



Morinaga Milk Industry Business Plan for the Next Medium Term

(FYE March 2016-FYE March 2020)

MORINAGA MILK INDUSTRY CO., LTD.

Review of the Previous Medium-Term Business Plan

(FYE March 2014-FYE March 2016)



(Unit: billion yen)

	FYE March 2015 Results	FYE March 2016 Current Plan (A)	FYE March 2016 Initial Plan (B)	Change (A)-(B)
Net Sales	594.8	600.0	630.0	-30.0
Ordinary Income	8.2	11.0	20.0	-9.0
Net Income	4.2	5.0	10.0	-5.0
RO S	1.4%	1.8%	3.2%	-1.4%
RO A	2.2%	2.9%	5.5%	-2.6%
RO E	3.4%	4.0%	7.7%	-3.7%
DER	0.86 times	0.90 times	0.67 times	0.23 times

⇒ The results were considerably below the targets of the initial plan, especially for income

We will start a new five-year Medium-Term Business Plan from FYE March 2016 to FYE March 2020, so that we can be sure to meet the targets

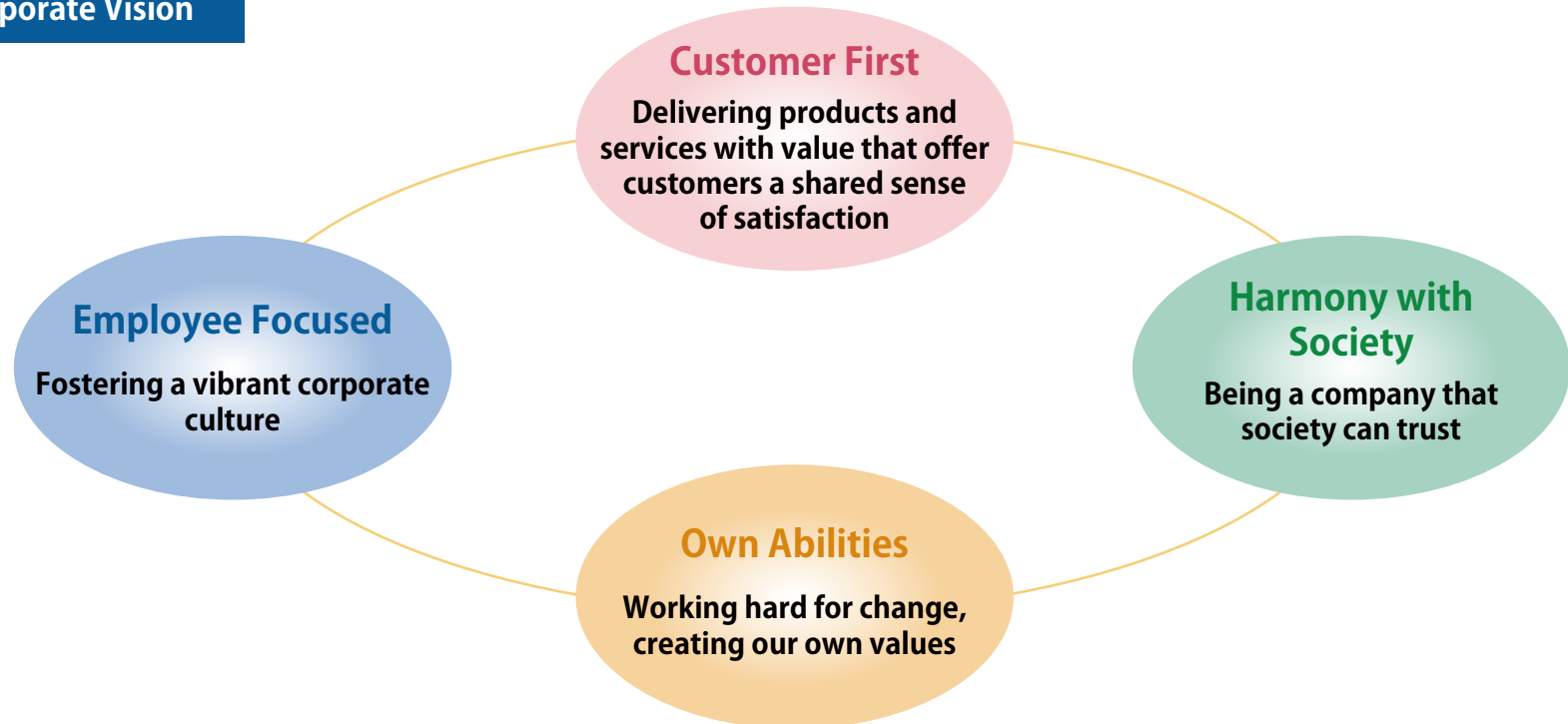
Morinaga Milk Group Corporate Philosophy & Vision



Corporate Philosophy

To create a new food culture based on the excellent power of milk, making a difference in people's health and society in general

Corporate Vision



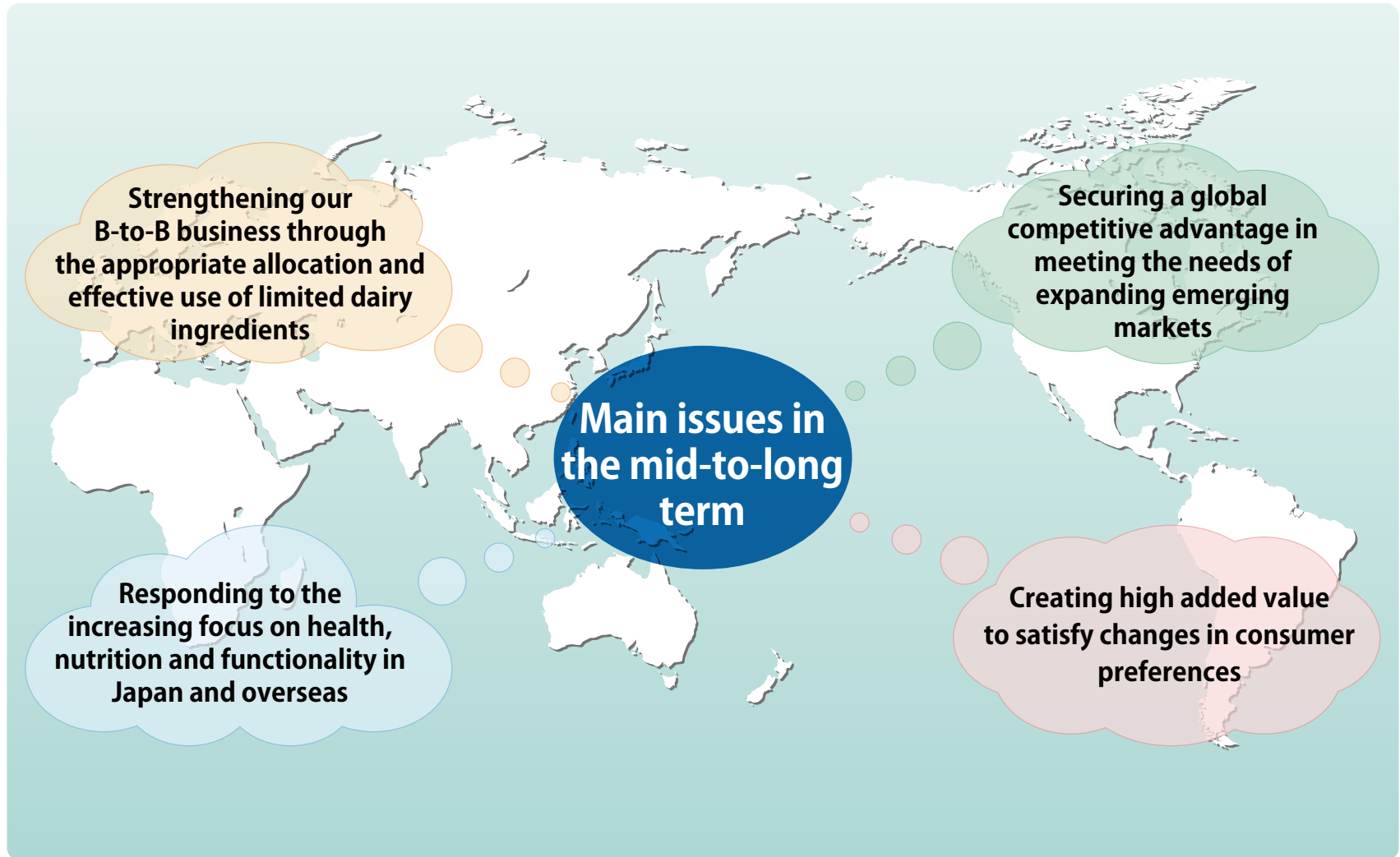
1. Rebuilding our business domains for growth

2. Improving asset efficiency and promoting rationalization

3. Strengthening the business base

4. Making a difference in society

Business Environment and Selected Issues



Specific Initiatives of the Basic Policy 1



Basic Policy 1. Rebuilding our business domains for growth

1) Strengthening the functional and food ingredients business (B-to-B business)

2) Facilitating globalization (International business)

4 pillars of our future business

3) Developing the health and nutritional food business

4) Improving the profitability of our existing businesses (B-to-C business)

Specific Initiatives of the Basic Policy 1

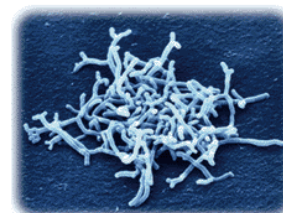
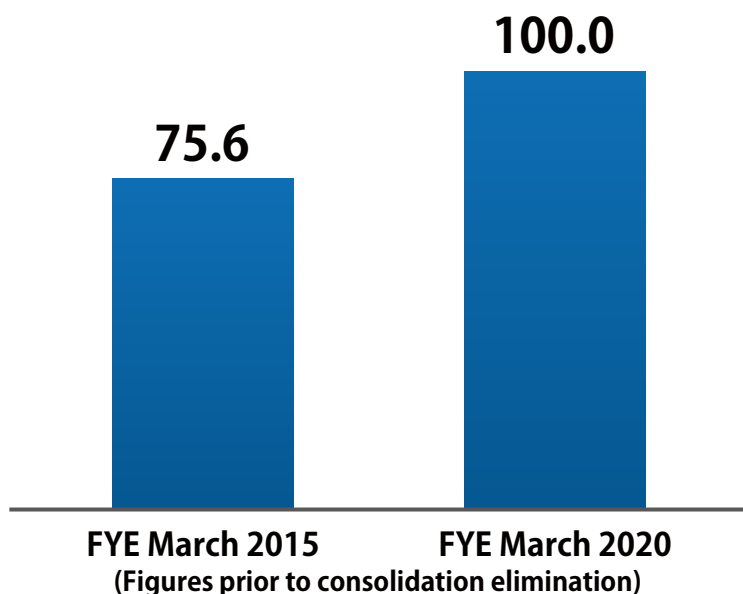


1) Strengthening the functional and food ingredients business (B-to-B business)

Basic Policy of the Business Plan

- As the tight demand and supply for dairy ingredients continues, we will actively expand our sales into key markets such as the food industry and medical and health food industry, while ensuring a steady supply of resources

Net sales of B-to-B business (Unit: billion yen)



Bifidobacterium longum BB536



Mascarpone



Cream



Lactoferrin

Specific Initiatives of the Basic Policy 1



1) Strengthening the functional and food ingredients business (B-to-B business)

Strengthening sales to the food industry (livestock, marine products, flavorings, frozen foods, etc.)

Boosting sales to the medical and health food industry

Expanding the sales channels for functional products

Developing new products (cream, cheese, powdered milk, bifidobacterium powder, peptides, etc.)

Sales of dairy materials (Milei GmbH products, preparations, substitute dairy ingredients)

Enhancing the research system
(obtaining more evidence, improving application skills)

Building a flexible production system

Training and increasing the number of sales engineers

Specific Initiatives of the Basic Policy 1

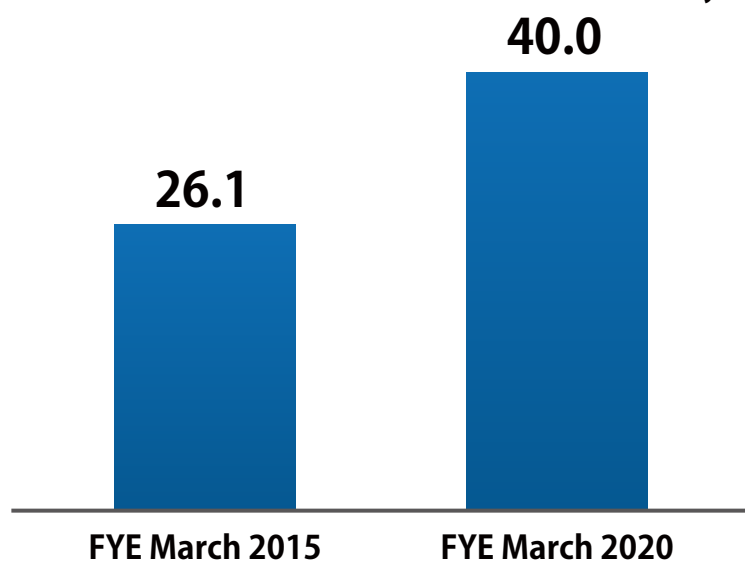


2) Facilitating globalization (International business)

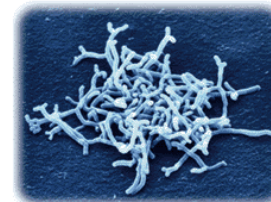
Basic Policy of the Business Plan

- We will actively invest our management resources, including the know-how we have accumulated in functional food materials and dairy products, and aim to raise brand awareness while boosting profits

Net sales of international business (Unit: billion yen)



Export of fungi, Pino,
Mt.RAINIER CAFFÈ LATTE



Chilled products in partnership
with Want Want Group



Infant formula
in Indonesia and Pakistan

Specific Initiatives of the Basic Policy 1



2) Facilitating globalization (International business)

Expand sales of high-added-value B-to-B products with the start of operations at a new Milei GmbH plant

Expand export of products starting with fungi
(Set up sales bases in Europe and the US)

Develop new markets for infant formula in new markets and in Indonesia and Pakistan

Enter the chilled products industry in China by partnering with Want Want Group

Boost exports of Pino and Mt.RAINIER CAFFÉ LATTE

Specific Initiatives of the Basic Policy 1



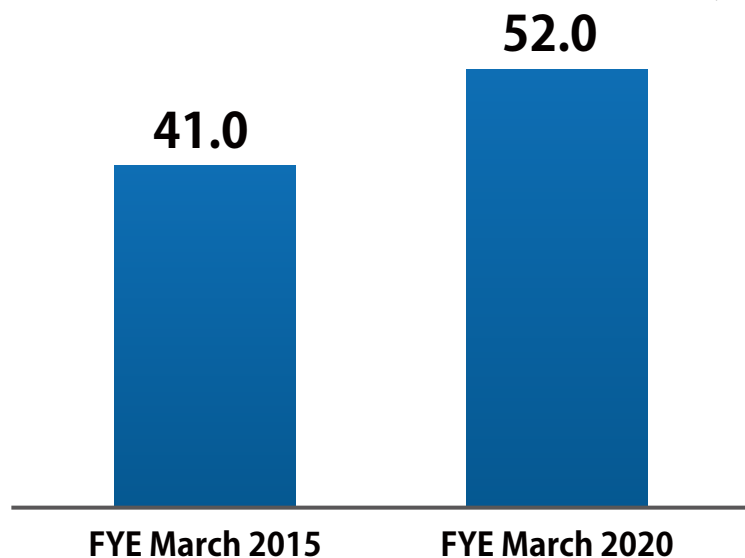
3) Developing the health and nutritional food business

Basic Policy of the Business Plan

- Promote the development of products that will meet projected future needs based on population trends and the growing trend in being health-conscious
- Establish this area as a pillar of business by combining the existing health and nutritional food business with newly developed products

Net sales of health and nutritional food

(Unit: billion yen)



Nutritional supplements /
Pochi Plus Drinking Jelly



High-nutrient liquid diet /
MA-8



Mail order sales of
supplements



Hagukumi (infant formula)



First acquire food with a
“Ask Doctors:
Doctor-approved product”
Maiasa Soukai
(Refreshing every morning)

Specific Initiatives of the Basic Policy 1



3) Developing the health and nutritional food business

Develop and sell health and nutritional food products

Meet the changing needs of consumers

Expand sales by mail order and at drug stores

Prepare a system for developing and selling clinical food for people receiving at-home care

Prepare themes for research and development in the health and nutritional food business

Actively invest management resources

Specific Initiatives of the Basic Policy 1



4) Improving the profitability of our existing businesses (B-to-C business)

Basic Policy of the Business Plan

- Focus on our highly original products and aim to improve profitability
- Create high-added-value products by developing new products and improving existing ones, such as by enhancing functionality and flavor and reviewing container shapes, etc.
- Further strengthen our product brands

Net sales of B-to-C business

(Unit: billion yen)

312.8

320.0

FYE March 2015

FYE March 2020

(Only non-consolidated and for households)



Mt.RAINIER DOUBLE
(chilled cup-type
coffee)



Pino (ice cream)



Thick Greek Yogurt PARTHENO



Morinaga Aloe Yogurt

Specific Initiatives of the Basic Policy 1



4) Improving the profitability of our existing businesses (B-to-C business)

Focus resources on highly original products
Chilled cup-type drinks, chilled tea, ice cream, etc.

Develop high-market-share products for the next generation
Yogurt, cheese, etc.

Improve profitability by reviewing low-margin products

**Improve profitability by
creating high-added-value
products and
focusing management resources**

**Review the production
system
Low-cost operation**

Basic Policy 2. Improving asset efficiency and promoting rationalization

- 1) Steady implementation of measures for absorbing cost increases
- 2) Review the production system, including rearranging the manufacturing line
- 3) Review the sales system (including affiliated companies)
- 4) Rationalize and improve the efficiency of indirect work
- 5) Improve asset efficiency by disposing of idle assets, etc.

Basic Policy 3. Strengthening the business base



Basic Policy 4. Making a difference in society

Examples of specific programs

1) Environmentally conscious

- Acquiring ISO 14001 Certification
- Acquiring Eco-Action 21 Certification
- Implementing energy-saving and recycling initiatives

2) Communication with the community

- Factory tours
- Opening up the green areas of plants
- Continue participation in community cleaning programs
- M'S Kitchen

3) Overseas initiatives

- Rainforest Alliance

4) Raising awareness and volunteering in society

- Morinaga Volunteer Society ^(Note)
- Morinyu Smile Club
(social action program of Morinaga employees)
- Pink Ribbon activities
- Angel 110 (Free counseling service on child-rearing)



Note: We will assist in surveys and studies on the health and nutrition of infants and for the quality of dairy products to that end. The results of these surveys and studies will be used to improve public health

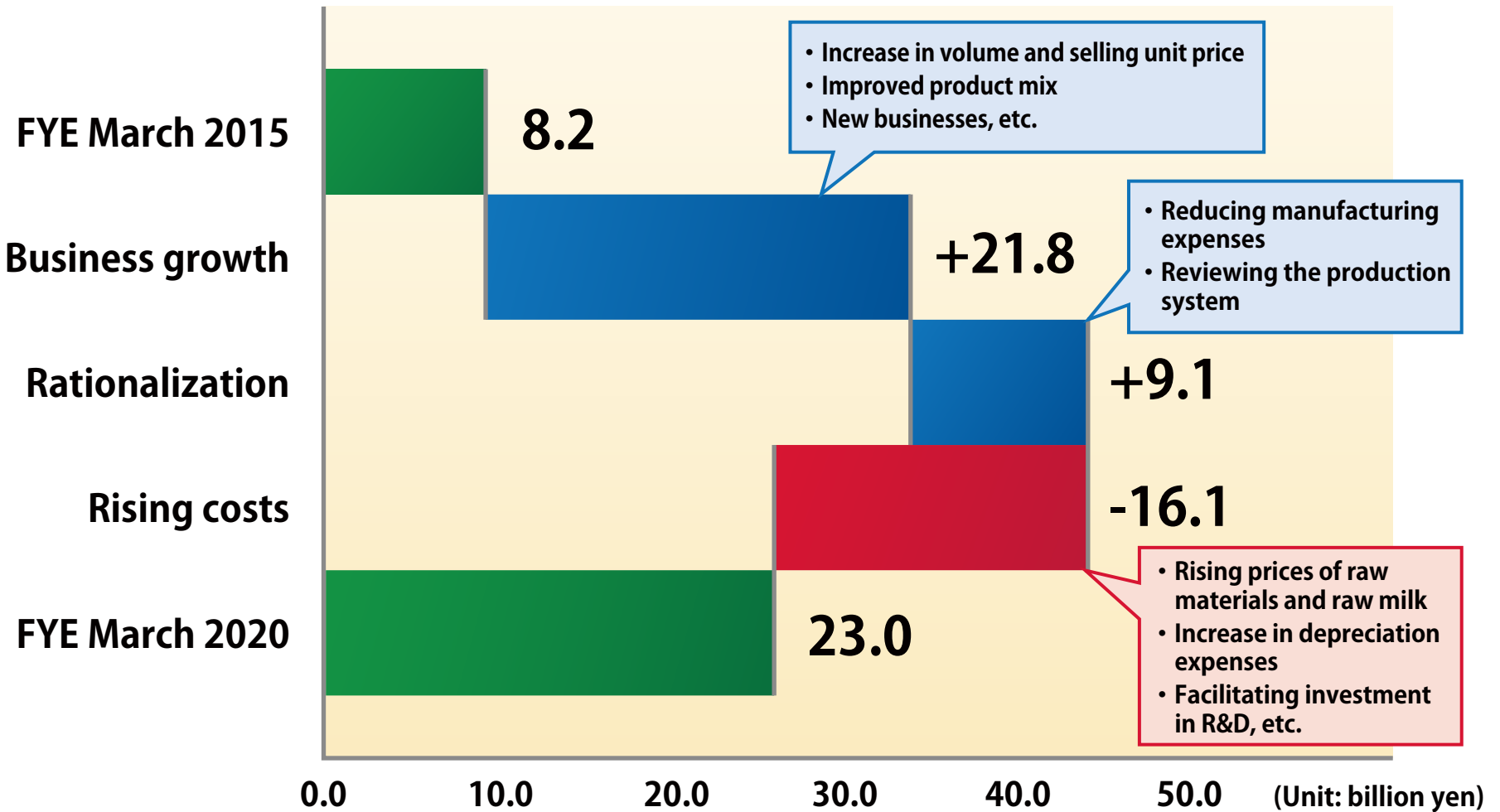
Target Figures and Management Indexes of the Medium-Term Business Plan



(Unit: billion yen)

	FYE March 2015 (Actual)	FYE March 2020 (Forecast)
Net Sales	594.8	640.0
Ordinary Income	8.2	23.0
Net Income	4.2	12.0
ROS (Ordinary Income / Net Sales)	1.4%	3.6%
ROE (Net Income / Equity Capital)	3.4%	8.0%

Change in Ordinary Income in the Medium-Term Business Plan (Forecast)





MORINAGA MILK INDUSTRY CO., LTD.

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.