Meiji Dairies Corporation

MEIJI DAIRIES CORPORATION

Annual Report 2007

CORPORATE PHILOSOPHY

THE MEIJI DAIRIES GROUP CONTRIBUTES TO A HEALTHY AND HAPPY DAILY LIFE FOR OUR CUSTOMERS BY OFFERING NEW LEVELS OF VALUE IN FOOD.

CONTENTS

CAUTIONARY STATEMENTS WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. Meiji Dairies Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Unless specifically stated otherwise, information in this annual report is as of August, 2007.

PROFILE

Since its establishment in 1917, Meiji Dairies Corporation has based its corporate activities on the motto of contributing to our customers' "health" by providing products and services on a foundation of milk and processed milk products. Today, as the largest manufacturer of dairy products in Japan, we provide a broad lineup of products from yogurts, cheeses, ice creams, and other dairy products to liquid food and nutraceutical products.

Meiji Dairies Corporation's corporate philosophy is to contribute to a healthy and happy daily life for our customers by offering new levels of value in food, and we aim to provide products with high added value in all of the areas of delicious taste, health, and safety. Through the accumulation of these efforts we will strive to obtain the trust and support of all of our stakeholders, and to further solidify the Meiji Dairies brand and maximize our corporate value.

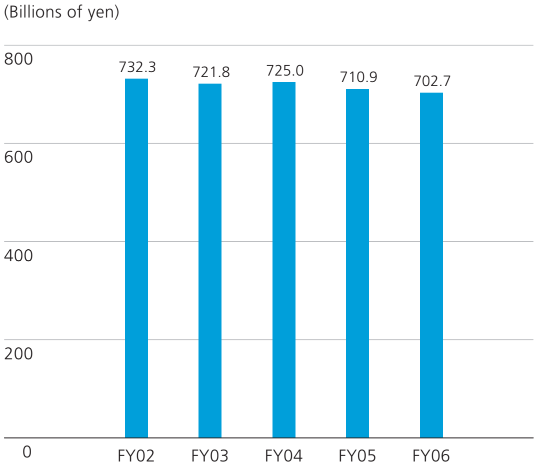
FINANCIAL HIGHLIGHTS:

Meiji Dairies Corporation and Consolidated Subsidiaries

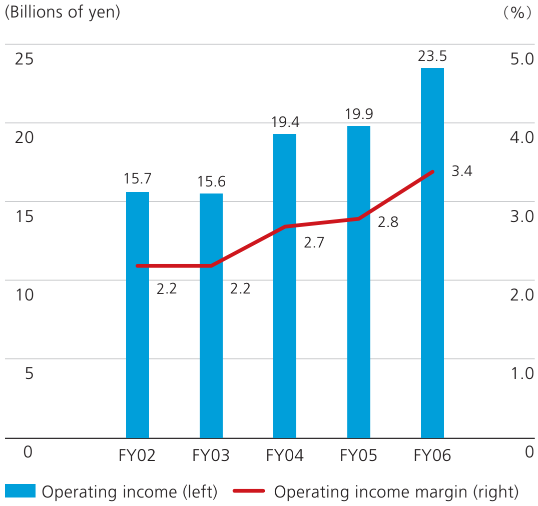
	Millions of yen (Unless otherwise noted) (Note 1)			Thousands of U.S. dollars (Unless otherwise noted) (Note 2)
	FY2004 2004.4.1~2005.3.31	FY2005 2005.4.1~2006.3.31	**FY2006 2006.4.1~2007.3.31**	**FY2006 2006.4.1~2007.3.31**
For the fiscal year:				
Net sales	¥ 725,024	¥ 710,908	**¥ 702,750**	**$ 5,950,973**
Cost of sales	522,970	515,712	**502,635**	**4,256,380**
Selling, general and administrative (SG&A) expenses	182,637	175,205	**176,517**	**1,494,770**
Operating income	19,415	19,989	**23,597**	**199,822**
Ordinary income (Note 3)	19,081	20,179	**23,421**	**198,338**
Net income	9,722	10,055	**13,708**	**116,087**
At fiscal year-end:				
Total assets	¥ 357,592	¥ 361,134	**¥ 383,560**	**$ 3,248,036**
Net assets (Note 4)	100,026	112,695	**146,044**	**1,236,724**
Interest-bearing debt (Note 5)	128,093	116,475	**86,286**	**730,687**
Per share data (Yen, U.S. dollars):				
Net income	¥ 32.73	¥ 33.86	**¥ 42.81**	**$ 0.363**
Net assets (Note 4)	337.86	380.85	**437.45**	**3.704**
Cash dividends	6.00	7.00	**10.00**	**0.085**
Ratios:				
Return on equity (ROE) (%) (Note 6)	10.1	9.5	**10.7**	—
Return on assets (ROA) (%) (Note 7)	2.7	2.8	**3.6**	—
Debt-equity ratio (times) (Note 8)	1.3	1.0	**0.6**	—
Other information:				
Number of employees	7,370	7,185	**7,054**	—

Notes:
1. From FY2004 figures are shown with amounts under one million yen and under one thousand US dollars rounded off.
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US$1 = 118.09, the exchange rate prevailing on March 31, 2007.
3. Ordinary income = Operating income + Net financial expenses + Amortization of goodwill arising from consolidation + Equity in income of affiliates + Other non-operating income and expenses
4. In accordance to the revised Japanese regulations concerning consolidated financial statements, beginning in fiscal year 2006 shareholders' equity includes equity capital held by minority shareholders.
5. Interest-bearing debt = Short-term loans payable + Long-term debt
6. ROE = Net income/Simple average of shareholders' equity at the beginning and end of the fiscal year
7. ROA = Net income/Simple average of total assets at the beginning and end of the fiscal year
8. Debt-equity ratio = Interest-bearing debt/Shareholders' equity

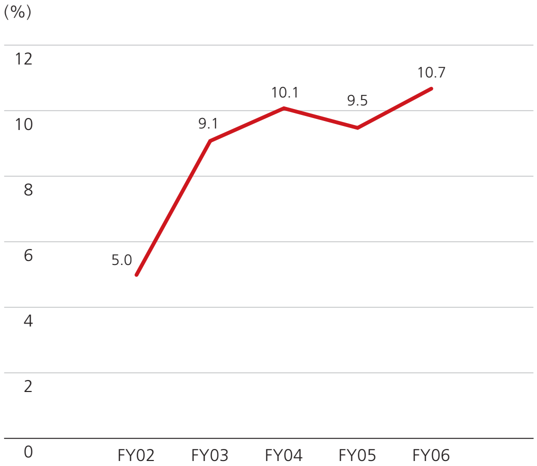
Net Sales



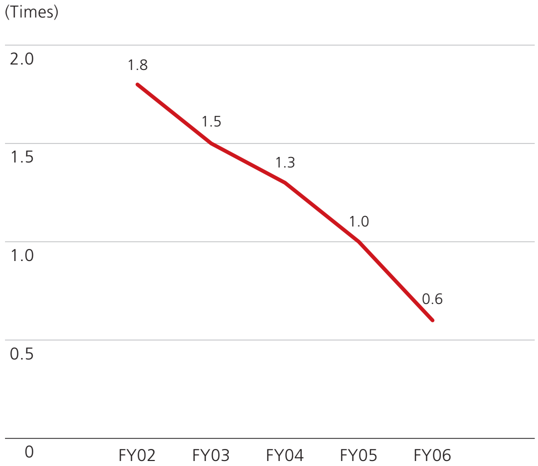
Operating Income and Operating Income Margin



ROE



Debt-Equity Ratio



MEIJI DAIRIES GROUP SNAPSHOT

POLICIES AND PROGRESS IN THE 2008 MEDIUM-TERM MANAGEMENT PLAN

The Meiji Dairies Group 2008 Medium-term Management Plan is based on a fundamental concept of creating a new and comprehensive dairy business* by further establishing the leading positions of our core products Meiji Bulgaria Yogurt and Meiji Oishii Gyunyu and by initiating an aggressive focus of management resources in designated future growth businesses, including cheese, liquid foods, and nursing foods. We are also implementing measures to construct a profit structure resilient to the increasing competitive business environment and to establish maximum management efficiency. The plan sets consolidated targets for fiscal 2008 of ¥755 billion in net sales, ¥26 billion in ordinary income and a 3.4% ordinary income to sales ratio.

* Our objective to create a new and comprehensive dairy business involves much more than the basic expansion of our business scope and product lineup. Becoming a comprehensive dairy industry group requires developing industry-leading businesses in each business segment and creating synergies from closely interlinked operations to generate an even greater overall strength.

2008 Medium-term Management Plan Objectives

The Meiji Dairies Group Long-Term Vision

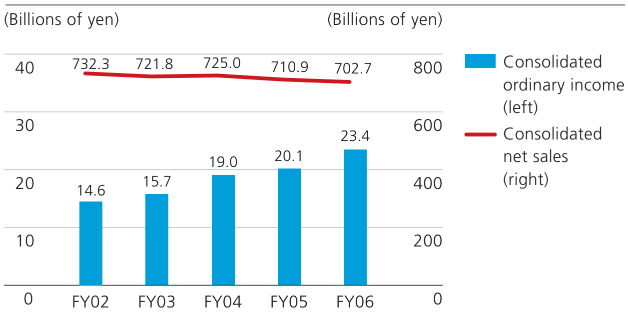
**Our Objective is to
Utilize Our Unique Technological and Product Strengths
to Become a Globally Competitive Food Business Corporate Group
on Par with World's Leading Food Companies.**

2008 Medium-term Management Plan Performance Targets

	Consolidated:	Non-Consolidated:	Group Companies:
Net Sales	755 billion	525 billion	230 billion (Net Sales*)
Ordinary Income	26 billion	21 billion	5 billion (Ordinary Income*)
Ordinary Income to Sales Ratio	3.4 %	4.0 %	2.2 %

*After eliminations for intersegment transactions

Performance Trend



Four Consecutive Years of Record Profits in Consolidated Ordinary Income

2008 Medium-term Management Plan Key Strategies and Plan Progress

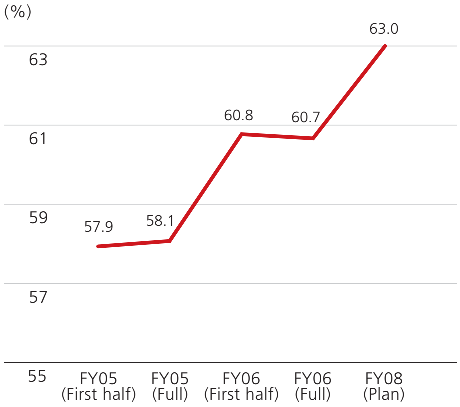
1

Focus on High Value-added Products

Raise the ratio of Meiji Oishii Gyunyu and other high value-added core products* in overall net sales to fortify our earning power.

*Core products: Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt, Meiji Probio Yogurt LG21, home delivery products, Meiji Essel Super Cup, Meiji Hokkaido Tokachi Cheese, VAAM, etc.

Ratio of Sales in Core Products to Net Sales (non-consolidated)

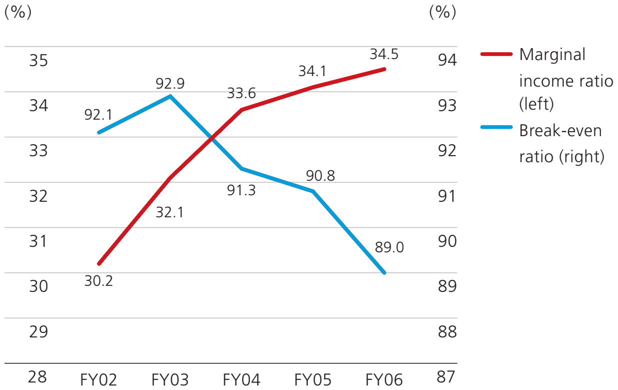


2

Improving the Profit Structure

The improving product mix, reduction of SG&A expenses, and revisions to the overall group operating structure have lowered the break-even point to under 90% of current sales levels.

Marginal Income Ratio and the Break-Even Ratio (non-consolidated)

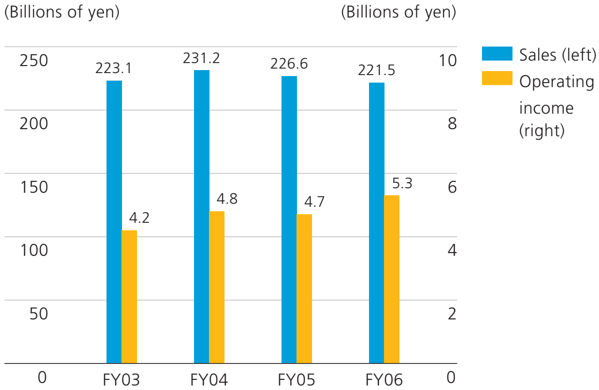


3

Seeking Greater Group Operating Efficiency

We are steadily fortifying our consolidated earning capabilities by actively seeking to improve the operating efficiency of the five group companies; the sales, manufacturing, livestock and feed, distribution, and other operations of Meiji Dairies Corporation and Group companies.

Sales and Operating Income at Consolidated Subsidiaries



*After eliminations for intersegment transactions

TO OUR SHAREHOLDERS AND CUSTOMERS

We at Meiji Dairies Group expanded sales of our core product lines and improved our product mix as we achieved a record high for Group profits in fiscal 2006. In fiscal 2007, we plan to continue increasing the presence of our high value-added products with a particular focus on our cheese products and liquid foods businesses. We will also implement and advance business-wide structural reforms as we progress toward achieving our performance targets for fiscal 2008.

Fiscal 2006 Review

Business Environment

The Japanese economy recovered moderately in fiscal 2006 supported by steadily improving corporate earnings and increasing capital investment. Personal consumption did not improve fully, however, as slower growth in income levels, rising social insurance premiums, and other factors prevented recovery.

Despite the industry-wide efforts to increase consumption of milk and processed milk products, the milk market remained at low levels due to unfavorable weather conditions and other factors. Dairy companies also faced significant pressure on earnings from rising costs of raw materials overseas and packaging materials.

Record Profits Even As Revenues Declined

In this environment, the Meiji Dairies Group continued to make tangible progress with its strategy of focusing on quality and value over quantity. Specifically, we focused efforts in four areas; 1) concentrating management resources on our yogurt and probiotics business and other core businesses, 2) enhancing the value of the MEIJI brand, 3) fortifying our marketing, technological development, and product strengths, and 4) improving Group management efficiency and implementing management system innovations.

As a result, increased sales of yogurt and other high value-added products lead to a significant contribution from an improved product mix, and together with revisions to our overall cost structure led to an 18.0% year on year increase in consolidated operating income to ¥23.5 billion and a 16.1% increase in consolidated ordinary income to ¥23.4 billion even as consolidated net sales declined 1.1% to ¥702.7 billion. In addition, consolidated net income rose 36.3% to ¥13.7 billion as the company posted record highs in all profit categories.

As a preparatory step for investment for future growth, in July and August 2006 we issued 33 million new common shares (at an issue price of ¥667) and raised approximately ¥21.0 billion on the capital market. We also exercised a stock transfer of shares of livestock business subsidiary Meiji Agris as we moved to restructure and fortify the Group.

Dividend Payments Increased ¥3 Including Commemorative Dividend

Our fundamental policy regarding return to shareholders is to distribute consistent dividends to our shareholders while considering the Group's overall business conditions and strengthening retained earnings for future actions and developments.

We raised the ordinary year-end dividend by ¥1 to ¥5 per share to reflect our record profit performance for the year and supplemented this with a special ¥2 commemorative dividend in recognition of the 90th anniversary of the company's founding. With the ¥3 midterm dividend payment, these additions raised the annual dividend by ¥3 from the previous year to ¥10 for fiscal 2006.

Achievement Status of the 2008 Medium-term Management Plan

Strengthening Mechanisms for Growth

The 2008 Medium-term Management Plan launched in fiscal 2006 sets targets of consolidated net sales of ¥755.0 billion, consolidated ordinary income of ¥26.0 billion, and an ordinary income margin of 3.4% for fiscal 2008.

The fundamental mission of our 2008 Medium-term Management Plan is to build a new and comprehensive dairy business. This plan is the second stage of our long-term vision of becoming a food business corporate group with unique technological capability and product strengths that can compete equally with the top food companies of the world.

Creating a new and comprehensive dairy business requires more than merely expanding our business scope and product lineup. It means creating industry-leading businesses in each business segment as well as conscientiously planning business operations and development with full awareness of overlapping businesses and business boundaries, and creating synergies from tightly interlinked operations to form a comprehensive dairy industry group that generates an even greater overall strength.

The 2008 plan's theme of "strengthening mechanisms for growth" sets an action plan classified into two categories: Core and Non-Core businesses as shown below. Core existing business with superior competitiveness will be thoroughly upgraded and strengthened and business foundations will be established in areas with growth potential. Non-Core businesses will be strictly reviewed to improve their earnings structure.

The plan aims to recreate Meiji Dairies as "a new comprehensive dairy business" by building an operating structure that draws a steady and high level of revenue via further establishing our competitive superiority, and by advancing investment in growth businesses.

Key Strategies of the 2008 Medium-term Management Plan

Strengthen select core businesses and further concentrate management resources

Core Businesses

1. **Existing businesses with superior competitiveness (yogurt business, home delivery business)**

   ⟹ **Establish unassailable competitiveness and secure business growth**

   •Establish unassailable market share for the Yogurt (Probio) business (sales target: ¥110.0 billion)
   •Establish unassailable market share for Meiji Oishii Gyunyu brand milk (sales target: ¥48.0 billion)
   •Further strengthen the home delivery business to secure business growth

2. **Growth businesses (cheese business, liquid foods business)**

   ⟹ **Proactively allocate management resources to establish foundations for growth**

   •Strengthen and develop the cheese business
   •Expand the liquid foods business
   •Create new businesses where businesses overlap and at boundaries between businesses

Non-Core Businesses

⟹ **Implement thorough improvement in earnings structure**

Shift to High Value-added Products

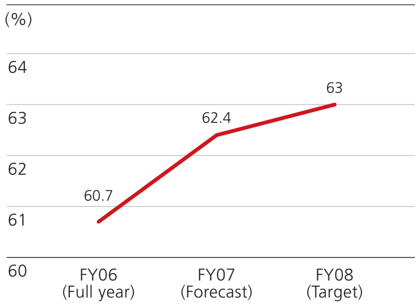
The current environment for the dairy market in Japan is strongly influenced by the country's declining population and aging society. In generating and expanding profit in this environment, the top priority is to raise the make up of high value-added products in our product lineup.

The 2008 plan identifies Meiji Oishii Gyunyu brand milk as a core existing business with superior competitiveness and sets the target sales of ¥48.0 billion. We are implementing an aggressive strategy to expand market share spearheaded by a steady stream of TV commercials and sales promotion at stores.

Specific strategies also focus on stepping up sales activities, launching new products, expanding production capacity for Meiji Bulgaria Yogurt, and increasing consumer recognition and knowledge of Meiji Probio Yogurt LG21 products to raise sales of the yogurt business to a combined ¥110.0 billion.

In fiscal 2006, the first year of the 2008 plan, we succeeded in raising sales of these products and lifted their percentage of total company net sales to 60.7%, which represents a 2.6% percentage point increase from the previous year. Our promotional and communication efforts for Meiji Probio Yogurt LG21 were particularly successful, as sales jumped 29% to ¥28.1 billion. In fiscal 2008, the final year of the 2008 plan, we plan to raise the percentage of total company sales for the core business products to 63%.

Percentage of Core Business Product Sales to Total Net Sales (non-consolidated)



Growth Investment: Strengthening the Cheese and Liquid Foods Businesses
(See special feature on pages 11–12)

Our existing markets for milk and milk products are reaching maturity, making it indispensable that we invest in new growth business where the Group can apply its strengths. We will focus on the cheese and liquid food businesses as they present significant growth potential, and we are making moves now to foster these businesses.

In the cheese business, construction of the new domestic natural cheese plant in Hokkaido is steadily progressing toward its planned start of operations in spring of 2008. Fiscal 2007 marks the 15th anniversary of the launch of Meiji Hokkaido Tokachi Cheese, and we will actively undertake promotional sales campaigns. In the liquid foods business, to keep up with increasing demand as the population ages, a new factory is being built on the Gunma Plant grounds. We plan to invest ¥8.5 billion in the new factory in fiscal 2007 toward a scheduled start of operations in August 2008. The new factory will triple the current production capacity of our liquid foods business (including outsourced production) and position us to achieve our objective of raising liquid foods business net sales from ¥9.0 billion in fiscal 2006 to ¥15.0 billion in fiscal 2008.

Business-wide Structural Reforms

We are also introducing extensive structural reform to improve the operating structure of the entire Meiji Dairies Group. In January 2007, we launched the Meiji Qualias in-house quality assurance system (see special feature on page 26) for all our products. This comprehensive system is another step in our efforts to raise the value of the MEIJI brand by providing a stable supply of attractive and high-quality products and services.

Over the past several years, we have introduced the refrigeration systems used at our City Milk plants to our processed milk product factories and have fortified our traceability systems linked with our Manufacturing Execution System (MES)*. In fiscal 2008, we plan to introduce nationwide the warehousing system of the Fresh Network Systems (FNS) Group to promote low-cost operations across the

Company and greatly strengthen real-time inventory management and product traceability.

We have also introduced key structural reforms to our divisional operations, including creating a single integrated order center for the entire country for the Processed Milk Products segment and an upgraded Electronic Data Interchange (EDI) and internet-based order system for the City Milk segment. These steps enable faster information exchange and fortify our product traceability capabilities while also improving food safety and reliability.

*Manufacturing Execution System (MES): a comprehensive online information management system that raises factory production efficiency. The system issues instructions via computer for on-site managers to carry out in each manufacturing process and thereby acts as a preventive measure for human error, such as operating oversight or procedural mistakes.

Fiscal 2007 Outlook

In fiscal 2007, we anticipate consolidated results of a 0.2% increase from the previous year in net sales to ¥704.2 billion, a 3.8% decline in operating income to ¥22.7 billion, a 3.5% decline in ordinary income to ¥22.6 billion, and a 0.7% increase in net income to ¥13.8 billion. We forecast non-consolidated results of a 0.3% increase from the previous year in net sales to ¥482.8 billion, a 4.2% decline in operating income to ¥17.5 billion, a 4.8% decline in ordinary income to ¥17.5 billion, and a 13.7% increase in net income to ¥10.5 billion.

We anticipate an increasingly challenging operating environment in fiscal 2007 with a weak yen exacerbating the sharply rising prices for overseas raw materials and packaging materials. Despite the anticipated increased cost burden, we expect a further improved product mix, effective advertising spending, reduced logistics costs, and other measures to absorb the cost increases and lead to improving underlying profit. However, revisions to depreciation cost accounting methods will draw ¥1.1 billion from the consolidated and ¥800 million from the non-consolidated income accounts, and this will ultimately result in year on year declines for both operating and ordinary income.

The Meiji Dairies Group plans to further strengthen its strategic brands* and at the same time strive to reduce costs while aggressively investing in the cheese and liquid foods businesses and other growth areas as we establish a foundation for future growth.

*Strategic brands: Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt, Meiji Probio Yogurt LG21, Meiji Hokkaido Tokachi, Meiji Essel, and VAAM.

In Closing

As a business-to-consumer operation, we supply over 10 million items daily to our customers and the Customer Support Center receives as many as 135,000 inquiries each year.

We remain fully dedicated to providing full satisfaction to our customers and similarly committed to fulfilling the expectations of all of our stakeholders as we make steady progress toward achieving the performance targets of the 2008 Medium-term Management Plan.

In these endeavors we look forward to your continued understanding and support.

August 2007

Shigetaro Asano
President and Chief Executive Officer

SPECIAL FEATURE:
YOGURT BUSINESS/CHEESE BUSINESS/LIQUID FOODS BUSINESS

The 2008 Medium-term Management Plan identifies our yogurt operations as a superior existing business segment and our cheese and liquid foods operations as growth business segments. The plan accordingly sets an action strategy to strengthen these businesses through an aggressive concentration of management resources.

There has been growing demand for these products in the market, reflecting gaining popularity of consumer trends for health products and menu diversity. This special feature section introduces our products and strategies in these three product segments.

YOGURT BUSINESS

Yogurt Business Growth Potential

The domestic yogurt market has grown by 30% from a decade ago, yet Japanese yogurt consumption per person remains below the levels in Europe and the United States. We attribute the difference to the relatively low local awareness of the positive features of the lactobacillus probiotic contained in yogurt. We believe promoting the functionality of lactobacillus and highlighting its use in a wider variety of products can generate significant demand for lactobacillus products making the yogurt segment a promising growth market.

Stepped up marketing promotions for our two major brands, Meiji Bulgaria Yogurt and Meiji Probio Yogurt LG21, posted an increase in sales in fiscal 2006 as our yogurt sales surpassed ¥100 billion for the first time in our history. In the 2008 Medium-term Management Plan, we are enhancing our competitiveness as we aim to raise sales target to ¥110 billion for fiscal 2008 and secure a firm foundation for future growth.

Meanwhile, strengthening the overall market competitiveness of the Meiji Bulgaria Brand, we will launch the new plain yogurt Meiji Bulgaria Yogurt LB81 Sonomama de Plain in late September 2007. The new product features LB81 lactobacillus*1 – one of the company's approximately 2,500 lactobacillus acids – in a special blend created combining our unique Maroyaka Tannen Fermentation Method*2 and Nanofiltration Technology*3. We aim to spur market growth by offering a product with an innovative concept of "tastes good even if you eat the yogurt out of the container" with distinctive value. We have also invested ¥6.6 billion to expand production capacity for our plain yogurt and soft yogurt four-pack type brands to meet the anticipated steady growth in demand. When complete, the plant expansions will increase our plain yogurt production capacity by 30% and our soft yogurt four-pack type by 50% from the current capacity.

The Meiji brand carries formidable strength in the yogurt segment, and we will implement strategies to enhance our yogurt business into a core earnings driver for the company.

*1 LB81 Lactobacillus
The name "LB81" is derived from "LB", which stands for lactic acid bacteria (lactobacillus) and "81", which represents the final numbers of the lactobacillus strains Lactobacillus Bulgari 2038 and Streptococcus Thermophilus 1131.

*2 Maroyaka Tannen Fermentation Method
The Maroyaka Tannen Fermentation Method is a low dissolved-oxygen and low temperature fermentation manufacturing method developed and patented by the company in 2005. The method produces a mellow flavored (*maroyaka*) and smooth textured yogurt.

*3 Nanofiltration Technology
Nanofiltration (NF) technology is a membrane concentration technology using a membrane with pore diameters of one nanometer (one billionth of a meter) and that is permeable to water while eliminating sodium and potassium among minerals.

CHEESE BUSINESS

Cheese Business Growth Potential

Cheese consumption has increased roughly 3% annually in Japan over the past decade following the trend of growing demand for western food. Nevertheless, domestic consumption of cheese remains markedly below the consumption rates in European countries. We believe this factor indicates that there is room for growth in the domestic cheese market and that promotion of a diverse range of good tasting cheeses can stimulate sales growth.

Cheese is one of relatively few product segments where imported products can be very competitive in Japan as the customs duty rate on cheese is about 30%, which is lower than on other imported dairy products, and this rate is unlikely to be affected by World Trade Organization (WTO) agricultural industry negotiations. In addition, dietary lifestyles are rapidly changing in emerging nations, such as China, that are currently undergoing rapid economic expansion, and this is leading to rising supply and demand shortage around the world for natural cheese products produced in foreign countries. Particularly, natural cheese offers fresh taste and much flexibility for value-added augmentation, and we believe consumption will grow.

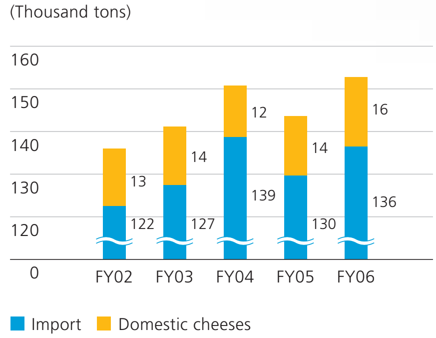
To meet this anticipated growth in demand, a new domestic natural cheese production plan — the Tokachi factory in Memuro Town, Kasai County, Hokkaido, at an investment of ¥12.0 billion, is scheduled to commence operations in spring 2008. The new plant will be the largest natural cheese manufacturing facility of its kind in Japan with a planned annual production capacity for conversion of raw milk of 200,000 tons. With this new supply base, we plan to actively use our leading lactobacillus technologies and product development capabilities to create new natural cheese products specifically catered to the Japanese palate while emphasizing the flavor unique to domestically produced cheese.

Change Processed Cheese to Natural Cheese

There are two categories of cheese: natural cheese and processed cheese. In the past, it was common to apply a heat process to natural cheese to convert it to processed cheese. However, natural cheese consumption started rising in the 1970s, and in recent years the trend of a wider variety of food consumption has elevated natural cheese to the primary type of cheese consumed. Consumers have a new appreciation of the unique individual flavors produced by the mold and enzymes in natural cheese which is matured without the heating process.

Tokachi Factory

Trend in Consumption Volume of Natural Cheese for Direct Consumption



Source: Ministry of Agriculture, Forestry and Fisheries of Japan, Milk and Dairy Products Division, "Cheese Supply and Demand Table, Fiscal Year 2006"

LIQUID FOODS BUSINESS

Liquid Foods Market Growth Potential

Several elements make liquid foods an extremely promising market segment, including the aging population in Japan and the increasing use of nutritional management as a component of health care treatment.

We estimate the liquid foods market has been growing at an average rate of 7-8% annually over the past five years and we expect the following factors to fuel accelerating growth in coming years.

1) The progression from an aging society to a super aging society (especially aged 75 years or older)

The number of people aged 75 and older in the Japanese population is estimated to grow from 12 million in 2006 to 16 million in 2015 and 20 million in 2025. A rising need for health care services and products is expected to parallel the advancing age trend of the population.

2) Growing awareness of the importance of natural nutrient absorption by the digestive tract

The process of absorbing nutrients in the digestive tract strengthens the natural immune system of the intestinal tract. The nutrition absorption processes of the stomach, intestines, and other organs stimulates the body's inherent digestive system immunity mechanisms, which can help in the recovery of strength in patients. For this reason, medical institutions are increasingly incorporating liquid foods into their post-surgery nutritional management by shifting away from supplying nutrients intravenously in preference of a diet composed partially or completely of liquid foods taken* orally or by other routes that distribute nutrients to the intestine.

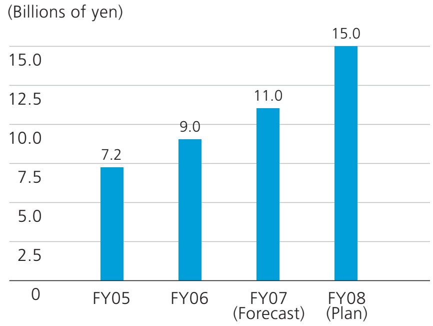
*Compared with supplying nutrients intravenously, a mode of obtaining nourishments through the stomach and intestine maintains the natural immune function in human bowels, leading to renewal of patients' strength.

3) Increasingly effective medical treatment as health care costs decline

In recent years, new policies designed to reduce health care costs, such as expanded coverage of hospital inpatient and long-term hospitalization fees, have stimulated development of health care practices aimed at promoting fast and effective recovery. This trend has been accompanied by an increasing focus on the role of nutrition provided both orally and in combination of intravenous and oral intake.

We anticipate rapid growth in the liquid foods market and are investing ¥8.5 billion to upgrade and enlarge our liquid foods production facilities to expand production capacity and supply high-quality products that will further establish our competitive superiority in this growth field. Specifically, construction began in 2007 and a plant is scheduled to commence operations in August 2008. The new plant will nearly triple our current production capacity (including contract production) to 40,000 kiloliters annually. In addition, we are stepping up sales staff training in the liquid foods business and expanding our sales channels for the door-to-door sales market to further support growth in the liquid foods business.

Meiji Dairies Liquid Foods Segment Sales Trend and Forecast



Meiji Dairies' Liquid Foods History

Meiji Dairies produced its first liquid food product around 1950 when we released Restogen, a high protein nutritional supplement engineered from enzymatically decomposed casein. Restogen was the first oral nutrition product in Japan, but the nascent oral nutrition market was eclipsed by new intravenous methods to supply nutrition introduced from the Europe and the United States. After Restogen, Abbott Laboratories of the United States began marketing nutritional food products for medical treatment in Japan, and we obtained the manufacturing approval for the Abbott's popular Ensure Liquid. At the same time, we set our sights on expanding our role and contribution to the food product manufacturing market and in 1986 launched the yogurt and honey product YH–80. Since then, we have released Renalen, Fibren YH, Meibalance, Inslow, and other products engineered from raw and processed materials and nutrient compositions designed for various clinical conditions.

Product Lineup

As of March 2007: 15 products with 31 items

- Inslow, glucose adjustment liquid food
- Renalen Pro 1.0 and 3.5, protein adjustment liquid food
- Meibalance, multinutrition liquid food

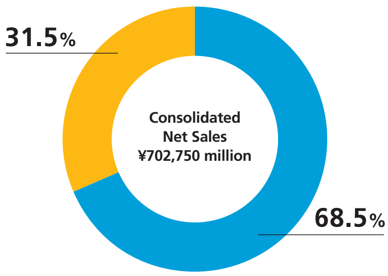
OVERALL BUSINESS SITUATION (NON-CONSOLIDATED) & CORPORATE SOCIAL RESPONSIBILITY (CSR)

AT A GLANCE

This section goes deeper into the strategies and results for the Meiji Dairies Corporation parent company, which accounts for about 70% of Meiji Dairies Group results (in fiscal 2006: 68.5% of sales and 77.1% of operating income), by segment, with the objective of helping stakeholders to gain an even deeper understanding of the Meiji Dairies Group.

MEIJI DAIRIES CORPORATION NON-CONSOLIDATED RESULTS

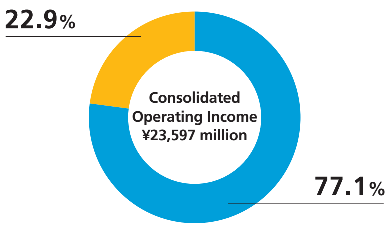
Non-Consolidated Net Sales as a Share of Consolidated Net Sales (fiscal 2006)



Meiji Dairies Corporation non-consolidated net sales declined 0.6% year on year to ¥481.2 billion in fiscal 2006. Sales improved for the Meiji Bulgaria Yogurt series, Meiji Probio Yogurt LG21, and other yogurt products as well as for our cheeses, butters, and ice creams.

The dairy industry implemented a strong promotional campaign to boost milk consumption during the year, but increasing competition with other health drink providers as well as unfavorable weather conditions led to an overall decline in sales that outpaced the sales growth for our other products.

Non-Consolidated Operating Income as a Share of Consolidated Operating Income (fiscal 2006)



Meiji Dairies Corporation non-consolidated operating income increased 19.9% year on year to ¥18.2 billion in fiscal 2006.

The improved product mix from the increased sales volume of yogurt and other product lines increased operating income and overcame the impact of rising costs for overseas raw materials and packaging materials.

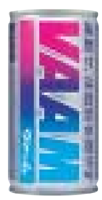
City Milk

Processed Milk Products

Ice Cream

Beverages

Other Products

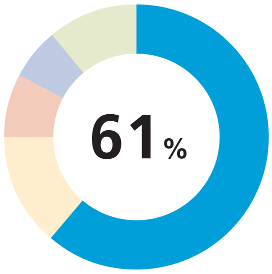


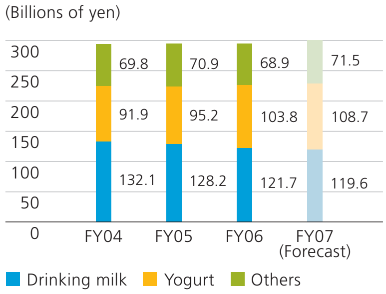
Outline of Areas

Sales Composition Ratio

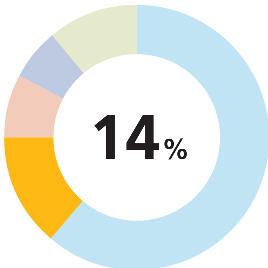
Sales Transition

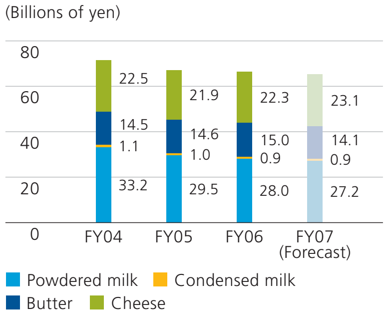
This segment includes milk, processed milk, and milk beverages; yogurt; and others.
In addition to Meiji Oishii Gyunyu with its smooth, rich flavor and aroma and a fresh aftertaste achieved by our original "Natural Taste" manufacturing method, we offer such products as Meiji Zeitaku Shibori Milk utilizing 100% raw milk from Hokkaido and our original filtration and enrichment technology, and Meiji Love, a milk beverage fortified with calcium and iron.
We have a broad variety of products in our yogurt line utilizing our original fermentation technology, including our representative plain yogurt Meiji Bulgaria Yogurt LB81, and Meiji Probio Yogurt LG21 which contains a mixture of LG21 lactobacillus.



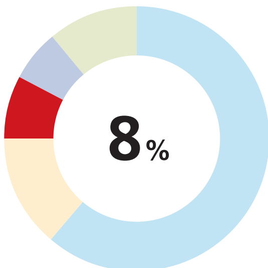


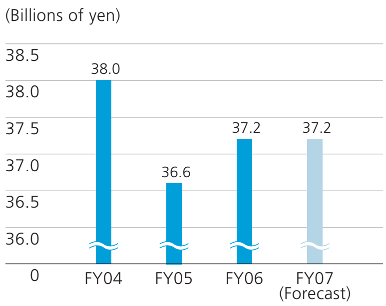
This segment includes powdered milk, condensed milk, butter and cheese.
In powdered milk we offer Meiji Hohoemi, milk for infants which is almost exactly like mother's milk in terms of ingredients and function.
In cheese, more than 60% of the raw milk used to make the products in our Meiji Hokkaido Tokachi Cheese series comes from the Tokachi region of Hokkaido, and these products are highly thought of as they appeal to the Japanese palate.



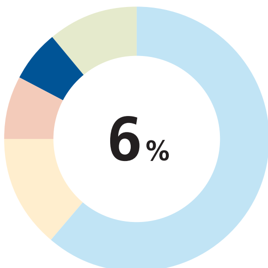


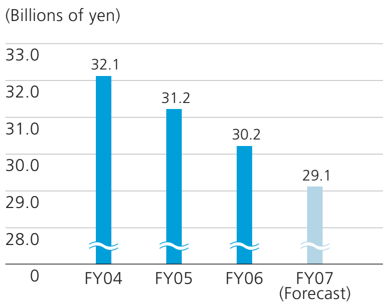
We offer the premium ice cream Aya as well as our standard cup ice cream Meiji Essel Super Cup series.



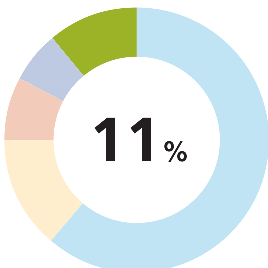


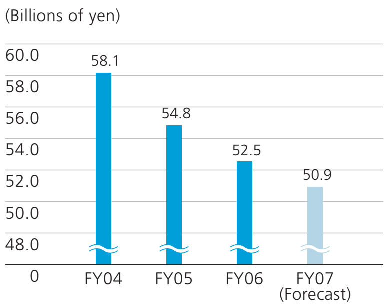
Our offerings in this segment include the Minute Maid series and the Soreike Anpanman series.





This segment includes frozen foods, nutraceuticals and margarine.
In frozen foods, we concentrate on pizza, gratin and similar products where we can leverage our strengths as a milk manufacturer.
Our nutraceutical products include the sports nutrition drink VAAM, which is highly regarded by many athletes. The segment is expanding its lines of liquid food and nursing care products geared to the needs of the aging Japanese population, such as the comprehensive nutritional liquid food Meibalance series and the Yawaraka Food series.





CITY MILK

Fiscal 2006 Results

In fiscal 2006, sales in the City Milk segment edged up 0.1 % from the previous year to ¥294.6 billion.

Sales of milk, processed milk, and milk beverages declined 5.0% to ¥121.7 billion. The main cause of the decline was the trend in declining demand for drinking milk.

However, demand remained strong for our mainstay Meiji Oishii Gyunyu brand products in 1,000ml and 500ml cartons and continued to be favorable for small-sized cartons (200ml) and home delivery products. Meiji Oishii Gyunyu garnered 2.0% sales growth to ¥45.0 billion from the previous year.

Yogurt sales surpassed the ¥100 billion mark for the first time, rising 9.1% to ¥103.8 billion year on year. Sales of the core Meiji Bulgaria Yogurt series rose 4% to ¥67.3 billion from the previous year on steady demand for the mainstay LB81 Plain (500g) and Meiji Bulgaria Yogurt Four-pack Type products. Meiji Probio Yogurt LG21 sales soared 29.0% to ¥28.1 billion, boosted by a successful promotional campaign consisting of new TV commercials and advertisements in trains, stations, and other strategic sites.

Sales in the Other Products category declined 2.7% to ¥68.9 billion on slowing sales of milk beverages and dessert products. Also, intensifying competition led to a sales decline of 2.0% to ¥44.3 billion for the home delivery service business.

Strategy and Outlook for Fiscal 2007 and Beyond

In fiscal 2007, we aim to raise City Milk segment sales by 1.8% from fiscal 2006 to ¥299.8 billion as we continue our focus on expanding sales of high value-added products.

Amid a declining trend in consumption of drinking milk, we are aiming to increase sales of the core Meiji Oishii Gyunyu brand products by 5.0% to ¥47.3 billion, while overall sales of milk, processed milk, and milk beverages will decline 1.7% to ¥119.6 billion. Specific marketing strategies will continue to focus on promotional sales activities led by TV commercials while we increase product visibility for 1,000ml carton products at stores by stepping up on-site communications with taste sampling promotions and by utilizing effective displays. Marketing strategies for 200ml carton products will focus on expanding sales at convenience stores and bringing in new customers for our home delivery service. Meiji Hokkaido Zeitaku Shibori Milk 1,000ml cartons have reached their third year on the market, and we plan to initiate a new campaign to establish market presence by presenting a redesigned package and emphasizing the difference in flavor this product offers supported by ongoing sampling promotions.

We are targeting yogurt sales growth of 4.7% to ¥108.7 billion in fiscal 2007. We plan to spur sales of

Meiji Oishii Gyunyu

We created this product to get the actual taste of milk you drink right on the farm. Using our original patented Natural Taste Manufacturing Method, which minimizes the oxidation of milk ingredients and the changes in flavor, we have achieved a smooth, rich flavor and aroma, and a fresh aftertaste.

Meiji Probio Yogurt LG21

This product combines LG21 lactobacillus that contributes to stomach health, and uses plenty of raw milk, for a yogurt that is moderately sweet. The drink made from this yogurt is also highly evaluated, with smooth sourness, moderate sweetness, and a refreshing aftertaste.

Meiji Bulgaria Yogurt LB81 Plain

Meiji Bulgaria Yogurt has been a longtime favorite among consumers since its launch in 1973. We use LB81 lactobacillus, which has received government approval as a food for specified health use, and plenty of raw milk and have created a yogurt with a refreshing sour taste.

Meiji Bulgaria Yogurt Strawberry/Blueberry

Meiji Bulgaria Yogurt Strawberry and Blueberry are mildly sour tasting yogurt products with finely textured fruit pieces.

the Meiji Bulgaria Yogurt product series with new product entries, TV commercials, and promotional campaigns to stimulate further demand for the LB81 Plain (500g) and the four-pack type products. We also plan to revitalize the yogurt market through special promotions presenting attractive yogurt recipes and engaging in educational activities on the health value of yogurt on the inside of package lids and on product websites.

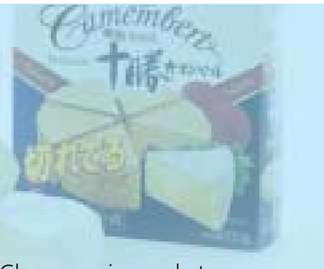
With these strategies, we expect to raise Meiji Bulgaria Yogurt series sales by 8.0% to ¥73.0 billion year on year. Meanwhile, we are targeting Meiji Probio Yogurt LG21 sales growth of 3.0% to ¥29.0 billion year on year with support from active promotion, including focusing on increasing recognition of the benefits of LG21 lactobacillus probiotics.

We are stepping up our promotional campaign for the Meiji Milk & Coffee brand series and expect it to contribute to a 3.6% rise in Other Product segment sales to ¥71.5 billion year on year.

The home delivery service is subject to stiff market competition because many companies from other industry segments have entered the market. However, we aim to raise home delivery service sales in fiscal 2006 by 2.0% to ¥45.1 billion year on year. Specifically, our sales expansion strategies will focus on products, such as Meiji Yogurt Utsukushii Ashita, Meiji Oishii Gyunyu, and Meiji Probio Yogurt LG21, which are differentiated by our unique milk-related technologies and materials.

For products exclusive to the home delivery service, as we use our unique technologies and materials, centering on milk, we will develop new and upgraded products that provide an even higher level of flavor and clarify the distinction and superiority to products on store shelves. We will also tackle sales activities, including strengthening our links to sales outlets, to increase our rate of contracts concluded and prevent cancellation of contracts.

Achievement Status of the 2008 Medium-term Management Plan	Initial Plan	**Fiscal 2006 Results**	Fiscal 2007 Projection
Meiji Oishii Gyunyu	¥45.5 billion	**¥45.0 billion**	¥47.3 billion
Meiji Bulgaria Yogurt	¥66.5 billion	**¥67.3 billion**	¥73.0 billion
Meiji Probio Yogurt LG21	¥23.0 billion	**¥28.1 billion**	¥29.0 billion
Home Delivery Services	¥45.4 billion	**¥44.3 billion**	¥45.1 billion



PROCESSED MILK PRODUCTS

Fiscal 2006 Results

In fiscal 2006, sales in the Processed Milk Products segment declined 1.0% from the previous year to ¥66.5 billion. Butter sales grew 3.1% and cheese sales increased 1.7%, but powdered milk sales fell 5.0% year on year.

Sales of Meiji Hokkaido Tokachi Cheese* series products were affected by a price hike implemented in March 2006 and declined 2.0% to ¥9.8 billion.

Strategy and Outlook for Fiscal 2007 and Beyond

We anticipate the shrinking market for Processed Milk Products to lead to a 1.5% decline in sales of processed milk products to ¥65.5 billion in fiscal 2007.

On the other hand, we believe the cheese segment is primed for growth, and we are initiating strategies aimed at raising cheese sales by 3.6% from the previous year. Particularly, we will expand the product range of the Meiji Hokkaido Tokachi Cheese series and step up promotional activities to strengthen the Meiji Hokkaido Tokachi brand as we approach the spring 2008 start of operations of a new domestic natural cheese plant. We anticipate these aggressive initiatives coupled with competitive product pricing to support growth in Meiji Hokkaido Tokachi Cheese series sales in fiscal 2007 of 5.0% year on year to ¥10.3 billion.

*Tokachi – a region of Hokkaido

Meiji Hokkaido Tokachi Camembert

Japanese cheese consumers have preference for the mild and pleasant flavor, and rich aftertaste of Meiji Hokkaido Tokachi Camembert cheese since we launched the product in 1999. Our rich and creamy camembert cheese is made from carefully selected fresh milk produced in Hokkaido.

Achievement Status of the 2008 Medium-term Management Plan	Initial Plan	Fiscal 2006 Results	Fiscal 2007 Projection
Meiji Hokkaido Tokachi Cheese	¥10.1 billion	**¥9.8 billion**	¥10.3 billion

ICE CREAM

Fiscal 2006 Results

In fiscal 2006, sales in the Ice Cream segment increased 1.8% from the previous year to ¥37.2 billion, largely on strong 19.0% sales growth for the mainstay Meiji Essel Super Cup series.

Strategy and Outlook for Fiscal 2007 and Beyond

We forecast fiscal 2007 Ice Cream segment sales of ¥37.2 billion, unchanged from fiscal 2006. We are aiming to raise sales of the mainstay Meiji Essel Super Cup series by 6.0% to ¥14.5 billion year on year backed by strengthened sales promotions, including TV commercials and seasonal flavor releases. In our premium ice cream product lines, we plan to unify the product mix under the Aya brand to create a more cohesive lineup, and introduce seasonal flavors throughout the year as needed.

Meiji Essel Super Cup

The ice cream market is strongly driven by personal tastes, and the superb balance of flavor and a reasonable price has made Meiji Essel Super Cup ice creams perennial favorites of consumers of all ages and a long-selling product since the series was launched in 1994.

Achievement Status of the 2008 Medium-term Management Plan	Initial Plan	Fiscal 2006 Results	Fiscal 2007 Projection
Meiji Essel Super Cup	¥12.0 billion	**¥13.7 billion**	¥14.5 billion

BEVERAGES

Fiscal 2006 Results

In fiscal 2006, sales in the Beverages segment declined 3.3% from the previous year to ¥30.2 billion, due to intensifying competition and other factors.

Strategy and Outlook for Fiscal 2007 and Beyond

IIn fiscal 2007, we forecast Beverages segment sales declining 3.6% year on year. Our strategy in this segment will be to maintain our focus on ensuring profitability while launching health-promoting products and on expanding vending machine sales of Brick series products.

OTHER PRODUCTS

Fiscal 2006 Results

In fiscal 2006, net sales in the Other Products segment declined 4.3% from the previous year to ¥52.5 billion. Nutraceuticals continued drawing steady demand, however sales volume declined as we reduced commercial-use frozen food products that carried low profitability.

In the nutraceutical lines, we have positioned liquid foods as a growth area and achieved increased sales for the year. However, sales of the mainstay VAAM series remained flat at ¥7.0 billion.

Strategy and Outlook for Fiscal 2007 and Beyond

We forecast Other Products segment sales in fiscal 2007 to decline 3.0% to ¥50.9 billion year on year, primarily in expectation of slowing sales of commercial-use frozen food products.

Our sales strategy will focus on developing momentum for new growth by concentrating on liquid foods and health care products designed to meet the needs of Japan's aging society. We believe liquid foods stand on a par with cheese products at the segments with the greatest growth potential, and we are expanding production capacity with a new factory scheduled to come on line in August 2008.

Meanwhile, we plan to continue expanding the VAAM brand and developing and strengthening product lines that contain VAAM and its balanced blend of 17 amino acids. As part of the effort, we launched two new VAAM products in March 2007 targeted at specific consumer groups: VAAM Jelly for Beauty for young female consumers and VAAM Jelly Smooth Support with glucosamine, a supplement containing the building blocks for cartilage formation in joints, for middle-aged and elderly consumers. We anticipate generating a 3.0% rise in VAAM sales in fiscal 2007 to ¥7.2 billion year on year.

VAAM

VAAM is a drink incorporating a balanced blend of 17 amino acids to metabolize fat and promote more effective use of energy stored by the body. People seeking more stamina during exercise or an efficient fitness program are encouraged to drink VAAM before training.

Achievement Status of the 2008 Medium-term Management Plan	Initial Plan	Fiscal 2006 Results	Fiscal 2007 Projection
VAAM	¥7.5 billion	**¥7.0 billion**	¥7.2 billion

RESEARCH & DEVELOPMENT (R&D)

The Meiji Dairies Group focuses its research and development activities on developing products that bring out the full essence of the qualities of milk and milk derivative materials to contribute to healthful and happy daily lives for our customers.

The R&D System, Activities and Achievements

The Meiji Dairies Group R&D division comprises the Research Planning Department and three research institutes—the Research & Development Center, the Food Functionality Science Institute, and the Technology Development Institute—constantly working in close tandem to create and advance innovative food concepts. R&D focuses on planning and development of delicious tasting products centering on milk-based products, research in lactobacillus and probiotics, research on the nutrition and functionality of raw milk materials and foods, and R&D of food production technology. In addition, the Group further focuses on assessment studies of product quality and safety. R&D activities are also conducted in cooperative and joint projects with research institutes at home and abroad. In fiscal 2006, we established an endowment research center at Hokkaido University to support Milk Value Creation Research.

Major R&D Results in each Research Field

Our efforts at milk and milk product R&D yielded several major achievements in fiscal 2006. The following are a few of the innovations we realized during the year.

Development of a New Yogurt Using the Low Dissolved Oxygen and Low-Temperature Fermentation Manufacturing Method

(Announced at the March 2007 annual meeting of the Japan Society for Bioscience, Biotechnology, and Agrochemistry)

Our research found that lowering the amount of dissolved oxygen in raw milk and heating it at slightly lower than usual levels during the fermentation process produced yogurt with an extremely smooth texture and full-bodied flavor (Patent No. 3666871). Applying this unique "low dissolved oxygen and low-temperature fermentation manufacturing method" to low-fat yogurt, we were able to resolve the weak points, specifically the "lack of body" and "watery texture" and produce a truly delicious low-fat yogurt (patent pending). This innovating manufacturing method received the Fiscal 2006 Minister's Award from the Japan Ministry of Agriculture, Forestry and Fisheries and the product we introduced utilizing the method, Meiji Probio Yogurt LG21 Low-Fat, received the Japan Food Journal's 2006 Technology and Food Development Award.

Suppression of Helicobacter Pylori-induced Interleukin-8 Production within the Gastric Mucosa by a Live Lactobacillus Strain

(Published in the Journal of Gastroenterology and Hepatology, Japan edition, Volume 21 (2006))

Our research found that interleukin-8 (IL-8) plays a major role in the mucosal inflammation caused by Helicobacter pylori infection. We found that testers with H. pylori infection (15 people) who consumed yogurt containing the living Lactobacillus LG21 over an eight week period were suppressing the H. pylori-induced production of IL-8. Research also found that testers with H. pylori infection (10 people) that consumed yogurt not containing LG21 did not exhibit the same effects. (Joint research with the Tokai University School of Medicine)

Controlled Study of Immunomodulatory Effects on Healthy Individuals of Polysaccharides Produced by Yogurt Fermented with Lactobacillus Bulgaricus OLL1073R-1

(Announced at the fiscal 2006 Meeting of the Japanese Association for Food Immunology)

Our research found that polysaccharides produced by yogurt fermented with Lactobacillus Bulgaricus OLL1073R-1 generated an immunological response in older-aged individuals (29 people) who consumed the yogurt over an eight week period. Further, we also found that people with indications of excessively low or high natural killer (NK) cell activity for cancer or infection immunity before consuming the yogurt adjusted their NK cell activity to normal ranges after consuming yogurt with polysaccharide producing lactobacillus for eight weeks. The research concluded that yogurt with polysaccharide producing lactobacillus can regulate an immunological function in the human body.

Blood Sugar Level Change and the Second-meal Effect in Healthy Men That Consume Liquid Foods

(Published in Metabolism, Japan Edition, Volume 56 (2007))

Palatinose is known for limiting the rise in blood sugar levels because its absorption is slower than sucrose. Our research found that healthy males (7 people) that consumed a breakfast with liquid foods (Patent No. 3545706) containing palatinose as the primary sugar exhibited a more controlled rise in blood sugar levels after the meal. The research also found that blood sugar levels in these individual rose at a more controlled rate after lunch as well, even if no liquid foods containing palatinose were consumed at the second meal. This is known as the second-meal effect. (Joint research with the University of Tokushima, Department of Medicine, Graduate Health Bio Research Institute)

Ice Cream with Palatinose Moderates Blood Sugar Rise in Rats, Healthy Adults, and People with Type 1 Diabetes

(Published in the Journal of the Japan Society of Metabolism and Clinical Nutrition Volume 9 (3) 2007)

Our research found that blood sugar levels remained lower in healthy adults (six people) that consumed ice cream with carbohydrate comprised of 58% palatinose compared to healthy adults (six people) that consumed ice cream not containing palatinose. When consumed by diabetics (five men, 12 women), ice cream with palatinose was also found to produce lower blood sugar levels compared to ice cream without palatinose. This effect clearly indicated that palatinose was the main factor differentiating the results (joint research with the Clinical Nutrition Department of Ryokufuso Hospital). The International Dairy Federation awarded our palatinose ice cream “Ice de Genki! LoGIC” the 2006 IDF Marketing Award.

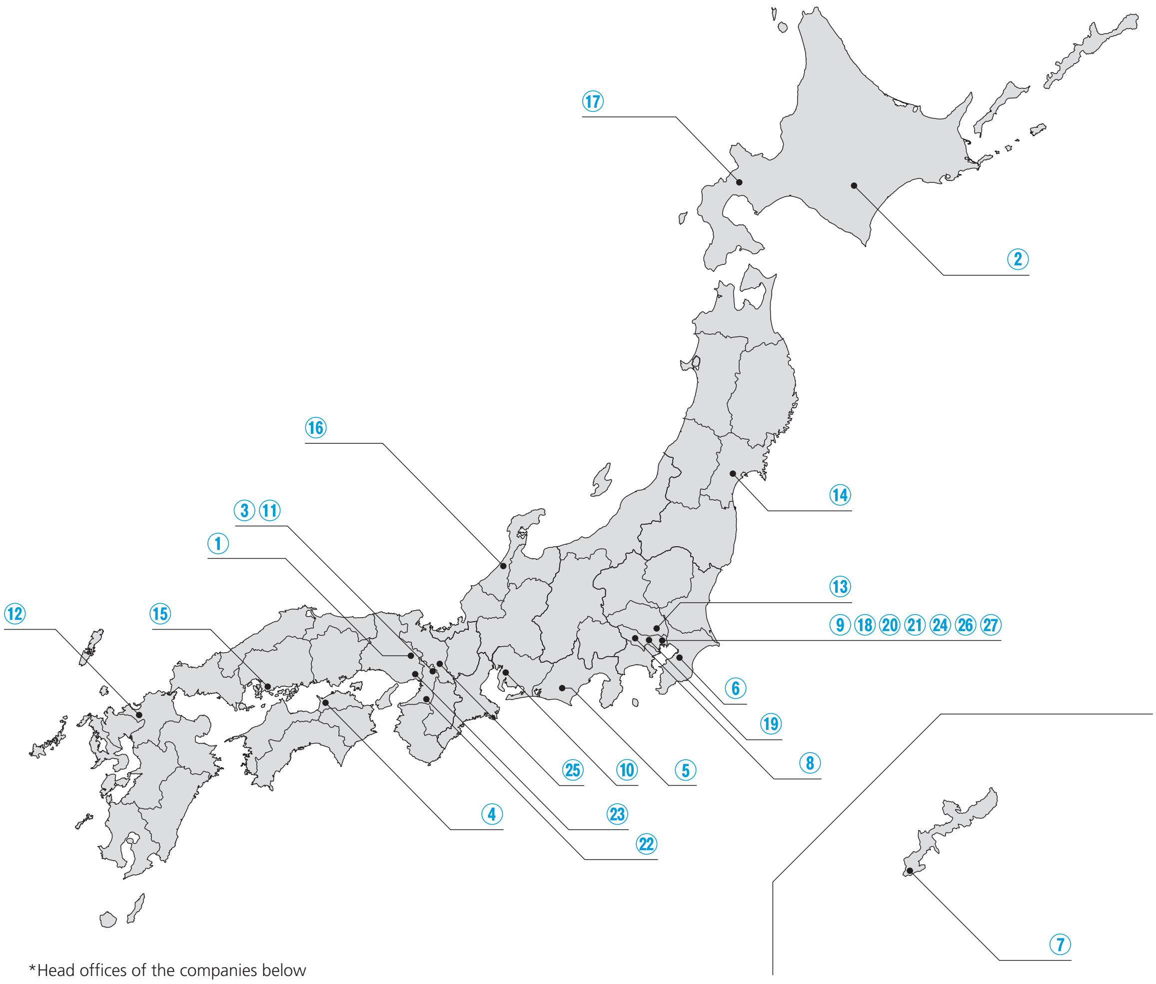
Creamy Smelling Butter and Manufacturing Process

(Patent No. 3856457)

The mechanical churning process for manufacturing butter from cream has the disadvantage of losing the original cream’s rich aroma. We developed a process that adds a controlled continuous flow of raw cream in the middle of the butter manufacturing process. The cream and butter are blended without interruption to the manufacturing process and create a butter product with the full aroma of cream. In addition, this manufacturing process requires only minimal capital investment to implement. (Patent granted September 11, 2006)

MAJOR GROUP COMPANIES

(As of March 31, 2007)



*Head offices of the companies below

Manufacturing and Sales of Milk, Dairy Products, Ice Cream and Other Foods

	Shareholding (%)	Capital (Millions of yen)
① Meiji oils and Fats Co., Ltd.	100.00	38
② Nihon Kanzume, Co., Ltd.	67.93	314
③ Osaka Hosho Milk Products Co., Ltd.	100.00	473
④ Shikoku Meiji Dairy Products Co., Ltd.	100.00	480
⑤ Tokai Meiji Co., Ltd.	99.17	74
⑥ Chiba Meiji Milk Products Co., Ltd.*	99.56	47
⑦ Okinawa Meiji Milk Products Co., Ltd.*	50.00	91
⑧ Pampy Foods Incorporation*	30.30	99

*Equity-method affiliate

Sales of Milk, Dairy Products, Ice Cream, etc.

⑨ Tokyo Meihan Co., Ltd.	94.67	2,285
⑩ Chubu Meihan Co., Ltd.	94.67	379
⑪ Kinki Meihan Co., Ltd.	94.67	490
⑫ Kyushu Meinyu Hanbai Co., Ltd.	94.67	445
⑬ Tokyo Meiji Foods Co., Ltd.	94.67	400
⑭ Tohoku Meihan Co., Ltd.	94.67	400
⑮ Chugoku Meihan Co., Ltd.	94.67	490
⑯ Kanazawa Meihan Co., Ltd.	94.67	65
⑰ Hokkaido Meihan Co., Ltd.	94.67	90

Livestock Business

	Shareholding (%)	Capital (Millions of yen)
⑱ Asahi Broiler Co., Ltd.	70.00	150
⑲ Meiji Kenko Ham Co., Ltd.	88.07	100

Feed Business

⑳ Meiji Feed Co., Ltd.	100.00	480

Distribution Service

㉑ Tokyo Milk Transportation Co., Ltd.	94.67	98
㉒ Kantora Logistics Co., Ltd.	94.67	396
㉓ K.C.S. Co., Ltd.	100.00	480

Others

㉔ Fresh Network Systems Co., Ltd.	94.67	4,604
㉕ Ohkura Pharmaceutical Co., Ltd.	100.00	72
㉖ Meiji Techno-Service Inc.	100.00	30
㉗ Nice Day Co., Ltd.	100.00	25

ORGANIZATION

(As of April 1, 2007)

- Board of Directors
  - Chairman of the Board of Directors
    - Technology Development Committee
    - Food Safety Committee
    - Risk & Compliance Committee
    - Executive Committee
    - President and CEO
      - Corporate Strategy Division
        - Corporate Planning Department
        - International Business Development Department
      - Internal Auditing Department
      - Environmental Relation Department
      - Public Relations Department
      - Customer Relations Department
      - Overseas Infant Foods Marketing Department
      - Administration Department
      - Accounting Department
      - Information Systems Department
      - Personnel Department
      - General Affairs Department
      - Quality Assurance Department
      - Production Department
      - Production Technology Department
      - Engineering Technology Department
      - Raw Milk Department
      - Purchasing Department
      - Affiliated Companies Administration Department
      - R&D Planning Division
        - R&D Planning Department
        - Research & Development Center
        - Food Functionality Science Institute
        - Technology Development Institute
      - Product Development Department
      - Retail Marketing Department
      - City Milk Consolidated Marketing Division
        - City Milk Planning Department
        - City Milk Sales Department
        - City Milk Marketing Department
      - Nutritionals Consolidated Marketing Division
        - Nutritionals Marketing Department I
        - Nutritionals Marketing Department II
      - Processed Foods & Foodservice Consolidated Marketing Division
        - Ice Creams & Frozen Foods Marketing Department
        - Dairy & Grocery Marketing Department
        - Foodservice Marketing Department
      - Pharmaceuticals Department
      - Corporate Communication Department
      - Distribution Management Department
      - 3 Main Branches
      - 14 Branches
      - 23 Plants
    - Senior Managing Directors
    - Managing Directors

CORPORATE GOVERNANCE AND COMPLIANCE

The Meiji Dairies Group constantly strives to strengthen its corporate governance to ensure management transparency and swift decision-making and business execution. The group similarly aims to improve its compliance system structure and risk management to retain the absolute trust of all of our stakeholders and enhance our sustainable corporate value.

Internal Control System

The Company's corporate governance system is reinforced by a corporate auditor system and the Internal Auditing Department as well as the Risk & Compliance Committee.

Corporate Governance Focused on Board of Directors and Corporate Auditors

The 25-member Board of Directors formulates management strategies, examines and analyzes business issues, and determines appropriate measures to address those issues. The Board follows a policy of establishing relevant executive boards, management committees, or other pertinent groups in advance of any potential issue to ensure management is fully prepared to discuss important management issues and matters related to the Board and to support quick decision-making and to enhance overall business efficiency.

Our corporate auditor system is made up of 6 corporate auditors, including 3 outside auditors, who discuss and determine auditing policies and provide oversight for the performance of the Board of Directors. Corporate auditors attend regular meetings with directors and offer opinions at meetings of the Board of Directors, Managing Committee, Executive Committee, as well as other corporate group meetings and express their opinion, as necessary.

We have also further strengthened our auditing functions with the appointment of dedicated staff to support the auditors in fulfilling their duties. This staff is strictly autonomous from the directors and does not participate in any activities related to the business and affairs of the corporation.

Internal Auditing Department Audits

The Internal Auditing Department conducts primarily systematic audits focused on risk analysis and evaluation and, as needed, provides advice and recommendations to related departments. In addition, the Internal Auditing Department prepares audit reports and informs the Managing Committee, the Auditing Department director and the corporate auditors of its audit activities.

Reinforcing Compliance and Risk Management

1. The company's fundamental spirit is embodied in the Meiji Dairies Corporation Code of Ethics and the Meiji Dairies Corporation Behavior Charter, which familiarize compliance awareness among all directors and employees throughout all the companies of the Group.
2. The Risk Compliance Committee has formulated a risk management system that includes preparatory and preventive compliance that may be necessary in emergency situations as well during standard operations. Additional steps to enhance our risk management and compliance activities include establishing the Risk & Compliance Office at headquarters and risk and compliance offices at our business sites nationwide as well as placing compliance officers at our Group member and subsidiary companies.
3. Our internal reporting system includes compliance consultation counters set up at the company headquarters, regional offices and subsidiaries across the country. We also provide external consultation sites at unaffiliated external law offices.
4. With the rapid progress of the IT sector, the Information Security Committee maintains and strengthens information security to prevent unauthorized system access and data leakage. The Committee formulates and enforces the Group-wide Information Security Policy and the Privacy Policy regarding the management of private information.
5. We have established the Internal Control Committee for financial information to ensure the reliability of our financial information in line with the Internal Control Reporting System outlined in the Financial Instruments and Exchange Law.

Food Safety and Product Quality

The Meiji Dairies Group has set up a Food Safety Committee including 2 independent members from outside the company. The committee reviews and monitors each manufacturing process for potential safety risk and develops preventive measures. The committee also focuses examinations and analysis on specific safety themes as occasion arises and recommends policies and measures for the company.

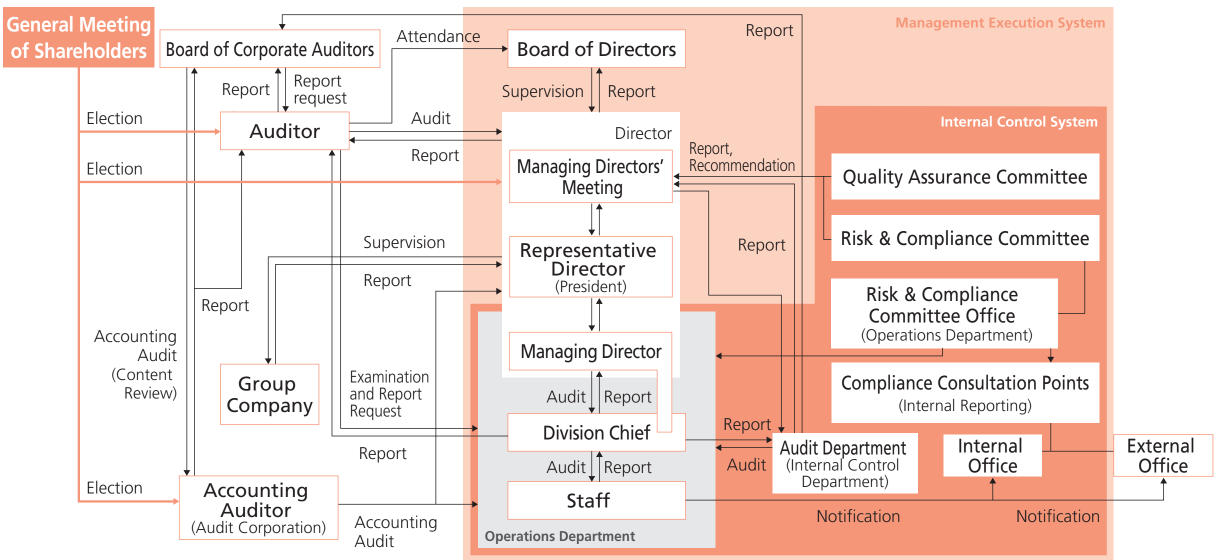
We are also instituting the Meiji Dairies Quality Assurance System (Meiji Qualias) based on the quality assurance systems of each segments of all the companies in the Group to further enhance our abilities to provide safe and attractive products and services. Overseen by the Meiji Qualias Council, the system will be a fundamental element in our ability to provide the product quality that will continue to earn customer satisfaction and trust.

Integrating Feedback to Our Operations

Meiji Dairies Corporation views the feedback and opinions of our stakeholders as an invaluable asset to the company's operation and management. We seek external views through communications with shareholders and investors at our General Meeting of Shareholders, the semiannual financial results presentations to investors and analysts, and visits to institutional investors by top management as well as periodic surveys of the candid opinions of consumers. The Customer Support Center represents an open channel of communication for customer opinions, suggestions and feedback. We receive roughly as many as 135,000 such communications annually and actively respond and analyze each item with the objective of integrating this invaluable feedback to improve our operation and management activities.

Introduction of Takeover Countermeasures

Meiji Dairies has adopted hostile takeover countermeasures as a preventive measure against a takeover attempt that would seriously threaten to damage corporate value or the common interest of our shareholders. The countermeasures are formulated with the ultimate resolution to be decided by shareholders and are designed to act as warning mechanism and provide a period of time for due consideration by shareholders in the case of a large-scale stock purchase proposal.



FOOD SAFETY INITIATIVES

The Meiji Dairies Group considers ensuring food safety to be a fundamental obligation to society. We prioritize safety in all our daily operations while constantly seeking to improve on our high standards. In fiscal 2006, as part of this effort, we initiated the strict Meiji Qualias quality assurance system in all operations throughout the company.

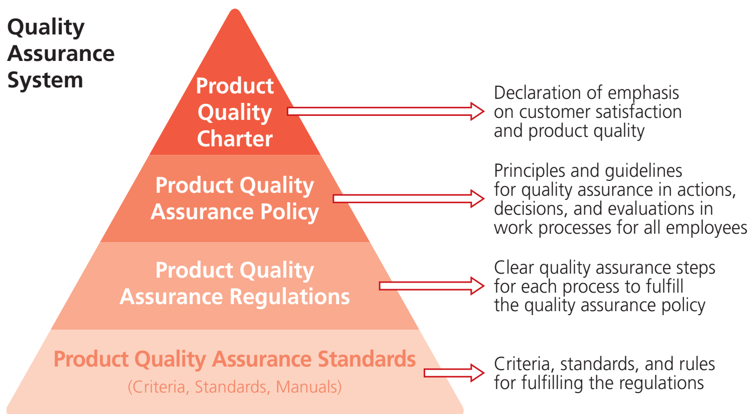
Meiji Qualias

Meiji Qualias, which is short for Meiji Quality Assurance System, is our unique in-house developed company-wide quality assurance system initiated to provide highly reliable products and services and to further raise customer satisfaction in our products.

The system consists of the principles set forth in the Meiji Dairies Group's Product Quality Charter, Product Quality Assurance Policy, Product Quality Assurance Regulations, and Product Quality Assurance Standards, and covers the complete process from product development through production, sale, and customer communications. The system is specifically designed to enable every employee in the Meiji Dairies Group to do their part to enable us to continue consistently fulfilling our promise of quality to our customers.

The new system was formulated after a thorough review and systemization of the quality assurance methods and approaches in each of our operating divisions. Initiated in 2007, we aim in three-year's time to complete the system into a form that incorporates continued improvement and innovation in all operations throughout the Group.

The system will be a key feature in promoting safe and attractive products and services, and we expect it to raise the value of the Meiji brand.



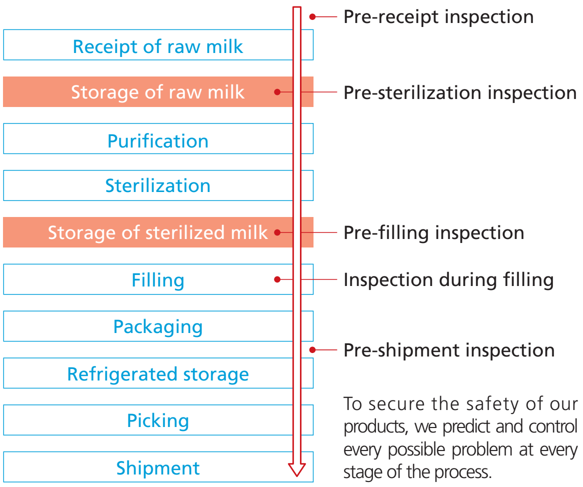
Three Quality Assurance Systems and Manufacturing Technology

The Meiji Dairies Group has also implemented several other assurance systems for continuous quality assurance. The following are three representative systems and technologies that we have focused on.

1. HACCP

Hazard Analysis and Critical Control Point (HACCP) is a hygiene management system developed in the 1960s to ensure the safety of food provided to astronauts as part of the US space program. Food safety assurance under HACCP involves conducting preemptive Hazard Analysis of food poisoning and other risks inherent in all food production processes from the receipt of raw materials to manufacturing, processing, storage, and distribution. This analysis identifies Critical Control Points in the process for which intensive management to assure maximum food safety is carried out.

Milk Manufacturing Process



2. ESL Technology

The Group has introduced extended shelf life (ESL) technology to ensure we deliver products that are as fresh and delicious as possible. Implemented across the whole manufacturing process from receiving raw milk to final product packaging, ESL technology enables superior hygienic conditions by eliminating factors that can lead to post-pasteurization microbial contamination. ESL technology does not require elevating the temperature of the pasteurization process, and thereby effectively preserves the product's original flavor while substantially extending its storage stability.

3. Manufacturing Execution System (MES)

Our Group fully integrates information technology and maintains an extensive database of information from our filling lines, raw milk storage tanks, and all other manufacturing processes. Stored in our Manufacturing Execution System (MES), this data allows management to activate effective and informed procedures and enables meticulous monitoring to prevent human error. MES enables us to systematically issue applicable instructions for each production line on the system, and to track and evaluate operating status in real-time.

Production and Distribution Systems Assuring Traceability

The Group centrally manages all data from the receipt of raw material through production, shipment, and delivery using an organic integration of four systems: the Manufacturing Execution System (MES), Refrigeration System, Dispatch Support System, and Traffic Control System. This total coverage creates a comprehensive traceability framework capable of quickly identifying the route of any defective product to the manufacturing line, production time, and delivery destination, and facilitating swift response for recall and causal analysis. The Refrigeration System collects and manages all information related to inventory and shipping. Finally, the Dispatch Support and Traffic Control Systems collect and manage in an integrated fashion various data related to product delivery logistics from the point of shipment to the final delivery destination.

The Food Safety Committee

The Meiji Dairies Group established the Food Safety Committee in April 2003 to examine potential product risk from a scientific and technological perspective. The Committee of 18 members from within the Group and two external experts in chemistry and microbiology meets four times annually and advises the content of the meetings to the Managing Committee.

ENVIRONMENTAL AND SOCIAL COMMITMENTS

The business operations of the Meiji Dairies Group are the very product of the bounty of nature and trust from society. Our mission is naturally based on harmonious coexistence with local communities and preserving and protecting the natural environment. Our business operations include various activities that provide us the opportunity to contribute to society.

Environmental Initiatives

The Medium-term Management Plan that culminates in fiscal 2008 mandates "corporate management be conducted with full awareness of preserving the harmony between our operations and the environment" following the principles set forth in the Meiji Dairies Environment Charter established in October 2001. We focus on the following three issues as primary environmental policies.

*Additional details and information are available in our "2007 Environmental Report".

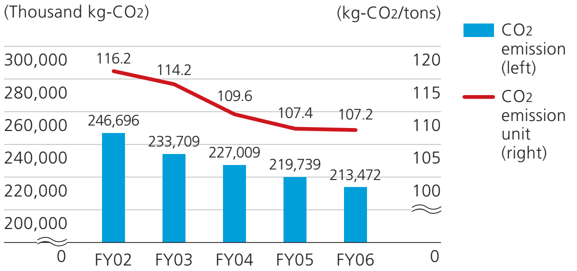
1. Construct an environmental management system that promotes environmental awareness and elevates the overall quality of the Group's environmental management levels.

All our factories received ISO 14001 certification in fiscal 2005. For remaining operations centers that had not yet earned ISO 14001 approval, in fiscal 2006, we created our own in-house corporate environmental checklist and implemented scheduled environmental inspections. We will continue to promote environmental awareness through our educational and training systems and promote environmental activities at all our operations centers based on the ISO standards.

2. Continue to reduce CO_2 emissions to assist help prevent global warming following the Kyoto Protocol guidelines.

We continue to coordinate the environmental ISO activities of our headquarters and business locations to promote more efficient and effective reduction of CO_2 emission. Our immediate objective is to reduce factory CO_2 emission levels by fiscal 2008 to less than 100Kg-CO_2/t (representing 91.2% of the 109.6 Kg-CO_2/t levels in fiscal 2004). We also actively implement measures to reduce CO_2 emissions in our distribution and sales operations.

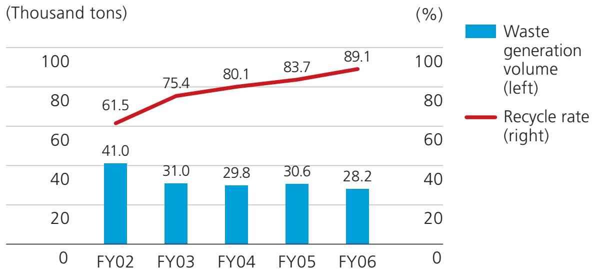
CO_2 Emission / CO_2 Emission Unit



3. Aim for zero waste emissions.

In fiscal 2006, we raised our waste recycling ratio to a company record high level of 89.1% as we continued to integrate and act on the information gathered by our data management system for recycling and waste materials. Our ultimate objective is to produce zero waste emissions from our business operations by controlling waste production. Meanwhile, for the waste material that is an inevitable byproduct of our operations, we are promoting effective recycling and reuse at factories as well as at our research centers and headquarters including the Group companies. We are also collecting and analyzing the reality of waste production and recycling at offices to make effective use of them.

Waste Generation Volume / Recycle Rate Trends



4. The Nemuro Nature Conservation Area.

As a corporate entity in Nemuro, Hokkaido, we have designated a nature preservation area in Yarimukashi (about 232 hectares) and Makinouchi (about 235 hectares) for a combined 467 hectares of nature preserve that we administer under the principles of nature conservation districts. The area is a designated National Natural

Treasure and is home to the endangered bird species Blakiston's Fish-owl, Red-crowned Crane, and White-tailed Eagle. We have concluded an agreement with the Wild Bird Society of Japan on wild bird protection projects and activities and strive to conserve wild birds.

With Our Customers

We are aware that the products and services a company provides from its business are the foremost contribution the company makes to society. In this sense, we at Meiji Dairies Group have contributed to society by providing safe and reliable food products that are healthy and flavorful. As a corporation directly contributing to society through its core business, we believe that providing ongoing continuous support for the daily health needs of our consumers requires us to be open and responsive to a wide range of customer voices to maintain close contact with the needs of society. To enable and encourage dialogue with our customers, we maintain the Meiji Dairies Customer Support Center with a dedicated staff of nationally registered dietitians and dietitians ready to respond to all customer inquires. Customers' demands which are an invaluable asset, are unified by our electronic Meiji Customer Relationship System. The system promptly feeds the customer views into the manufacturing and operating sites where they play an essential role in product development and improvement as we continuously seek to fulfill our social promise and our corporate objectives of providing products that are safe and reliable as well as healthy and flavorful.

Food Education Activities

Meiji Dairies promotes consumer dietary education through programs focusing on "the importance and fun of food," "dietary balance," and "food safety and reliability" in classes focusing on milk and dairy products. One example is the Meiji Dairies Food Education Seminar educational program for growing children. The program teaches how to take the best advantage of the abundant calcium available in milk and dairy products while helping the children grasp the importance of a balanced diet through various events, such as catered mini-course and parent-child cooking activities. We recognize the Meiji Dairies Group has an important obligation to provide consumers with accurate information about food so each individual is empowered to make informed choices about the food they eat and drink.

Supporting Amateur Wrestling

One of our core corporate objectives set at the very founding of the company is to contribute to healthy and happy daily lives of our customers through our milk and milk products. As part of this mission, from the standpoint that improvement of Olympic athletes and promotion of amateur wrestling, hoping to resurrect Japan as a wrestling powerhouse, we offer milk products to the Japan Wrestling Federation and support its operation. In the past, we supported Japanese wrestlers, particularly with milk products in the 1950s through until the mid 1960s as they centered on the Summer Olympics held in Tokyo in 1964.

We revived the practice in 1997 and have continued to support and contribute to amateur wrestling since then. In addition, we sponsor the Meiji Dairies Cup competition held every June, and the 2007 event will mark the eleventh year of competition. The Meiji Dairies Cup stands alongside the Emperor's Cup All Japan Wrestling Competition as the two top wrestling events each year.

BOARD OF DIRECTORS AND AUDITORS

(As of July 1, 2007)

From the front left :

President & CEO
Shigetaro Asano

Chairman
Hisashi Nakayama

Senior Managing Directors
Shouichi Ihara
Kaname Tanaka
Tsuyoshi Nagata

Chairman
Hisashi Nakayama

President & CEO
Shigetaro Asano

Senior Managing Directors
Kaname Tanaka
Tsuyoshi Nagata
Shouichi Ihara

Managing Directors
Koichi Yoshioka

Hiromi Tsukanishi	General Manager, Tokyo Main Branch
Tadashi Matsuzawa	General Manager, Processed Foods & Foodservice Consolidated Marketing Division
Yoshio Baba	General Manager, R&D Planning Division
Kenichi Nonaka	General Manager, City Milk Consolidated Marketing Division

Directors

Kazuhiro Minemoto	General Manager, Kansai Main Branch
Norio Shigenari	General Manager, Raw Milk Department
Naoki Kato	General Manager, Production Department
Jyunji Yamamoto	President & Chief Executive Officer Fresh Network Systems Co., Ltd.
Masami Eguro	General Manager, Affiliated Companies Administration Department
Hidesada Kaneko	General Manager, Personnel Department
Kaoru Koide	General Manager, Quality Assurance Department
Shouzou Nawata	General Manager, Tokai Main Branch
Toshiyuki Sakaguchi	General Manager, City Milk Sales Department
Takashi Hirahara	General Manager, Administration Department
Susumu Ohba	General Manager, Kyusyu Branch
Tadashi Nakatsubo	Director, Research & Development Center
Kazuo Kawamura	General Manager, Nutritionals Consolidated Marketing Division
Takaaki Yanaka	General Manager, Corporate Strategy Division
Katsuyoshi Kotake	General Manager, Engineering Technology Department

Standing Auditors
Hajime Yoshioka
Nobukuni Hoshino
Kouichirou Kawashima

Auditors
Shouji Akahane
Yoshiaki Fujii
Youko Sanuki

FINANCIAL SECTION

FACTS & FIGURES

1. Consolidated Financial Summary

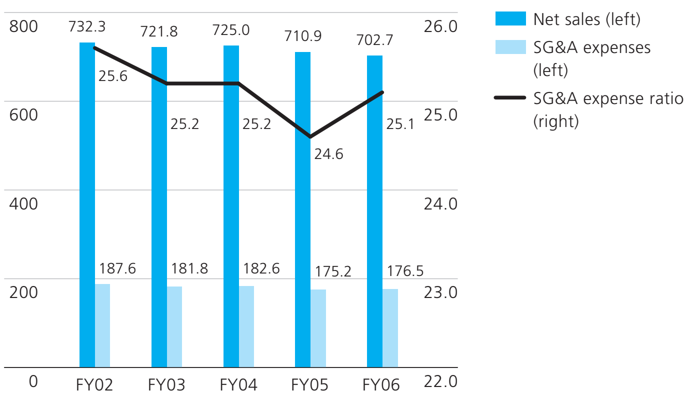
Millions of yen
(Unless otherwise noted)
(Note 1)

	FY2002	FY2003	FY2004	FY2005
Operating Results (For the Fiscal Year):				
Net sales	¥ 732,369	¥ 721,833	¥ 725,024	¥ 710,908
Cost of sales	528,997	524,253	522,970	515,712
Selling, general and administrative (SG&A) expenses	187,603	181,899	182,637	175,205
Operating income	15,769	15,681	19,415	19,989
Ordinary income (Note 3)	14,602	15,747	19,081	20,179
Net income	4,051	7,950	9,722	10,055
Capital expenditure (Cash base)	22,336	24,546	20,527	20,147
Depreciation expenses (Tangible Fixed Assets)	20,942	20,324	19,734	19,664
Research and development (R&D) expenses	6,909	7,422	7,558	7,398
Financial Position (At Fiscal Year-End):				
Total assets	¥ 363,354	¥ 364,958	¥ 357,592	¥ 361,134
Net assets (Note 4)	82,241	91,892	100,026	112,695
Interest-bearing debt (Note 5)	150,317	142,352	128,093	116,475
Per share data (Yen, U.S. dollars):				
Net income	¥ 13.56	¥ 26.74	¥ 32.73	¥ 33.86
Net assets (Note 4)	277.55	310.23	337.86	380.85
Cash dividends	6.00	6.00	6.00	7.00
Ratios:				
Return on equity (ROE) (%) (Note 6)	5.0	9.1	10.1	9.5
Return on assets (ROA) (%) (Note 7)	1.1	2.2	2.7	2.8
Equity ratio (%)	22.6	25.2	28.0	31.2
Debt-equity ratio (times) (Note 8)	1.8	1.5	1.3	1.0
Other information:				
Number of employees	7,754	7,482	7,370	7,185

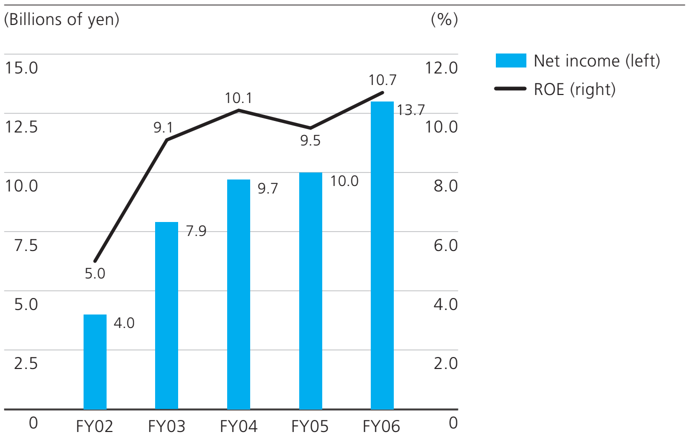
Notes: 1. The yen amounts for the period up to and including FY2003 are rounded to the nearest million yen. From FY2004 figures are shown with amounts under one million yen and under one thousand US dollars rounded off.
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US$1 = 118.09, the exchange rate prevailing on March 31, 2007.
3. Ordinary income = Operating income + Net financial expenses + Amortization of goodwill arising from consolidation + Equity in income of affiliates + Other non-operating income and expenses
4. In accordance to the revised Japanese regulations concerning consolidated financial statements, beginning in fiscal year 2006 shareholders' equity includes equity capital held by minority shareholders.
5. Interest-bearing debt = Short-term loans payable + Long-term debt
6. ROE = Net income/Simple average of shareholders' equity at the beginning and end of the fiscal year
7. ROA = Net income/Simple average of total assets at the beginning and end of the fiscal year
8. Debt-Equity Ratio = Interest-bearing debt/Shareholders' equity

	Thousands of U.S. dollars (Unless otherwise noted) (Note 2)
FY2006	**FY2006**
¥ 702,750	**$ 5,950,973**
502,635	**4,256,380**
176,517	**1,494,770**
23,597	**199,822**
23,421	**198,338**
13,708	**116,087**
20,798	**176,123**
18,915	**160,174**
7,570	**64,107**
¥ 383,560	**$ 3,248,036**
146,044	**1,236,724**
86,286	**730,687**
¥ 42.81	**$ 0.363**
437.45	**3.704**
10.00	**0.085**
10.7	**—**
3.6	**—**
37.5	**—**
0.6	**—**
7,054	**—**

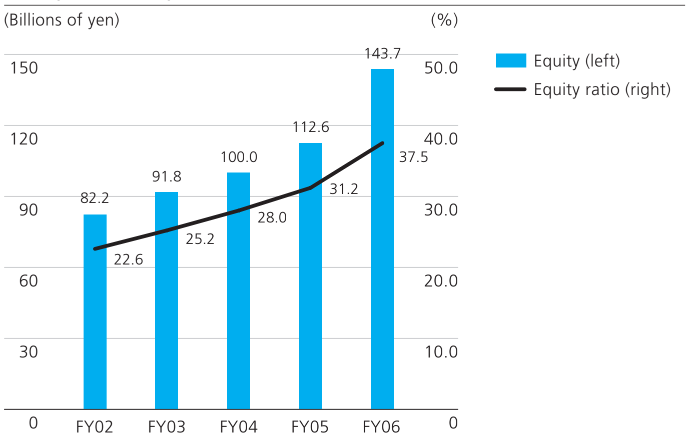
Net Sales, SG&A Expenses and SG&A Expense Ratio



Net Income, ROE



Equity and Equity Ratio



2. Non-Consolidated Financial Summary

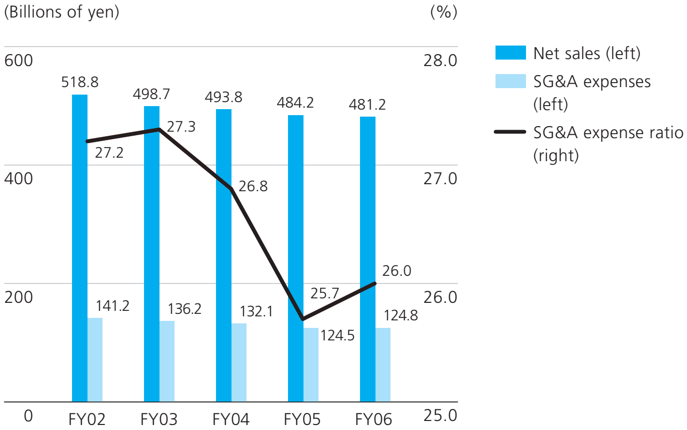
Millions of yen
(Unless otherwise noted)
(Note 1)

	FY2002	FY2003	FY2004	FY2005
Operating Results (For the Fiscal Year):				
Net sales	¥ 518,843	¥ 498,748	¥ 493,868	¥ 484,285
Cost of sales	365,266	351,008	347,158	344,458
Selling, general and administrative (SG&A) expenses	141,237	136,278	132,179	124,588
Operating income	12,340	11,462	14,530	15,239
Ordinary income (Note 3)	11,482	11,401	14,144	15,702
Net income	4,009	5,596	6,290	8,096
Capital expenditure (Cash base)	¥ 20,590	¥ 13,286	¥ 15,864	¥ 14,707
Depreciation expenses (Tangible Fixed Assets)	14,298	14,141	14,123	14,005
Research and development (R&D) expenses	6,562	7,049	7,164	6,969
Financial Position (At Fiscal Year-End):				
Total assets	¥ 275,686	¥ 274,561	¥ 275,013	¥ 282,554
Equity	77,130	84,539	89,382	99,847
Interest-bearing debt	99,884	92,743	89,763	85,713
Other information:				
Number of employees	4,698	4,512	4,457	4,352

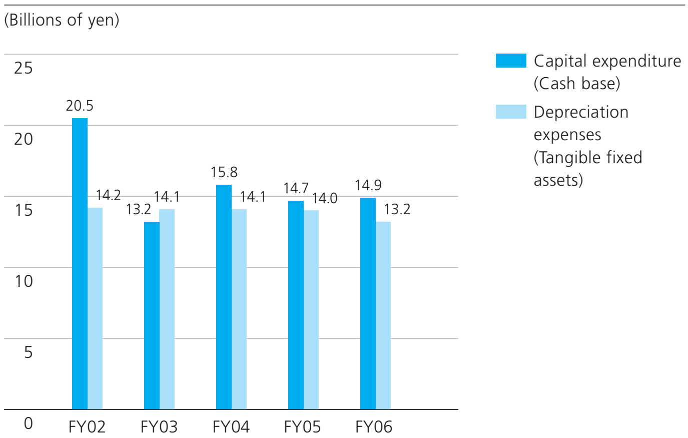
Notes: 1. The yen amounts for the period up to and including FY2003 are rounded to the nearest million yen. From FY2004 figures are shown with amounts under one million yen and under one thousand US dollars rounded off.
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US$1 = 118.09, the exchange rate prevailing on March 31, 2007.
3. Ordinary income = Operating income + Net financial expenses + Other non-operating income and expenses

FY2006	Thousands of U.S. dollars (Unless otherwise noted) (Note 2) FY2006
¥ 481,206	$ 4,074,911
338,037	2,862,541
124,897	1,057,646
18,271	154,723
18,373	155,589
9,235	78,208
¥ 14,905	$ 126,221
13,298	112,613
7,093	60,068
¥ 322,137	$ 2,727,898
126,168	1,068,405
75,828	642,125
4,339	—

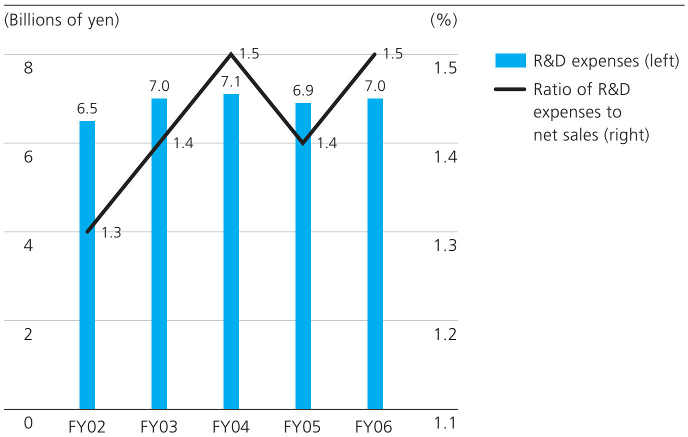
Net Sales, SG&A Expenses and SG&A Expense Ratio



Capital Expenditure and Depreciation Expenses



R&D Expenses and Its Ratio to Net Sales



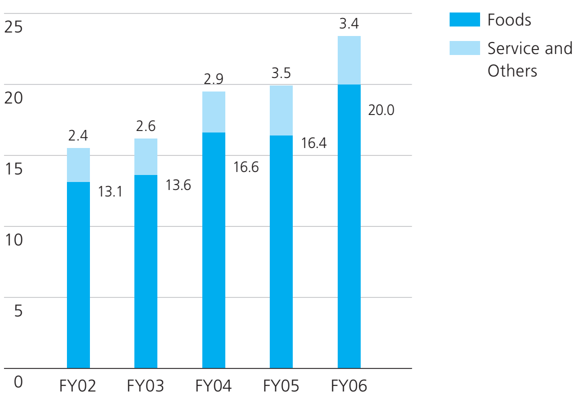
3. Segment Information

	Millions of yen (Unless otherwise noted) (Note 1)					Thousands of U.S. dollars (Unless otherwise noted) (Note 2)
	FY2002	FY2003	FY2004	FY2005	**FY2006**	**FY2006**
Consolidated Performance by Segment						
Net sales						
Foods	¥ 640,377	¥ 623,077	¥ 621,978	¥ 605,813	**¥ 596,608**	**$ 5,052,154**
Service and Others (Note 3)	132,895	144,529	148,370	149,243	**151,193**	**1,280,323**
Operating income						
Foods	13,151	13,662	16,633	16,469	**20,022**	**169,551**
Service and Others (Note 3)	2,421	2,659	2,923	3,517	**3,460**	**29,307**
Operating income margin						
Foods	2.1%	2.2%	2.7%	2.7%	**3.4%**	—
Service and Others (Note 3)	1.8%	1.8%	2.0%	2.4%	**2.3%**	—
Non-consolidated Net Sales by Division and Product						
City milk	¥ 293,911	¥ 291,807	¥ 294,010	¥ 294,365	**¥ 294,674**	**$ 2,495,337**
Drinking milk	139,574	133,410	132,182	128,244	**121,795**	**1,031,375**
Yogurt	90,516	90,801	91,947	95,209	**103,886**	**879,721**
Others	63,821	67,596	69,880	70,910	**68,992**	**584,240**
Processed milk products	80,182	75,269	71,485	67,187	**66,523**	**563,329**
Powdered milk	37,789	34,540	33,236	29,552	**28,089**	**237,862**
Condensed milk	1,209	1,147	1,103	1,035	**995**	**8,432**
Butter	15,388	15,329	14,588	14,625	**15,080**	**127,700**
Cheese	25,794	24,252	22,557	21,974	**22,358**	**189,333**
Ice cream	41,228	36,506	38,045	36,636	**37,287**	**315,755**
Beverages	34,408	31,534	32,175	31,256	**30,213**	**255,854**
Other products	69,112	63,629	58,151	54,839	**52,506**	**444,635**
Total	¥ 518,843	¥ 498,748	¥ 493,868	¥ 484,285	**¥ 481,206**	**$ 4,074,911**

Notes: 1. The yen amounts for the period up to and including FY2003 are rounded to the nearest million yen. From FY2004 figures are shown with amounts under one million yen and under one thousand US dollars rounded off.
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US$1 = 118.09, the exchange rate prevailing on March 31, 2007.
3. "Service and Others" segment covers the distribution business (including transportation and storage), the feed business, and other businesses, such as finance and leasing.

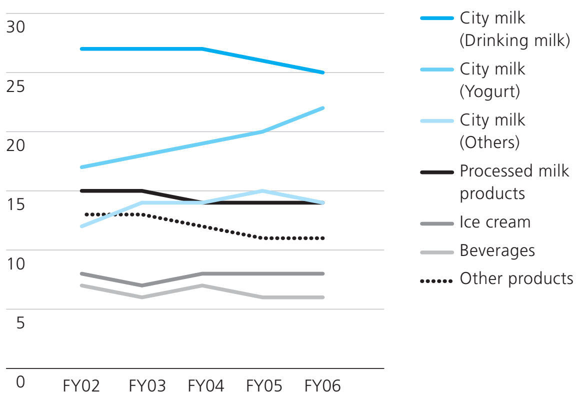
Consolidated Operating Income by Segment

(Billions of yen)



Percentage of Product Sales to Total Net Sales (Non-consolidated)

(%)



4. Industry Statistics

	FY2002	FY2003	FY2004	FY2005	**FY2006**	**Change (%)**
Production, Consumption, and Sales of Major Dairy Products						
Raw milk production (tons) *1	8,379,969	8,404,910	8,289,444	8,291,534	**8,085,830**	**-2.48%**
Drinking milk production (kl) *1	4,430,271	4,479,722	4,401,151	4,261,231	**4,115,169**	**-3.43%**
Milk production (kl) *1	3,976,636	4,024,942	3,925,103	3,793,862	**3,678,835**	**-3.03%**
Processed milk production (kl) *1	453,635	454,780	476,048	467,369	**436,334**	**-6.64%**
Yogurt produced by dairy companies (kl) *1	798,915	794,687	788,399	801,630	**849,468**	**5.97%**
Yogurt produced by non-dairy companies (kl) *2	127,171	123,254	124,872	113,794	**120,155**	**5.59%**
Cheese consumption (tons) *1	248,472	255,043	265,729	261,822	**270,059**	**3.15%**
Natural cheese consumption for direct consumption (tons) *1	135,943	141,185	150,742	143,582	**152,719**	**6.36%**
Processed cheese consumption (tons) *3	112,529	113,858	114,987	118,240	**117,340**	**-0.76%**
Ice cream sales (thousand kl) *4	771	752	818	780	**773**	**-0.90%**

Sources: *1 Statistics on Milk and Dairy Products, Ministry of Agriculture, Forestry and Fisheries (MAFF)
*2 Food Market Research and Information Center (calendar-year base)
*3 MAFF Livestock Industry Department, Milk and Dairy Products Division
*4 Japan Ice Cream Association

	FY2002	FY2003	FY2004	FY2005	**FY2006**	**Change (%)**
Our Position in the Industry:						
Meiji Dairies' Share in Milk Collection	16.8%	16.7%	16.9%	16.9%	**16.9%**	**0pt**
Meiji Dairies' Market Share by Product (Estimated)						
Milk	12.8%	11.3%	11.3%	11.7%	**12.4%**	**+0.7pt**
Yogurt	27.1%	27.4%	28.3%	30.3%	**30.7%**	**+0.4pt**
Ice cream	12.3%	11.0%	10.8%	10.4%	**10.5%**	**+0.1pt**
Cheese	14.8%	14.0%	12.7%	12.4%	**11.4%**	**-1.0pt**

REVIEW AND ANALYSIS OF FISCAL 2006 RESULTS

Macroeconomic and Market Environment

The Japanese economy recovered moderately in fiscal 2006 supported by steadily improving corporate earnings and increasing capital investment. Despite a slight improvement in the employment market, personal consumption was weighed down by slowing growth in income levels, rising social insurance premiums, and other factors and failed to develop sustainable recovery momentum.

In the dairy industry, unfavorable weather conditions and other factors resulted in continuing sluggish demand for drinking milk, although the industry-wide aggressive tackle to boost consumption of milk and processed milk products.

Revenue and Earnings

Consolidated net sales declined 1.1% from the previous period to ¥702,750 million. Sales increased for yogurt and several other items, but declined for milk, processed milk, and milk beverages while the contribution from sales subsidiaries also decreased from the previous year. Meanwhile, cost of sales declined ¥13,076 million from the previous year, which lowered cost to sales ratio by one percentage point. Increased sales of yogurt and other items, which improved the product mix by ¥4.9 billion on a non-consolidated basis, coupled with our overall cost reduction efforts to overcome the impact from rising costs for raw materials from overseas and packaging.

Selling, general and administrative (SG&A) expenses increased 0.7% increase to ¥176,517 million, largely due to aggressive advertising and promotional campaigns for core products during the year. These strategies ultimately produced 18% growth in operating income to ¥23,597 million.

Other expenses increased ¥1.9 billion from the previous year including a ¥1.0 billion loss on land sale. However, other income increased by the previous year's reduced figure from the booking of a ¥1.4 billion loss in business reform and a 2.2 billion gain on sale of fixed assets resulted in a gain of income before income taxes and minority interests increased 12.0% from the previous year to ¥21.4 billion.

Net income increased 36.3% year on year to ¥13,708 million. Net income per share rose from ¥33.8 in the previous year to ¥42.8 in fiscal 2006. Likewise, the equity to net income ratio increased from 9.5% to 10.7%.

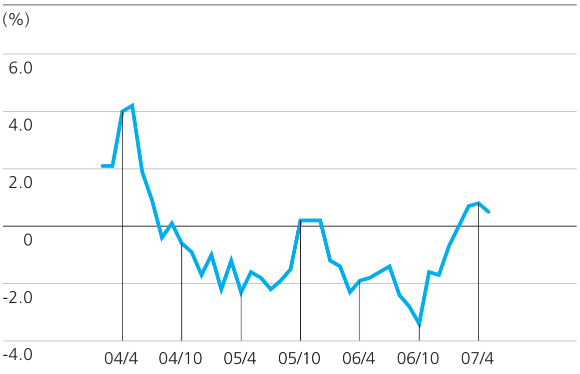
Segment Results

Food

The food segment encompasses the manufacture and sale of milk, dairy products, ice cream and other foods as well as the livestock business. Net sales in the food segment declined 1.5% from the previous fiscal year to ¥596,608 million. The results are attributable to increased sales for yogurt and several other items and declined for milk, processed milk, and milk beverages. The contribution from sales subsidiaries also decreased from the previous year.

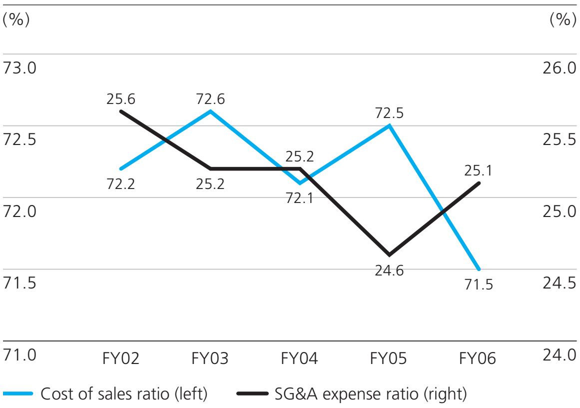
Operating income increased 21.6% to ¥20.0 billion as the improved product mix from the rise in yogurt and other product sales along with our overall cost reduction efforts overcame rising costs for raw materials from overseas and packaging.

Personal Consumption Expenditure — All Japan, All Households, Nominal (Three-month moving average of year-on-year changes)



Source: Ministry of internal affairs and communications

Cost of Sales Ratio and SG&A Expense Ratio



Service and Others

The Service and Others segment comprises the distribution business comprising transportation and storage, the feed business, and other businesses, including finance and leasing. Segment sales rose 1.3% from the previous fiscal year to ¥151,193 million, primarily due to increased sales in the distribution and the feed businesses. Operating income declined due to a rise in feed grains cost in the feed business, however, lowered operating income by 1.6% from the previous year to ¥3,460 million.

Performance of Major Subsidiaries

Amid adverse market conditions, sales group net sales decreased ¥4.6 billion from the previous year to ¥155.2 billion in fiscal 2006 while operating income remained steady at ¥0.6 billion, partly on the positive effects of our improved management efficiency.

Improved management efficiency helped the manufacturing group raise sales ¥0.5 billion year on year to ¥38.6 billion and maintain operating income at a steady ¥0.9 billion year on year.

Livestock and feed group results were affected by rising raw materials costs and a weak yen. Net sales declined ¥1.9 billion to ¥65.9 billion as operating income rose ¥0.1 billion to ¥0.7 billion from the previous year. Company results were mixed, with Meiji Feed Co., Ltd. posting higher sales and lower profit while Meiji Kenko Ham Co., Ltd. reported lower sales and higher profit. Subsidiary Meiji Agris Co., Ltd. was sold during the year as the company moved to concentrate management resources on its core businesses.

Distribution group sales grew ¥1.3 billion to ¥97.9 billion and operating income increased ¥0.2 billion to ¥1.9 billion. The impact of rising gasoline prices was overcome by increased delivery volume.

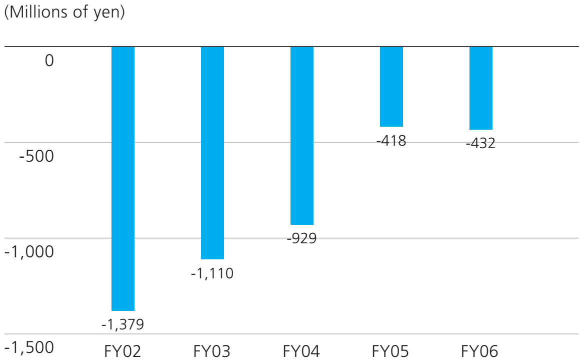
In the Other group segment, the transfer of control of the Group finance operation led to sales decline of ¥1.0 billion to ¥14.5 billion while operating income remained even at ¥0.4 billion compared with the previous year.

Financial Position

As of March 31, 2007, consolidated total assets were ¥383,560 million, up ¥22,426 million from the previous year end. Current assets increased ¥19,321 million to ¥155,780 million from the previous year end. The increase was primarily due to higher cash and deposits, largely from the higher profit, and a rise in accounts receivable caused by the consolidated closing date landing on a business holiday for financial institutions. Tangible fixed assets, less accumulated depreciation, remained essentially unchanged from the previous fiscal year at ¥172,596 million. Investments and other noncurrent assets increased 6.0% from the previous year to ¥55,183 million owing to a ¥4.4 billion increase in prepaid pension costs. Current assets represented 40.6% of total assets at the fiscal year end.

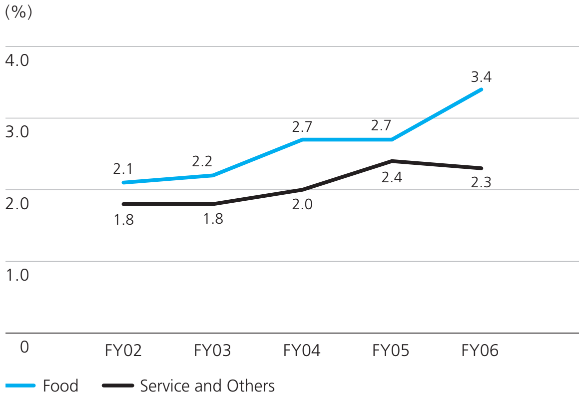
Total liabilities declined ¥8,648 million from the previous year to ¥237,515 million. Current liabilities increased ¥14,909 million to ¥182,255 million, largely due to increases in accounts payable and notes payable-equipment caused by the consolidated closing date landing on a business holiday for financial institutions. Long-term liabilities decreased ¥23,557 million to ¥55,260 million, primarily due a ¥4,057 million reduc-

Net Financial Expense



* Net Financial Expense = Interest and dividend income - Interest expense

Operating Income Ratio, by Segment



* Figures are before exclusion of intersegment transactions

tion in long-term debt from the previous fiscal year end.

Total shareholders' equity increased ¥31,076 million from a year earlier to ¥146,044 million as the public stock offering raised shareholders' equity and additional paid-in capital while retained earnings also increased. At the fiscal year-end, the equity ratio was up 6.3 percentage points to 37.5% year on year, and shareholders' equity per share increased ¥56.6 to ¥437.45 year on year.

Cash Flows

Net cash inflow provided by operating activities was ¥37,123 million. Cash outlays increased by ¥5,866 million from the previous fiscal year on largely on increases in income before income taxes increase and accrued liabilities.

Net cash used in investing activities totaled ¥15,447 million, down ¥2,471 million from the previous year due owing to factors including decreased income from sale of tangible fixed assets.

As a result, free cash flow* increased ¥8,339 million year on year to ¥21,675 million.

Net cash used in financing activities declined ¥2,057 million to ¥11,433 million from the previous fiscal year due primarily to repayment of debt and the ¥21,112 million inflows from the issue of new shares.

The result was an increase in cash and cash equivalents of ¥10,242 million to ¥13,863 million compared with the previous fiscal year-end.

* Free cash flow =Cash flow from operating income plus cash flow from investing income

Capital Investment

Capital investment in fiscal 2006 totaled ¥26,924 million, an increase of 40.5% from the previous fiscal year. Food segment capital investment increased 38.1% to ¥21,459 million. The most substantial investment was ¥20,056 million centered on construction of the new Tokachi Plant in Hokkaido for domestic-produced natural cheese. Capital investment in the Service and Others segment increased 51.1% to ¥5,464 million, and largely focused on consolidated subsidiary distribution businesses.

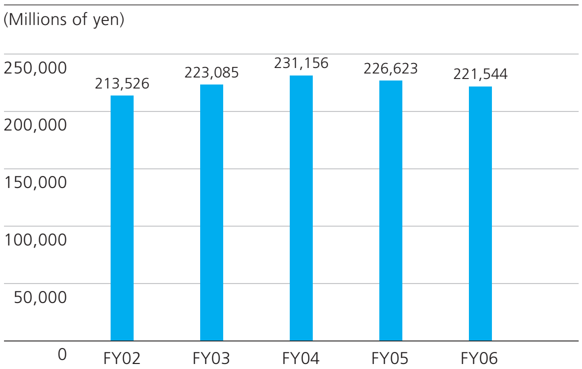
Research and Development

Total research and development expenses increased 2.3% from the previous year to ¥7,570 million in fiscal 2006. Of this total, ¥5,014 million, an increase of 6.7%, was allocated to the food segment to advance development of new products based on comprehensive fundamental technological R&D for flavor, nutrition, function, product quality, safety, and production technologies. In the Service and Others segment, we narrowed our research theme selection and concentration, and allocated research funds of ¥2,556 million, 5.2% less from the previous year, primarily for R&D activity in the pharmaceuticals field.

Business Risk and Other Risk

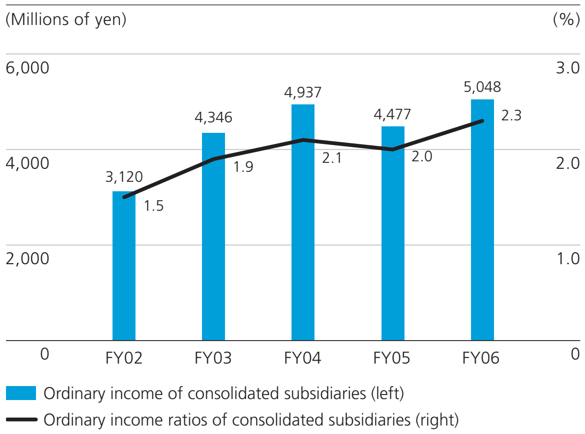
The following section discusses various risk factors that have the potential to impact the Group's business results and financial position and materially influence investor opinion of our company performance. The potential future risks presented herein are those that our Group has determined to be important at the date submitted the financial report.

Net Sales of Consolidated Subsidiaries



* Net sales and ordinary income of consolidated subsidiaries are calculated as the difference between consolidated sales and non-consolidated sales of Meiji Dairies' Group.

Ordinary Income and Ordinary Income Ratios of Consolidated Subsidiaries



1) Weather

Weather has the potential to affect our ice cream, city milk and beverages segments. Cool summer weather, in particular, can cause sales in these segments to decline, which may negatively impact the Group's business results and financial position.

2) Dairy Products and Farming Industries

Excessive product inventories of nonfat dry milk due to lower demand for drinking milk and processed milk, WTO (World Trade Organization) negotiations to liberalize imports of milk products, and changes in the market environment due to the effects of Japan's aging society with fewer birthrates have the potential to influence our business results. The Provisional Law on Subsidies for Producers of Milk for Manufacturing Use, which is an important legislation, sets clear guidelines for dairy operation policies, including transaction prices for raw milk. Changes to the law's guidelines for volume limitations, subsidy unit rate, or other elements would have the potential to impact aspects of our business operations, such as raw materials procurement costs.

3) Overseas Raw Materials and Packaging Prices

Increases in prices of overseas raw materials for cheese due to restricted demand and the depreciation of the yen, of overseas sugar, coffee or juices caused by bad weather, and of packaging materials due to rising crude oil prices or other factors have the potential to effect on our business results.

4) Food Safety

Food safety and quality control are strongly demanded of the food industry. The Group has established the Food Safety Committee to take all possible measures to ensure the safety of the products developed by our Corporation and to create preventive measures against any foreseeable risks in all of our manufacturing processes. We have also entered into commitment-line contracts with seven financial institutions for a total of ¥20 billion to procure funds in the event of emergencies due to acts of food terrorism or product incidents.

However, society-wide product quality problems exceeding the scope of the efforts described above would have the potential to effect on our business results.

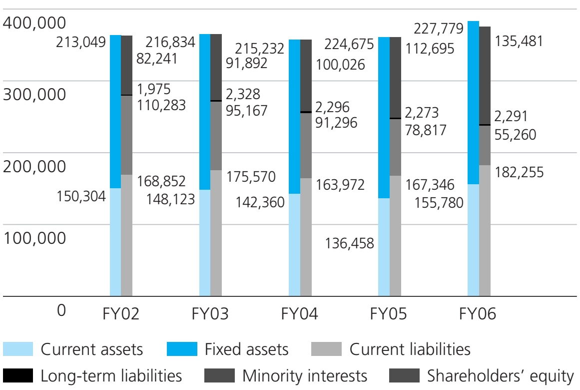
5) Information Security

Information security incidents have occurred in recent years in Japan involving leaks of private individual information or unauthorized system access to information systems. As a corporate entity, the Corporation recognizes this is an important issue in terms of our social responsibility and from the perspective of the protection of our Corporation. We have responded by establishing the Information Security Committee and adopting a comprehensive information security policy. Despite our efforts, an unanticipated information security incident in the future may have the potential to effect on our business results

The Risk Compliance Committee was established in March 2004 to formulate a risk management system that includes preparatory and preventive compliance that may be necessary in emergency situations as well during standard operations. The committee also works to enhance the traditional crisis management system.

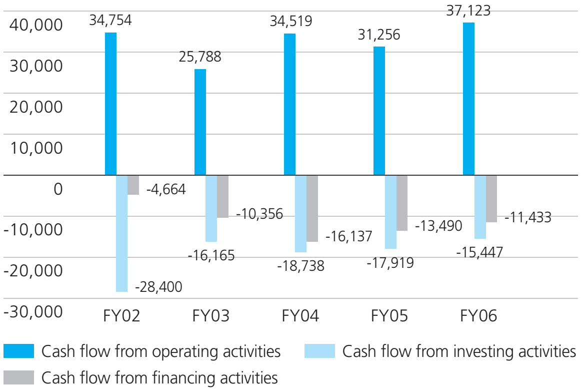
Breakdown of Total Assets, Total Liabilities and Shareholders' Equity

(Millions of yen)



Cash Flow

(Millions of yen)



CONSOLIDATED BALANCE SHEETS

Meiji Dairies Corporation and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2007**	2006	**2007**
Current assets:			
Cash (Note 13)	**¥ 13,877**	¥ 3,638	**$ 117,514**
Notes and accounts receivable (Note 11):			
Trade	**90,036**	81,210	**762,443**
Unconsolidated subsidiaries and affiliates	**1,764**	1,552	**14,939**
Others	**5,508**	3,760	**46,649**
Allowance for doubtful accounts	**(452)**	(666)	**(3,831)**
Inventories (Note 4)	**34,653**	36,967	**293,451**
Deferred income tax (Note 8)	**6,933**	6,886	**58,711**
Other current assets	**3,459**	3,110	**29,292**
Total current assets	**155,780**	136,458	**1,319,171**
Property, plant and equipment (Notes 5, 7)	**406,946**	401,092	**3,446,067**
Less-Accumulated depreciation	**(234,349)**	(228,490)	**(1,984,502)**
Net property, plant and equipment	**172,596**	172,602	**1,461,565**
Investments and other noncurrent assets:			
Investments securities:			
Unconsolidated subsidiaries and affiliates	**4,640**	5,664	**39,299**
Others (Note 7)	**29,476**	29,153	**249,612**
Long-term loans	**1,357**	1,429	**11,492**
Intangible assets	**4,119**	3,573	**34,880**
Deferred income tax (Note 8)	**444**	369	**3,764**
Others	**16,082**	12,853	**136,192**
Allowance for doubtful accounts	**(937)**	(970)	**(7,941)**
Total investments and other noncurrent assets	**55,183**	52,072	**467,300**
Total assets	**¥ 383,560**	¥ 361,134	**$ 3,248,036**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS' EQUITY	Millions of yen 2007	2006	Thousands of U.S. dollars 2007
Current liabilities:			
Short-term loans payable			
(including current portion of long-term debt) (Notes 6, 7)	**¥ 46,653**	¥ 52,785	**$ 395,066**
Notes (Note 11) and accounts payable:			
Trade	**69,931**	61,063	**592,187**
Unconsolidated subsidiaries and affiliates	**3,355**	2,683	**28,412**
Income taxes payable	**3,680**	3,273	**31,165**
Accrued liabilities	**32,841**	29,769	**278,108**
Reserve for directors' and statutory auditors' bonuses	**35**	—	**296**
Other current liabilities	**25,758**	17,771	**218,125**
Total current liabilities	**182,255**	167,346	**1,543,362**
Long-term Liabilities:			
Long-term debt, less current portion (Notes 6, 7)	**39,633**	63,690	**335,620**
Deferred income taxes (Note 8)	**9,984**	9,253	**84,553**
Employees' retirement benefits (Note 10)	**4,012**	4,602	**33,981**
Reserve for directors' retirement benefits	**837**	—	**7,092**
Other long-term liabilities	**791**	1,271	**6,702**
Total long-term liabilities	**55,260**	78,817	**467,949**
Contingent Liabilities (Note 12)			
Net Assets			
Shareholders' equity:			
Common stock, no par value in 2007 and 2006:			
Authorized—560,000,000 shares			
Issued 2007—329,648,786 shares, 2006—296,648,786 shares	**33,646**	23,090	**284,919**
Additional paid-in capital	**31,993**	21,434	**270,923**
Retained earnings	**70,407**	58,505	**596,221**
Treasury stock, at cost— 2007 - 1,032,639 shares,			
2006 - 834,195 shares	**(566)**	(394)	**(4,795)**
Total shareholders' equity	**135,481**	102,635	**1,147,269**
Valuation and translation adjustments			
Net unrealized gains on investments in securities	**8,272**	10,059	**70,049**
Minority interests	**2,291**	2,273	**19,405**
Total net assets	**146,044**	114,967	**1,236,724**
Total liabilities and net assets	**¥ 383,560**	¥ 361,134	**$ 3,248,036**

CONSOLIDATED STATEMENTS OF INCOME

Meiji Dairies Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Net sales	**¥ 702,750**	¥ 710,908	**$ 5,950,973**
Cost of sales (Note 15)	**502,635**	515,712	**4,256,380**
Gross profit	**200,114**	195,195	**1,694,593**
Selling, general and administrative expenses (Notes 14, 15)	**176,517**	175,205	**1,494,770**
Operating income	**23,597**	19,989	**199,822**
Other income (expenses):			
Interest and dividend income	**557**	639	**4,718**
Amortization of consolidation differences	**—**	179	**—**
Amortization of negative goodwill	**169**	—	**1,431**
Equity in income of affiliates	**116**	30	**988**
Interest expenses	**(989)**	(1,057)	**(8,380)**
Other, net	**(2,023)**	(649)	**(17,135)**
Income before income taxes	**21,426**	19,133	**181,445**
Income taxes			
Current	**5,878**	6,081	**49,781**
Deferred	**1,824**	2,901	**15,446**
Minority interests	**15**	95	**130**
Net income	**¥ 13,708**	¥ 10,055	**$ 116,087**

	Yen		U.S. dollars
	2007	2006	**2007**
Amounts per share of common stock:			
Net income	**¥ 42.81**	¥ 33.86	**$ 0.363**
Cash dividends	**10.00**	7.00	**0.085**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Meiji Dairies Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Numbers of shares of common stock (thousands)	Millions of yen								
		Shareholders' equity					Valuation and translation adjustments	Minotiry interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on investments in securities		
Balance at March 31, 2005	296,648	¥ 23,090	¥ 21,432	¥ 50,260	¥ (303)	¥ 94,480	¥ 5,546	¥ 2,296	¥ 102,323
Changes during the fiscal period									
Directors' and statutory auditors' bonuses	—	—	—	(35)	—	(35)	—	—	(35)
Cash dividends	—	—	—	(1,775)	—	(1,775)	—	—	(1,775)
Net income	—	—	—	10,055	—	10,055	—	—	10,055
Acquisition of treasury stocks	—	—	—	—	(97)	(97)	—	—	(97)
Disposal of treasury stocks	—	—	2	—	6	9	—	—	9
Others	—	—	—	—	—	—	4,512	(22)	4,489
Total changes during the fiscal period	—	—	2	8,244	(90)	8,156	4,512	(22)	12,646
Balance at March 31, 2006	296,648	23,090	21,434	58,505	(394)	102,636	10,059	2,273	114,969
Changes during the fiscal period									
Issuance of new shares	**33,000**	**10,556**	**10,556**	**—**	**—**	**21,112**	**—**	**—**	**21,112**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(35)**	**—**	**(35)**	**—**	**—**	**(35)**
Cash dividends	**—**	**—**	**—**	**(2,169)**	**—**	**(2,169)**	**—**	**—**	**(2,169)**
Net income	**—**	**—**	**—**	**13,708**	**—**	**13,708**	**—**	**—**	**13,708**
Increase in companies accounted for under the equity method	**—**	**—**	**—**	**424**	**—**	**424**	**—**	**—**	**424**
Decrease by sales of subsidiary company's stocks	**—**	**—**	**—**	**(26)**	**—**	**(26)**	**—**	**—**	**(26)**
Acquisition of treasury stocks	**—**	**—**	**—**	**—**	**(176)**	**(176)**	**—**	**—**	**(176)**
Disposal of treasury stocks	**—**	**—**	**2**	**—**	**4**	**6**	**—**	**—**	**6**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**(1,787)**	**17**	**(1,769)**
Total changes during the fiscal period	**33,000**	**10,556**	**10,558**	**11,902**	**(172)**	**32,844**	**(1,787)**	**17**	**31,075**
Balance at March 31, 2007	**329,648**	**¥ 33,646**	**¥ 31,993**	**¥ 70,407**	**¥ (566)**	**¥ 135,481**	**¥ 8,272**	**¥ 2,291**	**¥ 146,044**

	Numbers of shares of common stock (thousands)	Thousands of U.S. dollars								
		Shareholders' equity					Valuation and translation adjustments	Minotiry interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on investments in securities		
Balance at March 31, 2006	296,648	$195,530	$181,514	$495,430	$(3,337)	$ 869,137	$ 85,184	$19,255	$ 973,577
Changes during the fiscal period									
Issuance of new shares	**33,000**	**89,389**	**89,389**	**—**	**—**	**178,779**	**—**	**—**	**178,779**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(296)**	**—**	**(296)**	**—**	**—**	**(296)**
Cash dividends	**—**	**—**	**—**	**(18,372)**	**—**	**(18,372)**	**—**	**—**	**(18,372)**
Net income	**—**	**—**	**—**	**116,087**	**—**	**116,087**	**—**	**—**	**116,087**
Increase in companies accounted for under the equity method	**—**	**—**	**—**	**3,595**	**—**	**3,595**	**—**	**—**	**3,595**
Decrease by sales of subsidiary company's stocks	**—**	**—**	**—**	**(223)**	**—**	**(223)**	**—**	**—**	**(223)**
Acquisition of treasury stocks	**—**	**—**	**—**	**—**	**(1,493)**	**(1,493)**	**—**	**—**	**(1,493)**
Disposal of treasury stocks	**—**	**—**	**19**	**—**	**35**	**54**	**—**	**—**	**54**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**(15,134)**	**149**	**(14,985)**
Total changes during the fiscal period	**33,000**	**89,389**	**89,409**	**100,791**	**(1,457)**	**278,132**	**(15,134)**	**149**	**263,147**
Balance at March 31, 2007	**329,648**	**$284,919**	**$270,923**	**$596,221**	**$(4,795)**	**$1,147,269**	**$ 70,049**	**$19,405**	**$1,236,724**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Meiji Dairies Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income tax and minority interests	**¥ 21,426**	¥ 19,133	**$ 181,445**
Depreciation	**19,853**	20,481	**168,119**
Amortization of consolidation differences	**—**	(179)	**—**
Amortization of negative goodwill	**(169)**	—	**(1,431)**
Provision for retirement benefits	**(5,017)**	(7,221)	**(42,486)**
Interest and dividend income	**(557)**	(639)	**(4,718)**
Interest expenses	**989**	1,057	**8,380**
Gain (loss) on sale and disposal of property	**1,042**	1,675	**8,831**
Gain (loss) on sale and revaluation of securities	**203**	(129)	**1,722**
(Increase) decrease in notes and accounts receivable	**(9,192)**	1,044	**(77,840)**
(Increase) decrease in inventories	**2,204**	2,660	**18,668**
Increase (decrease) in notes and accounts payable	**9,645**	(948)	**81,681**
Increase (decrease) in accrued expense	**3,151**	517	**26,688**
Others	**(544)**	1,065	**(4,610)**
Sub-total	**43,037**	38,517	**364,450**
Cash received for interest and dividend	**561**	643	**4,753**
Cash paid for interest	**(1,004)**	(1,080)	**(8,505)**
Cash paid for income tax	**(5,471)**	(6,823)	**(46,335)**
Net cash provided by operating activities	**37,123**	31,256	**314,363**
Cash flows from investing activities:			
Purchases of property, net of proceeds	**(10,641)**	(17,513)	**(90,115)**
Proceeds from sale (payments for purchases) of securities	**(1,994)**	(2,345)	**(16,888)**
Others	**(2,811)**	1,939	**(23,807)**
Net cash used in investing activities	**(15,447)**	(17,919)	**(130,810)**
Cash flows from financing activities:			
Proceeds from long-term debt	**4,400**	3,680	**37,259**
Repayment of long-term debt	**(19,701)**	(17,807)	**(166,837)**
Payment for redemption of bonds	**(600)**	—	**(5,080)**
Proceeds from issuance of shares	**21,112**	—	**178,779**
Cash dividends paid	**(2,169)**	(1,775)	**(18,371)**
Net increase (decrease) in short-terms loans payable	**(14,286)**	2,508	**(120,981)**
Others	**(187)**	(96)	**(1,585)**
Net cash provided by (used in) financing activities	**(11,433)**	(13,490)	**(96,817)**
Net increase (decrease) in cash and cash equivalents	**10,242**	(153)	**86,734**
Cash and cash equivalents at beginning of year	**3,621**	3,774	**30,664**
Cash and cash equivalents at end of year	**¥ 13,863**	¥ 3,621	**$ 117,398**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Dairies Corporation (the "Company") and subsidiary companies have been prepared from the consolidated financial statements in Japanese filed with the Kanto Local Finance Bureau as required by the Securities and Exchange Law of Japan. The statements conform to generally accepted accounting principles and practices in Japan, which are different in certain respects regarding the application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations or cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to present the information in a form familiar to readers outside Japan. The accounts and the financial statements of the Company and its subsidiaries are maintained in Japanese yen. For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the exchange rate of ¥118.09 to $1 prevailing on March 31, 2007. Amounts less than one million yen and one thousand U.S. dollars have been rounded down. The total Japanese yen and U.S. dollars amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (the "Companies") over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has ability to exercise significant influences over operating and financial policies are accounted for using the equity method. The consolidated financial statements consist of the Company and its 24 significant subsidiaries in fiscal 2007 (25 significant subsidiaries in fiscal 2006). Meiji Dairies sold its shareholdings in consolidated subsidiary Meiji Agris Co., Ltd., on August 31, 2006. The company consequently is not included in the scope of consolidation for fiscal 2007. The consolidated financial statements reflect a material effect on profits and losses by the end of June 2006. The Company sold its shareholdings of consolidated subsidiary Tokyo Meiji Foods Co., Ltd., on April 28, 2006, which merged with consolidated subsidiary Fresh Network Systems Co., Ltd. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries with business year-ends differing by three months from March 31 have been included using financial information with appropriate adjustment. Investments in three (two in 2006) affiliates are accounted on using the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates accounted for by the equity method is amortized over 5 years on a straight-line basis.

b) Translation of Foreign Currency Accounts

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date.

c) Securities

Securities other than equity investments in affiliates (investment securities) are measured at fair value. The difference between the fair value and the historical cost is recorded in the category of net assets, net of applicable taxes. The historical cost is determined by the moving average method. Securities with no market prices are stated at their historical cost.

d) Inventories

Inventories are stated principally at cost using the moving average method.

e) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost. Depreciation of Property, Plant and Equipment has been provided by the declining-balance method over estimated useful lives as designated in the Japanese Income Tax Law. However, depreciation of building for leasing acquired after April 1, 1985 has been provided based on the straight-line method. Also, depreciation of buildings newly acquired after April 1, 1998 as well as the Moriya plant, the Tohoku plant, the Kyushu plant, the Kansai plant, and the Head and Tokyo offices has been provided based on the straight-line method. The estimated useful lives for the assets were as follows:

Buildings and structures	2-60 years
Machinery, equipment and vehicles	2-26 years
Tools and furniture	2-22 years

f) Intangible Assets

Depreciation of intangible assets is calculated using the straight-line method. Self-use software is calculated by the straight-line method based on the estimated useful lives of five years.

g) Allowance for Doubtful Accounts

To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual designated accounts, such as credits from companies in danger of bankruptcy.

h) Retirement Benefit

The reserve for retirement benefits represents the estimated payment amount at the end of the consolidated fiscal year based on the projected sum of retirement benefits and pension payments at the end of the consolidated fiscal year. The cost differential (¥10,939 million) from adoption of revised accounting standards is amortized on a straight-line basis over a period of 15 years. The unrecognized actuarial loss is amortized on a straight-line basis over a fixed number of years (principally 14 years) within the estimated average remaining service years of employees. The unrecognized prior service cost is amortized on a straight-line basis over a fixed number of years (principally 7 years) within the estimated average remaining service years of employees.

i) Reserve for Bonuses of Directors and Corporate Auditors

The Company and some of its consolidated subsidiaries maintain a reserve for director bonuses of directors and corporate auditors based on the projected obligation at the end of the current fiscal year.

j) Reserve for Retirement Benefits for Directors and Corporate Auditors

The Company and some of its consolidated subsidiaries maintain a reserve for director retirement benefits of directors and corporate auditors based on the projected obligation at the end of the current fiscal year under the company bylaws.

k) Deferred Charges

Expenses, which can be deferred under the Commercial Code of Japan, are charged to income as expended.

l) Cash and Cash Equivalents

Cash and Cash equivalents in the consolidated statements of cash flows are composed of cash on hands, bank deposits available for withdrawn on demand and short-term investments with original maturity of three months or less and which represent a minor risk of fluctuations in value.

m) Lease

Under the Japanese accounting standards for leases, finance leases are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance lease are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

n) Income Taxes

The tax effect of temporary differences between the financial statements and income tax basis of assets and liabilities is recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is provided for any portion of the deferred tax assets where they would not be realized.

o) Derivative Financial Instruments

The Company and certain subsidiaries use derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange contracts and foreign currency options are utilized to reduce the risk from foreign exchange fluctuation. Interest rate swaps are utilized to reduce the risk from interest rate fluctuation risks. Such derivative financial instruments are recognized as either assets or liabilities in the consolidated balance sheets and measured at fair value and such gains and losses are recognized in the consolidated statements of income.

p) Net Income Per Share

Net income per share is computed on the average number of shares of common stock outstanding during each fiscal year.

q) Presentation of Net Assets in the Balance Sheets

Beginning in the fiscal year ended March 31, 2007, the Company has applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards for Business Enterprises No.5, December 9, 2005) and the Application Guideline for the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards for Business Enterprises No.8, December 9, 2005). The amount equivalent to the total of the conventional "Assets" section is ¥143,753 million. Net assets in the consolidated balance sheets for the current consolidated fiscal year are prepared in accordance with the revised regulations.

r) Amortization of Goodwill Arising from Consolidation

"Amortization of consolidation adjustment account" appearing in previous year consolidated accounting statements is presented in the current year as "Amortization of negative goodwill".

s) Change in Accounting Policy

1) Accounting Method for Director Bonuses

Beginning in the consolidated fiscal year ended March 31, 2007, the Company applies the Accounting Method for Director Bonuses (Corporate Accounting Standard No. 4, November 29, 2005). Application of this accounting method reduced each of operating income, ordinary income, and income before income taxes by ¥35 million ($296 thousand).

2) Reserve for Retirement Benefits for Directors

Retirement benefits for directors were previously accounted primarily as expenses at the time of payment. The previous system was abolished as authorized at the General Meeting of Shareholders in June 2007 and has been replaced with the current customary practice of maintaining a reserve amount for retirement benefits for directors. Amounts payable to directors upon retirement are based on time in office and are subject to the approval of shareholders. To provide accurate representation in the balance sheet and maintain a healthy financial composition, the Company and some of its consolidated subsidiaries accounted for a reserve for retirement benefits for directors based on the projected obligation at the end of the current fiscal year. Application of this accounting method reduced income before taxes by ¥774 million ($6,559 thousand).

3. Securities

Investment in securities in the consolidated balance sheets for fiscal 2007 is presented as a valuation loss of ¥13 million. The impairment accounting method is used for all assets for which the estimated value is 50% or below than the acquisition value. The impairment accounting method is used for assets for which the estimated value is 30-50% below the acquisition value with consideration of the importance of the amount, the potential for recovery, and other factors.

Securities sold during the fiscal year under review and securities without a market price were considered insignificant and are not reported in the balance sheets. The current portion of bonds (financial bonds to be redeemed within a one-year period) amounted to ¥11 million.

	Millions of yen		
Consolidated fiscal year ending March 31, 2007	Acquisition cost	Amount shown on the consolidated balance sheet	Difference
Securities with market prices exceeding acquisition costs:			
Stock	**¥ 12,024**	**¥ 26,049**	**¥ 14,025**
Sub-total	**12,024**	**26,049**	**14,025**
Securities with market prices falling below acquisition costs:			
Stocks	**497**	**423**	**(74)**
Sub-total	**497**	**423**	**(74)**
Total	**¥ 12,521**	**¥ 26,473**	**¥ 13,951**

	Millions of yen		
Consolidated fiscal year ending March 31, 2006	Acquisition cost	Amount shown on the consolidated balance sheet	Difference
Securities with market prices exceeding acquisition costs:			
Stock	¥ 10,308	¥ 27,282	¥ 16,974
Sub-total	10,308	27,282	16,974
Securities with market prices falling below acquisition costs:			
Stocks	122	109	(12)
Bonds	11	11	0
Sub-total	133	121	(12)
Total	¥ 10,442	¥ 27,404	¥ 16,961

	Thousands of U.S.dollars		
Consolidated fiscal year ending March 31, 2007	Acquisition cost	Amount shown on the consolidated balance sheet	Difference
Securities with market prices exceeding acquisition costs:			
Stock	**$ 101,822**	**$ 220,593**	**$ 118,770**
Sub-total	**101,822**	**220,593**	**118,770**
Securities with market prices falling below acquisition costs:			
Stocks	**4,214**	**3,582**	**(631)**
Sub-total	**4,214**	**3,582**	**(631)**
Total	**$ 106,037**	**$ 224,176**	**$ 118,139**

4. Inventories

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Finished goods and merchandise	**¥ 24,445**	¥ 26,176	**$ 207,003**
Raw materials and supplies, others	**10,208**	10,791	**86,447**
Total	**¥ 34,653**	¥ 36,967	**$ 293,451**

5. Property, Plant and Equipment

Fixed assets at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Land	**¥ 43,854**	¥ 43,415	**$ 371,365**
Buildings and structures	**62,151**	66,203	**526,302**
Machinery, equipment and vehicles	**47,294**	52,888	**400,494**
Tools and furniture	**9,258**	9,112	**78,403**
Construction in progress	**10,037**	982	**84,999**
Total	**¥ 172,596**	¥ 172,602	**$ 1,461,565**

6. Short-Term Debt and Long-Term Debt

1) Short-Term Debt

The weighted average interest rate of short-term bank loans were 1.08% and 0.55% for the year ended March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Short-term loans	**¥ 16,653**	¥ 36,185	**$ 141,023**
1.13% yen bonds due March 12, 2007	**—**	600	**—**
1.08% yen bonds due May 10, 2007	**20,000**	—	**169,362**
Commercial paper	**10,000**	16,000	**84,681**
Total	**¥ 46,653**	¥ 52,785	**$ 395,066**

2) Long-Term Debt

Long-term debt at March 31, 2007 and 2006 were summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
1.08% yen bonds due May 10, 2007	**¥ —**	¥ 20,000	**$ —**
0.81% yen bonds due June 10, 2009	**15,000**	15,000	**127,022**
Loans from domestic banks, insurance companies, government agencies and others	**32,306**	47,608	**273,574**
Less portion due within one year	**(7,672)**	(18,917)	**(64,975)**
Total	**¥ 39,633**	¥ 63,690	**$ 335,620**

The aggregate annual maturities of long-term debt excluding bonds at March 31, 2007 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S.dollars
2008	**¥ 6,125**	**$ 51,875**
2009	**5,119**	**43,352**
2010	**5,626**	**47,647**
2011 and after	**7,761**	**65,723**
Total	**¥ 24,633**	**$ 208,598**

7. Collateral and Secured Liability

Assets pledged as collateral for liability at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Buildings and structures	**¥ 9,269**	¥ 11,658	**$ 78,493**
Machinery, equipment and vehicles	**7,777**	9,289	**65,862**
Tools and furniture	**69**	89	**588**
Land	**8,690**	14,339	**73,593**
Investment securities	**3,492**	4,009	**29,571**
Total	**¥ 29,299**	¥ 39,386	**$ 248,109**

Liability secured by the above assets at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Short-term loans	**¥ 1,360**	¥ 4,976	**$ 11,520**
Long-term loans (current portion)	**1,967**	2,153	**16,663**
Long-term loans	**10,529**	13,459	**89,162**
Employees' saving deposit	**2,467**	2,560	**20,897**
Total	**¥ 16,325**	¥ 23,150	**$ 138,244**

8. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Deferred tax assets			
Retirement benefit	**¥ 927**	¥ 1,013	**$ 7,853**
Accrued bonus	**2,778**	2,689	**23,530**
Unrealized gain	**1,183**	1,147	**10,021**
Accrued expense	**1,187**	987	**10,056**
Depreciation	**1,137**	1,028	**9,636**
Accrued enterprise taxes	**304**	343	**2,582**
Loss carryforward	**1,723**	2,160	**14,596**
Other	**830**	1,533	**7,029**
Subtotal deferred tax assets	**10,073**	10,903	**85,305**
Valuation allowance	**(1,593)**	(2,398)	**(13,496)**
Total deferred tax assets	**8,479**	8,504	**71,809**
Deferred tax liabilities			
Tax deductible reserve	**(3,393)**	(3,429)	**(28,734)**
Net unrealized gains on investments securities	**(5,631)**	(6,846)	**(47,689)**
Prepaid pension cost	**(1,853)**	—	**(15,688)**
Other	**(209)**	(226)	**(1,774)**
Total deferred tax liabilities	**(11,086)**	(10,502)	**(93,885)**
Net deferred tax assets	**¥ (2,607)**	¥ (1,997)	**$ (22,076)**

9. Lease Transaction

The companies lease certain tools and furniture and other assets. Amounts of equivalent to acquisition costs, accumulated depreciation and net book value as of March 31, 2007 and 2006 concerning the finance lease assets which do not transfer ownership to lessees were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Acquisition costs	**¥ 16,565**	¥ 22,502	**$ 140,281**
Accumulated depreciation	**9,621**	13,644	**81,478**
Net book value	**¥ 6,936**	¥ 8,857	**$ 58,737**

The amounts of outstanding future lease payments at March 31, 2007 and 2006, excluding interest, were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Within one year	**¥ 3,078**	¥ 3,780	**$ 26,069**
Over one year	**4,163**	5,492	**35,255**
Total	**¥ 7,241**	¥ 9,273	**$ 61,325**

Lease expenses paid and amounts equivalent to depreciation expenses and interest expenses during the year 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Lease expenses paid	**¥ 4,112**	¥ 5,500	**$ 34,827**
Depreciation expenses	**3,810**	5,090	**32,270**
Interest expenses	**175**	219	**1,487**

Amounts equivalent to depreciation expenses are calculated by straight-line method over the period of finance lease. Amounts equivalent to interest expenses are calculated by the interest method based on an excess of the aggregate sum of lease payments over amounts equivalent to acquisition costs.

10. Retirement Benefits

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ (75,280)**	¥ (78,410)	**$ (637,488)**
Fair value of plan assets	**64,475**	63,455	**545,983**
Unrecognized transitional obligation	**5,757**	6,477	**48,750**
Unrecognized actuarial loss	**14,766**	14,244	**125,046**
Unrecognized prior service cost	**(4,635)**	(5,732)	**(39,257)**
Net liability	**5,082**	34	**43,037**
Prepaid pension cost	**9,095**	4,637	**77,018**
Employees' retirement benefits	**¥ (4,012)**	¥ (4,602)	**$ (33,981)**

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Service cost	**¥ 1,447**	¥ 1,463	**$ 12,256**
Interest cost	**1,897**	2,129	**16,070**
Expected return on plan assets	**(1,742)**	(1,667)	**(14,754)**
Amortization of transitional obligation	**711**	711	**6,026**
Recognition of actuarial gain/loss	**1,730**	2,665	**14,654**
Additional retirement payments and others	**(1,107)**	(1,005)	**(9,382)**
Net periodic benefit costs	**¥ 2,937**	¥ 4,296	**$ 24,871**

Assumption used for the year ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Periodic recognition of projected benefit obligation	**Straight-line method**	Straight-line method
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**Principally 3.5%**	Principally 3.5%
Recognition period of actuarial gain/loss	**Principally 14 years**	Principally 14 years
Amortization period of transitional obligation	**15 years**	15 years
Amortization period of prior service cost	**Principally 7 years**	Principally 7 years

11. Effect of Bank Holiday on March 31, 2007

In case the balance sheet date is bank holiday, note maturing on the balance sheet date were settled on the following business day and accounted for accordingly.

Note receivable	¥459 million ($3,886 thousand)
Note payable	¥735 million ($6,224 thousand)

12. Contingent Liabilities

Contingent liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Guaranteed financial obligations			
PT. INDOMEIJI Dairy Food	**¥ —**	¥ 28	**$ —**
Sendai Feed Co., Ltd	**160**	160	**1,355**
Meiji Beverage Co., Ltd	**98**	115	**833**
Tonyu Logistic Service Co., Ltd	**35**	—	**296**
Letter of awareness	**95**	84	**808**
Notes receivable endorsed	**—**	30	**—**

13. Cash and Cash Equivalents

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Cash	**¥ 13,877**	¥ 3,638	**$ 117,514**
Fixed term deposits over 3 months	**(13)**	(17)	**(115)**
Cash and cash equivalents	**¥ 13,863**	¥ 3,621	**$ 117,398**

14. Selling, General and Administrative Expenses

Principal Selling, general and administrative expenses for the fiscal years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Carriage and storage charges	**¥ 28,807**	¥ 28,927	**$ 243,947**
Sales promotion expenses	**51,772**	49,942	**438,414**
Labor cost	**38,120**	38,199	**322,807**
Employees retirement benefits cost	**1,929**	2,763	**16,336**

15. Research and Development Expense

Research and development expense which were included in manufacturing expense, selling, general and administrative expenses for the fiscal years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Research and development expense	**¥ 7,570**	¥ 7,398	**$ 64,107**

16. Segment Information

Information about industry segments for the fiscal years ended March 31, 2007 and 2006 was as follows:

	Millions of yen Consolidated Accounting for Current Fiscal Year April 1, 2006 to March 31, 2007				
	Foods	Service/Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
(1) Sales to customers	**¥ 594,815**	**¥ 107,935**	**¥ 702,750**	**¥ —**	**¥ 702,750**
(2) Intersegment sales	**1,793**	**43,258**	**45,051**	**(45,051)**	**—**
Total	**¥ 596,608**	**¥ 151,193**	**¥ 747,802**	**¥ (45,051)**	**¥ 702,750**
Operating expenses	**576,586**	**147,732**	**724,318**	**(45,165)**	**679,153**
Operating income	**20,022**	**3,460**	**23,483**	**113**	**23,597**
Assets,depreciation, loss on impairment and capital expenditures					
Assets	**306,393**	**67,340**	**373,734**	**9,826**	**383,560**
Depreciation	**15,191**	**4,661**	**19,853**	**—**	**19,853**
Impairment loss	**13**	**—**	**13**	**—**	**13**
Capital expenditures	**21,557**	**6,995**	**28,553**	**—**	**28,553**

	Millions of yen Consolidated Accounting for Current Fiscal Year April 1, 2005 to March 31, 2006				
	Foods	Service/Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
(1) Sales to customers	¥ 604,012	¥ 106,895	¥ 710,908	¥ —	¥ 710,908
(2) Intersegment sales	1,800	42,347	44,148	(44,148)	—
Total	¥ 605,813	¥ 149,243	¥ 755,056	¥ (44,148)	¥ 710,908
Operating expenses	589,343	145,725	735,069	(44,151)	690,918
Operating income	16,469	3,517	19,986	2	19,989
Assets,depreciation, loss on impairment and capital expenditures					
Assets	271,230	89,730	360,960	173	361,134
Depreciation	16,050	4,431	20,481	—	20,481
Impairment loss	244	96	340	—	340
Capital expenditures	15,676	5,268	20,945	—	20,945

	Thousands of U.S.dollars Consolidated Accounting for Current Fiscal Year April 1, 2006 to March 31, 2007				
	Foods	Service/Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
(1) Sales to customers	**$ 5,036,964**	**$ 914,008**	**$ 5,950,973**	**$ —**	**$ 5,950,973**
(2) Intersegment sales	**15,189**	**366,314**	**381,504**	**(381,504)**	**—**
Total	**$ 5,052,154**	**$ 1,280,323**	**$ 6,332,477**	**$ (381,504)**	**$ 5,950,973**
Operating expenses	**4,882,602**	**1,251,015**	**6,133,618**	**(382,467)**	**5,751,150**
Operating income	**169,551**	**29,307**	**198,859**	**962**	**199,822**
Assets,depreciation, loss on impairment and capital expenditures					
Assets	**2,594,575**	**570,248**	**3,164,824**	**83,212**	**3,248,036**
Depreciation	**128,647**	**39,472**	**168,119**	**—**	**168,119**
Impairment loss	**110**	**—**	**110**	**—**	**110**
Capital expenditures	**182,551**	**59,240**	**241,792**	**—**	**241,792**

REPORT OF INDEPENDENT AUDITORS

THE FUJI ACCOUNTING OFFICE

Shin-Tokyo Bldg.3-1-633,
Marunouchi 3-chome,Tokyo
Japan, 100-0005

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Meiji Dairies Corporation

We have audited the accompanying consolidated balance sheets of Meiji Dairies Corporation and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meiji Dairies Corporation and its subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

1. As described in Note 2,s),1), the Company has adopted new accounting method for director's bonuses.
2. As described in Note 2,s),2), the Company and some of its consolidated subsidiaries changed the accounting policy of the reserve for retirement benefit for directors.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1.

The Fuji Accounting Office

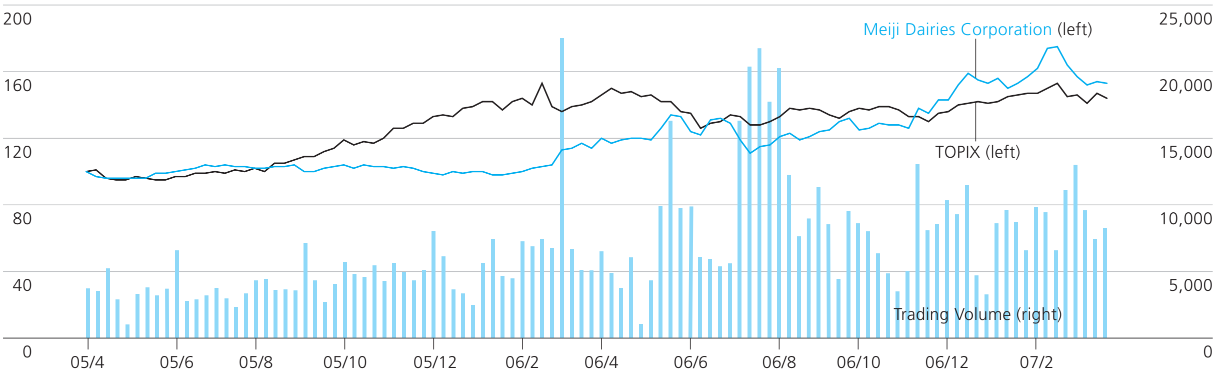
The Fuji Accounting Office

Tokyo, Japan
June 28, 2007

STOCK INFORMATION

Share Performance and Trading Volume

(Index) Note: Meiji Dairies stock prices and TOPIX are indexed as closing rates on April 4, 2005=100. (Thousand shares)

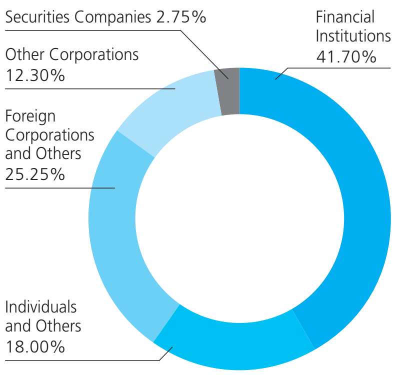


Major Shareholders (As of March 31, 2007)

Name	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,566	5.94
Mizuho bank, Ltd.	14,581	4.42
Japan Trustee Sercvices Bank, Ltd. (Trust Account)	12,251	3.72
Meiji Seika Kaisha, Ltd.	12,211	3.70
Resona bank, Ltd.	11,000	3.34
Nippon Life Insurance Company	10,013	3.04
The Norinchukin bank	8,085	2.45
The Sumitomo Trust & Banking Co.,Ltd.	6,985	2.12
Meijinyugyou Kyoueikai	5,221	1.58
Sompo Japan Insurance Inc.	4,610	1.40
Total	104,527	31.71

Breakdown of Shareholders

(As of March 31, 2007)



CORPORATE DATA

(As of March 31,2007)

Head Office: 1-2-10, Shinsuna, Koto-ku, Tokyo 136-8908, Japan

IR Contact: Phone: 81 (3) 5653-0300
Fax: 81 (3) 5653-0400

Incorporated: December 21, 1917

Paid-in Capital: ¥33,646 million

Common Stock: Total number of authorized shares: 560,000,000

*In accordance with the amendment to the articles of incorporation authorized at the scheduled General Meeting of Shareholders on June 28, 2007, the total number of shares the Corporation is authorized to issue was raised to 800,000,000 shares as of June 28, 2007.

Number of Shareholders: 29,546

Stock Listings: Tokyo, Nagoya

General Meeting of Shareholders: June 28, 2007

Transfer Agent of Common Stock: The Mitsubishi UFJ Trust and Banking Corporation

URL: http://www.meinyu.co.jp/

Number of Employees: (Non-consolidated) 4,339

Meiji Dairies Corporation
1-2-10, Shinsuna, Koto-ku, Tokyo 136-8908 Japan
Phone: +81 (3) 5653-0300
URL: http://www.meinyu.co.jp/

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