



July 14, 2022

Company name: Morinaga Milk Industry Co., Ltd.
5-33-1 Shiba, Minato-ku, Tokyo
Representative: Yohichi Ohnuki,
President & Representative Director
(Code: 2264, Prime Market of the Tokyo Stock Exchange)

Conclusion of a Memorandum of Understanding to Acquire Shares (Acquire a Subsidiary)

The Company's Board of Directors resolved, at the meeting held today, to conclude a memorandum of understanding with the aim of making the Company's affiliate NutriCo Morinaga (Private) Limited (hereinafter, "NutriCo Morinaga") a consolidated subsidiary through the acquisition of additional shares.

1. Purpose of considering the acquisition of shares (acquisition of a subsidiary)

Under its 10-year Vision, the Company aspires to be "a global company that exerts a unique presence worldwide" (overseas sales ratio at least 15%). In addition to aiming to further expand its overseas businesses, the Company has identified the expansion of the infant and toddler milk business in Asia as a key challenge under the theme of "achieving sustainable growth by increasing the added value of our business" in its Medium-term Business Plan.

The Company began exporting infant and toddler milk to Pakistan in 1978. For more than four decades, it has pursued business in Pakistan, running its infant and toddler milk export business through its sales agent, Unibrands (later NutriCo Pakistan). In 2017, together with ICI Pakistan Limited and Unibrands (Private) Limited, the Company established NutriCo Morinaga to produce and sell infant and toddler milk in Pakistan. Effective July 1, 2021, NutriCo Pakistan (Private) Limited was merged / amalgamated with and into NutriCo Morinaga and the Company has continued its efforts to expand the business under this merged company.

Pakistan is an attractive market, boasting the fifth-largest population in the world, with continuing population growth forecast. Moreover, the Morinaga Milk Industry brand has gained broad recognition in Pakistan over many years through the export business, giving the Company a high chance of achieving further rapid growth in the Pakistan market.

By acquiring management control over NutriCo Morinaga, and ensuring the timely introduction of safe and high quality products to meet customer needs in the Pakistan infant and toddler milk market, the Company considers that it will be able to capture growth opportunities, leading to the further development of the Morinaga Milk Industry brand infant and toddler milk business in Pakistan and contributing to the growth and health of the consumers of the Company products. It has therefore resolved to conclude a memorandum of understanding to acquire shares of NutriCo Morinaga (making it a subsidiary of the Company), subject to the successful negotiation, execution, and delivery of definitive agreements.

After the acquisition of additional shares, as the capital of NutriCo Morinaga is equal to 10% or more of the Company's capital, it will become a specified subsidiary company of the Company.

2. Profile of subsidiary undergoing change (As of March 31, 2022)

(1) Company name	NutriCo Morinaga (Private) Limited		
(2) Head office address	ICI House, 5 West Wharf, Karachi, Pakistan		
(3) Representative	Asif Jooma, Chief Executive		
(4) Business	Import, production, and sales of infant and toddler milk		
(5) Capital	PKR 8,212,500,000 (JPY 5,338,125,000)*1		
(6) Establishment	March 6, 2017		
(7) Major shareholders and shareholding ratios	1) ICI Pakistan Limited: 51.00% 2) Morinaga Milk Industry Co., Ltd.: 17.73% 3) Unibrands (Private) Limited: 13.07%		
(8) Relationship between the listed company and the subsidiary undergoing change	Capital	The company potentially undergoing change is an affiliate of the Company.	
	Personnel	One director has been dispatched from the Company.	
	Trading	The Company has the following trading relationships with the company undergoing change: 1) Sales of the Company's infant and toddler milk 2) Sales of ingredients for infant and toddler milk 3) Trademark licensing and technical assistance agreements	
(9) Financial status and business results of the company undergoing change for the past three years*1, 2, 3			
Fiscal year	FYE June 2019	FYE June 2020	FYE June 2021
Net assets	PKR 6,647,008,551 JPY 4,320,555,558	PKR 5,947,662,938 JPY 3,865,980,909	PKR 5,830,000,236 JPY 3,789,500,153
Total assets	PKR 11,407,983,368 JPY 7,415,189,189	PKR 13,751,137,923 JPY 8,938,239,649	PKR 13,908,803,742 JPY 9,040,722,432
Net assets per share	PKR 80.94 JPY 52.61	PKR 72.42 JPY 47.07	PKR 70.99 JPY 46.14
Net sales	PKR 10,307,148,967 JPY 6,699,646,828	PKR 10,498,087,614 JPY 6,823,756,949	PKR 12,557,376,577 JPY 8,162,294,775
Operating income	PKR 2,272,386,367 JPY 1,477,051,138	PKR 1,474,633,700 JPY 958,511,905	PKR 1,157,725,731 JPY 752,521,725
Profit	PKR 1,359,609,432 JPY 883,746,130	PKR 800,654,387 JPY 520,425,351	PKR 582,337,298 JPY 378,519,243
Profit per share	PKR 16.56 JPY 10.76	PKR 9.75 JPY 6.34	PKR 7.09 JPY 4.61
Dividend per share	PKR 5.48 JPY 3.56	PKR 24.35 JPY 15.83	PKR 20.70 JPY 13.46

*1 Amounts are converted to JPY using the exchange rate of PKR 1 = JPY 0.65.

*2 NutriCo Morinaga merged with NutriCo Pakistan (Private) Limited with effect from July 1, 2021. The financial status and business results for FYE June 2019 to FYE June 2021, therefore, represent the combined results for NutriCo Morinaga and NutriCo Pakistan (Private) Limited.

*3 Figures represented in "The financial status and business results for FYE June 2019 to FYE June 2021 are based on the local accounting standards adopted by NutriCo Morinaga, therefore, "Ordinary Income" which is common in Japan's accounting standards is not listed.

**3. Profile of counterparty to the acquisition of shares
(ICI Pakistan Limited) (As of June 30, 2021)**

(1) Company name	ICI Pakistan Limited	
(2) Head office address	ICI House, 5 West Wharf, Karachi, Pakistan	
(3) Representative	Asif Jooma, Chief Executive	
(4) Business	Production and sales of polyester, soda ash, and chemicals	
(5) Capital	PKR 923,591,000 (JPY 600,334,150)* ⁴	
(6) Establishment	May 13, 1952	
(7) Net assets and total assets at the end of the previous fiscal year	Consolidated net assets: PKR 25,399,214,000 (JPY 16,509,489,100)* ⁴ Consolidated total assets: PKR 49,741,954,000 (JPY 32,332,270,100)	
(8) Major shareholders and shareholding ratios	Lucky Cement Limited 55%	
(9) Relationship between the listed company and the subsidiary undergoing change	Capital	No items to report.
	Personnel	No items to report.
	Trading	No items to report.
	Status as a related party	Not a related party.

*4 Amounts are converted to JPY using the exchange rate of PKR 1 = JPY 0.65.

(Minority shareholders)

The Company plans to acquire shares from 11 individual shareholders. None have any capital, personnel, or trading relationship with the Company, or any other significant relationship with the Company.

4. Number of shares to be acquired, acquisition cost, and status of shareholding before and after the acquisition

(1) Number of shares owned by the Company before the change	14,563,500 shares (Number of voting rights: 14,563,500, percentage of voting rights: 17.73%)
(2) Number of shares to be acquired	27,322,987 shares (Number of voting rights: 27,322,987)
(3) Acquisition cost	Total share acquisition cost: USD 57,003,000 (JPY 7,695,405,000)* ^{5,6}
(4) Number of shares owned by the Company after the change	41,886,487 shares (Number of voting rights: 41,886,487, percentage of voting rights: 51.00%)

*5 "Acquisition cost" includes advisory fees approximately JPY 60,000,000.

*6 Amounts are converted to JPY using the exchange rate of USD 1 = JPY 135.

5. Change schedule

(1) Date of resolution of the Company's Board of Directors	July 14, 2022
(2) Date of concluding memorandum of understanding	July 15, 2022
(3) Date of conclusion of share transfer agreement	Undecided
(4) Date of change in subsidiary Effective date of transfer of shares	Undecided

6. Future outlook

This change will have an immaterial effect on the Company's consolidated results for the current fiscal year.