COMPANY RESEARCH AND ANALYSIS REPORT

Lacto Japan Co., Ltd.

3139

Tokyo Stock Exchange Prime Market

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Contents

Summary

With performance trending favorably in 1H, a new record for net sales is anticipated in FY11/26

Lacto Japan Co., Ltd. <3139> (hereafter, also "the Company") is an independent specialist food trading company that imports and sells functional food ingredients, meat, and processed meat products with a particular focus on dairy ingredients and cheese (hereafter, "dairy ingredients"). The Group includes one domestic consolidated subsidiary, nine overseas consolidated subsidiaries, and one overseas equity-method affiliate, and develops its businesses globally. As its corporate name indicates, the Company has its origins in importing and selling dairy ingredients, and it has a top-tier domestic share of Japan's market for imported dairy products. Although dairy ingredients as a commodity require highly demanding quality and hygiene control, the Company has earned a high level of trust from food manufacturers through its long track record. The Company's customers are not limited to dairy manufacturers. They span a wide range that includes confectionery, bakery, processed food, and beverage manufacturers. The customer base is not concentrated in any particular field. In recent years, the Company has been expanding into functional food ingredients. Simultaneously, in the Asian market, it has developed a cheese manufacturing and sales business in addition to selling dairy ingredients, thereby deepening its business model as a Diversified Food Company that combines trading and manufacturing functions. With its global procurement capabilities and expertise as its foundation, the Company seeks added-value creation-oriented growth.

1. Overview of 1H FY11/26 results

In the consolidated results for 1H FY11/26, net sales increased 2.7% year on year (YoY) to ¥97,866mn, setting a new record for 1H results. Profits decreased due to the absence of the compensation received that was recorded in 1H FY11/25, as well as an increase in SG&A expenses stemming mainly from higher personnel and logistics costs and head office relocation costs, leading to a decrease in both operating profit and ordinary profit. However, ordinary profit exceeded the forecast by 10.0% due to the following factors: progress in restructuring the product portfolio to focus on profitability rather than sales volume in the core Dairy Ingredients and Cheese Business Division; performance trending favorably in the Life Science Business Division and Asian Business (Cheese Manufacturing and Sales Division); and the recording of depreciation charges anticipated at the start of the year being pushed back due to the delayed completion of the new Singapore plant.

2. FY11/26 forecasts

In its consolidated results for FY11/26, the Company forecasts net sales of ¥193,000mn (up 5.6% YoY), which would set a new record. In terms of profit, on the other hand, it expects that ordinary profit will be ¥4,800mn (down 17.2%) after factoring in the burden of upfront investments aimed at future growth, including depreciation charges and interest payments associated with operation of the new Singapore plant, relocation of the head office, and installation of new core systems. However, it is making steady progress in developing a foundation for future profit growth through improving profitability by expanding sales of high value-added products in the core Dairy Ingredients and Cheese Business Division and business expansion of the Life Science Business Division and Asian Business.

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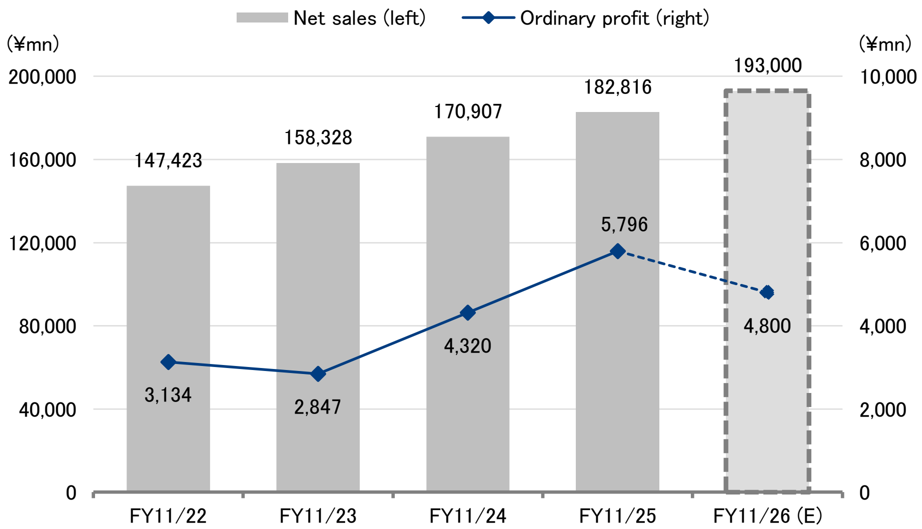
3. Medium- to long-term growth strategy

The Company has formulated LACTO VISION 2032 Ver.2.0, an updated version of its long-term vision LACTO VISION 2032, whose final year is FY11/32. In this update, the Company has raised its ordinary profit target from the previous ¥6.0bn to ¥7.5bn as well as outlining three new principles that it intends to prioritize: “Be Unique: To Becoming the Leading Company in Dairy and Protein,” “Be Global: Pioneering the Future of Food,” and “Be Loved, Be Lacto: Connecting Smiles and Aspirations.” The Mid-Term Management Plan currently in progress, NEXT-LJ 2028, is positioned as a period to build a foundation for the Company to realize its long-term vision. The basic policies are growth investment in the Life Science Business Division and Asian Business, expanded sales of high value-added products, and promotion of management focused on ROIC. With increased global demand for high-protein products and growth of cheese demand in the Asian market providing tailwinds, close attention will be paid to how the Company achieves medium- to long-term growth in corporate value while balancing profitability and capital efficiency.

Key Points

- Net sales in 1H FY11/26 set a new record for 1H results. Ordinary profit and profit attributable to owners of parent both exceeded the corporate plan
- Progress was made on reforming the earnings structure, including developing an earnings structure-focused product portfolio in the core Dairy Ingredients and Cheese Business Division and expanding the Life Science Business Division and Asian Business
- The Company formulated LACTO VISION 2032 Ver.2.0, an updated version of its long-term vision LACTO VISION 2032 that raises the ordinary profit target for FY11/32 to ¥7.5bn
- Aims to further enhance corporate value by steadily capturing increased global demand for high-protein products and increased dairy ingredient and cheese demand in the Asian market

Results trend



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

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Company profile

A Diversified Food Company that occupies a leading position in Japan as a trader of imported dairy ingredients and also has manufacturing functions

1. Company profile

The Company is headquartered in Chuo Ward, Tokyo. It is an independent specialist food trading company that imports and sells functional food ingredients, meat, and processed meat products with a particular focus on dairy ingredients. The Group, with the Company at its center, consists of one domestic consolidated subsidiary, nine overseas consolidated subsidiaries, and one overseas equity-method affiliate, and develops its businesses globally. The Company name Lacto is from the Latin word for “milk.” As its name suggests, the Company has grown mainly in the business of importing dairy ingredients. It boasts a leading domestic share of the transaction volume in Japan’s imported dairy product market.

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 specialist food trading company. The fact that the Company already had a certain level of trading base and know-how in Japan and overseas at the time of its foundation is what underpinned its subsequent business expansion. 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 direct, long-term relationships with suppliers. In doing so, it has strengthened its stable, high-quality procurement structure. Dairy ingredients as commodities require extremely stringent quality control, including the prevention of foreign matter contamination, microbiological control, and temperature control during transport, and are among the most challenging sectors to manage under Japan’s food safety and hygiene standards. In addition, because dairy products are used in foods consumed by a wide range of people, from infants to the elderly, they also entail significant social responsibility. The fact that the Company has continued to operate in this area for many years is evidence of its quality control capabilities and the strong trust it commands among its business partners.

Dairy ingredients are used not only by dairy manufacturers but also across diverse food sectors that include confectionery, bakery, processed foods, and beverages. In final products, they often play an important functional role even in small quantities. For that reason, the Company’s customer base is not skewed toward any particular sector. Rather, it extends across a broad range of food manufacturers. Such diversity in sales channels enhances resilience to fluctuations in demand as well as creates greater room to engage in the development of new raw materials and applications. Moreover, in recent years, the Company has focused on importing and selling not only dairy ingredients but also meat and processed meat products, and has promoted the diversification of its suppliers and procurement items. Furthermore, amid rising health consciousness, the Company is expanding its lineup of functional food ingredients, starting with dairy-derived protein ingredients, and pursuing actions to address growth areas. In addition, the Company is not only engaged in import and sales for the Japanese market, but is also actively expanding into the rapidly growing Asian market. Having established local subsidiaries and affiliates, in addition to importing and selling dairy products, the Company is developing manufacturing and sales operations for processed cheese and natural cheese products. This is one of the ways it is deepening its business model as a Diversified Food Company that incorporates manufacturing functions.

2. History

(1) 1998–2004: Foundation and establishment phase of global procurement base

The Company was established in May 1998 in Asakusa-bashi, Taito Ward, Tokyo, and initially commenced operations as a specialist food trading company engaged in the import and sale of agricultural products and processed agricultural products. A distinctive characteristic of the Company is that from the outset, it has maintained a clear global orientation focused on securing the stable sourcing of dairy ingredients rather than business development confined to the domestic market. In the year of its foundation, the Company opened representative offices in Los Angeles, US and Singapore, and in 1999, it expanded into Melbourne, Australia as well. Furthermore, in 2000, the Company established a base in Amsterdam, the Netherlands, and established a framework to quickly cover the world's major raw milk production regions of North America, Oceania, and Europe. In 1999, it established a local subsidiary in Singapore for the wholesale of dairy ingredients, and developed the representative office into a base of operation. In 2000, the Company was appointed as an import agent for Agriculture and Livestock Industries Corporation (ALIC), giving it institutional credibility in Japan. During this phase, the Company clarified its position as a specialist food trading company with strengths in dairy ingredients, and established the outline of its global procurement network.

(2) 2005–2014: Business diversification and acceleration phase for Asian expansion

Since 2005, the Company has embarked on full-scale expansion of its business domains while maintaining imports and sales of dairy ingredients as its core business. In 2005, it began procuring and selling processed meat products, and simultaneously accelerated its expansion into the Asian market. In 2008, the Company conducted an integration of its local subsidiaries centered on the Singapore-based cheese manufacturing and sales company that it established in 2003. In 2009, it incorporated its representative offices in Australia and the US, enhancing the autonomy and agility of its procurement sites. In the 2010s, the Company expanded into Malaysia, Indonesia, Thailand, and China, developing its cheese manufacturing and sales business in particular across Asia. This is a strategy to engineer a transition to a value-added business less prone to price competition by combining trading functions with manufacturing functions. It can be said that the prototype of the Company's current hybrid business model took shape at this time. This phase constitutes the process through which the Company evolved from a trading company importing dairy ingredients to a Diversified Food Company combining trading and manufacturing functions.

(3) 2015–present: Advancement as a listed company and sustainable growth phase

Its listing on the Second Section of the Tokyo Stock Exchange (hereafter, "TSE") in August 2015 marked a major turning point for the Company. Through its listing, the Company's dialogue with capital markets began in earnest. Now, there is stronger emphasis on clarifying governance, internal control systems, and growth strategy. The Company was listed on the TSE First Section in 2017 and transitioned to the Prime Market in 2022, demonstrating the market's gradual recognition of its efforts to enhance corporate value. During this phase, the Company incorporated a European base, and continued to make investments centered on the growth market of Asia that included the establishment of sales bases in the Philippines and Indonesia. In 2021, it transitioned to a Company with an Audit and Supervisory Committee, and it has also been pursuing the advancement of its group management and governance framework through means such as establishing a domestic consolidated subsidiary. In the second half of 2026, a new plant with a floor area of around 6,500 m^2 is scheduled for completion in Singapore. Going forward, the Company plans to gradually transition it to full-scale operation after conducting trial production, obtaining permission to export products to various countries, and acquiring halal certification. This plant will increase supply capacity in order to capture booming cheese demand in Asia and provide the growth platform needed to handle expansion of the product lineup. This is a natural extension of the Company's strategy to establish in Asia a locally oriented, high value-added business model that does not rely on sales of imported products. Furthermore, in October 2026, the Company will establish a local entity in Vietnam for the purpose of selling dairy ingredients and other products, as part of its efforts to further expand its Asian Business.

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This marked the point in time when the Company, while maintaining the discipline expected of a listed company, entered a phase oriented toward sustainable growth as a Diversified Food Company that combines global procurement capabilities with manufacturing functions.

Company history

Date	History
May 1998	Lacto Japan Co., Ltd. established in Asakusa-bashi, Taito Ward, Tokyo. Started importing and selling agricultural products and processed agricultural products
August 1998	Head office relocated to Iwamotocho, Chiyoda Ward, Tokyo
October 1998	Opened a representative office in Los Angeles, US
November 1998	Opened a representative office in Singapore
June 1999	Opened a representative office in Melbourne, Australia Established Lacto Japan (Asia) Pte. Ltd. in Singapore as a local subsidiary for wholesale of dairy ingredients (closed representative office)
February 2000	Opened a representative office in Amsterdam, the Netherlands
April 2000	Appointed import agent for Agriculture and Livestock Industries Corporation (ALIC)
December 2003	Established Foodtech Products Pte. Ltd. in Singapore as a local subsidiary for cheese manufacturing and sales
June 2004	Head office moved to Nihonbashi-honcho, Chuo Ward, Tokyo
March 2005	Began sourcing and selling processed meat products
July 2008	Merged two local subsidiaries in Singapore to establish Lacto Asia Pte. Ltd.
November 2008	Invested in Kawaguchi Trading & Consulting Inc., a local US corporation, and made it a subsidiary
September 2009	Established Lacto Oceania Pty. Ltd. as a local subsidiary in Melbourne, Australia (closed representative office)
October 2009	Renamed Kawaguchi Trading & Consulting Inc. to Lacto USA Inc. (closed Los Angeles representative office)
September 2010	Established Lacto Asia (M) Sdn. Bhd. as a local subsidiary in Malaysia
February 2012	Established PT. Pacific Lacto JAYA as a joint venture with local capital in Jakarta, Indonesia for cheese manufacturing and sales
August 2013	Established Foodtech Products (Thailand) Co., Ltd. as a local subsidiary in Ayutthaya, Thailand for cheese manufacturing and sales
November 2013	Established Lacto Shanghai Co., Ltd. as a local subsidiary in Shanghai, China for sales of processed foods and other products
August 2015	Listed on the Second Section of the Tokyo Stock Exchange (TSE)
December 2015	Established Lacto Europe B.V. as a local subsidiary in Amsterdam, the Netherlands (closed representative office)
September 2017	Listed on the TSE First Section
May 2018	Head office moved to Nihonbashi, Chuo Ward, Tokyo
January 2019	Opened a representative office in Bangkok, Thailand
September 2019	Established Lacto Philippines Inc. as a local subsidiary in Manila, Philippines for procurement and sales of dairy ingredients, etc.
February 2021	Transitioned to a Company with an Audit and Supervisory Committee
March 2021	Established LJ Foods Co., Ltd. as a consolidated subsidiary in Japan
November 2021	Established PT. Lacto Trading Indonesia as a local subsidiary in Indonesia for sales of dairy ingredients, etc.
April 2022	Transitioned to the TSE Prime Market
March 2026	Head office relocated to Kyobashi, Chuo Ward, Tokyo

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

Business overview

With the Dairy Ingredients and Cheese Business Division as the earnings base, the Life Science Business Division and Asian Business (Cheese Manufacturing and Sales Division) are driving growth

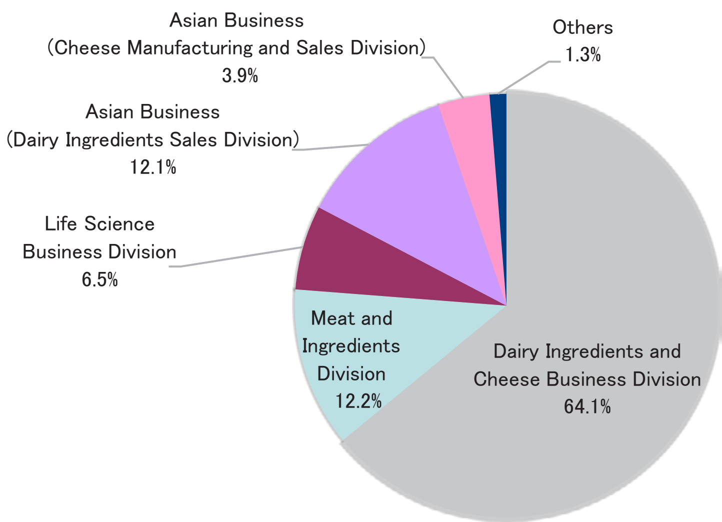
1. Business overview

The Company is an independent specialist food trading company that imports and sells 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 of dairy ingredients, and today, besides selling ingredients both domestically and overseas, it is also active in the life sciences field, handling manufacturing and sales of cheese in Asia and functional foods.

The Company has only one reportable segment, food business, which comprises the following business divisions: Dairy Ingredients and Cheese Business Division, Meat and Ingredients Division, Life Science Business Division, Asian Business (Dairy Ingredients Sales Division), Asian Business (Cheese Manufacturing and Sales Division), and Others.

In the breakdown of 1H FY11/26 net sales, the Dairy Ingredients and Cheese Business Division contributed 64.1%, the Meat and Ingredients Division 12.2%, the Life Science Business Division 6.5%, the Asian Business (Dairy Ingredients Sales Division) 12.1%, and the Asian Business (Cheese Manufacturing and Sales Division) 3.9%. While the Dairy Ingredients and Cheese Business Division continues to account for around two-thirds of net sales, the contributions of the Life Science Business Division and Asian Business (Cheese Manufacturing and Sales Division) are growing as the Company develops a higher value-added business portfolio.

Breakdown of net sales by business division (1H FY11/26)



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

The Company positions itself not only as an importer and seller of ingredients, but as a provider of comprehensive solutions to address customer challenges. It proposes the following solutions:

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Procurement: Ability to stably procure safe, high-quality raw materials from major production regions worldwide
Import: Advanced import procedures for handling dairy products, meat, and other sensitive commodities
Supply: Establishment of a stable supply system that anticipates supply and demand volatility and climate change risk
Proposals: Suggestion and customization of ingredients, products, and solutions tailored to customer needs

These are not mere sales functions, but are rather solutions intended to create value through planning and proposals for food manufacturers, wholesalers, retailers, and other clients.

2. Overview by business division

(1) Dairy Ingredients and Cheese Business Division

This division is one of the Company's core businesses and the division responsible for importing and selling dairy ingredients and cheese in Japan. It imports dairy ingredients and cheese from overseas and supplies them to dairy and food manufacturers. The division handles a broad range of items that include whole milk powder, skim milk powder, milk fat ingredients, butter, whey powder, and casein products. For cheese, it imports and sells natural cheese as ingredients for processed cheese and shredded cheese. In addition, for dairy ingredients, it accommodates customized supply tailored to customer-specific specifications and also makes proposals on functional properties. These supply capabilities are underpinned by a procurement network spanning the world's major production regions and long-cultivated quality control expertise.

In recent years, the Company has pursued enhancement of profitability by shifting from sales focused on general-purpose products to a higher proportion of high value-added ingredients and products made to customer specifications.

(2) Meat and Ingredients Division

In addition to dairy ingredients and cheese, the Company imports and sells meat and processed meat products. This division's main products include pork (chilled and frozen), prosciutto, salami, and bacon. In recent years, it has also been expanding its lineup to include chicken and processed chicken products. The division provides highly specialized procurement, quality control, and logistics services for high-quality meat and processed meat sourced from Europe and the US, ensuring a stable supply to food manufacturers, wholesalers, and retailers in Japan. In addition, by enhancing its lineup to include related ingredients, examples of which are the spices and spice extracts that it began handling in FY11/25, the division is establishing a framework to comprehensively meet customers' processed food and commercial needs.

(3) Life Science Business Division (formerly, Functional Food Ingredients Division)

Against the backdrop of growing health consciousness, this division is strengthening its handling of and proposals for functional food ingredients and high value-added ingredients in addition to the import and sale of ingredients that it has engaged in thus far. It handles high-functional materials such as dairy-derived proteins, plant-based proteins, gelatin, and collagen as well as materials to accommodate the health food, sports nutrition, and nursing care food markets. In addition to importing raw materials, the division provides solutions from the product planning and development phases, including support for joint development with client companies, assistance with selecting OEM companies, and recipe suggestions. The Company has positioned the Life Science Business Division as one of its growth drivers over the medium to long term based on two factors: 1) growing global demand for protein products, and 2) the establishment of a stable procurement network for protein ingredients and increased handling of alternative protein products.

1) Growing global demand for protein products

In light of global population growth and rising health consciousness, demand for protein products continues to increase. However, since the core ingredient, whey protein concentrate (WPC), is a by-product that occurs during cheese production, increasing production of high-protein ingredients alone is difficult. The growth rate in cheese demand itself is only around 1% to 2% per year, whereas demand for high-protein ingredients is growing at a significantly higher pace. Furthermore, in the short term, demand is rising mainly in Europe and the US due to the expansion of the glucagon-like peptide-1 (GLP-1) receptor agonist market.

2) Establishment of stable procurement network for protein ingredients and increased handling of alternative protein products

Given that in the short term, demand related to GLP-1 receptor agonists will grow, while in the medium to long term, there will be population growth and income increases in emerging nations, protein demand is projected to grow globally and there is concern that in the future, there may be a protein shortage. By leveraging its global procurement capability, which is one of its strengths, the Company has established a stable procurement network for protein ingredients and expanded its lineup of alternative protein ingredients, including not just dairy-derived proteins but also soy protein and other plant-based proteins, thereby increasing its ability to accommodate diversifying needs and create sustained growth opportunities.

(4) Asian Business (Dairy Ingredients Sales Division)

The Company engages in the sale of dairy ingredients not only in Japan but also in the Asian market. Through local subsidiaries in Singapore, Malaysia, Thailand, Indonesia, the Philippines, China, and other countries, it sells dairy ingredients and has a framework in place to meet local food manufacturers' needs. Each of these locations endeavors to optimize pricing and quality in accordance with the characteristics of the relevant regional market, and also supplies ingredients not only to local companies but also to multinational food manufacturers and Japanese companies. A key strength of the Company is that it executes procurement strategies that include identifying and addressing supply and demand fluctuations and climate change risk, thereby maintaining the ability to ensure a stable supply.

For the time being, the Company is strengthening sales targeting new growth markets such as Vietnam and Indonesia while adapting to changes in the market environment.

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

This division is a cheese manufacturing and sales business in Asia. A major defining characteristic of it is that it possesses manufacturing functions to complement the Company's trading functions. The Company has established its own factories in Singapore, Thailand, and Indonesia*, where it manufactures and supplies processed cheese for commercial use, processed natural cheese products, and other products. Key strengths of this division are its capability to design and propose products that reflect local food culture and market needs and the fact that it provides products tailored to the usages of food manufacturers and restaurant chains in Asia, among other customers. Additionally, it creates added value through processing imported raw materials as it seeks to deepen its business model in ways that are difficult to realize through the import and sale of raw materials alone. With the highest profit margin among the Company's business divisions, it is positioned as the biggest driver of medium- to long-term growth. It plans to increase its production capacity and expand its sales territory through operation of the new Singapore plant.

* The Indonesia plant is the processing plant of a joint venture.

(6) Others

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

3. Evaluation of management strategy

(1) External environment analysis

1) Market environment

The imported dairy products market in which the Company primarily competes supports basic foodstuffs essential to people's daily lives. It is characterized by how it is less susceptible to economic fluctuations compared with other markets. Within that environment, the Company has secured a leading share in Japan's market for imported dairy products, with a solid volume base already in place. At the same time, opportunities for growth lie in peripheral areas. More specifically, backed by rising health consciousness, global high-protein demand continues to grow. However, as it is difficult to flexibly increase the supply volume of dairy-derived high-protein ingredients, the market structure makes it likely that there will be an ongoing supply-demand crunch. It is therefore expected that market growth will occur not just through increased volume but also through higher unit selling prices and developing higher value-added products. The Company positions its life science business, which primarily handles dairy-derived high-protein ingredients, and its cheese manufacturing and sales business in Asia as growth drivers. It has built a portfolio combining markets that have a stable earnings base with markets that will drive future growth.

2) Competitive environment

The market for imported dairy products has high barriers to entry with respect to quality control, regulatory compliance, and procurement capability. In addition, the major general trading companies serving as the Company's principal competitors allocate management resources in a wide range of business domains, whereas the Company concentrates its expertise on dairy ingredients, and this consistency is a factor that differentiates it. As a result, rather than being in an environment where competition is intensifying, the Company is in a position where it has strengthened its relative advantage amid weakening strategic engagement by competitors. This can be regarded as the result of the Company's consistent strategy of continuing to concentrate its management resources on highly specialized fields.

(2) Internal resource analysis

1) Procurement capabilities and customer base substantiated by historical background

The Company's greatest internal resource is its historical background of being carried forward in an unbroken line since its foundation. Having been involved in the market since the early days of dairy product imports, the Company has built long-term relationships with key suppliers as well as a strong customer base among domestic food manufacturers. For dairy products, its suppliers are limited to those in Europe, Oceania, and North America. Moreover, markets in each of these regions are becoming increasingly oligopolistic. The Company has built longstanding business relationships with these leading suppliers and is recognized by them as a "partner," including supply-demand coordination and quality handling. This creates a competitive advantage over peers.

2) Highly specialized personnel who enable a value co-creation business

Dairy products are an extremely challenging commodity to handle, due to issues that include foreign material contamination and the need for strict microbial and temperature control. The Company has secured highly specialized personnel who are well-versed in these fields, enabling it to make in-depth proposals on customers' product designs and usages. In particular, the Company's manufacturing operations are characterized by a focus on B2B and customized development tailored to each customer's differing functional requirements. Prioritizing value creation for each customer even at the expense of efficiency may appear inefficient in the short term, but ultimately deepens relationships with customers and succeeds in moving away from price wars.

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3) ROIC-focused management instilled in the workplace

The Company is shifting from management focused on increasing sales volume to management focused on profitability and capital efficiency. The ROIC-focused approach has been instilled not just at the management level but also among sales personnel, with daily decision-making made based on product profitability and capital efficiency. This change is also reflected in the product portfolio. As a result of shifting from general-purpose products with low profitability to high value-added products, the Dairy Ingredients and Cheese Business Division has steadily improved profits despite sluggish sales volume growth. Furthermore, management focused on capital efficiency has also been instilled when it comes to inventory management, and we at FISCO view the Company's integration of ROIC into its sales activities and product strategy as an essential internal resource.

4) Barriers to imitation due to combining trading company and manufacturing functions

The Company's competitive advantage lies in its unique business model that combines trading company functions that procure ingredients from around the world and cheese manufacturing functions in Asia, which creates high added value through the integrated development of procurement, quality assurance, product development, manufacturing, and sales. Furthermore, with production capacity at its existing plants unable to keep up with recent growth in demand, the Company expects to increase its production capacity, introduce new products, and expand its sales territory through operation of its new Singapore plant. We at FISCO view the manufacturing functions not just as a differentiation factor but as a strategic management resource that will support future growth and provide a source of competitive advantage in the medium to long term.

Results trends

Net sales set a new record in 1H FY11/26, while ordinary profit and profit attributable to owners of parent exceeded the forecasts

1. Overview of 1H FY11/26 results

In the consolidated results for 1H FY11/26, net sales rose 2.7% YoY to ¥97,866mn, operating profit decreased 22.1% to ¥2,781mn, ordinary profit fell 35.4% to ¥2,475mn, and profit attributable to owners of parent dropped 37.5% to ¥1,748mn. Net sales set a new record, but profits decreased due to factors such as the absence from the compensation received that was recorded in 1H FY11/25 and higher SG&A expenses. However, ordinary profit exceeded the forecast by 10.0%.

In addition to performance trending favorably in the Life Science Business Division and the Asian Business (Cheese Manufacturing and Sales Division), increased unit selling prices due to the weak yen also contributed to net sales. On the other hand, in the core Dairy Ingredients and Cheese Business Division, demand for imported ingredients decreased in light of price hikes for finished products and increased domestic skim milk powder inventories, and the sales volume declined. Despite this, net sales remained at the same level as 1H FY11/25.

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Operating profit decreased due to an increase in SG&A expenses associated with higher personnel and logistics expenses and recording of costs related to relocating the head office, as well as recording sales-related expenses for some products in the Dairy Ingredients and Cheese Business Division up front. Furthermore, ordinary profit declined due to the absence from the ¥650mn in compensation received that was recorded in 1H FY11/25. However, ordinary profit exceeded the initial forecast because the recording of depreciation charges, interest payments, and costs related to installing new core systems was pushed back in conjunction with the delay in completing the new Singapore plant.

Consolidated results for 1H FY11/26

(¥mn)

	1H FY11/25		1H FY11/26			
	Results	vs. net sales	Results	vs. net sales	YoY	vs. forecast
Net sales	95,293	-	97,866	-	2.7%	2.5%
Gross profit	6,488	6.8%	6,202	6.3%	-4.4%	-
Operating profit	3,571	3.7%	2,781	2.8%	-22.1%	-
Ordinary profit	3,832	4.0%	2,475	2.5%	-35.4%	10.0%
Profit attributable to owners of parent	2,797	2.9%	1,748	1.8%	-37.5%	7.9%
Foreign exchange rate (USD/JPY)	150.14	-	157.38	-	-	-
Foreign exchange rate (EUR/JPY)	161.27	-	184.09	-	-	-

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

Net sales in the Dairy Ingredients and Cheese Business Division remained flat YoY at ¥62,693mn, while sales volume was down 5.6% to 81,952 tons. Although demand for imported ingredients decreased in light of price hikes for finished products and increased domestic skim milk powder inventories, increased unit selling prices due to the weak yen offset the lower sales volume, and net sales remained at the same level as 1H FY11/25.

In this business division, the Company is switching to sales operations that focus on profitability rather than increasing sales volume and the sales proportion of high value-added products is rising. As a result of reducing commodities with low profitability and shifting sales resources to focus on products with high profitability, profitability per unit is improving even though sales volume is decreasing.

(2) Meat and Ingredients Division

In the Meat and Ingredients Division, net sales were ¥11,893mn, up 2.9% YoY, and sales volume was 16,713 tons, up 3.3%. This division, which handles meat ingredients (especially pork), captured stable demand mainly from domestic food manufacturers and the food service industry. Additionally, the sales volume of processed chicken products and spices and spice extracts, which it began handling in the previous fiscal year, increased, leading to both net sales and sales volume being higher than in 1H FY11/25.

(3) Life Science Business Division

Net sales in the Life Science Business Division were ¥6,316mn, up 67.1% YoY, and sales volume was 4,273 tons, up 40.4%, which was the highest growth of any business division. This division contributed the most to the increased sales in 1H. With global demand for high-protein ingredients growing, there is a supply-demand crunch, and procurement costs are also rising in conjunction with this. The division performed as forecast in 1H, with increased unit selling prices contributing to higher sales along with increased volume.

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(4) Asian Business (Dairy Ingredients Sales Division)

In the Asian Business (Dairy Ingredients Sales Division), net sales were ¥11,854mn, down 4.5%, and sales volume was 18,943 tons, down 8.4%. The main reason for this was a decrease in the volume of sales to some customers in the Philippines due to intensifying competition. At present, the division is enhancing its sales structure for various Asian regions. In addition to Singapore, Malaysia, Thailand, Indonesia, the Philippines, and China, where it already has bases, the Company plans to establish a local entity in Vietnam in October 2026 with the intention of further increasing sales going forward.

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

In the Asian Business (Cheese Manufacturing and Sales Division), net sales were ¥3,851mn, up 22.6% YoY, and sales volume was 3,143 tons, up 11.2%. Performance trended favorably due to the increased sales volume as well as improved production efficiency, contributing to increased Company-wide sales. This division also has a high profit margin, which was improved by enhancing production efficiency based on higher volume. Furthermore, while completion of the new Singapore plant has been delayed from the initial plan, demand remains robust and the Company is taking measures to increase production by restructuring operations at its existing plants. Once the new plant is fully operational, it is expected that the increase in manufacturing capacity will lead to further growth.

Results by business division

	Net sales (¥mn)			Sales volume (t)		
	1H FY11/25	1H FY11/26	YoY	1H FY11/25	1H FY11/26	YoY
Dairy Ingredients and Cheese Business Division	62,686	62,693	0.0%	86,799	81,952	-5.6%
Meat and Ingredients Division	11,560	11,893	2.9%	16,180	16,713	3.3%
Life Science Business Division	3,779	6,316	67.1%	3,044	4,273	40.4%
Asian Business (Dairy Ingredients Sales Division)	12,418	11,854	-4.5%	20,678	18,943	-8.4%
Asian Business (Cheese Manufacturing and Sales Division)	3,142	3,851	22.6%	2,826	3,143	11.2%
Others	1,706	1,256	-26.4%	-	-	-

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

3. Financial position

(1) Balance sheet trends and changes in financial structure

At the end of 1H FY11/26, total assets were ¥100,371mn, up ¥10,161mn from the end of the previous fiscal year. Current assets were ¥90,796mn, up ¥7,644mn, with cash and deposits rising ¥1,497mn and inventories ¥6,680mn. Notes and accounts receivable, on the other hand, fell ¥240mn. Non-current assets increased ¥2,517mn to ¥9,575mn, especially property, plant and equipment. This was mainly attributable to investment in the new Singapore plant.

Total liabilities were ¥66,985mn, up ¥9,224mn from the end of the previous fiscal year. Interest-bearing liabilities rose in conjunction with growth investments, such as commercial paper increasing ¥4,000mn and long- and short-term borrowings rising by a total of ¥2,257mn. On the other hand, net assets increased ¥937mn to ¥33,385mn due to factors such as accumulation of retained earnings. As a result, the consolidated equity-to-asset ratio was 33.3%, down 2.6 percentage points (pp) from the end of the previous fiscal year, but this was mainly due to an increase in assets and interest-bearing liabilities associated with growth investments, and FISCO believes there was no significant change in the Company's financial base.

(2) Evaluation of working capital structure and capital efficiency

Inventories increased ¥6,680mn from the end of the previous fiscal year, but it seems that this increase was due to seasonal buildup of regular inventory in 2Q resulting from factors such as the use of import quotas as well as calendar effects, with some month-ends in 1H FY11/26 falling on days off. Furthermore, business expansion is a major element in the increase in inventory, with the Company stating that there are no financial problems. The cash conversion cycle (CCC) has also remained broadly the same compared to the end of the previous fiscal year, which suggests that working capital is being managed appropriately.

The Company has instilled ROIC-focused management both at the management level and among its sales personnel, leading to growing awareness of the importance of avoiding excess inventory buildup. Furthermore, the Company has established a system to flexibly raise working capital with sales growth in mind, such as increasing its commitment line in March 2026. While actively pursuing investment in its new Singapore plant and core systems, it is appropriately managing its working capital and financing. The Company may therefore be described as practicing financial management that balances growth investment with financial soundness.

Consolidated balance sheets and key management indicators

(¥mn)

	End of FY11/25	End of 1H FY11/26	Change
Current assets	83,151	90,796	7,644
Cash and deposits	10,157	11,655	1,497
Notes and accounts receivable	23,951	23,711	-240
Inventories	46,160	52,841	6,680
Non-current assets	7,058	9,575	2,517
Property, plant and equipment	3,550	5,615	2,065
Intangible assets	754	1,059	305
Investments and other assets	2,753	2,899	146
Total assets	90,209	100,371	10,161
Current liabilities	48,800	56,068	7,268
Accounts payable	17,179	19,896	2,716
Commercial paper	2,000	6,000	4,000
Short-term borrowings	26,939	27,713	774
Non-current liabilities	8,960	10,917	1,957
Long-term borrowings	7,659	9,719	2,060
Total liabilities	57,761	66,985	9,224
Net assets	32,448	33,385	937
Total liabilities and net assets	90,209	100,371	10,161
Consolidated equity-to-asset ratio	35.9%	33.3%	-2.6pp
CCC (monthly)	3.47	3.47	0.00
Ordinary profit margin	3.2%	2.5%	-0.7pp

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

Outlook

Expects to set new record for net sales in the full-year results for FY11/26. Upfront investments aimed at future growth will continue

1. FY11/26 forecasts

In its consolidated results for FY11/26, the Company expects net sales to increase 5.6% YoY to ¥193,000mn, ordinary profit to decrease 17.2% to ¥4,800mn, and profit attributable to owners of parent to drop 20.1% to ¥3,450mn. While it forecasts that it will set a new record for net sales, profits are expected to decrease due to depreciation charges and interest payments associated with operation of the new Singapore plant, relocation of the head office, and the burden of upfront investments such as core system-related expenses, as well as the absence from the compensation received that was recorded in the previous year.

While completion of the new Singapore plant will be later than initially planned, demand remains robust, and the Company is currently proceeding with trial production and preparations aimed at acquiring permission to export products to various countries. Once the plant is fully operational, it is expected to serve as an important foundation supporting medium- to long-term growth through increased production capacity, the introduction of new products, and expansion of sales territory.

Forecasts for consolidated results for FY11/26

(¥mn)

	FY11/25 Results	FY11/26 Forecast	YoY	
			Change	Change rate
Net sales	182,816	193,000	10,183	5.6%
Ordinary profit	5,796	4,800	-996	-17.2%
Ordinary profit margin	3.2%	2.5%	-	-
Profit attributable to owners of parent	4,317	3,450	-867	-20.1%
Net profit margin	2.4%	1.8%	-	-

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

2. Results forecast by business division

(1) Dairy Ingredients and Cheese Business Division

In the Dairy Ingredients and Cheese Business Division, net sales are forecast at ¥121,000mn, up 2.0% YoY, and sales volume at 172,500 tons, up 4.2%. The progress rate in 1H was 51.8% for net sales and 47.5% for sales volume. Net sales are projected to increase due to increased sales volume along with higher sales of high value-added products. This division is switching to a product portfolio that focuses on profitability, not just on increasing sales volume. It intends to reduce the proportion of commodities with low profitability while increasing sales of powdered milk mixtures and high value-added products made to customer specifications.

(2) Meat and Ingredients Division

In the Meat and Ingredients Division, net sales are forecast at ¥24,300mn, up 6.7% YoY, and sales volume at 33,600 tons, up 2.5%. Performance was broadly on track in 1H, with a progress rate of 48.9% for net sales and 49.7% for sales volume. The Company also expects to capture steady domestic demand and achieve stable sales in 2H.

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(3) Life Science Business Division

In the Life Science Business Division, net sales are forecast at ¥12,600mn, up 31.3% YoY, and sales volume at 8,400 tons, up 18.8%. Performance was broadly on track in 1H, with a progress rate of 50.1% for net sales and 50.9% for sales volume. Demand remains robust, especially for dairy-derived protein ingredients for high-protein foods, and the Company expects to maintain high growth by capturing this growing market.

(4) Asian Business (Dairy Ingredients Sales Division)

In the Asian Business (Dairy Ingredients Sales Division), net sales are forecast at ¥24,000mn, up 5.2% YoY, and sales volume at 41,000 tons, up 7.7%. The progress rate in 1H was 49.4% for net sales and 46.2% for sales volume. The Company plans to establish a local entity in Vietnam, which will be fully operational starting in October 2026. Furthermore, it is also enhancing its sales structure in Indonesia and intends to pursue sales expansion in the Southeast Asian market.

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

In the Asian Business (Cheese Manufacturing and Sales Division), net sales are forecast at ¥7,600mn, up 18.9% YoY, and sales volume at 6,800 tons, up 20.5%. The progress rate in 1H was 50.7% for net sales and 46.2% for sales volume. While the completion of the new Singapore plant will be later than initially planned, demand for cheese remains robust in Asia, and the Company is meeting it by increasing production at its existing plants and collaborating with a plant in Thailand. Once the new plant is completed and fully operational, the Company plans to accelerate medium- to long-term growth by expanding its manufacturing capacity, developing new products tailored to the food culture of various countries, pursuing its sales strategies, and entering new markets outside the Asia region.

(6) Others

In the Others business division, net sales are forecast at ¥3,500mn, up 36.6% YoY. The progress rate in 1H was 35.9%, but the Company has projects for which it plans to record sales in 2H, so it expects sales to increase on a full-year basis.

Results forecast by business division

	Net sales (¥mn)				Sales volume (t)			
		FY11/26				FY11/26		
	FY11/25 Results	Forecast	Change rate	1H progress rate	FY11/25 Results	Forecast	Change rate	1H progress rate
Dairy Ingredients and Cheese Business Division	118,679	121,000	2.0%	51.8%	165,501	172,500	4.2%	47.5%
Meat and Ingredients Division	22,770	24,300	6.7%	48.9%	32,794	33,600	2.5%	49.7%
Life Science Business Division	9,594	12,600	31.3%	50.1%	7,073	8,400	18.8%	50.9%
Asian Business (Dairy Ingredients Sales Division)	22,819	24,000	5.2%	49.4%	38,078	41,000	7.7%	46.2%
Asian Business (Cheese Manufacturing and Sales Division)	6,391	7,600	18.9%	50.7%	5,640	6,800	20.5%	46.2%
Others	2,561	3,500	36.6%	35.9%	-	-	-	-

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

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Medium- to long-term growth strategies and shareholder return policy

Upwardly revised targets in long-term vision. Devoting effort to instilling ROIC-focused management and expanding scale of growth businesses

1. Update to LACTO VISION 2032 and positioning of NEXT-LJ 2028

At its results briefing for 1H FY11/26, the Company announced the formulation of LACTO VISION 2032 Ver.2.0, an updated version of its long-term vision LACTO VISION 2032, whose final year is FY11/32. This upwardly revised its growth targets, such as raising the ordinary profit target for FY11/32 from ¥6.0bn to ¥7.5bn.

The Mid-Term Management Plan currently in progress, NEXT-LJ 2028, is positioned as a period to build a foundation for the Company to realize LACTO VISION 2032 Ver.2.0. In this plan, the Company intends to establish a foundation for sustained profit growth with 2032 in mind by expanding sales of high value-added products and pursuing management focused on capital efficiency. In its domestic business, this includes concentrating on growth areas and developing a more resilient supply chain, while in its overseas business, it includes cultivating and growing markets as well as accelerating business expansion through full-scale operation of the new Singapore plant.

The Company, whose core lies in its trading functions, has traditionally tended to be viewed as a middleman that simply moves goods from one side to the other. The Mid-Term Management Plan NEXT-LJ 2028, however, clearly signals a break from that perception and, together with its basic policy, sets out three “tsu-na-gu” (connecting) promises as an approach it values. Under the first promise, “Connecting Food & Health,” the Company will strengthen the provision of health value through food amid rising health consciousness, as evidenced by the popularity of high-protein products. Under the second promise, “Connecting Value,” the Company will link customers and suppliers and create value-added not through simple distribution but through added functionality, development support, and quality assurance. The third promise, “Connecting Aspirations,” is a message focused on the human resource-based and organizational aspect of carrying forward to the next generation the expertise cultivated since the Company’s foundation and its stance of engaging with customers on a deep level. The Company aims to evolve into a value-creation-oriented food company through this Mid-Term Management Plan.

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2. Framework of NEXT-LJ 2028

(1) Overall design of quantitative targets and growth story

Under NEXT-LJ 2028, the Company has set the following consolidated numerical targets for FY11/28: net sales of ¥210.0bn, ordinary profit of ¥6.0bn, profit attributable to owners of parent of ¥4.35bn, ROE of 10–12%, a consolidated equity-to-asset ratio of 35–40%, and a payout ratio of 35% or higher. These targets indicate a focus on enhancing corporate value by balancing profitability and financial soundness rather than simply pursuing scale expansion. Positioning its cheese manufacturing and sales business in Asia and life science business as two growth drivers, the Company will engineer profit growth by building on its core trading functions and combining high value-added areas such as manufacturing functions and development proposal capabilities. In the cheese manufacturing and sales business in Asia, amid strong demand, the Company will expand sales volume as a new plant comes online, quickly absorb depreciation charges, and begin contributing to profits. Additionally, in the life science business, the Company will deepen its co-creation-based business with customers through functional raw materials centered on dairy-derived proteins, proposals for plant-based proteins and materials tailored to customer needs, and development support from the product planning stage. By pushing forward with expansion into areas with high unit prices and profit margins, the Company will realize stable profit growth that is less susceptible to volume fluctuations as it endeavors to sophisticate its company-wide earnings structure.

In this manner, NEXT-LJ 2028 espouses the twin pillars of quantitative expansion and qualitative growth, and clearly lays out a transition to the Company's next growth stage accompanied by profit growth while placing trading functions at the core.

(2) Approach to profit planning and profit growth scenarios

Regarding its profit plan, the Company intends to absorb cost increases through higher gross profit and maintain a profit growth trend even during periods when investments aimed at future growth are front-loaded. In FY11/25, the Company had emphasized an adjusted basis that excluded one-off compensation received and similar items, and had planned growth from FY11/26 onward based on its actual performance level. In FY11/26, while gross profit is expected to increase, the Company's outlook also factors in an increase in non-operating factors such as depreciation accompanying a new plant and investments in core systems and general and administrative expenses. The Company positions such increases in expenses, including upfront investments, as its starting point for growth. Heading into FY11/28, it will work to build up gross profit, aiming to achieve ordinary profit of ¥6.0bn through profit growth that outpaces the rising costs.

(3) Direction of strategies by business division

In its core Dairy Ingredients and Cheese Business Division, the Company will strengthen its business foundation by concentrating on strategic categories such as value-added products and products to defend market share. Additionally, the Company will proceed to strengthen the resilience and enhance the flexibility of its supply sources by deepening relationships with existing suppliers, cultivating new ones, and devising ideas for procurement methods while simultaneously endeavoring to create new demand through entry into untapped business domains and joint development efforts with customers.

In the Meat and Ingredients Division, the Company will strengthen proposal capabilities through combinations of products it handles and aim to generate sales through linkage with new commodities such as processed chicken products and spices and spice extracts. In addition to establishing a stable supply framework by diversifying sourcing countries, based on collaboration with its sites overseas, the Company will strengthen value-creation initiatives, including expansion into semi-finished product areas with higher levels of processing.

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The Company positions the Life Science Business Division as a division for which it aspires to expand into broader areas beyond functional food ingredients, as symbolized by the division's name change. The Company will advance enhancements to protein functionality, the cultivation of new usages and new industries, and the expansion of markets by developing new protein sources. Simultaneously, it will accelerate the rollout of Made in Japan protein products, supplements, matcha green tea, and other commodities that enjoy strong demand overseas. Through an extensive network and a proprietary contract manufacturing scheme, the Company will enhance problem-solving capabilities for customers and endeavor to strengthen relationships based on co-creation.

In the Asian Business (Dairy Ingredients Sales Division), the Company will expand its areas of proposals through initiatives that include diversifying sales approaches, strengthening its capability to accommodate high-protein and functional raw materials, and enhancing its ability to respond to country-specific regulations. In the Asian Business (Cheese Manufacturing and Sales Division), the Company will push forward with product development tailored to each country's food culture and the creation of new demand with a focus on strengthening its production system and technological development.

(4) Strategic positioning of co-creation model and new plant in Singapore

A defining element of the Company's strategy is its "co-creation" mechanisms. Its model of collaborating directly with customers' R&D departments and negotiating with suppliers to develop and supply raw materials that meet the required functionality is viable precisely because of the Company's high level of expertise. The Company's competitive advantage lies in creating value-added not through mere distribution but through added functionality, development, and quality assurance. Additionally, the new plant in Singapore constitutes a key investment for ensuring the Company's growth strategy. With a floor area of approximately 6,500 m^2 and an investment amount in the range of approximately ¥3.5bn, the plant is scheduled to come online in 2H FY11/26, after which it will produce processed cheese and shredded cheese. The Company's plan is to achieve a relatively smooth start-up through the transfer of personnel from existing plants. Including existing plants, the Company will aim to reach 10,000 tons per year in combined production and sales volume in three years. In the third year of its Mid-Term Management Plan, it will absorb the depreciation charge and envisions that the new Singapore plant will turn profitable on a standalone basis. For its full-fledged growth curve, with acceleration under the next Mid-Term Management Plan also in view, the Company plans to engineer an expansion in volumes and an improvement in productivity, by riding the tailwind provided by the favorable environment in which Japan-spec quality, response, and safety are highly recognized.

3. Financial strategy and shareholder return policy

(1) Basic approach to financial strategy

The Company's financial strategy is based on maintaining a balance among the following three elements: growth investment, shareholder returns, and financial soundness. The Company's business model, which combines manufacturing functions and development proposal capabilities with trading functions serving as the core, tends to see working capital and capital expenditure burdens front-loaded during growth phases. For that reason, rather than optimizing short-term financial metrics, the strategy emphasizes securing medium- to long-term earnings capacity and a stable financial structure.

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As a benchmark for financial structure, the Company views a consolidated equity-to-asset ratio above 35% as a stable level, while also potentially considering a ratio of around 40% for the future. Given that a higher relative weight of the manufacturing business leads to increases in non-current assets and changes in the nature of business risk, it is recognized that ensuring an adequate equity capital base is indispensable for sustainable growth over the medium to long term. In terms of capital efficiency, the Company targets an ROE of 10–12%. To achieve this, its policy is to refrain from using excessive financial leverage and raise its profit level through sophisticating its business portfolio and expanding value-added business, thereby enhancing capital efficiency. Another distinguishing characteristic of the Company is that it has adopted ROIC as an internal management metric, and manages its business with an emphasis on profitability at the business-unit level. Furthermore, the Company is advancing efforts to incorporate ROIC into personnel evaluations, with the aim of promoting capital-efficient decision-making at the operational level.

(2) Cash flow allocation

With regard to cash flow allocation, the Company has adopted a policy of clearly allocating core operating cash flow to fund investments for future growth and shareholder returns. For core operating cash flow during the Mid-Term Management Plan period (a cumulative three-year total of ¥12.0bn–¥13.0bn), the Company intends to allocate approximately 60% to improving future growth potential and 40% to shareholder returns. Investments to improve future growth potential include investment in human resources, digital transformation (DX) and other forms of IT investment, M&A and capital alliances, capital expenditures in existing businesses, and the reinforcement of overseas sales networks. In terms of human resources in particular, the Company emphasizes developing and securing talent with global response capability and advanced expertise, and views its business strategy and people and talent strategy as a unified whole.

Note that these figures exclude the approximately ¥3.5bn investment in the new plant in Singapore, and that the cash flow allocation policy presented here represents a framework focused on subsequent phases of investment. For additional investments going forward, the policy of the Company is to use operating cash flow before changes in working capital as the primary source of funds. It does not envision expanding investment in a manner that would materially compromise its financial structure. While investments in growth will be continued, strong emphasis is being placed on maintaining financial stability.

(3) Shareholder return policy

The Company has clearly articulated a shareholder return policy that emphasizes a balance between stability and growth. The Company positions dividends as the core of shareholder returns, and has adopted a basic policy of providing continuous and stable dividends with a target payout ratio of 35% or higher. Additionally, starting with the Mid-Term Management Plan NEXT-LJ 2028, the Company has adopted a progressive dividend policy based on maintaining or increasing the annual dividend, and aims for a shareholder return approach that is less susceptible to short-term fluctuations in results. The Company emphasizes a cycle that begins with the expansion of profits driven by growth investment and leads to the outcomes of that profit growth being steadily returned to shareholders in the form of dividends. Going forward, the Company intends to further deepen dialogue with investors through meticulous disclosure of the shareholder return policy described above together with numerical results.

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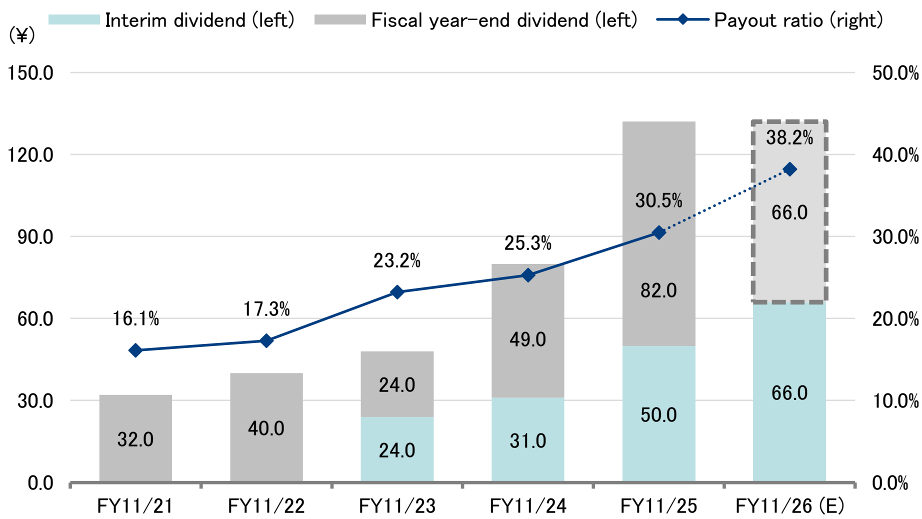
Trends in dividend per share and payout ratio



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

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