

Fiscal 2006 1st Half Earnings Presentation

November 24, 2006

MORINAGA MILK INDUSTRY CO., LTD.



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1st half FY 2006 Overview

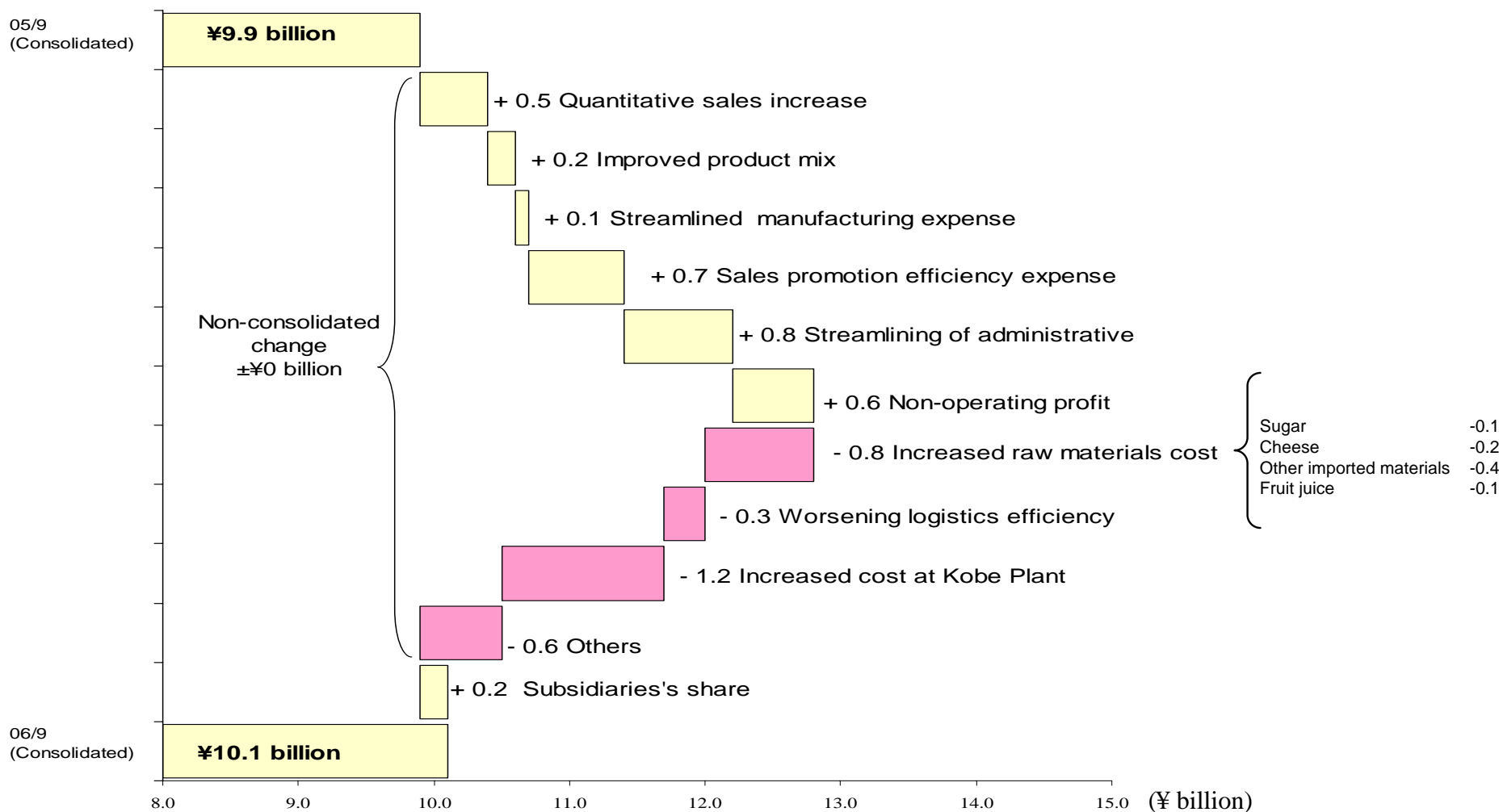
➤ Total sales rose 3.4% from the preceding term.

➤ Both operating and ordinary profits have increased.

<Consolidated>	(¥ billion)			(¥ billion)		Change	Difference
	1 st half 2005 Result	Original Forecast	1 st half 2006 Result	Change	Difference		
Total sales	296.1	303.0	306.1	103.4%	+ 9.9		
Operating profit	8.6	9.5	8.9	103.5%	+0.3		
Ordinary profit	9.9	10.5	10.1	102.0%	+0.2		
1 st half net profit	4.6	4.6	3.9	83.3%	-0.8		
Ratio of ordinary profit to sales	3.3%	3.5%	3.3%				

<Non-consolidated>	(¥ billion)			Change	Difference	Change excluding animal feed
	1 st half 2005 Result	Original Forecast	1 st half 2006 Result			
Total sales	227.5	228.0	230.7	101.4%	+3.2	104.0%
Operating profit	5.1	5.4	4.7	92.2%	-0.4	98.2%
Ordinary profit	6.6	6.7	6.6	100.5%	±0	105.0%
1 st half net profit	3.5	3.0	3.6	104.0%	+0.1	
Ratio of ordinary profit to sales	2.9%	2.9%	2.9%			

Change in Ordinary Profit (1st half 2006 Results)



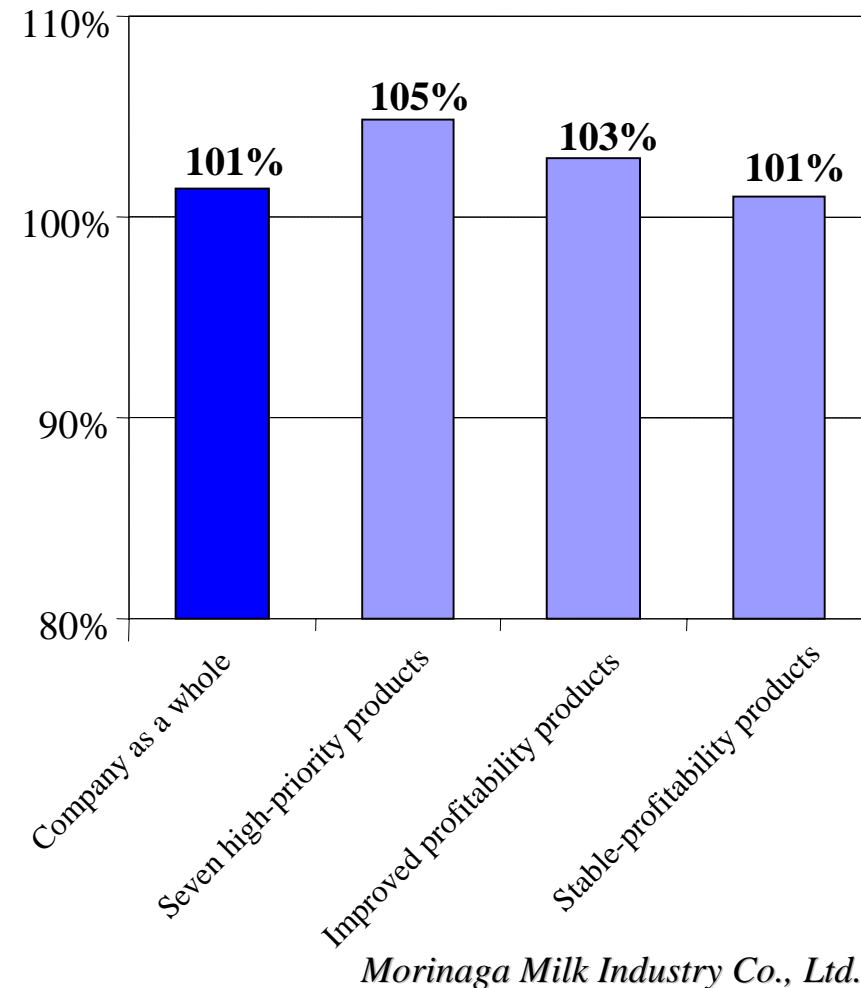
Sales Results by Product Category

1st half Results

(¥ billion)	1 st half 2005 Result	1 st half 2006 Result	Change
Company as a whole	227.5	230.7	101%
7 high-priority products	123.0	128.9	105%
Improved profitability products	70.9	73.0	103%
Stable profitability products	5.8	5.9	101%

- Seven high-priority products rose to 105% compared to the same term of last year.
Flavored milk/tea, dessert, and cheese achieved good results.
- Improved profitability products rose to 103% compared to the same term of last year.
Sales of chilled desserts and Morinaga no Oishii Gyunyu are going well.

Change



Flavored Milk and Tea

➤ Sales of Mt. Rainier continue to rise

- Mt. Rainier with its firmly rooted support base remains the top brand amidst intensifying competition.
- In October 2006, two new premium type products with a stronger coffee appeal were marketed under the name "PREMIA". The first year sales target is 4.0 billion yen (2nd half of fiscal year only).

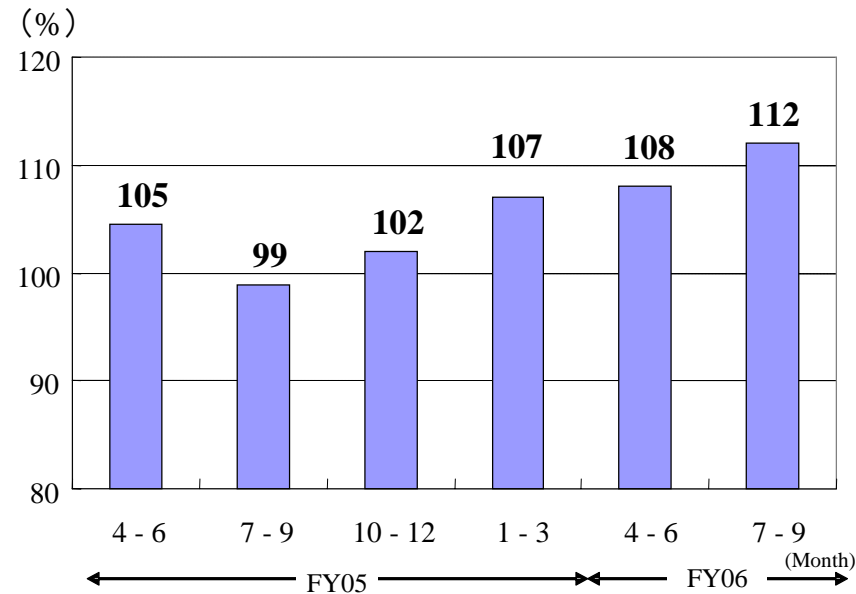
➤ Lipton Tea also shows double-digit growth

- Remained top brand thanks to new additions such as fruit tea to the lineup.

Sales by Brand

	1 st half Result (¥ billion)	Change	Annual Forecast (¥ billion)	Change
Mt. Rainier	15.6	115%	29.5	123%
Lipton Tea	11.3	112%	20.5	110%

Quarterly year-on-year comparison (%) of flavored milk and tea sales



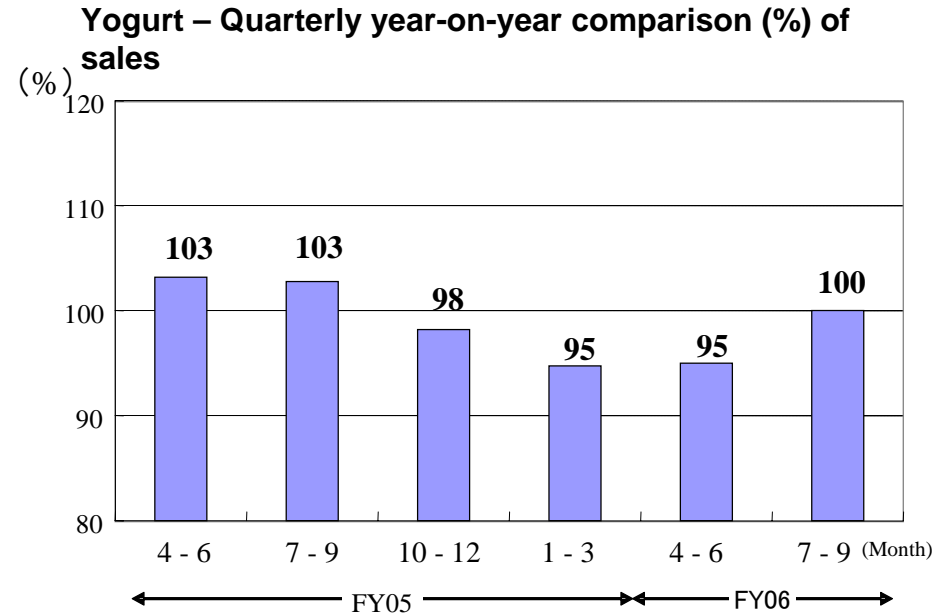
Yogurt

➤ Sales decreased by 3% from previous year

- Although sales of Fruit, Plain, Handy types, 4-Pot, etc. increased, Aloe yogurt dropped to 80% of the previous year, resulting in an overall decrease.

➤ Measures to boost sales

- Sales recovered with the Aloe CM and campaign launched on September 26.
- It is planned to boost sales of other fruit yogurts by gradually marketing new products.



Sales by brand

	1st half Result (¥ billion)	Change	Yearly Forecast (¥ billion)	Change
Aloe	9.3	80%	18.6	90%
Bifidus	8.3	105%	15.6	106%
Lactoferrin	1.7	86%	3.6	96%



Cheese

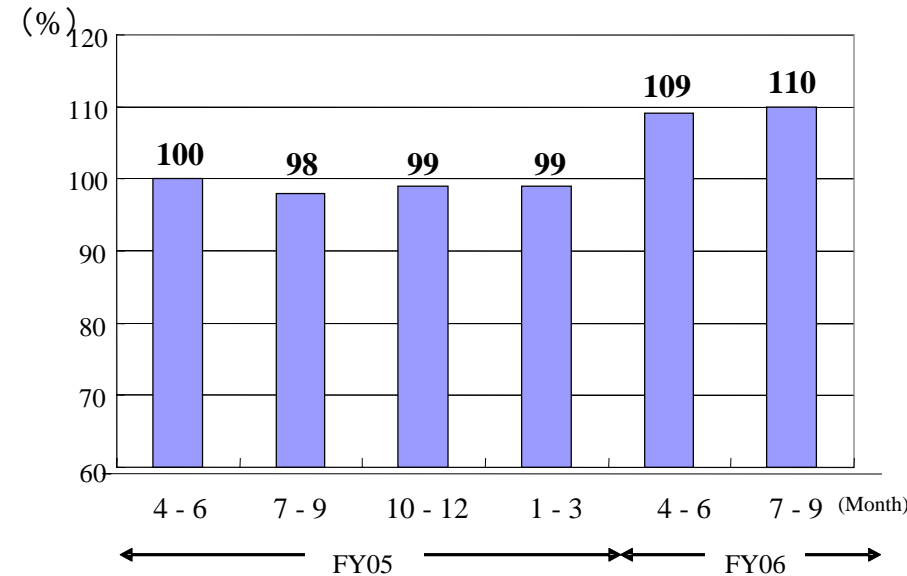
➤ Sales increased by 9% from previous year level

- Cheese for household use did well, showing expanded sales and market shares.
- The 1st half market share of cheese for household use rose 0.4% from the previous term. (Share: 14.1%, quantity base)
- Sales of cheese for the food service and institutional sector also is expanding steadily as new users are being tapped.

➤ New facility under construction at Hokkaido/Betsukai Plant to augment domestic cheese production

- Up to now natural cheese produced in Hokkaido has been used as raw material for processed cheese, etc. To boost production, construction has started in November on a new cheese production facility.
- Investment: ¥7.0 billion
- Scheduled to begin operation in spring 2008
- Domestic natural cheese production was roughly doubled in 2005 from 7,000 to 15,000 tons.

Cheese – Quarterly year-on-year comparison (%) of sales



Dessert

➤ Sales of desserts increased by 7% from previous year

- Propped up by premium lines such as Sozai no Shigotonin Series and Petit Toro-fuwa Pudding, sales of desserts did well.
- Premium desserts rose to 144% compared to the previous term.

➤ Sales boosting measures for 2nd half

- Introduce seasonal products and expand sales by bringing them to consumers' attention.

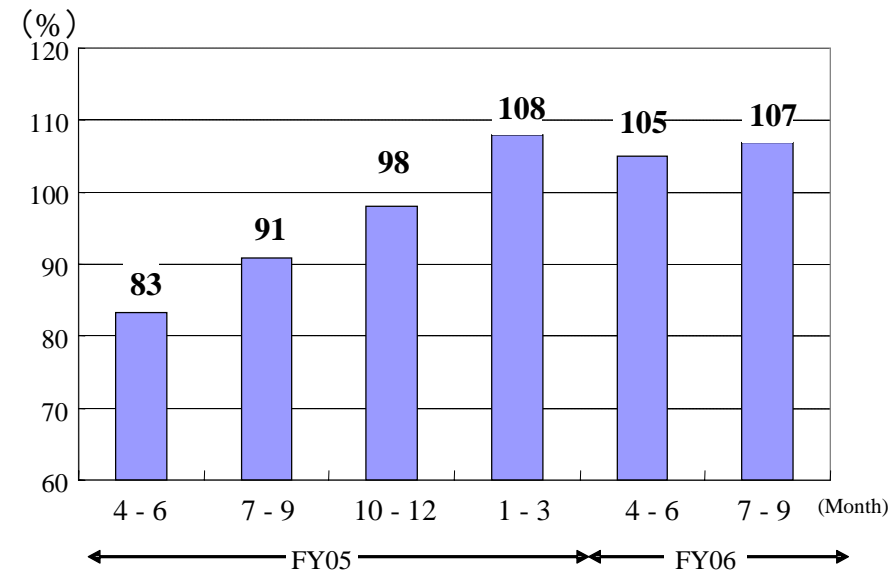
<New Products>

Petit Toro-fuwa Fuyu Caramel Pudding

Sozai no Shigotonin

Kotteri Creamy Mango Pudding

Dessert – Quarterly year-on-year comparison (%) of sales



Milk

➤ Morinaga no Oishii Gyunyu

- 1st half 2006 sales stood at ¥5.6 billion (or 168% of the previous term).



➤ NB ratio increasing

- With Morinaga no Oishi Gyunyu generating brisk sales, the National Brand (NB) ratio has further increased (from 31% in March 2006 to 36% in September 2006).

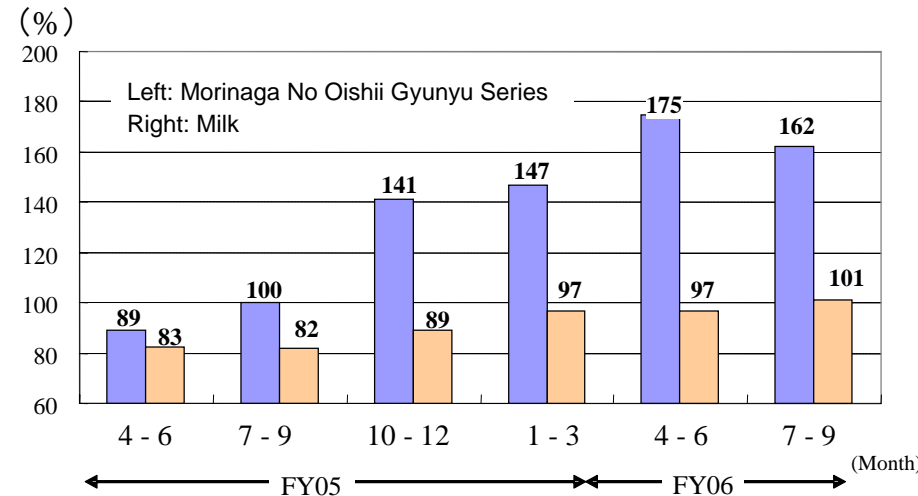
➤ Status of Home Deliveries

- Midterm 2006 sales remained stable (¥15.0 billion).
- Sales target in FY 2006 is ¥30.0 billion worth of deliveries to 2 million households.

- Sales of convenient, light-weight bottles that are easy to hold and can be recapped will be expanded to all areas, except Hokkaido and the Tohoku region, to attract new customers.



Milk – Quarterly year-on-year comparison (%) of sales



Ice Cream

➤ Sales of ice cream increased by 7% from previous year

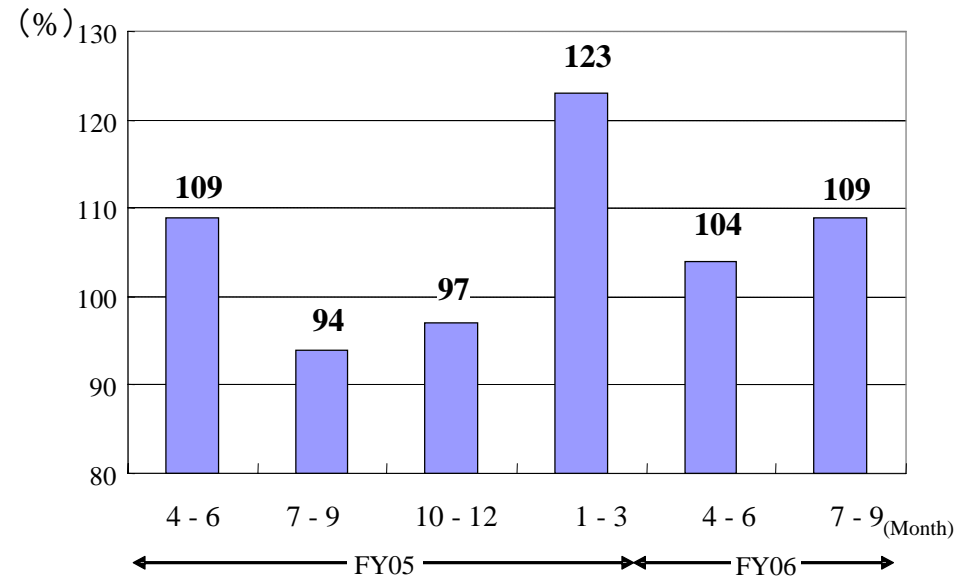
- While the overall market was sluggish due to unseasonable weather in July, Morinaga's revenues increased as Pino, Mow and Parm, our mainstay in ice creams, performed well.

➤ A boost to profitability

- Increasing sales led to greater production efficiency and turned ice cream into a profitable business.



Ice Cream -- Quarterly year-on-year comparison (% of sales)



<New products to create new demand>



Performance of Consolidated Subsidiaries

➤ Sales of subsidiaries

- Sales of production, production & sales, and sales subsidiaries are growing in proportion to consolidated earnings.
- Clinico and other subsidiaries are performing well.

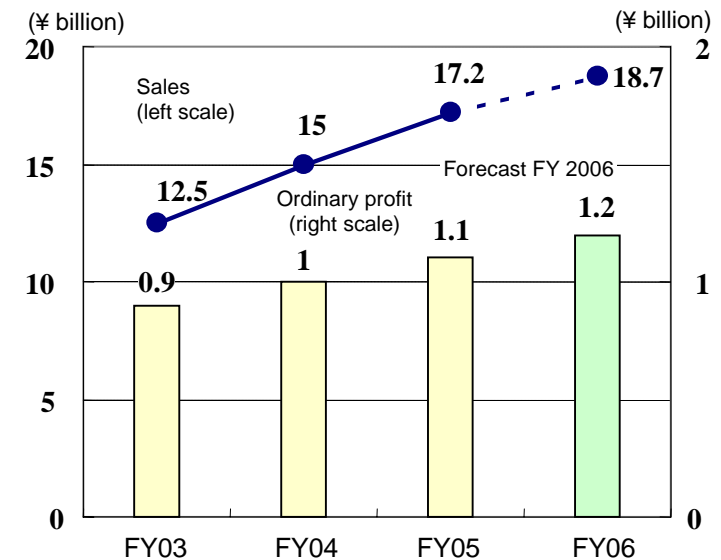
Category	Midterm Result (¥ billion)	Change	Number of subsidiaries	Major subsidiaries
Production and production & sales subsidiaries	64.5	103%	18	Yokohama Nyugyo MK Cheese
Sales subsidiaries	70.1	101%	3	Daily Foods
Other subsidiaries	51.5	123%	9	Clinico Morinaga Rakuno Hanbai
Total	186.1	107%	30	

Note: The total is simple combined value.

➤ Clinico performing well

- Midterm results
 - Sales ¥9.5 billion (year-on-year change 116%)
 - Ordinary profit ¥0.63 billion (year-on-year change 112%)
- Annual forecast
 - Sales ¥18.7 billion (year-on-year change 109%)
 - Ordinary profit ¥1.2 billion (year-on-year change 102%)

Business Trend of Clinico (Direct-sales company distributing clinical foods, nutrition supplements and related products)



Financial forecast for FY 2006 (Consolidated)

(Unit: ¥ billion)	FY 2006	FY 2005	Change	(For reference) Forecast made in May 2006
Sales	573.0	552. 2	103.8%	565.0
Operating profit	10.7	9.1	117.2%	10.8
Ordinary profit	12.5	11.3	110.6%	12.5
Net profit	5.0	3.8	131.1%	5.0

Financial forecast for FY 2006 (Non-consolidated)

(Unit: ¥ billion)	FY 2006	FY 2005	Change	(For reference) Forecast made in May 2006
Sales	435.0	428.6	101.5%	428.0
Operating profit	4.7	4.8	98.9%	5.5
Ordinary profit	7.5	7.3	102.5%	7.5
Net profit	3.2	2.7	118.0%	3.0

Note: Due to establishment of a subsidiary to sell animal feed, non-consolidated sales decreased by approx. ¥11 billion, but consolidated sales were not affected.

Sales outlook for FY 2006

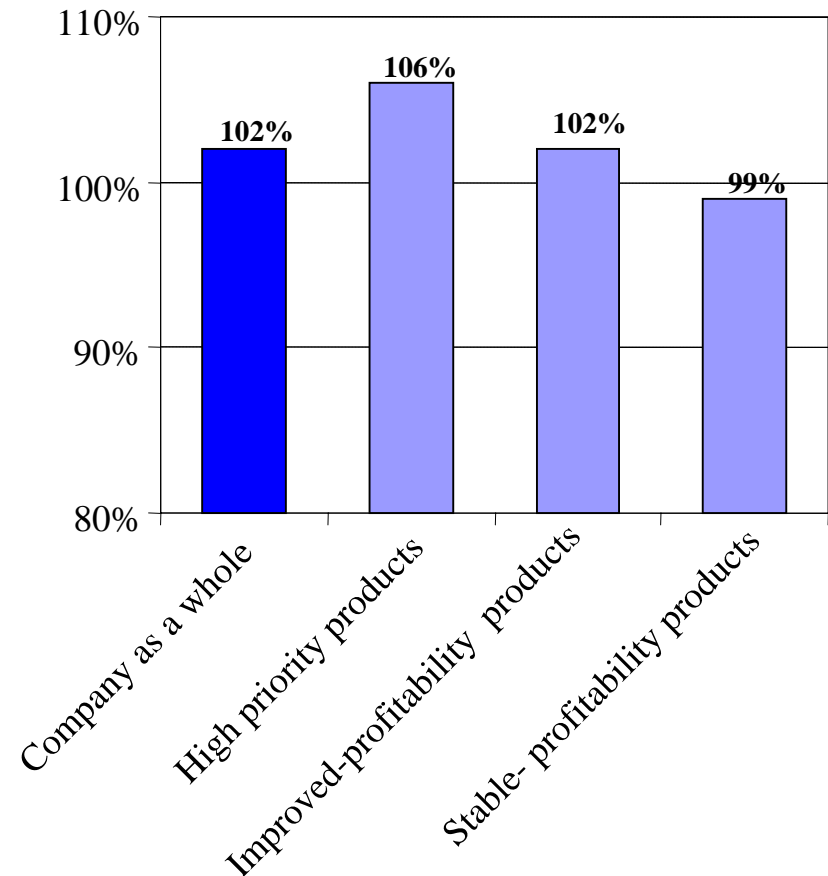
High priority product category

< High priority products >

	Sales (¥ billion)	Change
Flavored milk/Tea	69.5	113%
Yogurt	52.5	100%
Dessert	23.5	106%
Cheese	33.8	109%
Nutritional food products	18.9	97%
Food service and institutional food products	48.0	106%
Industrial products	4.9	101%

Total	251.1	106%
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Year-on-Year Comparison

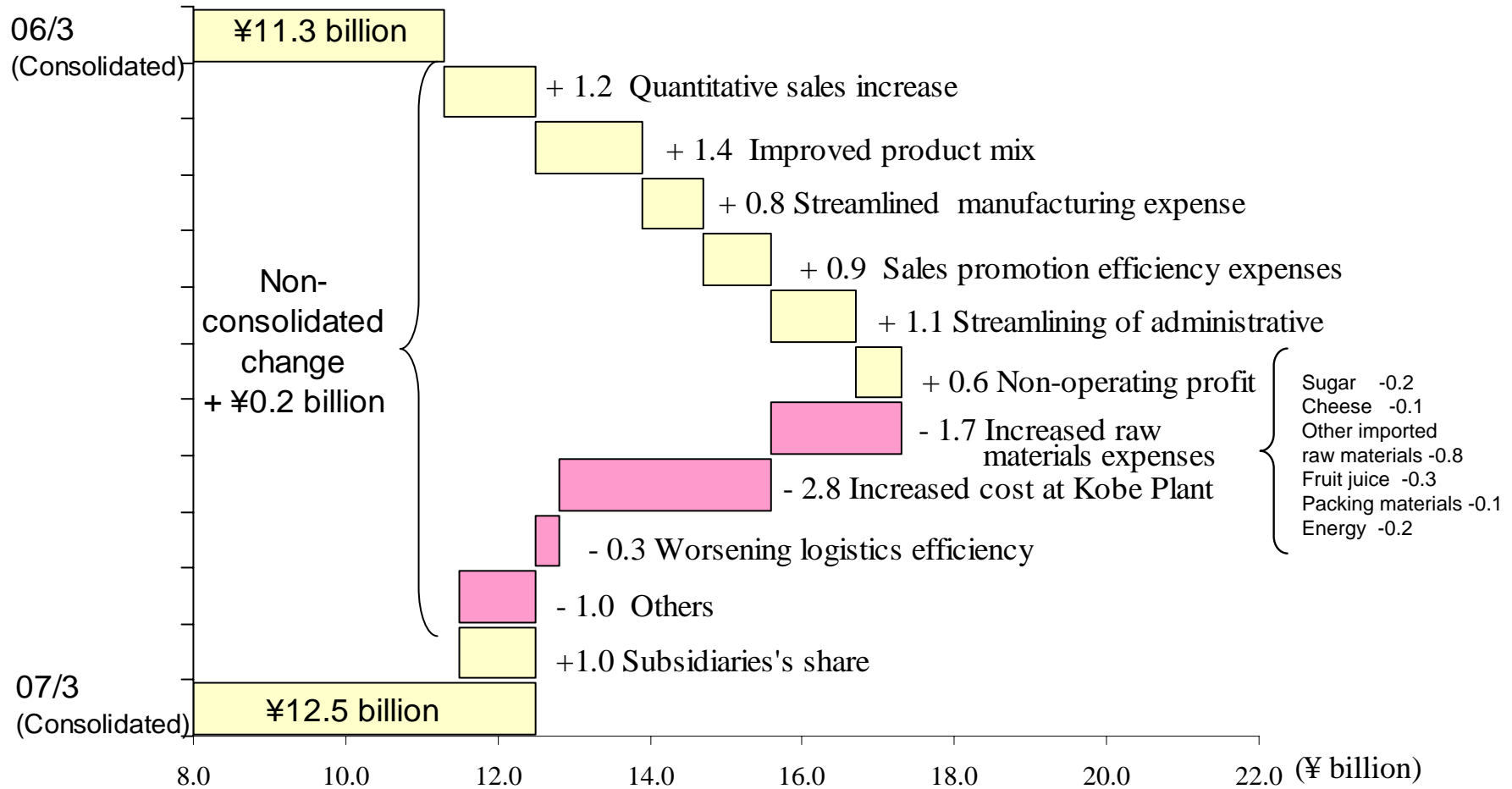


Change in the sales ratio of high priority products

55.3% → 57.7%
(06/3) (07/3)

Morinaga Milk Industry Co., Ltd.

Change in Ordinary Profit (Outlook for FY 2006)



Important Notice

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