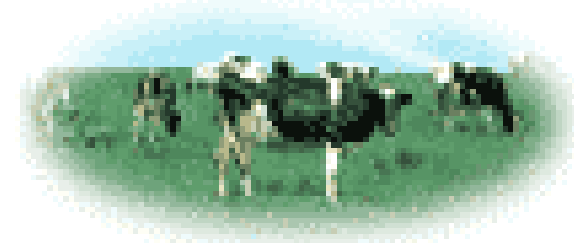


Fiscal 2004 Earnings Presentation

May 25, 2005

MORINAGA MILK INDUSTRY CO., LTD.



Overview of FY2004 and Priority Goals for FY2005

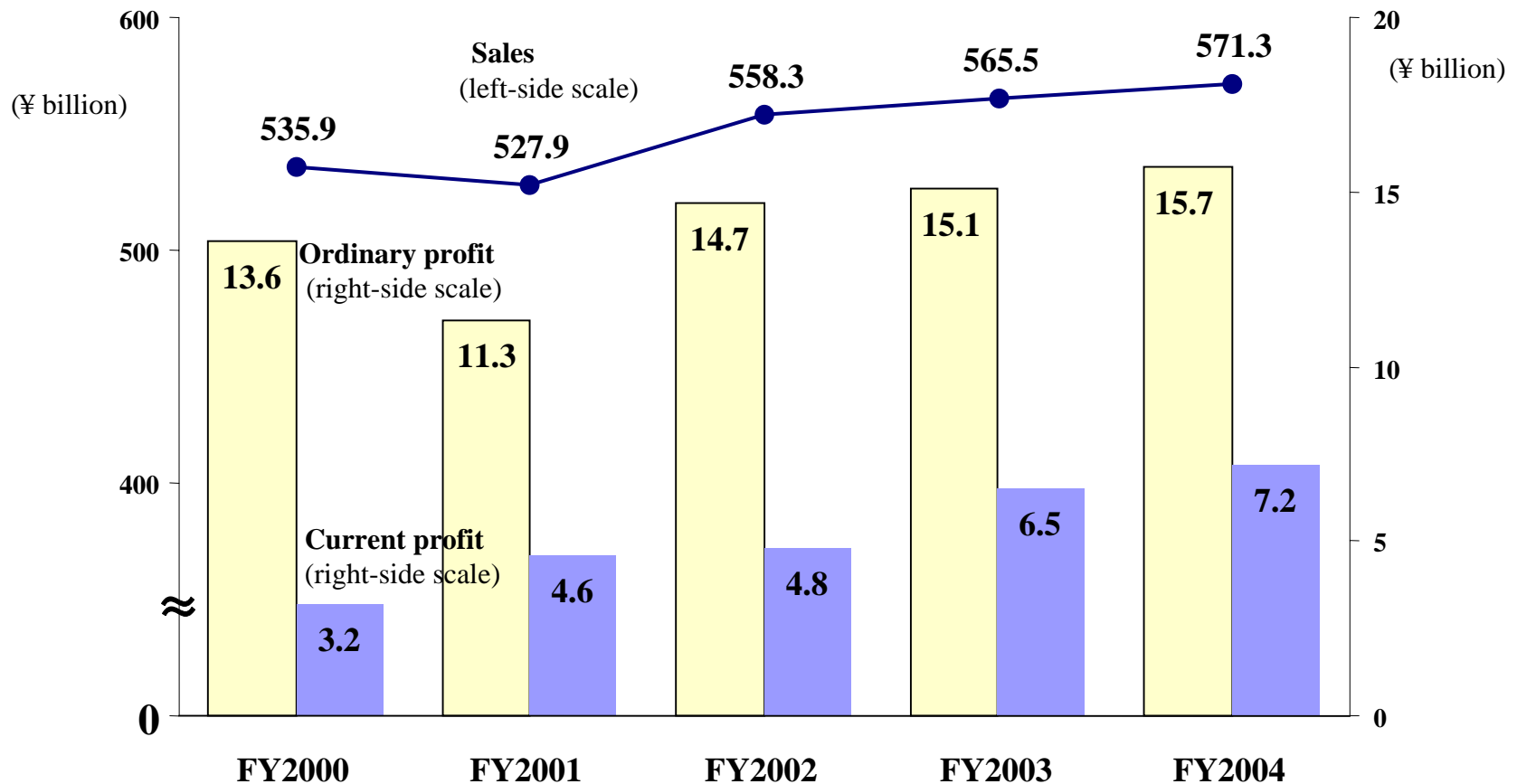
- * Comparisons of the results of FY2004 with prior year are presented in accordance with the sales accounting standards in effect at that time. Forecasts for FY2005 conform to revised sales accounting standards effective April 1, 2005.

-
1. FY2004 Overview
 2. Major Drives Underway
 3. Priority Goals
 4. FY2005 Outlook



Changes in Consolidated Net Sales and Ordinary Profit

✓ Increases in both sales and profits for the third consecutive year



FY2004 Business Performance Overview

- ✓ Consolidated sales (prior accounting standard), ordinary profit and current profit hit all-time highs, though they fell short of expectations.
- ✓ On a non-consolidated basis, current profit hit a record high.

<Consolidated>

(¥ billion)

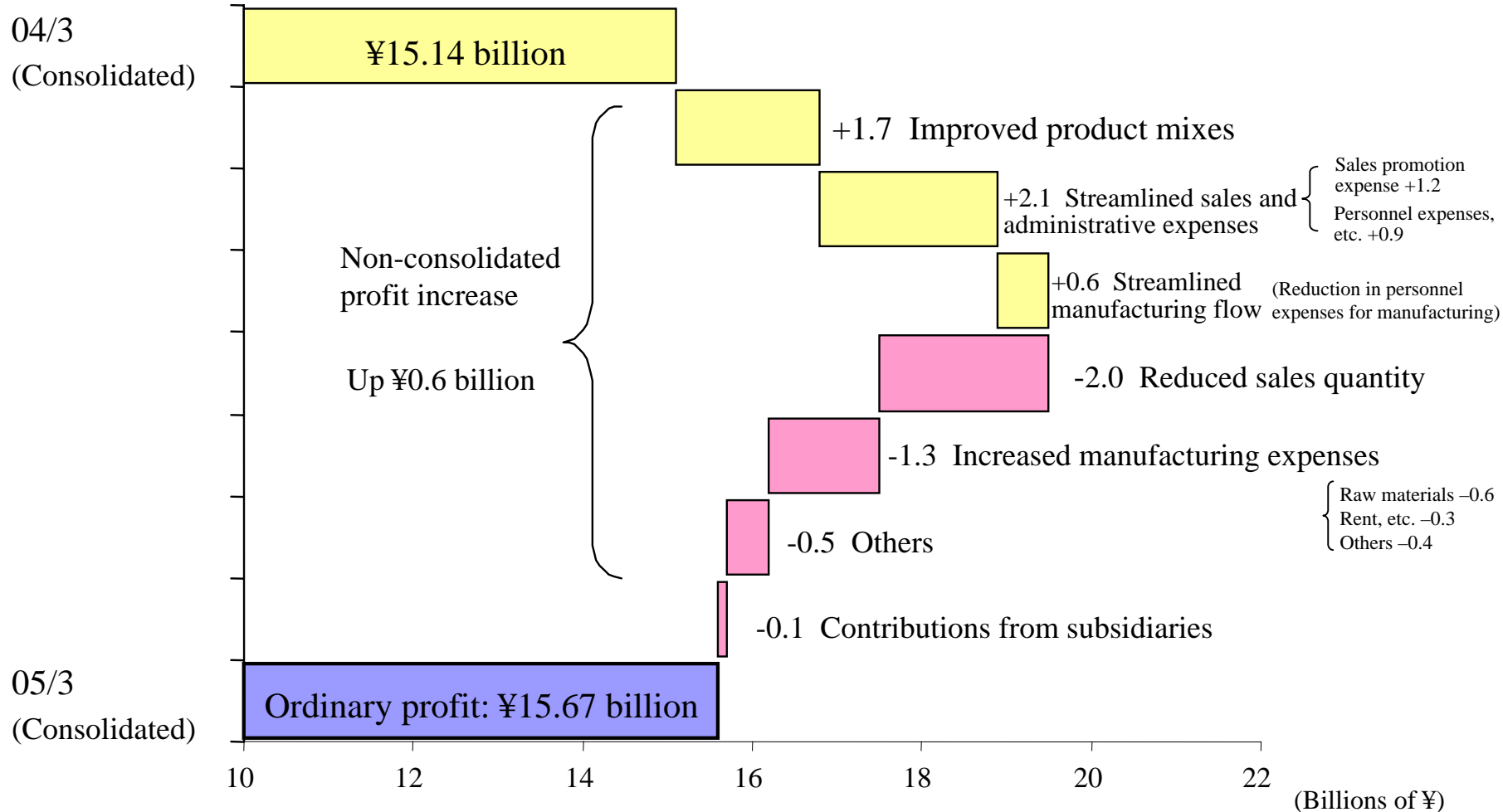
	FY2003	FY2004	Change
Sales		564.7	
(conforming to prior accounting standard)	(565.5)	(571.3)	101.0%
Ordinary profit	15.1	15.7	103.5%
Current profit	6.5	7.2	111.1%
Ratio of ordinary profit to sales	2.7%	2.7%	

<Non-consolidated>

	FY2003	FY2004	Change
Sales		440.2	
(conforming to prior accounting standard)	(456.8)	(447.8)	98.0%
Ordinary profit	10.0	10.7	106.4%
Current profit	3.8	4.1	107.9%
Ratio of ordinary profit to sales	2.2%	2.4%	

(Note) Comparison of sales with their year earlier levels and the ratios of ordinary profit to sales are accounted for in terms of the values conforming to prior accounting standard.

Causes of Increases and Decreases in Consolidated Ordinary Profit (FY2004 Results)



Steps Toward Increased Profitability

May 27, 2004 Results Briefing

1. Prioritized allocation of management resources
2. Improved management quality
3. Low-cost operations

Goal: No. 1 in profit in the dairy industry

◆ Major Drives Underway

Improved product mixes

- Reinforce seven priority segments
- Use national brand for milk
- Cut non-profitable product lines

+

Enhanced productivity

- Consolidate milk production sites
- Open new plants
 - Kobe Plant
 - Fuji Milk Industry Mishima Plant

+

Cuts in costs

- Cut sales promotion expenses
- Rationalize shipping costs

+

Reinforced group power

- Integrate Daily Foods group (April 2005)

=

Boosted profit ratios

◆ Concatenated

	Sales Ordinary profit ratio
FY2003	2.7
FY2004	2.7
FY2005 (projected)	3.0
FY2006 (target)	3.5

(Note) Prior accounting standard used for FY2003 and 2004; revised accounting standard used for FY2005 and 2006.

Progress (1) - Reinforced Seven Priority Segments

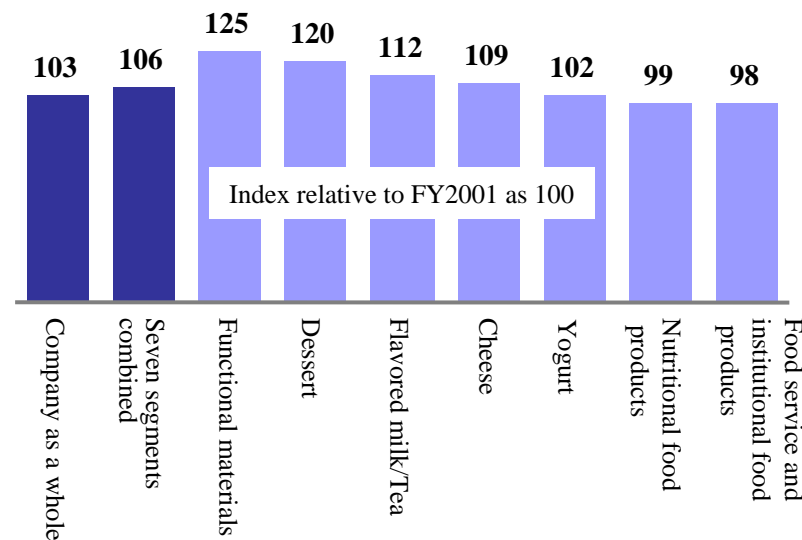
- ✓ Yogurt struggled for profitability while flavored milk and tea grew higher than planned.
- ✓ The seven segments combined fell short of projections although their percentage of total sales increased.

<Seven priority segments>

	Sales (Billions of ¥)	Change (%)
Flavored milk/Tea	62.0	107%
Yogurt	55.1	92%
Dessert	24.7	103%
Cheese	31.9	99%
Nutritional food products	21.2	98%
Food service and institutional food products	43.3	99%
Functional materials	4.3	109%

Total	242.5	100%
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Rates of growth for the past three years



Percentage of seven priority segments to total sales



(Note) Based on prior accounting standard.

Progress (2) – Use of NB for Milk; Reduction in Product Lines

Use of National Brand (NB) for milk

	FY2003	FY2004	FY2005 (target)	FY2006 (target)
NB (National Brand)	18%	28%	45%	60%
PB (Private Brand)	66%	57%	48%	40%
FB (Fighting Brand)	16%	15%	7%	0%
Oishii Gyunyu Milk Sales (Billions of ¥)	0.9	6.5	10	16

(Note 1) The ratios of NB implementation of milk apply to milk in 1000 ml containers (in value terms).

(Note 2) FB: Fighting brand (strategic items for regional markets)

(Note 3) "Oishii Gyunyu Sales" in FY2005 and 2006 are accounted for in accordance with prior accounting standard.

Reduction in product lines

	End FY2003		End FY2004		End FY2005 (planned)	
	Number of items	Cutback ratio	Number of items	Cutback ratio	Number of items	Cutback ratio
Milk products	187 items	-	146 items	22%	129 items	31%
Ice cream	105 items	-	75 items	29%	65 items	38%

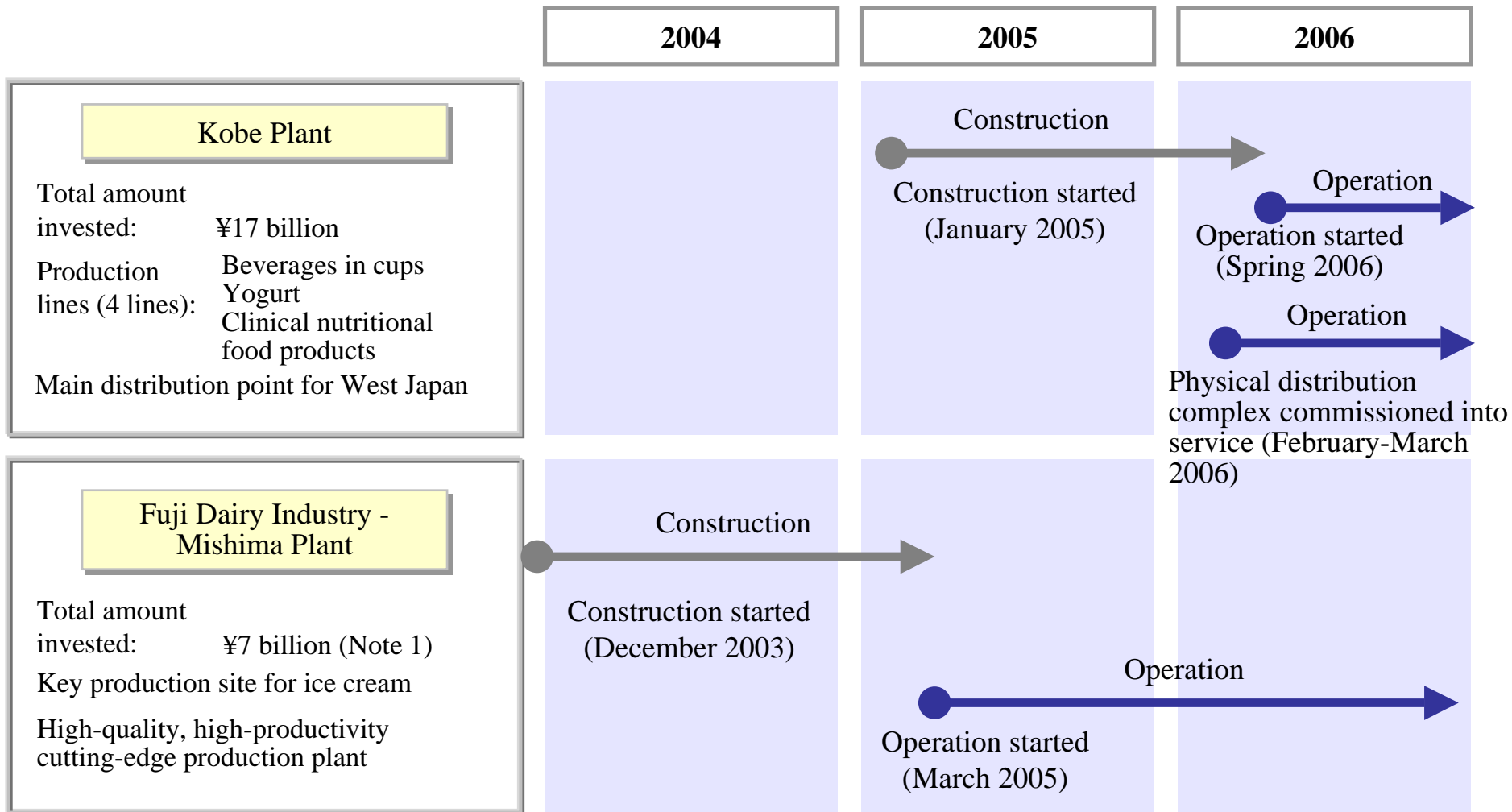
(Note 1) Cutback ratios are in comparison with the end of FY2003.

Progress (3) - Consolidation of City Milk Production Sites

- ✓ City milk production sites were consolidated from FY1998 to FY2003 to cut production costs.
- ✓ Three sites closed in FY2004 and two lines shut down in April 2005.

	Consolidated City Milk Production Sites	Number of Sites
FY1998	Akita Morinaga Milk	31 sites
FY1999	Tokyo Milk Industry, Morinaga Hokuriku Milk Industry Toyama	29
FY2000	Iwate Milk, Kurume Milk Plant	27
FY2002	Kagoshima Milk Industry	26
FY2003	Matsue Milk Industry	25
FY2004	Niigata Milk Industry , Matsumoto Plant, Imuraya Milk Industry	22 sites

Progress (4) - Opening of New Plants



(Note 1) The total amount of investment at Fuji Milk Industry - Mishima Plant has been increased from ¥5.5 billion to ¥7 billion.

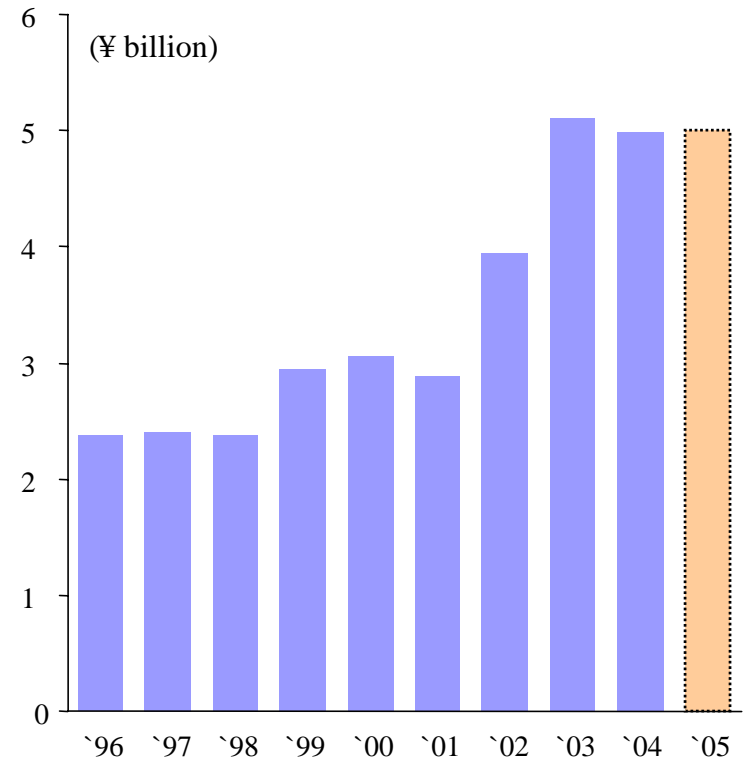
(Note 2) Fuji Milk Industry is an equity method-implemented company.

Progress (5)- Boosted Profitability of Group Member Firms

- ✓ The profitability of producers and producer/distributors was improved through low-cost operations and rebound of sales recovery.
- ✓ Distributors were consolidated into Daily Foods Co., Ltd.
- ✓ Operation of other major subsidiaries was improved, particularly that of Clinico Co., Ltd.

	FY2004 sales (¥ billion)	Change (%)	Major subsidiaries
<u>17</u> producers and producer/distributors	119.8	97	Yokohama Milk, MK Cheese
<u>11</u> distributor	140.2	103	Daily Foods, Tokyo Dairy
<u>9</u> other firms	76.2	110	Clinico, Morinaga Engineering
Total	336.3 (Simply combined)	103	

Ordinary profit of Group Member Firms
(consolidated – non-consolidated ordinary profit)



(Note) The ordinary profit of Group Member Firms is calculated by subtracting the non-consolidated ordinary profit from the consolidated ordinary profit (it is not the sum total of the profits of all the subsidiaries).

Priority Goals Set for FY2005

1. Enhanced marketability (focusing on seven priority segments)
 - (1) Seven priority segments · · · Flavored milk and Tea, Yogurt, others
 - (2) Improved profitability segments · · · Milk, Ice cream
2. Opening of Kobe Plant and integration of city milk production sites
3. Improved profitability of group member firms
4. Strengthened R&D and marketing power
5. Comprehensive goal management program
Extend goal management program to all levels of production, sales and administrative departments.

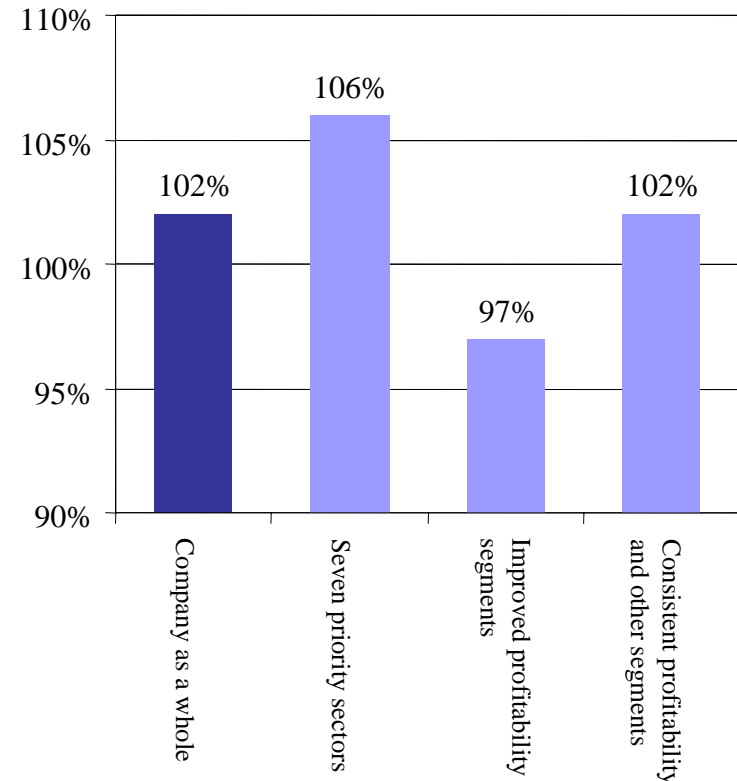
FY2005 Outlook of Seven Priority Segments

<Seven priority segments>

	Sales (¥ billion)	Change (%)
Flavored milk/Tea	62.8	105
Yogurt	59.5	113
Dessert	25.4	107
Cheese	32.0	101
Nutritional food products	21.8	103
Food service and institutional food products	44.2	102
Functional materials	4.3	101
Total	250	106

(Note) Sales and changes from prior years are calculated using revised accounting standard.

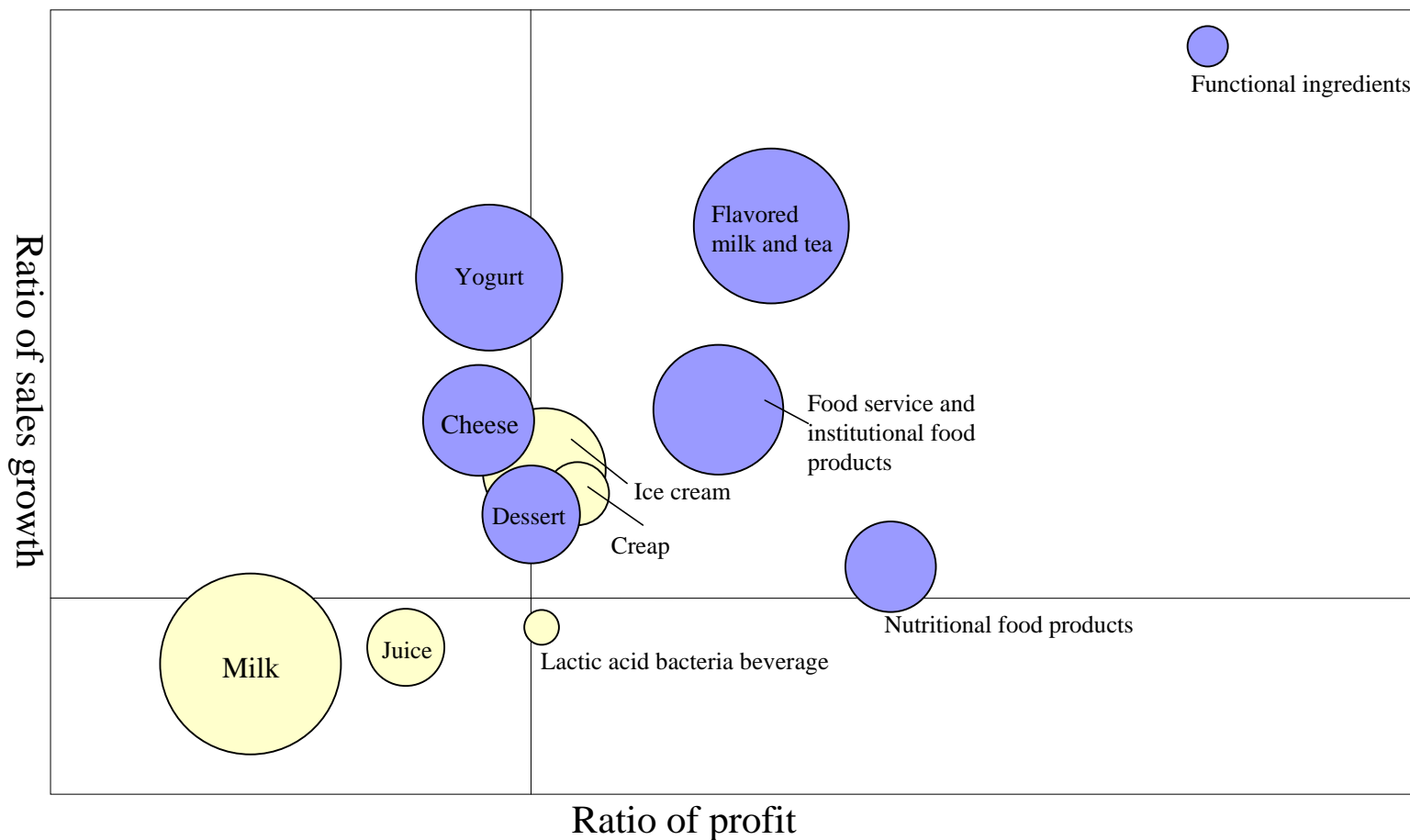
Rates of Growth from Previous Period (Projected)



Seven priority segment as % of total sales

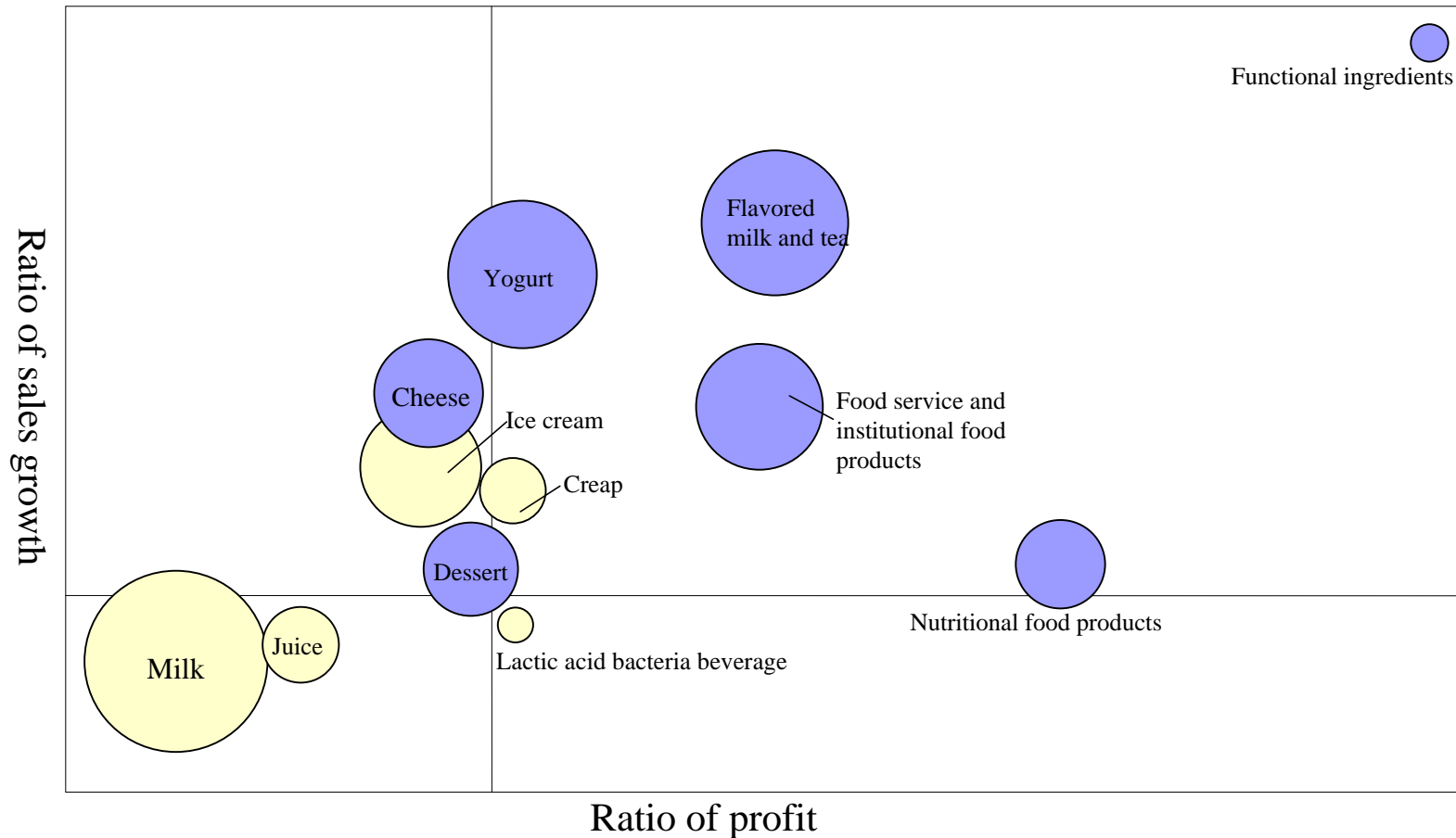
54.2% (FY2004) → 55.6% (FY2005)

Product Portfolio (FY 2004)



- (Note 1) The vertical line denotes average profit rate by department (FY 2004, non-consolidated).
- (Note 2) The size of each circle represents sales (FY 2004).
- (Note 3) Rate of sales growth predicted for three years (FY 2004 through FY 2006).

Product Portfolio (FY 2003)



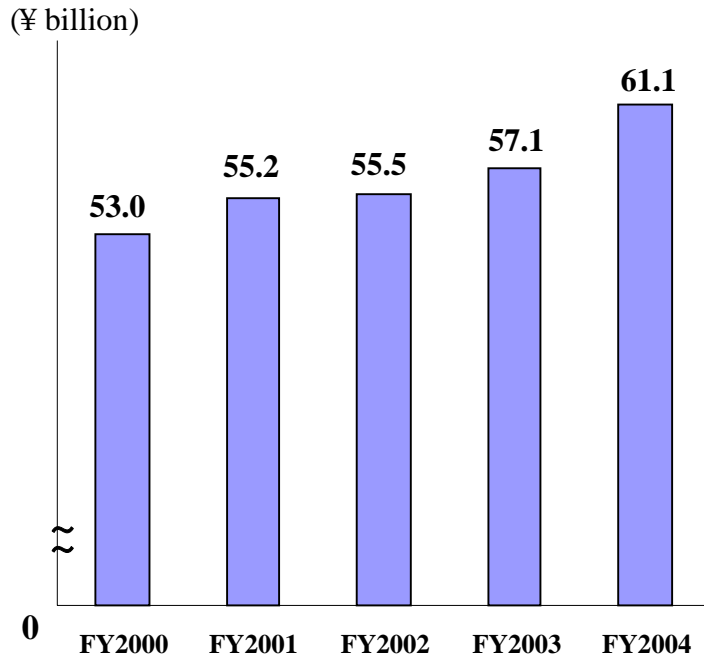
(Note 1) The vertical line denotes our average profit rate by department (March 2004 period, non-consolidated).

(Note 2) The size of each circle represents sales (March 2004 period).

(Note 3) Rate of sales growth predicted for three years (FY 2004 through FY 2006).

Enhanced Marketability ~ Flavored Milk and Tea

Changes in flavored milk and tea sales



Sales by brand

	FY2004 results (¥ billion)	Change	FY2005 projections (¥ billion)	Change
Mt. Rainier	23.4 (22.8)	115% (112%)	23.3	102%
Lipton	17.4 (16.8)	118% (114%)	18.3	109%

(Note) The first half of FY2004 conforms to the prior accounting standard, and the latter half of FY2004 and FY2005 conform to the revised accounting standard.

Mt. Rainier still bullish

- With the chilled coffee market expanding, our Mt. Rainier Series remains bullish.
- The Mt. Rainier fruit flavors will be discontinued during this period and re-introduced under the Morinaga brand. Sales of Mt. Rainier coffee drinks are expected to increase 2% (Mt. Rainier series would increase 8% if the existing fruit flavors are included).

Lipton Tea doing fine, too

- The chilled tea market grew sharply at 22% over the prior year.
- Lipton continues to keep with its no. 1 position, commanding a 70% market share in this category.
- New flavor introductions and promotional activities are planned.



Released in:
March 2005



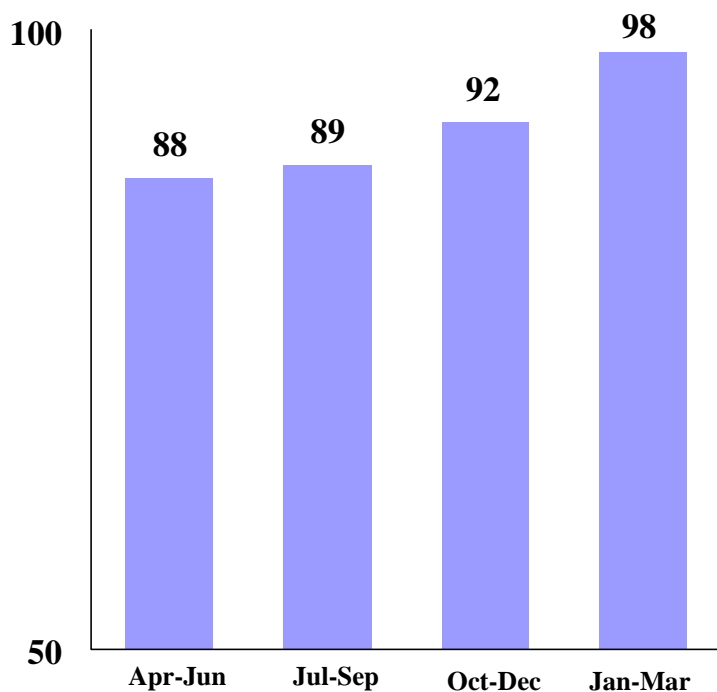
April 2005



May 2005

Enhanced Marketability - Yogurt

Changes in sales by quarter in FY2004



(Note) Index: prior year = 100.



Released in:
March 2005



March 2005



April 2005

Sales by brand

	FY2004 results (¥ billion)	Change	FY2005 projections (¥ billion)	Change
Aloe	22 (21)	86% (87%)	26.4	126%
Bifidus	15.3 (14.2)	101% (94%)	14.7	104%
Lactoferrin	4.4 (4.4)	83% (83%)	4.5	102%
Yogurt total	55.1 (52.5)	92% (87%)	59.5	113%

(Note) The first half of FY2004 conforms to the prior accounting standard, and the latter half of FY2004 and FY2005 conform to the revised accounting standard.

- Yogurt as a whole was down by double digits in the first half of the FY 2004, but began to pick up in the latter half when the Aloe line was revamped and promotional campaign was launched in December.
- For the current term, further expansion is expected with the introduction of handy Aloe items and four-pot variations.

Improved Profitability for Morinaga Group Firms - Clinico Co., Ltd.

Clinico Co., Ltd. -

- distributes medical foods, supplements and related product lines.
- markets leading-edge medical foods, liquid diets and supplements for elderly people and inpatients.
Clinico is No. 1 in the medical food market (food types), commanding a 45% share.
- expands sales by extending distribution to a larger number of medical facilities and developing new product lines to serve the medical food market which is growing at 10% annually.
- plans increased supply capacity through use of two production lines at Kobe Plant (to open in spring of 2006).
- offers varied product lines
medical food (high-nutrition medical diet), swallowable diet (jellies, mousse) and supplements
In total, 31 varieties (73 individual items).
- serves its major customers –
medical facilities, specialized elderly nursing homes, and general healthcare facilities for the elderly.
- achieves sales growth -

Unit: ¥ billion

	FY2003	FY2004	FY2005 (planned)
Sales	12.5	15	15.7
Ordinary profit	0.9	1	1.1

Improved Profitability for Morinaga Group Firms - Daily Foods Co., Ltd.

- operates a nationwide, chilled food distribution network under newly consolidated structure to optimize wholesale services for Morinaga group companies.
- coordinates distribution functions with regional & local tertiary wholesalers to provide extensive access to the market.



FY2005 (initial year) sales goal: ¥123 billion

Organization

Main office	Retail Sales Division, Food Service and Institutional Food Products Sales Division, Logistics Division, Operations Division
Branches	Specialized logistics services

Sales functions

- Consolidation of business negotiations
- Sharing of information
- Prioritized and intensive application of marketing resources
- Improved responses to customers over wide-spread areas
- Increased capacity to distribute products of other manufacturers

Logistic functions

- Specialized logistics functions at each branch
- Low-cost operation
- Nationwide logistics network
- Development of general distribution services

Management functions

- Rationalization through standardization, consolidation and systematization

Strengthened R&D and Marketing Power

➤ Interaction between basic and applied research

- Breast milk - the starting point
- Applications based on technology derived from basic research of milk
- Contributions to longevity
 - Identification of functional components in milk
 - Application of functional components to foods effective for lifestyle diseases and promotion of general well-being
 - Accumulation of clinical testing data, i.e. “Evidence Based Nutrition”

➤ Systemization of strategic product development

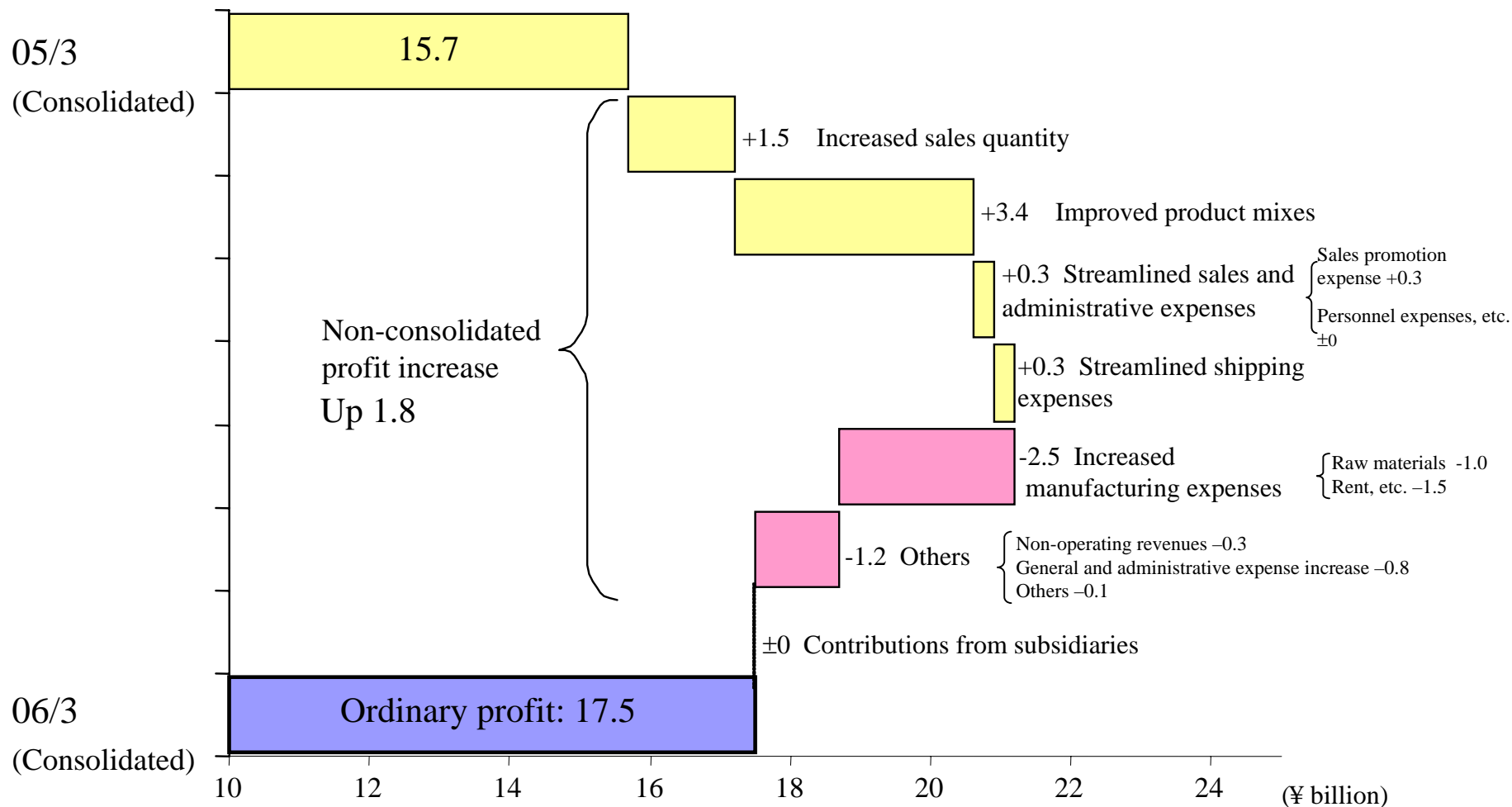
- Development of differentiated, high value-added product lines based on original Morinaga research
- Improvement of marketing capabilities

Business Forecasts for FY2005

	Consolidated		
		(¥ billion)	
Consolidated	Sales	575 (up 1.8%)	Ratio of ordinary profit to sales
	Ordinary profit	17.5 (up 11.7%)	2.8% → 3.0%
	Current profit	8.4 (up 17.0%)	Return on Equity 7.8% → 8.5%
Non-consolidated	Sales	450 (up 2.2%)	Ratio of ordinary profit to sales
	Ordinary profit	12.5 (up 17.1%)	2.4% → 2.8%
	Current profit	5.3 (up 28.8%)	Return on Equity 5.8% → 7.2%

(Note) Business forecasts and profit ratios (both planned and actual) are based on the revised accounting standard.

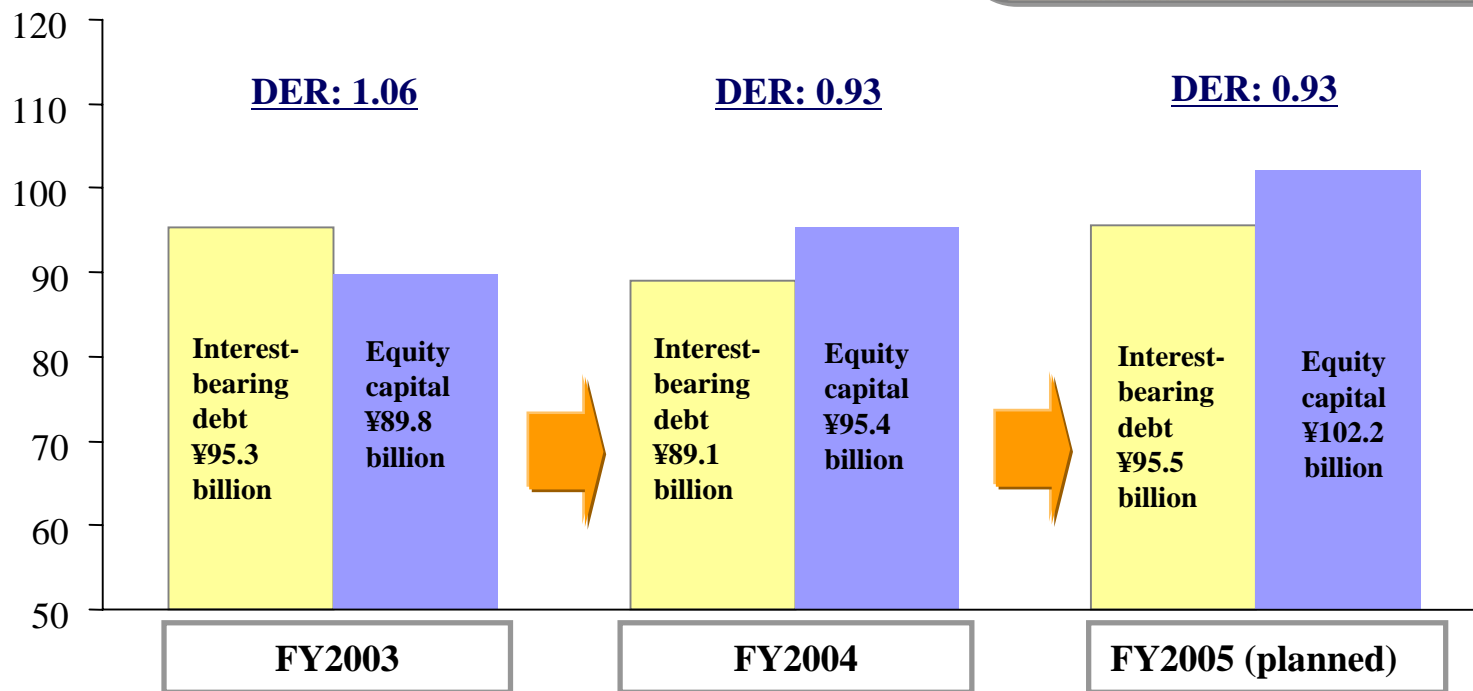
Causes of Increases and Decreases in Consolidated Ordinary Profit (FY2005 Forecast)



Financial Plans and Progress (Consolidated)

	FY2004 (¥ billion)	Three-Year Prospects for FY2004 -FY2006 (¥ billion)
Sales cash flow	+19.7	+75.8
Capital investment	-18.6	-72.2
Loans and investment	+4.5	+2.5
Dividends, etc.	-1.6	-5

Interest-bearing debt will peak during FY2005 due partly to investment in Kobe Plant. During FY2006, sales cash flow is expected to rise above capital investment, with the interest-bearing debt narrowing from this year onward.



DER = debt equity ratio

Important Notice

Aside from historical facts cited in this document, statements and numerical data regarding the future performance of Morinaga Milk and its subsidiaries are based on information available at the time this material was prepared. Risks and uncertainties have been taken into account when formulating projections of business operations, however actual business performance may differ from those projections due to a variety of factors including, but not limited to, changes in economic conditions in major markets, product demand, foreign currency exchange rates, domestic and international laws and regulations, and accounting rules and practices.



MORINAGA MILK INDUSTRY CO., LTD.