



Morinaga Milk Industry Co., Ltd.

Revision to Full-Year Consolidated Earnings Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025, and Recording of Impairment Losses, etc. for Overseas Subsidiaries

April 15, 2025

*Amounts in these materials are converted to JPY as follows:

- The exchange rate at the time of the acquisition, etc. was implemented (the time the acquisition, etc. was considered or announced)
 - The exchange rates as of December 31, 2024, for current and future foreign currency translation
- 1 PKR = JPY 0.56; 1 USD = 157.47 JPY; 1 VND = JPY 0.0062

- 1. Revision to Full-Year Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025**
- 2. Recording of Impairment Losses, etc. for Overseas Subsidiaries, and Course of Action Going Forward**

Overview of Today's Presentation

Revision to full-year forecast of consolidated financial results for the fiscal year ending March 31, 2025

- ✓ Profit attributable to owners of parent revised downward: ¥18.0 billion → ¥5.0 billion (Variance from previous forecast: -¥13.0 billion)
- ✓ Operating profit revised upward: ¥28.5 billion → ¥29.5 billion (Variance from previous forecast: +¥1.0billion) *Mainly due to an increase in global business and various cost reductions
- ✓ Main factors driving variance from previous forecast (details of extraordinary income and losses)
 - (Extraordinary income) Gain on sale of cross-shareholdings: +¥4.0 billion,
Gain on sale of non-current assets (land): +¥4.0 billion
 - (Extraordinary losses) Recording of impairment loss, etc. for overseas subsidiaries: -¥19.9 billion
- ✓ No revision to dividend and net sales forecast

Recording of impairment losses, etc. for overseas subsidiaries, and course of action going forward

- ✓ As a result of having reviewed the profitability of overseas subsidiaries (NutriCo Morinaga in Pakistan, Turtle Island Foods in U.S., Morinaga Nutritional Foods Vietnam, and Morinaga Le May Vietnam), we plan to record ¥19.9 billion in impairment losses, etc. in 4Q.
- ✓ We will explain our plans for specific structural reforms, etc. going forward.

1. Revision to Full-Year Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025

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 2. Recording of Impairment Losses, etc. for Overseas Subsidiaries, and Course of Action Going Forward
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Revision to Full-Year Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025



(Unit: billion yen)

	FYE Mar. 2024	Previous forecast for FYE Mar. 2025	Current forecast for FYE Mar. 2025	Revision to plan	Change from plan	Year-on-year change	Year on year
Net sales	547.1	560.0	560.0	-	-	+12.9	+2.4%
Operating profit	27.8	28.5	29.5	+1.0	+3.5%	+1.7	+6.0%
Ordinary profit	28.1	28.2	29.2	+1.0	+3.5%	+1.1	+3.9%
Profit attributable to owners of parent	61.3	18.0	5.0	-13.0	-72.2%	-56.3	-91.8%
Operating profit to net sales	5.1%	5.1%	5.3%	Key points <ul style="list-style-type: none"> ➤ Profit attributable to owners of parent revised. (¥18.0 billion → ¥5.0 billion) ➤ Upward revisions to operating profit and ordinary profit (+¥1.0billion for both) ➤ No revisions to forecasts for net sales or dividend ➤ Main factors driving variance from previous forecast for profit attributable to owners of parent (Extraordinary income) Gain on sale of cross-shareholdings: +¥4.0 billion Gain on sale of non-current assets: +¥4.0 billion (Extraordinary losses) Recording of impairment losses, etc. for overseas subsidiaries: -¥19.9 billion 			
ROE profit / equity capital	24.5%	6.6%	1.8%				
Global Business sales ratio	11.0%	12.7%	12.7%				
Annual dividend per share / Payout ratio	60 yen 33.4%*1	90 yen 42.3%	90 yen 152.1%				

*1 Figures exclude the impact from the transfer of the former Tokyo Plant site.

*1Q FYE March 2024 – Extraordinary income from sale of the former Tokyo Plant site: ¥65.7 billion

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Details of Extraordinary Income and Extraordinary Losses



Despite selling assets to generate profit, we will record an impairment losses, etc. for overseas subsidiaries.

- Extraordinary income
 - **Gain on sale of cross-shareholdings: +¥4.0 billion** (The amount in question is the variance from the previous forecast. The actual amount is +¥7.0 billion expected to be recorded.)
 - **Gain on sale of non-current assets (land): +¥4.0 billion** (Sales focused on land for non-core businesses (parking lots, etc.))
 - Aim to reduce cross-shareholdings, respond in accordance with policy of consolidating total assets by reorganizing nonbusiness assets
 - We intend to explain allocation of assets, including cash from the sales, when we announce the new Medium-term Business Plan in May.
- Extraordinary losses
 - **Recording of impairment loss, etc. for overseas subsidiaries: -¥19.9 billion** (Explanation begins on the next slide.)

2. Recording of Impairment Losses, etc. for Overseas Subsidiaries, and Course of Action Going Forward

1. Revision to Full-Year Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025
2. **Recording of Impairment Losses, etc. for Overseas Subsidiaries, and Course of Action Going Forward**

Background to Impairment Losses, etc. for Overseas Subsidiaries, Course of Action and Initiatives Going Forward



Background, etc. to impairment losses

Issues in common

- ✓ **Experience/skill** in M&A and PMI
- ✓ **Accuracy of forecast** growth rate at time M&A was implemented
- ✓ **Experience** in overseas expansion (particularly B-to-C)
- ✓ **Ability to grasp the situation** on the ground



- Strengthening of local management structure
- HR development, promotion of rotation
- Independence of Finance & Accounting Department (Finance & Accounting Division structure)
- Improvements in decision-making process
- Enhanced monitoring

Factors specific to each country

- ✓ Pakistan: **Major flooding in summer 2022**, which led to currency weakness and economic downturn
- ✓ U.S.: Greater-than-expected **contraction of the PBF market**
- ✓ Vietnam: **Loss** of a major **OEM** client



- Environment recovering, unchanged growth expectations
- Implement thorough structural reforms
- Grow orders from OEMs in Vietnam/other countries

Background to Recording of Impairment Losses, etc. (Pakistan)



NutriCo Morinaga (NM) (Pakistan)

<At time of acquisition>

- Acquired approx. 33% of shares of formula milk sales agent and manufacturing/sales business of joint venture in January 2023, taking stake to 51% (Currently 55.7%) and making it a consolidated subsidiary.
- Began exporting formula milk to Pakistan in 1978. After more than four decades of developing the business, the Morinaga Milk Industry brand has achieved broad recognition in Pakistan. We had the top share of the market for imported products, exceeding 40%. With the fifth-largest population in the world, it would be a promising growth market for formula milk. The Company judged that developing the business would led to growth and contribute to the health of consumers.
- Acquisition cost: Approx. ¥7.7 billion
- Net sales in fiscal year before acquisition: Approx. ¥9.0 billion

Targeted double that for FY2028, approx. ¥20.5 billion

*Amounts are converted to JPY using exchange rate of 1 PKR = JPY 0.57

<Results/changes in management environment>

- Net sales in FYE Dec. 2023: Approx. ¥6.8 billion
- Main factor was major flooding in the summer 2022. Significant changes in external environment led to business growing at lower than expected rate, and reassessment of business value.
- Business environment is bottoming out, births continue at a high level, and expectations for future growth are unchanged.

Changes in economic situation and business environment

External factors	Pre-acquisition forecasts	2023–2024	As of March 2025	Impact on management
Economic situation GDP growth rate	Forecast steady growth of 4.5% in FY2023 and 5% in FY2024	Due to major flooding in summer 2022, growth was low. (-0.2% in FY2023 and 1.9% in FY2024)	Forecast stable growth of 3.2% in FY2025, 4.0% in FY2026, 4.1% in FY2027, and 4.5% in FY2028	Recovery in sales driven by recovery in purchasing power
Exchange rate	Expected progressive depreciation of the rupee against the dollar of 6.5% annually	From 2022 to 2023, the rupee depreciated 40% against the dollar due to a shortage of foreign currency reserves	Recovery in foreign currency reserves led to stability in the dollar/rupee market	Stabilization of imported raw material and product costs
Inflation rate	Forecast average of 7.1% for 2022–2024 *8–9% at time acquisition plan was formulated	Reached 38% in May 2023	Fell as far as 0.7% in March 2025	Recovery in sales driven by recovery in purchasing power, stabilization of costs
Policy interest rate	Forecast average of 8.5% for 2022–2024 *8.5% at time acquisition plan was formulated	Reached 22% in May 2023	Fell as far as 12% in March 2025	Decline in interest rates on loans

Source: IMF for forecast and actual GDP growth rates

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Course of Action, Initiatives for Overseas Subsidiaries Going Forward (Pakistan)



NutriCo Morinaga (Pakistan)

<Current situation/Outlook>

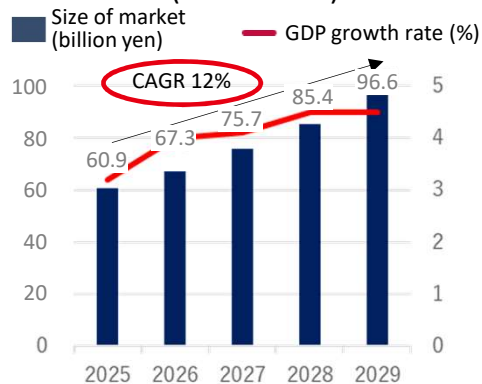
- Business conditions have bottomed out, economic recovery from 2H 2024
- Excess inventory cleared.
- Enhance food safety and reliability through the use of FSSC22000
- Seize market opportunities by launching new products, accelerate return to growth trend
- Strengthen development of locally manufactured products that are highly profitable and not easily affected by exchange rates

Working-age population as percentage of total rising, steady economic growth rate of 4% or so from 2026 onward
Formula milk market forecast to expand along with the growth of the economy

Formula milk is an important category for the Global Business

NM net sales CAGR: 20%(FY2024 to FY2029)
(Approx. 33 billion PKR, or about ¥19 billion: plan for FY2029)

Forecast for Pakistan's formula milk market (2025–2029)



Source: Euromonitor (market data), IMF (GDP growth rate)

1) Mid-term strategy: 2025–2027

- Generate synergies by combining the formula milk brand that has the second-largest market share and is recognized for its high quality, with unique functional food materials and the nationwide distributor network that is one of NM's strengths
- Establish competitive advantages that cannot easily be mimicked by competitors
- Implement growth strategy by proactively launching new products tailored to market needs

2) Long-term strategy: 2028 onward

- Expand the formula milk business further by establishing operational superiority
- By leveraging the strengths of the brand and the business foundation that we have established for formula milk, we will promote related diversification strategies to expand the dairy products business

Background to Recording of Impairment Losses, etc. (U.S.)



Turtle Island Foods (TIF) (U.S.)

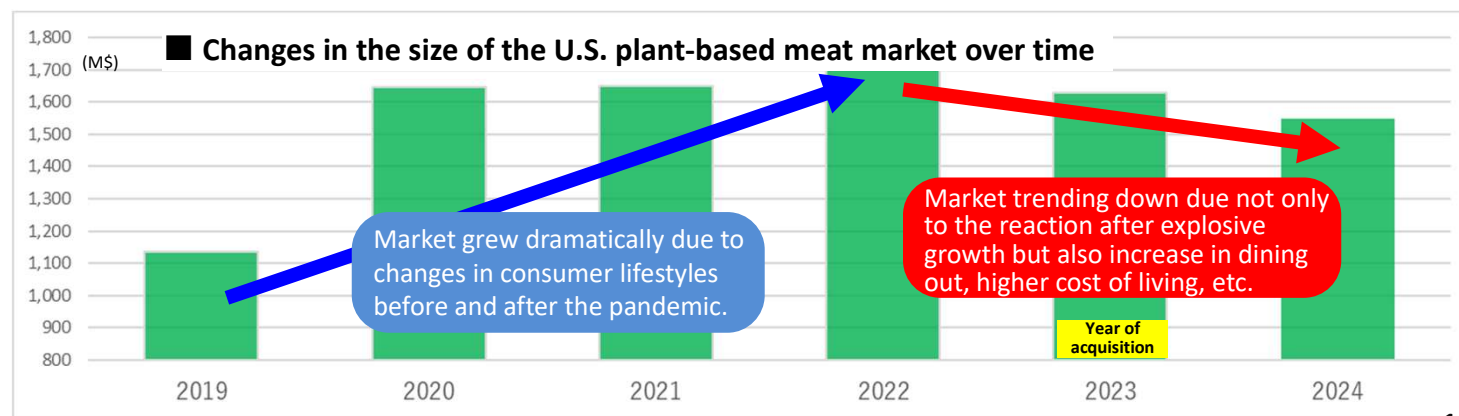
<At time of acquisition>

- U.S.-based consolidated subsidiary MNF made PBF sales and manufacturing company Turtle Island Foods (TIF) a wholly owned subsidiary in February 2023
- PBF (which includes tofu) is a market with significant potential for which sustainable growth is expected. The Group will leverage the knowledge it has developed to further expand the PBF business in the U.S.
- Acquisition cost: Approx. ¥1.6 billion
- Net sales in fiscal year before acquisition: Approx. ¥5.5 billion

We aim to reduce operating losses of around ¥1.0 billion (including goodwill) over the course of two or three years, making a profit at the operating level.

<Results/changes in management environment>

- Due to changes in consumer lifestyles before and after the pandemic, **the plant-based food market, centered on plant-based meat, grew dramatically** from 2019 to 2022
- **In 2023** the market contracted year on year, due to not only **the reaction to the explosive growth** of the market but also an increase in the frequency of dining out, and a rise in the cost of living. The market shrank again in 2024 as a result of the contraction of the PBF sections at major retailers, and other factors
- Starting 2023 (the year of the acquisition) we increased headcount at TIF in preparation for expanding sales, but little progress was made. On the other hand, **fixed costs increased, leading to increasing divergence from plans.**



Course of Action, Initiatives for Overseas Subsidiaries Going Forward (U.S.)



Turtle Island Foods (U.S.)

<Initiatives to improve profitability (2025–2026)>

In FY2025 we will consolidate two new/old plants, and squeeze SG&A expenses by reducing headcount, etc.

We are targeting a return to profit in FY2026.

- Cost reductions: Achieve significant reductions in fixed costs by closing old plant and consolidating at new plant. Will also implement reductions in back office and other headcount.
- Profitability improvements: Revise prices for mainstay products, review sizes
- Sales expansion: Will refresh the plant-based cheese range and promote the introduction of new products.

<Initiatives for sustainable growth (2027 onward)>

Putting the pieces in place in readiness for a (forecast) recovery in the market from 2027 onward, aiming for several hundred million yen in profits in 2029

- European market: Established MNF-EU (Germany) in 2024, strengthening sales activities for tofu.

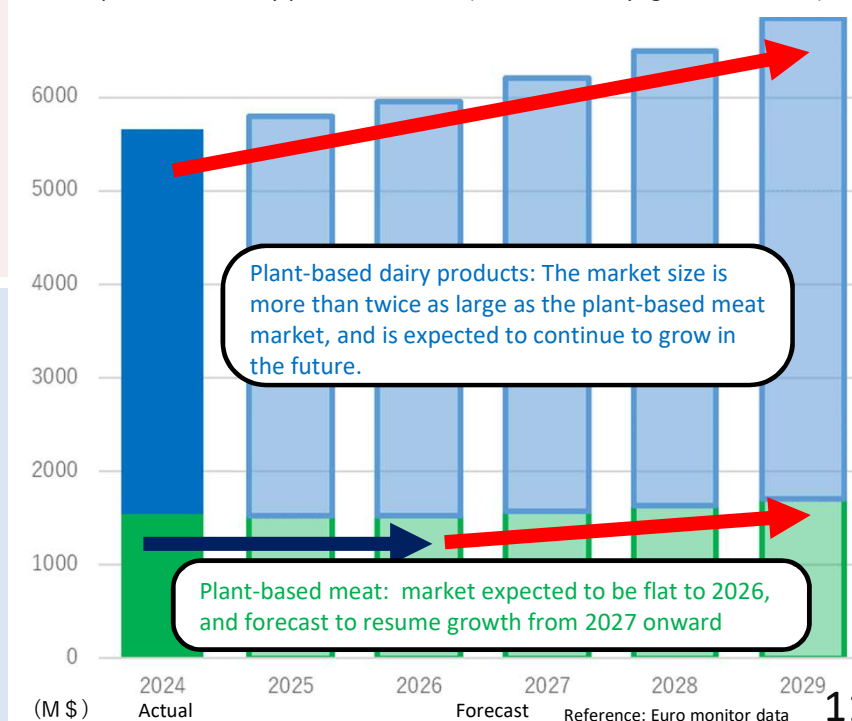
To address Europe, where there is a large market for plant-based food, we will use MNF-EU to begin full-fledged exploration of opportunities to enter.

- Plant-based dairy products: In order to enter the large market of plant-based dairy products, consider further product development by utilizing the technology derived from advanced milk technology.

■ Changes in the size of the U.S. plant-based meat market

*Green: plant-based meat market (Total for chilled and frozen)

Blue: plant-based dairy products market (Total for milk, yogurt and cheese)



(M \$) 2024 Actual 2025 Forecast 2026 Forecast 2027 Forecast 2028 Forecast 2029 Forecast Reference: Euro monitor data

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Background to Recording of Impairment Losses, etc., Course of Action, Initiatives Going Forward



Vietnam (Morinaga Nutritional Foods Vietnam (MNFV), former Elovi)

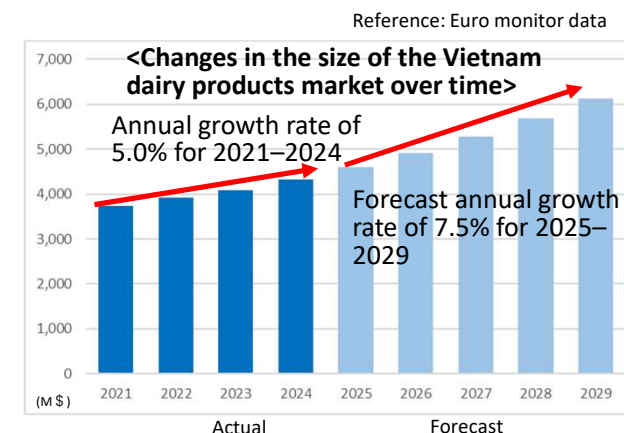
<At time of acquisition>

- Strengths are high level of production capacity for beverages/yogurt, and sales to general trade outlets (stores owned by individuals, etc.), which account for 70–80% of the retail market in Vietnam. Rapid growth averaging more than 20% for past three years (became a wholly owned subsidiary in June 2021).
- In addition to existing products, it is leveraging Morinaga Milk's technical capabilities to extend the line-up of products with health and nutritional benefits, and developing new sales channels.
- Acquisition cost: Approx. ¥4.5 billion
- Net sales in fiscal year before acquisition: Approx. ¥2.9 billion

<Current situation/Outlook>

- Due to various companies expanding capacity against the backdrop of the growth of the aseptically packaged beverage market, supply exceeds demand. Also, the development of the Morinaga brand has lagged the expected rate of growth.
- Net sales in FYE Dec. 2023: Approx. ¥4.3 billion
 - 1) OEM business: In addition to excess market supply, the largest customer internalized production, leading to a decline in orders.
 - 2) Rate of growth in existing “ZinZin” product has slowed.
(Despite plans at time of acquisition for increase of 20%, has actually been a decrease of more than 15%. Deterioration in profitability caused by soaring raw material prices.)
 - 3) Delays in developing new product “Climeal”
(In countries where the Morinaga brand is not well-known, entering the market takes time.)

- Focusing on developing OEM business
- In addition to developing new customers and creating proposals for expanding SKUs for existing customers, we are expanding overseas export destinations.
- Tailor response to channel (clearly differentiated allocation of human resources)
- Ongoing initiatives to establish the Morinaga brand



Details of Impairment Losses, etc. (Loss Amount, etc.)



Total of ¥19.9 billion in impairment loss, etc. recorded

	Total amount of impairment losses	Breakdown Goodwill	Breakdown Non-current assets	Amount of assets to which applied (before impairment)
Pakistan (NM)	¥8.4 billion	¥6.9 billion	¥1.5 billion	¥13.8 billion
U.S. (TIF)	¥8.5 billion	¥1.4 billion	¥7.1 billion	¥9.1 billion
Vietnam (MNFV and MLV)	¥3.0 billion	¥1.8 billion	¥1.2 billion	¥5.6 billion
Total	¥19.9 billion	¥10.1 billion	¥9.8 billion	¥28.5 billion

Accounting Impact of Impairment Losses, etc.



Decreases in goodwill and assets. Decrease in depreciation → higher operating profit. No revision to dividend forecast

- Balance Sheet

Expect decreases in goodwill and in non-current assets, etc. at the end of the fiscal year (¥19.9 billion)

- Profit and Loss Statement

Impact on operating profit (¥1.5 billion per year; decreases in goodwill and depreciation of other non-current assets)

- Cash flows

No direct impact from impairment losses, etc.

Allocation of assets, including cash flow increase from the sale, etc. of other assets, will be explained when we announce the new Medium-term Business Plan

- Dividend forecast

No revision to forecast, year-end dividend of 45 yen (annual dividend of 90 yen = increase of 30 yen over previous fiscal year)



Cautionary Note Regarding Business Forecasts

Figures for plans, policies, and other figures included in this report other than actual past results are forecasts of future business performance, and are calculated based on management's estimates and understanding of the information available to the Company at the time this presentation was prepared. Accordingly, these forward-looking figures contain elements of risk and uncertainty, and actual results may differ from these forecasts for a variety of reasons. These elements of potential risk and uncertainty include economic conditions in the Company's major markets, trends in demand for the Company's products, exchange rate movements, and regulatory changes and changes in accounting standards and business practices in Japan and other countries. Monetary amounts in this presentation are shown in billions of yen, with amounts of less than 0.1 billion yen rounded to the nearest 0.1 billion yen, and as a result, total figures may differ from the sum of the corresponding breakdown figures.