We Offer New Levels of
Value in Food by
Our Definite Technologies

Contents

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.

Profile

Ever since Meiji Dairies Corporation was founded in 1917, we have based our 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. Now, as the largest manufacturer of dairy products in Japan, we provide a broad lineup including yogurts, cheeses, ice creams, and other dairy products, as well as a variety of nutraceutical and health foods.

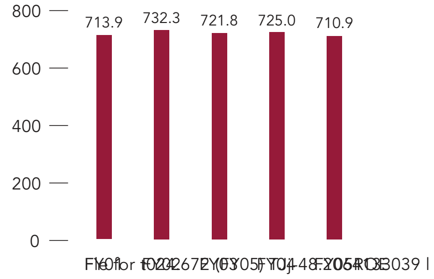
Meiji Dairies Corporation's corporate philosophy is to contribute to a healthy and happy daily life for our customers by offering new levels of value in food, and we aim to provide products with high added value in all of the areas of delicious taste, health, and safety. Through the accumulation of these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

	Millions of yen (Unless otherwise noted) (Note 1)			Thousands of U.S. dollars (Unless otherwise noted) (Note 2)
	FY2003 2003.4.1~2004.3.31	FY2004 2004.4.1~2005.3.31	FY2005 2005.4.1~2006.3.31	FY2005 2005.4.1~2006.3.31
For the fiscal year:				
Net sales				
Cost of sales				
Selling, general and administrative (SG&A) expenses				
Operating income				
Ordinary income (Note 3)				
Net income				
At fiscal year-end:				
Total assets				
Shareholders' equity				
Interest-bearing debt (Note 4)				
Per share data (Yen, U.S. dollars):				
Net income (Note 5)				
Shareholders' equity				
Cash dividends				
Ratios:				
Return on equity (ROE)(%) (Note 6)				
Return on assets (ROA)(%) (Note 7)				
Debt-equity ratio (times) (Note 8)				
Other information:				
Number of employees				

Notes: 1. The yen amounts for the period up to and including FY2003 are rounded to the nearest million yen. From FY2004 figures are shown with amounts under one million yen and under one thousand US dollars rounded off.
2. U.S. dollar amounts are calculated, solely for the reader's convenience, at the rate of US$1 = 117.46, the exchange rate prevailing on March 31, 2006.
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. Interest-bearing debt = Short-term loans payable + Long-term debt
5. Net income per share for the year ended March 2003 and onwards is calculated in accordance with a new accounting standard that came into effect from April 1, 2002.
6. ROE = Net income/Simple average of shareholders' equity at the beginning and end of the fiscal year
7. ROA = Net income/Simple average of total assets at the beginning and end of the fiscal year
8. Debt-equity ratio = Interest-bearing debt/Shareholders' equity

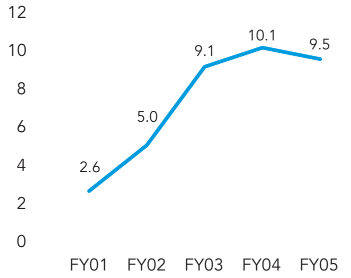
Net Sales

(Billions of yen)



ROE

(%)



Meiji Dairies Group Snapshot

1 Focusing on High-Value-

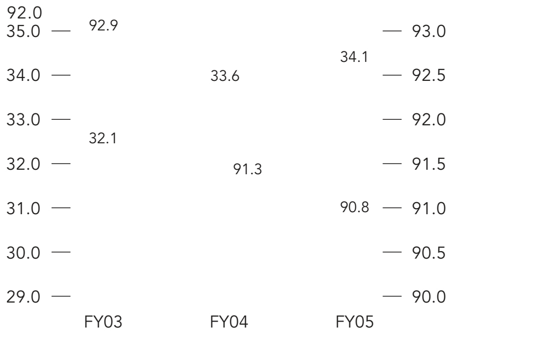
2 More Efficient Management

In addition to improving the product mix and reducing sales management expenses, the results of business-wide structural innovations have been linked to improving the break-even ratio.

3 Improving the Balance Sheet Structure

We are rapidly strengthening our balance sheet structure by greatly reducing our interest-bearing debt.

Marginal Income Ratio and Break-Even y654 14549.249 555.5



To Our Shareholders and Customers

We at Meiji Dairies Group achieved some positive results in our mediucts like Meiji Oishii Gyunyu and Meiji Bulgaria Yogurt, and overall sales of core products grew from 61% to 69% of total sales (non-consolidated). This expanded sales of core products and low cost operations contributed to steady improvements in profitability, so that our marginal income ratio was 34.1% (3.9 percentage points improvement) and our break-even ratio was 90.8% (1.3 percentage points lower).

Meanwhile, our Group aimed to strengthen our city milk line which is suitable for internationalization, and after investing about ¥150.0 billion over the 10-year period to fiscal 2005 we were able to reorganize city milk production system and set up a distribution system. We completed the Kansai Plant in 2005 and finished modernizing and rationalizing our city milk plants and facilities nationwide, thus strengthening our city milk business. This strengthening of our organization contributed to the establishment of core products such as Meiji Oishii Gyunyu and Meiji Probio Yogurt LG21.

Furthermore, one major objective of the 2005 medium-term management plan was to improve the value of our corporate brands, and the results for our Group's efforts to stand out before the minds of consumers were evident as we received awards such as the Excellent Corporation Caring for Consumers award 2005 from the Minister of Economy, Trade and Industry.

As we review the management reforms of the past three years, we can see that we were able to reduce our consolidated interest-bearing debt by ¥33.8 billion (112.4% of our goal) in the midst of difficult environmental changes that were beyond what we could imagine. However, we did not achieve our goals for net sales, ordinary income or other earnings targets, and a major objective of expanding sales of core products (in other words, selling the products that we need to in order to increase our profits) still remains unachieved for some core products, and is thus left over to the next medium-term management plan.

Future Growth Strategy

Overall Concept for the 2008 Medium-Term Management Plan (fiscal 2006 to fiscal 2008) Based on the results and issues from the 2005 medium-term management plan, we are starting the new 2008 medium-term management plan with the requirement of positioning the company strongly towards new growth. This 2008 plan will be the second stage of our Group's long-term vision of utilizing our own technological and product strengths to become a food product corporate group that can compete equally with the top food companies in the world.

When we drew up the 2008 plan, our Group presumed we would face the following five environmental changes: (1) arrival of an age of a declining population and an aging society, (2) heightened consumer consciousness of food safety and reliability, (3) environmental changes enveloping Japanese dairy farming, (4) advancing internationalization and deregulation, and (5) increasing impact and permeation of IT. In particular our Group will focus on strengthening our cheese products business as the industry overall is required to make efforts to expand demand for raw milk products because of environmental changes enveloping the Japanese dairy industry.

Based on this environmental awareness our Group has made the creation of a new and comprehensive dairy industry the fundamental concept of our 2008 plan. Creating a new and comprehensive dairy industry does not simply mean expanding the breadth of the industry or filling out product lines, but rather we define it to mean creating multiple No.1 businesses in each industry area, creating synergy based on the strong links between businesses, to become a comprehensive dairy industry group that can exercise even greater strength overall. In order to achieve that, we must especially clarify a selection and concentration strategy in our businesses and redefine our core businesses so that we can concentrate our management resources on those businesses more intensively.

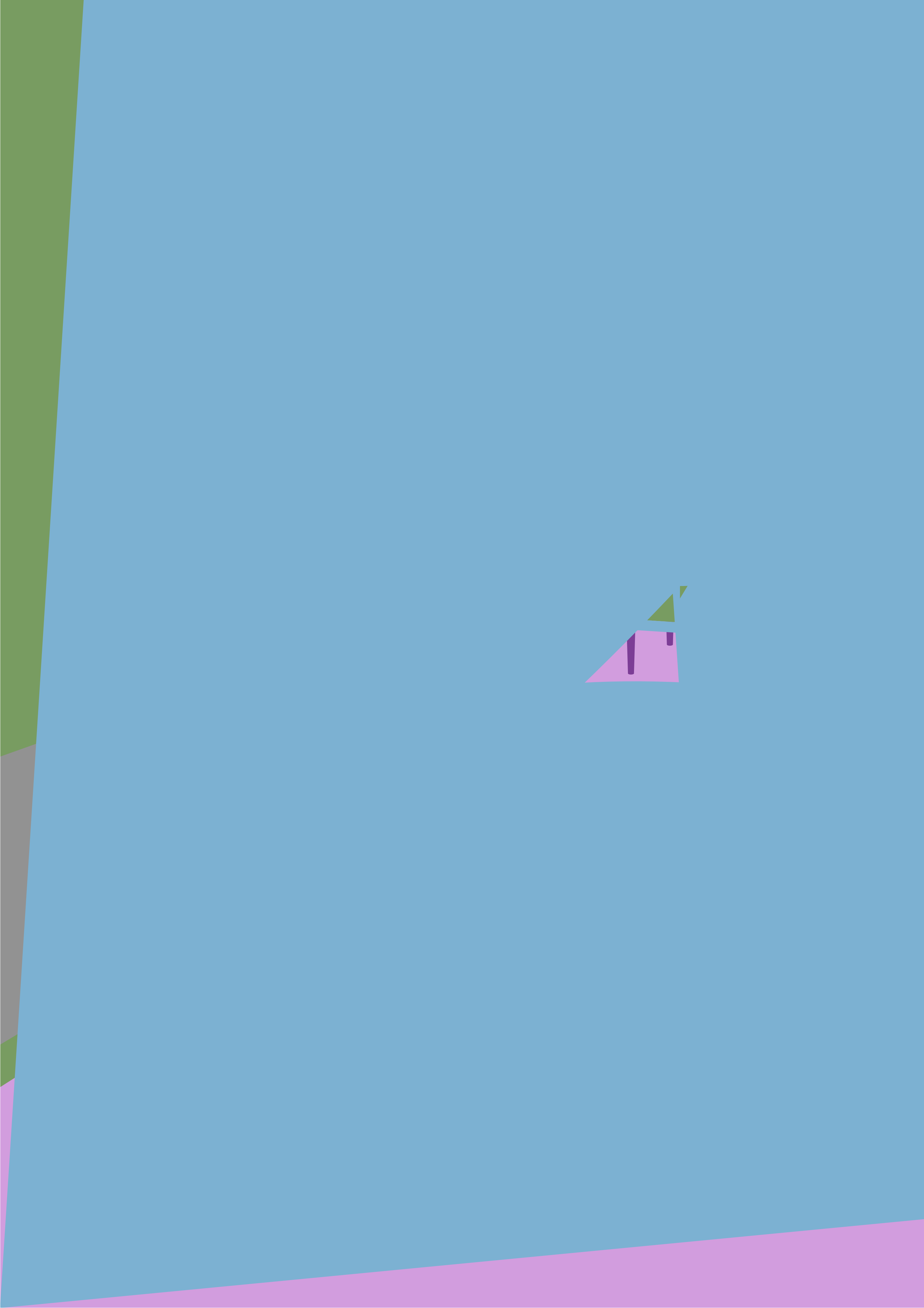
Through implementation of this basic strategy we aim to achieve consolidated net sales of ¥755.0 billion (6.2% higher than in fiscal 2005) and consolidated ordinary income of ¥26.0 billion (up 29.4% from fiscal 2005) by fiscal 2008.

In regard to the overall concept and concrete strategies of our 2008 plan, we will describe them more thoroughly in our Special Feature starting on p.7.

Fiscal 2006 Outlook In fiscal 2006, the first year of the current medium-term management plan, we anticipate that in addition to soaring crude oil and raw material prices there will be intensifying competition in the market for food so that our tough business environment will continue, but we are aiming for higher sales and higher profits with targets of a 0.2% increase in consolidated net sales over the prior period to ¥712.5 billion, an increase of 5.1% in consolidated ordinary income to ¥21.2 billion, an increase in non-consolidated net sales of 0.1% to ¥484.6 billion and an increase of 5.1% in non-consolidated ordinary income to ¥16.5 billion. We plan to achieve record-high profit indicators in all areas. In addition, we will continue to focus on expanding sales of highly profitable high-value-added products, and will emphasize expanded sales of our core products such as Meiji Bulgaria Yogurt, Meiji Probio Yogurt LG21 and Meiji Oishii Gyunyu by concentrating our management resources intensively.

Management Puts Priority on Stakeholders

Our Group's mission is to contribute to a healthy and happy daily life for our customers by offering new levels of value in food, being an essential part of peoples' daily lives, and we are aware that that is what we must be. Therefore, our top priority is to ensure a management base that can steadily provide products every day in any environment. On top of that we are focusing on distributing stable returns to our shareholders. Based on that fundamental policy, we have implemented an increase of one yen per share to an annual dividend of 7 yen (pay-



Summary of the Achievement Status of the 2005 Medium-Term Management Plan (from fiscal 2003 to fiscal 2005)

Medium-Term Management Plan Aimed to Strengthen the Corporate Structure Our Group set the objectives of attaining consolidated net sales of ¥760.0 billion and ordinary income of ¥23.0 billion by fiscal 2005 in our 2005 Medium-term Management Plan, which started in fiscal 2003 based on the concepts of becoming an enterprise of advanced innovation, establishing our corporate brand and a highly profitable corporate structure. However, as our environment was more severe than we had expected, our results for fiscal 2005 were consolidated net sales of ¥710.9 billion (93.5% of our target) and ordinary income of ¥20.1 billion (87.4% of our target).

Meanwhile, we were able to reduce consolidated interest-bearing debt to ¥116.5 billion (112.4% of our target) by the end of fiscal 2005, and in addition, improved the weight of high-value-added products in our product mix. In doing so, we achieved certain goals in the Medium-term Management Plan, namely to strengthen our corporate structure.

Major Tasks and Achievements of the 2005 Medium-Term Management Plan

(1) Concentrate Management Resources on Our Core Businesses The ratio of core products*, high-value-added products which have the potential for future growth, to total sales improved greatly, from 61% in fiscal 2002 to 69% in fiscal 2005.

* Core products: Meiji Oishii Gyunyu and other brand milks, Meiji Bulgaria Yogurt series, Meiji Probio Yogurt LG21, home delivery products, Meiji Hokkaido Tokachi Cheese, VAAM, etc.

(2) Thoroughly Strengthen Our Technological and Product Development Capabilities We concentrated on improving our technological and product development capabilities, the source of our differentiation, taking such steps as reorganizing the R&D organization into one department and three R&D facilities to build an efficient R&D system. As a result we were able to create new technologies that were applicable to our businesses, such as disinfection technology and deoxidization processes (Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt LB81 Domashuno), membrane separation and filtration and enrichment technologies (Tialence, Meiji Hokkaido Zeitaku Shibori Milk), and low-temperature and rapid extraction technology (Meiji Milk & Coffee brand series).

(3) Improve the Value of Our Corporate Brands We did a number of things to further improve the Meiji brand, including producing an independently sponsored short-TV program, corporate commercials, and enhancing the corporate web site. In addition our long-standing efforts to understand the consumers' point of view was recognized when we received the Excellent Corporation Caring for Consumers award from the Minister of Economy, Trade and Industry for fiscal 2005.

(4) Implement Structural Reforms Across the Business We have completed reorganization for the present of our city milk plants with the startup of operations at the Kansai Plant in October last year. We also promoted to improve productivity with the installation of a manufacturing execution system (MES) and other new systems, and achieved a superior system with fewer personnel. Based on the results of these kinds of efforts we improved our non-consolidated marginal income from 30.2% in fiscal 2002 to 34.1% in fiscal 2005, and improved our non-consolidated break-even ratio from 92.1% in fiscal 2002 to 90.8% in fiscal 2005.

(5) Strengthen Our Product Safety Management System and Implement Thorough Compliance Management In addition to establishing the Risk & Compliance Committee and the Food Safety Committee, we set up the Meiji Dairies Corporation Code of Ethics to establish food safety and thorough compliance management.

(6) Improve the Balance Sheet Structure Our consolidated interest-bearing debt was down from ¥150.3 billion at the end of fiscal 2002 to ¥116.5 billion at the end of fiscal 2005, a total reduction of ¥33.8 billion. We also lowered our D/E ratio (consolidated) from 1.8 times in fiscal 2002 to 1.03 times in fiscal 2005.

(1) From the point of view of providing value to customers

"Be a company that continues to provide healthy and delicious tasting food to customers through our highly unique technology development capability with milk and dairy technologies as the business base."

- Have multiple No.1 businesses in the areas of fermentation and chilled foods, nutrition, emulsification and foods
- Prosper along with Japanese dairy farming by expanding consumption of milk by thoroughly promoting the value of milk
- Apply milk-related technologies to other materials, and provide the same health benefits and flavor as milk to customers

(2) From the point of view of corporate competition

"Be a company whose profitability is recognized throughout the world"

- Achieve a corporate structure with an ordinary income to sales ratio of 5%

The Basic Concept of the 2008 Medium-Term Management Plan — Create a New and Comprehensive Dairy Business The basic concept of the 2008 medium-term management plan is to create a new and comprehensive dairy business to take up the challenge of becoming a highly profitable world-class corporation by providing customers with highly unique value.

Creation of a new and comprehensive dairy business does not just entail expanding the business scope or the product lineup. Rather it means creating multiple No.1 businesses in each business area, while planning business operations and development, being highly conscious of overlapping businesses and business boundaries, thereby creating synergies based on the strong links between businesses in order to become a comprehensive dairy industry group that can exercise even greater strength overall.

In order to achieve these goals, we have redefined core and non-core businesses and clarified where we must select and concentrate in our Group's three business areas—the fermentation and chilled food business (yogurt, probiotics, brand milks, home deliveries, etc.), emulsification and food business (cheese, cream, ice cream, etc.), and nutrition business (infant formula, nutraceuticals, liquid foods, etc.)—from the perspectives of market growth, our own company's advantages, profit and loss, and business synergy.

Important Strategies for the 2008 Medium-Term Management Plan — Business Strategy and Corporate Strategy

<Business Strategy> Our Group has made strengthening selection of core businesses and further concentration of management resources the key point in our business strategy. Core businesses are broadly divided between excellent existing businesses and growth businesses, for which the following strategies will be implemented.

(1) Ensure business growth by establishing absolute competitive superiority in excellent existing businesses (yogurt business, home delivery business, etc.).

- Yogurt (Probio) business sales target: ¥110.0 billion
- Meiji Oishii Gyunyu sales target: ¥48.0 billion
- Ensure business growth in the home delivery business by further strengthening it

(2) Establish a foundation for growth in growth businesses (cheese business, liquid foods business, etc.) by proactively allocating management resources.

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

<Corporate Strategy> Our Group will continue its efforts to improve the evaluation of our corporate brand in the 2008 medium-term management plan, to increase the value of the Meiji brand and our product brands.

(1) We will thoroughly raise our marketing strength, emphasizing communications with our customers.

- Create the ideal products that correspond to changes in lifestyles, and pursue communications measures
- Develop a strong sales capability to achieve product development in all sorts of markets

(2) Thoroughly strengthen our unique technological and product development capabilities to further improve the Meiji brand.

- Thoroughly strengthen the Meiji brand (corporate brand) and strengthen and foster the company-wide strategic brands*
- Thoroughly strengthen technology development systems in growing businesses

*Company-wide strategic brands are Meiji Oishii Gyunyu, Meiji Bulgaria Yogurt, Meiji Probio Yogurt LG21, Meiji Hokkaido Tokachi, Meiji Essel, and VAAM

(3) Strive for further promotion of efforts related to food safety and reliability.

- Further enhancement of traceability systems using IT
- Strengthen mutual understanding with customers by supporting food education activities

(4) Pursue efficient Group management and implement comprehensive management system innovations.

- Drastically review cost structure and business structure to reduce fixed costs and logistics cost
- Promote business operations based on compliance

This segment includes milk, processed milk, and milk beverages;

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 those products are highly thought of as they appeal to the Japanese palate.

City Milk

Continuous Focus on Original Products with High Added Value and Profitability

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Fiscal 2005 Results

Sales in this segment amounted to ¥294.3 billion, up 0.1% from the previous year.

Sales of milk, processed milk, and milk beverages declined 3.0% to ¥128.2 billion from the previous year, as we continued to review unprofitable products while consumption of drinking milk declined. However, sales of mainstay Meiji Oishii Gyunyu grew 9% year on year to ¥44.0 billion due to good sales for this brand in 1,000ml and 500ml paper cartons, and the contribution of sales in smaller 200ml cartons and home delivery services. Consequently, the proportion of Meiji Oishii Gyunyu and other brand milk products in all milk products sold in paper cartons (1,000ml and 500ml) rose from 63% in fiscal 2004 to 66% in fiscal 2005.

Sales of yogurt rose 3.5% over the previous year to ¥95.2 billion despite weakness in the overall market. Sales of our core Meiji Bulgaria Yogurt series grew 5% year on year to ¥64.8 billion as demand for mainstay Meiji Bulgaria Yogurt LB81 and Meiji Bulgaria Yogurt Four-pack Type stayed healthy. Meanwhile, sales of Meiji Probio Yogurt LG21 increased greatly at the end of fiscal 2005, but poor performance in the first half meant that sales declined by 4% from the previous year to ¥21.7 billion.

Sales in the “others” category increased by 1.5% over the previous year to ¥70.9 billion, with a contribution from the Meiji Milk & Coffee brand series. Sales in home delivery services declined 3% year on year to ¥45.4 billion as competition in that field intensified.

Fiscal 2006 Onward Strategies and Outlook

In fiscal 2006 we will continue our efforts to expand sales of high-value-added products. We project that sales in the city milk segment will increase 0.8% from the previous year to ¥296.8 billion.

We expect that overall sales of milk, processed milk, and milk beverages will decrease by 2.7% year on year to ¥124.7 billion in a tough environment

characterized by declining consumption of drinking milk. However, we are planning to increase sales of Meiji Oishii Gyunyu by 3% year on year to ¥45.5 billion. Our specific strategies will be to continue promotional activities centered on TV commercials,

Processed Milk Products

Seeking Higher Profitability from Infant Formula and Cheese Amid Difficult Business Conditions

Fiscal 2005 Results

In fiscal 2005, sales of processed milk products declined 6.0% from the previous year to ¥67.1 billion. This was due to lower demand for infant formula because of declining birth rates and the trend to provide nutrition through mother's milk, and to changes in our accounting treatment of cheese and butter. However when the impact of the accounting changes is excluded, sales of cheese and butter increased by 1.0% and 1.5% respectively over the previous year. In particular, sales of the core Meiji Hokkaido Tokachi Cheese series increased 6.0% to ¥10.0 billion due to the success of our new products and brand integration.

Fiscal 2006 Onward Strategies and Outlook

We expect that sales of processed milk products will decline by 1.7% from the previous year to ¥66.0 billion due to the impact of continuing shrinkage of the powdered milk market.

As the severe business environment continues in the infant formula market and birth rates hit the lowest level in the postwar period, our Corporation aims to expand child-rearing information services, and to further develop our Child-rearing Information Square and Infant Consultation Room services.

Meanwhile, we consider that there are prospects for future growth in the cheese business, and are actively investing in it. In particular natural cheese has a fresh feeling and is easy to add value to, so as we approach start of operations in the spring of 2008 of a new domestic natural cheese plant, we will expand the Meiji Hokkaido Tokachi Cheese series and strengthen the Tokachi brand. We project that sales of Meiji Hokkaido Tokachi Cheese series products will increase 1% over the previous year to ¥10.1 billion through sales efforts based on these positive measures and appropriate pricing.

Fiscal 2005 Results

While the mainstay product Meiji Essel Super Cup series did well in fiscal 2005, sales in the ice cream segment declined 3.7% from the previous year—in which they were up partly in reaction to extremely hot weather—to ¥36.6 billion .

Fiscal 2006 Onward Strategies and Outlook

We expect an increase in sales in the ice cream segment of 0.2% over the previous year to ¥36.7 billion. Based on expansion of the product lineup and accelerated sales promotions for the mainstay Meiji Essel Super Cup series we expect sales in fiscal 2006 to increase by 3% year on year to ¥12.0 billion. In addi-

Beverages

Continuing Emphasis on Segment Earnings

Fiscal 2005 Results

Sales in the beverages segment declined 2.9% from the previous year—in which they were up partly in reaction to extremely hot weather–to ¥31.2 billion.

Fiscal 2006 Onward Strategies and Outlook

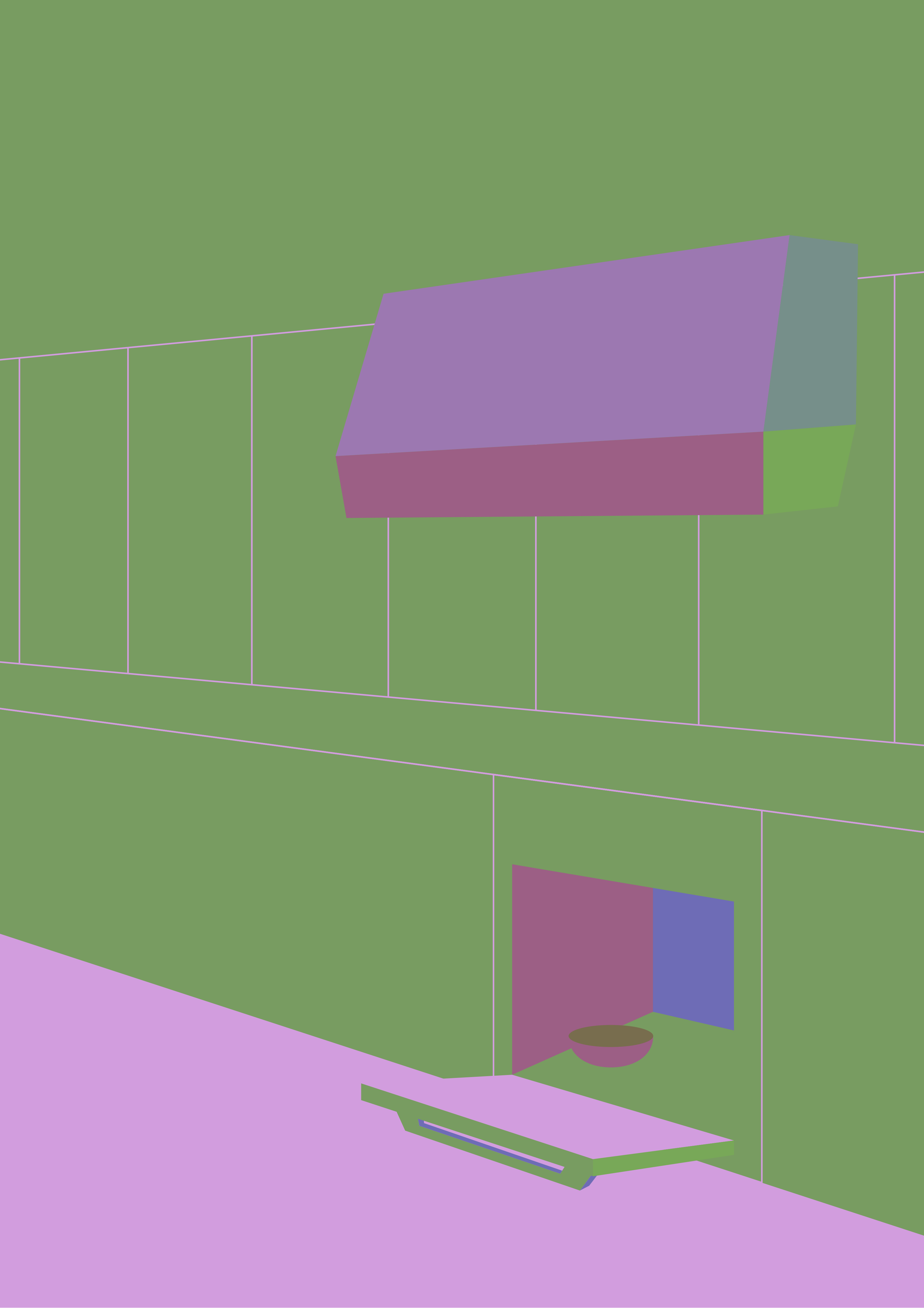
In fiscal 2006, amidst intensifying competition we will continue our strategy of focusing on ensuring profitability. We will concentrate on launching the products promoting health benefits, and on expanding sales of the Brick series in vending machines.

Other Products

Targeting Functional, Liquid, and Nursing Care Foods

Fiscal 2005 Results

While nutraceuticals did well, sales in this segment decreased 5.7% from the previous year to ¥54.8 bil-



Seamless Quality Assurance System

Our Group aims to provide safe and attractive products and services, based on a quality assurance system that is supported by all divisions throughout the entire corporation, to ensure that we obtain the trust and satisfaction of our customers. In addition to the three representative systems and manufacturing technology described below, we implement continuous quality assurance through the seamless integration of systems, including the refrigeration system, the dispatch support system, and the traffic control system.

Three Representative Quality Assurance Systems and Manufacturing Technology

1. HACCP

— Assuring Quality with a Hygiene Management System Developed by NASA Hazard Analysis and Critical Control Point (HACCP) is a hygiene management system developed in the 1960s to ensure the safety of food provided to astronauts as a part of the US space program. Unlike previous methods that mostly depended on intuition and experience, it focuses on preventing various types of risks associat-

Environmental Initiatives

In our new medium-term management plan ending fiscal 2008, we defined the promotion of corporate management that recognizes the importance of harmony with the environment as an important issue, based on the Meiji Dairies Environment Charter which we formulated in October 2001. We are working on below three as our basic environmental policies.

* Please refer to our "2006 Environmental Report" for details.

1. By Building an Environmental Management System, We are Striving to Improve the Level of Environmental Management Across Our Entire Group, and to Stimulate Greater Awareness of the Environment. In fiscal 2005 we not only received ISO14001 certification in all of our factories, we created our own corporate environmental checklist and implemented self-inspections. In the future we will promote environmental actions in all of our business locations focusing on environmental ISOs, based on the educational and training systems we have built pertaining to the environment.

2. We are Continuing Our Efforts to Reduce CO_2 Emissions, Following the Kyoto Protocol to Stop Global Warming. We reduced our CO_2 emissions per production volume of sterilized milk by 2.1% year on year in fiscal 2005. In the future we will coordinate the environmental ISO activities of our headquarters and business locations, and promote even more efficient and effective CO_2 emission reductions. Our specific objective is to reduce CO_2 emissions from factories on a unit base below the level of 100Kg- CO_2

fragrance and with no other unnecessary flavor. This method can also be applied to black tea, green tea and other drinks.

(5) Recreating the Traditional Bulgarian Yogurt Industrially with a Low Dissolved Oxygen and Low-Temperature Fermentation Manufacturing Method (Maroyaka Tannen Fermentation Method) (Announced in August 2005 at the Japanese Society for Food Science and Technology) In Bulgaria there is a traditional type of yogurt that is fermented in unglazed clay pots at a low temperature. We studied methods to re-create this yogurt industrially and discovered that we could shorten the fermentation time by lowering the concentration of dissolved oxygen in the milk, and that it is possible to achieve production with the same fermentation time as in the past even with low-temperature fermentation. In addition, we are now able to achieve both degrees of texture smoothness and shape retention with this method that were difficult with past manufacturing methods.

<Research into Nutrition, Functions and Properties Related to Aging and Lifestyle-Related Diseases>

(6) Studies into Improvement of Blood Sugar and Body Composition in Glucose Intolerant Patients from Long-Term Consumption of Adjusted-Sugar Liquid Foods (Announced in January 2006 at the Japan Society of Metabolism and Clinical Nutrition) It had already been confirmed from clinical trials adjusted-sugar liquid foods, which were developed with the objective of supplementing nutrition and improving the condition of diabetic and borderline diabetic patients, that it was possible to adjust blood sugar, restraining steep increases in blood sugar levels, with little insulin secretion and without placing a burden on the pancreas. In this study, we discovered that by including this liquid food in the breakfast menu over a number of months, levels of neutral fats in the blood could be lowered, and the accumulation of visceral fat could be reduced.

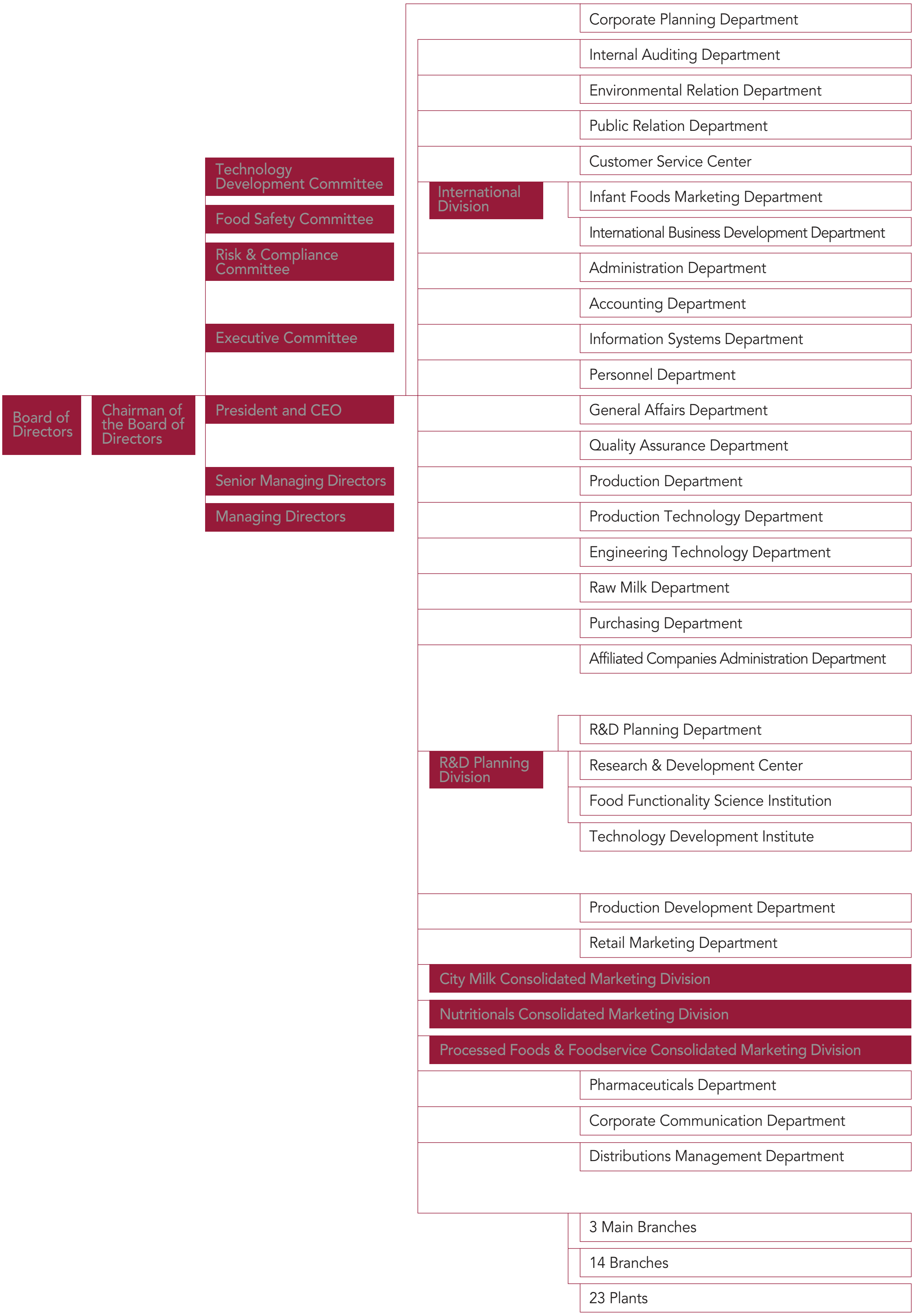
(7) Characteristics and Anti-Inflammatory Effects of Whey Protein and Whey Peptides (Announced in August 2005 at the 2005 Dairy and Food Science Symposium) Whey protein is rich in many of the essential amino acids, and is excellent as a source of branch chain amino acids (BCAA) to promote formation of muscle protein. In addition, the structure of whey protein amino acids closely resembles the composition of mother's milk, and it is an excellent source of protein in powdered formula for infants. In this research our Corporation discovered that whey protein suppresses the production of cytokines, which cause inflammatory diseases.

<Research into Analytic Technology for Product Quality and Safety>

(8) Studies into Quick Detection of Spoilage Yeast in Yogurt (Announced in November 2005 at the Japan Society of Food Microbiology) As a result of comparing several detection instruments available in the market for methods of detecting minute quantities of yeast contamination in yogurt, the best in terms of speed was a digital microscope bacterial detection instrument, which could detect greater than 1 cfu/ml of yeast within 23 to 29 hours. Meanwhile, it was possible to detect extremely minute spoilage yeast of less than 1 cfu/ml in about 50 hours with direct microscopic examination after shaking cultivation, applicable to containers other that PET bottles, such as plastic, paper and glass bottles.

Organization

(As of September 1, 2006)



Facts & Figures

1. Industry Statistics

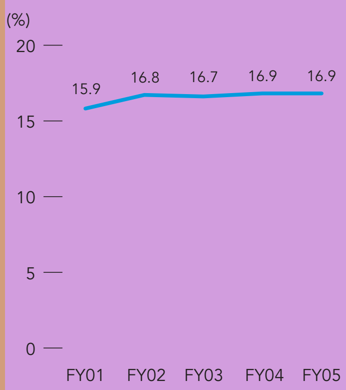
	FY2001	FY2002	FY2003	FY2004
Production, Consumption, and Sales of Major Dairy Products				
Raw milk production (kl) *1	8,311,848			
Drinking milk production (kl) *1	4,402,203			
Milk production (kl) *1				
Processed milk production (kl) *1				
Yogurt produced by dairy companies (kl) *1				
Yogurt produced by non-dairy companies (kl) *2				
Cheese consumption (tons) *1				
Natural cheese consumption for direct consumption (tons) *1				
Processed cheese consumption (tons) *3				
Ice cream sales (thousand kl) *4				

	FY2001	FY2002	FY2003	FY2004
Our Position in the Industry:				
Meiji Dairies' Share in Milk Collection				
Meiji Dairies' Market Share by Product (Estimated)				
Milk				
Yogurt				
Cheese				
Ice cream				

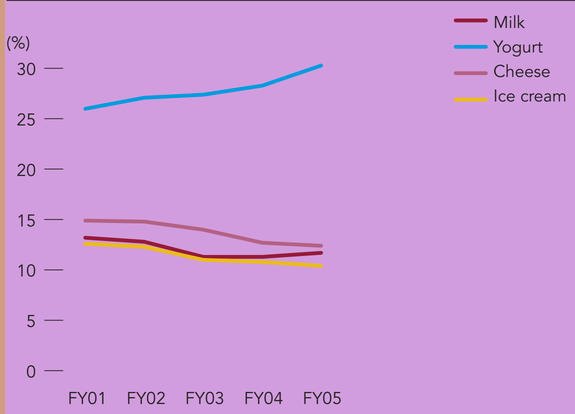
FY2005	Change (%)
8,291,534	0.08%
4,261,231	-3.25%
3,793,862	-3.38%
467,369	-2.16%
801,630	2.51%
113,794	-8.87%
261,822	-1.47%
143,582	-4.75%
118,240	2.83%
78.0	-4.65%

FY2005	Change (pt)
16.9%	0pt
11.7%	+0.4pt
30.3%	+2pt
12.4%	-0.3pt
10.4%	-0.4pt

Meiji Dairies' Share in Milk Collection



Meiji Dairies' Market Share by Product (Estimated)



2. Consolidated Financial Summary

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

Operating Results (For the Fiscal Year):

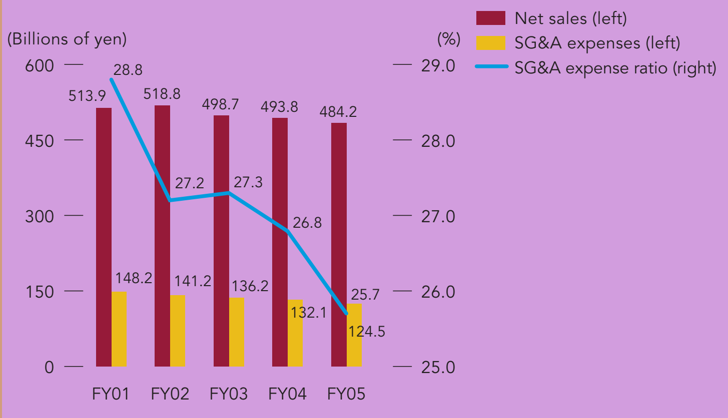
Net sales	
Cost of sales	

3. Non-Consolidated Financial Summary

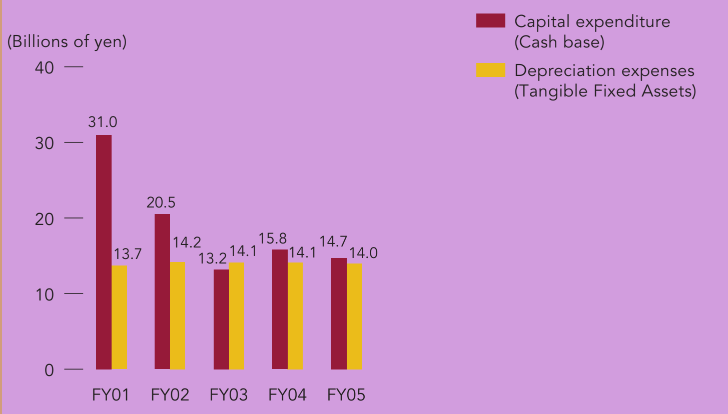
Operating Results (For the Fiscal Year):	
Net sales	
Cost of sales	
Selling, general and administrative (SG&A) expenses	
Operating income	

	Thousands of U.S. dollars (Unless otherwise noted) (Note 2)
FY2005	FY2005
¥ 484,285	$ 4,122,984
344,458	2,932,556
124,588	1,060,685
15,239	129,741
15,702	133,680
8,096	68,926
¥ 14,707	$ 125,215
14,005	119,236
6,969	59,336
7.00	0.059
¥ 282,554	$ 2,405,536
99,847	850,058
85,713	729,721
4,352	—
(4,547)	—

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

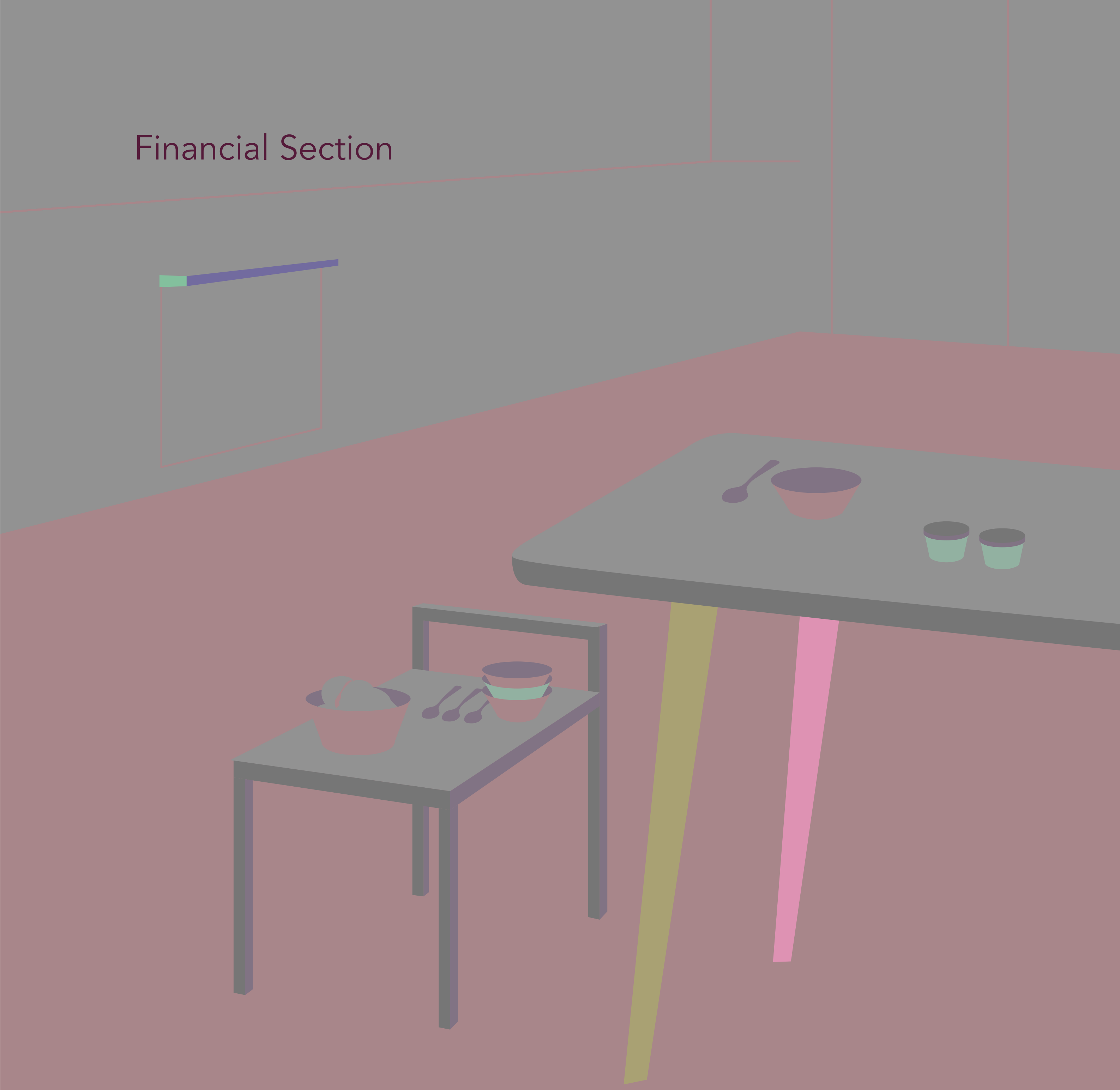


Capital Expenditure and Depreciation Expenses



R&D Expenses and Its Ratio to Net Sales

Financial Section



shareholders' equity increased along with the increased income, return on equity fell down from 10.1% to 9.5%.

Segment Breakdown

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

Sales in the food segment fell 2.6% from the previous fiscal year to ¥605,813 million. This was due to lower sales in the processed milk products and ice cream segments than in the previous year, and to the previously mentioned accounting changes.

Operating income also fell by 1.0% year on year to ¥16,469 million due to the severe effect of lower sales and soaring raw material costs.

Service and Others This segment includes the distribution business comprising transportation and storage, the feed business, and other businesses such as finance and leasing.

Sales in this segment increased 0.6% from the previous fiscal year to ¥149,243 million. This was due to higher sales in the distribution business than that of the previous year.

Operating income climbed 20.3% from the previous fiscal year to ¥3,517 million due to such factors as higher profits because of improved management efficiency in the feed business.

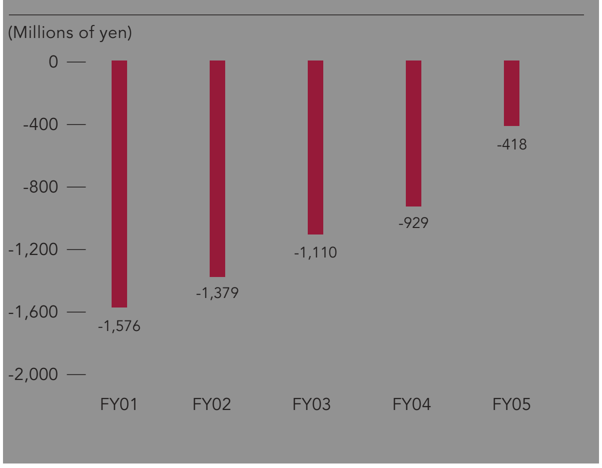
Performances of Major Subsidiaries Our sales subsidiaries experienced lower sales and profits due to a rebound from the extremely hot summer of the previous fiscal year. The distribution subsidiaries showed higher sales and profits due to the acquisition of new customers and improved management efficiency. In the feed business Meiji Feed Co., Ltd. achieved much higher profits by strengthening product development including feed development utilizing lactobacillus technology and by improving management efficiency. On the other hand the livestock business subsidiaries experienced worsening results due to factors such as soaring raw material costs.

Financial Position

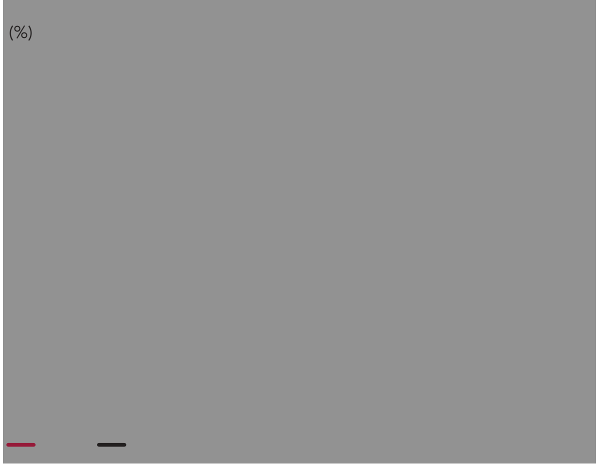
As of March 31, 2006, consolidated total assets were ¥361,134 million, up ¥3,541 million from a year earlier. Current assets declined by ¥5,901 million year on year to ¥136,458 million due mainly to a decrease in inventories from the reduction in nonfat dry milk inventories. Fixed assets increased by ¥9,442 million year on year to ¥224,675 million due to such factors as increases in the value of investment securities and increased prepaid pension benefit expenses. (Current assets comprise 37.8% of total assets and fixed assets are 62.2% of total assets.)

Total liabilities declined ¥9,104 million from the previous year to ¥246,164 million. Current liabilities increased ¥3,373 million year on year to ¥167,346 million, due to such factors as posting ¥600 million in bonds to debt to be paid within one year, and an increase in commercial paper of ¥4,000 million over the year before. Long-term liabilities fell by ¥12,478

Net Financial Expense



Operating Income Ratio, by Segment



a significant impact on investors' decisions. The risks described here which relate to the future are those that our Group has determined to be important at the time of the presentation of this securities report.

(1) The Weather It is possible that our Corporation's ice cream, city milk and beverages segments may be affected by the weather. In particular, in a cold summer sales in these segments will decline, and our Group's business results and financial position may be negatively impacted.

(2) The Dairy Products and Farming Industries Excessive product inventories of nonfat dry milk due to lower demand for drinking milk and processed milk, WTO negotiations to liberalize imports of milk products, and changes in the market environment due to the effects of an aging society with fewer birthrates all may have an effect on our business results. Transaction prices for raw milk, a source material of the processed milk products we produce such as cheese and nonfat dry milk, are under the influence of the Provisional Law on the Subsidies for Worked Milk Material Producers. Dramatic re1.6342d7cries

Consolidated Balance Sheets

Meiji Dairies Corporation and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
Assets	**2006**	2005	**2006**
Current assets:			
Cash	**¥ 3,638**	¥ 3,793	**$ 30,978**
Notes and accounts receivable:			
Trade	**81,210**	82,367	**691,391**
Unconsolidated subsidiaries and affiliates	**1,552**	1,548	**13,214**
Others	**3,760**	3,752	**32,014**
Allowance for doubtful accounts	**(666)**	(835)	**(5,677)**
Inventories (Note 3)	**36,967**	39,628	**314,726**
Deferred tax assets (Note 7)	**6,886**	6,267	**58,624**
Other current assets	**3,110**	5,838	**26,474**
Total current assets	**136,458**	142,360	**1,161,748**
Property, plant and equipment (Notes 4,6)	**401,092**	403,967	**3,414,713**
Less-accumulated depreciation	**(228,490)**	(227,017)	**(1,945,258)**
Net property, plant and equipment	**172,602**	176,949	**1,469,454**
Investments and other noncurrent assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	**5,664**	5,177	**48,223**
Others (Note 6)	**29,153**	21,055	**248,200**
Long-term loans	**1,429**	1,264	**12,166**
Intangible assets	**3,573**	2,799	**30,422**
Deferred tax assets (Note 7)	**369**	577	**3,149**
Others	**12,853**	8,682	**109,425**
Allowance for doubtful accounts	**(970)**	(1,273)	**(8,265)**
Total investments and other noncurrent assets	**52,072**	38,282	**443,324**
Total assets	**¥ 361,134**	¥ 357,592	**$ 3,074,527**

See accompanying notes to consolidated financial statements.

Liabilities And Shareholders' Equity	Millions of yen 2006	2005	Thousands of U.S. dollars 2006
Current liabilities:			
Short-term loans payable (including current portion of long-term debt)(Notes 5,6)	**¥ 52,785**	¥ 48,190	**$ 449,389**
Notes and accounts payable:			
Trade	**61,063**	62,484	**519,865**
Unconsolidated subsidiaries and affiliates	**2,683**	2,211	**22,848**
Income taxes payable	**3,273**	4,014	**27,869**
Accrued liabilities	**29,769**	29,251	**253,440**
Other current liabilities	**17,771**	17,819	**151,298**
Total current liabilities	**167,346**	163,972	**1,424,711**
Long-term liabilities:			
Long-term debt, less current portion (Notes 5,6)	**63,690**	79,903	**542,228**
Deferred tax liabilities (Note 7)	**9,253**	2,871	**78,780**
Employees' retirement benefits (Note 9)	**4,602**	7,186	**39,182**
Other long-term liabilities	**1,271**	1,334	**10,825**
Total long-term liabilities	**78,817**	91,296	**671,016**
Minority interests	**2,273**	2,296	**19,359**
Contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock			
Authorized—560,000,000 shares			
Issued 2006 and 2005—296,648,786 shares	**23,090**	23,090	**196,578**
Additional paid-in capital	**21,434**	21,432	**182,487**
Retained earnings	**58,505**	50,260	**498,087**
Net unrealized gains on investments in securities	**10,059**	5,546	**85,641**
Treasury stock, at cost— 2006-834,195 shares, 2005-691,653 shares	**(394)**	(303)	**(3,355)**
Total shareholders' equity	**112,695**	100,026	**959,440**
Total liabilities,minority interests and shareholders' equity	**¥ 361,134**	¥ 357,592	**$ 3,074,527**

Consolidated Statements of Income

Meiji Dairies Corporation and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Net sales	¥ 710,908	¥ 725,024	$ 6,052,342
Cost of sales (Note 12)	515,712	522,970	4,390,540
Gross profit	195,195	202,053	1,661,801
Selling, general and administrative expenses			
(Notes 10,12)	175,205	182,637	1,491,617
Operating income	19,989	19,415	170,184
Other income (expenses):			
Interest and dividend income	639	532	5,448
Amortization of goodwill arising from consolidation	179	176	1,530
Equity in income of affiliates	30	122	259
Interest expenses	(1,057)	(1,461)	(9,001)
Other, net	(649)	(1,601)	(5,530)
Income before income taxes	19,133	17,184	162,890
Income taxes			
Current	6,081	7,480	51,779
Deferred	2,901	(29)	24,698
Minority interests	95	10	809
Net income	¥ 10,055	¥ 9,722	$ 85,603

	Yen		U.S. dollars
	2006	2005	2006
Amounts per share of common stock:			
Net income	¥ 33.86	¥ 32.73	$ 0.288
Cash dividends	7.00	6.00	0.059

See accompanying notes to consolidated financial statements.

Balance at March 31, 2004	
Net income	
Net unrealized gains on investments in securities	
Excess arising from retirement of treasury stock	

Cash flows from operating activities:

Income before income tax and minority interests
Depreciation
Amortization of goodwill arising from consolidation
Increase (decrease) in provision for retirement benefits
Interest and dividend income
Interest expenses
(Gain) loss on sale and disposal of property
(Gain) loss on sale and revaluation of securities
(Increase) decrease in notes and accounts receivable
(Increase) decrease in inventories
Increase (decrease) in notes and accounts payable
Increase (decrease) in accrued expense
Others
Cash received for interest and dividend
Cash paid for interest
Cash paid for income tax

Net cash provided by operating activities

Cash flows from investing activities:

Purchases of property,net of proceeds
Proceeds from sale (payments for purchases) of investment securities
Others

Net cash used in investing activities

Cash flows from financing activities:

Proceeds from long-term debt
Repayment of long-term debt
Proceeds from issuance of bonds

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Dairies Corporation (the "Company") and subsidiary companies have been prepared from the consolidated financial statements in Japanese filed with the Kanto Finance Bureau as required by the Securities and Exchange Law of Japan, which are in conformity with accounting principles and practices generally accepted in Japan. These are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and 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 them in a form which is 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 arithmetically translating all Japanese yen amounts at the exchange rate of ¥117.46 to $1 prevailing on March 31, 2006. Amounts less than one million yen have been omitted. So, the total amounts in Japanese yen and translated U.S. dollars shown in the financial statements and notes do not necessarily agree with the sum of the individuals amounts.

2.

g) Allowance for Doubtful Accounts The historical credit loss rate or another appropriate basis provides the allowance for doubtful accounts against normal receivables. The allowance for doubtful accounts against doubtful receivables is estimated as the recorded receivable amount less cash inflows from foreclosures or guarantors.

h) Retirement Benefit The reserve for retirement benefits represents the estimated present value of projected benefit in excess of the fair values of the plan assets except that as permitted under the standard. On April 1, 2005, the Company received approval for transfer of the remaining substitutional portion (that is, the benefit obligation related to past services) from the minister of Health, Labor and Welfare, based on the Law Concerning Defined-Benefit Corporate Pension Plans. The remaining benefit obligation of the substitutional portion (that amount earned for past services) as well as the related government-specified portion of the plan assets of the Employees' Pension Fund plan was transferred to the government on June 28, 2005. With respect to these transactions, "Subsidy from government on the transfer of the substitutional portion of the Employees' Pension Fund" of ¥2,854million was recognized in the year ended March 31, 2006.
The unrecognized transition amount arising from adopting the standard of ¥17,320 million is amortized on a straight-line basis over the period of 15 years.
The unrecognized actuarial loss is amortized on a straight-line basis over the fixed years (principally 14 years) that are within the estimated average remaining service years of employees.
The unrecognized prior service cost is amortized on a straight-line basis over the fixed years (principally 7 years) that are within the estimated average remaining service years of employees.

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

j) 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.

k) Leases Under the Japanese accounting sTjta1.5971 -1 t vao(

1.1% yen bonds due March 12,2007	¥ —	¥ 600	$ —
1.1% yen bonds due May 10,2007	20,000	20,000	170,270
0.8% yen bonds due June 10,2009	15,000	15,000	127,703
Loans from domestic banks,insurance companies, government agencies and others	47,608	61,735	405,313
Less portion due within one year	(18,917)	(17,432)	(161,059)
Total	¥ 63,690	¥ 79,903	$ 542,228

	¥ 7,664
	6,208
	5,379
	9,438
	¥

6. Collateral and Secured Liability

Assets pledged as collateral for liability at March 31, 2006 and 2005 were as follows:

	2006	2005	2006
Buildings and structures	¥ 11,658	¥ 13,056	$ 99,254
Machinery,equipment and vehicles	9,289	11,033	79,089
Tools and furniture	89	139	759
Land	14,339	16,113	122,077
Investment securities	4,009	4,010	34,138
Total	¥ 39,386	¥ 44,353	$ 335,320

	2006	2005	2006
Short-term loans	¥ 4,976	¥ 2,637	$ 42,369
Long-term loans(current portion)	2,153	1,894	18,331
Long-term loans	13,459	19,186	114,589
Employees' saving deposit	2,560	2,619	21,802
Postage	—	—	—
Total	¥ 23,150	¥ 26,338	$ 197,092

7. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets			
Retirement benefit	**¥ 1,013**	¥ 3,685	**$ 8,624**
Accrued bonus	**2,689**	2,769	**22,894**
Unrealized gain	**1,147**	1,158	**9,767**
Accrued expense	**987**	1,100	**8,409**
Depreciation	**1,028**	999	**8,759**
Accrued enterprise taxes	**343**	384	**2,924**
Loss carryforward	**2,160**	1,178	**18,393**
Other	**1,533**	1,818	**13,051**
Subtotal deferred tax assets	**10,903**	13,093	**92,823**
Valuation allowance	**(2,398)**	(1,544)	**(20,420)**
Total deferred tax assets	**8,504**	11,549	**72,403**
Deferred tax liabilities			
Tax deductible reserve	**(3,429)**	(3,581)	**(29,197)**
Net unrealized gains on investments in securities	**(6,846)**	(3,780)	**(58,284)**
Other	**(226)**	(213)	**(1,927)**
Total deferred tax liabilities	**(10,502)**	(7,575)	**(89,409)**
Net deferred tax assets	**¥ (1,997)**	¥ 3,973	**$ (17,005)**

8. 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, 2006 and 2005 concerning the finance lease assets which do not transfer ownership to lessees were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Acquisition costs	**¥ 22,502**	¥ 26,020	**$ 191,578**
Accumulated depreciation	**13,644**	15,613	**116,166**
Net book value	**¥ 8,857**	¥ 10,406	**$ 75,411**

The amounts of outstanding future lease payments at March 31, 2006 and 2005, excluding interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Within one year	**¥ 3,780**	¥ 4,816	**$ 32,186**
Over one year	**5,492**	6,020	**46,759**
Total	**¥ 9,273**	¥ 10,836	**$ 78,946**

Service cost	
Interest cost	
Expected return on plan assets	
Amortization of transitional obligation	
Recognition of actuarial gain/loss	
Additional retirement payments and others	
Net periodic benefit costs	

10. Selling, General and Administrative Expenses

Principal Selling, general and administrative expenses for the fiscal years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Carriage and storage charges	**¥ 28,927**	¥ 28,029	**$ 246,278**
Sales promotion expenses	**49,942**	55,454	**425,187**
Labor cost	**38,199**	38,556	**325,212**
Employees retirement benefits cost	**2,763**	4,397	**23,523**

11. Contingent Liabilities

Contingent liabilities at March 31,2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Guaranteed financial obligations			
PT.INDOMEIJI Dairy Food	**¥ 28**	¥ 27	**$ 240**
Hitachi Dairy Pty.,Ltd	**—**	40	**—**
Sendai Feed Co.,Ltd	**160**	—	**1,362**
Meiji Beverage Co.,Ltd	**115**	196	**982**
Letter of awareness	**84**	82	**715**
Debt assumption agreement	**—**	10,000	**—**
Notes receivable endorsed	**30**	30	**257**
Total	**¥ 417**	¥ 10,377	**$ 3,557**

12. 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, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Research and development cost	**¥ 7,398**	¥ 7,558	**$ 62,989**

13. Segment Information

Information about industry segments for the fiscal years ended March 31, 2006 and 2005 was as follows:

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

	Millions of yen Consolidated Accounting for Current Fiscal Year April 1,2004 to March 31,2005				
	Foods	Service / Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
Sales to customers	¥ 620,316	¥ 104,707	¥ 725,024	¥ —	¥ 725,024
Intersegment sales	1,662	43,662	45,324	(45,324)	—
Total	¥ 621,978	¥ 148,370	¥ 770,348	¥ (45,324)	¥ 725,024
Operating expenses	605,345	145,447	750,792	(45,183)	705,608
Operating income	16,633	2,923	19,556	(140)	19,415
Assets,depreciation, and capital expenditures:					
Assets	274,894	94,184	369,079	(11,486)	357,592
Depreciation	16,262	4,276	20,538	—	20,538
Capital expenditures	18,041	4,595	22,636	—	22,636

	Thousands of U.S. dollars Consolidated Accounting for Current Fiscal Year April 1,2005 to March 31,2006				
	Foods	Service / Other	Total	Elimination or Corporate	Consolidated
Sales and Operating Profit and Loss					
Sales					
Sales to customers	$ 5,142,280	$ 910,061	$ 6,052,342	$ —	$ 6,052,342
Intersegment sales	15,332	360,524	375,856	(375,856)	—
Total	$ 5,157,612	$ 1,270,585	$ 6,428,198	$ (375,856)	$ 6,052,342
Operating expenses	5,017,398	1,240,640	6,258,038	(375,881)	5,882,157
Operating income	140,214	29,945	170,159	24	170,184
Assets,depreciation, and capital expenditures:					
Assets	2,309,126	763,926	3,073,053	1,474	3,074,527
Depreciation	136,644	37,729	174,374	—	174,374
Impairment loss	2,077	817	2,894	—	2,894
Capital expenditures	133,466	44,851	178,317	—	178,317

Report of Independent Auditors

Corporate Data

(As of March 31,2006)

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:	¥23,090 million
Common Stock:	Authorized: 560,000,000 Issued: 296,648,786
Number of Shareholders:	34,246
Stock Listings:	Tokyo, Nagoya
General Meeting of Shareholders:	June 29, 2006
Transfer Agent of Common Stock:	The Mitsubishi Trust and Banking Corporation
URL:	http://www.meinyu.co.jp/