



Annual Report **2008**

Meiji Dairies Corporation

« 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.

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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, 2008.



Profile

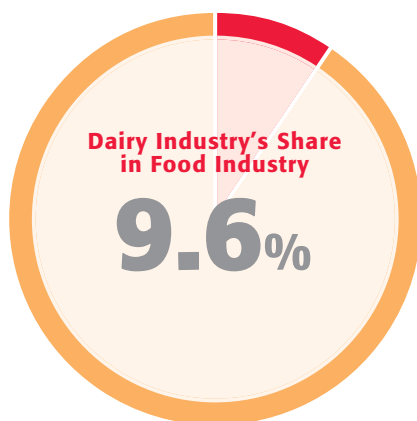
Since its establishment in 1917, Meiji Dairies Corporation has based its corporate activities on the motto of contributing to our customers' "health" by providing products and services on a foundation of milk and processed milk products. Today, as the largest manufacturer of dairy products in Japan,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

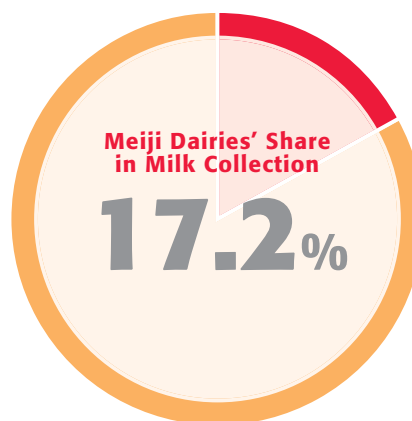
• Meiji Dairies Snapshot

The dairy industry currently represents about 10% of the total ¥23 trillion food industry in terms of shipment value of products.

Here we illustrate the market trend of our main milk products and our position in the industry.

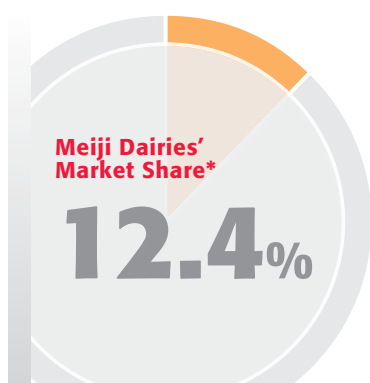


→ Dairy industry's share in food industry in terms of shipment value of products (Ministry of Economy, Trade and Industry Economic Analysis Office Research and Statistics Department, Current Survey of Production)

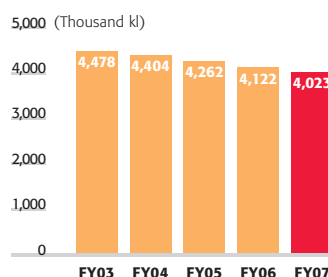


→ Our milk collection's share in the industry (Estimated based on Statistics on Milk and Dairy Products, Ministry of Agriculture, Forestry and Fisheries (MAFF))

Milk Production and Processed Milk Production

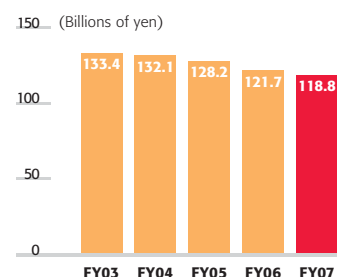


Production in Dairy Industry



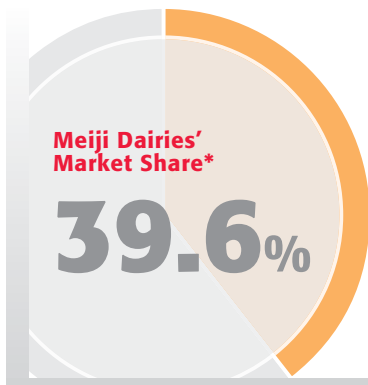
(Statistics on Milk and Dairy Products, Ministry of Agriculture, Forestry and Fisheries (MAFF))

Net Sales



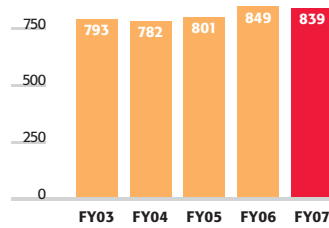
* Estimated

Yogurt



Production in Dairy Industry by Dairy Companies

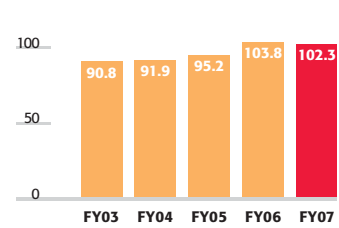
1,000 (Thousand kl)



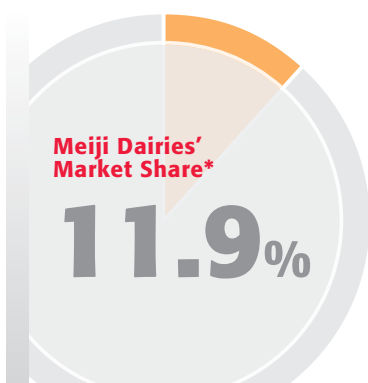
(Statistics on Milk and Dairy Products, Ministry of Agriculture, Forestry and Fisheries (MAFF))

Net Sales

150 (Billions of yen)

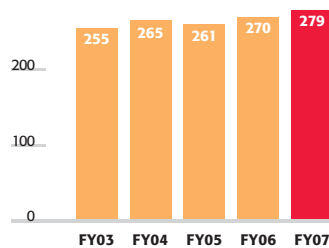


Cheese



Consumption in Dairy Industry

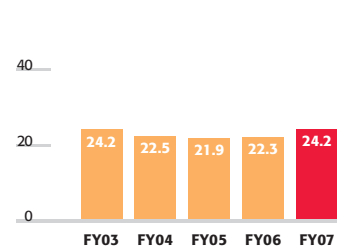
300 (Thousand tons)



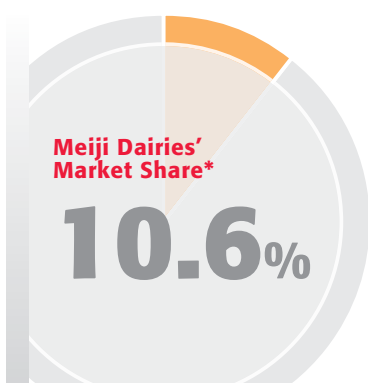
(MAFF Livestock Industry Department, Milk and Dairy Products Division)

Net Sales

60 (Billions of yen)

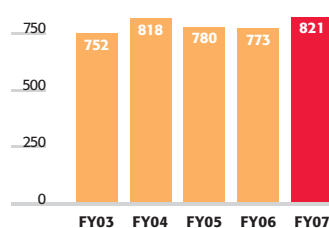


Ice Cream



Sales in Dairy Industry

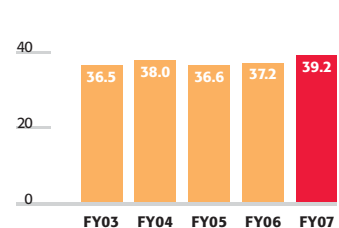
1,000 (Thousand kl)



(Japan Ice Cream Association)

Net Sales

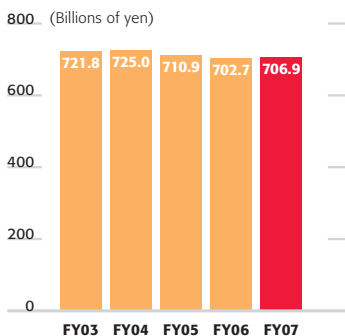
60 (Billions of yen)



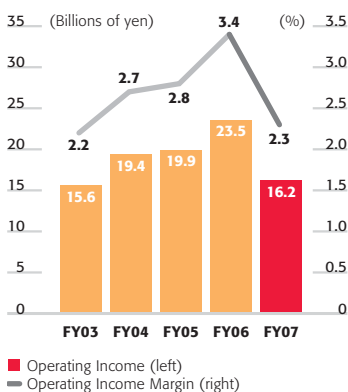
• Financial Highlights (consolidated)

Meiji Dairies and Consolidated Subsidiaries
Years ended March 31

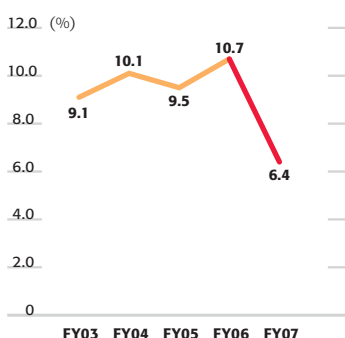
Net Sales



Operating Income and Operating Income Margin



ROE



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

For the fiscal year:

	FY1998	FY1999	FY2000	FY2001
Net sales	¥ 692,303	¥ 689,038	¥ 708,326	¥ 713,979
Cost of sales	500,616	490,278	505,113	519,587
Selling, general and administrative (SG&A) expenses	179,557	184,737	187,771	186,467
Operating income	12,129	14,022	15,441	7,924
Ordinary income (Note 3)	10,747	13,459	14,691	8,007
Net income	3,949	4,626	3,834	2,093

At fiscal year-end:

Total assets	¥ 336,423	¥ 345,435	¥ 366,894	¥ 381,979
Net assets (Note 4)	74,111	76,985	80,802	80,435
Interest-bearing debt (Note 5)	140,776	141,724	135,369	153,040

Per share data (Yen, U.S. dollars):

Net income	¥ 13.31	¥ 15.60	¥ 12.92	¥ 7.06
Net assets (Note 4)	249.83	259.52	272.38	271.18
Cash dividends	6.00	6.00	6.00	6.00

Ratios:

Return on equity (ROE) (%) (Note 6)	5.4	6.1	4.7	2.6
Return on assets (ROA) (%) (Note 7)	1.2	1.3	1.0	0.5
Debt-equity ratio (times) (Note 8)	1.9	1.8	1.7	1.9

Other information:

Number of employees	—	8,681	8,315	8,083
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Notes: 1. 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 = 100.17, the exchange rate prevailing on March 31, 2008.
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

2000

Medium-term Management Plan

- Transformation into a Top Competitor in the 21st Century
— Aiming for No.1 Market Share

Following the decision of the Uruguay Round of the General Agreements on Tariffs and Trade (GATT) to liberalize international trade of milk products, the Company aimed to become a high-profit, high value-added corporation and establish its presence as a leading competitor in the world market by capturing the top share in the city milk segment (milk, yogurt, milk beverages, etc.).

2003

Medium-term Management Plan

- Transformation into an Innovation Leader
— Enhancing Corporate Value and Reorganizing Operations

The Company focused on establishing itself as a leading company and consistent technology and operations innovator. Successful launches of hit products, especially by the milk and yogurt businesses, in the city milk segment expanded market share in the Company's core business fields.

Millions of yen (Unless otherwise noted) (Note 1)						Thousands of U.S. dollars (Unless otherwise noted) (Note 2)	
FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2007	
¥ 732,368	¥ 721,833	¥ 725,024	¥ 710,908	¥ 702,750	¥ 706,988	\$ 7,057,886	
528,996	524,253	522,970	515,712	502,635	516,325	5,154,488	
187,602	181,899	182,637	175,205	176,517	174,400	1,741,046	
15,769	15,680	19,415	19,989	23,597	16,262	162,351	
14,602	15,747	19,081	20,179	23,421	16,065	160,382	
4,050	7,949	9,722	10,055	13,708	9,226	92,109	
¥ 363,353	¥ 364,957	¥ 357,592	¥ 361,134	¥ 383,560	¥ 390,192	\$ 3,895,303	
82,241	91,892	100,026	112,695	146,044	147,425	1,471,756	
150,316	142,351	128,093	116,475	86,286	105,163	1,049,849	
¥ 13.56	¥ 26.74	¥ 32.73	¥ 33.86	¥ 42.81	¥ 28.08	\$ 0.280	
277.55	310.23	337.86	380.85	437.45	441.73	4.410	
6.00	6.00	6.00	7.00	10.00	8.00	0.080	
5.0	9.1	10.1	9.5	10.7	6.4	—	
1.1	2.2	2.7	2.8	3.6	2.3	—	
1.8	1.5	1.3	1.0	0.6	0.7	—	
7,754	7,482	7,370	7,185	7,054	7,134	—	

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

2005

Medium-term Management Plan

- Transformation into an Innovation Leader
 - Establishing the Corporate Brand and a High Profit Structure

As the Company's product brands became established in the market, the Company concentrated on establishing the corporate brand and implemented strategies to broaden market penetration. At the same time, the Company pared product lines to the core high profit margin products and reduced corporate interest-bearing debt to realize a high profit structure.

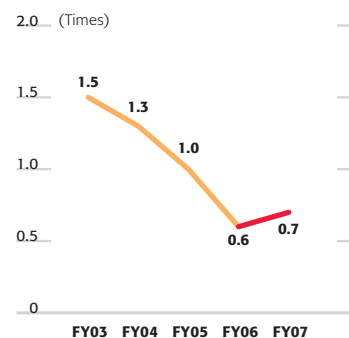
2008

Medium-term Management Plan

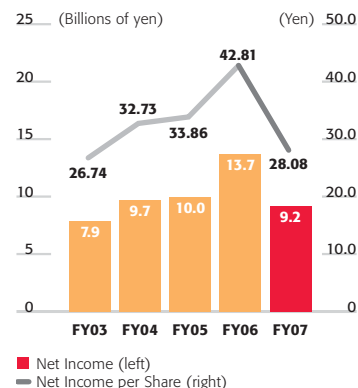
- Creation of a New and Comprehensive Dairy Business*¹
 - Aiming to Become a Highly Profitable, World-class Company by Providing Unique Customer Values

Meiji Dairies launches an ambitious campaign to become a highly profitable and world-class company by establishing a solid business base by concentrating management resources on the core businesses, implementing cross-the-board measures to fortify the Meiji brand and all of the strategic brands*², and enhancing Group management efficiency.

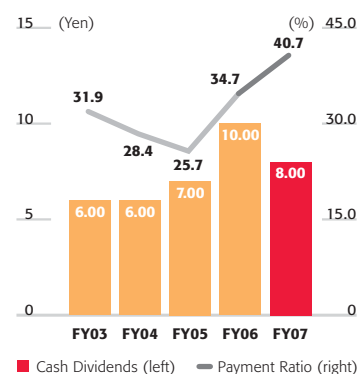
Debt-Equity Ratio



Net Income and Net Income per Share



Cash Dividends and Payment Ratio (non-consolidated)



*¹ The Company's objective to create a new and comprehensive dairy business involves much more than the basic expansion of its 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.

*² The strategic brands are Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt, Meiji Probio, Meiji Hokkaido Tokachi, Meiji Essel, and VAAM.

• To Our Shareholders and Customers



President and Chief Executive Officer
Shigetaro Asano

Profits Plummeted in Fiscal 2007

Our earnings results fell sharply in fiscal 2007 bringing to a close our streak of five consecutive years of ordinary income and net income growth. A drop in sales in the milk and yogurt segments at parent Meiji Dairies was offset by increased sales contributions from the feed business and other subsidiary operations, resulting in a 0.6% year-on-year increase in consolidated sales to ¥706.9 billion. However, profits suffered from a substantial ¥5.9 billion rise in raw material costs that surpassed our cost reduction efforts as well as the increased depreciation costs due to the revision of the taxation system. The result was declines of 31.1% in consolidated operating income to ¥16.2 billion, 31.4% in consolidated ordinary income to ¥16.0 billion, and 32.7% in consolidated net income to ¥9.2 billion.

Strategies for Changing Business Environment

The Group's business environment changed radically in fiscal 2007 as earnings were strongly impacted by unprecedented rises in raw material prices and several incidents of fraudulently labeled packages in the food industry elevated consumer concern about food safety and security.

As business conditions deteriorated, we implemented group-wide measures to constrain the rapid rise in costs, including reducing manufacturing costs, streamlining distribution operations, improving the efficiency of indirect operations, reviewing all Group expenses, and developing high value-added products. Anticipating ongoing high raw material prices, we revised our schedule of manufacturer recommended prices for our products and plan to seek the understanding and cooperation of our consumers and distributors for the higher prices. Thanks to these efforts, the

revised prices had the intended effect and the decline in sales volume that was anticipated after the revisions remained within the expected range.

Consistent Dividend Payment

Our basic policy regarding profit return to shareholders is to distribute consistent dividends in consideration of the Group's overall business conditions and maintaining adequate retained earnings for future business development while seeking to establish a firm and long-term operating foundation. In fiscal 2007, we distributed midterm and year-end dividend payments of ¥4 per share for a total ¥8 dividend payment for the year. The ¥8 per share payment represents a decrease from the previous year's ¥10 total payment, which included a special ¥2 commemorative dividend on the 90th anniversary of the company's founding.

Targeting Sales and Profit Growth in Fiscal 2008

We fully expect the unprecedented rise in raw material prices to persist through this year and anticipate the high prices to raise our costs to ¥20.0 billion in fiscal 2008. Nevertheless, we plan to absorb these costs by revising product price and by building our strategic brands and implementing other marketing measures with the aim of achieving growth in sales and profits.

1. Product Price Revisions

The spike in raw material prices is so substantial that revising our product prices is unavoidable. While seeking the understanding of consumers and our distributors, establishing the new prices will be our foremost priority during the year. Consumption of milk beverages is already sluggish, and price

Meiji Dairies profits in fiscal 2007 plunged as the sharp rise in raw material prices deteriorated our business environment, ending our five-year streak of earnings growth. We have enhanced our management efficiency and are focused on directly meeting the challenges of the harsh business environment with the aim of raising sales and profit in fiscal 2008. The Meiji Dairies Group is vigorously working to realize its objective of using its proprietary technological and product strengths to become a globally competitive food business corporate group on par with the world's leading food companies.

revisions will certainly exacerbate the situation. However, we plan to contain any decline through constant promotional activities to fortify consumer awareness of the benefits of milk and to ultimately increase consumption of milk and dairy products. In addition, the dairy industry as a whole is aiming to use the designation of June 1, 2008, as the first annual Milk Day* as a springboard for market growth.

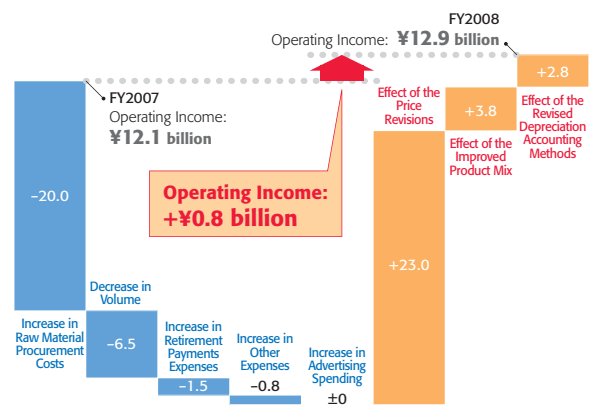
* The Food and Agriculture Organization (FAO) of the United Nations designated June 1 as World Milk Day reflecting the Milk Days already existing in many countries. Beginning in 2008, the Japan Dairy Association plans to mark the day with promotional events to increase understanding of the benefits of milk.

2. Building of Strategic Brands

We are working to strengthen and develop the key core products that we have designated as the strategic brands. In fiscal 2007, these core products generated ¥294.2 billion in sales (a 1.1% year-on-year increase), which represented 61.3% of total sales (a 0.6 percentage point increase). We plan aggressive sales promotions to raise sales of Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt, Meiji Probio Yogurt LG21, VAAM, and other core products in fiscal 2008, and have set a target of increasing their ratio of overall sales by 2.7 percentage points to 64.0%. The strategy of raising the sales ratio of our high value-added products is designed to increase our earning power.

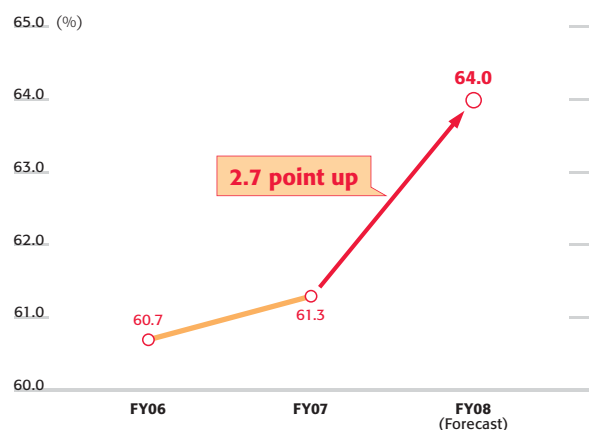
At the same time, in fiscal 2008 we plan to continue aggressively advancing the strategies outlined below to achieve our long-term vision of using our proprietary technological and product strengths to become a globally competitive food business corporate group on par with the world's leading food companies.

Breakdown of the Fiscal 2008 Non-consolidated Operating Income Forecast



* Data based on Financial Statement for the year ended March 31, 2008

Core Business Ratio of Sales



1. Establish Strong Foundations for Growth Businesses

We are making steady advances establishing strong foundations (mechanisms) for growth businesses, which is a key strategy in the 2008 Medium-term Management Plan. Anticipating strong growth in the cheese market, we have constructed and commenced operations at a new cheese factory that has the largest cheese manufacturing capacity in Japan. We also plan to apply the cheese manufacturing technology to our Umami line of fermented food products and utilize our new Umami Lactobacillus Maturing technology to develop the Meiji Hokkaido Tokachi Cheese brand, which will be supplemented by 13 new products scheduled for launch in September 2008. In addition, anticipating that Japan's aging population will contribute to growth in the enteral formula* market, we constructed a new enteral formula production facility that came on line in July 2008 and approximately tripled our production capacity for enteral formula.

In Fiscal 2008, our main focuses will be on aggressively advancing our drive to expand our business and installing our "mechanisms" for continuing growth in the future.

* Enteral formula is a solution containing some or all of the nutrients that the body needs to function.

2. Strengthen Our Category No.1 Businesses

In fiscal 2007, we emphasized the concentration of management resources on the yogurt and infant foods segments as part of our aggressive efforts to fortify our growth mechanisms. In the yogurt segment, we released the new plain yogurt Meiji Bulgaria Yogurt LB81 Sonomama de Plain, which was developed using our in-house developed low dissolved oxygen and low-temperature fermentation manufacturing technology, which we named the Maroyaka

Tannen Fermentation Method. In the infant foods segment, we introduced the world's first powdered milk cube, Meiji Hohoemi Raku Raku Cube, created using a unique compression molding process and without any additional additives while maintaining the same nutritional content as our existing Meiji Hohoemi products. Sales of the groundbreaking milk cube are steadily rising. We have high expectations for continuing growth for these products in fiscal 2008.

3. Improve Group Operating Efficiency

In April 2008, Meiji Dairies integrated the operations of the logistics subsidiaries in the eastern and western parts of Japan and established Meiji Logitech Co., Ltd. The new company will provide a fully integrated and centralized logistics operations for the Meiji Dairies Group companies and optimize the Group's distribution logistics operations utilizing the latest transport and delivery technology, and reducing costs. In addition, the company is positioned to enhance our competitive abilities in the chilled delivery segment, the only segment in Japan's distribution market that is growing, by which we expect to cultivate clients outside the Group and create another base of steady profit growth.

4. Enhancement of Proprietary Technology and Product Development

We believe the core driver in our ability to overcome the challenges of the changing business environment is our strength in developing distinctive technologies. Our unique technological capabilities have been key to our record of introducing pioneering new products to the industry.

We have patented our proprietary cube manufacturing method and applied for a patent for the newly developed

molding equipment used to produce the Meiji Hohoemi Raku Raku Cube that was released in fiscal 2007. The Meiji Bulgaria Yogurt LB81 Sonomama de Plain, which is a plain yogurt specifically created to taste good eaten straight from the container, uses nanofiltration (NF) membrane concentration technology that is based on the yogurt manufacturing method Maroyaka Tannen Fermentation Method, another of our in-house developed technologies. Meiji Fresh Cream Ajiwai launched in May 2008 is a fresh cream product created by joining our in-house developed Natural Taste Manufacturing Method, a milk deoxidation and sterilization process, with NF membrane concentration technology. Meiji Fresh Cream Ajiwai has received high praise from top-level patisseries and first-class hotels for providing a new vibrancy to the taste of fresh cream.

We will continue to strengthen all aspects of our particular strengths in developing proprietary technology and creating innovative and competitive products as we pursue our objective of creating food products with new levels of value.

In implementing the above strategies in fiscal 2008, the final year of the 2008 Medium-term Management Plan, we forecast growth in consolidated net sales of 1.3% year-on-year to ¥716.2 billion, consolidated operating income of 1.5% to ¥16.5 billion, consolidated ordinary income of 2.7% to ¥16.5 billion, and consolidated net income of 0.8% to ¥9.3 billion. On a non-consolidated basis, we are targeting growth in net sales of 2.2% year-on-year to ¥488.7 billion, operating income of 5.8% to ¥12.9 billion, ordinary income of 8.9% to ¥13.5 billion, and net income of 16.1% to ¥7.5 billion.

We believe the unexpectedly steep rise in raw material prices and other abrupt changes in the external environment have put the performance targets in the 2008 Medium-term

Management Plan beyond our reach and have necessitated revising our forecasts to the amounts presented above. We are implementing specific strategies for the harsh business conditions and intend to quickly reestablish our foundation for profit growth.

In Closing

Japan's dairy products and farming industries are confronting steeply rising livestock feed prices on the back of soaring prices in the grain market. The domestic dairy farming industry is facing crisis conditions and is rapidly approaching a turning point.

The Meiji Dairies Group remains fully dedicated to fulfilling its mission of contributing to the healthful and happy daily lives of our customers by offering new levels of value in food and to implementing comprehensive measures to assure food safety and security as we seek to continue earning the full satisfaction and trust of our customers.

We are also committed to using distinctive product and technology development capabilities to provide unique and high customer value in every aspect of our business operations as we meet our challenge to become a world-class high profit corporation.

We look forward to your continued understanding and support.

August 2008



Shigetaro Asano

President and Chief Executive Officer

● **Special Feature: Defying the Common Wisdom – Establishing the Meiji Oishii Gyunyu Brand as an Exceptional Milk Brand**

Milk has long been considered a product that defies differentiation by taste. The most influential driver in milk sales has been a low price at the point of sale, which has made it increasingly difficult to pursue profitability as the market matured.

Meiji Oishii Gyunyu brand milk is the proven exception. Launched nationwide in 2002, the brand has become a huge success, generating increasing sales each year and setting a new standard for high value-added milk. Here we introduce the Company’s strategy which defies the common wisdom: “Transforming the concept of milk from a common commodity to a brand.”

Sales of Meiji Oishii Gyunyu Still Growing

The Meiji Oishii Gyunyu brand generated some ¥46.8 billion in sales in fiscal 2007, a phenomenal amount for a single product. Sales have been steadily rising since the nationwide launch of Meiji Oishii Gyunyu in 2002 as the Company’s high value-added milk brand making it a hit product despite its relatively high price and a stagnating milk market in recent years amid Japan’s dwindling birthrate and aging population and changing eating habit. This success is the effect of two unconventional tactics designed to defy common wisdom in the milk industry.

Unconventional Tactics 1: Scientifically Produced Deliciousness

1. Develop a Competitive Product that is Resilient to International Competition

In June 1989, newly appointed Company President (currently Company Chairman) Hisashi Nakayama gave a directive to create a milk that is delicious and clearly pleases customers.

That year, negotiations at the Uruguay Round of the General Agreements on Tariffs and Trade (GATT) set a course for liberalizing the international trade of agricultural products, including milk products that would lead to major changes in the Japanese dairy industry. The management strategy behind President Nakayama’s directive was to strengthen the domestic

city milk business that is resilient to the international competition because of the short expiration dates of milk products.

This also came at a time when the city milk business, despite being the Company’s core business, kept generating lower profit margins because of its commodity-type products. Aiming to be the leading company in the dairy industry necessitated nothing less than complete and radical reform of the profitability of the drinking milk product segment. This was the start of the drive to create a high value-added and *oishii* (delicious) milk.

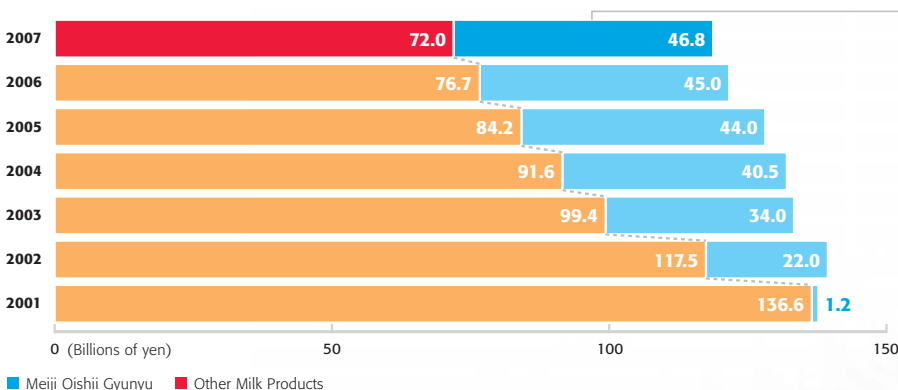
2. What Gives Milk its “Deliciousness”?

What is it that gives milk its deliciousness?

The milk we drink is raw milk that has been drawn from cow, heat sterilized and, in line with ministerial ordinances and other laws, has no added materials other than the raw milk. In such a simple process, it is extremely difficult to produce a product with a distinctive taste. In trying to enhance the deliciousness of milk, we enlarged the fat globules in our products to be bigger than the average milk products on the market and released new products with augmented “richness.” However, this improved richness was not received as a more delicious-tasting, and the new products failed to spark the market.

So we changed our approach. We asked ourselves, why is it that some people do not like milk? If we could get those people

Meiji Dairies Sales Trends of Meiji Oishii Gyunyu and Other Milk Products



to drink our milk, then surely people who already like milk will want to drink more. We conducted research into the reasons some people do not drink milk and found that the majority disliked the smell (produced by heat sterilization) or thought milk left a sticky aftertaste. This led to the conclusion that milk drinkers sought a deliciousness in milk based on a combination of minimal smell, smooth texture, and clean aftertaste.

The question was then how to achieve these qualities in a milk product. Extensive testing through trial and error produced no solutions. Meanwhile, more than four years passed.

3. A Clue Appears in the Oxygen Content

The first clue appeared after a milk product that was described as “delicious” was brought and then forgotten in a refrigerator. When it was finally drunk several days later, the milk tasted as if the fat had oxidized. This opened the door to a new hypothesis, could it be that the oxidization, the loss of oxygen, was the reason the milk had lost its original flavor?

Then one day, raw milk that was usually stored at 10° Celsius before heat sterilization and contained a dissolved oxygen density of 10 parts per million (ppm) was sterilized after reducing the dissolved oxygen density. The sensory rating*¹ given to the milk by our expert panel of tasters was off the charts compared to our standard products with distinctly higher marks for fresh-

ness, aftertaste, texture, and smoothness in the throat. The sulfuric compound (dimethyl sulfide) and other elements in milk that become the odor created in the heat sterilization process had decreased as the oxygen dissolved. We soon developed a new process that reduced the production of dimethyl sulfide by further lowering the amount of dissolved oxygen in the raw milk before being heat sterilized.

*1 Sensory ratings are given by taste testers and used to evaluate product taste. The Meiji Dairies expert panel of tasters uses their exceptional taste sensitivity to support specialized research. The panel's sensory ratings are compiled in a Sensory Evaluation System and used as data for product testing and assessment.

4. Successful Development of the Natural Taste Manufacturing Process

We named this innovative process the Natural Taste Manufacturing Process and received a patent in the spring of 2000. We then introduced the extended shelf life (ESL) technology*², a quality control technology that enables products to maintain their delicious flavor for an extended period. We then conducted comparative taste tests with 200 consumers, and their responses were remarkably similar to the expert tasters in our research center. The milk was described as having no milk smell, a fresh aftertaste, and more delicious than regular milk.



After 10 years of trials and errors, the Natural Taste Manufacturing Process demolished the common wisdom that “all milk tastes the same” with the scientific evidence. Our unwavering efforts to get to the essence of milk’s “deliciousness” resulted in technology that is producing a blockbuster product.

*2 ESL technology extends product storage stability (shelf life) by applying comprehensive quality control throughout the manufacturing process from receiving raw milk to final product packaging.

**Unconventional Tactics 2:
Strategy to Make the Market Aware of the Deliciousness**

1. Shifting the Selling Point from Low Price to the High Value-Added Feature

We had developed the technology to highlight the deliciousness of milk, but how could we communicate this new deliciousness to the market?

The aim of developing Meiji Oishii Gyunyu was more than to successfully develop a product with a distinct taste, but to create high value-added milk with a price ¥50 higher than standard milk that could increase sales and vastly improve the profitability of the core city milk business.

At the time, however, a low price was still the main selling point for milk, and business meetings with mass retailers revealed a strong bias for “price appeal.” We were thus facing a second challenge to overturn the common assumptions of the

distribution market.

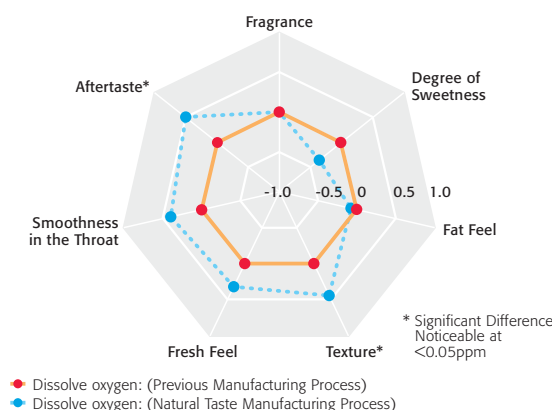
2. Raising Milk from the Bottom Shelf to the Second Shelf

We started our test marketing in March 2001 in Northern Japan’s Tohoku region, a major dairy production region and one of the major battlegrounds for dairy sales in Japan. If we could succeed in the most demanding regions for milk taste and sales price, then we felt sure we could succeed anywhere in the country.

We had to convince the mass retailers that there could be a substantial benefit to creating a new milk market. Our first strategy was to have Meiji Oishii Gyunyu usually positioned on the bottom shelf of showcases displayed higher on the second shelf. The reason was because the bottom shelf where milk was usually placed and sold well was associated with low priced products. We had to stress the high value-added feature that set Meiji Oishii Gyunyu apart from other milk brands. Otherwise all our development efforts would come to nothing.

We then focused on raising product awareness and popularity with an aggressive TV ad campaign featuring creative imagery and a high impact narration designed to spark consumer response. Standard commodity items do not normally need support from aggressive TV commercials, but Meiji Oishii Gyunyu was different.

The Relation of Dissolved Oxygen Density to Milk Flavor Characteristics



TV Commercial of Meiji Oishii Gyunyu With The Narration, “Please milk me.”

3. Unconventional Marketing does the Trick

The results were immediate. We began test marketing Meiji Oishii Gyunyu in Tohoku at the end of March 2001 and the brand had captured the top market share in terms of sales in the very first week of April. Exit surveys at mass retailers pinpointed the source of the sales growth directly on effect of the commercials and evaluation of the flavor as buyers were found to have first tried the brand because they had seen the TV commercial and then continued buying the brand because “it tastes delicious.” Since launching Meiji Oishii Gyunyu nationwide in July 2002, sales have grown steadily to ¥46.8 billion in fiscal 2007, which is phenomenal growth into a major product and a record high for a milk brand. Meiji Oishii Gyunyu created and established a new market for branded milk and destroyed the common belief that a mature market cannot be changed.

From a Commodity to a Brand

The dairy industry currently represents about 10% of the total ¥23 trillion food industry. Processed milk products are a part of our food culture and are strongly perceived as a fundamental commodity. Milk was such a product. In order to achieve our objective of becoming a top company in the dairy industry, we had to transform milk from a commodity to a brand product and realize a radical improvement in the profitability on the city

milk business. With the development of Meiji Oishii Gyunyu, we have provided new value in the “deliciousness of milk” to the market and established a new brand.

This strategy is not limited to milk. The Meiji Probio Yogurt LG21 brand launched in 2000 is based on our discovery of the patented LG21 lactobacillus. As with Meiji Oishii Gyunyu, we conducted research of previous non-consumers, this time middle-aged males, and developed a successful marketing campaign that once again resulted in a major hit product. We also developed a method to diminish the bitter taste and enhance the mild and pleasant flavor that Japanese consumers prefer in our Meiji Hokkaido Tokachi Camembert cheese. A TV ad campaign and marketing initiatives have produced widespread product awareness for the cheese, which is receiving a particularly strong reception from housewives. The Meiji Hokkaido Tokachi brand has been firmly established and its quality verified with the receipt of a Gold Monde Selection Award in 2007.

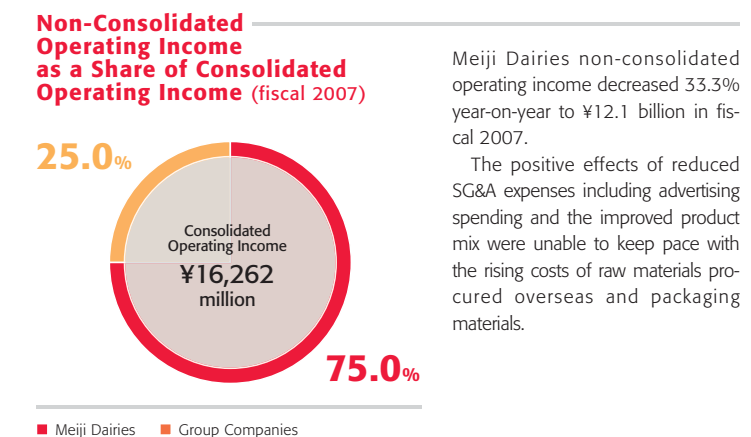
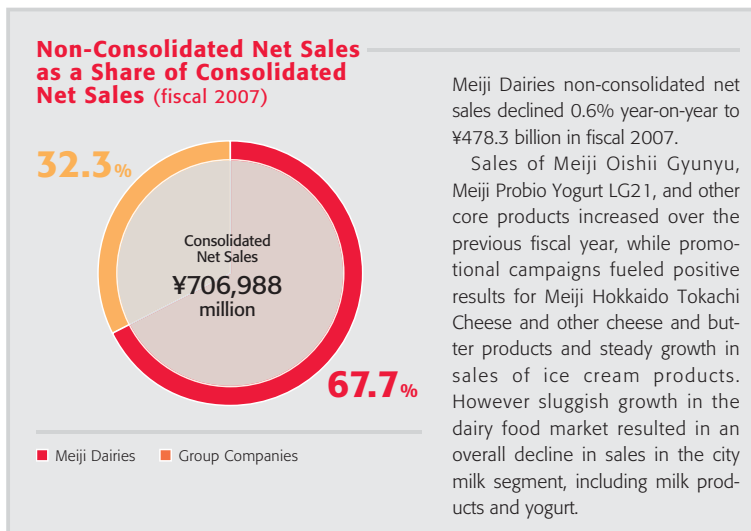
Meiji Dairies intends to continue its successful ascent as a value-creation company developing new value in foods as it aims to grow into a high-profit, global corporation.



● **Overall Business Situation (non-consolidated):**
→ **At a Glance**

This section goes deeper into each segment's strategies and results for Meiji Dairies on a non-consolidated basis, which accounts for about 70% of the Meiji Dairies Group results (in fiscal 2007: 67.7% of net sales and 75.0% of operating income) to give stakeholders an even deeper understanding of the Meiji Dairies Group and its operations.

Meiji Dairies
(Non-Consolidated Results)



City Milk



Processed Milk Products



Ice Cream



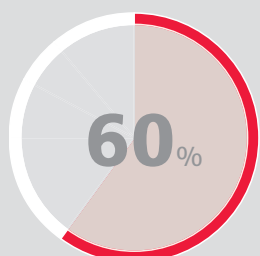
Beverages



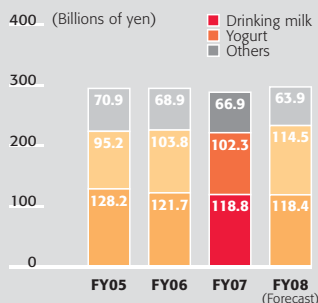
Other Products



• Sales Composition Ratio



• Sales Transition

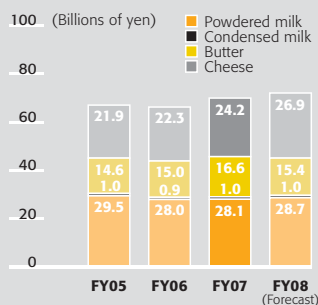
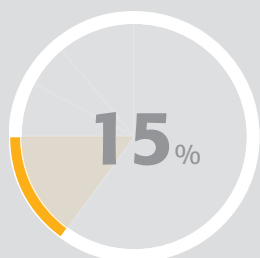


• Outline of Areas

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.

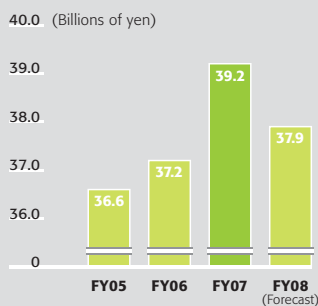
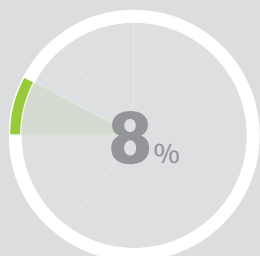
We have a broad variety of products in our yogurt line utilizing our original fermentation technology, including our representative plain yogurt Meiji Bulgaria Yogurt LB81, and Meiji Probio Yogurt LG21 which contains a mixture of LG21 lactobacillus.



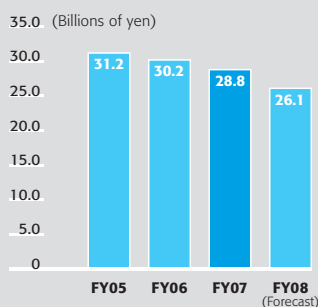
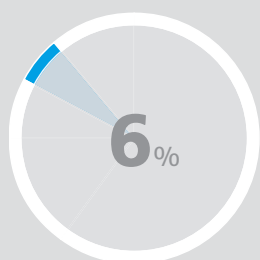
This segment includes powdered milk, condensed milk, butter and cheese.

In powdered milk we offer Meiji Hohoemi, milk for infants which is almost exactly like mother's milk in terms of ingredients and function.

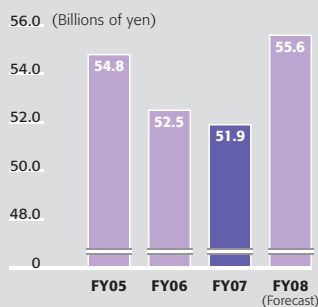
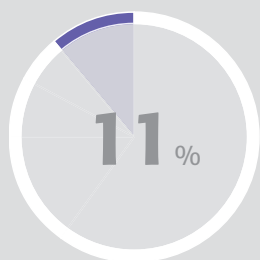
In cheese, more than 60% of the raw milk used to make the products in our Meiji Hokkaido Tokachi Cheese series comes from the Tokachi region of Hokkaido, and these products are highly thought of as they appeal to the Japanese palate.



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 enteral formula and nursing care products geared to the needs of the aging Japanese population, such as the comprehensive nutritional enteral formula Meibalance series and the Yawaraka Food series.

• Overall Business Situation (non-consolidated):

→ Overview of Business Conditions

City Milk

Net Sales (FY2007) **¥288.2 billion**

Achievement Status of the 2008 Medium-term Management Plan

	Initial Plan	Fiscal 2007 Results	Fiscal 2008 Projection
Meiji Oishii Gyunyu	¥47.3 billion	¥46.8 billion	¥49.2 billion
Meiji Bulgaria Yogurt	¥73.0 billion	¥65.5 billion	¥72.7 billion
Meiji Probio Yogurt LG21	¥29.0 billion	¥28.8 billion	¥32.4 billion
Home Delivery Services	¥45.1 billion	¥43.4 billion	¥43.7 billion

Meiji Oishii Gyunyu (125mlx3)



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 Bulgaria Yogurt LB81 Sonomama de Plain



Meiji Bulgaria Yogurt LB81 Sonomama de Plain combines the mellow flavored (*maroyaka*) and smooth texture created by the Company's patented Maroyaka Tannen Fermentation Method and the refreshing aftertaste with the nutrient content preserved by using nanofiltration technology into a richly flavored yogurt that can be enjoyed straight out of the container.

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 Strawberry/Blueberry



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

Fiscal 2007 Results

In fiscal 2007, City Milk segment net sales declined 2.2% year-on-year to ¥288.2 billion. Net sales of milk products declined 2.4% to ¥118.8 billion.

The shrinking overall market for drinking milk was the chief factor in the decline. However, demand remained strong for our mainstay Meiji Oishii Gyunyu brand as in-store sales promotion activities and unceasing initiatives successfully maintained ongoing brisk sales of products in gable-top cartons and slim brick packs and of our bottled products for home delivery. Meiji Oishii Gyunyu brand net sales rose 4% year-on-year to ¥46.8 billion.

Yogurt net sales decreased 1.5% year-on-year to ¥102.3 billion. The decline was primarily due to a 3% drop in sales of LB81 Plain (500g), the feature product of the core Meiji Bulgaria Yogurt series amidst the sluggish yogurt market. However, steady sales growth for the Meiji Bulgaria Yogurt, four-pack type soft yogurt products and Meiji Probio Yogurt LG21, up 5% and 3% respectively, enabled the yogurt segment to maintain sales above the ¥100 billion mark attained last year.

Net sales in the Other Products category declined 3.0% to ¥66.9 billion, largely due to year-on-year decline in sales of milk beverages.

Strategy and Outlook for Fiscal 2008 and Beyond

In fiscal 2008, we aim to raise City Milk segment sales by 3.0% year-on-year to ¥296.8 billion as we continue our focus on expanding sales of high value-added products while establishing our revised product price schedules to counter the cost rises associated with the surge in raw material prices and other factors.

We are aiming to increase sales of the core Meiji Oishii Gyunyu brand products by 5% to ¥49.2 billion, while anticipating the ongoing decline trend in milk consumption to result in overall sales of milk products declining 0.3% to ¥118.4 billion. As the market for drinking milk recedes, our strategy will focus on strengthening the Meiji Oishii Gyunyu brand, which has been generating increasing sales since the nationwide launch, and expanding its loyal customer base. We plan to continue increasing the number of supermarkets, convenience stores, and other shops carrying the new

small-sized (125ml) three-pack sets of Meiji Oishii Gyunyu introduced in fiscal 2007 and establish the new product's position in the market by conducting aggressive marketing, including offering taste samples.

The home delivery service has been steadily expanding sales in an increasingly competitive market by meeting demand for 100ml bottled products, which is growing in line with the aging of Japanese society. The business is aiming to further boost sales by promoting the new Meiji Keikai Glucosamine and a drink-type Meiji Probio Yogurt LG21. We will implement various strategies to reinvigorate business within the mature market conditions, including offering high value-added products geared to the evolving needs of society, strengthening communications with retail stores and customers, and thoroughly reestablishing its core services.

We are aiming to raise yogurt sales 11.9% year-on-year to ¥114.5 billion in fiscal 2008 primarily by promoting sales of

the core brands Meiji Bulgaria Yogurt and Meiji Probio Yogurt LG21. The Meiji Bulgaria Yogurt brand will be actively developed and supported by enhanced production capacity and equipment. We are also increasing in-store communications to establish and cultivate the market for the new Meiji Bulgaria Yogurt LB81 Sonomama de Plain. We are responding to favorable demand for four-pack type soft yogurt products by increasing production capacity and strategically adding new product flavors. We aim to raise net sales of Meiji Bulgaria Yogurt by 11% to ¥72.7 billion in fiscal 2008. Likewise, we are targeting Meiji Probio Yogurt LG21 sales growth of 12% to ¥32.4 billion as we continue to deepen consumer recognition and knowledge, add new flavors to attract new consumers, and seek to increase unit sales volume.

While narrowing our product offerings in the Other Product segment to high-margin items, we anticipate a 4.5% year-on-year decline in segment net sales to ¥63.9 billion in fiscal 2008.

Processed Milk Products

Net Sales (FY2007) **¥70.0 billion**

Achievement Status of the 2008 Medium-term Management Plan

	Initial Plan	Fiscal 2007 Results	Fiscal 2008 Projection
Meiji Hokkaido Tokachi Cheese	¥10.3 billion	¥10.3 billion	¥10.3 billion

Meiji Hokkaido Tokachi Smart Cheese



Using our Umami Lactobacillus Maturing technology to draw out the full *umami* (savoriness or deliciousness) of cheese, we developed Meiji Hokkaido Tokachi Smart Cheese specifically to highlight its rich umami and silky texture. The cheese is an example of the positive effect of applying the Umami Lactobacillus Maturing process to an existing product to create the umami favored by Japanese cheese consumers.

Fiscal 2007 Results

Fiscal 2007 sales in the Processed Milk Products segment increased 5.4% year-on-year to ¥70.0 billion.

The main contributors to the growth were cheese and butter products, which rose 8.5% and 10.5% respectively, and were supported by a successful 15th year anniversary promotion for the Meiji Hokkaido Tokachi brand that boosted the brand's sales by 5% to ¥10.3 billion. Powdered milk sales remained essentially flat year-on-year. However, sales picked up rapidly after the October 2007 release and rigor-

ous sales promotions for the groundbreaking Meiji Hohoemi Raku Raku Cube, the world's first powdered milk tablet which provides the same nutritional content as Meiji Hohoemi products without additional additives.

Strategy and Outlook for Fiscal 2008 and Beyond

We plan to focus our business strategies on the cheese business and to establish our revised product price schedules with the aim of raising processed milk product sales 11.2% year-on-year to ¥26.9 billion in fiscal 2008. We will further fill out and strengthen the Meiji Hokkaido Tokachi brand during the year supported by the new Tokachi Cheese Plant, which started full operations in March 2008 and new product release slated for September 2008. The Meiji Hokkaido Tokachi Camembert Cheese brand received a Gold Monde Selection* Award in June 2008.

* Monde Selection is a joint European Union and Belgian government food product quality assessment institute founded in 1961 to promote high quality confectionery. The Monde Selection Quality Label is one of the most universally recognized marks of excellence in the food industry.

Ice Cream

Net Sales (FY2007) **¥39.2 billion**

Achievement Status of the 2008 Medium-term Management Plan

	Initial Plan	Fiscal 2007 Results	Fiscal 2008 Projection
Meiji Essel Super Cup	¥14.5 billion	¥13.9 billion	¥13.5 billion

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.

the mainstay Meiji Essel Super Cup series and brisk demand for multi ice cream products.

Strategy and Outlook for Fiscal 2008 and Beyond

We anticipate a 3.3% year-on-year decline in Ice Cream segment sales to ¥37.9 billion in fiscal 2008 as we anticipate price revisions to have a measurable impact on sales owing to ice cream's status as a luxury item. We plan to establish the new product prices and maintain sales levels of the mainstay Meiji Essel Super Cup series through TV commercials and an energetic marketing campaign. We expect these efforts to hold Meiji Essel Super Cup sales to a 2% decline to ¥13.5 billion.

Fiscal 2007 Results

Ice Cream segment sales increased 5.2% year-on-year to ¥39.2 billion in fiscal 2007, largely on 2% sales growth for

Beverages

Net Sales (FY2007) **¥28.8 billion**

Fiscal 2007 Results

Sales in the Beverages segment declined 4.6% year-on-year to ¥28.8 billion in fiscal 2007 amid intensifying market competition.

Strategy and Outlook for Fiscal 2008 and Beyond

In fiscal 2007, we forecast Beverages segment sales declining 9.4% year-on-year to ¥26.1 billion, as we anticipate product price revisions to impact sales of our beverage products, which are luxury items.

Expanded Production Facilities with Our New Nutraceuticals Plant in Gunma

We believe the growing elderly population in Japan and the increasing emphasis on nutritional management as part of medical treatments are creating a very promising future scenario for the enteral formula business. In preparation for an impending surge in growth of production volume of enteral formula, we are expanding our production facilities with the construction of a new nutraceuticals plant on the Gunma factory grounds. The addition of the new plant dedicated to nutraceuticals will roughly triple our current production capacity to 40,000 kiloliters annually. We plan to aggressively expand the enteral formula operation

and are targeting second half fiscal 2008 of ¥14.0 billion, for a 35% year-on-year increase.

The growing elderly population, wider understanding of the importance of nutritional management, and desire to improve medical treatment effective to speed recovery and reduce medical expenses create strong potential for accelerating growth in the enteral formula market. In addition to ramping up our production volume, we are also cultivating and reinforcing our business staff and expanding our sales channels to the home-care nursing market.



Our New Nutraceuticals Plant in Gunma

Other Products

Net Sales (FY2007) **¥51.9 billion**

Achievement Status of the 2008 Medium-term Management Plan

	Initial Plan	Fiscal 2007 Results	Fiscal 2008 Projection
VAAM	¥7.2 billion	¥7.3 billion	¥7.9 billion

Super VAAM



Super VAAM is a blend of L-carnitine, coenzyme Q10, and 17 amino acids that combine to stimulate body fat metabolism and effective energy utilization. Drunk before a physical workout, Super VAAM enhances stamina and supports efforts to lose weight.

Strategy and Outlook for Fiscal 2008 and Beyond

We forecast Other Business segment sales growing 7.1% year-on-year to ¥55.6 billion in fiscal 2008 centering on the VAAM business with the introduction of the new Super VAAM and the expanding enteral formula business with the start of operations at a dedicated nutraceuticals plant.

We began conducting Super VAAM sampling promotions in spring 2008 to garner consumers while we fortify our product promotion activities. We also plan to make full use of in-store display tools and to increase the number of sales points through placement in drugstores and mass retail stores. We aim to achieve an 8% year-on-year rise in VAAM sales in fiscal 2008 to ¥7.9 billion.

In the enteral formula segment, we began construction of a new nutraceuticals production plant at the Gunma plant site in August 2008. We expect the improved ability to adjust production output to market trends to support sales growth of about 30% beginning in the second half of fiscal 2008.

Fiscal 2007 Results

Net sales in the Other Products segment fell 1.0% from the previous year to ¥51.9 billion in fiscal 2007. VAAM sales remained firm, rising 4% with support from large scale sampling promotions in a fitness channel. Sales also remained strong for enteral formula, reflecting our new product releases to bolster the product lineup. The Other Product sales result was significantly impacted by the sluggish sales of margarine and related items and stagnant for frozen food products in an unsettled market.

The Tokachi Cheese Factory, Our New Plant with the Largest Production Capacity in Japan

The Tokachi factory, our newly constructed domestic natural cheese production plant in Memuro, Hokkaido, commenced full-fledged operations in March 2008. Cheese consumption has increased approximately 3% annually in Japan over the past decade, and we are expanding our production capacity in anticipation of continuing growth in the domestic cheese market. Constructed with an investment of ¥12.0 billion, the Tokachi factory is the largest cheese manufacturing facility in Japan with an annual raw milk processing capacity of 200,000 tons and cheese production capacity of 20,000 tons.

The new production capacity is the basis for the planned September 2008 rollout of 13 new Meiji Hokkaido Tokachi Cheese brand products utilizing the newly developed Umami Lactobacillus Maturing* technology.

We will also continue advancing marketing strategies, including introducing new ways to enjoy natural cheese, as we seek to cultivate the reputation of Meiji Dairies also as a top cheese supplier. In May 2008, we opened the Meiji Dairies Tokachi Cheese Hall at the Tokachi plant site to serve as a cheese information center. We plan to actively use our world-leading technologies to develop and supply a wide range of cheese products specifically catered to the Japanese palate.

* Umami Lactobacillus Maturing uses culture, manufacturing, and aging processes to carefully selected and blended lactobacillus to maximize the *umami* (savoryness or deliciousness) in fermented foods. Meiji Dairies has developed unique technology that incorporated Umami Lactobacillus Maturing to the cheese manufacturing process with the result of maximizing the umami in our cheese products.



The Wall of Cheese at the Meiji Dairies Tokachi Cheese Hall

• **Management Structure:**
 → **Food Safety Initiatives**

The Meiji Dairies Group considers ensuring food safety to be a fundamental obligation to society and gives it the utmost priority. The Group has created its proprietary Meiji Qualias quality assurance system and improved its safety-related operations to continue earning the full satisfaction and trust of its customers and fulfilling its “promise to provide quality.”

The Meiji Qualias Quality Assurance System of the Meiji Dairies Group

1. System Overview

Meiji Qualias, which is short for Meiji Quality Assurance System, is our unique in-house developed, company-wide quality assurance system. The system integrates and revises from the same perspective, the quality assurance methods and their underlying philosophies as well as quality standards and regulations that has been individually established in each of our operating divisions. The system stipulates what every employee in the Meiji Dairies Group should do at every step of the manufacturing process from product development through production, sale, distribution, and customer communications, in order to fulfill our promise of providing quality products to our customers.

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. Initiated in fiscal 2007, we aim in three-year’s time to complete the system into a form that incorporates ongoing improvement and innovation in all operations throughout the Group. We will provide safe and attractive products and services by making the best use of the system. We can only enhance the value

of the Meiji brand by maintaining the full satisfaction and trust of our customers.

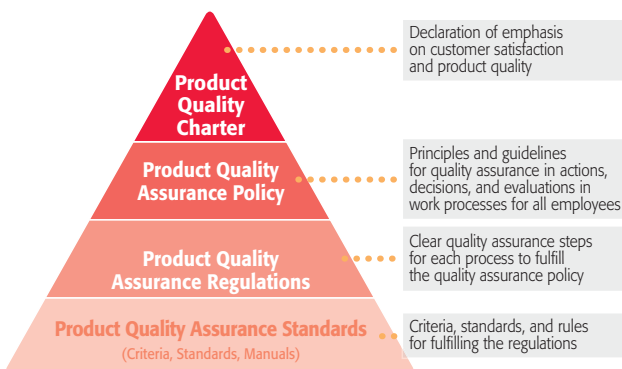
2. PDCA Cycle Quality Assurance Activities

The Meiji Dairies Group applies the PDCA management cycle as a fundamental element of its Meiji Qualias quality assurance system. The four steps in our PDCA cycle are: Plan – plan methods to fulfill our promise to provide quality to customers in each process; Do – activate the plan; Check – verify the results and response; and Act – implement measures for further improvement. Conscientious application of this PDCA cycle leads to higher quality operations and greater customer trust in Meiji Dairies.

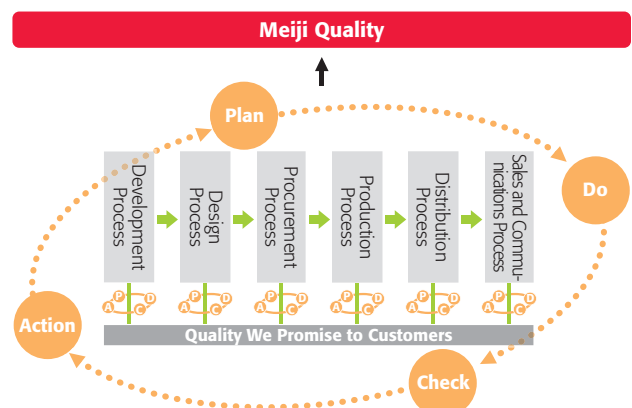
3. Development of Meiji Qualias

Fiscal 2007 was the penetration, preparation, and activation phase for Meiji Qualias, and we held explanatory meetings at our offices across the country to introduce the system to all of our Group companies. At the Company headquarters, we reviewed and revised our standards in each of the processes from development to sales and began formulating an auditing system for the manufacturing division and other operations that would become the base for Meiji Qualias. Fiscal 2008 will be the companywide application

Quality Assurance System



PDCA Cycle Quality Assurance Activities



phase in which we fully implement the PDCA cycle guided by our promise to provide quality to customers to engage Meiji Qualias in each business office and division. In fiscal 2009, we plan to spread Meiji Qualias to all of the Group companies and integrate the system in all Group operations.

The Fundamental Steps to Quality Assurance

The Meiji Dairies Group conducts quality assurance operations by applying the three elements of risk assessment, risk management, and risk communication as the core approach to risk analysis, which is fundamental base of its food safety policy.

1. Management: Enhancing Traceability

The Group engages advanced systems using IT such as a Manufacturing Execution System (MES), Refrigeration System, Dispatch Support System, and Traffic Control System under centralized management of all processes from manufacture to distribution to strengthen traceability and further raise the level of quality assurance. The organic integration of these four systems creates a comprehensive traceability framework for quick identification of the route of any defective product to the manufacturing line, production time, and delivery destination, and a prompt response for recall and causal analysis.

2. Assessment: 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 comprises 18 members from within the Group and two external experts in chemistry and microbiology.

3. Communication: strengthening Communication Inside and Outside the Company

The Food Safety Committee meets four times annually and advises the content of the meetings to the Managing Committee. The discussions of these committees are swiftly communicated throughout the company and actions are taken to preserve and improve product safety. In addition, with the aim of providing full and effective information to support the sense of safety customers feel with our products, the Customer Service Center uses our electronic Meiji Customer Relationship (eMCR)* System enabling instant verification of information related to our products to provide full and accurate responses to customer inquiries.

* eMCR is a new customer information system enabling unified management of product-related data and feedback received by the Customer Service Center.

The Three Elements of Risk Analysis



Source: WHO Strategic Planning Meeting on Food Safety (February 2001)

• **Management Structure:**

→ **Environmental and Social Commitments**

The Meiji Dairies Group's business is a product of the bounty of nature and its operations are supported by the trust of its stakeholders. Our mission is to preserve and protect the irreplaceable natural environment and contribute to society through our business.

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.

Note: Additional details and information are available in our "2008 Environmental Report."

1. Construct an Environmental Management System that Promotes Environmental Awareness and Elevates the Overall Quality of the Group's Environmental Management Levels

The Company is actively seeking to qualify for ISO 14001 certification as a fundamental tool supporting our environmental management and is constructing an organizational system to promote environmental activities based on the ISO 14001 standards. In July 2005, all of 23 factories (present, 24 factories) had received ISO 14001 certification. The Company continues to promote environmental awareness through its educational and training systems and implement environmental activities at all our operation centers based on the ISO standards. The Company is aiming to receive ISO certification for all of its operation centers in fiscal 2008.

In addition, one Group company has been certified under the Environmental Activity Evaluation (Eco-Action 21) Program of the Japanese Ministry of the Environment.

Notes: 1. ISO 14001 is an international standard for environmental management systems established by the International Organization for Standardization (ISO).
2. Eco-Action 21 is a certification and registration program for corporations based on guidelines set by the Ministry of the Environment. The program encourages environmental activities of small-to-medium sized corporations and promotes the implementation of efficient and effective environmental management systems.

2. Continue Reducing CO2 Emissions Following the Kyoto Protocol Guidelines to Help Prevent Global Warming

Reducing CO2 emissions is a core objective of the Medium-term Management Plan. The immediate objective is to reduce factory CO2 emissions levels to less than 100Kg-CO2/t standard units (representing an 8.8% reduction from the level in fiscal 2004) by fiscal 2008. To meet this target, the Company is converting its factories to clean energy sources and installing solar, wind, and biomass energy generation equipment to utilize new energy sources.

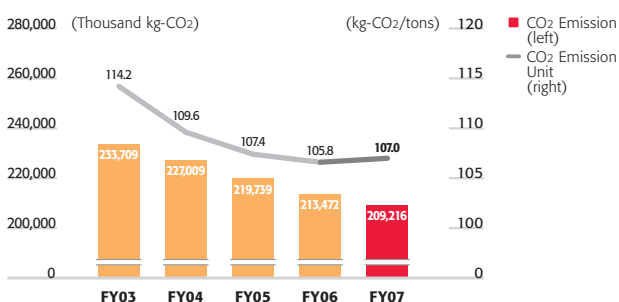
3. Aim for Zero Waste Emissions

The Company's basic approach to achieving zero waste emissions is to apply the Three Rs — Reduce, Reuse, and Recycle. Efforts are focused primarily on reducing the volume of waste being produced. The total amount of waste generated by Meiji Dairies factories continued to decline in fiscal 2007, with waste emissions decreasing by 2,309 tons, or 8.2%, from 28,165 tons in fiscal 2006 to 25,856 tons. The company also aims to recycle all of the waste it generates. In fiscal 2007, even as the recycling of cardboard and carton packages approached 100%, the Company's waste emission recycle rate was 87.5%, which was actual a 1.6% decrease from the previous fiscal year.

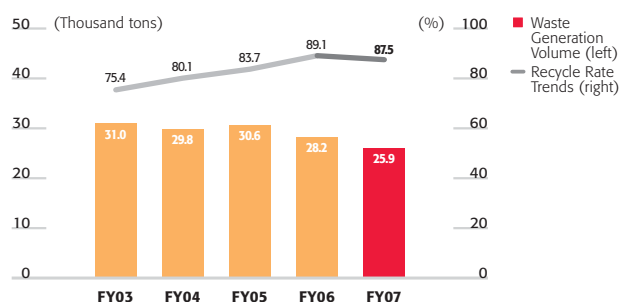
4. The New Tokachi Cheese Factory Designed for People and the Environment

The Tokachi Factory, which incorporated environmental considerations from the initial design stages, received ISO 14001 certification in November 2007 while it was still under construction. The new facility incorporates a broad range of

CO2 Emission / CO2 Emission Unit



Waste Generation Volume / Recycle Rate Trends



environmental management activities. In addition to low energy consumption equipment, reduced CO₂ emissions, and efforts toward zero emissions, the refrigerated warehouse is completely automated to minimize energy loss from escaping cold air. In addition, outsourced waste transport vehicles are monitored using a global positioning system (GPS) to ensure fulfillment of the corporate responsibility to properly and safely manage factory waste.

With our Customers

We at the Meiji Dairies Group believe that the products and services a company provides from its business are the foremost contribution the company makes to society. In this sense, we contribute to society by providing safe and reliable food products that are healthy and flavorful.

We believe that providing ongoing continuous support for the daily health needs of our consumers requires us maintain close contact with the needs of society by being open and responsive to a wide range of customer voices. To enable and encourage dialogue with our customers, we maintain the Meiji Dairies Customer Service Center with a dedicated staff of nationally registered dietitians and nutritionists ready to respond to all customer inquiries. Customer feedback is an invaluable asset, and we have consolidated all reporting and communications into the electronic Meiji Customer Relationship System that promptly communicates customer feedback to the manufacturing and operating sites where it plays an essential role in product development and improvement. Through these and other efforts, we continuously seek to fulfill our social promise

and our corporate objectives of providing new products that are safe and reliable as well as healthy and flavorful.

Food Education Activities

Meiji Dairies promotes consumer dietary education of its customers through programs focusing on “the importance and fun of food,” “dietary balance,” and “food safety and reliability” and by seeking opportunities to promote “understanding, learning, and enjoyment of food” by expounding the advantageous qualities of milk and milk products.

The Company has been conducting its Meiji Cooking Salon food preparation course for around 30 years and currently offers two courses, a parent-child cooking course and a senior citizen cooking course, led by specially dispatched certified dietitians. The courses are presented as an enjoyable way to use milk and milk products from a nutritional perspective and to acquire accurate diet and health information. In fiscal 2007, some 587 classes were held with 17,856 participants.

Baby Care Consultation Center in Operation for Over 30 Years

Meiji Dairies Baby Care Consultation Center has provided advice in over 350,000 sessions in the more than 30 years since its opening in 1976. The center’s certified dietitians apply their experience and provide abundant information to answer all questions and provide supportive advice. In addition to providing advice about Meiji Dairies products, parents utilize the center as an important source of support for child raising in general making the center’s support activities yet another aspect of the Company’s contribution to society.



Meiji Cooking Salon
“Parent-child Cooking
Course”



The Meiji Dairies
Customer Service Center

• **Management Structure:**

→ **Research & Development (R&D)**

The Meiji Dairies Group focuses its research and development activities on developing products that bring out the natural qualities of milk and milk derivative materials to the fullest and develop new levels of value in food to contribute to healthy and happy daily life 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—working in 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, R&D of food production technology, and assessment studies of product quality and safety. To promote efficiency, R&D activities are also conducted in cooperative and joint projects with research institutes in Japan and overseas.

We develop proprietary technology and materials that we utilize to offer highly distinctive new products to the market. In addition, we constantly seek to enhance and identify new functions for our existing superior products with the aim of further developing and deepening our product lines.

R&D Achievements

Our efforts at milk and milk product R&D yielded several major achievements in fiscal 2007. The following is a sampling of some of the key innovations we announced or registered patents for during the year.

World's First Solid Processed Powdered Milk Meiji Hohoemi Raku Raku Cube Molding Technology

(Announced at the 73rd Meeting of the Society of Chemical Engineers, Japan)
Meiji Hohoemi Raku Raku Cube is the world's first powdered milk in tablet form (Patent No. 4062357); it has the same nutrient function as the existing granulated powdered milk Meiji Hohoemi while utilizing production technology that eliminates loss and handling during measuring. The production technology realized optimal compression molding conditions producing a tablet that does not crack or break down while dissolving as rapidly as powder in warm water. Powder solubility is maintained after the molding process by preserving the spaces between granules while creating a firm bond between powder granules on the tablet's outer surface to further increase strength.

Cream with Superior Flavor and Physical Properties and its Manufacturing Process

(Patent No. 4079440)

Fresh cream is extracted by applying centrifugal force to milk to separate out the relatively lightweight milk fat. The process of the existing techniques is simple and makes it difficult to produce fresh cream with differentiated qualities. The new fresh cream processing technology consists of two technologies. After filtering out moisture (and salt) from the milk, separation technology is used to extract the cream from the remaining densely flavored milk. Next, the oxygen content is removed from the cream then a heat sterilization technology is applied. Combining these two technologies produces an unprecedented fresh and richly flavored cream with virtually no cooked odor. (Ajiwai Kodawari Processing Method for Meiji Fresh Cream Ajiwai, patent assessment February 4, 2008)

Verification of the Ability of Yogurt Prepared with LB81 Lactic Acid Bacteria to Improve Skin Function

(Published in Journal of Intestinal Microbiology Vol. 22, p1-5, 2008)

Twice a day for four weeks, 56 female volunteers aged between 20 and 39 with chronic constipation and dry skin were given 120 milliliters of a yogurt drink made with the LB81 lactic acid bacteria used in the manufacture of Meiji Bulgaria Yogurt. The group was given a LB81 yogurt drink and also a LB81 yogurt drink with added collagen and ceramid. After the administration period, skin elasticity and the degree of dryness and scaling improved in both cases. In addition, the yogurt with added collagen and ceramid brought about improved skin texture. Both of the yogurt preparations alleviated constipation, which suggests that yogurt using LB81 lactobacillus improves intestine function, which may influence skin beauty. (Joint research with the Yurakucho Department of Dermatology of Tokyo Women's Medical University. Patent pending)

Study of the Acid Resistance Mechanism of Lactobacillus Gasseri in Meiji Probio Yogurt LG21

(Announced at a symposium lecture at the Japan Society for Bioscience, Biotechnology, and Agrochemistry)

Studies verified that the Lactobacillus Gasseri OLL2716



(LG21, patent number 3046303) in Meiji Probio Yogurt LG21 maintains its probiotic attributes (i.e. acid resistance) even when subjected to stomach and bile acids. Research into the genetic composition of LG21 lactobacillus discovered four genes important to acid resistance. In addition to these four genes, it was also estimated that LG21 lactobacillus has other mechanisms related to acid resistance. The gene analysis suggests that the ability of LG21 lactobacillus to survive the internal stomach environment is supported by several acid resistance mechanisms.

A Blend of Amino Acids, Carnitine, and Coenzyme Q10 Found to Increase Stamina and Fight Obesity

(Announced at the 61st Annual Meeting of the Japanese Society of Nutrition and Food Science)

Ingesting the VAAM blend of amino acids, which is identical to the nutrient source for hornets, before physical activity has been reported to improve stamina. In this study, mice were administered VAAM, carnitine, and coenzyme Q10 over a five week period and forced to swim to measure their level of endurance. The study found that mice given the VAAM, carnitine, and coenzyme Q10 blend were able to swim longer than mice given just VAAM alone. In addition, a study of mice consistently fed a high-fat diet found that mice ingesting VAAM and mice ingesting carnitine began repressing weight gain on the twelfth day, while mice fed the VAAM, carnitine, and coenzyme Q10 blend began repressing weight gain on the sixth day. This result confirmed that a blend of VAAM, carnitine, and coenzyme Q10 contains obesity prevention attributes. (Patent pending)

Palatinose-based Balanced Formula Improves Glucose Tolerance, Serum Free Fatty Acid Levels, and Body Fat Composition

(Published in Tohoku Journal of Experimental Medicine, Vol. 212, p91-99, 2007)

Palatinose is known for limiting the rise in blood sugar levels because its absorption is slower than other forms of sugar. To examine the effects of palatinose in humans, we conducted a study in which 24 subjects whose blood sugar levels

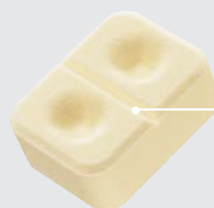
rise after meals because of impaired tolerance to glucose (glucose intolerance) ingested a enteral formula (Patent No. 3545706) at breakfast with palatinose as the primary sugar. Subjects who ingested 250 milliliters of the palatinose-based enteral formula for 12 weeks showed a lower rise in blood sugar after glucose ingestion than those who did not ingest the enteral formula. The subjects were additionally found to have lower levels of serum free fatty acid in their blood and reduced visceral fat accumulation. (Joint research with the Yamagata University Faculty of Medicine)

Potential Treatment of Ulcerative Colitis using Milk Whey Culture with Propionibacterium

(Published in Journal of Intestinal Microbiology, Vol. 21, p143-147, 2007)

Ten patients with light to moderate ulcerative colitis ingesting nine tablets per day in servings of three tablets each over a four-week period of food tablets containing propionibacterium freudenreichii exhibited improved symptom scores and improved intestinal health based on visual observation using endoscopes. The dosage produced no noticeable side effects while stimulating an increase of beneficial bifidobacteria in the intestinal bacteria and suppressing the amount of non-beneficial bacterioides. The findings suggest that milk whey culture with propionibacterium could be a safe and effective foodstuff for treating light to moderate ulcerative colitis. (Joint research with the Kurume University School of Medicine, Department of Medicine. Patent pending)

Meiji Hohoemi Raku Raku Cube



Meiji Hohoemi Raku Raku Cube

Another feature of the Meiji Hohoemi Raku Raku Cube to facilitate easy solubility is the indentations on the surface.



Close-up (300x) of the Cube's Surface

Increased strength via firm bond between powder granules while spaces between granules are preserved.

• **Management Structure:**

→ **Corporate Governance and Compliance**

Meiji Dairies' corporate philosophy is to contribute to a healthy and happy daily life for our customers by offering new levels of value in food. In fulfilling this philosophy, we aim to conduct sound and transparent management as we constantly seek to enhance our corporate value and continually earn the trust and satisfaction of all of our stakeholders.

Corporate Governance System

The company adopts corporate auditor system under the Corporate Law and the Company's corporate governance system is reinforced by the Internal Auditing Department and the Risk & Compliance Committee.

Corporate Governance Focused on the Board of Directors and Corporate Auditors

The 25-member Board of Directors decides management policies and other important matters and acts as an oversight body for the execution of duties of the directors. The Board exercises 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 to support quick decision-making and to enhance overall business efficiency.

The Board of Corporate Auditors comprises six corporate auditors, including three outside auditors, who discuss and determine auditing policies and other issues and provide oversight for the performance of the Board of Directors. Corporate auditors attend regular meetings with directors and, as necessary, offer opinions at meetings of the Board of Directors, Managing Committee, Executive Committee, as well as other corporate group meetings.

We have also further strengthened our auditing functions with the appointment of two 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 Control System

Internal Auditing Department Audits

The Internal Auditing Department, comprised of eight auditors, 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 promote 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 incorporates preventive compliance measures for standard operations and to minimize potential damage in emergency situations. 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 at the company headquarters, regional offices and subsidiaries across the country. External consultation sites have been established at unaffiliated external law offices.
4. The Information Security Committee incorporates the latest information technology to maintain and strengthen information security and 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. The Meiji Dairies Group maintains a Food Safety Committee, including two independent members from outside the company, to ensure the safety of the food products developed by the Group. 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 and recommends policies and measures for the company.
6. We also have established 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 is fundamental to our ability to provide the product quality that

will continue to earn customer satisfaction and trust.

Notes: 1. Please see the Review and Analysis of Fiscal 2007 Results on page 38 for further information on the types of risk that have the potential to impact the business results and financial conditions of the Meiji Dairies Group.
 2. Please see Food Safety Initiatives on page 20 for further information on food safety and quality assurance.

Director Compensation

Compensation paid to Directors and Corporate Auditors in fiscal 2007 is presented in the following chart. The company did not employ outside directors in fiscal 2007.

Classification	Number of Persons	Amount paid (millions of yen)
Directors	31	577
Corporate auditors		
(included outside auditors)	6 (3)	103 (35)
Total	37	680

Notes: Other employee compensation and retirement benefit payments other than the above were as follows.

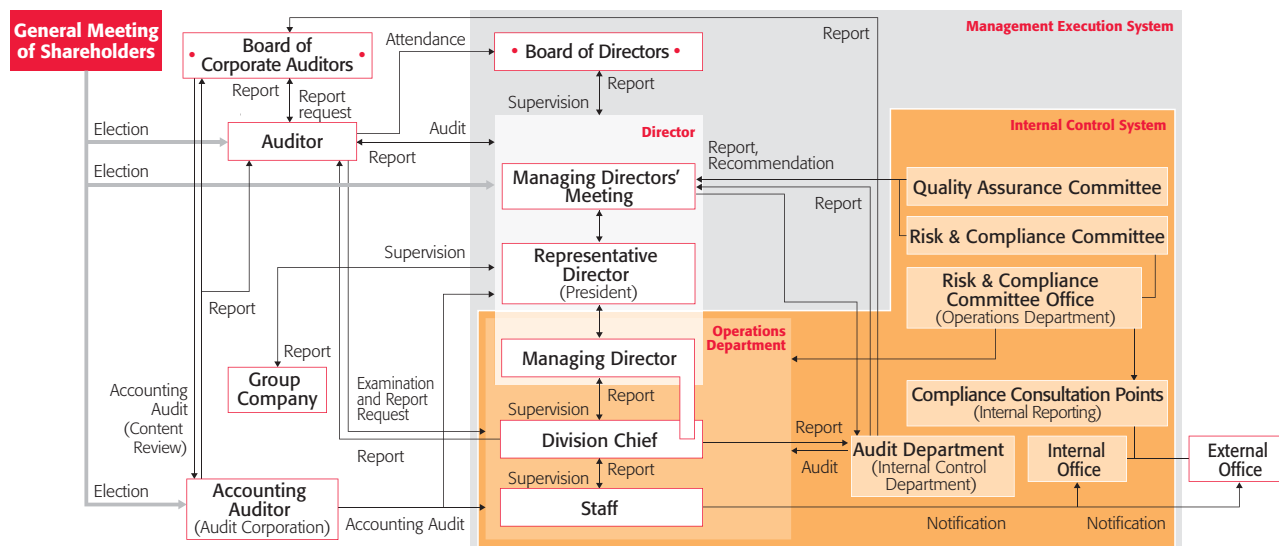
- Employee Compensation
 Individuals simultaneously employed as employees and Directors
 ¥233 million
- Retirement Benefits (Amounts paid in association with the termination of the retirement benefit system for Directors and Corporate auditors)
 Directors 24 people ¥29 million
 Auditors 4 people ¥2 million
 (including outside directors 2 people ¥0)

Introduction of Takeover Countermeasures

Meiji Dairies has adopted hostile takeover countermeasures as a preventive measure against a takeover attempt that would present a serious threat of 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.

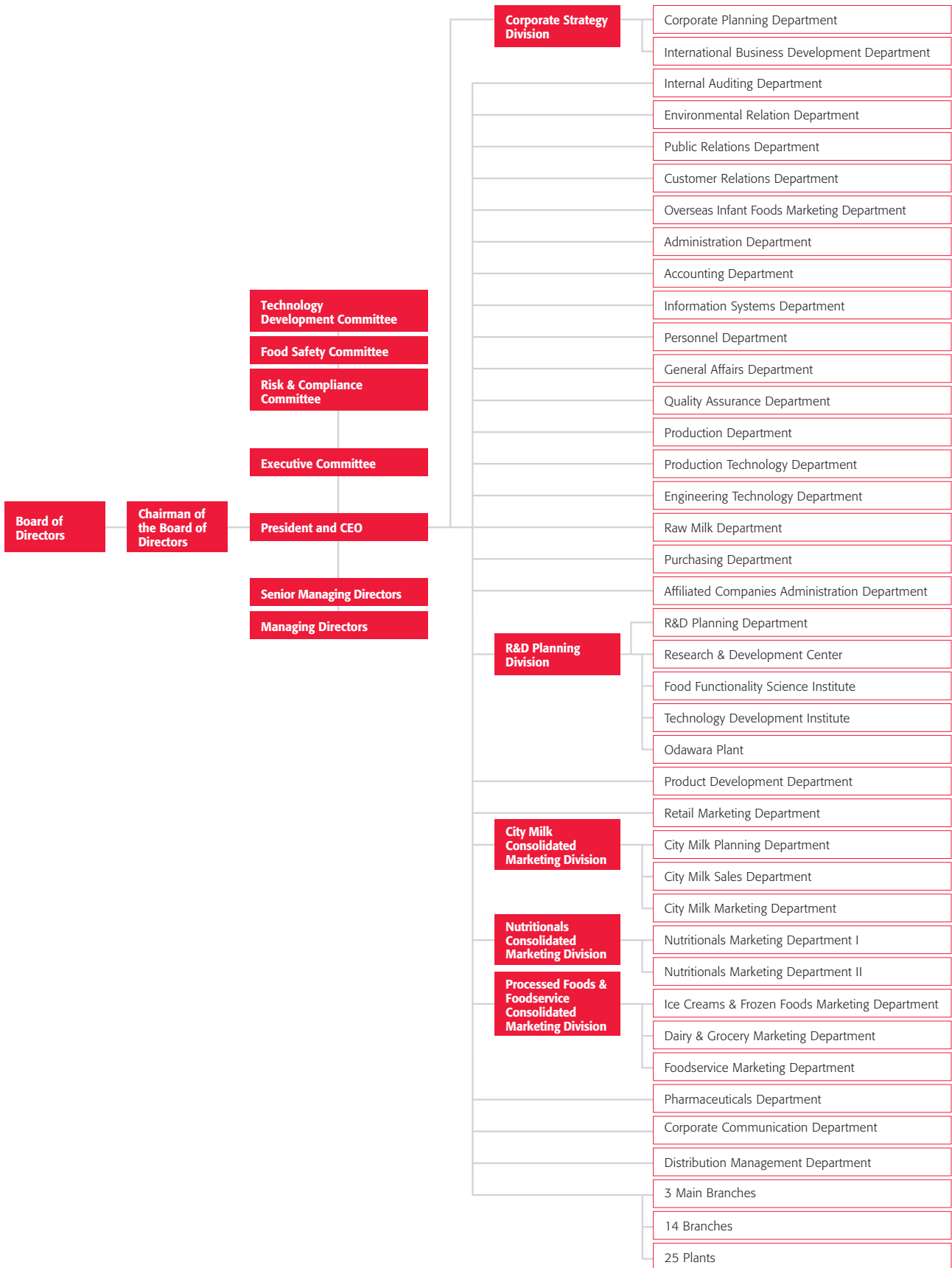
Specifically, in the event that shareholders determine to activate countermeasures to a large-scale stock purchase proposal, the will of the shareholders will be communicated with a request to revoke the large-scale stock purchase to the third party proposing the takeover. If the third party does not consent to the request, then the Company's Board of Directors may resolve to implement countermeasures in the form of a gratis issue of equity warrants.

Corporate Governance System



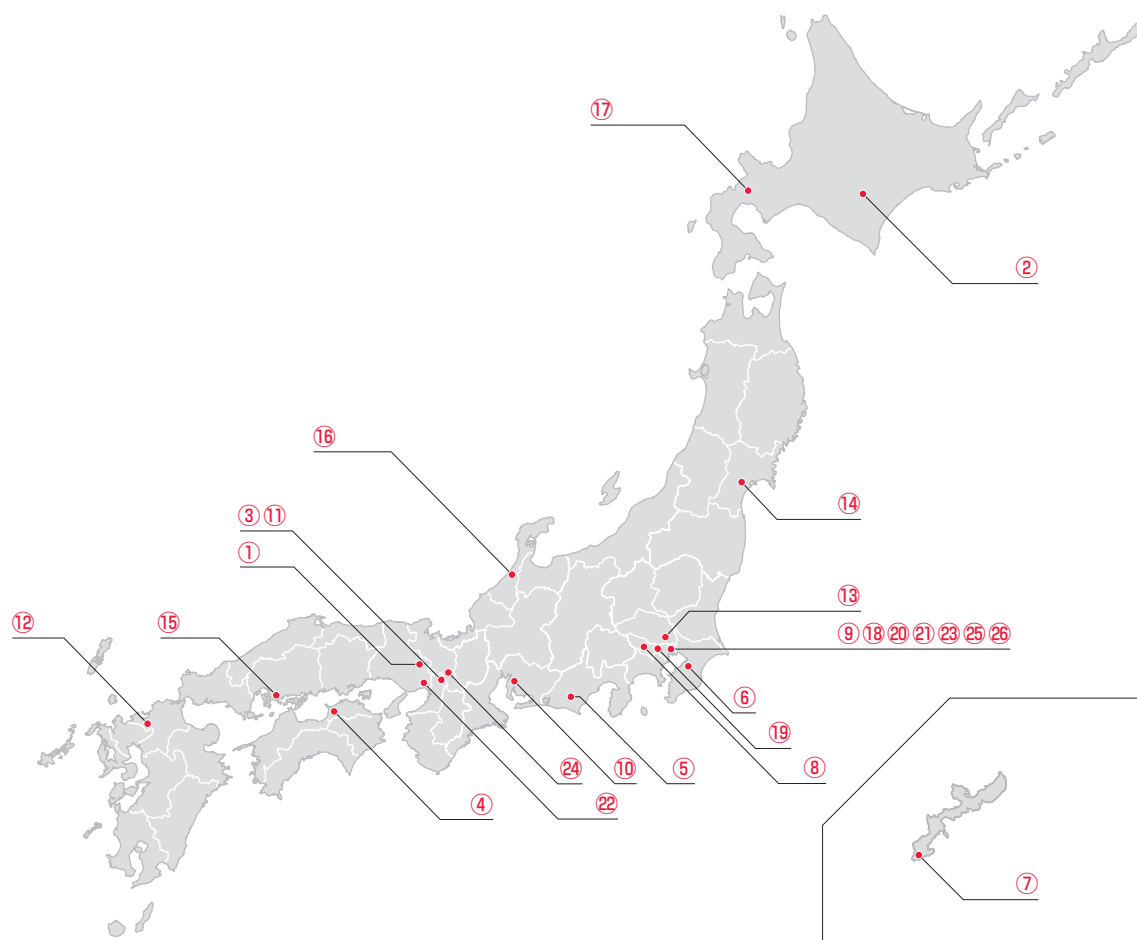
• **Management Structure:**

→ **Organization** (As of April 1, 2008)



• **Management Structure:**

→ **Major Group Companies** (As of March 31, 2008)



* 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.	67.94	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*	79.96	99

* Equity-method affiliate

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

⑨ Tokyo Meihan Co., Ltd.	94.67	495
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
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Distribution Service

㉑ Meiji Logitech Co., Ltd.	94.67	98
㉒ K.C.S. Co., Ltd.	100.00	80

Others

㉓ Fresh Network Systems Co., Ltd.	94.67	4,604
㉔ Ohkura Pharmaceutical Co., Ltd.	100.00	72
㉕ Meiji Techno-Service Inc.	100.00	30
㉖ Nice Day Co., Ltd.	100.00	25

• **Management Structure:**

→ **Board of Directors and Auditors** (As of July 1, 2008)



(from the front left) President & CEO: Shigetaro Asano, Chairman: Hisashi Nakayama
(from the back left) 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

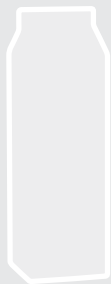
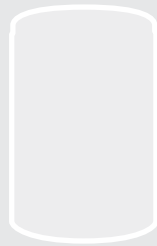
Kazuhiro Minemoto General Manager, Kansai Main Branch
Norio Shigenari General Manager, Raw Milk Department
Naoki Kato General Manager, Production Department
Junji Yamamoto President & Chief Executive Officer
Fresh Network Systems Co., Ltd.
Masami Eguro General Manager,
Affiliated Companies Administration Department
Hidesada Kaneko General Manager, Personnel Department
Kaoru Koide General Manager, Quality Assurance Department
Shouzou Nawata Manager, Corporate Strategy Division
Toshiyuki Sakaguchi General Manager, Tokai Main Branch
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

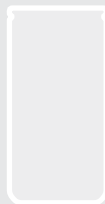
Kouichirou Kawashima
Masaki Shiraishi
Akio Matsuyama

External Auditors

Youko Sanuki
Eiichi Irie
Shouji Miyamoto



FINANCIAL SECTION



→ PG32 Facts & Figures

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→ PG42 Consolidated
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→ PG44 Consolidated
Statements of Income

→ PG45 Consolidated
Statements of
Changes in Net Assets

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Cash Flows

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→ PG55 Report of
Independent Auditors

→ PG56 Stock Information /
Corporate Data

● Facts & Figures

1. Consolidated Financial Summary

	Millions of yen (Unless otherwise noted) ^(Note 1)			
	FY2003	FY2004	FY2005	FY2006
Operating Results (For the Fiscal Year):				
Net sales	¥ 721,833	¥ 725,024	¥ 710,908	¥ 702,750
Cost of sales	524,253	522,970	515,712	502,635
Selling, general and administrative (SG&A) expenses	181,899	182,637	175,205	176,517
Operating income	15,681	19,415	19,989	23,597
Ordinary income ^(Note 3)	15,747	19,081	20,179	23,421
Net income	7,950	9,722	10,055	13,708
Capital expenditure (Cash base)	24,546	20,527	20,147	20,798
Depreciation expenses (Tangible Fixed Assets)	20,324	19,734	19,664	18,915
Research and development (R&D) expenses	7,422	7,558	7,398	7,570
Financial Position (At Fiscal Year-End):				
Total assets	¥ 364,958	¥ 357,592	¥ 361,134	¥ 383,560
Net assets ^(Note 4)	91,892	100,026	112,695	146,044
Interest-bearing debt ^(Note 5)	142,352	128,093	116,475	86,286
Per share data (Yen, U.S. dollars):				
Net income	¥ 26.74	¥ 32.73	¥ 33.86	¥ 42.81
Net assets ^(Note 4)	310.23	337.86	380.85	437.45
Cash dividends	6.00	6.00	7.00	10.00
Ratios:				
Return on equity (ROE) (%) ^(Note 6)	9.1	10.1	9.5	10.7
Return on assets (ROA) (%) ^(Note 7)	2.2	2.7	2.8	3.6
Equity ratio (%)	25.2	28.0	31.2	37.5
Debt-equity ratio (times) ^(Note 8)	1.5	1.3	1.0	0.6
Other information:				
Number of employees	7,482	7,370	7,185	7,054

Notes: 1. The yen amounts for 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 = 100.17, the exchange rate prevailing on March 31, 2008.

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

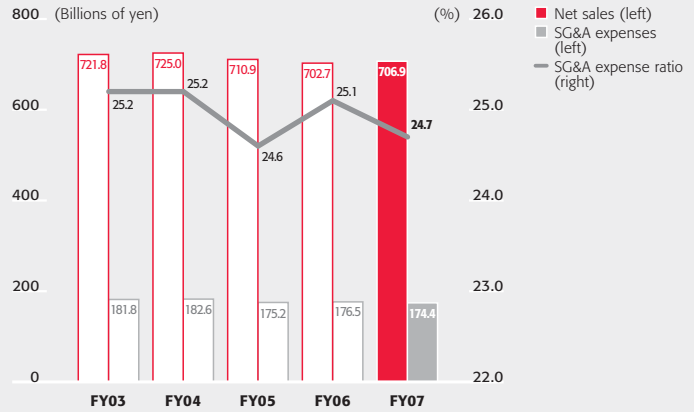
7. ROA = Net income/Simple average of total assets at the beginning and end of the fiscal year

8. Debt-equity ratio = Interest-bearing debt/Shareholders' equity

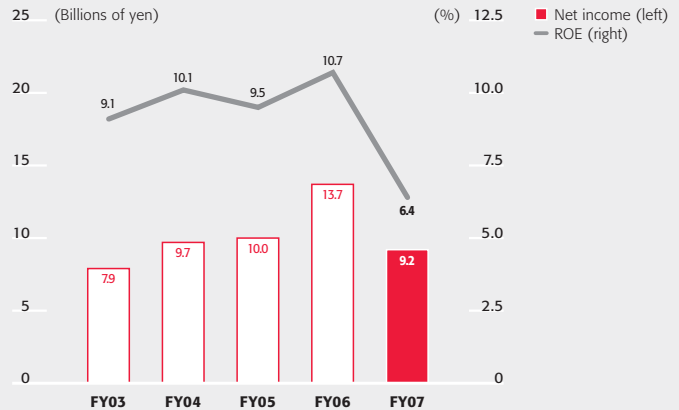
Thousands of U.S. dollars
(Unless otherwise
noted) ^(Note 2)

	FY2007	FY2007
	¥ 706,988	\$ 7,057,886
	516,325	5,154,488
	174,400	1,741,046
	16,262	162,351
	16,065	160,382
	9,226	92,109
	41,498	414,282
	20,927	208,915
	7,122	71,104
	¥ 390,192	\$ 3,895,303
	147,425	1,471,756
	105,163	1,049,849
	¥ 28.08	\$ 0.280
	441.73	4.410
	8.00	0.080
	6.4	—
	2.3	—
	37.2	—
	0.7	—
	7,134	—

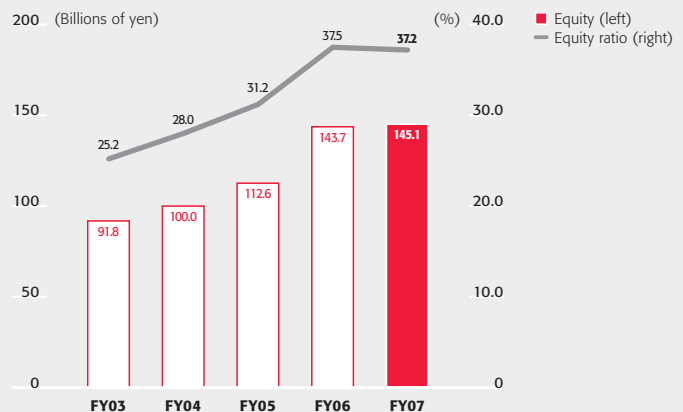
Net Sales, SG&A Expenses and SG&A Expense Ratio



Net Income, ROE



Equity and Equity Ratio



2. Non-Consolidated Financial Summary

	Millions of yen (Unless otherwise noted) ^(Note 1)			
	FY2003	FY2004	FY2005	FY2006
Operating Results (For the Fiscal Year):				
Net sales	¥ 498,748	¥ 493,868	¥ 484,285	¥ 481,206
Cost of sales	351,008	347,158	344,458	338,037
Selling, general and administrative (SG&A) expenses	136,278	132,179	124,588	124,897
Operating income	11,462	14,530	15,239	18,271
Ordinary income ^(Note 3)	11,401	14,144	15,702	18,373
Net income	5,596	6,290	8,096	9,235
Capital expenditure (Cash base)	¥ 13,286	¥ 15,864	¥ 14,707	¥ 14,905
Depreciation expenses (Tangible Fixed Assets)	14,141	14,123	14,005	13,298
Research and development (R&D) expenses	7,049	7,164	6,969	7,093
Financial Position (At Fiscal Year-End):				
Total assets	¥ 274,561	¥ 275,013	¥ 282,554	¥ 322,137
Equity	84,539	89,382	99,847	126,168
Interest-bearing debt	92,743	89,763	85,713	75,828
Other information:				
Number of employees	4,512	4,457	4,352	4,339

Notes: 1. The yen amounts for 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.

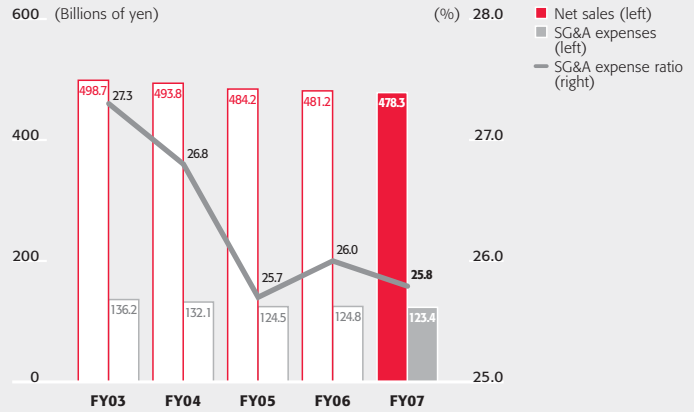
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US\$1 = 100.17, the exchange rate prevailing on March 31, 2008.

3. Ordinary income = Operating income + Net financial expenses + Other non-operating income and expenses

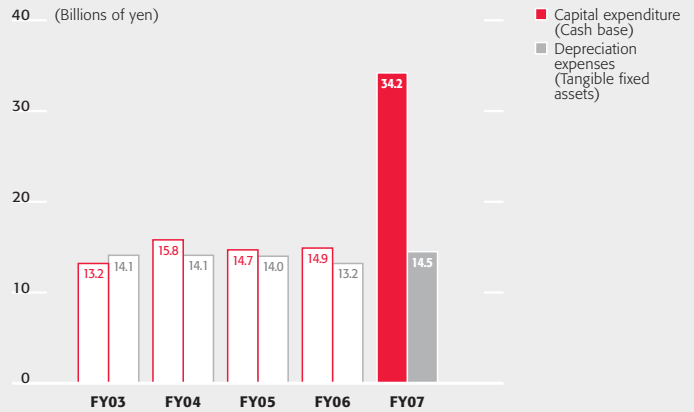
Thousands of U.S. dollars
(Unless otherwise
noted) ^(Note 2)

	FY2007	FY2007
	¥ 478,353	\$ 4,775,418
	342,703	3,421,222
	123,457	1,232,484
	12,191	121,710
	12,398	123,778
	6,460	64,492
	¥ 34,284	\$ 342,264
	14,504	144,797
	6,731	67,199
	¥ 332,270	\$ 3,317,068
	125,047	1,248,351
	96,974	968,104
	4,481	—

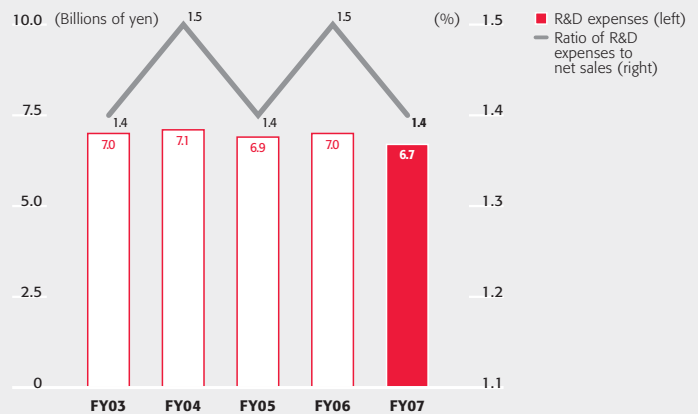
Net Sales, SG&A Expenses and SG&A Expense Ratio



Capital Expenditure and Depreciation Expenses



R&D Expenses and Its Ratio to Net Sales



3. Segment Information

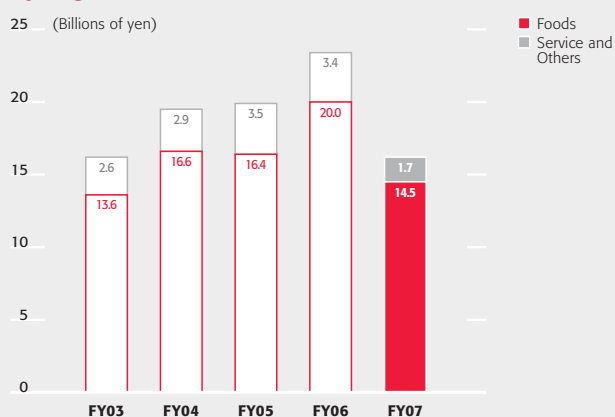
	Millions of yen (Unless otherwise noted) ^(Note 1)					Thousands of U.S. dollars (Unless otherwise noted) ^(Note 2)
	FY2003	FY2004	FY2005	FY2006	FY2007	FY2007
Consolidated Performance						
by Segment						
Net sales						
Foods	¥ 623,077	¥ 621,978	¥ 605,813	¥ 596,608	¥ 595,761	\$ 5,947,499
Service and Others ^(Note 3)	144,529	148,370	149,243	151,193	157,545	1,572,776
Operating income						
Foods	13,662	16,633	16,469	20,022	14,558	145,332
Service and Others ^(Note 3)	2,659	2,923	3,517	3,460	1,769	17,659
Operating income margin						
Foods	2.2%	2.7%	2.7%	3.4%	2.4%	—
Service and Others ^(Note 3)	1.8%	2.0%	2.4%	2.3%	1.1%	—
Non-consolidated Net Sales						
by Division and Product						
City milk	¥ 291,807	¥ 294,010	¥ 294,365	¥ 294,674	¥ 288,217	\$ 2,877,286
Drinking milk	133,410	132,182	128,244	121,795	118,896	1,186,944
Yogurt	90,801	91,947	95,209	103,886	102,375	1,022,015
Others	67,596	69,880	70,910	68,992	66,946	668,326
Processed milk products	75,269	71,485	67,187	66,523	70,089	699,703
Powdered milk	34,540	33,236	29,552	28,089	28,144	280,964
Condensed milk	1,147	1,103	1,035	995	1,035	10,341
Butter	15,329	14,588	14,625	15,080	16,658	166,303
Cheese	24,252	22,557	21,974	22,358	24,250	242,094
Ice cream	36,506	38,045	36,636	37,287	39,228	391,622
Beverages	31,534	32,175	31,256	30,213	28,835	287,867
Other products	63,629	58,151	54,839	52,506	51,981	518,937
Total	¥ 498,748	¥ 493,868	¥ 484,285	¥ 481,206	¥ 478,353	\$ 4,775,418

Notes: 1. The yen amounts for 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.

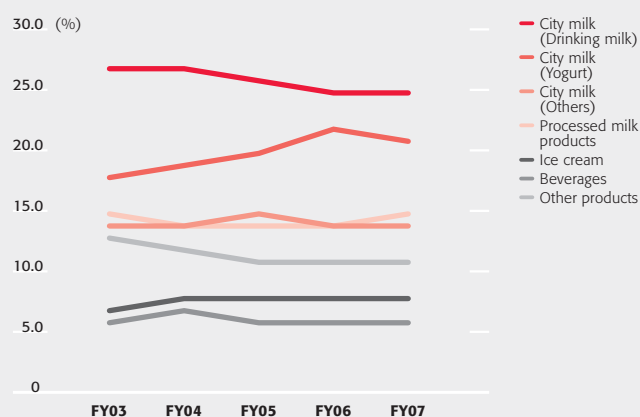
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US\$1 = 100.17, the exchange rate prevailing on March 31, 2008.

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



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



4. Industry Statistics

	FY2003	FY2004	FY2005	FY2006	FY2007	Change (%)
Production, Consumption, and Sales of Major Dairy Products						
Raw milk production (tons) * ¹	8,404,999	8,284,746	8,292,696	8,088,273	8,024,305	-0.79%
Drinking milk production (kl) * ¹	4,478,913	4,404,370	4,262,336	4,122,993	4,023,057	-2.42%
Milk production (kl) * ¹	4,020,871	3,926,680	3,792,626	3,679,537	3,578,649	-2.74%
Processed milk production (kl) * ¹	458,042	477,690	469,710	443,456	444,408	0.21%
Yogurt produced by dairy companies (kl) * ¹	793,335	782,036	801,837	849,752	839,324	-1.23%
Yogurt produced by non-dairy companies (kl) * ²	123,254	124,872	113,794	120,155	111,575	-7.14%
Cheese consumption (tons) * ³	255,050	265,720	261,832	270,086	279,189	3.37%
Natural cheese consumption for direct consumption (tons) * ³	141,192	150,745	143,592	152,746	163,262	6.88%
Processed cheese consumption (tons) * ³	113,858	114,975	118,240	117,340	115,927	-1.20%
Ice cream sales (thousand kl) * ⁴	752	818	780	773	821	6.21%

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

	FY2003	FY2004	FY2005	FY2006	FY2007	Change (%)
Our Position in the Industry:						
Meiji Dairies' Share in Milk Collection	16.7%	16.9%	16.9%	16.9%	17.2%	0.3pt
Meiji Dairies' Market Share by Product (Estimated)						
Milk	11.3%	11.3%	11.7%	12.4%	12.4%	0pt
Yogurt	35.0%	36.2%	37.5%	39.4%	39.6%	0.2pt
Ice cream	11.0%	10.8%	10.4%	10.5%	10.6%	0.1pt
Cheese	14.0%	12.7%	12.4%	11.4%	11.9%	0.5pt

• Review and Analysis of Fiscal 2007 Results

Macroeconomic Environment and Market Conditions

The Japanese economy showed signs of moderate recovery in fiscal 2007 boosted by a steady undertone in corporate earnings and growing capital investment but consumer spending stalled as rising taxes and social insurance premiums generated concern about income stability. In the food industry, several incidents of fraudulently labeled packages during the year elevated consumer concern about food safety and security.

The dairy industry business environment also changed radically, largely due to the unprecedented increases in crude oil prices and raw material procurement costs. Although the whole milk industry made every effort to expand the consumption of milk beverages and processed milk products, the growth pace for milk beverage consumption remained sluggish.

Revenue and Earnings

Consolidated net sales increased 0.6% from the previous fiscal year to ¥706,988 million. Rising sales of feed products at subsidiaries marginally outpaced a decline in sales of milk beverages, yogurts, and other products.

The cost of sales rose by ¥13,689 million from the previous year as the beneficial effect of an improved product mix (¥900 million, on a non-consolidated basis) was offset by the sharp increase in raw material procurement costs. The cost to sales ratio likewise increased by 1.5 percentage points.

Selling, general and administrative (SG&A) expenses decreased by 1.2% to ¥174,400 million, largely due to reduced costs from streamlining distribution operations and reducing advertising spending, which more than offset the increased depreciation costs due to the revision of the taxation system. The outcome was a 31.1% year-on-year decline in operating income to ¥16,262 million.

Other income and expenses did not change significantly from the previous year as extraordinary profit at Meiji Dairies

decreased ¥2,432 million from the previous year's large gain on the sale of fixed assets and extraordinary loss similarly declined ¥4,179 million after the previous year's revaluation loss on stock held in affiliated companies.

The result of the above was a 32.7% year-on-year decline in net income to ¥9,226 million. Net income per share fell from ¥42.8 in the previous year to ¥28.0 in fiscal 2007. Likewise, the equity to net income ratio decreased from 10.7% to 6.4%.

Segment Results

Food

The food segment encompasses the manufacture and sale of milk, processed milk products, ice cream and other foods as well as the livestock business.

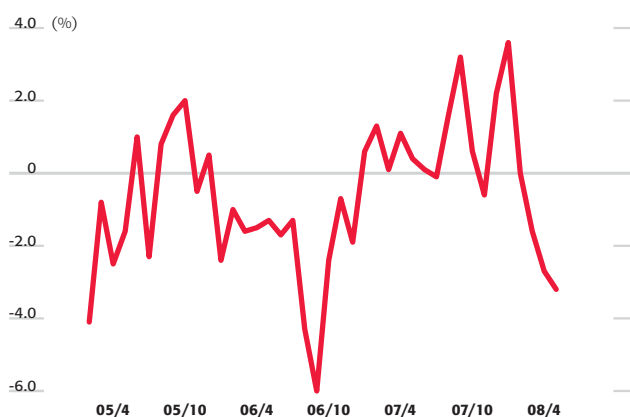
Net sales in the food segment declined 0.1% from the previous fiscal year to ¥595,761 million. The decline is attributable to decreased sales of drinking milk, yogurt and other products at Meiji Dairies and a drop in sales at sales subsidiaries and other consolidated subsidiaries. Food segment operating income declined 27.3% year-on-year to ¥14,558 million, largely as a result of the soaring raw material prices and the increased depreciation costs due to the revision of the taxation system.

Service and Others

The Service and Others segment comprises the transportation and storage operations of the distribution business, the feed business, and other businesses, including finance and leasing.

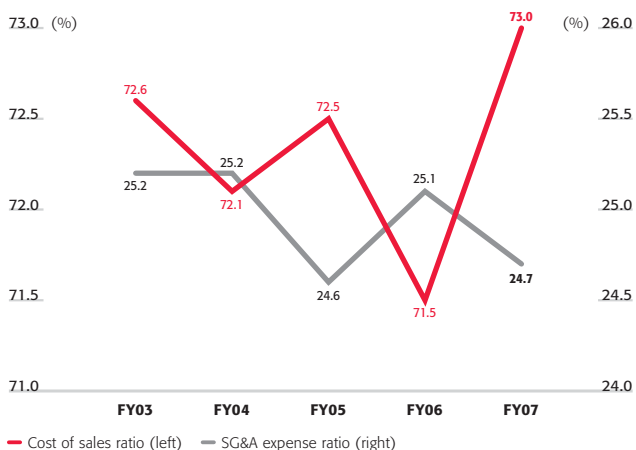
Segment sales rose 4.2% from the previous fiscal year to ¥157,545 million, primarily due to the rise in feed business sales following revisions to the assorted feed prices. The sharp rise in feed grain prices strongly impacted earnings in the feed business and contributed to a 48.9% year-on-year decline to ¥1,769 million in operating income for the Service and Others segment.

Personal Consumption Expenditure / Year-on-Year Real Changes



Source: Ministry of internal affairs and communications

Cost of Sales Ratio and SG&A Expense Ratio



Performance of Major Subsidiaries

Fiscal 2007 net sales in the sales group declined by ¥2.3 billion from the previous fiscal year to ¥152.8 billion and operating income fell by ¥0.6 billion to a marginal profit amid adverse market conditions, including sluggish results in the chilled and frozen products and distribution businesses.

The manufacturing group's improved management efficiency under the circumstances of rising raw materials costs supported a ¥1.2 billion year-on-year increase in sale to ¥39.9 billion while operating income declined by ¥0.1 billion to ¥800 million in fiscal 2007.

Livestock and feed group results included a ¥4.9 billion rise in net sales to ¥70.9 billion and a ¥0.7 billion decline in operating income to a marginal loss. The retail sales division of Asahi Broiler Co., Ltd., posted sales and profit growth while Meiji Feed Co., Ltd. generated sales growth accompanied by declining profit, largely owing to the sharp rises in feed grain prices outpacing the positive effects of the revisions to the distribution and feed prices.

Distribution group sales declined ¥0.6 billion to ¥97.3 billion and operating income edged down ¥0.3 billion to ¥1.5 billion in fiscal 2007. The main factor in the declines was the steep rise in fuel prices during the year. The Meiji Dairies Group established Meiji Logitech Co., Ltd., on April 1, 2008, to integrate the operation and consolidated management of the group's distribution operations.

In the Other group segment, steady performances in the pharmaceuticals and other businesses resulted in sales growth of ¥2.2 billion to ¥16.7 billion and an increase in operating income of ¥0.4 billion to ¥0.9 billion.

Financial Position

At March 31, 2008, consolidated total assets were ¥390,192 million, up ¥6,631 million from the previous year end. Current

assets were down ¥14,217 million to ¥141,563 million from the previous year end. The decline was primarily due to declines in cash and notes and accounts receivable. Tangible fixed assets, less accumulated depreciation, had increased by ¥18,867 million to ¥191,463 million, primarily on a combined ¥13.4 billion increase in machinery, equipment and vehicles and tools and furniture. Investments and other noncurrent assets were up ¥1,982 million from the previous year to ¥57,165 million. Current assets represented 36.3% of total assets at the fiscal year end.

Total liabilities increased ¥5,250 million from the previous year to ¥242,766 million. Current liabilities declined ¥16,525 million to ¥165,730 million, largely due to redemption corporate bonds which are to be redeemed within a one-year period. Long-term liabilities increased ¥21,776 million to ¥77,036 million due to the issue of corporate bonds.

Total shareholders' equity increased ¥1,381 million from a year earlier to ¥147,425 million as higher retained earnings overcame a decrease in net unrealized gains on investments in securities. At the fiscal year-end, the equity ratio had declined to 37.2% from 37.5% at the previous year close, and shareholders' equity per share increased to ¥441.73 from ¥437.45 a year ago.

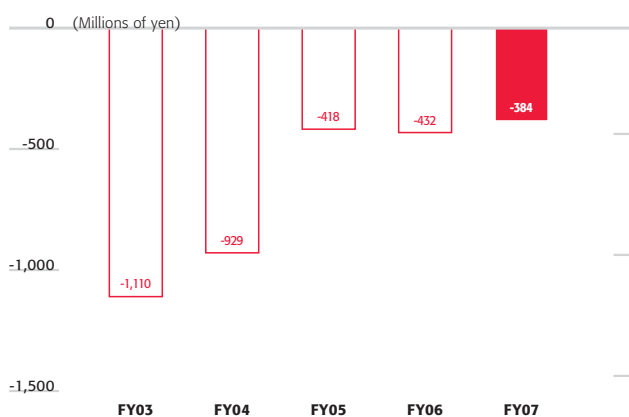
Cash Flows

Net cash inflow provided by operating activities was ¥18,542 million, a decrease of ¥18,580 million from the previous fiscal year largely due to on decreases in notes and accounts payable and increased inventories.

Net cash used in investing activities totaled ¥44,630 million, an increase of ¥29,183 million from the previous year that was due mainly to outlays to acquire tangible fixed assets.

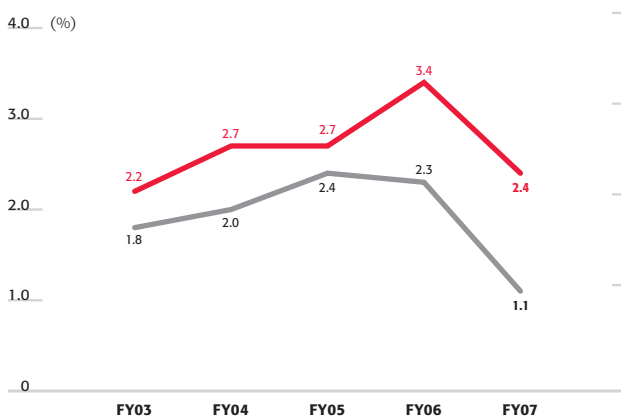
The overall result was a ¥47,763 million increase in cash outflow over the previous fiscal year producing a net outflow in

Net Financial Expense



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

Operating Income Ratio by Segment



— Food — Service and Others

* Figures are before exclusion of intersegment transactions

free cash flow* of ¥26,088 million.

Net cash used in financing activities amounted to a ¥15,455 million inflow, largely due to an increase in commercial paper that increased cash inflow by ¥26,888 million.

As a result of the above, cash and cash equivalents declined by ¥10,632 million to ¥3,230 million.

* Free cash flow = Net cash flow from operating activities + net cash flow from investing activities.

Capital Investment

Capital investment in fiscal 2007 totaled ¥38,141 million, an increase of 41.7% from the previous fiscal year. Food segment capital investment increased 64.4% to ¥35,285 million. The most substantial investment was ¥33,637 million centered on construction of the new Tokachi Plant in Hokkaido for domestic-produced natural cheese. Capital investment in the Service and Others segment decreased 47.7% to ¥2,856 million, and largely focused on distribution operations of consolidated subsidiaries.

Research and Development

Total research and development expenses declined 5.9% from the previous year to ¥7,122 million in fiscal 2007. Of this total, ¥4,738 million, a decrease of 5.5%, 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. Research funds allocated to the Service and Others segment decreased 6.8% to ¥2,383 million.

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.

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.

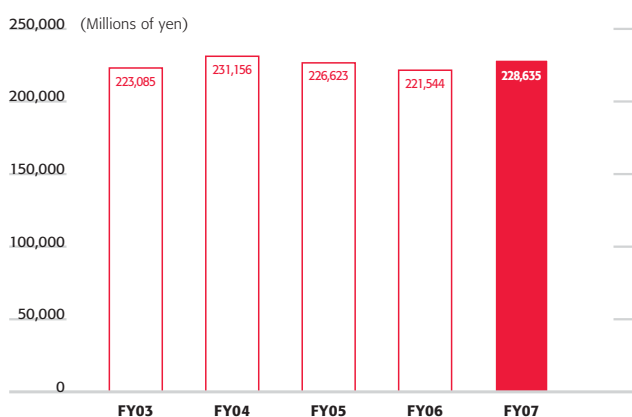
2) Dairy Products and Farming Industries

The milk and processed milk products produced by the Meiji Dairies Group are beneficiaries of a tariff system designed to protect the domestic dairy industry. However, the reduction of tariff rates as a result of negotiations by the World Trade Organization (WTO) and regarding the Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA) could significantly impact Group earnings. 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) Raw Material Price Conditions

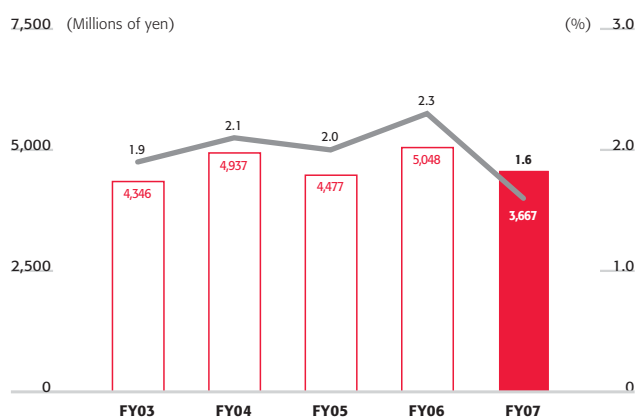
Market prices of raw materials used to manufacture the Group's milk, milk fat, nonfat dry milk, cheese, and products as well as market prices of energy resources, such as petroleum products used in wrapping materials and heavy oils, fluctuate depending on the market condition. Trends in raw material prices have been having a growing impact on the production costs for domestic dairy farmers that use assorted feed for feeding their

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 the Meiji Dairies Group.

Ordinary Income and Ordinary Income Ratios of Consolidated Subsidiaries



■ Ordinary income of consolidated subsidiaries (left)
— Ordinary income ratios of consolidated subsidiaries (right)

live stock in recent years. Growing demand for processed milk products accompanying the economic development of the BRIC countries and other emerging nations, the drought in Australia that has reduced production volume of processed milk products, and the sharp rise in feed grain prices accompanying the growing demand for biofuels are among numerous trends and developments that are causing market prices of raw materials to fluctuate. Such trends could significantly impact Group earnings in the event the Group is unable to offset the sharp rises in raw material costs by cutting costs or other measures or if conditions in the domestic market preclude transferring the higher costs to sales prices of our products.

4) Foreign Currency Exchange Fluctuation

The Meiji Dairies Group procures a portion of its raw materials and products from overseas, and foreign currency exchange rates affect the Group's earnings. Generally, a weak yen against foreign currencies has a negative impact and a strong yen against foreign currencies has a positive impact on earnings.

5) Food Safety

Food safety and quality control are strongly demanded of the food industry. The Group maintains a Food Safety Committee to take all possible measures to ensure the safety of the products developed by the Company and to establish preventive measures against any foreseeable risks in all of the Group's manufacturing processes. The Group's product and service quality control efforts are supported by the implementation of various measures under the Meiji Dairies Quality Assurance System (Meiji Qualias) to further enhance the Group's ability to provide safe and attractive products and services. The Group has also established a combined ¥20 billion in commitment-line contracts with seven financial institutions to ensure access to

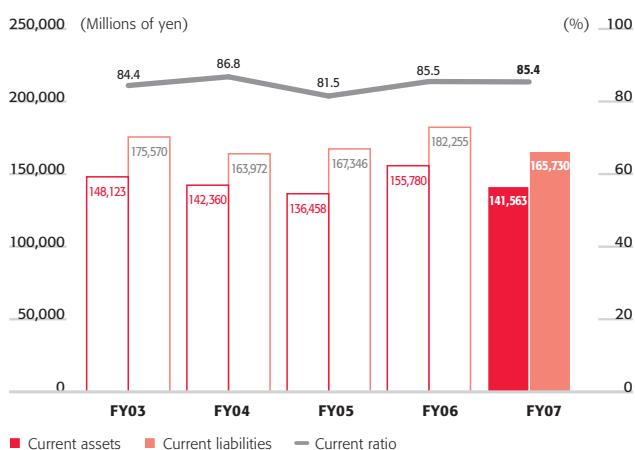
funds in the event of emergencies due to acts of food-related terrorism or product incidents. Despite these preparations, society-wide product quality issues exceeding the scope of the efforts described above, a necessity to recall the Group's products from the market, or unfavorable developments in the food industry that have either a direct or indirect relation to the Group's products could damage the image of the Group's products. Such developments could have a negative impact on Group earnings.

6) Information Security

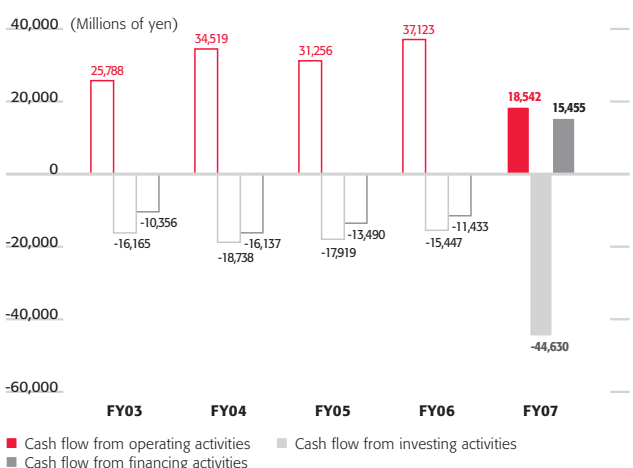
Information security incidents have occurred in recent years in Japan involving leaks of private individual information or unauthorized system access to information systems. As a corporate entity, the Company recognizes information security as an important issue in terms of the Company's social responsibility and from the perspective of the protection of the Company. The Company has responded by establishing the Information Security Committee, adopting a comprehensive information security policy, and implementing appropriate security measures into the Company's information management systems. Despite these efforts, an unanticipated information security incident in the future, such as unauthorized access or a computer virus, that damages the information system or a leak of internal company information or other data could compromise the Group's ability to conduct business, which could impact Group earnings.

Meiji Dairies maintains the Risk & Compliance Committee to formulate the risk management systems including preparatory and preventive compliance that may be necessary in emergency situations as well during standard operations. Each Group company also maintains a Risk & Compliance Committee creating an organic Group-wide system to add further strength to the Group's crisis management system.

Current Assets / Current liabilities and Current Ratio



Cash Flow



• Consolidated Balance Sheets

Meiji Dairies and Consolidated Subsidiaries
As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets:			
Cash ^(Note 12)	¥ 3,231	¥ 13,877	\$ 32,263
Notes and accounts receivable:			
Trade	79,970	90,036	798,344
Unconsolidated subsidiaries and affiliates	1,805	1,764	18,025
Others	5,537	5,508	55,277
Allowance for doubtful accounts	(420)	(452)	(4,201)
Inventories ^(Note 4)	42,072	34,653	420,009
Deferred income tax ^(Note B)	6,262	6,933	62,517
Other current assets	3,104	3,459	30,992
Total current assets	141,563	155,780	1,413,230
Property, plant and equipment ^(Notes 5, 7)	437,648	406,946	4,369,054
Less-Accumulated depreciation	(246,184)	(234,349)	(2,457,669)
Net property, plant and equipment	191,463	172,596	1,911,385
Investments and other noncurrent assets:			
Investments securities:			
Unconsolidated subsidiaries and affiliates	4,993	4,640	49,846
Others ^(Notes 3, 7)	23,497	29,476	234,579
Long-term loans	1,231	1,357	12,290
Intangible assets	6,584	4,119	65,735
Deferred income tax ^(Note B)	1,027	444	10,262
Others	20,691	16,082	206,565
Allowance for doubtful accounts	(860)	(937)	(8,591)
Total investments and other noncurrent assets	57,165	55,183	570,688
Total assets	¥ 390,192	¥ 383,560	\$ 3,895,303

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current liabilities:			
Short-term loans payable (including current portion of long-term debt) ^(Notes 6, 7)	¥ 42,498	¥ 46,653	\$ 424,262
Notes and accounts payable:			
Trade	64,168	69,931	640,597
Unconsolidated subsidiaries and affiliates	1,235	3,355	12,330
Income taxes payable	1,749	3,680	17,465
Accrued liabilities	32,151	32,841	320,968
Reserve for directors' bonuses	—	35	—
Other current liabilities	23,927	25,758	238,867
Total current liabilities	165,730	182,255	1,654,492
Long-term Liabilities:			
Long-term debt, less current portion ^(Notes 6, 7)	62,665	39,633	625,587
Deferred income taxes ^(Note 8)	9,350	9,984	93,347
Employees' retirement benefits ^(Note 10)	3,762	4,012	37,565
Reserve for directors' retirement benefits	665	837	6,640
Other long-term liabilities	592	791	5,913
Total long-term liabilities	77,036	55,260	769,054
CONTINGENT LIABILITIES ^(Note 11)			
Net Assets:			
Shareholders' equity			
Common stock:			
Authorized—800,000,000 shares			
Issued—329,648,786 shares, at March 31, 2008			
329,648,786 shares, at March 31, 2007	33,646	33,646	335,890
Additional paid-in capital	31,995	31,993	319,407
Retained earnings	76,019	70,407	758,909
Treasury stock, at cost—2008-1,130,509 shares, 2007-1,032,639 shares	(638)	(566)	(6,371)
Total shareholders' equity	141,022	135,481	1,407,835
Valuation and translation adjustments			
Net unrealized gains on investment securities	4,094	8,272	40,876
Minority interests	2,308	2,291	23,044
Total net assets	147,425	146,044	1,471,756
Total liabilities and net assets	¥ 390,192	¥ 383,560	\$ 3,895,303

• Consolidated Statements of Income

Meiji Dairies and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales	¥ 706,988	¥ 702,750	\$ 7,057,886
Cost of sales ^(Note 14)	516,325	502,635	5,154,488
Gross profit	190,663	200,114	1,903,398
Selling, general and administrative expenses ^(Notes 13, 14)	174,400	176,517	1,741,046
Operating income	16,262	23,597	162,351
Other income (expenses):			
Interest and dividend income	480	557	4,795
Amortization of goodwill arising from consolidation	168	169	1,679
Equity in income of affiliates	135	116	1,352
Interest expenses	(864)	(989)	(8,626)
Other, net	(364)	(2,023)	(3,641)
Income before income taxes and minority interests	15,817	21,426	157,910
Income taxes			
Current	4,247	5,878	42,406
Deferred	2,300	1,824	22,969
Minority interests	42	15	424
Net income	¥ 9,226	¥ 13,708	\$ 92,109

	Yen		U.S. dollars
	2008	2007	2008
Amounts per share of common stock:			
Net income	¥ 28.08	¥ 42.81	\$ 0.280
Cash dividends	8.00	10.00	0.080

See accompanying notes to consolidated financial statements.

• Consolidated Statements of Changes in Net Assets

Meiji Dairies and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen								
	Numbers of shares of common stock (thousands)	Shareholders' equity					Valuation and translation adjustments Net unrealized gains on investment securities	Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity			
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
Changes during the fiscal period									
Cash dividends	—	—	—	(3,614)	—	(3,614)	—	—	(3,614)
Net income	—	—	—	9,226	—	9,226	—	—	9,226
Acquisition of treasury stocks	—	—	—	—	(86)	(86)	—	—	(86)
Disposal of treasury stocks	—	—	1	—	14	16	—	—	16
Others	—	—	—	—	—	—	(4,177)	16	(4,160)
Total changes during the fiscal period	—	—	1	5,612	(71)	5,541	(4,177)	16	1,381
Balance at March 31, 2008	329,648	¥33,646	¥31,995	¥76,019	¥(638)	¥141,022	¥ 4,094	¥2,308	¥147,425

	Thousands of U.S. dollars								
	Numbers of shares of common stock (thousands)	Shareholders' equity					Valuation and translation adjustments Net unrealized gains on investment securities	Minority interests	Total net assets
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity			
Balance at March 31, 2007	329,648	\$335,890	\$319,390	\$702,882	\$(5,653)	\$1,352,511	\$ 82,581	\$ 22,877	\$1,457,969
Changes during the fiscal period									
Cash dividends	—	—	—	(36,084)	—	(36,084)	—	—	(36,084)
Net income	—	—	—	92,109	—	92,109	—	—	92,109
Acquisition of treasury stocks	—	—	—	—	(863)	(863)	—	—	(863)
Disposal of treasury stocks	—	—	16	—	145	162	—	—	162
Others	—	—	—	—	—	—	(41,704)	166	(41,537)
Total changes during the fiscal period	—	—	16	56,026	(718)	55,324	(41,704)	166	13,787
Balance at March 31, 2008	329,648	\$335,890	\$319,407	\$758,909	\$(6,371)	\$1,407,835	\$ 40,876	\$ 23,044	\$1,471,756

See accompanying notes to consolidated financial statements.

• Consolidated Statements of Cash Flows

Meiji Dairies and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash flows from operating activities:			
Income before income tax and minority interests	¥ 15,817	¥ 21,426	\$ 157,910
Depreciation and amortization	22,247	19,853	222,096
Amortization of negative goodwill	(168)	(169)	(1,679)
Provision for retirement benefits	(4,847)	(5,017)	(48,388)
Interest and dividend income	(480)	(557)	(4,795)
Interest expenses	864	989	8,626
Gain (loss) on sale and disposal of property	(505)	1,042	(5,043)
Gain (loss) on sale and revaluation of securities	41	203	414
(Increase) decrease in notes and accounts receivable	10,142	(9,192)	101,248
(Increase) decrease in inventories	(7,381)	2,204	(73,693)
Increase (decrease) in notes and accounts payable	(7,882)	9,645	(78,694)
Increase (decrease) in accrued expense	(690)	3,151	(6,892)
Others	(2,069)	(544)	(20,661)
Sub-total	25,087	43,037	250,446
Cash received for interest and dividend	497	561	4,970
Cash paid for interest	(864)	(1,004)	(8,626)
Cash paid for income tax	(6,178)	(5,471)	(61,681)
Net cash provided by operating activities	18,542	37,123	185,109
Cash flows from investing activities:			
Purchases of property, net of proceeds	(39,401)	(10,641)	(393,345)
Proceeds from sale (payments for purchases) of securities	(1,372)	(1,994)	(13,700)
Others	(3,856)	(2,811)	(38,503)
Net cash used in investing activities	(44,630)	(15,447)	(445,548)
Cash flows from financing activities:			
Proceeds from long-term debt	10,275	4,400	102,575
Repayment of long-term debt	(7,900)	(19,701)	(78,869)
Proceeds from issuance of bonds	20,000	—	199,660
Payment for redemption of bonds	(20,000)	(600)	(199,660)
Proceeds from issuance of shares	—	21,112	—
Cash dividends paid	(3,614)	(2,169)	(36,083)
Net increase (decrease) in short-term loans payable	(1,223)	(8,286)	(12,209)
Increase (decrease) in commercial paper	18,000	(6,000)	179,694
Others	(81)	(187)	(814)
Net cash provided by (used in) financing activities	15,455	(11,433)	154,291
Net increase (decrease) in cash and cash equivalents	(10,632)	10,242	(106,147)
Cash and cash equivalents at beginning of year	13,863	3,621	138,401
Cash and cash equivalents at end of year	¥ 3,230	¥ 13,863	\$ 32,253

See accompanying notes to consolidated financial statements.

• Notes to Consolidated Financial Statements

Meiji Dairies and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Dairies (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 Financial Instruments and Exchange Act. 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 ¥100.17 to \$1 prevailing on March 31, 2008. 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 2008 (24 significant subsidiaries in fiscal 2007). 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 (three in 2007) 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. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

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, Tokachi 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 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.

j) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

k) 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.

l) 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.

m) 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.

n) 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.

o) Net Income per Share

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

p) Change in Accounting Policy

Beginning in the consolidated fiscal year March 31, 2008, the Company and its consolidated subsidiaries have applied the depreciation method for the Property, Plant and Equipment acquired after April 1, 2007 due to the revision of Japan's Corporate Tax Law and its regulation. As a result of this change, compared with what the level would be under the previous method of accounting, depreciation expenses reduced each of operating income, ordinary income, and income before income taxes by ¥537 million (\$5,360 thousand). From the fiscal year ended March 31, 2008, some consolidated subsidiaries changed the method of depreciation from declining-balance method over estimated useful lives to straight-line method over the leasing period, to coordinate the period of revenue from leases with the period of depreciation of leases assets. As a result of this adoption, depreciation expenses increased each of operating income and ordinary income by ¥155 million (\$1,547 thousand), and reduced income before income taxes by ¥193 million (\$1,926 thousand).

(Additional Information)

Depreciation of the residual value of tangible fixed assets acquired before March 31, 2007

The Company and its consolidated subsidiaries apply Japan's Corporate Tax Law that depreciable assets purchased before March 31, 2007 which have been amortized to 95% of historical cost in a particular fiscal year are amortized evenly over five years starting from the following fiscal year. This is added in the category of Depreciation. As a result of this adoption, depreciation expense reduced each of operating income, ordinary income, and income before income taxes by ¥630 million (\$6,289 thousand).

3. Securities

Investment in securities in the consolidated balance sheets for fiscal year 2008 is presented as a valuation loss of ¥37 million (\$374 thousand). 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.

Consolidated fiscal year ending March 31, 2008	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with market prices exceeding acquisition costs:			
Equity securities	¥ 11,299	¥ 18,762	¥ 7,462
Sub-total	11,299	18,762	7,462
Securities with market prices falling below acquisition costs:			
Equity securities	3,237	2,696	(540)
Bonds	99	67	(32)
Sub-total	3,337	2,764	(573)
Total	¥ 14,636	¥ 21,526	¥ 6,889

Consolidated fiscal year ending March 31, 2007	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with market prices exceeding acquisition costs:			
Equity securities	¥ 12,024	¥ 26,049	¥ 14,025
Sub-total	12,024	26,049	14,025
Securities with market prices falling acquisition costs:			
Equity securities	497	423	(74)
Sub-total	497	423	(74)
Total	¥ 12,521	¥ 26,473	¥ 13,951

Consolidated fiscal year ending March 31, 2008	Thousands of U.S.dollars		
	Acquisition cost	Book value	Difference
Securities with market prices exceeding acquisition costs:			
Equity securities	\$ 112,800	\$ 187,303	\$ 74,503
Sub-total	112,800	187,303	74,503
Securities with market prices falling below acquisition costs:			
Equity securities	32,321	26,922	(5,399)
Bonds	997	671	(326)
Sub-total	33,318	27,593	(5,725)
Total	\$ 146,118	\$ 214,896	\$ 68,777

4. Inventories

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Finished goods and merchandise	¥ 29,115	¥ 24,445	\$ 290,664
Raw materials and supplies, others	12,956	10,208	129,344
Total	¥ 42,072	¥ 34,653	\$ 420,009

5. Property, Plant and Equipment

Fixed assets at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Land	¥ 43,824	¥ 43,854	\$ 437,502
Buildings and structures	67,787	62,151	676,728
Machinery, equipment and vehicles	60,729	47,294	606,268
Tools and furniture	9,773	9,258	97,571
Construction in progress	9,347	10,037	93,314
Total	¥ 191,463	¥ 172,596	\$ 1,911,385

6. Short-term Loans Payable and Long-term Debt

1) Short-term Loans Payable

The weighted average interest rate of short-term bank loans were 1.25% and 1.08% for the year ended March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Short-term loans	¥ 14,498	¥ 16,653	\$ 144,737
1.08% yen bonds due May 10, 2007	—	20,000	—
Commercial paper	28,000	10,000	279,524
Total	¥ 42,498	¥ 46,653	\$ 424,262

2) Long-term Debt

Long-term debt at March 31, 2008 and 2007 were summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
0.81% yen bonds due June 10, 2009	¥ 15,000	¥ 15,000	\$ 149,745
1.40% yen bonds due December 6, 2012	20,000	—	199,660
Loans from domestic banks, insurance companies, government agencies and others	34,383	32,306	343,251
Less portion due within one year	(6,718)	(7,672)	(67,070)
Total	¥ 62,665	¥ 39,633	\$ 625,587

The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S.dollars
2010	¥ 20,541	\$ 205,069
2011	6,042	60,323
2012	4,055	40,481
2013 and after	32,025	319,706
Total	¥ 62,665	\$ 625,587

7. Collateral and Secured Liability

Assets pledged as collateral for liability at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Buildings and structures	¥ 7,714	¥ 9,269	\$ 77,013
Machinery, equipment and vehicles	6,276	7,777	62,653
Tools and furniture	55	69	557
Land	6,450	8,690	64,394
Investment securities	3,138	3,492	31,328
Total	¥ 23,634	¥ 29,299	\$ 235,947

Liability secured by the above assets at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Short-term loans	¥ 800	¥ 1,360	\$ 7,986
Long-term loans (current portion)	2,042	1,967	20,391
Long-term loans	9,056	10,529	90,415
Employees' saving deposit	2,472	2,467	24,682
Total	¥ 14,371	¥ 16,325	\$ 143,475

8. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Deferred tax assets			
Retirement benefit	¥ 931	¥ 927	\$ 9,300
Accrued bonus	2,727	2,778	27,232
Unrealized gain	1,233	1,183	12,318
Accrued expense	1,194	1,187	11,929
Depreciation	1,340	1,137	13,385
Accrued enterprise taxes	203	304	2,027
Loss carryforward	2,053	1,723	20,498
Other	1,682	830	16,794
Subtotal deferred tax assets	11,368	10,073	113,487
Valuation allowance	(2,015)	(1,593)	(20,124)
Total deferred tax assets	9,352	8,479	93,362
Deferred tax liabilities			
Tax deductible reserve	(3,297)	(3,393)	(32,917)
Net unrealized gains on investments securities	(2,783)	(5,631)	(27,792)
Prepaid pension cost	(3,756)	(1,852)	(37,503)
Other	(1,574)	(209)	(15,717)
Total deferred tax liabilities	(11,412)	(11,086)	(113,931)
Net deferred tax liabilities	¥ (2,060)	¥ (2,607)	\$ (20,568)

An analysis of the significant differences between statutory tax rate and the company's effective tax rate for the year ended March 31, 2008 and 2007 were as follows:

	2008	2007
Statutory tax rate	40.4%	40.4%
Entertainment and other permanently non-deductible expenses	4.0	3.2
Dividend and other permanently non-taxable income	(1.3)	(0.8)
Amortization of goodwill	(1.1)	(0.8)
Valuation allowance	2.7	(3.8)
Per capita inhabitant's tax	1.4	1.0
Tax credit for experimentation and research expenses	(2.9)	(2.1)
Other	(2.2)	(1.1)
Effective tax rates	41.0%	36.0%

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, 2008 and 2007 concerning the finance lease assets which do not transfer ownership to lessees were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Acquisition costs	¥ 13,679	¥ 16,565	\$ 136,559
Accumulated depreciation	8,267	9,621	82,530
Net book value	¥ 5,412	¥ 6,936	\$ 54,028

The amounts of outstanding future lease payments at March 31, 2008 and 2007, excluding interest, were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Within one year	¥ 2,561	¥ 3,078	\$ 25,572
Over one year	3,180	4,163	31,750
Total	¥ 5,742	¥ 7,241	\$ 57,323

Lease expenses paid and amounts equivalent to depreciation expenses and interest expenses during the year 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Lease expenses paid	¥ 3,379	¥ 4,112	\$ 33,734
Depreciation expenses	3,144	3,810	31,388
Interest expenses	137	175	1,372

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, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Projected benefit obligation	¥ (73,037)	¥ (75,280)	\$ (729,139)
Fair value of plan assets	50,396	64,475	503,109
Unrecognized transitional obligation	5,037	5,757	50,291
Unrecognized actuarial loss	30,871	14,766	308,187
Unrecognized prior service cost	(3,338)	(4,635)	(33,323)
Net liability	9,929	5,082	99,125
Prepaid pension cost	13,692	9,095	136,690
Employees' retirement benefits	¥ (3,762)	¥ (4,012)	\$ (37,565)

The components of net periodic benefit costs were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Service cost	¥ 1,454	¥ 1,447	\$ 14,515
Interest cost	1,841	1,897	18,384
Expected return on plan assets	(1,868)	(1,742)	(18,657)
Amortization of transitional obligation	711	711	7,105
Recognition of actuarial gain/loss	1,892	1,730	18,890
Additional retirement payments and others	(1,123)	(1,107)	(11,211)
Net periodic benefit costs	¥ 2,907	¥ 2,937	\$ 29,027

Assumption used for the year ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
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. Contingent Liabilities

Contingent liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Guaranteed financial obligations			
Sendai Feed Co.,Ltd	¥ 479	¥ 160	\$ 4,786
Meiji Beverage Co.,Ltd	93	98	932
Tonyu Logistic Service Co.,Ltd	55	35	549
Letter of awareness	—	95	—

12. Cash and Cash Equivalents

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Cash	¥ 3,231	¥ 13,877	\$ 32,263
Fixed term deposits over 3 months	(1)	(13)	(9)
Cash and cash equivalents	¥ 3,230	¥ 13,863	\$ 32,253

13. Selling, General and Administrative Expenses

Principal Selling, general and administrative expenses for the fiscal years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Carriage and storage charges	¥ 26,484	¥ 28,807	\$ 264,400
Sales promotion expenses	51,764	51,772	516,763
Labor cost	38,834	38,120	387,684
Employees retirement benefits cost	1,904	1,929	19,012

14. Research and Development Cost

Research and development cost which were included in manufacturing expense, selling, general and administrative expenses for the fiscal years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Research and development cost	¥ 7,122	¥ 7,570	\$ 71,104

15. Segment Information

Information about industry segments for the fiscal years ended March 31, 2008 and 2007 was as follows:

Consolidated fiscal year ending March 31, 2008	Millions of yen				
	Foods	Service / Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
(1) Sales to customers	¥ 594,097	¥ 112,890	¥ 706,988	¥ —	¥ 706,988
(2) Intersegment sales	1,663	44,654	46,317	(46,317)	—
Total	¥ 595,761	¥ 157,545	¥ 753,306	¥ (46,317)	¥ 706,988
Operating expenses	581,202	155,775	736,978	(46,252)	690,725
Operating income	14,558	1,769	16,327	(64)	16,262
Assets, depreciation, and capital expenditures					
Assets					
Assets	330,520	65,950	396,470	(6,277)	390,192
Depreciation	16,338	5,908	22,247	—	22,247
Capital expenditures	35,535	6,430	41,966	(159)	41,807

Consolidated fiscal year ending March 31, 2007	Millions of yen				
	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, and capital expenditures					
Assets					
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

Consolidated fiscal year ending March 31, 2008	Thousands of U.S.dollars				
	Foods	Service / Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
(1) Sales to customers	\$ 5,930,896	\$ 1,126,990	\$ 7,057,886	\$ —	\$ 7,057,886
(2) Intersegment sales	16,603	445,786	462,390	(462,390)	—
Total	\$ 5,947,499	\$ 1,572,777	\$ 7,520,277	\$ (462,390)	\$ 7,057,886
Operating expenses	5,802,164	1,555,113	7,357,277	(461,741)	6,895,535
Operating income	145,335	17,664	162,999	(648)	162,351
Assets, depreciation, and capital expenditures					
Assets					
Assets	3,299,591	658,383	3,957,975	(62,671)	3,895,303
Depreciation	163,109	58,987	222,096	—	222,096
Capital expenditures	354,754	64,200	418,954	(1,588)	417,366

• Report of Independent Auditors



**THE FUJI
ACCOUNTING OFFICE**

Shin-Tokyo Bldg. 3-1-633, Marunouchi 3-chome,
Chiyodaku, Tokyo, Japan 100-0005
Tel : 03-3212-6943 Fax : 03-3215-9855

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, 2008 and 2007, 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, 2008 and 2007, 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.

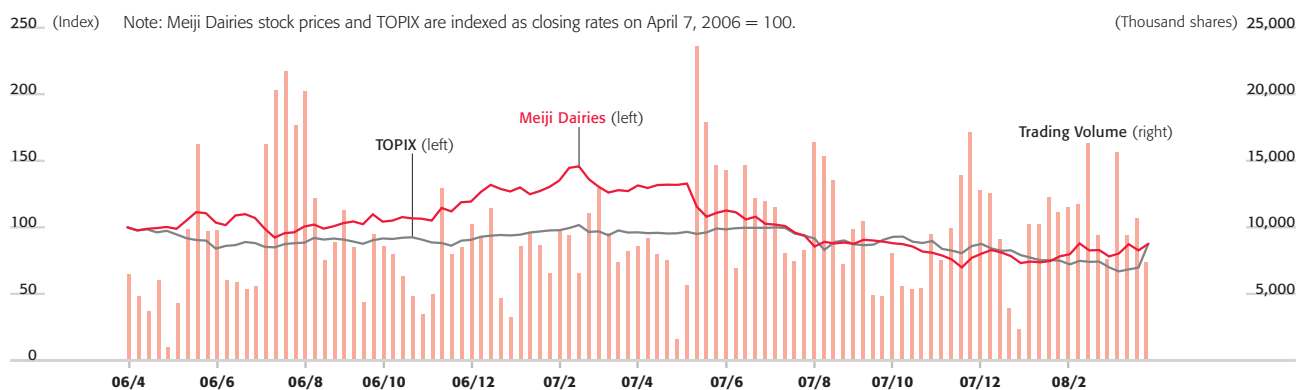
The amounts expressed in U.S.dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1.

The Fuji Accounting Office
The Fuji Accounting Office

Tokyo, Japan
June 27, 2008

• Stock Information

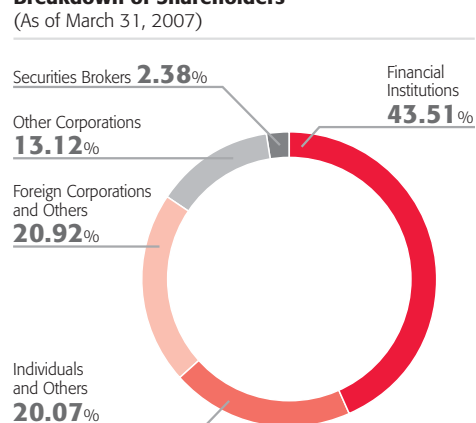
Share Performance and Trading Volume



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)	23,128	7.02
Japan Trustee Services Bank, Ltd. (Trust Account)	15,849	4.81
Mizuho bank, Ltd.	14,581	4.42
Meiji Seika Kaisha, Ltd.	13,488	4.09
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 Kyoeikai	5,202	1.58
Sompo Japan Insurance Inc.	4,610	1.40
Total	112,945	34.26

Breakdown of Shareholders (As of March 31, 2007)



• Corporate Data (As of March 31, 2008)

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: Authorized: 800,000,000
Issued: 329,648,786

Number of Shareholders: 32,259

Stock Listings: Tokyo, Nagoya

General Meeting of Shareholders: June 27, 2008

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

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

Number of Employees (Non-consolidated) : 4,481

● History

1917	Kyokuto Condensed Milk Co., Ltd., the Predecessor of Meiji Milk, Established	1992	• Started sales of “Meiji Tokachi” brand cheese
1921	• Meiji Merry Milk went on sale	1994	• Started sales of “Meiji Essel Super Cup Ultra Vanilla” Established “Guagdong M & F Yang Tang Dairy Products Co., Ltd.” A joint venture making ice cream
1924	Ice cream production started	1995	• Started sales of “Clean Pit AZ”, a throat spray • Started sales of “VAAM” sports and fitness drink
1927	Ryogoku Plant started operation	1996	• Started sales of “Subesube miruru” a baby skin care product “Meiji Bulgaria Yogurt LB 81” granted permission to display statement “designated health food product” on label
1928	• Started sales of powdered milk • Meiji milk product went on sale	1997	Started sales of “MEINYU” a precipitation hepatitis B vaccine Established joint venture for production of ice cream in Indonesia “PT. INDOMEJI DAIRY FOOD”
1932	• Started sales of Patrogen, a new product The Ryogoku Plant started production of processed cheese and butter line refurbished	1998	Six of our plants were certified as “integrated hygiene management manufacturing process” plants using the basic HACCP system, the first dairy product plants to be so designated Commenced operations at Moriya Plant, Milk Hall built Commenced production of new bottle for home deliveries • Started sales of “Yawaraka Cut Food” series
1940	Kyokuto Condensed Milk Co., Ltd. Changed its corporate name to Meiji Milk Products Co., Ltd. with a capital 1.5 million yen	1999	Business alliance with Coca-Cola Japan
1949	Stock was listed (First section of Tokyo Stock exchange and included in the Dow Stock Average issues)	2000	Published environment report Meiji became an official sponsor of Tokyo DisneySea (Opened in September 2001) • Started sales of “Meiji Provio Yogurt LG 21” Commenced operations at Tohoku Plant
1950	• Started sales of “Meiji Honey Yogurt (100cc)” a new product	2001	Relocated Head Office and Tokyo Business Office to Koto-ku, Tokyo
1951	• Started sales of “Soft Curd Meiji Powder Milk”	2002	• Started sales of “Meiji Provio Yogurt LG21 Drink Type” Commenced operations at Kyushu Plant • Commenced nationwide sales of “Meiji Oishii Gyunyu” a new milk product “B.G.S.” granted permission to display statement “designated health food product” on label
1952	Started operations at Karasuyama Plant (using HTST fresh milk processing the first such plant in Japan)	2003	Established Food Safety Committee Integrated Research Division in Odawara
1953	• Started sales of “Meiji Fresh Cream (180cc, 900cc)”	2004	• Started sales of “Meiji Onaka Katsuryoku Milk” Established Risk Compliance Committee
1955	Started sales of milk in paper pack (180cc) • Started Sales of Meiji Coffee Milk	2005	Commenced operations at Kansai Plant
1963	• Started sales of “Meiji Gold Margarine” and “Meiji Table Margarine”, new products	2006	Awarded the Minister’s prize from the Ministry of Economy Trade and Industry in the Fiscal 2005. Consumer Oriented Good Company Awards Yogurt Hall built
1968	• Started sales of “Meiji Baby Rice Gruel” and “Meiji Infant Fruit Juice”, both weaning foods Relocated Head Office to Kyobashi, Tokyo	2007	• Started sales of “Meiji Bulgaria Yogurt LB81 Sonomama de Plain” • Started sales of “Meiji Hohoemi Raku Raku Cube”
1971	• Started sales of “Meiji Plain Yogurt” • Started sales of “Lady Borden Ice Cream”	2008	Commenced operations at Tokachi Plant, Tokachi Cheese Hall built • Started sales of “Super VAAM” • Started sales of “Meiji Hokkaido Tokachi Smart Cheese”
1973	• Started sales of “Meiji Bulgaria Yogurt”, a new product		
1976	• Started sales of “Pizza & Pizza”, a new product		
1977	Started to use 200ml brik packs		
1978	• Started sales of “Meiji Step”, a new product		
1981	Became an official sponsor of Tokyo Disneyland (Opened in April 1983)		
1982	Started sales of products in 250ml aseptic brik pack		
1983	• Started sales of “Borden Corn 100” soft-type margarine		
1986	Introduced CI system		
1987	• Started sales of “Baby Restaurant”, baby food		
1989	Establishment of joint venture with CP Group of Thailand called CP-Meiji		
1990	• Started sales of “AYA”, a super premium ice cream product • Started sales of “Meiji Corn 100”, a soft margarine product. Progressive withdrawal from technical tie-up with Borden Inc. of the U.S.A. • Started sales of “Baby Village”, a Meiji baby food product		
1991	• Started sales of “Infant Care Foods” milk-free and sugar-free foods for infants with allergies • Started sales of “Shun no Fruit Jelly”		



The First Meiji Milk Ad



The First Milk Tank Truck in Japan
It Transported Raw Milk to the Ryogoku Factory.



Main Products in the Late 70's

Meiji Dairies Corporation


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 **Turning Nature's Strength into Power for the Future.**