a consolidated shareholders' equity ratio of 30–35%. The Company had planned for net sales of ¥160,000mn in FY11/23 and ¥180,000mn in FY11/24, but the actual results in FY11/23 were ¥158,328mn, slightly lower than planned, and results for FY11/24 were also lower than planned at ¥170,907mn. Whereas the Company planned on ordinary profit of ¥3,200mn in FY11/23 and ¥3,600mn in FY11/24, the actual result of ¥2,847mn was lower than planned for FY11/23 but the results for FY11/24 were higher than planned at ¥4,320mn and attained the Corporate Business Plan's target of ¥4,000mn one fiscal year early. The Corporate Business Plan's targets were also met for each indicator, with ROE of 12.1%, payout ratio of 25.3%, and consolidated shareholders' equity ratio of 33.8%. For FY11/25, the Company projects net sales of ¥188,000mn, which is ¥12,000mn below the plan, but ordinary profit well above the plan at ¥6,000mn. Furthermore, it is aiming for a dividend payout ratio of 30.2%, which is a step up from the target of 20–25% in the Corporate Business Plan. At the start of the current fiscal year, it was targeting a dividend increase of ¥20.0, but with the upward revision of results, it revised the target dividend to ¥132.0, an increase of ¥52.0. It is on track to achieve a dividend payout ratio of 30.2%.

Moreover, in FY11/25, the Company started the introduction of ROIC on a full-fledged basis for each of its business divisions. Along with that, it plans to revamp its personnel system, add ROIC to criteria for evaluating employees, and work to reform employee awareness regarding capital efficiency.

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Medium- to long-term growth strategies and shareholder returns

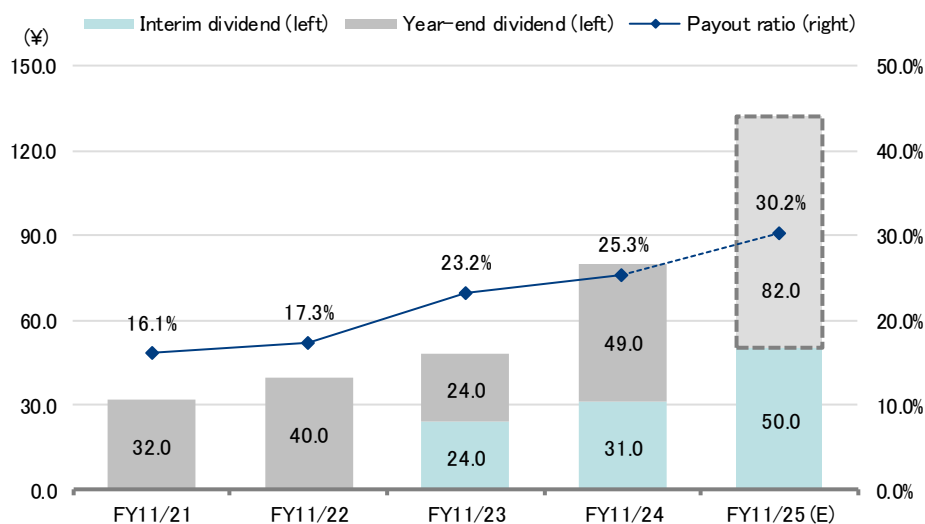
**Performance targets and financial targets of the Corporate Business Plan**

(¥mn)

	FY11/22 Results	FY11/23		FY11/24		FY11/25	
		Plan	Results	Plan	Results	Plan	Revised forecast
<b>[Performance targets]</b>							
Consolidated net sale	147,423	160,000	158,328	180,000	170,907	200,000	188,000
Consolidated ordinary profit	3,134	3,200	2,847	3,600	4,320	4,000	6,000
Profit attributable to owners of parent	2,286	2,300	2,048	2,600	3,146	2,900	4,350
<b>[Financial targets]</b>							
ROE	10.9%		8.7%		12.1%	10% or more	-
Payout ratio	17.3%		23.2%		25.3%	20~25%	30.2%
Consolidated shareholders' equity ratio	30.5%		34.2%		33.8%	30~35%	-

Source: Prepared by FISCO from the Company's results briefing materials

**Trends in dividend per share and payout ratio**



Source: Prepared by FISCO from the Company's financial results

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