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Notice Regarding Partial Revision of the Officer Compensation System

Lacto Japan Co., Ltd. (the “Company”) hereby announces that, at a meeting of its Board of Directors held today, it resolved to partially revise its officer compensation system.

1. Background

With the aim of achieving sustainable growth and further enhancing corporate value, the Group launched its new Mid-Term Management Plan, NEXT-LJ 2028 (the “Plan”), in December 2025. Regarding executive compensation, in line with recent perspectives and the direction the Group seeks to pursue, the Company has decided to partially revise its officer compensation system with the objective of further strengthening officers’ motivation to contribute to the Group.

The revision of the compensation system was resolved by the Board of Directors following extensive deliberation by the Nomination and Compensation Advisory Committee, a voluntary advisory body to the Board, and the submission of its recommendations to the Board.

2. Details

(1) Establishment of basic policy for the officer compensation system

Basic Policy

- The system shall be designed to promote the enhancement of corporate value.
- Compensation levels shall be set at an appropriate level to attract and retain highly qualified talent in the global executive talent market.
- The system shall provide incentives that encourage the realization of the Company’s long-term vision and medium- to long-term management strategies.
- The system shall be structured to curb excessive emphasis on short-term performance.
- The system shall ensure transparency, fairness, and rationality.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

- (2) Revision to the fixed/variable ratio of compensation for directors (excluding outside directors and directors who are Audit and Supervisory Committee members) and managing executive officers.

Based on the basic policy of the officer compensation system, the Company has revised the fixed/variable ratio of compensation as set out below in order to further strengthen incentives linked to performance and the enhancement of corporate value.

Position	After Revision (Fixed : Variable)	Before Revision (Fixed : Variable)
President and Executive Officer	40% : 60%	52.2% : 47.8%
Executive Vice President and Executive Officer	45% : 55%	56.5% : 43.5%
Other Officers	50% : 50%	60.9% : 39.1%

- (3) Revision to key performance indicators (KPIs) for the variable compensation component

Officer compensation consists of cash compensation and non-monetary compensation. A portion of the cash compensation, and the non-monetary compensation are structured as performance-linked compensation, for which KPIs have been established.

- (i) Cash compensation: Short-term performance-linked compensation

With the aim of expanding profits and business scale while placing greater emphasis on capital efficiency, the Company has revised the KPIs and evaluation weights used to determine monetary compensation as follows. The payout range remains unchanged, with a maximum of 150% and a minimum of 50%.

KPI	Weight of evaluation	
	After Revision	Before Revision
Ordinary profit (vs. plan)	50%	25%
Net sales (vs. plan)	30%	25%
ROIC (YoY)	20%	—
ROE (YoY)	0%	25%
ROA (YoY)	0%	25%

Note: For the President and the Executive Vice President, KPIs are assessed on a consolidated basis. For officers responsible for sales operations, KPIs are assessed on both the relevant business segment and a consolidated basis.

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(ii) Non-monetary compensation (restricted stock compensation): Medium- to long-term performance-linked compensation

With the objective of improving the efficiency of shareholders' equity in line with the Plan, maximizing sustainable shareholder returns, and achieving profit growth, the Company has revised the KPIs and evaluation weights used to determine non-monetary compensation as follows. The payout range remains unchanged, with a maximum of 130% and a minimum of 70%.

KPI	Weight of evaluation	
	After Revision	Before Revision
ROE (achievement rate of the Plan)	50%	1/3
EPS (3-year average growth rate)	30%	—
Ordinary profit (3-year average growth rate)	20%	1/3
Net sales	0%	1/3

Note: All KPIs are assessed on a consolidated basis.

(4) Introduction of malus and clawback provisions

In order to ensure the soundness of the officer compensation system, the Company will introduce provisions that allow for the reduction, forfeiture, or recovery of officer compensation in the event of serious compliance violations, restatements of financial information, or other conduct that materially undermines the Company's reputation or corporate value. Under these provisions, malus clauses apply to compensation that has not yet been paid, while clawback clauses apply to compensation that has already been paid.

Details

- The provisions apply to officers' cash compensation and non-monetary compensation.
- Each individual case will be reviewed by the Nomination and Compensation Advisory Committee, and the specific measures to be taken will be determined based on the Committee's recommendations to the Board of Directors.
- In principle, paid compensation subject to recovery shall cover the fiscal year in which the relevant event is identified, as well as the three preceding fiscal years.
- Claims for the recovery of compensation already paid shall apply to cash compensation and non-monetary compensation for fiscal years ending on or after November 2026.

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3. Timing of the Revision

February 25, 2026