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March 14, 2024

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Representative: Motohisa Miura, President

(Securities code: 3139 TSE Prime Market)

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Notice Regarding Disposal of Treasury Shares as Restricted Stock Compensation

Lacto Japan Co., Ltd. (the “Company”) hereby announces that, as described below, the Company resolved to dispose of its treasury shares at a meeting of the Board of Directors held on March 14, 2024.

1. Outline of disposal

(1)	Disposal date	April 12, 2024
(2)	Type and number of shares to be disposed	11,861 shares of common stock
(3)	Disposal price	¥2,350 per share
(4)	Total value of share disposal	¥27,873,350
(5)	Grantees of shares and number thereof; number of shares to be allotted	4 directors, 11,861 shares *Excluding Outside Directors and Audit and Supervisory Committee Members

2. Purpose and reasons for disposal

At a meeting of the Board of Directors held on January 15, 2019, Lacto Japan resolved to introduce a restricted stock compensation plan (hereinafter, the “Plan”) as a means of compensation for Directors other than Outside Directors (hereinafter “Eligible Directors”), with the aim of providing incentives for the sustainable enhancement of the Company’s corporate value and further sharing of shareholder value. Furthermore, at the 21st Annual General Meeting of Shareholders held on February 26, 2019, the Company obtained approval to provide the Eligible Directors with monetary compensation claims of up to 100 million yen per year as monetary compensation for the acquisition of restricted shares (hereinafter, “Restricted Stock Compensation”) based on the Plan. The total number of common shares to be issued or disposed of was approved at 10,000 shares or less per year (provided, however, that the total number of common shares to be issued or disposed of is 20,000 shares or less per year owing to the share split on May 1, 2019), and the transfer restriction period for restricted shares was set by the Board of Directors to be from 3 to 30 years. In addition, in accordance with the approval of the 23rd General Meeting of Shareholders held on February 25, 2021 for the transition to a company with an audit and supervisory committee, the Company changed the claim for monetary compensation to an annual amount of 150 million

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yen or less, with the total number of common shares issued or disposed of by the Company to an annual amount of 30,000 shares or less.

The outline of the Plan is as follows.

Outline of the Plan

Eligible Directors will pay all monetary compensation claims provided by the Company under this Plan as property contributed in kind, receiving common stock to be issued or disposed of by the Company. In addition, the total number of common shares issued or disposed of by the Company to the Eligible Directors under the Plan shall be no more than 30,000 shares per year, and the amount to be paid per share shall be the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution at the Board of Directors' meeting (or the closing price on the immediately preceding trading day if no transaction has been effected on said day).

With respect to the issuance or disposal of the common stock under the Plan, Lacto Japan and the Eligible Directors shall conclude a restricted stock allotment agreement, the contents of which shall include: (1) the Eligible Directors shall not transfer, create a security interest, or otherwise dispose of the Company's common stock that was allocated under the restricted stock allocation agreement for a designated period; and (2) under certain circumstances, the Company shall be entitled to acquire the relevant common stock without consideration.

Taking into account the purpose of the Plan, the Company's business situation, the scope of duties of each of the Eligible Directors, and various other circumstances, a total of 27,873,350 yen in monetary compensation claims (hereinafter, the "Monetary Compensation Claim") and 11,861 shares of common stock has been granted. Additionally, in order to share value among shareholders over the medium to long term, which is one of the objectives for introducing the Plan, the transfer restriction period has been set at 30 years. The treasury shares to be disposed of will be allocated with shares acquired through the treasury shares repurchase resolved and announced separately on this day March 14, 2024. In this disposal of treasury shares, the 4 Eligible Directors to whom allotment is scheduled will, based on the Plan, pay in all of the Monetary Compensation Claim owed to the Company as assets contributed in kind, and the common stock of the Company (hereinafter, "Allotted Shares") will be disposed of accordingly. A summary of the restricted stock allotment agreement (hereinafter, the "Allotment Agreement") to be concluded between the Company and the Eligible Directors in this disposal of treasury shares is set out in 3. below.

3. Outline of Allotment Agreement

- (1) Transfer restricted period
From April 12, 2024 to April 11, 2054
- (2) Conditions for lifting transfer restriction
The transfer restriction shall be lifted at the expiration of the transfer restriction period for all Allotted Shares on condition that the Eligible Directors continue to hold the position of director, executive officer, auditor, employee, or other equivalent position of the Company or any of its subsidiaries during the transfer restriction period.
- (3) Instances where an Eligible Director resigns or retires due to expiration of term of office, age of retirement, or other justifiable reason during the transfer restriction period
 - (i) Timing for lifting transfer restriction
In the event that any Eligible Director resigns or retires due to the expiration of his/her term of office, retirement age, death, or other justifiable reason from any position as a director, executive officer, corporate auditor, employee, or any other position equivalent thereto of the Company or any of its subsidiaries, the transfer

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restriction shall be lifted immediately after the resignation or retirement of the Eligible Director.

(ii) Number of shares subject to lifting of transfer restriction

The number of shares shall be obtained by multiplying the number of the Allotted Shares held at the time of said resignation or retirement by the number obtained by dividing the Eligible Director's period of service (in months) pertaining to the transfer restriction period by 12 (if this number is greater than 1, it shall be 1). If, however, this calculation results in a fractional share, it shall be rounded down to the nearest whole share.

(4) Acquisition without consideration by the Company

At the expiration of the transfer restriction period or at the time the transfer restriction is lifted as specified in (3) above, the Company will, by rights, acquire, without consideration, any Allotted Shares for which the transfer restriction has not been lifted.

(5) Administration of shares

To ensure that the Allotted Shares shall not be transferred, pledged, or disposed of during the transfer restriction period, the Allotted Shares shall be managed in a dedicated account opened by the Eligible Director at Nomura Securities Co., Ltd. during the transfer restriction period. Lacto Japan has entered into an agreement with Nomura Securities with regard to the management of the accounts for the Allotted Shares held by respective Eligible Directors to ensure the effectiveness of the transfer restrictions and other matters. Additionally, the Eligible Directors shall consent to the management of the relevant dedicated account.

(6) Treatment in case of organizational restructuring, etc.

If, during the transfer restriction period, a proposal for a merger agreement in which Lacto Japan is the disappearing company, or a share exchange agreement or share transfer plan by which the Company becomes a wholly-owned subsidiary of another company, or any other form of reorganization, etc., is approved at a General Meeting of Shareholders (or, in cases where the reorganization, etc. does not require approval at the Company's General Meeting of Shareholders, the Company's Board of Directors), the Board of Directors shall resolve to lift the transfer restriction immediately prior to the business day preceding the effective date of the reorganization, etc, with respect to the number of Allotted Shares. The number of Allotted Shares shall be calculated by multiplying the number of the Allotted Shares held on the relevant date by the number obtained by dividing the number of months from the starting month of the transfer restriction period to the month including the date of approval by 12 (if this number is greater than 1, it shall be 1). If, however, this calculation results in a fractional share, it shall be rounded down to the nearest whole share. Moreover, at the time immediately after the transfer restriction has been lifted, the Company shall by rights acquire, without consideration, all the Allotted Shares on which the transfer restriction has not been lifted.

4. Basis for calculation and specific details of payment amount

This disposal of treasury shares to the scheduled grantees shall be funded as capital assets by the monetary compensation claims provided as restricted stock compensation in the Company's 27th fiscal year under the Plan. For the avoidance of doubt, the disposal price is 2,350 yen, which was the closing price of the Company's common stock on the Tokyo Stock Exchange on March 13, 2024 (the business day prior to the date of the Board of Directors' resolution). From the viewpoint that it was the market share price on the day immediately preceding the date of the resolution at the meeting of the Board of Directors, the above price is deemed to be reasonable and not particularly favorable to the grantees.