

Meiji Group FY2009-2011 Mid-Term Business Plan

1. Objectives of Management Integration

Since their founding, Meiji Seika Kaisha, Ltd. (hereinafter, Meiji Seika) and Meiji Dairies Corporation (hereinafter, Meiji Dairies) have strove to enhance the value of the "Meiji brand." Both companies boast numerous top brands in business categories and have provided their core values to customers across all age groups. Those core values are "deliciousness and enjoyment," "health and nutrition" and "safety and reliability."

This management integration is a strategic move to maximize each others' competitive edge to strengthen existing businesses and expand the business portfolio.

We, the new Meiji group, will become one of the world's leading companies in food and healthcare business by providing products and services with advanced values to our customers. We will maximize the potential of management resources such as R&D capabilities, which both companies cultivated in the food and pharmaceutical business, and create new knowledge and technologies as well as generate new demand.

2. Analysis of Business Environment

1) Diversification and complexity in consumer needs; heightened awareness for standard of living

Diversifying lifestyles and values is leading to more complex consumer needs, while the worsening economy on a global scale has been a cause for a rapid slowdown in domestic and foreign demand. Weak consumption arising from the uncertain future is expected to be prolonged, but sales growth can be achieved by accurately grasping the diverse and complex consumer needs, including development of affordable products.

2) Declining population due to low birthrate and aging population in Japan

With the ongoing effects of low birthrate and aging population, Japan's population has been declining since 2005. Continued shrinking of the domestic food market has become a reality. On the other hand, the aging population has created new markets, with expectations of greater consumer interest and demand in the healthcare industry.

3) Heightened awareness of food safety

Falsification of the food's production area, ingredients and expiration date has been repeatedly reported, severely affecting consumers' confidence in food products.

Developing a system to provide safe products and earning consumers' trust are becoming important issues for companies.

4) Milk and dairy industry in the vortex of change

In the midst of the declining population of dairy farmers, there is a time lag between adjustments of dairy supply-demand and its prices in Japan. The milk price rose twice in fiscal 2008. However, as the food price stabilized, there are concerns of further distancing of consumers from milk and dairy products, leading to worsening results for those related to dairy business.

5) Reform of the medical care system

Due to the rapidly declining birthrate and aging population in Japan, measures are taken to control the increasing social insurance costs, creating a harsh environment for the pharmaceutical industry.

At the same time, the market for generic drugs is expected to grow due to promotion of its use aimed at holding down medical-care costs. With greater needs for high quality, stable supply and provision of information regarding generic drugs, there are growing expectations for new-drugs-pharmaceutical-manufacturers that meet these needs and deal in generic pharmaceuticals.

6) Increased business alliances and M&A

There are increasing management integrations and M&A of companies engaged in food and pharmaceutical, including our integration. For example, the integration of Snow Brand Milk Products Co., Ltd. with Nippon Milk Community Co., Ltd.; the acquisition of GINZA Cozy Corner Co., Ltd and Mary Chocolate Co., Ltd. by LOTTE Co., Ltd.; the integration of Daiichi Pharmaceutical Co., Ltd. with Sankyo Co., Ltd.; the integration of Tanabe Seiyaku Co., Ltd. with Mitsubishi Pharma Corporation; and Kirin Holdings Company, Limited's acquisition of companies in Japan and overseas are some of the notable cases. Companies can win by strengthening their competitiveness and enhancing their corporate value in the midst of the big wave of reorganizations.

3. Mid-Term Business Targets, Focused Strategies by Segments

(1) Basic principles of mid-term business plan

**“Maximizing Meiji Group’s competitive edge,
and achieving growth of its existing businesses and expediting integrated synergies”**

(2) Meiji Group business targets

Net Sales: 1,260 billions of yen Ordinary Income: 45 billions of yen Ordinary Income Ratio: 3.6%

(3) Business targets and focused strategies by segment

(Billions of yen)

	FY2008 Results	FY2011 Plan	Growth (Ratio/Amount)
Net Sales	1,125.4	1,260.0	112%
Dairy Products Segment	595.6	650.0	109%
Confectionary and Healthcare Segment	297.8	360.0	121%
Pharmaceutical Segment	123.2	145.0	118%
Services and Other Segment	108.9	105.0	96%
Ordinary Income	23.5	45.0	21.5
Dairy Products Segment	10.9	15.5	4.6
Confectionary and Healthcare Segment	2.1	18.0	15.9
Pharmaceutical Segment	8.0	9.5	1.5
Services and Other Segment	2.5	2.0	-0.5
Profit Ratio	2.1%	3.6%	1.5 points

Note: Segments requiring disclosure are the abovementioned 4 segments, and business reorganization is planned within two years.

1) Dairy products segment

Business scope

This segment corresponds to the traditional, consolidated “Food” segment of Meiji Dairies, and it includes the manufacturing and distribution of the following: city milk (drinking milk/yogurt, etc.), powdered milk (milk for infants, etc.), condensed milk, butter, cheese, ice cream, beverages, nutraceuticals (enteral formula/VAAM, etc.), and livestock products, etc.

General targets

- Build several No.1 businesses in each business domain, surpassing other

companies

- (a) Establish an overwhelming market share in the yogurt/probiotics businesses (Meiji Probio Yogurt LG21, etc.)
- (b) Expand sales of branded milk with high-added value (Meiji Oishii Gyunyu, etc.)
- (c) Expand our delivery business through more competitive bottled products and effective utilization of the channels
- (d) Strengthen and develop our cheese business, aiming for top share with our unique marketing capabilities and technology, "Umami (=deliciousness) Lactobacillus Maturing technology"
- (e) Through increased capital expenditure such as in plants, actively expand our medical nutrition business (enteral formula business, etc.) aiming for the No.1 position in Japan

Strategy towards targets

- Actively expand growth business with future potential*

*Businesses which received active investment of management resources in the previous mid-term plan (yogurt, enteral formula, cheese businesses, etc.)

- Recover sales for products with revised prices due to rising materials prices
- Strengthen capabilities in product development and marketing
 - (a) Develop products which consumers can appreciate the value and love (strengthen lifestyle research, etc.)
 - (b) Strengthen marketing capabilities (promotion of IT marketing, etc.)
 - (c) Boost the appeal of dairy products' value and propose new settings surrounding food (thoroughly research benefits of dairy products, etc.)
- Increase competitiveness through business alliances with other companies
 - (a) Actively promote collaboration with other companies in the value chain
 - (b) Seek new business alliances for growth
- Strengthen strategic brands* by concentrating management resources

*High-value added products those are positioned as key core products

2) Confectionary and Healthcare segment

Business scope

This segment corresponds to the traditional "Food & Healthcare" segment of Meiji Seika, and it includes the manufacturing and distribution of confectionary (chocolate, chewing gum, candy), etc., healthcare products (Amino Collagen, etc), over-the-counter (OTC) drugs (ISODINE® UGAIGUSURI, etc.), as well as management of sports clubs.

General targets

- Solidify position as the No.1 confectionary maker in Japan
- Further accelerate growth strategies for healthcare, overseas and institutional foods products business
- Achieve No.1 quality assurance system in confectionary industry, high standards for minimum stocks and fresh supply

Strategy towards targets

- In the confectionary business, promote marketing of “core brands” and “value-added sales” as the basis, and take on products of new concepts
- In healthcare business, expand main brands through brand strategies and channel-based strategy
- In overseas business, reinforce existing business bases and pioneer new markets
- In institutional foods products business, expand new businesses in cocoa, agricultural products, processed fruits and new categories
- Promote second stage of MPS (the Meiji Production System)*

*Meiji Seika's proprietary production system that minimizes human labor, based on the principle of minimum stocks and fresh supply

3) Pharmaceuticals segment

Business scope

This segment is the traditional “Pharmaceuticals” segment of Meiji Seika, plus the pharmaceuticals business (Ohkura Pharmaceutical Co., Ltd., etc.) in the “Others” segment of Meiji Dairies, and it includes the manufacturing and distribution of prescription drugs, agricultural chemicals and veterinary drugs.

General targets

- Strengthen business foundations in the fields of infectious diseases and central nervous system disorders and expand our generic drugs business
 - ⇒ Reinforce the position in the industry as the “specialty and generic” pharmaceuticals company
- Leading company in Japan for antibacterial agents, anti-depressants, and generic drugs business
- In agricultural chemicals business, maintain top market share in bacterial rice blight and insecticide sectors
- In the veterinary drugs business, maintain No.1 position in livestock and marine products markets in Japan

Strategy towards targets

- Launch new product according to plan, and achieve rapid market penetration (ORAPENEM, REFLEX, ZAXA, MARBOCYL)
- Enhanced product line for targeted customers based in Japan
- Reinforce sales capabilities in fields of infectious diseases and central nervous system disorders in Japan
- Expand sales networks and rapidly commercialize new products in Asia, Europe, and emerging markets
- Reinforce R&D by concentration of management resources
- Enhance competitiveness by promoting strategic alliances (sales alliances, business alliances)

4) Services and other segment

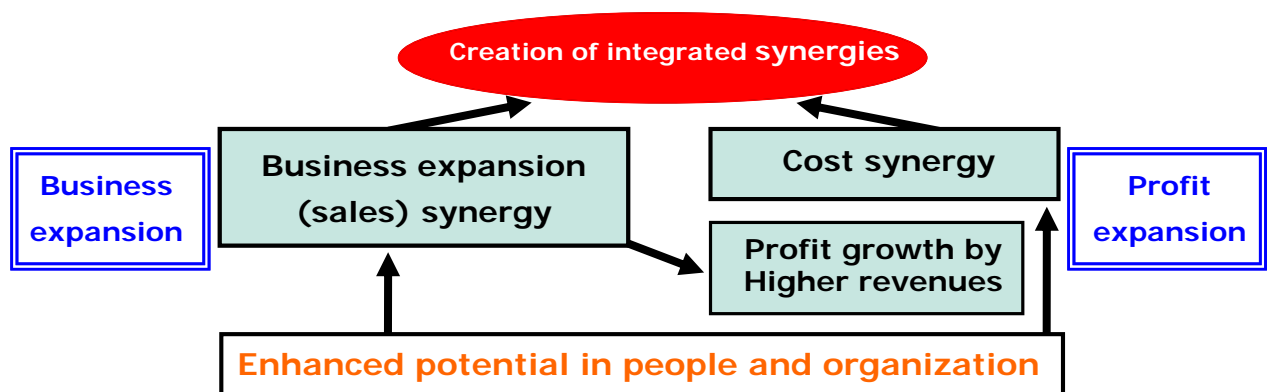
Business scope

This segment is the traditional non-pharmaceuticals business in the "Others" segment of Meiji Dairies, plus the "Office building leasing and others" segment of Meiji Seika, and it includes the following: real estate, feed stuff, transportation, storage, mechanical engineering services, foodservice producers, insurance agencies, and leasing, etc.

4. Integrated Synergies

Based on the confidence in the Meiji brand which Meiji Seika and Meiji Dairies have built up, we will comprehensively utilize our management resources in fundamental technologies, product development, manufacturing technologies, quality analysis, intellectual property and achievements as well as knowledge in pharmaceutical research, marketing techniques and diverse sales channels. We will pursue business expansion and profit expansion through three aspects: (1) Business expansion synergy by strengthening and expanding existing businesses, expanding new businesses, etc. (2) Cost synergy, and (3) Enhanced potential in people and organization to support these synergies.

*Explanatory diagram: Perception for the creation of integrated synergies



1) Theme of strengthening and expanding existing businesses

- Develop products by taking advantage of technologies, materials and brands of both companies
- Effectively use sales channels with the strengths of both companies

2) Theme of expanding business growth opportunities

- Create new categories in health and nutrition fields
- Develop new business in the chilled dessert fields
- Develop overseas business with a renewed emphasis on Asia, regarded as the growth market of the future, as well as the other countries

3) Theme of creating cost synergies

- Increased efficiency through cost cutting in procurement and distribution departments, etc.
- Bring outsourced production in-house
- Promote procurement within the group