ANNUAL REPORT 2005

CREATING VALUE FROM TASTE & HEALTH

Open!
Meiji

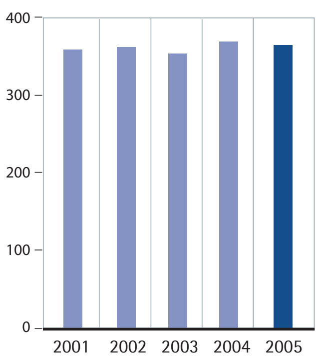
Financial Highlights

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
Years ended March 31

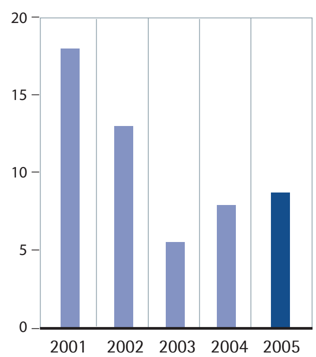
	Millions of Japanese yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
For the Year:				
Net sales	**¥364,018**	¥368,865	¥353,453	**$3,493,124**
Operating income	**8,717**	7,881	5,503	**83,653**
Income (loss) before income taxes	**(12,330)**	3,705	5,507	**(118,326)**
Net income (loss)	**(8,240)**	348	2,670	**(79,073)**
Per Share Data (in yen and U.S. dollars)**:**				
Net income (loss)	**¥ (21.53)**	¥ 0.79	¥ 6.83	**$ (0.21)**
Shareholders' equity	**377.78**	403.33	395.31	**3.63**
Cash dividends	**7.0**	7.0	7.0	**0.06**
At Year-End:				
Total assets	**¥339,848**	¥330,059	¥317,798	**$3,261,188**
Shareholders' equity	**144,837**	154,549	152,222	**1,389,862**

Note: As a convenience to the reader, U.S. dollar amounts are translated at the rate of ¥104.21=$1, the prevailing exchange rate on March 31, 2005.

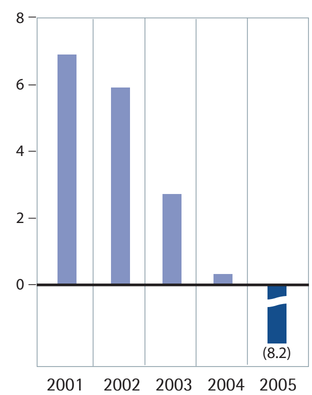
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Note: The net loss for the year ended March 31, 2005 was due to extraordinary losses including the one-time amortization of unrecognized retirement benefit obligations and management structure reforms.

Contents

Forward-Looking Statements

This report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future that are based on management's estimates, assumptions and projections at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the domestic and international economic circumstances surrounding the Company's businesses, competitive activity, related laws and regulations, product development programs and changes in exchange rates.

MEIJI SEIKA AT A GLANCE

Meiji Seika's corporate philosophy is "to help people lead happier and more fulfilling lives by emphasizing the taste experience and zest in life." We seek to create "taste and health" as a global group of companies that provide customers with products, services and information that offer value.

Business | Market Position | Core Products

FOOD & HEALTH CARE COMPANY

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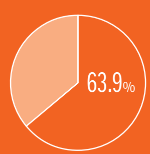
FOOD

Net Sales
¥232,755 million



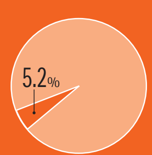
(Share of fiscal 2004 Net sales)

- Japan's number-one chocolate brand
- Strength in confectionery, candy and chewing gum
- Comprehensive quality assurance system for safe, reliable products

Chocolate: MILK CHOCOLATE, CHOCOLATE KOKA, ALMOND CHOCOLATE
Chocolate snacks: FRAN, KINOKO NO YAMA
Snacks: KARL, HOKKAIDO POTATO
Biscuits: McVITIE'S, KOPAN
Candy: CHELSEA, KAJU GUMMY
Chewing gum: XYLISH
Others: PRINGLES, LISTERINE

HEALTH CARE

Net Sales
¥19,104 million



(Share of fiscal 2004 Net sales)

- ISODINE OTC throat gargle line has a 70 percent market share
- Ties with top athletes supported by Sports and Nutrition Laboratory

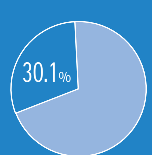
Healthfood products:
SAVAS, KARADANAVI, LOLA, PERFECT PLUS

Over-the-counter drugs:
ISODINE, BAYER ASPIRIN

PHARMACEUTICAL COMPANY

See page 12 >>

Net Sales
¥109,530 million



(Share of fiscal 2004 Net sales)

- Strong lineup of anti-infectives
- Growing lineup of central nervous system drugs
- Developing useful, price-competitive generic drugs
- Building a presence in agricultural chemicals and veterinary drugs

Ethical drugs:
Anti-infectives: MEIACT, FOSMICIN, CIPROXAN, OMEGACIN, SWORD
Central nervous system drugs: DEPROMEL, MEILAX

Agricultural chemicals and veterinary drugs:
Agricultural chemicals: ORYZEMATE, HERBIE
Veterinary drugs: MEIPOLE, MEIRICH, ASTOP
Animal feed supplements: COLISTIN, CELLULAZE

OFFICE BUILDING LEASING & OTHERS

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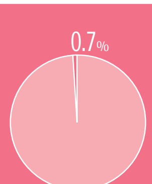
Net Sales
¥2,627 million



(Share of fiscal 2004 Net sales)

- Solid Square intelligent building has strong tenant support

Building leasing business:
Solid Square, sports facilities

To Our Stakeholders

Naotada Sato, President

Focusing on Aggressive Management to Achieve the Objectives of Challenge 2005

WHAT WERE THE KEY FACTORS BEHIND MEIJI SEIKA'S PERFORMANCE IN THE YEAR ENDED MARCH 2005?

During the fiscal year ended March 31, 2005, the Japanese economy continued to show a gradual recovery supported by improved corporate earnings, increased private-sector capital investment and other factors.

However, consumer spending grew at a slower pace, and the operating environment was challenging overall. The global economy recovered steadily as a result of economic expansion in the United States and China, but the sharp rise in crude oil prices and other factors created a mood of uncertainty about the future.

In this operating environment, the Meiji Seika Group devoted its efforts to expanding sales and restoring profits. We made qualitative improvements by implementing business structure reforms centered on our main businesses of food, pharmaceuticals and health care, and aggressively reinforced our marketing activities and market competitiveness.

The past fiscal year was the second year of our current medium-term management plan, Challenge 2005. In this plan, we have stated the following as our management objectives:

- Create profits in existing businesses
- Strengthen the ability of internal systems to respond to change
- Generate growth by developing new business areas

Based on these objectives, the Meiji Seika Group worked in unison to increase earnings. As a result, although consolidated net sales for the fiscal year ended March 31, 2005 decreased 1.3 percent year-on-year to ¥364.0 billion, operating income increased 10.6 percent to ¥8.7 billion. However, we implemented the one-time amortization of unrecognized retirement benefit obligations and reorganized production bases as part of the management structure reforms we have promoted over the last several years. Consequently, we posted a net loss of ¥8.2 billion, compared to net income of ¥0.3 billion in the previous fiscal year.

In the year ending March 31, 2006, the final year of Challenge 2005, we will build on the positive results of the qualitative improvements and structural reforms of the past two years by taking a more aggressive management approach in order to promote our business development plan even further.

WHAT ARE YOUR STRATEGIES FOR ACHIEVING THE OBJECTIVES OF CHALLENGE 2005?

Challenge 2005 consists of a structural reform plan and business development plan. Business reforms to date have included the one-time amortization of the unrecognized amount of retirement benefit obligations, expansion of our outplacement support program and restructuring of our production bases. These reforms are already beginning to yield positive results, and we plan to implement our business development plan even more forcefully as we shift to an aggressive management stance. Specifically, in the year ending March 2006, the Meiji Seika Group will work to expand business with three key themes: (1) focusing activities under the watchwords "Health," "Summer" and "Overseas," (2) strengthening existing core businesses, and (3) strengthening our corporate capabilities.

(1) Focusing Activities under the Watchwords "Health," "Summer" and "Overseas"

Health: In July 2005, we reorganized and integrated the Food Company and Health Care Company to create the Food & Health Care Company. The purpose of this change was to further strengthen and accelerate business development. This business will work to maximize the potential of Meiji Seika's primary strengths — its operations in both food and pharmaceuticals. Moreover, related markets are continuing to expand, and therefore we believe that success in this area will be the key to the Meiji Seika Group's future growth.



Summer: Strengthening revenues in summer has been a long-term issue for the Meiji Seika Group, whose main product lines, chocolate and antibiotics, are particularly strong in winter. We will work to reduce the seasonal fluctuation in revenues by enhancing our lineup of products for summer, primarily confectioneries and healthfood products, and entering the chilled foods business.

Overseas: We will substantially increase our overseas activities, particularly in China. In the food business, we will expand the facilities of Guangzhou Meiji Confectionery Co., Ltd. and commence business operations in earnest, centered on Meiji Seika (Shanghai) Co., Ltd. In the pharmaceutical business, Meiji Lukang Pharmaceutical Co., Ltd., which was established as a production base for ethical drugs, will begin full-scale production. In addition, we will improve the management system at Shantou Meiji Pharmaceuticals Co., Ltd., which will carry out sales activities with its own medical representatives.

(2) Strengthening Existing Core Businesses

In its core chocolate and cocoa business, Meiji Seika is aggressively expanding into product areas that are clearly differentiated by higher added value, such as chocolate products for summer. We are continually working to expand the chocolate business toward our targets of ¥90 billion in sales and a 30 percent market share. In the Pharmaceutical Company, we will expand the range of drug indications and speed up research and development to solidify our business foundation with a specialization in anti-infectives and central nervous system drugs.

(3) Strengthening our Corporate Capabilities

As I stated earlier, one of the watchwords we will be focusing our activities under is "Health," and in July this year we established the Food & Health Care Company. This reorganization will allow us to quickly reflect customer needs and market information in various sales and development initiatives, and to aggressively build our products over the medium and long term by concentrating management resources in the area of functional healthfoods. Moreover, through close collaboration between the Food & Health Care Company and the Pharmaceutical Company, we will maximize synergies in both the food and pharmaceutical businesses. We also aim to establish a distinctive business model in the health care field by deploying our expertise and knowledge from the pharmaceutical business in areas such as acquiring Food for Specified Health Use approval and developing functional ingredients.

Two other objectives are establishing a new production system and raising efficiency in distribution. We plan to achieve these objectives through measures including improving coordination of sales and production to ensure a fresh supply of products and consolidating inventory bases to build an efficient delivery network. These measures will further strengthen our operations. In addition, as a food company, we will reinforce our security and health and safety systems to establish a quality assurance system that is at the top level of the confectionery industry.

Q PLEASE EXPLAIN MEIJI SEIKA'S EFFORTS TO RAISE ITS BRAND VALUE THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR).

Companies are often asked about their corporate social responsibility policies, and at Meiji Seika we are steadily building our internal systems to earnestly meet our CSR obligations. The Meiji Seika Group's foremost priority is delighting its customers. We intend to raise our brand value by aiming for dynamic growth based on a sound profit structure while respecting the individuality of each of our employees. We believe that this will also support our efforts to increase shareholder value and fulfill our responsibility to society.

Toward this end, we have taken steps to ensure comprehensive CSR management. We established the CSR Office in October 2004 and the CSR Committee, chaired by a CSR Officer, in April 2005 to discuss and make decisions on CSR policies and other important related matters. The committee will focus specifically on six areas: quality assurance, compliance, risk management, the environment, social contribution and information.

Q FINALLY, PLEASE ELABORATE ON THE COMPANY'S DIVIDEND POLICY AND COMMITMENT TO SHAREHOLDERS.

The Meiji Seika Group endeavors to enhance retained earnings, expand its business, and strengthen its financial condition with a long-term perspective. Our fundamental policy regarding dividends is to deliver appropriate and stable returns to shareholders. In the year ended March 2005, we recorded a net loss because of extraordinary losses related to the implementation of structural reforms. However, considering the outlook for future results and other factors, we maintained annual cash dividends at ¥7 per share, the same as in the previous fiscal year.

The Meiji Seika Group's corporate philosophy is "to help people lead happier and more fulfilling lives by emphasizing the taste experience and zest in life." We seek to create "taste and health" as a global group of companies that provide customers with valuable products, services and information.

We are counting on your continued support in our efforts to deliver value to shareholders and all our stakeholders.

June 2005

N. Sato

Naotada Sato
President

Corporate Social Responsibility

Meiji Seika's corporate philosophy is "to help people lead happier and more fulfilling lives by emphasizing the taste experience and zest in life." Based on this philosophy, we undertake a wide range of activities to earn the trust and appreciation of our stakeholders.

Meiji Seika provides safe, high-quality products and services, and recognizes that CSR activities are paramount to continued development as a company that coexists with and is valued by society. In addition to establishing a CSR Office, Meiji Seika concentrates efforts to enhance its competitiveness and strengthen the Meiji brand and corporate value in six areas: quality assurance, compliance, risk management, the environment, social contribution and information.

ESTABLISHMENT OF BUSINESS PRACTICES CHARTER

Meiji Seika established the Business Practices Charter in January 2003 in order to maintain the trust of society. Under this charter, directors, officers and employees work together to ensure compliance with the law and implementation of business activities for sustainable development.

OVERVIEW OF BUSINESS PRACTICES CHARTER

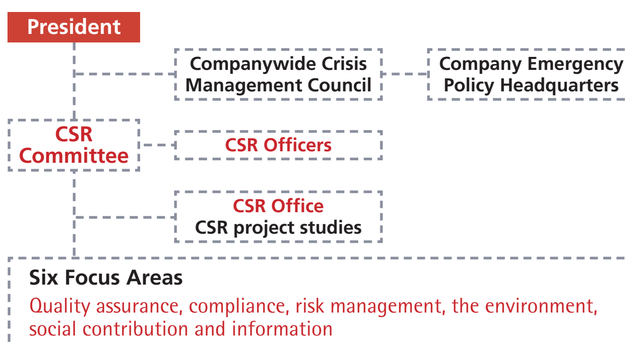
As a company involved with food and pharmaceuticals that are intimately connected with health and life, we realize the great importance of our obligations to society. We will comply with all laws and regulations, and will carry out our activities with a social conscience rooted in high ethical standards.

1. **We will endeavor to secure sound profits.**
2. **We will offer pleasure and reassurance to our customers.**
3. **We will conduct fair and transparent transactions.**
4. **We will proactively disclose information.**
5. **We will continue to operate with integrity.**
6. **We will properly handle confidential information and intellectual property.**
7. **We will proactively confront environmental issues.**
8. **We will respect each other's individuality and manifest our motivation and skills to their utmost potential.**
9. **We will strive to be a good corporate citizen.**
10. **We will contribute to the development of each related country and region.**

Officers recognize that they themselves are responsible for realizing the spirit of the Company's Business Practices Charter. Therefore, they lead by example as they work to foster a detailed understanding of the Charter throughout the Meiji Seika Group. Moreover, they work to incorporate opinions from inside and outside the Company into corporate structures. Should an incident contrary to the Business Practices Charter occur, officers take the initiative in resolving the incident by working to determine the underlying cause and prevent recurrence, in addition to implementing strict measures from which they are not exempt.

STRENGTHENING CORPORATE GOVERNANCE

CSR Promotion Organization



Meiji Seika is working to enhance corporate governance to ensure swift, high-quality decision-making and management transparency. The Board of Directors consists of 12 members, including two directors from outside the company, and is in charge of decision-making and supervision of business execution. In addition, Meiji Seika has established the Nominating Committee, which recommends candidates for the positions of director and corporate officer to the Board of Directors, and the Compensation Committee, which conducts annual reviews of the performance of directors and corporate officers and their compensation. These committees consist of five directors, two of whom are from outside the Company. The Board of Auditors consists of four auditors, two of whom are from outside the Company, and works to enhance oversight functions.

FOCUSES

1. Quality Assurance

As a company involved with food and pharmaceuticals that are intimately connected with health and life, Meiji Seika provides safe and reliable products to its customers. The Product Liability Committee, chaired by an executive officer, undertakes strict quality assurance measures in all Meiji Seika organizations in areas including development, labeling, ingredients and distribution in the food and pharmaceutical businesses, with the goal of preventing any risk to consumers' health.

2. Compliance

Meiji Seika assiduously promotes compliance to maintain the trust of society by establishing and maintaining a high level of corporate ethics. We formulated the Business Practices Charter, and work to ensure thorough adherence among officers and employees at Meiji Seika and all Group companies. Other efforts to promote broad awareness of compliance measures include establishment of the Compliance Committee, chaired by an executive officer, and the introduction of the Compliance Hotline and the Compliance Guide distributed to all employees.

3. Risk Management

Meiji Seika plays close attention to risk management. Company operations involve risks related to legal regulations concerning food hygiene and pharmaceuticals, procurement of cocoa and other raw materials, the bovine spongiform encephalopathy (BSE) problem, introduction of alien materials such as unauthorized additives, and management of customers' personal information. Aiming to mitigate these risks, Meiji Seika works to clarify responsibility in each area.

4. Environment

Meiji Seika implemented its Environmental Principles and Policies in 1994, and works throughout the Company to preserve the environment. All six Company plants and one laboratory have acquired ISO 14001 certification.

Meiji Seika takes various measures to reduce its environmental impact, including energy conservation, reduction of waste materials and proper control of chemical substances at all facilities. Three plants, including the Kanto Plant, have achieved zero waste emissions. As part of its proactive information disclosure, Meiji Seika publishes an environmental report that includes detailed information on these topics.

5. Social Contribution

Meiji Seika believes that its operations are supported by society, and aims to maintain good relationships with the community by energetically serving its interests. We support a wide range of activities to promote enjoyable interaction with customers. These include the Annual Children's Christmas Party, which we have supported since 1958, and the All Japan High School Soccer Tournament. Other initiatives rooted in local communities include regular clean-up activities in rivers and areas surrounding Company plants.

6. Information

Meiji Seika recognizes that it must convey a proper understanding of the Company to its shareholders and all other stakeholders. As part of its efforts to disclose information concerning the Company, Meiji Seika conducts proactive public relations and investor relations programs based on its Disclosure Policy.

To ensure safe and proper management of important customer information, Meiji Seika has established rules for personal information protection, based on the Personal Information Protection Law, and emphasizes appropriate management of personal information.

BOARD OF DIRECTORS (As of June 25, 2005)

Chairman of the Board
Ichiro Kitasato

Members of the Board
Naotada Sato*
Akio Takahashi*
Akinobu Otsubo
Masaki Nagasaki
Masahiko Matsuo
Harunobu Tsukanishi
Masayuki Matsunaga
Hirobumi Mori
Takeo Shiina (outside)
(Senior Advisor of IBM Japan Ltd.)
Masahisa Naito (outside)
(Chairman & CEO of The Institute of Energy Economics, Japan)

* Representative Director

CORPORATE AUDITORS

Senior Corporate Auditor
Yoshiaki Iida

Corporate Auditors
Takashi Hasunuma
Mitsuo Kanazawa (outside)
Masahide Kano (outside)

CORPORATE OFFICERS

President
Naotada Sato

Senior Executive Vice President
Akio Takahashi

Executive Vice Presidents
Akinobu Otsubo
Masaki Nagasaki

Senior Vice Presidents
Masahiko Matsuo
Harunobo Tsukanishi
Masayuki Matsunaga
Hirobumi Mori
Hiromichi Kitahara
Tadao Shibasaki
Osamu Makabe
Hideki Takahashi
Yoshihiko Mizoguchi

Vice Presidents
Kazuyoshi Otsuka
Toyomi Sato
Eiichi Irie
Riichi Fukui
Fumio Yokomichi
Yukio Nakamura
Masataka Kitamura
Sadaaki Komura
Ryoji Kono
Shinji Nakadori
Ikuo Aramori
Haruo Komatsu
Ryuzo Asada

PORTE PASSIONFRUIT, FRAN HIYASHI CACAO AND APOLLO SHARISHARI ICHIGO

Chill-and-serve chocolate series for the summer season

Summers in Japan are hot and humid, and the demand for chocolate drops as a result. To offset this, we are working to achieve the objectives of Challenge 2005 under a "summer" theme by introducing chill-and-serve chocolate products specifically for the summer season and enhancing our sales promotion efforts. When chilled, PORTE PASSIONFRUIT and FRAN HIYASHI CACAO offer a delicious new chocolate flavor and APOLLO SHARISHARI ICHIGO, the first product of its kind, has the texture of chocolate sherbet. Meiji Seika will continue working to increase summer season demand for chocolate and enhance profitability.

FOOD & HEALTH CARE COMPANY

>>> FOOD

By consolidating the former Food and Health Care Companies we have established a unique business model under the watchword "health."

CONFECTIONERY

MILK CHOCOLATE

Launched in 1926, MILK CHOCOLATE is the representative core brand of Meiji Seika, with the top share of the chocolate market in Japan.

CHO-PAN

This new product offers a delightful new taste in the form of a chocolate cup filled with rich nut-flavored praline chocolate and topped with a crispy double-baked pie crust.

FOOD

THEOBRO

Targeting health-conscious people in their 40s and 50s, THEOBRO is a high-quality cocoa with three times the cacao polyphenol content of conventional cocoa.

KARL

Introduced in 1968, the long-selling KARL brand helped to open up the snack market in Japan.

XYLISH

In 2005, we added the breath-freshening ingredient rosemary to all products in the XYLISH lineup.

GINZA CURRY

First marketed in 1994, this original retort-pouch curry was developed to differentiate itself from competing brands.

FOOD AND HEALTH RESEARCH LABORATORY

Pursuing beauty and health

The Food and Health Research Laboratory is an important organization because it supports our top share in the chocolate market. It offers feedback for new product development based on Meiji Seika's unique know-how accumulated over many years of unrivaled research, especially in the area of cacao quality evaluation. The Food and Health Research Laboratory's R&D activities are also characterized by an emphasis on product development and proximity to the market. For example, it developed CHO-PAN and USUMAKI ALMOND, two products with completely new textures that contributed to sales in fiscal 2004. These products were big hits owing to an accelerated development process made possible through close collaboration with marketing divisions to quickly reflect consumer needs. Aiming to create products with high added value, the Food and Health Research Laboratory is also focused on developing new applications for cacao polyphenol, fructo-oligosaccharide and similar ingredients in food products to respond to the recent rise in health consciousness among consumers.

We follow a unified development process from ingredients to final product based on a theme of creating leading products in the area of health.

>>

Our goal is to establish a unique business model with an emphasis on healthfood products.

>>

Strategic Positioning

In the food business, last year's record hot summer and changes in business terms and conditions for confectionery wholesalers since April 2004 resulted in a 2.4 percent year-on-year decrease in consolidated net sales to ¥232,755 million.

Sales of main confectionery products were favorable due to successful efforts to boost demand for core products MILK CHOCOLATE and BLACK CHOCOLATE through promotion of the health appeal of cacao polyphenol. A homemade chocolate sales campaign and enhancement of the product lineup through the introduction of new products such as CHO-PAN also contributed to sales.

In candy, sales of core brand CHELSEA were constrained by a challenging market, but concentrated investment on renewal of gummy products KAJU GUMMY and POIFULL resulted in firm sales.

Chewing gum sales were supported by a large increase in sales of XYLISH, our main chewing gum brand. As for snacks, sales of core brand KARL were firm.

Sales of main food products were likewise strong. Solid performance of core products MILK COCOA and THEOBRO, supported by the May 2004 launch of OISHII COCOA, contributed to results. In retort-pouch curry products, GINZA CURRY performed well.

Future Initiatives

Through the integration of the Food and Health Care Companies we will concentrate management resources on functional health foods to establish a unique business model with an increased emphasis on health.

We will work toward continued expansion of our chocolate business by strengthening marketing activities for the summer season as well as developing year-round products. Specifically, we will promote the development of such products as chocolate that is delicious cold, as well as a chilled chocolate for the high-end market. We will enhance the competitiveness of our candy lineup by adding gummy products containing collagen. This will broaden the target consumer base by appealing to health-conscious customers. In addition, we will introduce other candy products that are not only delicious but also offer specific health benefits.

We aim to expand the business with a thorough understanding of customer needs. To do this, we will establish a customer information department that uses market and retail shop information to undertake trend-based marketing.

SAVAS

The power brand that evolves to keep pace with top athletes

Since its launch in 1980, SAVAS has continued to meet the needs of top athletes and has achieved a solid position as a premium sports nutrition brand. SAVAS is special because of the approach we take in developing it: We start by responding to athletes' desire to build bodies that help them win. Through sports science research we create products that meet their practical sports nutrition needs. In this way, the SAVAS brand has gained athletes' trust. From 2004, SAVAS products have been certified as safe by the Japan Anti-Doping Agency, thus strengthening that trust even further.

FOOD & HEALTH CARE COMPANY

>>> HEALTH CARE

Innovative brands that contribute to healthy lifestyles

SAVAS

Helping athletes win

AMINO COLLAGEN

Its delicious taste and high quality ensure a strong position in the growing market for basic food products that contribute to beauty.

ISODINE

We are reinforcing and expanding the ISODINE brand lineup with new products in response to the rise in self-medication and easing of regulations regarding pharmaceutical sales.

MEIOLIGO

The first oligosaccharide food product to be certified as a Food for Specified Health Use

LOLA

A line of chewable supplements that focuses on delicious taste

SAVAS SPORTS AND NUTRITION LABORATORY

Developing practical nutrition for athletes

The SAVAS Sports and Nutrition Laboratory (SNL) began operations in 1991. As Meiji Seika's team responsible for spreading the concept of sports nutrition, SNL has provided staff support at successive Olympic Games, 2002 FIFA World Cup Japan/Korea and other events, and is developing a finely-tuned nutritional support and management system for individual contestants. Through such activities, SNL staff obtain valuable feedback directly from top athletes, which facilitates the development of new products. SNL's strength lies in the promotional benefits of helping professional athletes. Serious amateur athletes identify with SNL's efforts in this regard, and this drives sales. To help promote understanding of sports nutrition, SNL also plans and publishes *Penta*, a magazine targeting sports-minded individuals, and hold related seminars. SNL is working in other ways to broaden its support base, such as developing SAVAS products for children.

We aim to make Amino Collagen the top-selling collagen product in the beauty supplement category. >>

The strength of the SAVAS brand lies in the trust it has gained from many top athletes. >>

Strategic Positioning

Amid intensifying competition for market share in the healthcare market, we achieved consolidated net sales of ¥1,914 million, a year-on-year increase of 1.1 percent.

Growing health-consciousness among consumers drove an increase in sales of main healthfood products, backed by the provision of core brand SAVAS to top athletes as nutritional support and aggressive sales promotion activities to increase consumer brand awareness. Sales of Amino Collagen increased significantly, but sales of LOLA declined due to intensified competition.

OTC drug sales were firm despite increasing price competition for all products in the core ISODINE brand lineup. We initiated positive steps to establish and expand the presence of the KARADANAVI line of products in the marketplace. In addition, sales of mini-drink KATSUJIN 28 grew strongly due to effective in-store sales promotion activities that increased customer awareness.

Future Initiatives

Consolidation of the Health Care and Food Companies will allow us to make greater use of our strengths in the confectionery business. Moreover, it will further enhance coordination with the Pharmaceutical Company in such areas as Food for Specified Health Use. Specific measures envisioned include employing category management to enhance sales promotion activities. For example, SAVAS will be under the "sports" category, Amino Collagen and cassis products will fall under the "beauty" category, and KARADANAVI, cacao polyphenol products and new MEIOLIGO will be in the "lifestyle-related disease prevention" category. In addition, we will maximize the combined synergies of our food and pharmaceutical businesses through staff interaction and other cooperative enhancements that make use of the know-how of our pharmaceutical business. Examples of this include the development of functional materials through the use of pharmaceutical ingredients and the development of Food for Specified Health Use based on know-how accumulated through clinical development.

ME1211

The world's first oral carbapenem antibiotic

The antibiotic ME1211, which we license from Wyeth K.K., is currently undergoing Phase II clinical trials. We are aiming to launch it in the Japanese market by fiscal 2007. It will be the world's first carbapenem antibiotic for oral administration.

ME1211 is an oral carbapenem prodrug with a wide antibacterial spectrum covering both gram-positive and gram-negative bacteria. It also exhibits potent activity against PRSP (penicillin-resistant *Streptococcus pneumoniae*), thus making it a promising candidate for use in the area of pediatric respiratory tract infections. Clinical development of this pharmaceutical was based on PK/PD (Pharmacokinetic/Pharmacodynamic) analysis, a first in Japan. Clinical research continues with the aim of launching ME1211 in the market at the earliest date.

PHARMACEUTICAL COMPANY

Improving earnings by concentrating management resources on the fields of anti-infectives and central nervous system drugs

ANTI-INFECTIVES

MEIACT (cefditoren pivoxil)

MEIACT is an orally active cephalosporin with superior efficacy and safety. Now it is marketed in North America, Europe and Asia.

HABEKACIN

This product is attracting growing attention as Japan's first treatment for methicillin-resistant *Staphylococcus aureus* (MRSA) infections.

CENTRAL NERVOUS SYSTEM (CNS) DRUGS

DEPROMEL (fluvoxamine maleate)

DEPROMEL is an SSRI (selective serotonin reuptake inhibitor), which was first launched for the treatment of depression and OCD (Obsessive Compulsive Disorder) in Japan.

MEILAX

This is a once-daily anti-anxiety drug that controls anxiety and depression, and improves sleep disorders.

List of New Products Under Development

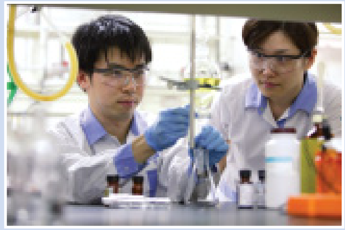
(As of June 1, 2005)

Stage	Development Code/Scheduled Name (Generic Name)	Formulation	Indications	Notes
NDA filed	DEPROMEL (fluvoxamine maleate)	Oral	Depression (Additional indication for social anxiety disorder)	Origin: Solvay Pharmaceuticals, Inc. Joint development: Solvay Seiyaku K.K.
Phase II	ME1211 (tebipenem pivoxil)	Oral	Carbapenem antibiotic	Origin: Wyeth Lederle Japan, Ltd.
Phase II	ME3738	Oral	Chronic hepatitis C	Developed in-house
Phase II	ME3301	Oral	Anti-allergy, anti-asthma	Developed in-house
Phase II	Org3770	Oral	Depression	Origin: Nippon Organon K.K. Joint development: Nippon Organon K.K.
Pre-clinical trials	ME1036	Injectable	Carbapenem antibiotic	Developed in-house

Research fields: Infectious diseases, central nervous system, respiratory system/allergies

MEIBIS GENOME ANALYSIS SYSTEM

Speeding up the drug discovery process



Meiji Seika undertakes R&D with the aim of being a drug manufacturer that specializes in anti-infectives and central nervous system drugs. In the area of anti-infective drug discovery research, we have developed an original system for analyzing genomes of pathogenic bacteria that has shortened the R&D process. This system, called MEIBIS, identifies mutations in antibiotic genes. Using MEIBIS has shortened the gene analysis process from over one year to roughly one month. The recent appearance of bacteria strains resistant to existing antibiotics such as methicillin-resistant *Staphylococcus aureus* (MRSA) and penicillin-resistant *Streptococcus pneumoniae* (PRSP) has accelerated development of new antibiotics. The results obtained using the MEIBIS genome analysis system are contributing significantly to the discovery of new drugs that are effective against such antibiotic-resistant strains. Meiji Seika will continue working to speed up the drug discovery process and fulfill its responsibilities as a drug manufacturer that specializes in anti-infectives.

The Drug Discovery Division is actively promoting genome research and under-taking R&D of anti-biotics and other ethical drugs.

>>

We are focusing on innovative clinical development and speeding up the development process.

>>

Strategic Positioning

In the year ended March 2005, the Pharmaceutical Company achieved consolidated net sales of ¥109,530 million, a year-on-year increase of 0.9 percent, despite an increasingly challenging business environment in the industry, where drug prices decreased an average of 4.2 percent in April 2004.

In the area of anti-infectives, sales of our main product MEIACT increased compared to the previous fiscal year due to the launch of MEIACT MS Fine Granules for pediatric use. OMEGACIN performed well, supported by positive market development efforts, and sales of SWORD were also favorable. However, the negative effects of drug price reductions and other factors resulted in a decline in sales of HABEKACIN and FOSMICIN. With respect to central nervous system (CNS) drugs, aggressive dissemination of scientific information through the deployment of dedicated medical representatives (MRs) supported an increase in sales of both the antidepressant DEPROMEL and the anti-anxiety drug MEILAX. A severe outbreak of pollen allergies during the fiscal year resulted in a significant increase in sales for the anti-allergy drug EBASTEL, but sales of the topical antiseptic ISODINE were down because of intensified competition and the effects of drug price reductions. Strong sales of core product ORYZEMATE, a herbicide that protects rice against blast, supported growth in agricultural chemicals, while the acquisition of the veterinary drug businesses of the Daiichi Pharmaceutical Group in June 2004 contributed to a large increase in veterinary drug sales.

Future Initiatives

The business environment of the pharmaceutical industry remains severe due to pervasive medical cost containment measures resulting from ongoing medical care system reforms and the aging of Japanese society. We will therefore move steadily toward becoming a pharmaceutical company specializing in anti-infectives and central nervous system drugs. In the prescription drugs business, we will enhance our marketing capabilities and concentrate managerial resources on our main product lines — MEIACT, DEPROMEL, HABEKACIN and OMEGACIN. In the area of central nervous system drugs, we will focus marketing efforts on major customers in various ways including deployment of dedicated MRs. We will also accelerate our research and development efforts. For example, we will expand the range of indications for DEPROMEL to include social anxiety disorder, a first in Japan, and expedite the market launch of the world's first oral carbapenem antibiotic, ME1211, for which Phase II trials have been completed. In addition, we will work toward full-scale development of our pharmaceutical business overseas, which is part of our main policy focus for the year ending March 2006. Particular activities include enhancing our business foundations in China through production and sales base upgrades such as completion of a new factory at Meiji Lukang Pharmaceutical Co., Ltd. We will also reinforce sales of MEIACT in Europe, the Middle East and Asia.

Global Operations

Expanding in the global market by providing food and drugs that contribute to the health of people worldwide

Food & Health Care Company

The Food & Health Care Company has production bases in the United States, China, Singapore and Indonesia that supply local regions as well as the Japanese market. The Food & Health Care Company's three overseas consolidated subsidiaries are D.F. Stauffer Biscuit Co., Ltd. and Laguna Cookie Co., Inc. in the United States, and Meiji Seika (Singapore) Pte. Ltd. in Singapore. Meiji Seika (Singapore) performed well due to aggressive marketing activities, and sales at Stauffer Biscuit continue to show steady recovery amid intensifying competition.

In the year ending March 2006, we will focus on enhancing our presence in the Chinese market. We will increase production capacity at Guangzhou Meiji, which produces and sells such products as Yan Yan and Gummy Choco. In addition, we will work toward full-scale operations mainly through Meiji Seika (Shanghai), which we established in 2004,

Tedec-Meiji Farma S.A. (Spain)
Manufactures and markets pharmaceuticals in Europe

Laguna Cookie Co., Inc.
A wholly owned subsidiary of D.F. Stauffer Biscuit Co., Inc. that manufactures and markets biscuits

D.F. Stauffer Biscuit Co., Inc.
A leading manufacturer of cookies, including animal cookies, and crackers

having determined from nationwide test sales that a confectionery business centered on chocolate has good potential in China. Specific plans include establishing several sales bases in each region and constructing a new factory in the Shanghai district.

Pharmaceutical Company

The Pharmaceutical Company started exporting antibiotics in 1954 and now supplies Meiji Brand drugs to more than 60 countries. The Pharmaceutical Company's four overseas consolidated subsidiaries are P.T. Meiji Indonesian Pharmaceutical Industries in Indonesia, Thai Meiji Pharmaceutical Co., Ltd. in Thailand, and Tedec-Meiji Farma S.A. and Mabo Farma S.A. in Spain. In the year ended March 2005, aggressive marketing efforts contributed to a solid increase in sales at Thai Meiji Pharmaceutical. At P.T. Meiji Indonesian Pharmaceutical Industries, both local and export sales were favorable. Sales at Tedec-Meiji Farma were down due to the effects of price reductions of main products.

For the year ending March 2006, the final year of our medium-term management plan, we have set targets of ¥9 billion yen in exports from Japan and ¥11 billion in sales of consolidated subsidiaries. To achieve these targets, we will accelerate our efforts for global distribution of MEIACT and step up our business operations in response to the growing Chinese market. We will increase ethical drug production to full scale at our newly constructed production base, Meiji Lukang Pharmaceutical Co., Ltd., and consolidate and enhance the management system at Shantou Meiji Pharmaceuticals, Co., Ltd., which will use company medical representatives (MRs) to develop its business.

Solid Square
Solid Square is highly regarded for its superior accessibility and futuristic image.

Office Building Leasing
Constructed in 1995 on the former site of the Kawasaki Plant, the Solid Square intelligent building is a landmark office building in Kawasaki.

OFFICE BUILDING LEASING & OTHERS

Seeking new revenue sources based on our accumulated expertise in the food and pharmaceutical businesses

The supply and demand balance is improving for office space in large-scale buildings in the Greater Tokyo area, but lower rents, shrinkage in the scale of tenant businesses and a decline in the occupancy rate of Solid Square resulted in a challenging business environment for the office building leasing business in the year ended March 2005.

MEIJI KAIHATSU CO., Ltd., which managed sports and recreational facilities, implemented aggressive business measures. However, lack of prospects for recovery amid weak consumer spending compelled us to liquidate this business. As a result, revenues from office building leasing and other businesses declined 13.7 percent year-on-year to ¥2,627 million.

SIX-YEAR SUMMARY

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
Years ended March 31

	Millions of Japanese yen					
	2005	2004	2003	2002	2001	2000
For the Year:						
Net sales	**¥364,018**	¥368,865	¥353,453	¥361,866	¥358,898	¥363,381
Food	**232,755**	238,414	228,646	236,991	233,827	238,423
Pharmaceutical	**109,530**	108,504	103,037	110,692	117,872	117,505
Health care	**19,104**	18,901	17,192	7,867	—	—
Office building leasing	**2,627**	2,706	3,041	3,080	3,035	2,876
Others	**—**	338	1,535	3,234	4,163	4,575
Operating income	**8,717**	7,881	5,503	13,042	17,990	19,100
Net income	**(8,240)**	348	2,670	5,887	6,880	4,467
Capital expenditures	**19,827**	16,537	13,260	17,731	14,472	13,493
Depreciation and amortization	**14,750**	13,892	15,086	14,798	15,096	15,308
R&D costs	**16,852**	16,688	17,738	18,838	17,667	15,854
Per Share Data (in yen):						
Net income	**¥ (21.53)**	¥ 0.79	¥ 6.83	¥ 15.20	¥ 17.68	¥ 11.47
Cash dividends	**7.00**	7.00	7.00	7.00	7.00	7.00
Shareholders' equity	**377.78**	403.33	395.31	404.68	408.87	373.38
At Year-End:						
Total assets	**¥339,848**	¥330,059	¥317,798	¥336,932	¥341,350	¥321,103
Shareholders' equity	**144,837**	154,549	152,222	155,990	158,407	145,403
Ratios (%):						
ROE	**—**	0.2	1.7	3.7	4.5	3.0
ROA	**—**	0.1	0.8	1.7	2.0	1.4
Equity ratio	**42.6**	46.8	47.9	46.3	46.4	45.3

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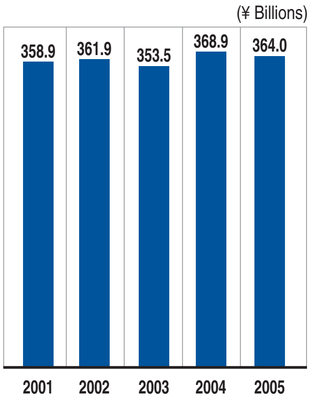
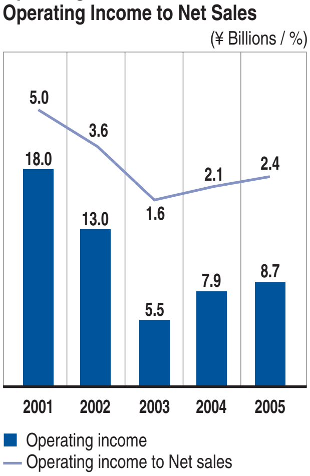
Management's Discussion and Analysis

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries

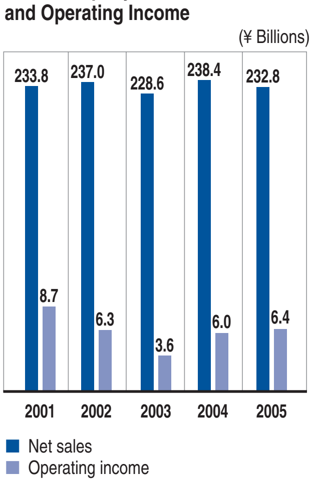
Net Sales



Operating Income and Operating Income to Net Sales



Food Company Net Sales and Operating Income



FINANCIAL STRATEGY

The Meiji Seika Group's fundamental policy regarding distribution of profits is to take a long-term perspective in using internal capital resources to fund capital investment in Japan and overseas, research and development expenses, and other operating requirements to expand the Group's businesses and strengthen the Group's financial structure while providing reasonable, stable shareholder returns. During the fiscal year ended March 31, 2005, the Meiji Seika Group raised capital externally for purposes including adding to employee retirement benefit plan assets.

CONSOLIDATED SUBSIDIARIES

As of March 31, 2005, the Meiji Seika Group encompassed Meiji Seika Kaisha, Ltd. (Meiji Seika), 21 consolidated subsidiaries and one affiliate accounted for using the equity method. The 13 domestic subsidiaries include 10 companies in the food business, 2 companies in the pharmaceutical business, and 1 company in the health care business. The 8 overseas subsidiaries include 3 companies in the food business, 4 companies in the pharmaceutical business and 1 company in other businesses. Meiji Seika liquidated consolidated subsidiary MEIJI KAIHATSU CO., Ltd. as of March 14, 2005.

OVERVIEW

During the year ended March 31, 2005, a moderate recovery continued in the Japanese economy. However, personal consumption did not improve. As a result, the operating environment remained challenging.

In this environment, the Meiji Seika Group worked in each of its three main business segments — food, pharmaceuticals and health care — to reform and strengthen its corporate structure, aggressively conduct marketing activities and strengthen market competitiveness to expand sales and enhance profitability. As a result, consolidated net sales decreased 1.3 percent year-on-year to ¥364,018 million, but operating income increased 10.6 percent year-on-year to ¥8,717 million. As part of the structural reforms that the Meiji Seika Group has been implementing over the past several years, the Meiji Seika Group amortized unrecognized retirement benefit obligations as a lump sum, reorganized production bases, and executed other initiatives. Consequently, net loss for the fiscal year totaled ¥8,240 million, compared to net income of ¥348 million for the previous fiscal year.

REVIEW OF OPERATIONS BY SEGMENT

Food Company

As in the previous fiscal year, the downturn in the Meiji Seika Group's markets and the trend toward lower prices continued. In addition, record-setting summer heat stifled the recovery in consumption of confectioneries, resulting in an extremely challenging operating environment. Given these conditions, the Meiji Seika Group worked to expand sales by developing clearly differentiated new products that anticipate consumer needs and trends and by implementing total marketing measures for each of its core brands. However, due to factors including a change in confectionery wholesaler terms and conditions from April 2004, net sales for the Food Company decreased 2.4 percent year-on-year to ¥232,755 million, while operating income increased 7.3 percent year-on-year to ¥6,399 million.

Regarding the performance of main consolidated subsidiaries, sales of MEIJI FOOD MATERIA CO., LTD. decreased as a result of changes in the terms and conditions governing transactions with primary customers for core sugar products. In addition, sales of MEIJI CHEWING GUM CO., LTD. remained strong because of its well-developed strengths in product development and enhanced marketing.

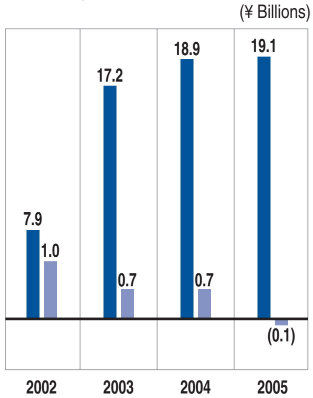
Overseas, Meiji Seika (Singapore) Pte., Ltd. performed well because of aggressive sales promotion activities in its markets. Sales of D.F. Stauffer Biscuit Co., Inc. in the United States recovered steadily in a highly competitive market.

Health Care Company

The market for healthfood products is expanding because of increasing health

Health Care Company Net Sales and Operating Income

(¥ Billions)

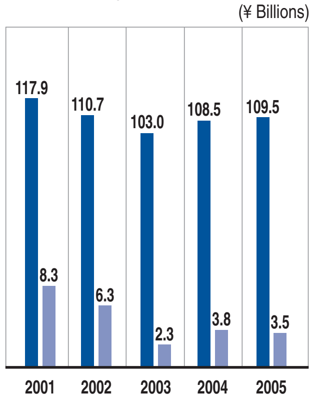


■ Net sales
■ Operating income

Note: Effective October 1, 2001, the Company transferred certain operations from the food business, pharmaceutical business and other businesses into an independent health care business.

Pharmaceutical Company Net Sales and Operating Income

(¥ Billions)



■ Net sales
■ Operating income

consciousness among consumers and growing interest in beauty and dieting. However, many companies have entered the market, and the business environment has become challenging because of competition in product development and marketing. In addition, the market for over-the-counter (OTC) drugs has stagnated and prices are falling, which has resulted in a trend toward business amalgamation among companies. This has further intensified competition for market share, resulting in an increasingly difficult operating environment.

Under these conditions, the Meiji Seika Group developed products that respond to diversifying consumer needs and conducted marketing activities to increase the brand strength of core products. As a result, net sales of the Health Care Company increased 1.1 percent year-on-year to ¥19,104 million. Operating loss totaled ¥117 million, compared to operating income of ¥712 million for the previous fiscal year.

Domestic consolidated subsidiary MEIJI SPORTS PLAZA, Ltd. operates sports club facilities. Competition with other sports clubs has intensified, but sales remained firm because of the opening of new facilities and aggressive efforts to attract customers and increase customer satisfaction.

Pharmaceutical Company

Conditions in the pharmaceuticals market became increasingly challenging. Measures to contain health care costs included an industry-wide downward revision in drug prices averaging 4.2 percent in April 2004. Competition in new product development intensified, and research and development expenses increased. In addition, the markets for agricultural chemicals and veterinary drugs were highly challenging. These markets contracted, which intensified competition, and government regulations became more stringent in areas such as the appropriate use of anti-infective veterinary drugs.

Given these conditions, in the ethical pharmaceuticals business the Meiji Seika Group limited its product lineup to and concentrated managerial resources in the core areas of anti-infective and central nervous system drugs. In particular, the Meiji Seika Group increased the number of medical representatives (MR) specializing in the central nervous system sector and promoted various other measures to strengthen competitiveness. The Meiji Seika Group also promoted expansion in its agricultural chemical and veterinary drug businesses in ways such as acquiring the veterinary drug operations of Daiichi Pharmaceutical Co., Ltd. in June 2004.

As a result, net sales of the Pharmaceutical Company increased 0.9 percent year-on-year to ¥109,530 million. Operating income decreased 8.4 percent year-on-year to ¥3,516 million.

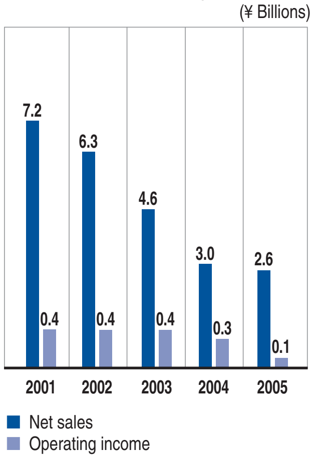
Sales of Pharmaceutical Products

(¥ Billions)

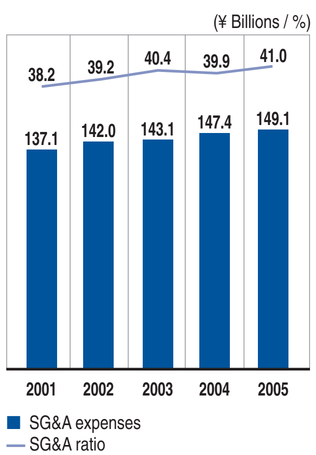
	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005
MEIACT	20.8	**19.2**
(Export sales)	(3.5)	**1.5**
FOSMICIN	8.1	**7.2**
HABEKACIN	6.1	**5.7**
OMEGACIN	2.5	**2.7**
SWORD	2.0	**1.9**
ISODINE	7.9	**6.9**
DEPROMEL	7.1	**7.7**
EBASTEL	3.3	**3.9**
MEILAX	4.0	**4.3**

Regarding the performance of domestic consolidated subsidiaries, results at Kitasato Pharmaceutical Industry Co., Ltd. were strong due to substantial growth in sales of influenza vaccine and other products. However, sales decreased at FUJI-AMIDE CHEMICAL CO., LTD. despite aggressive sales promotion activities because of factors including increased price

Office Building Leasing and Others Net Sales and Operating Income



SG&A Expenses and SG&A Ratio



competition from domestic and foreign products.

Overseas, Thai Meiji Pharmaceutical Co., Ltd. increased sales as a result of aggressive sales promotion activities in its local markets. In addition, P.T. Meiji Indonesian Pharmaceutical Industries in Indonesia performed strongly as a result of favorable local sales and exports. However, sales decreased at Tedec-Meiji Farma S.A. in Spain because of lower prices for its core products.

Office Building Leasing and Other Businesses

In the building leasing business, although supply and demand conditions for space in large buildings in the Tokyo metropolitan area improved, rents decreased and the scale of tenant company businesses contracted. As a result, the occupancy rate at the core Solid Square office building decreased, and the operating environment remained challenging.

MEIJI KAIHATSU, CO., LTD. operated sports and leisure facilities. Although it aggressively implemented sales measures, the slump in consumer spending made future recovery in performance unlikely, and its facilities were aging. The Meiji Seika Group dissolved this subsidiary in November 2004, and liquidated its operations on March 14, 2005.

As a result, net sales of Office Building Leasing and Other Businesses decreased 13.7 percent year-on-year to ¥2,627 million. Operating income decreased 62.6 percent to ¥96 million.

INCOME STATEMENT ANALYSIS

For the fiscal year ended March 31, 2005, net sales decreased 1.3 percent year-on-year to ¥364,018 million. Cost of sales decreased 3.5 percent year-on-year to ¥206,231 million, and the ratio of cost of sales to net sales improved 1.2 percentage points to 56.7 percent. As a result, gross profit increased 1.6 percent year-on-year to ¥157,786 million.

Selling, general and administrative (SG&A) expenses increased 1.2 percent year-on-year to ¥149,069 million. The ratio of SG&A expenses to net sales increased 1.1 percentage points to 41.0 percent. Research and development costs, which are included in selling, general and administrative expenses and manufacturing expenses, increased 1.0 percent year-on-year to ¥16,852 million. As a result, operating income increased 10.6 percent year-on-year to ¥8,717 million. The ratio of operating income to net sales increased 0.3 percentage points to 2.4 percent.

Other expenses, net totaled ¥214 million, compared to other income, net of ¥361 million in the previous fiscal year, a negative year-on-year change of ¥576 million. Interest and dividend income increased 10.9 percent to ¥458 million, while interest expenses decreased 6.9 percent to ¥1,227 million. The interest coverage ratio, calculated as net cash provided by operating activities divided by interest expenses, improved to 13.5 times from 5.0 times in the previous fiscal year.

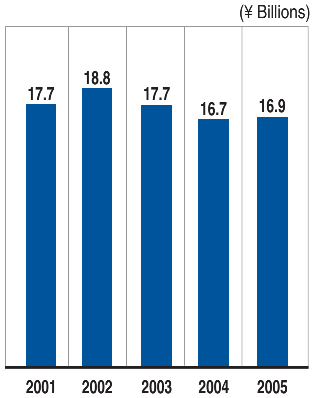
Extraordinary losses, net totaled ¥20,833 million, compared to ¥4,537 million for the previous fiscal year. Extraordinary income increased 66.6 percent year-on-year to ¥2,946 million. Extraordinary losses totaled ¥23,779 million, compared to ¥6,306 million for the previous fiscal year. The main reason was the lump-sum amortization of unrecognized retirement benefit obligations totaling ¥13,295 million in conjunction with management structure reforms. In addition, expenses incurred due to revision of the workforce and organization of the parent company totaled ¥7,337 million.

As a result of the above, loss before income taxes totaled ¥12,330 million, compared to income before income taxes of ¥3,705 million for the previous fiscal year. Net loss totaled ¥8,240 million, compared to net income of ¥348 million for the previous fiscal year. Net loss per share totaled ¥21.53, compared to net income per share of ¥0.79 for the previous fiscal year.

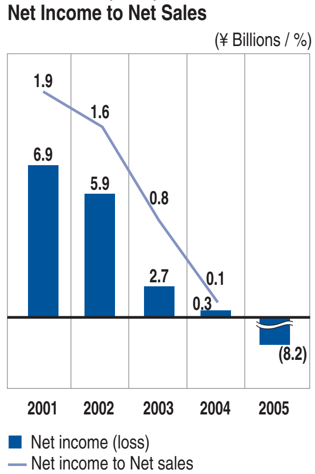
DIVIDEND POLICY

The Meiji Seika Group's fundamental policy regarding distribution of profits is to take a long-term perspective in enhancing internal capital resources, expanding businesses and strengthening the Group's financial structure while providing reasonable, stable shareholder

R&D Costs



Net Income (Loss) and Net Income to Net Sales



Note: Net income to net sales is not recorded for the year ended March 31, 2005 due to net loss.

returns. In the year ended March 31, 2005, net sales were essentially unchanged from the previous fiscal year. However, the Meiji Seika Group recorded a net loss due to the extraordinary loss on amortization of unrecognized retirement benefit obligation as part of management structure reforms. Based on the policy of maintaining stable dividends for shareholders, the Meiji Seika Group deployed unappropriated retained earnings to pay cash dividends per share for the year ended March 31, 2005 totaling ¥7.00.

ANALYSIS OF FINANCIAL POSITION

As of March 31, 2005, total assets increased 3.0 percent from a year earlier to ¥339,848 million. Current assets increased 3.7 percent, or ¥5,644 million, from a year earlier to ¥160,255 million. Total fixed assets increased 2.4 percent, or ¥4,143 million, to ¥179,592 million. Investments and other non-current assets increased 6.9 percent, or ¥2,260 million, from a year earlier to ¥35,187 million.

Total liabilities increased 11.2 percent, or ¥19,334 million, from a year earlier to ¥192,403 million. Current liabilities decreased 10.7 percent, or ¥10,171 million, from a year earlier to ¥84,880 million. Long-term liabilities increased 37.8 percent, or ¥29,506 million, from a year earlier to ¥107,522 million.

Shareholders' equity decreased 6.3 percent, or ¥9,711 million, from a year earlier to ¥144,837 million. As a result, the ratio of shareholders' equity to total assets decreased 4.2 percentage points from a year earlier to 42.6 percent. Shareholders' equity per share decreased ¥25.55 to ¥377.78. Due to the net loss for the fiscal year, return on average total shareholders' equity (ROE) was not meaningful. In the previous fiscal year, ROE was 0.2 percent.

CASH FLOW ANALYSIS

Despite the loss before income taxes, net cash provided by operating activities increased ¥10,068 million, or 151.1 percent, compared to the previous fiscal year to ¥16,731 million because the loss before income taxes resulted from non-cash charges.

Net cash used in investing activities increased ¥11,348 million to ¥16,772 million, primarily due to the use of ¥18,911 million for purchases of property, plant and equipment including a headquarters building and pharmaceutical production facilities. On an accrual basis, capital expenditures increased ¥3,290 million, or 19.9 percent, to ¥19,827 million.

Net cash provided by financing activities totaled ¥11,977 million. In the previous fiscal year, financing activities used net cash of ¥6,028 million. The Meiji Seika Group issued bonds totaling ¥20,000 million to add to retirement plan assets.

As a result of these factors, cash and cash equivalents as of March 31, 2005 increased ¥11,957 million from a year earlier to ¥22,646 million.

BUSINESS RISKS AND OTHER RISKS

Factors that have the potential to exert a significant influence on investors' decisions include, but are not limited to, the following. Statements in the text concerning the future are based on the judgment of the Meiji Seika Group's management as of March 31, 2005, the end of the fiscal year under review.

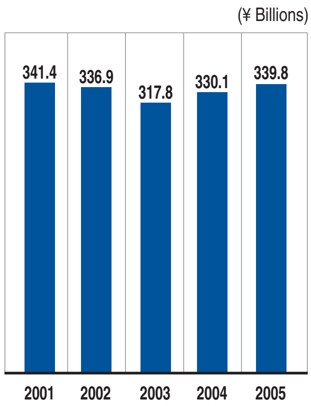
(1) Extraordinary Changes in Financial Position and Business Results

For the fiscal year ended March 31, 2005, consolidated net sales were ¥364,018 million, a year-on-year decrease of 1.3 percent, and operating income was ¥8,717 million, a year-on-year increase of 10.6 percent. However, the Meiji Seika Group recorded various extraordinary losses, including amortization of unrecognized retirement benefit obligation as part of management structure reform. Net loss for the year ended March 31, 2005 therefore totaled ¥8,240 million, compared to net income of ¥348 million for the previous fiscal year.

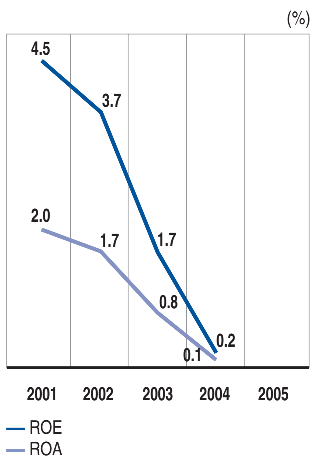
(2) Procurement of Raw Ingredients

In the Meiji Seika Group's food business, nearly all raw ingredients and major ingredients (cacao beans, nuts, etc.) are imported. In principle, the Group maintains a fixed level of

Total Assets

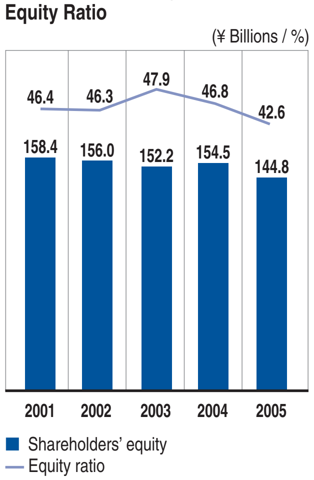


ROE and ROA



Note: ROE and ROA are not recorded for the year ended March 31, 2005 due to net loss.

Shareholders' Equity and Equity Ratio



domestic stock, and takes measures to disperse risks in producing regions. However, in the event that the Group is unable to secure a sufficient volume of ingredients for an extended period of time due to political conditions in exporting countries, global demand conditions or other factors, the Group's production activities would be hindered, which could impact the Group's business results and financial position.

In addition, prices are currently trending higher for nearly all raw ingredients, and the Group is working to control costs by developing new procurement routes and promoting streamlining. However, acceleration in this upward trend in prices in the future could affect production costs.

(3) Changes in Exchange Rates

The Meiji Seika Group uses forward foreign exchange contracts in procuring raw materials. However, changes in exchange rates could increase procurement costs, which could affect the Meiji Seika Group's financial position.

In addition, items such as product sales, expenses and assets of overseas subsidiaries and businesses that are denominated in local currencies are translated into yen upon consolidation. Changes in exchange rates can therefore affect the Meiji Seika Group's business results and financial position.

(4) The Impact of Weather

Chocolate sales account for a large percentage of the Meiji Seika Group's food business. High temperatures and changes in the weather can easily affect consumer purchasing patterns and affect sales of chocolate and other confectioneries. Unpredictable changes in weather can therefore affect the Meiji Seika Group's business results and financial position.

(5) Legal Regulations

The Meiji Seika Group's food business is subject to various laws and regulations such as the Food Sanitation Law. In addition, the Group's ethical, OTC product and veterinary drug businesses are subject to pharmaceutical-related laws, including the Pharmaceutical Affairs Law, and the Group's agricultural chemicals business is subject to agricultural chemical-related laws, including the Agricultural Chemicals Regulation Law. Moreover, the Meiji Seika Group's overall business is subject to regulations including the Product Liability Law and the Anti-monopoly Law.

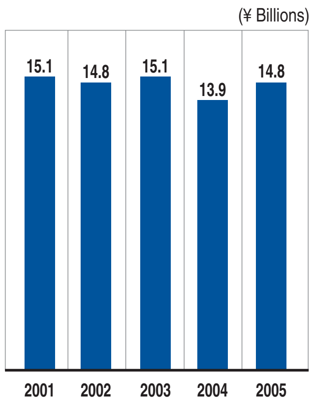
(6) Contamination by Foreign Substances

In its food business, the Meiji Seika Group places the highest priority on using ingredients that are safe and reliable for consumers, and is working to obtain safe, reliable ingredients through measures such as shifting procurement to safer countries and strengthening inspection of suppliers. In the pharmaceutical business, the Meiji Seika Group manufactures products ranging from bulk pharmaceuticals to drug preparations under management that follows Good Manufacturing Practice (GMP) guidelines stipulated by the Ministry of Health, Labour and Welfare. To prevent contamination incidents, the Group routinely conducts stringent production management and has incorporated the latest technology in an effort to improve the configuration and equipment of production facilities. However, there is no guarantee against the possibility of contamination by foreign substances in any of the Group's products. Contamination by foreign substances would have a serious impact on the reputation of the Meiji Seika Group, which could cause sales to decline and costs to rise, and thus has the potential to impact the Group's business results.

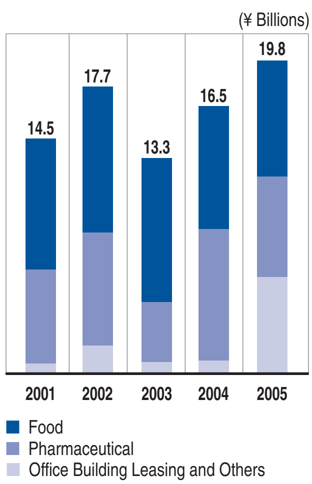
(7) Occurrence of Side Effects

In the pharmaceutical business, the Meiji Seika Group conducts product development, manufacturing and marketing according to various laws and standards enforced by regulatory authorities. However, unforeseen side effects have the potential to occur during development and after product launch. The Meiji Seika Group prepares against the occurrence of such incidents by carrying insurance coverage for various types of liability,

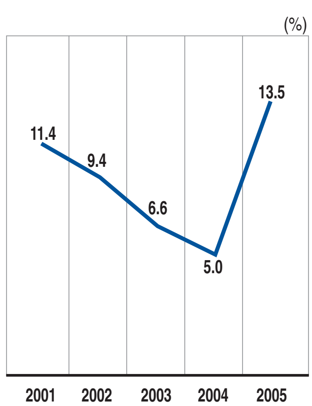
Depreciation and Amortization



Capital Expenditures



Interest Coverage Ratio



including product liability. However, because there is no guarantee that such insurance will be sufficient to cover all damages associated with such liability, unforeseen side effects have the potential to impact the Group's business results and financial position.

(8) Research and Development

In the Meiji Seika Group's pharmaceutical business, the development of new products requires a variety of tests over long periods of time, which necessitates substantial expenses. In addition, the Meiji Seika Group must in some instances extend, interrupt or cease particular research and development projects because of safety and efficacy issues. Therefore, progress in research and development has the potential to impact the Meiji Seika Group's business results and financial performance. Moreover, the launch of products that the Meiji Seika Group develops may be delayed if research and development does not proceed as planned. This may result in the need to introduce the products of other companies. Such cases have the potential to increase outlays for intellectual property rights and licensing.

(9) Intellectual Property

The Meiji Seika Group owns intellectual property created through business activities including research and development. The Group also legally uses a broad range of intellectual property that is patented by third parties. The Group uses such intellectual property with the understanding that it is not infringing upon the rights of third parties. However, litigation and other issues arising in connection with intellectual property have the potential to impact the Meiji Seika Group's business results and financial performance.

(10) The Impact of Regional Upheaval or Change in Social Conditions

The Meiji Seika Group conducts production and sales activities overseas, primarily in Europe, North America and Southeast Asia. The occurrence of earthquakes or other major natural disasters in areas in which the Group operates; changes in inflation and other economic conditions; and wars, revolutions and other events that may cause political turbulence have the potential to impact the Meiji Seika Group's business results and financial performance.

(11) The Impact of a Large Earthquake, Fire or Other Disaster

A large earthquake, fire or other natural disaster that causes extensive damage to Meiji Seika Group's production facilities and results in an extended halt in production has the potential to impact the Meiji Seika Group's business results and financial performance.

(12) Information Systems

The Meiji Seika Group works to thoroughly implement measures to counter computer viruses and rigorously maintains its information management system. However, a system shutdown resulting from an unknown virus or unauthorized system access, or leakage of customer information, all have the potential to impact the Meiji Seika Group's business results and financial performance.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2006

The Meiji Seika Group created and is diligently implementing a medium-term management plan, Challenge 2005, to address the challenges it faces and to rapidly restore profitability. For the year ending March 31, 2006, the Meiji Seika Group projects that net sales will increase 4.3 percent year-on-year to ¥380,000 million, operating income will increase 83.5 percent year-on-year to ¥16,000 million, and net income will total ¥8,000 million. In addition, we intend to work toward the Challenge 2005 goal of net sales of ¥400,000 million through even more aggressive business development.

CONSOLIDATED BALANCE SHEETS

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
March 31, 2005, 2004 and 2003

	Millions of Japanese yen			Thousands of U.S. dollars
ASSETS	**2005**	2004	2003	**2005**
Current Assets:				
Cash and time deposits (Note 9)	**¥ 23,357**	¥ 11,271	¥ 15,632	**$ 224,135**
Marketable securities (Note 3)	**—**	—	40	**—**
Receivables:				
Notes and accounts	**76,050**	73,790	71,678	**729,777**
Unconsolidated subsidiaries and affiliates	**315**	243	326	**3,024**
Inventories	**44,897**	51,231	47,974	**430,841**
Prepaid and other current assets	**8,867**	11,095	6,872	**85,088**
Other current assets in unconsolidated subsidiaries and affiliates	**1,169**	1,866	578	**11,218**
Deferred tax assets (current) (Note 6)	**5,694**	5,172	4,331	**54,649**
Allowance for doubtful receivables	**(95)**	(60)	(69)	**(916)**
Total current assets	**160,255**	154,610	147,364	**1,537,816**
Fixed Assets:				
Investments and Other Non-Current Assets:				
Investment securities (Notes 3 and 5)	**29,570**	27,295	17,553	**283,761**
Investments in and advances to unconsolidated subsidiaries and affiliates	**1,589**	1,653	7,226	**15,251**
Long-term loans	**4**	203	242	**46**
Other investments and advances	**4,988**	4,758	3,753	**47,872**
Allowance for doubtful accounts	**(965)**	(984)	(1,118)	**(9,269)**
Total investments and other non-current assets	**35,187**	32,926	27,656	**337,661**
Property, Plant and Equipment (Note 5)**:**				
Land	**24,965**	25,106	25,322	**239,569**
Buildings and structures	**146,848**	140,032	141,438	**1,409,160**
Machinery and equipment	**176,534**	173,186	173,814	**1,694,029**
Construction in progress	**1,008**	8,152	966	**9,674**
Less accumulated depreciation	**(209,450)**	(207,656)	(202,672)	**(2,009,889)**
Total property, plant and equipment (net)	**139,906**	138,821	138,869	**1,342,545**
Intangible Fixed Assets	**4,257**	3,457	3,600	**40,855**
Deferred Tax Assets (Non-Current) (Note 6)	**240**	242	307	**2,311**
Total fixed assets	**179,592**	175,448	170,433	**1,723,372**
Total assets	**¥ 339,848**	¥ 330,059	¥ 317,798	**$ 3,261,188**

See notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Japanese yen 2005	2004	2003	Thousands of U.S. dollars 2005
Current Liabilities:				
Bank loans (Note 4)	**¥ 17,223**	¥ 20,110	¥ 17,293	**$ 165,273**
Commercial paper	**—**	4,000	5,000	**—**
Payables:				
Notes and accounts	**24,555**	25,332	23,646	**235,637**
Unconsolidated subsidiaries and affiliates	**2,231**	2,668	2,513	**21,418**
Accrued expenses	**16,770**	17,257	17,621	**160,925**
Accrued income taxes	**3,514**	4,305	1,758	**33,725**
Other current liabilities	**20,585**	21,377	13,758	**197,541**
Total current liabilities	**84,880**	95,052	81,591	**814,519**
Long-Term Liabilities:				
Long-term debt (Notes 4 and 5)	**64,118**	42,542	46,688	**615,277**
Employees' retirement benefits (Note 8)	**32,451**	17,959	20,194	**311,405**
Deferred tax liabilities (non-current) (Note 6)	**6,238**	13,105	10,055	**59,862**
Other long-term liabilities	**4,714**	4,409	4,559	**45,241**
Total long-term liabilities	**107,522**	78,015	81,498	**1,031,785**
Total liabilities	**192,403**	173,068	163,089	**1,846,304**
Minority Interests	**2,607**	2,441	2,486	**25,022**
Contingent Liabilities (Note 12)				
Shareholders' Equity:				
Common stock				
Authorized — 796,104,000 shares				
Issued 2005 — 385,535,116 shares	**28,363**	—	—	**272,177**
Issued 2004 — 385,535,116 shares	**—**	28,363	—	**—**
Issued 2003 — 385,535,116 shares	**—**	—	28,363	**—**
Capital surplus	**34,946**	34,935	34,935	**335,346**
Retained earnings	**73,611**	84,575	86,969	**706,377**
Difference in valuation of other securities	**10,407**	9,133	2,915	**99,875**
Foreign currency translation adjustments	**(1,514)**	(1,355)	(754)	**(14,529)**
Treasury stock	**(977)**	(1,103)	(206)	**(9,383)**
Total shareholders' equity	**144,837**	154,549	152,222	**1,389,862**
Total liabilities, minority interests and shareholders' equity	**¥339,848**	¥330,059	¥317,798	**$3,261,188**

CONSOLIDATED STATEMENTS OF INCOME

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of Japanese yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Net Sales	**¥364,018**	¥368,865	¥353,453	**$3,493,124**
Cost of Sales	**206,231**	213,626	204,879	**1,978,999**
Gross profit	**157,786**	155,239	148,574	**1,514,125**
Selling, General and Administrative Expenses (Note 10)	**149,069**	147,357	143,070	**1,430,473**
Operating income	**8,717**	7,881	5,503	**83,653**
Other Income and Expenses:				
Interest and dividend income	**458**	413	450	**4,404**
Other income	**1,908**	2,650	2,851	**18,313**
Interest expenses	**(1,227)**	(1,318)	(1,486)	**(11,782)**
Other expenses	**(1,354)**	(1,383)	(1,247)	**(12,994)**
Extraordinary Income (Note 11)	**2,946**	1,768	4,235	**28,272**
Extraordinary Losses (Note 11)	**23,779**	6,306	4,799	**228,193**
Income (Loss) before Income Taxes	**(12,330)**	3,705	5,507	**(118,326)**
Income Taxes:				
Current	**3,728**	4,963	4,679	**35,776**
Deferred	**(8,283)**	(1,930)	(2,001)	**(79,488)**
	(4,555)	3,032	2,677	**(43,712)**
Minority Interests	**(464)**	(324)	(160)	**(4,459)**
Net Income (Loss)	**(8,240)**	348	2,670	**(79,073)**
Per Share Data (in yen and U.S. dollars)**:**				
Net income	**¥ (21.53)**	¥ 0.79	¥ 6.83	**$ (0.21)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

		Millions of Japanese yen					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Difference in valuation of other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	385,535	¥28,363	¥34,935	¥87,159	¥ 6,328	¥ (762)	¥ (34)
Net income				2,670			
Increase in earnings due to increase in the number of companies accounted for by the equity method				178			
Cash dividends				(2,697)			
Directors' bonuses				(42)			
Decrease in earnings due to changes in the number of consolidated subsidiaries and the method of accounting for companies by the equity method				(298)			
Other					(3,412)	7	(172)
Balance at March 31, 2003	385,535	28,363	34,935	86,969	2,915	(754)	(206)
Net income				348			
Decrease in earnings due to increase in the number of companies accounted for by the equity method				(7)			
Cash dividends				(2,695)			
Directors' bonuses				(39)			
Other					6,218	(600)	(896)
Balance at March 31, 2004	385,535	28,363	34,935	84,575	9,133	(1,355)	(1,103)
Net income				**(8,240)**			
Cash dividends				**(2,681)**			
Directors' bonuses				**(42)**			
Other			**11**		**1,274**	**(158)**	**125**
Balance at March 31, 2005	**385,535**	**¥28,363**	**¥34,946**	**¥73,611**	**¥10,407**	**¥(1,514)**	**¥ (977)**

	Thousands of U.S. dollars					
	Common stock	Capital surplus	Retained earnings	Difference in valuation of other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$272,177	$335,239	$811,589	$87,648	$(13,005)	$(10,592)
Net income			**(79,072)**			
Cash dividends			**(25,733)**			
Directors' bonuses			**(407)**			
Other		**106**		**12,226**	**(1,523)**	**1,208**
Balance at March 31, 2005	**$272,177**	**$335,346**	**$706,377**	**$99,875**	**$(14,529)**	**$ (9,383)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
Year ended March 31, 2005, 2004 and 2003

	Millions of Japanese yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Operating Activities:				
Income (loss) before income taxes	**¥(12,330)**	¥ 3,705	¥ 5,507	**$(118,326)**
Depreciation and amortization	**14,750**	13,892	15,086	**141,547**
Amortization of consolidation adjustments	**144**	101	390	**1,390**
Loss on disposal of property, plant and equipment	**1,659**	1,204	1,399	**15,923**
Loss on valuation of investment securities	**293**	213	440	**2,816**
Change in allowance for doubtful accounts	**17**	(142)	173	**171**
Change in employee retirement allowance	**14,496**	(2,235)	244	**139,104**
Interest and dividends received	**(458)**	(413)	(450)	**(4,404)**
Interest expenses	**1,227**	1,318	1,486	**11,781**
Equity in (income) loss of equity-method affiliates	**(108)**	(83)	(132)	**(1,036)**
Gain on sale of property, plant and equipment	**(2,532)**	(339)	(1,950)	**(24,297)**
(Gain) loss on sale of investment securities	**(119)**	(1,153)	(2,184)	**(1,148)**
Change in trade receivables	**(2,336)**	(2,025)	4,418	**(22,418)**
Change in inventories	**6,300**	(3,254)	(1,228)	**60,461**
Change in trade payables	**(1,690)**	1,222	(6,640)	**(16,225)**
Change in other assets and liabilities	**2,781**	(2,089)	284	**26,689**
Directors' bonuses paid	**(45)**	(41)	(44)	**(435)**
Subtotal	**22,051**	9,879	16,801	**211,601**
Interest and dividends received	**552**	564	648	**5,303**
Interest paid	**(1,243)**	(1,337)	(1,462)	**(11,929)**
Income taxes paid	**(4,629)**	(2,443)	(6,375)	**(44,424)**
Net cash provided by operating activities	**16,731**	6,663	9,612	**160,551**
Investing Activities:				
Payments for time deposits	**(988)**	(325)	(327)	**(9,482)**
Proceeds from withdrawal of time deposits	**886**	84	355	**8,509**
Purchases of investment securities	**(412)**	(841)	(3,607)	**(3,959)**
Proceeds from sale of investment securities	**333**	7,681	3,473	**3,200**
Purchases of property, plant and equipment	**(18,911)**	(11,995)	(16,979)	**(181,479)**
Proceeds from sale of property, plant and equipment	**3,797**	1,172	3,912	**36,441**
Sale of stock of associated companies in accordance with the change in the scope of consolidation	**—**	—	(68)	**—**
Change in other investment	**(1,477)**	(1,199)	(573)	**(14,182)**
Net cash used in investing activities	**(16,772)**	(5,424)	(13,814)	**(160,951)**
Financing Activities:				
Change in short-term borrowings	**(1,550)**	(350)	(1,733)	**(14,876)**
Change in commercial paper	**(4,000)**	(1,000)	(8,000)	**(38,384)**
Proceeds from long-term borrowings	**7,226**	2,720	7,541	**69,341**
Repayment of long-term borrowings	**(6,884)**	(3,690)	(15,126)	**(66,059)**
Proceeds from issuance of corporate bonds	**20,000**	—	20,000	**191,920**
Dividends paid	**(2,681)**	(2,695)	(2,697)	**(25,733)**
Other	**(132)**	(1,012)	(195)	**(1,268)**
Net cash provided by (used in) financing activities	**11,977**	(6,028)	(212)	**114,940**
Translation Adjustment on Cash and Cash Equivalents	**21**	84	(99)	**206**
Net Increase (Decrease) in Cash and Cash Equivalents	**11,957**	(4,705)	(4,513)	**114,746**
Cash and Cash Equivalents at Beginning of Year	**10,688**	15,290	19,808	**102,570**
Increase (Decrease) in Cash and Cash Equivalents due to the Change in the Number of Consolidated Subsidiaries	**—**	103	(3)	**—**
Cash and Cash Equivalents at End of Year	**¥ 22,646**	¥ 10,688	¥ 15,290	**$ 217,316**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Seika Kaisha, Ltd. (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 from the application and disclosure requirements of International Accounting 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 by using the exchange rate of ¥104.21 to $1 in effect at March 31, 2005.

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 of the investees, are accounted for on the equity method. The consolidated financial statements consist of the Company and its 21 (22 in 2004) significant subsidiaries. On March 14, 2005, the Company liquidated consolidated subsidiary Meiji Kaihatsu Co., Ltd. and removed it from the scope of consolidation. Meiji Kaihatsu's income and cash flow statements are consolidated up to the date of liquidation. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends differ by three months form March 31 have been included using financial information with appropriate adjustment. Investments in one affiliate are accounted for on the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair market value at the date of acquisition. The unallocated portion of the differences is amortized over 5 years and 15 years on a straight-line basis.

(b) Marketable and investment securities

Marketable and investment securities are valued using the following methods.

Securities that have market prices:	Market valuation based on market prices at fiscal year-end. Differences in appraisals are accounted for by incorporation of direct capital, and sales cost is calculated using the moving-average method.
Securities that have no market prices:	Cost method based on the moving-average method.

(c) Inventories

Inventories, including finished and semifinished products as well as work in progress, are valued at cost, which is determined mainly by the average cost method, except supplies and raw materials, which are stated at the lower of cost or market.

(d) Income taxes

The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Deprecation of the assets of the parent company and domestic subsidiaries is calculated primarily by the declining balance method. However, depreciation of buildings and structures used in the leasing business that were acquired on or after April 1, 1995 is calculated by the straight-line method. Furthermore, depreciation of buildings (excluding attached fixtures) acquired on or after April 1, 1998 is calculated by the straight-line method. Overseas consolidated subsidiaries mainly used the straight-line method to calculate depreciation.

(f) Intangible assets

Intangible assets are carried at cost less accumulated amortization, which is calculated principally by the straight-line method.

Commencing with the fiscal year under review, the Company's U.S. subsidiaries have adopted the U.S. Financial Accounting Standard Board's Statement No. 142, Goodwill and Other Intangible Assets. Accordingly, impairment studies will be conducted annually or when incidents that could possibly impair goodwill or other intangible assets occur to determine whether impairment has occurred.

Following this standard, the U.S. subsidiaries have conducted impairment studies and determined that the fair value of their goodwill and other intangible assets lie above carrying value. Therefore, starting with the fiscal year under review, no amortization charges will be made to the consolidation adjustment account.

(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) Reserve for retirement allowances

The Company and its principal consolidated subsidiaries provide for employees' accrued retirement benefits by charging to income the amount recognized as having been incurred based upon the projected amounts of the liability for accrued retirement benefits and pension assets at the end of the consolidated fiscal year.

The difference at the time of accounting standard alteration (¥17,740 million) is being charged to income on a pro rata basis over seven years.

The difference based on an actuarial calculation is charged to income beginning in the following consolidated fiscal year, using the pro rata amounts based on a specified number of years (seven) that is less than the average remaining period of employment for employees at the time the difference arises.

On April 1, 2005, the Company implemented major revisions to its human resource and retirement benefit systems that included a shift to a new retirement benefit system. As a result of this change, the Company recorded an extraordinary loss on amortization of unrecognized retirement benefit obligation totaling ¥13,295 million for the year ended March 31, 2005.

(i) Leases

For finance lease transactions, except for leases that transfer ownership of the property to the lessee, the usual accounting method governing lease transactions is applicable.

(j) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and highly liquid, short-term investments with a maturity of three months or less that can be readily converted into cash and which represent a minor risk of fluctuation in value.

(k) Translation of foreign currency

Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the consolidated balance sheet date. The foreign currency translation adjustment is accounted for as a gain or loss.

The assets and liabilities of overseas subsidiaries are translated into yen at the exchange rate as of the balance sheet date. The income and expenses of overseas subsidiaries are translated into yen using the average exchange rate during the fiscal year. The translation adjustments are included in minority interests in consolidated subsidiaries and in the foreign currency translation adjustment account in the shareholders' equity portion of the consolidated balance sheet.

From the year ended March 31, 2005, the income and expenses of overseas subsidiaries and affiliates are translated into Japanese yen using the average exchange rate for each company's respective fiscal year. Formerly, the exchange rate prevailing as of the last day of the respective fiscal years was used. This change permits more accurate presentation of income and expenses in the consolidated financial statements by averaging the impact of short-term changes in exchange rates. The effect of this change on the consolidated statements of income and cash flows for the year ended March 31, 2005 was not material.

(l) Per share data

Net income per share is computed based on the weighted average number of shares of common stock.

3. Investment Securities

Book value, fair value of securities held by the Company and its consolidated subsidiaries are as follows:

1. Other securities with market prices as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2005	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs						
Stocks	**¥8,868**	**¥26,605**	**¥17,736**	**$85,099**	**$255,303**	**$170,203**
Bonds and debentures	**500**	**500**	**0**	**4,798**	**4,803**	**5**
Others	**11**	**17**	**6**	**111**	**171**	**59**
Subtotal	**¥9,379**	**¥27,123**	**¥17,743**	**$90,009**	**$260,278**	**$170,268**
Securities with market prices falling below acquisition costs						
Stock	**¥ 176**	**¥ 140**	**¥ (36)**	**$ 1,696**	**$ 1,343**	**$ (352)**
Bonds and debentures	**100**	**85**	**(14)**	**959**	**823**	**(135)**
Others	**164**	**142**	**(22)**	**1,581**	**1,366**	**(215)**
Subtotal	**¥ 441**	**¥ 368**	**¥ (73)**	**$ 4,237**	**$ 3,532**	**$ (702)**
Total	**¥9,821**	**¥27,491**	**¥17,670**	**$94,247**	**$263,812**	**$169,565**

	Millions of Japanese yen		
As of March 31, 2004	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	¥8,881	¥24,434	¥15,553
Bonds and debentures	500	500	0
Others	46	52	6
Subtotal	¥9,427	¥24,987	¥15,559
Securities with market prices falling below acquisition costs			
Stocks	¥ 197	¥ 168	¥ (29)
Others	129	107	(21)
Subtotal	¥ 327	¥ 276	¥ (51)
Total	¥9,754	¥25,263	¥15,508

2. Other securities sold during fiscal 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Sale value	**¥311**	¥1,473	**$2,990**
Total gain on sales	**182**	1,039	**1,752**

3. Book value of major securities not marked to market as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Other securities			
(1) Unlisted stocks	**¥1,078**	¥1,032	**$10,352**
(2) Preferred securities	**1,000**	1,000	**9,596**

4. Expected redemption values of other securities with future maturity as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2005	Within one year	From 1—5 years	Over 5 years	Within one year	From 1—5 years	Over 5 years
Other securities						
(1) Bonds and debentures	**¥500**	**¥—**	**¥85**	**$4,803**	**$ —**	**$823**
(2) Other	**—**	**98**	**—**	**—**	**943**	**—**
Total	**¥500**	**¥98**	**¥85**	**$4,803**	**$943**	**$823**

	Millions of Japanese yen		
As of March 31, 2004	Within one year	From 1—5 years	Over 5 years
Other securities			
(1) Bonds and debentures	¥—	¥500	¥—
(2) Other	—	—	98
Total	¥—	¥500	¥98

4. Short-Term Loans Payable and Long-Term Debt

The average annual rates of interest on the outstanding balance of short-term loans payable as of March 31, 2005 and March 31, 2004 were 1.1% and 1.1%, respectively.

Long-term debt as of March 31, 2005 and 2004 is summarized as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
0.7% unsecured bonds due 2007	**¥20,000**	¥20,000	**$191,920**
0.83% unsecured bonds due 2009	**20,000**	—	**191,920**
Loans from domestic banks, insurance companies, government agencies and others, due 2005 to 2022	**29,441**	29,209	**282,523**
	69,441	49,209	**666,364**
Less portion due within one year	**(5,323)**	(6,667)	**(51,087)**
Total long-term debt	**¥64,118**	¥42,542	**$615,277**

At March 31, 2005 the aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2007	¥ 7,643	$ 73,348
2008	26,297	252,350
2009	865	8,309
2010	27,066	259,732
Thereafter	2,244	21,536
Total	¥64,118	$615,277

5. Collateral and Secured Liability

A summary of assets pledged as collateral for liability at March 31, 2005 and 2004 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Land	**¥ 693**	¥ 703	**$ 6,659**
Buildings	**27,754**	29,265	**266,328**
Investment securities	**1,014**	896	**9,730**
Total	**¥29,462**	¥30,864	**$282,717**

A summary of secured liability at March 31, 2005 and 2004 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Long-term loans (Including current portions of long-term loans payable within one year)	**¥6,393**	¥7,172	**$61,348**

6. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets			
Amount in excess of limit for employee retirement allowances	**¥ 14,471**	¥ 6,986	**$ 138,867**
Selling expenses not deductible for tax purposes during the period	**627**	595	**6,020**
Valuation loss on investment and marketable securities	**1,112**	1,101	**10,672**
Amount in excess of limit for accrued bonuses to employees	**1,983**	2,073	**19,038**
Excess depreciation of fixed assets	**1,347**	1,223	**12,926**
Excess deferred asset depreciation for tax purposes	**32**	61	**315**
Accrued enterprise taxes	**354**	437	**3,399**
Other	**4,700**	3,960	**45,108**
Subtotal	**24,629**	16,439	**236,348**
Temporary difference for future reductions that are unscheduled	**(1,402)**	(1,397)	**(13,454)**
Total deferred tax assets	**¥ 23,227**	¥ 15,042	**$ 222,893**
Deferred tax liabilities			
Advanced depreciation reserve for fixed assets	**¥(16,060)**	¥(16,176)	**$(154,114)**
Difference in valuation of other securities	**(7,244)**	(6,356)	**(69,521)**
Other	**(225)**	(199)	**(2,160)**
Total deferred tax liabilities	**¥(23,530)**	¥(22,733)	**$(225,796)**
Net deferred tax liabilities	**¥ (302)**	¥ (7,690)	**$ (2,902)**

The net deferred tax assets at March 31, 2005 and 2004, included in the consolidated balance sheets are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets (current)	**¥ 5,694**	¥ 5,172	**$ 54,648**
Deferred tax assets (non-current)	**240**	242	**2,310**
Deferred tax liabilities (non-current)	**(6,238)**	13,105	**(59,862)**

A breakdown of the significant differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2005 and 2004 is as follows:

	2004
Statutory tax rate	42.0%
Entertainment and other permanently non-deductible expenses	23.4
Dividend and other permanently non-taxable income	(6.4)
Difference due to sale of affiliate accounted for by the equity method	25.7
Evaluation loss on investment securities outside the scope of tax effect	(2.7)
Per capita inhabitant's tax	3.6
Unrecognized tax effect due to elimination of investment and capital	9.1
Difference in tax rate of overseas consolidated subsidiaries	(2.4)
Tax credit for experimentation and research expenses	(13.8)
Change in deferred tax assets and liabilities at end of year due to change in statutory tax rate	3.5
Other	(0.2)
Effective tax rates	81.8

No information for differences between the statutory income tax rate and the effective income tax rate is required for the years ended March 31, 2005, as the loss before income taxes and minority interests was reported for this year.

7. Leases

a) Finance leases

Amounts corresponding to lease property acquisition cost, accumulated depreciation, net leased property of machinery, equipment and other assets during the fiscal years 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Acquisition cost	**¥7,668**	¥8,087	**$73,587**
Accumulated depreciation	**3,938**	4,457	**37,794**
Net leased property of machinery, equipment and other assets	**¥3,730**	¥3,630	**$35,793**

The amounts corresponding to lease property acquisition cost are calculated by the interest payment inclusion method because the outstanding balance of future lease payments at the end of the fiscal year is a small percentage of the fiscal year-end balance of property, plant and equipment. The equity method is used for the calculation of asset depreciation.

Outstanding balances of future lease payments as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥1,374**	¥1,390	**$13,188**
Due after one year	**2,355**	2,239	**22,605**
	¥3,730	¥3,630	**$35,798**

The amounts corresponding to the outstanding balance of future lease payments at the end of the fiscal year are calculated by the interest payment inclusion method because the outstanding balance of future lease payments at the end of the fiscal year is a small percentage of the fiscal year-end balance of property, plant and equipment.

Paid lease fees and equivalent depreciation expense amount are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Paid lease fees	**¥1,677**	¥1,826	**$16,101**
Equivalent depreciation expense amount	**1,677**	1,826	**16,101**

Note: Equivalent depreciation expense amount is calculated using the straight-line method, with the lease period as the useful life and zero (0) as the residual value.

b) Operating leases

Outstanding balances of future lease payments as of March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 148**	¥ 152	**$ 1,423**
Due after one year	**1,721**	1,922	**16,520**
	¥1,869	¥2,074	**$17,943**

8. Retirement Benefits

The liability for employees' retirement benefits at March 31, 2005 and 2004 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 43,500**	¥ 67,360	**$ 417,428**
Fair value of plan assets	**(12,757)**	(31,881)	**(122,425)**
Unrecognized actuarial loss	**(2,152)**	(9,933)	**(20,651)**
Unrecognized transitional obligation	**(55)**	(7,586)	**(534)**
Unrecognized prior service cost	**3,916**	—	**37,587**
Net liability for retirement benefits	**¥ 32,451**	¥ 17,959	**$ 311,405**

As of April 2005, the Company shifted to a new lump-sum retirement benefit plan in connection with significant revisions to its human resource and retirement benefit systems that involved a shift to a defined benefit plan that uses market rates (cash-balance plan). The Company will incur prior service cost (a reduction of the liability) in the year ending March 31, 2006 as a result of this change.

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 2,231**	¥2,380	**$ 21,418**
Interest cost	**1,658**	2,056	**15,919**
Expected return on plan assets	**(659)**	(569)	**(6,323)**
Recognized actuarial loss	**10,525**	2,937	**101,001**
Amortization of transitional obligation	**7,530**	2,528	**72,264**
Net periodic benefit costs	**¥21,287**	¥9,334	**$204,274**

Assumptions used for the years ended March 31, 2005 and 2004 are set forth as follows:	**2005**	2004
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.5%**	3.5%
Recognition period of actuarial gain/loss	**7 years**	7 years
Amortization period of transitional obligation	**7 years**	7 years

9. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2005 and 2004:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Cash and time deposits	**¥23,357**	¥11,271	**$224,135**
Time deposits with maturities of more than three months	**(710)**	(582)	**(6,818)**
Cash and cash equivalents	**¥22,646**	¥10,688	**$217,316**

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses during fiscal 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Sales promotion expenses	**¥47,068**	¥51,211	**$451,668**
Salaries and wages	**19,743**	20,098	**189,460**

11. Extraordinary Income (Losses)

Extraordinary income (losses) during fiscal 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Extraordinary income			
Gain on sale of marketable securities	**¥ 182**	¥1,039	**$ 1,752**
Gain on sale of property, plant and equipment	**2,558**	473	**24,549**
Extraordinary losses			
Amortization of unrecognized retirement benefit obligation	**13,295**	—	**127,583**
Expenses incurred due to revision of workforce and organization	**7,337**	4,824	**70,406**
Loss on disposal of property, plant and equipment	**950**	806	**9,119**

12. Contingent Liabilities

1) Guaranteed Financial Obligations

The Company is contingently liable as guarantor of loans from financial institutions to the following non-consolidated subsidiaries and employees:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
MEIKA KOUSAN CO., LTD.	**¥ 900**	¥1,006	**$ 8,636**
Other affiliated companies (2 companies)	**—**	704	**—**
Employees	**1,339**	1,486	**12,855**
Total	**¥2,239**	¥3,197	**$21,492**

2) Notes receivables discounted

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Notes receivables discounted	**¥ 30**	¥18	**$ 290**

13. Research and Development Costs

Research and development costs which were included in general and administrative expenses and manufacturing expenses during the fiscal years 2005 and 2004 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2005	2004	**2005**
Research and development costs	**¥16,852**	¥16,688	**$161,714**

The Company formerly accounted for a portion of research and development expenses as a manufacturing expense. As a result of significant reorganization of the Pharmaceutical Research and Development Division, the Company has revised its treatment of research expenses as per the standard “Accounting for Research and Development Costs,” and includes all research expenses in general and administrative expenses. An amount equivalent to the research and development expenses discussed above totaling ¥5,227 ($50,158 thousand) million was reclassified from indirect manufacturing costs included in inventories at the beginning of the fiscal year and recorded as part of extraordinary losses for the fiscal year ended March 31, 2005.

14. Derivatives

The Company and its consolidated subsidiaries use forward foreign exchange contracts and other instruments to mitigate the exchange risk associated with import and export transactions conducted in the normal course of business, and also use interest rate swaps to mitigate the interest rate risk involved in procuring funds. The Company and its consolidated subsidiaries do not use derivatives for speculative purposes.

In using forward foreign exchange contracts and other derivatives, the Company and its consolidated subsidiaries consider the credit risk of non-performance by the counterparties to these derivative positions to be minimal because they enter into derivative transactions only with domestic banks and other financial institutions that have high credit ratings. The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, interest rate swaps and other derivative contracts in compliance with their internal policies.

The Company uses derivative transactions and undertakes hedge accounting. Hedge method and hedged items are as follows:

Hedge method	Hedged items
Forward foreign exchange contracts and other instruments	Trade payables and receivables denominated in foreign currencies and expected trade payables and receivables denominated in foreign currencies
Interest rate swap contracts	Interest on loans and bonds payable

15. Segment Information

(1) Segment Information by Industry

	Millions of Japanese yen						
	2005						
	Food	Pharmaceutical	Health care	Office building leasing and others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income							
Sales							
(1) Sales to outside customers	**¥232,755**	**¥109,530**	**¥19,104**	**¥ 2,627**	**¥364,018**	**¥ —**	**¥364,018**
(2) Inter-segment sales and transfers	**4,026**	**7,511**	**711**	**114**	**12,363**	**(12,363)**	**—**
Total	**236,781**	**117,042**	**19,816**	**2,741**	**376,381**	**(12,363)**	**364,018**
Operating costs and expenses	**230,381**	**113,525**	**19,933**	**2,644**	**366,485**	**(11,184)**	**355,300**
Operating income	**¥ 6,399**	**¥ 3,516**	**¥ (117)**	**¥ 96**	**¥ 9,896**	**¥ (1,178)**	**¥ 8,717**
Assets, Depreciation and Capital Expenditures							
Assets	**¥116,356**	**¥131,131**	**¥10,591**	**¥29,950**	**¥288,029**	**¥ 51,818**	**¥339,848**
Depreciation	**7,238**	**5,854**	**18**	**1,588**	**14,699**	**51**	**14,750**
Capital expenditures	**7,378**	**6,305**	**80**	**36**	**13,800**	**6,026**	**19,827**

	Thousands of U.S. dollars						
	2005						
	Food	Pharmaceutical	Health care	Office building leasing and others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income							
Sales							
(1) Sales to outside customers	**$2,233,521**	**$1,051,060**	**$183,331**	**$ 25,210**	**$3,493,124**	**$ —**	**$3,493,124**
(2) Inter-segment sales and transfers	**38,638**	**72,077**	**6,831**	**1,094**	**118,640**	**(118,640)**	**—**
Total	**2,272,159**	**1,123,137**	**190,162**	**26,304**	**3,611,764**	**(118,640)**	**3,493,124**
Operating costs and expenses	**2,210,747**	**1,089,388**	**191,286**	**25,376**	**3,516,798**	**(107,327)**	**3,409,471**
Operating income	**$ 61,412**	**$ 33,748**	**$ (1,123)**	**$ 928**	**$ 94,965**	**$ (11,312)**	**$ 83,653**
Assets, Depreciation and Capital Expenditures							
Assets	**$1,116,558**	**$1,258,335**	**$101,635**	**$287,404**	**$2,763,936**	**$ 497,251**	**$3,261,188**
Depreciation	**69,458**	**56,176**	**178**	**15,243**	**141,056**	**491**	**141,547**
Capital expenditures	**70,801**	**60,506**	**771**	**351**	**132,431**	**57,828**	**190,260**

	Food	Pharmaceutical	Health care	Office building leasing	Others	Total	Eliminations or corporate	Consolidated
	Millions of Japanese yen							
	2004							
Sales and Operating Income								
Sales								
(1) Sales to outside customers	¥238,414	¥108,504	¥18,901	¥ 2,706	¥338	¥368,865	¥ —	¥368,865
(2) Inter-segment sales and transfers	2,745	7,080	1,809	115	0	11,751	(11,751)	—
Total	241,159	115,584	20,711	2,821	339	380,617	(11,751)	368,865
Operating costs and expenses	235,193	111,746	19,999	2,573	328	369,840	(8,856)	360,984
Operating income	¥ 5,966	¥ 3,838	¥ 712	¥ 248	¥ 10	¥ 10,776	¥ (2,894)	¥ 7,881
Assets, Depreciation and Capital Expenditures								
Assets	¥118,808	¥130,476	¥10,081	¥29,715	¥549	¥289,631	¥ 40,428	¥330,059
Depreciation	6,649	5,511	14	1,682	7	13,865	26	13,892
Capital expenditures	6,809	8,139	63	20	0	15,033	1,504	16,537

The Company formerly classified operations into five business segments: Food, Pharmaceutical, Health care, Office building leasing and Others. Due to the decrease in the importance of the Others segment, beginning with the fiscal year ended March 31, 2005, the Company is classifying operations into four business segments: Food, Pharmaceutical, Health care, and Office building leasing and Others. Segment information for the year ended March 31, 2004 restated in accordance with the change in segment classification is as follows:

	Food	Pharmaceutical	Health care	Office building leasing and others	Total	Eliminations or corporate	Consolidated
	Millions of Japanese yen						
	2004						
Sales and Operating Income							
Sales							
(1) Sales to outside customers	¥238,414	¥108,504	¥18,901	¥ 3,044	¥368,865	¥ —	¥368,865
(2) Inter-segment sales and transfers	2,745	7,080	1,809	116	11,751	(11,751)	—
Total	241,159	115,584	20,711	3,160	380,617	(11,751)	368,865
Operating costs and expenses	235,193	111,746	19,999	2,902	369,840	(8,856)	360,984
Operating income	¥ 5,966	¥ 3,838	¥ 712	¥ 258	¥ 10,776	¥ (2,894)	¥ 7,881
Assets, Depreciation and Capital Expenditures							
Assets	¥118,808	¥130,476	¥10,081	¥30,265	¥289,631	¥ 40,428	¥330,059
Depreciation	6,649	5,511	14	1,689	13,865	26	13,892
Capital expenditures	6,809	8,139	63	20	15,033	1,504	16,537

(2) Segment Information by Region

The Company has omitted segment information by region because domestic sales and assets exceeded 90% of all segments for the years ended March 31, 2005 and 2004.

(3) Overseas Sales

The Company has omitted information on overseas sales because such sales accounted for less than 10% of the total fiscal 2005 and 2004 consolidated net sales.

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

To the Board of Directors and Shareholders
Meiji Seika Kaisha, Ltd.

We have audited the accompanying consolidated balance sheets of Meiji Seika Kaisha, Ltd. and its subsidiaries as of March 31, 2005, 2004 and 2003, and the related consolidated statements of income, shareholder' equity 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 generally accepted auditing standards 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 Seika Kaisha, Ltd. and its subsidiaries as of March 31, 2005, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles 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
Certified Public Accountants

Tokyo, Japan
June 28, 2005

CORPORATE DATA

(As of March 31, 2005)

Number of Employees
3,777

Stock Listing
Tokyo

Authorized Common Stock
796,104,000

Shares Issued and Outstanding
385,535,116

Number of Shareholders
71,192

Consolidated Subsidiaries

Name (Principal subsidiaries)	Paid-in capital (Millions of yen)	Equity ownership (%)	Main business
MEIJI FOOD MATERIA CO., LTD.	300	94.87	Sales of sugar, glucose and functional materials
DONAN SHOKUHIN CO., LTD.	40	100.00	Manufacturing and sale of confectionery and other foods
ZAO SHOKUHIN KAISHA, LTD.	10	100.00	Manufacturing and sale of confectionery and other foods
RONDE CORPORATION	50	100.00	Manufacturing and sale of confectionery and other foods
MEIJI SANGYO CO., LTD.	50	85.00*1	Manufacturing and sale of confectionery and other foods
MEIJI CHEWING GUM CO., LTD.	75	51.00	Manufacturing and sale of confectionery and other foods
AZTECA Co., Ltd.	100	100.00	Manufacturing and sale of high-end confectionery
OKAYAMAKEN SHOKUHIN CO., LTD.	50	94.00*1	Manufacturing and sale of confectionery and other foods
SHIKOKU MEIJI CO., LTD.	91	84.14	Manufacturing and sale of confectionery and other foods
TAIYO SHOKUHIN CO., LTD.	80	100.00	Manufacturing and sale of foods
FUJI-AMIDE CHEMICAL, CO., LTD.	30	90.00	Manufacturing and sale of chemicals, medical products and pesticides
Kitasato Pharmaceutical Industry Co., Ltd.	30	60.00	Sale of vaccines
MEIJI SPORTS PLAZA, Ltd.	90	100.00	Management of sports and recreational facilities
Meiji Seika (Singapore) Pte. Ltd. (Singapore)	S$15 million	100.00	Manufacturing and sale of confectionery and confectionery materials
D.F. Stauffer Biscuit Co., Inc. (U.S.A.)	US$38,005 thousand	100.00	Manufacturing and sale of confectionery and other foods
Laguna Cookie Co., Inc. (U.S.A.)	US$20,729 thousand	—*1	Manufacturing and sale of confectionery and other foods
P.T. Meiji Indonesian Pharmaceutical Industries (Indonesia)	Rp9,628 million	83.86	Manufacturing and sale of medical and veterinary products
Thai Meiji Pharmaceutical Co., Ltd. (Thailand)	Bt297 million	93.53*2	Manufacturing and sale of medical and veterinary products
Tedec-Meiji Farma S.A. (Spain)	Euro 2,028 thousand	20.00*3	Manufacturing and sale of medical products
Mabo Farma S.A. (Spain)	Euro 300 thousand	—*1	Sale of medical products
Meiji Seika Europe B.V. (Netherlands)	Euro 25 thousand	100.00	Finance and investment operations

Notes: *1. Fully owned including indirect shareholdings
*2. 94.61% owned including indirect shareholdings
*3. 80% owned including indirect shareholdings

Principal Shareholders

Name	Number of shares (Thousands)	Percentage of shares held
Mizuho Bank, Ltd.	18,927	4.91%
The Master Trust Bank of Japan, Ltd. (Trust account)	17,396	4.51
The Dai-ichi Mutual Life Insurance Company	16,163	4.19
Nippon Life Insurance Company	14,707	3.81
Japan Trustee Services Bank, Ltd. (Trust account)	11,520	2.99
Fukoku Mutual Life Insurance Company	10,001	2.59
The Bank of Tokyo-Mitsubishi, Ltd.	6,804	1.77
The Tokio Marine and Fire Insurance Company, Limited	6,512	1.69
Asahi Mutual Life Insurance Company	6,386	1.66
The Mitsubishi Trust and Banking Corporation	5,481	1.42
Total	113,899	29.54%

Overseas Offices and Affiliates

[AMERICAS]

D.F. Stauffer Biscuit Co., Inc.
Belmont and Sixth Avenue, York,
PA 17403, U.S.A.
Telephone: 1-717-843-9016
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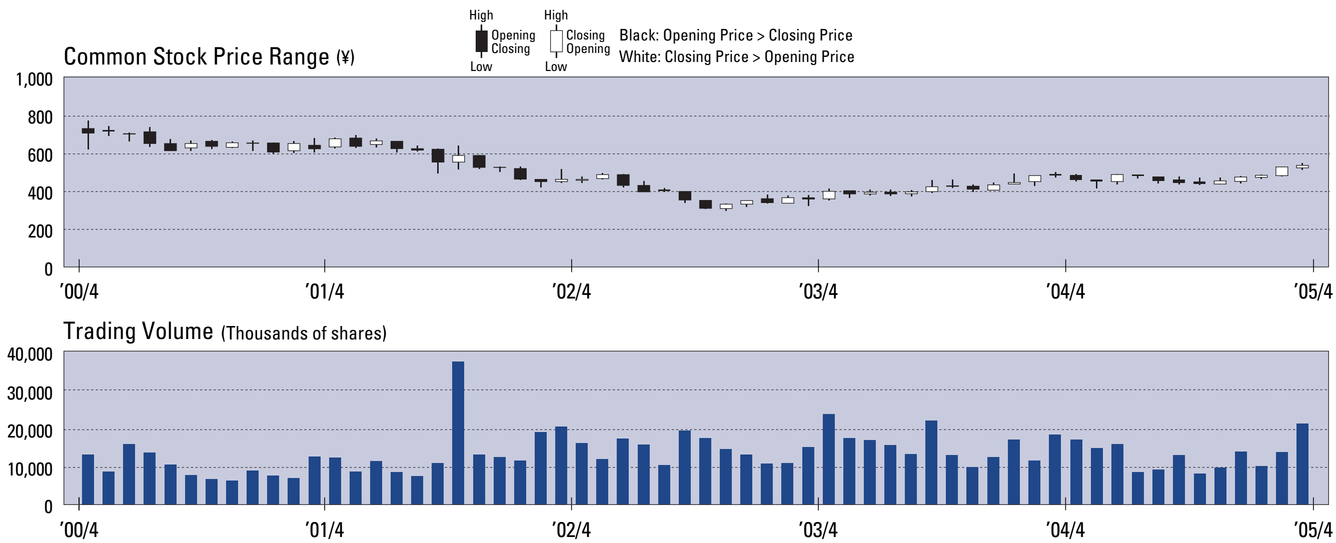
Stock Price Range & Trading Volume



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