Annual Report 2006

Year ended March 31, 2006

Together with Healthy Life

Aiming to be a More Competitive and Dynamic Company

Since its establishment in 1916, Meiji Seika Kaisha, Ltd. has contributed to emphasizing the taste experience and zest in life and through its food and pharmaceutical operations, has long played a part in helping people lead happier and more fulfilling lives.

Best known as Japan's leading manufacturer of chocolate products, the Food & Health Care Company is recognized as a source of dreams and good food and helps people lead healthy life. The Pharmaceutical Company concentrates on providing anti-infectives and central nervous system drugs for the treatment of diseases, and it has a growing line of generic drugs. By continuing to expand these two businesses, we are determined to use our wealth of technology to contribute to healthy life.

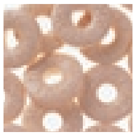
As an organization that is closely linked to the preservation of good health and life, Meiji Seika will continue to fulfill its social responsibility and provide products that help its customers lead fulfilling lives while adhering to the highest ethical standards. At the same time, under the current medium-term business plan, we will work to raise our corporate value and become an even more competitive and dynamic company.

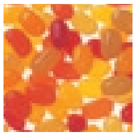
Forward–Looking Statements
This report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future that are based on management's estimates, assumptions and projections at the time of publication. Certain risks and uncertainties could cause the Company's 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.

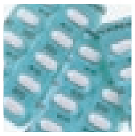
Corporate Philosophy

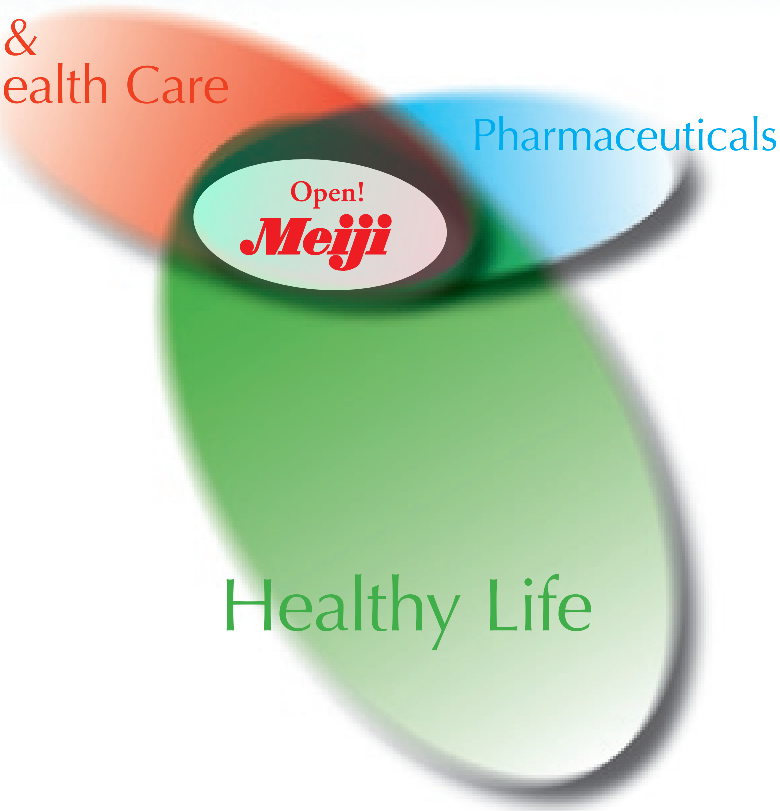
To help people lead happier and more fulfilling lives by emphasizing the taste experience and zest in life.

Based on this philosophy, we provide products, services and information in the business domains of food and pharmaceuticals. We are active in the fields of confections, food, medical care, healthy life, agriculture and veterinary medicine and the environment.









Contents

MILK CHOCOLATE

CHELSEA

Further Enhancing Reliability and Safety

Value-Added Products that Reflect a Devotion to Good Health

In July 2005, Meiji Seika combined its Food Company and its Health Care Company into a unified organization called the Food & Health Care Company. The objective of this integration is to use the Group's resources to create a highly distinctive business model in the field of health care, a drive that includes building deeper ties with the Pharmaceutical Company.

We are increasing the exchange of personnel with the Pharmaceutical Company. Specifically, in R&D, we are building a framework capable of constantly utilizing the know-how of our pharmaceutical business in health-related compounds and clinical development, as well as information extending from medical institutions to health maintenance. Such efforts are aimed at maximizing synergies across the food and pharmaceutical businesses to benefit our health care business.


MARBLE CHOCOLATE

FOOD

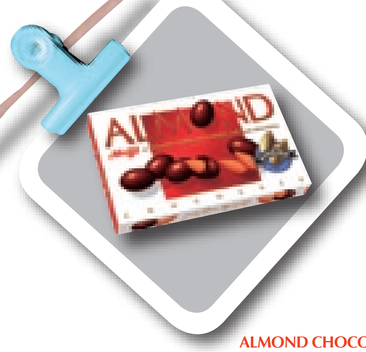
Top Brand That Stands for Good Taste and Fun

Looking Back

Since beginning operations in 1916, Meiji Seika has always worked to supply delicious food products that are one step ahead of market trends.

In 1926, we began selling MILK CHOCOLATE, which soon became our flagship product. The introduction of MARBLE CHOCOLATE in 1961 had an immediate and significant impact, firmly positioning Meiji Seika as Japan's premier supplier of chocolate. With the 1968 launch of KARL, we began the full-scale development of Japan's snack food market. We then launched CHELSEA in 1971 and KAJU GUMMY in

XYLISH



ALMOND CHOCOLATE

KARL

NOIR

TOPICS

Chocolate with High Cacao Content
A Flavorful Adult Chocolate for Good Health

The antioxidant polyphenol, contained in cacao beans, has been attracting much attention, and the popularity of bitter sweet chocolate, which has high cacao content, is rapidly growing among adults in Japan. To increase demand for chocolate, a core product of the confectionery business, in April 2006 we launched a line of chocolate bars, called CHOCOLATE KOUKA, that are available with cacao content of 99%, 86% and 72%. CHOCOLATE KOUKA Bar Cacao 99% contains 99% cacao mass and absolutely no sugar. One 45-gram bar contains 1,700 milligrams of polyphenol, about four times that of ordinary milk chocolate. This product, which has an extremely bitter taste, and the 86% and 72% versions have all generated a strong response from consumers.

XYLISH

1988, which created new categories of the candy market. In 1997, we began selling our first major chewing gum product, XYLISH, which was followed by the 1998 launch of CHOCOLATE KOUKA with high cacao polyphenol content. In 1999, we created a sensation with FRAN. Offering a new type of eating experience, this innovative product won SIAL d'Or, a gold award at the SIAL 2000 food exhibition, an international trade fair.

Current Positioning

As people become increasingly aware of the importance of healthy diets, interest has been growing in chocolate products that have a high cacao content. In response, we introduced CHOCOLATE KOUKA and recently began selling NOIR, which uses carefully selected cacao beans. Both products performed well. Sales of MILK CHOCOLATE remained strong as this product approaches its 80th anniversary, demonstrating the timeless appeal of this brand. Products with nuts also posted higher sales, with growth paced by ALMOND CHOCOLATE and MACADAMIA CHOCOLATE. In the chewing gum category, sales of XYLISH were significantly higher as we conducted sales campaigns and other high-profile marketing activities. Candy sales were also strong, supported by a substantial increase in sales of a new CHELSEA product that places the candy in a sack. In the snack and biscuit category, sales were flat despite general weakness in this market sector.

Future Initiatives

Meiji Seika is focusing on achieving two major goals. First is raising the market share of existing products. Second is increasing sales of high-value-added products, such as chilled-and-serve chocolate, chocolate with high cacao content, chewing gum certified as Food for Specified Health Use and gift products. In addition, we are reinforcing our earnings base through further advances in the Meiji Production System (MPS)*. This system allows us to manufacture safe and reliable products with outstanding quality while keeping costs down and flexibility high.

** Please refer to page 17 for the MPS.*

MILK COCOA

GINZA CURRY

CASSIS-i

HEALTH CARE

Support for a Healthy Life

For decades, Meiji Seika has conducted its food and pharmaceutical businesses by placing safety and reliability above all else. Through these core businesses, we have gained much expertise in delivering proven efficacy and good taste. We are now leveraging this know-how to develop health care into a new core business. While existing technologies and research work will form the basis for this business, our health care operations will also constantly evolve and advance in response to trends in our markets and society. Our objective is to strengthen our presence in the health care business by introducing distinctive products that reflect the themes of good health, functionality and good taste.

SAVAS

Looking Back

In the food category, Meiji Seika has many accomplishments, including the 1926 beginning of cocoa production and sales and the 1954 introduction of Japan's first canned juice. Today, we supply a wide range of food products including cocoa and other beverages, GINZA CURRY and other retort-pouch products, powdered soups, and many other products.

We also supply food products that perform specific functions for people's health. SAVAS, which incorporates protein and other nutritional components, has been popular with Olympic and other top athletes for many years. LOLA chewable

LOLA MULTIVITAMIN

MEIJI G TROCHE

SAVAS

TOPICS

AMINO COLLAGEN
Helping People Lead New Lifestyles

People of all ages are intrigued by "anti-aging," a concept that is winning acceptance as the basis for new lifestyles. In response, Meiji Seika launched AMINO COLLAGEN, a fundamental beauty food that can play a part in enabling people to enjoy new lifestyles and lead more fulfilling lives.

AMINO COLLAGEN has been extremely well received in the market since its introduction. For the past two years, the product was chosen as number one in the supplements category of the "@cosme" web site, which specializes in beauty care information and is very popular among women. As these rankings are based on the evaluations of "@cosme" members, AMINO COLLAGEN's first-place position demonstrates the support generated by this new idea for lifestyles.

supplements are full of vitamins. AMINO COLLAGEN, a product that contributes to beauty, is the market leader in its category, even offering the best taste as well. Meiji Seika has an outstanding reputation for the nutritional assistance that it has provided to top athletes and others for many years. Today, this same know-how is what gives us a competitive edge.

In the OTC drug category, our ISODINE GARGLE has been the leading brand for more than two decades in the market for throat gargles. Another important product in this category is MEIJI G TROCHE, which is highly effective at killing throat bacteria and throat disinfection.

ISODINE

Current Positioning

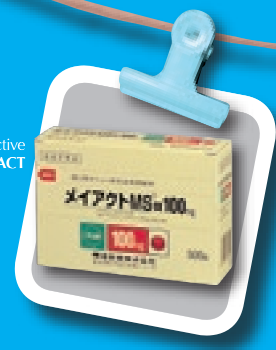
Although sales of SAVAS declined due mainly to intensifying competition, sales of AMINO COLLAGEN rose substantially as a result of a renewal and expansion of the product lineup. We also concentrated on expanding the market for our lineup of cassis (black currant) products through active promotion of cassis. In cocoa, sales of mainstay MILK COCOA were strong. However, sales of retort-pouch curries were lower despite aggressive in-store sales promotion.

Sales of ISODINE declined despite stepped-up sales promotion, including more exposure on store shelves.

Future Initiatives

To build a solid market position for the health care business, we are developing highly distinctive products and building solid relationships with our customers. Our aim is to use our skills in businesses where food and pharmaceuticals combine in order to establish a business model that is unique to Meiji Seika. To bolster our health-related activities, we have combined the health care and food businesses to create the Food & Health Care Company. In another important step, MEIJI SPORTS PLAZA, Ltd. is taking the lead in starting a business to provide health solutions that draw on our expertise in food and sports.

Central nervous system drug
DEPROMEL

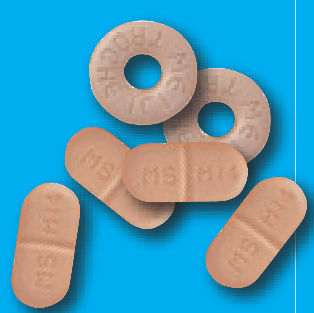


Anti-infective
MEIACT

A Focus on New Drugs and Generic Drugs

Our Distinctive Approach to Helping People Stay Healthy

The Pharmaceutical Company bases its activities on a steadfast commitment to contribute to good health and health care. Our primary objective is to supply effective, high-quality drugs quickly to individuals who are fighting various diseases. Reflecting this spirit, pharmaceutical activities at the Meiji Seika Group are guided by its mission "To help people lead happier and more fulfilling lives."



Looking Back

Our pharmaceutical business dates back to 1946 when we began surface fermentation of penicillin. We subsequently began deep tank fermentation of penicillin, resulting in a dramatic advance in production technology. In 1950, we launched Streptomycin, which played an important part in reducing the incidence of tuberculosis in Japan.

In 1958, we developed Kanamycin, the first antibiotic from Japan to be used on a global scale. This was the first step in adding products using our own technologies to our lineup of ethical pharmaceuticals. Since then, we have developed and sold many more outstanding antibiotics, in the process helping improve medical care around the world.

Drawing on our expertise in antibiotics, we extended our scope of activity to include other ethical drugs, OTC drugs, agricultural

Central nervous system drug
MEILAX

Agricultural chemical
ORYZEMATE

List of Products under Development

Development Code	Indication and Notes	Stage
Antibacterial Agent		
ME1211	● The world's first oral carbapenem (treatment of respiratory tract infections) ● Preparing for Phase III clinical trials, beginning with pediatric development	Phase IIb completed
ME1036	● Injectable carbapenem antibiotic (treatment of MRSA and other serious infections) ● Development in North America preceding other areas	Preclinical
HABEKACIN	● Aminoglycoside injectable antibiotic (treatment of serious infections) ● Good prospects for outstanding efficacy and greater convenience in clinical use, developing changes in indication and dosage (one dose per day)	Phase III
Depression		
Org3770	● Japan's first anti-depressant anti-anxiety with a new mechanism (NaSSA) ● Completed Phase IIb trials, which confirmed efficacy vs. placebo	Phase IIb completed
Others		
ME3738	● Treatment for hepatitis C (indication for prevention of death of liver cells, indication for control of immune system) ● Now in Phase IIa trials using a preparation having improved oral absorption	Phase IIa ongoing
ME3301	● Nose anti-inflammatory drug ● Considering a licensing partner	Phase IIa completed

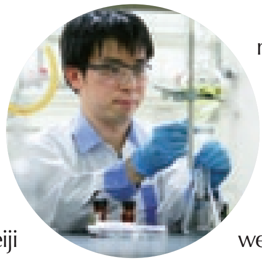
TOPICS

ME1211
The World's First Oral Carbapenem Antibiotic

The antibiotic ME1211, which we license from Wyeth K.K., has completed Phase IIb clinical trials. We expect the drug to be approved in the Japanese market by the fiscal year ending March 31, 2009. 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 penicillin-resistant *Streptococcus pneumoniae* (PRSP), 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.

chemicals and veterinary drugs. One highlight is ISODINE, a topical antiseptic that went on sale in 1961 and is now widely used.



Current Positioning

In the ethical pharmaceuticals field, Meiji Seika supplies many outstanding antibiotics, such as HABEKACIN, Japan's first treatment for methicillin-resistant *Staphylococcus aureus* (MRSA) infections, and MEIACT, an orally active cephalosporin. More recently, we have concentrated on anti-infectives and central nervous system drugs to create new drugs outstandingly efficacious and safe by new mechanisms and concepts. In the area of generic drugs, health care professionals give Meiji Seika high marks for extensive information provided by our team of medical representatives (MRs) and our specialized product lineup.

Anti-infective
HABEKACIN

In agricultural chemicals, we sell distinctive products and materials. One of the best known is ORYZEMATE, a herbicide that protects rice against blast. In veterinary drugs, we supply anti-infectives, fructo-oligosaccharide (FOS) and other functional materials and enzymes for animal feed, thus helping maintain safe and stable food supplies. In recent years, we have also begun selling drugs and nutrition supplements for companion animals such as dogs, cats and other small animals.

Future Initiatives

Quickly and successfully commercializing new drugs under development is a high priority of the Pharmaceutical Company. Another important priority is enlarging the generic drug business, which is positioned to expand as the government continues to take measures to hold down growth in medical care expenses. Activities are focused on raising the number of generic drugs that match specific medical needs and effectively using the entire MR team to promote our generic products. By rapidly establishing a sound base for our generic drug business, we intend to achieve our annual sales target of ¥10 billion and to grow as a "specialty and generic pharmaceutical" company.

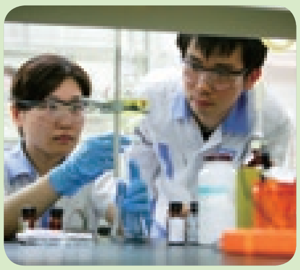
Taking on the Challenge of Starting a New Business

Solid Square

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

Meiji Seika is engaged in the leasing and management of office buildings in the Tokyo metropolitan area and is exploring the feasibility of developing these operations into a new business sector. Solid Square, the primary property that we lease, marked its 10th anniversary in 2005. Over the past decade, the building has contributed to the development of the city of Kawasaki and to improving its immediate surroundings. Demand for office space in the Tokyo area is strong due to the rebound in corporate earnings. In this environment, we are having considerable success of Solid Square with aggressive efforts to attract new tenants. Meiji Seika plans to continue to supply quality office space.

Dedicated to Remaining a Source of Reliable and Exciting Products



The Company's operations center on food and pharmaceuticals—vital elements of people's lives and of effective health care. To fulfill our responsibilities, we have production and quality assurance systems that put safety and reliability above all else. Furthermore, we have an aggressive R&D program that allows us to remain a source of good taste, good times, good health and big dreams.

The Meiji Seika Quality Control System

In addition to prioritizing taste, we also place much importance on safety and reliability when producing our confectionery and food products. Further, we are acutely aware of the critical role that our pharmaceuticals play in keeping people healthy and in saving the precious life of people. This is why we have highly sophisticated control systems for manufacturing and quality assurance.

All Meiji Seika confectionery and food factories have received ISO 9001 certification, an international standard for quality management systems. Our factories perform all tasks—from the selection of raw materials and packaging to shipment and logistics—under stringent quality control standards.

At all of our pharmaceutical plants, manufacturing activities conform to the strict standards of Good Manufacturing Practice and Good Quality Practice. Quality management and quality assurance departments that are independent of manufacturing divisions monitor activities to verify this compliance.

Research & Development at Meiji Seika

We conduct extensive R&D activities based on the central theme of remaining a source of products that offer good taste and health.

To offer customers exciting flavors and more health-related functions, the Food and Health R&D Laboratory develops products that use new technologies to create new forms of value. The Pharmaceutical Research Center applies unique core technologies and skills to develop new products for preserving the precious life of people and people's "Quality of Life." The Microbiological Resource & Technology Laboratory uses microbiological resources to help create new drugs and raise productivity at factories. Meanwhile, the Agricultural & Veterinary Research Laboratory is dedicated to the research and development of high-quality agricultural chemicals and veterinary drugs that are ecologically sound and safe.

Constantly conducting these research activities allows us to achieve steady progress in targeted fields while making meaningful contributions to society.

Major Research Activities

Open! Meiji

Creating good taste and fun

Food & Health Care

- New product development
- Manufacturing technology development
- Product quality research
- Physical property research
- Use of survey data
- Development of equipment
- Design of packaging
- Assessment of food functions
- Sports nutrition research
- Nutrition physiology research
- Search for new materials
- Applied microbiology

Developing of pharmaceuticals that meet specific health care needs

Pharmaceuticals

- Fermentation production technology
- Chemical synthesis technology
- Microbe library
- Drug dispensing development technology
- Analytic technology
- Genetic modification technology
- Compound bank
- Separation and refinement technology

Worldwide Contributions in Food and Pharmaceutical Markets

Businesses that seek to provide good taste and health and dreams have no boundaries.

Meiji Seika works closely with the people in every country in which it operates to manufacture locally and actively imports and exports its products to meet local needs.

Head Office
Food & Health Care Company
Pharmaceutical Company
Office
Others

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

Food & Health Care Company

In the United States, Meiji Seika became a shareholder of D.F. Stauffer Biscuit Co., Inc. in 1990 and made this company a wholly owned subsidiary in 2004. Stauffer Biscuit is performing well currently with concentrating on enlarging its sales channels as it narrows its lineup to a selection of key products.

In Asia, Meiji Seika (Singapore) Pte. Ltd. was established in 1974 to conduct business locally and in neighboring countries, and its operations have grown steadily. The company is developing a new business following the 2006 completion of a factory to manufacture milk powder preparations. In 2001, we established P.T. Ceres Meiji Indotama in Indonesia. Operations in China are conducted by Guangzhou Meiji Confectionery Co., Ltd., established in 1993, and Meiji Seika (Shanghai) Co., Ltd., established in 2004, and we are working to expand out presence in this market.

Pharmaceutical Company

Overseas operations began in 1954 with the export of antibiotics. Today, Meiji Seika-brand drugs, such as MEIACT and FOSMICIN, are sold in more than 60 countries.

Accompanying growth in the scale of our operations in Asia, we set up production bases in Indonesia, P.T. Meiji Indonesian Pharmaceutical Industries in 1974, and in Thailand, Thai Meiji Pharmaceutical Co., Ltd. in 1979, thereby allowing is to develop multinational supply capabilities in various countries. In China, we established Shantou Meiji Pharmaceuticals Co., Ltd., in 1989 for the manufacture and sale of antibiotics, cancer drugs and other products. In a more recent step to grow our operations in China, we formed Meiji Lukang Pharmaceutical Co., Ltd., in 2004. In Europe, our base of operations for the European Union market is Tedec-Meiji Farma S.A., which we established in Spain in 1991.

Guangzhou Meiji Confectionery Co., Ltd.
Produces and markets chocolate biscuits for the domestic Chinese market

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

Thai Meiji Pharmaceutical Co., Ltd.
Produces and markets pharmaceuticals and animal health products in Southeast Asia

Meiji Lukang Pharmaceutical Co., Ltd.

Meiji Seika (Singapore) Pte. Ltd.
Produces and markets confectioneries including Yan Yan for various markets worldwide

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

P.T. Ceres Meiji Indotama
Produces and markets chocolate biscuits

P.T. Meiji Indonesian Pharmaceutical Industries
Produces and markets pharmaceuticals in Southeast Asia

Six-Year Summary

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

	Millions of Japanese yen					
	2006	2005	2004	2003	2002	2001
For the Year:						
Net sales	**¥382,429**	¥364,018	¥368,865	¥353,453	¥361,866	¥358,898
Food & Health Care	**264,410**	251,860	257,315	245,838	244,858	233,827
Pharmaceutical	**115,388**	109,530	108,504	103,037	110,692	117,872
Office building leasing	**2,630**	2,627	2,706	3,041	3,080	3,035
Others	**—**	—	338	1,535	3,234	4,163
Operating income	**16,460**	8,717	7,881	5,503	13,042	17,990
Net income (loss)	**8,678**	(8,240)	348	2,670	5,887	6,880
Capital expenditures	**14,394**	19,827	16,537	13,260	17,731	14,472
Depreciation and amortization	**14,976**	14,750	13,892	15,086	14,798	15,096
R&D costs	**16,578**	16,852	16,688	17,738	18,838	17,667
	Yen					
Per Share Data :						
Net income (loss)	**¥ 22.41**	¥ (21.53)	¥ 0.79	¥ 6.83	¥ 15.20	¥ 17.68
Cash dividends	**10.00**	7.00	7.00	7.00	7.00	7.00
Shareholders' equity	**413.53**	377.78	403.33	395.31	404.68	408.87
At Year-End:						
Total assets	**¥348,281**	¥339,848	¥330,059	¥317,798	¥336,932	¥341,350
Shareholders' equity	**157,761**	144,837	154,549	152,222	155,990	158,407
Ratios (%):						
ROE	**5.7**	—	0.2	1.7	3.7	4.5
ROA	**2.5**	—	0.1	0.8	1.7	2.0
Equity ratio	**45.3**	42.6	46.8	47.9	46.3	46.4

Note: The figures of Food & Health Care from 2001 to 2005 are based on the combined results of the Food Company and Health Care Company.

At a Glance

Food & Health Care Company

Share of Fiscal 2005	Market Position	Target of Fiscal 2008	Strategies
69.1%	● Japan's number one chocolate brand ● Strengths in confectionery, candy and chewing gum ● Expanding cocoa, retort-pouch and other food categories ● Comprehensive quality assurance system for safe, reliable products ● ISODINE OTC throat gargle 65% market share ● Ties with top athletes supported by Sports and Nutrition Laboratory	● Supply more appealing products and increase market share ● Establish new business model centered on healthy life ● Net sales: ¥320 billion	**Confectionery** ● Reinforce sales channel specific initiatives centered on brand strategies ● Extend business activities to chilled-and-serve, catalog sales and other new market sectors **Health Care** ● Strengthen and develop core health food brands ● Use catalog sales and specialty sales routes to enlarge sales channels ● Create health business that integrates food and sports **Overseas** ● Strengthen overseas businesses ● Establish production and sales networks in China ● Establish presence in new markets in Asia

Pharmaceutical Company

Share of Fiscal 2005	Market Position	Target of Fiscal 2008	Strategies
30.2%	● Strong lineup of anti-infectives ● Lineup of central nervous system drugs with high demand growth potential in Japan ● Expanding range of high-quality, reasonably priced generic drugs ● Strong market presence in agricultural chemicals and veterinary drugs	● Establish "specialty and generic pharmaceutical" business ● Net sales: ¥120 billion	**Ethical pharmaceuticals** ● Increase sales by enhancing sales capabilities and bolstering LCM ● Concentrate on high-priority R&D projects, control total costs and expedite project results **Generic drugs** ● Expand product lineup ● Conduct promotional activities using all MRs to grow business **Agricultural chemicals and veterinary drugs** ● Establish a stronger presence in drugs and nutrition supplements **Overseas** ● Enhance appeal of MEIACT and launch product sales in new markets ● Set up production and sales networks for business expansion in China

Office Building Leasing & Others

Share of Fiscal 2005	Market Position	Target of Fiscal 2008	Strategies
0.7%	● Strong tenant support of Solid Square intelligent building	● Raise property asset value by increasing occupancy rate	● Focus on attracting new tenants

To Our Stakeholders

Naotada Sato
President

A Significant Improvement in Profitability

During the fiscal year ended March 31, 2006, the Meiji Seika Group conducted aggressive business activities focused on the domain of "health." In July 2005, we launched the Food & Health Care Company and subsequently took other initiatives to become even more competitive and to achieve growth in sales and a recovery in profitability. As a result, consolidated net sales rose 5.1% from the previous fiscal year, to ¥382,429 million.

Several factors contributed to an improvement in earnings, including net sales growth that was centered on core products and structural reforms that brought down costs. The benefits of these and other factors lifted operating income 88.8%, to ¥16,460 million. Net income was ¥8,678 million compared with the previous fiscal year's net loss of ¥8,240 million.

The Final Year of "Challenge 2005"—
Building a Base for Pursuing Aggressive Management

"Challenge 2005" is the three-year business plan that we commenced in June 2003, when I became president, and completed in March 2006.

We initiated this plan at a time of crisis. Meiji Seika had seen its earnings drop dramatically for two consecutive years and "Challenge 2005" was formulated to end this decline. The plan's first two years, which ended in March 2005, was a period of transformation. Everyone at the Company worked toward achieving a V-shaped recovery in our profit structure through rigorous structural reforms and active business development. Such efforts involved making many difficult decisions. We reorganized our production bases, and we reduced our workforce by introducing an early retirement support system. Moreover, a radical change in our pension system resulted in the lump-sum amortization of unrecognized obligation. Following the implementation of these measures, we turned to aggressive management in the plan's final year. Although we did not reach our net sales target, net income exceeded our target for the final year of "Challenge 2005."

Looking back over this three-year period, I believe there were two particularly significant accomplishments. First, we completed the plan without any mid-course adjustments. Second, we established a foundation for becoming a more competitive and dynamic company. As this second point has no final goal, we will advance one step at a time toward fulfilling the goals of our new medium-term business plan.

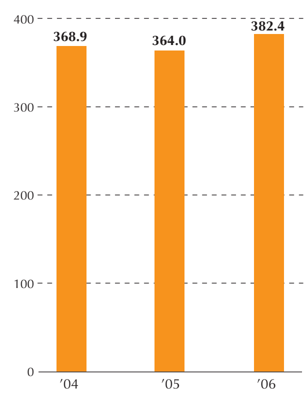
Performance under "Challenge 2005"

"Challenge 2005" Final-Year Objectives and Achievements

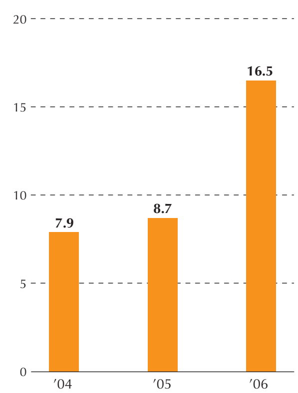
(¥ Millions)

	Medium-term business plan's targets	Results
Net sales	¥400,000	**¥382,429**
Net income	¥7,000	**¥8,678**

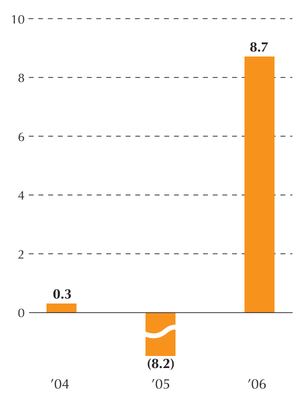
Three-Year Performance



Net Sales (¥ Billions)



Operating Income (¥ Billions)



Net Income (Loss) (¥ Billions)

Aims of the Meiji Seika Group (Vision for 2008)

Striving to be a More Competitive and Dynamic Company.

1) Consumers would generally have an image "Good Taste and Fun," "Good Health" and "Reliability" with the brand of "Meiji."

2) Develop health care business is the top priority: The Company has an established health care business model including co-work with the Pharmaceutical Company, that utilizes the advantage of having food and pharmaceutical businesses in a company.

3) Establish a new "specialty and generic pharmaceutical" business structure by developing generic drugs into a core business, alongside anti-infectives and central nervous system drugs.

4) Aggressively expand overseas operations with the ultimate aim of generating the same level of sales as in Japan.

By Having Each and Every Employee Set Ambitious Goals and Constantly Work toward Achieving those Goals:

1) Increase net sales to ¥450 billion

*This target incorporates the estimated negative impact (more than ¥10 billion) of two official drug price revisions in Japan.

2) Raise overseas sales to about 20% of total net sales

"DASH! 08"—
A Plan for Becoming a More Competitive and Dynamic Company

The accomplishments of "Challenge 2005" give us a solid base for embarking on our next medium-term business plan, which will end in March 2009. To express our determination to execute this new plan with great speed, we named the plan "DASH! 08."

In formulating the plan, we began by establishing a vision for the entire Meiji Seika Group in 2008. Once we had completed that initial step, we then used the Group vision to create visions for each of our Group companies and business divisions. This next step also formed the basis for determining strategies. With visions in place, we will take the above actions to transform these visions into reality.

A More Powerful Product Lineup and Higher Market Share in the Confectionery Business

In terms of product categories, we will concentrate on strengthening our chocolate and chewing gum operations in order to raise our market share. For some time, we have been aiming for a 30% share of Japan's chocolate candy market. Market conditions are favorable, and there is growing interest in Japan in regions of the world that produce cacao beans and in high cacao content. We will take full advantage of our powerful brand name, which is our greatest strength. We intend to reach our market share target by adding to our lineup of high-value-added products for adults and distinctive products, such as chilled-and-serve chocolate products.

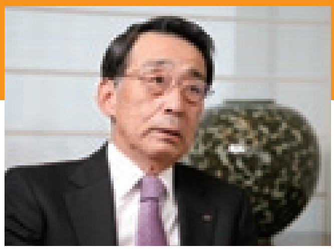
To raise our share of the chewing gum market, we are executing two initiatives. The first is to raise the market share of existing products. The second is to increase the presence of our products in the high-value-added category, such as chewing gum that is certified as Food for Specified Health Use. To strengthen manufacturing, the Meiji Production System (MPS)* will be used at all our factories and we will make a total of about ¥10 billion in capital investment. By adopting this production system, we will raise product quality and achieve an estimated annual cost saving of about ¥3 billion in the fiscal year ending March 2009. Meiji Seika will be much more competitive as a result.

** The Meiji Production System (MPS) is a manufacturing and logistics system that gives Meiji Seika a sound base for maintaining a profitable operating framework. Two elements of the system are the use of an internal company system, similar to the Kanban system employed at Toyota, and a cell production system, similar to the one utilized at Canon. Going even farther, Meiji Seika is building a Food & Health Care Company production and logistics system that can fully meet the needs of consumers as well as the entire supply chain.*

Establishing a New Business Model Centered on Health

We are implementing strategies that will expand our health care business. Concentrating resources on core brands is one strategy. Another is working on the enlargement of our sales channels by focusing on catalog sales and specialty sales routes. To successfully achieve further business growth, it is vital that we assemble a highly distinctive business model.

Nutrition and exercise are directly linked to good health. For many years, we have been involved in these two aspects of healthy living and this experience sets us apart from competitors. Meiji Seika is particularly skilled with regard to nutrition for athletes. We will draw on this know-how to conduct a health solutions business based on a new concept—the integration of food and sports. One step in this direction will be the fall 2006 opening of the new "Meiji Sports Plaza" (Takatsuki, Osaka), a part of our 90th anniversary activities. We will offer individualized consultations to identify the nutrition and exercise needs of each customer. This interaction with customers will enable us to provide them with counseling that covers both food and exercise. Applying our expertise in supporting athletes to the sports activities of the general public is another business field that offers much potential.



A Specialty and Generic Pharmaceutical Business

Until now, our pharmaceutical business has focused on anti-infectives and central nervous system drugs. Going forward, we will remain committed to these fields, and at the same time we will strengthen our generic drug business with the aim of establishing a new business structure rooted in specialty and generic pharmaceuticals. There are two reasons to strengthen our generic drug business. First, we have a competitive advantage because, as a producer of new drugs, we have been involved in generic drugs for about 10 years. Second, market conditions for generic drugs in Japan are becoming increasingly favorable as a result of government measures to hold down medical expenses. Moreover, generic drugs account for only about 15% of Japan's total pharmaceutical sales in terms of volume and 5% in monetary terms. In the United States, these figures are about 53% and 12%, respectively. In the near future, Japan is likely to approach these levels. Thus, by bolstering our generic drug capabilities now, we will be positioned to capitalize on emerging market opportunities.

Regarding specialty drugs, our goal is to bring to market new drugs as quickly as possible while raising sales by strengthening our marketing capabilities. Our R&D programs will focus on the most attractive projects, and we will execute these programs swiftly. Additionally, we will take steps to improve our product life cycle management to further increase sales.

We are determined to rapidly put this new business structure in place by working to increase the number of distinctive generic drugs that meet medical needs while actively promoting those products by using our entire team of medical representatives (MRs). In this way, we will lay the foundations for a successful specialty and generic pharmaceutical business.

Aggressive Expansion Outside Japan

Japan's markets for confectionery and pharmaceuticals are unlikely to grow. That means we must increase our share of overseas markets to sustain our growth. Accordingly, our goal is to continue to expand operations in China and other Asian countries, in North America, and in other regions. Over the next three years, we aim to raise overseas sales to about 20% of total net sales. In China, in particular, we are taking steps to strengthen our manufacturing and sales infrastructures, and in August 2006 a new confectionery factory began operations on the outskirts of Shanghai.

Corporate Social Responsibility (CSR)—Our Commitment to Corporate Citizenship and Responsibility

From the perspective of our social obligations, we believe that our highest priority is fulfilling our responsibilities to shareholders, customers, business partners, employees, communities and all other stakeholders. Doing so requires that we maintain growth over the long term while raising operating efficiency and capital efficiency. We must also be a source of products and services that excel in terms of safety and quality. In sum, Meiji Seika must develop as a company that coexists with and is valued by society.

As in the past, we will prioritize six elements of CSR: quality assurance, compliance, risk management, the environment, social contributions and the disclosure of information. By taking this approach, we will become more competitive and raise the value of our brands and the entire Company. Furthermore, we have taken steps to ensure comprehensive CSR management. Our CSR Committee is tasked with taking the lead in this regard by discussing and determining fundamental policies and other important matters associated with the Meiji Seika Group's CSR programs.

A Global Organization Able to Create "Good Taste and Health"

We continue to face many challenges, notably reductions in official drug prices in Japan and the much higher cost of raw materials, such as sugar, nuts and crude oil. To overcome these challenges, we will raise our corporate value by successfully executing the strategies outlined above. Our goal is clear; we will become a global organization that is recognized as a source of "Good Taste and Health."

Meiji Seika will celebrate its 90th anniversary in October 2006. To express our gratitude to shareholders for their support over the years, we paid a year-end commemorative dividend of ¥3 per share in addition to the year-end dividend per share of common stock of ¥3.50. This resulted in an annual cash dividend of ¥10 per share applicable to the fiscal year ended March 31, 2006.

In line with the basic policy of paying a stable dividend over the medium-to-long term, Meiji Seika will continue to meet the expectations of its shareholders by taking measures aimed at raising profitability and corporate value.

August 2006

N. Sato

Naotada Sato
President

Corporate Governance and Compliance

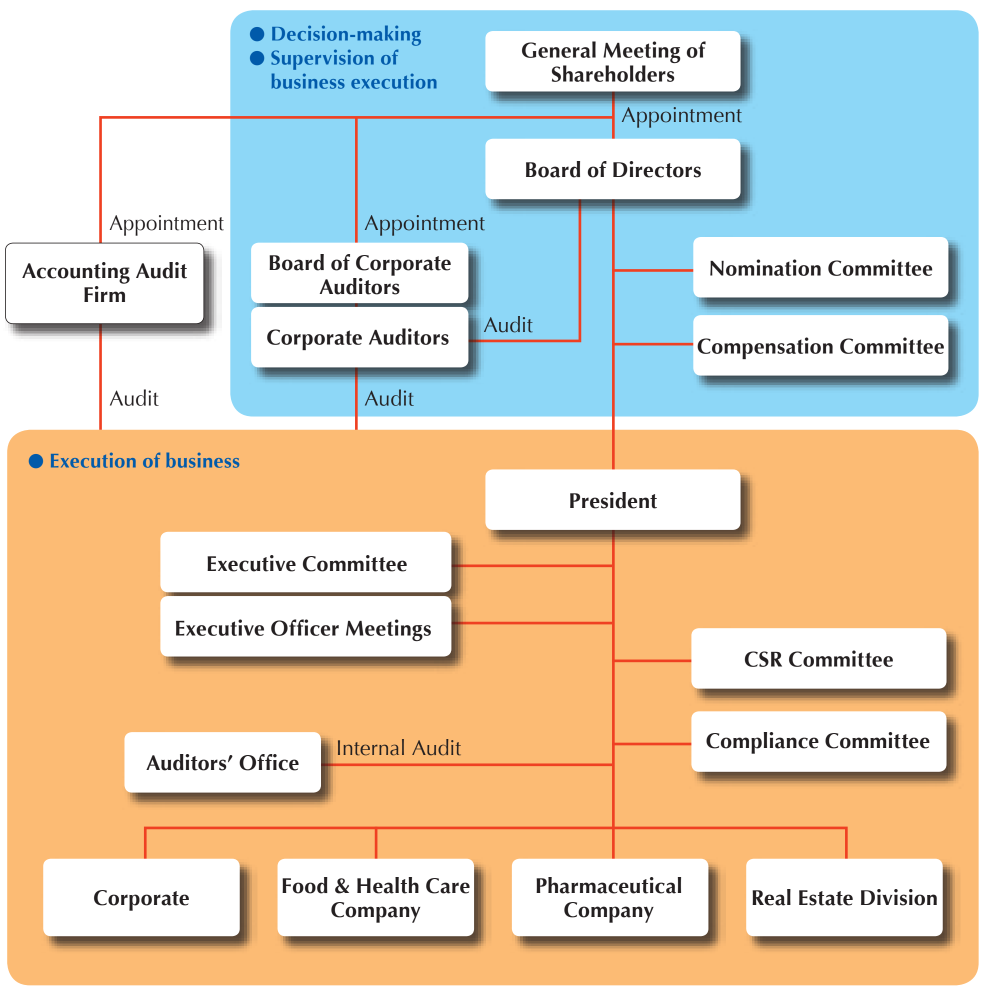
Corporate Governance

Meiji Seika positions corporate governance as one of its highest management priorities. We intend to become more competitive and better able to sustain growth by using sound management systems that can earn the trust of society.

Corporate officers are responsible for conducting business activities. This system allows directors to focus exclusively on making decisions on important management issues and supervising the execution of business activities. We have two external directors, who have wide-ranging knowledge and experience, to provide objective and diverse viewpoints with regard to decision-making and supervisory functions. Advisory committees that include external directors afford even greater management transparency and objectivity. The Nomination Committee submits to the Board of Directors recommendations for candidates for directors and corporate officers positions. The Compensation Committee evaluates the annual performance of directors and corporate officers and submits compensation proposals. The Board of Corporate Auditors has four members, including two external auditors, to provide a powerful supervisory function.

We have also established the CSR Committee, which discusses and determines our fundamental policy and other items concerning corporate social responsibility (CSR). The committee's goal is to make our CSR spirit an integral element of operations at all Meiji Seika Group companies.

Corporate Governance System



Business Practices Charter

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.

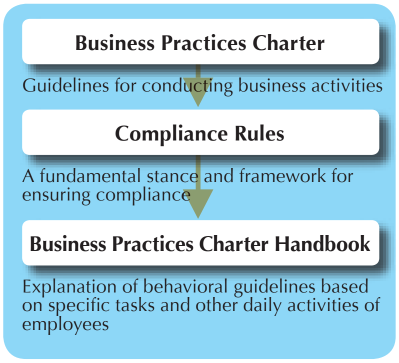
Compliance

Meiji Seika manufactures and sells food and pharmaceutical products that are closely linked to the preservation of good health and life. The provision of products that excel in terms of safety and quality is therefore our most important mission and obligation to society.

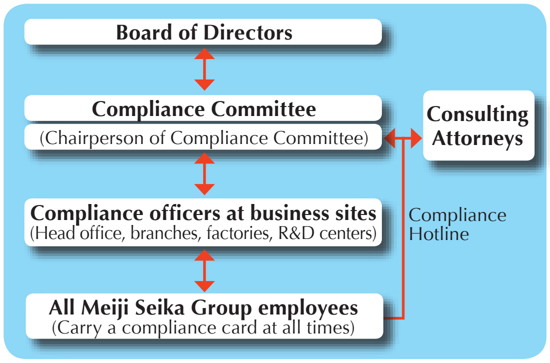
As one way to fulfill this mission and obligation, we established the Compliance Committee in October 2002. This was followed in January 2003 with the announcement of the Meiji Seika Business Practices Charter, which defines guidelines for the behavior of all employees when conducting business activities.

In addition, there are many compliance programs in place throughout the Meiji Seika Group. We hold compliance information meetings, distribute compliance handbooks to employees, conduct training sessions and perform other activities.

Compliance Guidelines



Compliance Oversight and Execution



BOARD OF DIRECTORS

Members of the Board

Naotada Sato*
Akio Takahashi*
Akinobu Otsubo
Masaki Nagasaki
Masahiko Matsuo
Harunobu Tsukanishi
Masayuki Matsunaga
Hirobumi Mori
Hidetoshi Yajima *(outside)*
(Chairman of Shimadzu Corporation)
Tadashi Kudo *(outside)*
(Former President & CEO, Advisor of Mizuho Bank, Ltd.)

** Representative Director*

CORPORATE OFFICERS

President

Naotada Sato

Senior Executive Vice President

Akio Takahashi

Executive Vice Presidents

Akinobu Otsubo
Masaki Nagasaki

Senior Vice Presidents

Masahiko Matsuo
Harunobu Tsukanishi
Masayuki Matsunaga
Hirobumi Mori
Osamu Makabe
Hideki Takahashi
Yoshihiko Mizoguchi
Toyomi Sato

Vice Presidents

Eiichi Irie
Riichi Fukui
Fumio Yokomichi
Yukio Nakamura
Masataka Kitamura
Sadaaki Komura
Ryoji Kono
Shinji Nakadori
Ikuo Aramori
Haruo Komatsu
Ryuzo Asada
Hitoshi Uchida
Yoshio Shimoda

BOARD OF CORPORATE AUDITORS

Senior Corporate Auditor

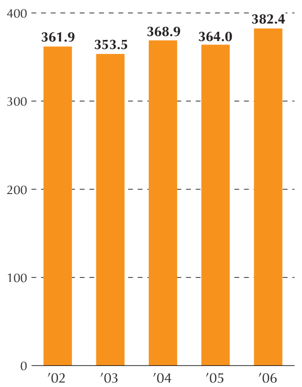
Yoshiaki Iida

Corporate Auditors

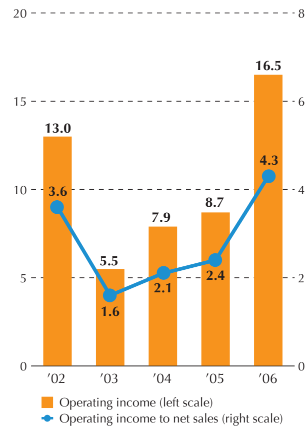
Takashi Hasunuma
Mitsuo Kanazawa *(outside)*
Masahide Kano *(outside)*

(As of June 28, 2006)

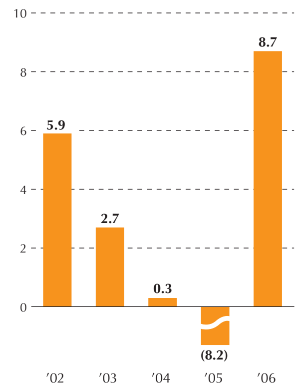
Data File



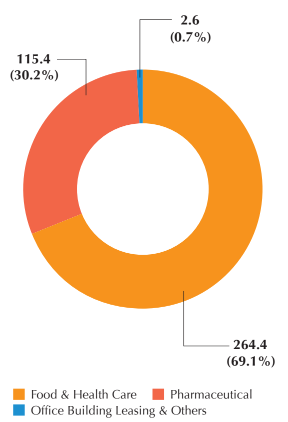
Net Sales (¥ Billions)



Operating Income and Operating Income to Net Sales (¥ Billions / %)

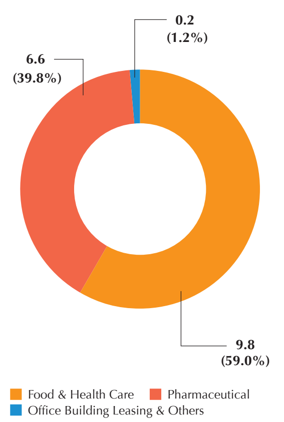


Net Income (Loss) (¥ Billions)



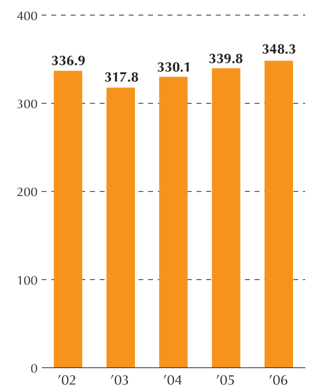
Net Sales by Segment (¥ Billions)

(Fiscal year ended March 31, 2006)

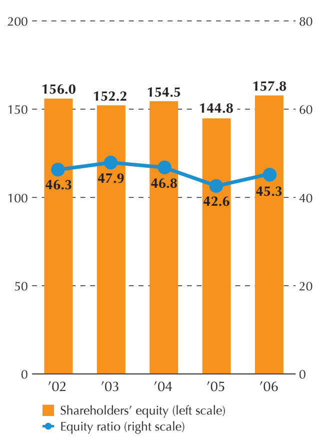


Operating Income by Segment (¥ Billions)

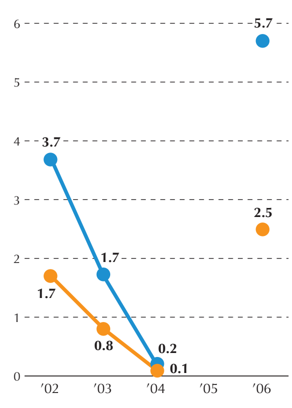
(Fiscal year ended March 31, 2006)



Total Assets (¥ Billions)

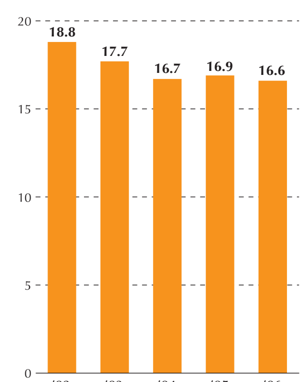


Shareholders' Equity and Equity Ratio (¥ Billions / %)



ROE and ROA (%)

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



R&D Costs (¥ Billions)

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 costs, and other operating requirements to expand the Group's businesses and strengthen the Group's financial structure while providing reasonable, stable shareholder returns.

Consolidated Subsidiaries

As of March 31, 2006, the Meiji Seika Group encompassed Meiji Seika Kaisha, Ltd. (Meiji Seika), 21 consolidated subsidiaries and one affiliate accounted for on the equity method. The 13 domestic subsidiaries include 10 companies in the food business, 1 company in the pharmaceutical business, and 2 companies 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.

Overview

During the fiscal year ended March 31, 2006, Japan's economy staged a gradual recovery as corporate earnings improved, capital investment increased and there was an upturn in consumer spending. However, the outlook remains uncertain because of the much higher cost of crude oil and other raw materials.

In this environment, the Meiji Seika Group shifted its focus from structural reforms to business development in order to achieve the goals of "Challenge 2005," a medium-term business plan that ended in March 2006. In particular, priority was placed on active business development with a focus on the health care sector. The Food & Health Care Company was established in July 2005 and other actions were taken to become more competitive in order to increase sales and restore profitability.

Due to these actions, consolidated net sales increased 5.1% year-on-year to ¥382,429 million, operating income was up 88.8% year-on-year to ¥16,460 million and net income was ¥8,678 million compared with the previous fiscal year's net loss of ¥8,240 million.

Review of Operations by Segment

Food & Health Care Company

The Food & Health Care Company was established in July 2005 through the integration and reorganization of the Food Company and Health Care Company. This resulted in the change of segment classification from the fiscal year under review.

The operating environment for the Food & Health Care business was challenging. Consumption in Japan of confectioneries remained flat. In the health care sector, despite market expansion continued, the large number of new entrants in this market produced heated competition. In this environment, the Meiji Seika Group worked on increasing sales mainly through two initiatives. First was the development of new products that anticipate consumer needs and have a competitive edge. Second was the execution of strategic marketing activities for individual brands.

At domestic consolidated subsidiaries, MEIJI FOOD MATERIA CO., LTD. saw sales decline due to a change in the terms and conditions for transactions with major customers in the core sugar products business. MEIJI CHEWING GUM CO., LTD. performed well by reinforcing product development skills that have been developed over many years and the marketing activities. MEIJI SPORTS PLAZA, Ltd., which operates sports club facilities, expanded its business because of the May 2005 acquisition of the fitness clubs of Tokyo Gas Sports Co., Ltd. At overseas subsidiaries, Meiji Seika (Singapore) Pte. Ltd. increased sales in Singapore and neighboring countries. In the United States, D.F. Stauffer Biscuit Co., Inc. had a strong performance due to the aggressive expansion of sales channels and a tight focus on key products.

In the overseas business, there was a big increase in export sales because of efforts to raise sales in Asian countries and develop business operations in the Chinese market. Import sales were also strong. This was mainly a reflection of higher imports of chocolate due to the growing interest in Japan in cacao and of sales activities to promote products for Valentine's Day.

The result was a 5.0% year-on-year increase in net sales to ¥264,410 million and a 56.7% year-on-year increase in operating income to ¥9,843 million. These comparisons with the previous fiscal year are based on the combined results of the Food Company and Health Care Company.

Pharmaceutical Company

This company continued to encounter a difficult operating environment. The major challenges were the widespread medical expenses containment measures in Japan, intense competition involving the development of new drugs and the growth in research and development costs. In this environment, the Meiji Seika Group continued to concentrate its resources on the sale of key products, such as anti-infectives and central nervous system drugs. Outside Japan, the main goal was selling products in more countries by steadily conducting programs to supply scientific information concerning core products and other products.

Regarding ethical pharmaceuticals, the operating environment is extremely difficult because of the contracting market for anti-infectives. Nevertheless, core products MEIACT and OMEGACIN posted strong sales. However, sales of HABEKACIN and FOSMICIN were lower due to intense competition. In central nervous system drugs, DEPROMEL, a treatment for depression, recorded a substantial increase in sales. This accomplishment was due to the aggressive dissemination of scientific information by medical representatives specializing in this drug, as well as to the receipt of approval for the additional indication for social anxiety disorder for the first time in Japan. Sales of the anti-anxiety drug MEILAX continued to climb. In other ethical pharmaceuticals, sales of the external topical antiseptic ISODINE were lower because of intense competition. Additionally, sales of the anti-allergy drug EBASTEL declined. Although EBASTEL benefited from the introduction of a new chewable version, sales were lower because of a less severe pollen season than in the previous fiscal year.

In agricultural chemicals, sales were strong as sales of the core product ORYZEMATE, a herbicide that protects rice against blast, increased. In veterinary drugs, the shrinking market for anti-infectives, streamlining of the product lineup and other actions impacted sales, but the benefits of extensive sales activities offset these factors to produce a sales increase.

At domestic consolidated subsidiaries, strong demand for influenza vaccines led to higher sales at Kitasato Pharmaceutical Industry Co., Ltd. At FUJI-AMIDE CHEMICAL CO., LTD., sales were lower due to challenges posed by competing products. Meiji Seika sold all of its shares in this company to Nankai Chemical Industry Co., Ltd. in March 2006.

At overseas consolidated subsidiaries, sales were lower at P.T. Meiji Indonesian Pharmaceutical Industries due to weak sales in local markets. Thai Meiji Pharmaceutical Co., Ltd. reported higher sales mainly because of strong sales in the local market of MEIACT and FOSMICIN, which were backed by high-profile sales activities. In Spain, Tedec-Meiji Farma S.A. achieved a substantial sales increase due to the contribution of MEIACT, which it began selling in the fall of 2004.

In the overseas business, there was a large increase in export sales of COLISTIN, an animal feed additive that Meiji Seika backed up with the dissemination of scientific information stressing this product's high quality. Additionally, MEIACT recorded substantial growth in sales mainly in Europe and Turkey.

As a result, net sales of the Pharmaceutical Company increased 5.3% to ¥115,388 million and operating income rose 87.9% to ¥6,606 million.

Sales of Key Pharmaceutical Products (¥ Billions)

	2006	2005
MEIACT	**20.7**	19.2
(Export sales)	**1.7**	1.5
FOSMICIN	**6.3**	7.2
HABEKACIN	**5.5**	5.7
OMEGACIN	**3.2**	2.7
SWORD	**1.9**	1.9
ISODINE	**6.1**	6.9
DEPROMEL	**9.1**	7.7
EBASTEL	**3.7**	3.9
MEILAX	**4.5**	4.3

Office Building Leasing & Others

The recovery in earnings at Japanese companies is producing strong demand for large buildings in the Tokyo metropolitan area. As a result, the Solid Square office building, the segment's primary property, was successful at attracting new tenants.

The result was a 0.1%, or a ¥3 million, increase in segment net sales to ¥2,630 million. Segment results in the previous fiscal year include the operations of MEIJI KAIHATSU CO., LTD., which was liquidated in March 2005.

Analysis of Income Statement

For the fiscal year ended March 31, 2006, net sales increased 5.1% to ¥382,429 million but the cost of sales increased only 3.3% to ¥213,069 million. This resulted in a 1.0 percentage point improvement in the ratio of cost of sales to net sales to 55.7%, which raised the gross profit by 7.3% to ¥169,360 million.

Selling, general and administrative expenses (SG&A) increased 2.6% to ¥152,899 million, but the ratio of SG&A expenses to net sales declined by 1.0 percentage point to 40.0% because of the larger growth in net sales. Research and development costs, which are included in general and administrative expenses and manufacturing expenses, decreased 1.6% to ¥16,578 million. This was due to the concentration of R&D resources on strategic business fields in the Pharmaceutical Company.

Due to these items, operating income was up 88.8% to ¥16,460 million and the ratio of operating income to net sales improved by 1.9 percentage point to 4.3%.

Net other expenses increased ¥86 million to ¥300 million. Although interest and dividend income increased 10.7%, interest expenses were up 4.5%. The interest coverage ratio, which is net cash provided by operating activities divided by interest expenses, improved from 13.5 times to 15.3 times.

Extraordinary items resulted in a net gain of ¥261 million compared with the net loss of ¥20,833 million in the previous fiscal year. The main reason is the extraordinary loss recorded in the previous fiscal year for the one-time amortization of unrecognized retirement benefit obligations and expenses incurred due to management structure reforms. These factors did not affect the financial results for the fiscal year under review.

As a result of the above, income before income taxes was ¥16,422 million compared with a loss of ¥12,330 million in the previous fiscal year, and net income was ¥8,678 million compared with a net loss of ¥8,240 million as consolidated performance made a big improvement from the previous year's losses to a solid profit. Net income per share was ¥22.41 compared with a net loss per share of ¥21.53 in the previous fiscal year.

Analysis of Financial Position

As of March 31, 2006, total assets increased ¥8,433 million to ¥348,281 million. Total current assets decreased ¥6,962 million, and total fixed assets increased ¥15,396 million.

Total liabilities decreased ¥4,781 million to ¥187,622 million. Growth in short-term bank loans and other items caused total current liabilities to increase ¥2,096 million, but total long-term liabilities were down ¥6,877 million mainly because of declines in long-term debt and employees' retirement benefits.

Shareholders' equity increased ¥12,924 million to ¥157,761 million as the strong earnings resulted in higher retained earnings and there was an increase in the difference in valuation of other securities. Shareholders' equity per share increased ¥35.75 to ¥413.53, the return on average total shareholders' equity (ROE) was 5.7% and the equity ratio improved by 2.7 percentage points to 45.3%.

Analysis of Cash Flows

Net cash provided by operating activities increased ¥2,782 million from the previous fiscal year to ¥19,513 million. Although cash was used for a pension plan contribution associated with the switch to a new retirement benefit system, this was offset by the large improvement in income before income taxes.

Net cash used in investing activities increased ¥2,050 million to ¥18,822 million. This was due in part to investments in production bases in China.

Net cash used in financing activities was ¥4,687 million, mainly due to dividend payments and the purchase of treasury stock. This was a decline of ¥16,664 million compared with net cash provided in the previous fiscal year when there were proceeds of ¥20,000 million from the bond issuance.

The net result was a ¥3,890 million decrease in cash and cash equivalents at end of year compared with the previous fiscal year to ¥18,755 million as of March 31, 2006.

Outlook for the Year Ending March 31, 2007

As the beginning of the "DASH! 08," a medium-term business plan, the fiscal year ending March 31, 2007 is an important period for Meiji Seika. To accomplish the goals of this plan, the Food & Health Care Company will focus on raising its share of the chocolate and chewing gum markets and on the challenge of targeting new customer needs associated health in particular. In the Pharmaceutical Company, plans call for speeding the development of new drugs and establishing a framework for a generic drug business.

For the fiscal year ending March 31, 2007, Meiji Seika is forecasting a 3.3% increase in net sales to ¥395,000 million, a 27.1% decrease in operating income to ¥12,000 million and a 42.4% decrease in net income to ¥5,000 million. Net sales are expected to grow because of an expanding health business and the aggressive development of overseas businesses. However, the impact of NHI drug price revisions in Japan, higher raw materials prices and other factors are expected to cause earnings to decline.

By business segment, Food & Health Care Company sales are projected to increase 5.9% to ¥280,000 million and operating income to decrease 18.7% to ¥8,000 million. Pharmaceutical Company sales are projected to decrease 2.9% to ¥112,000 million and operating income to decrease 54.6% to ¥3,000 million. Office Building Leasing & Others sales are projected to increase 14.0% to ¥3,000 million and operating income to increase 90.8% to ¥300 million.

Risk Factors

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, 2006, the end of the fiscal year under review.

(1) Procurement of Raw Ingredients

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

(2) 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.

(3) The Impact of Weather

Chocolate sales account for a large percentage of the Meiji Seika Group's confectionery products 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.

(4) Legal Regulations

The Meiji Seika Group must comply with the Food Sanitation Law and other laws and regulations, as well as with the Pharmaceutical Affairs Law and other laws and regulations involving pharmaceuticals, and with the Agricultural Chemicals Regulation Law and other laws and regulations involving agricultural chemicals. Furthermore, the Group is subject to the Product Liability Law, the Anti-monopoly Law and other laws.

In its food and health care business and its pharmaceuticals business, the Meiji Seika Group assures strict compliance with relevant laws and regulations, enhances sanitary management, and ensures accurate product labeling. However, should the Group be required to suspend or to recall products manufactured prior to changes in relevant laws and regulations, experience problems unique to the Group, such as defective products, or suffer the consequences of common social problems or criminal acts directed against the Group, the Meiji Seika Group's financial position could be affected.

Ethical pharmaceuticals prices are subject to changes in the government's medical policies, including NHI drug price revisions, and the national health insurance system. Such changes could affect the Group's financial position.

(5) Contamination by Foreign Substances

In its food and health care 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.

(6) 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, 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.

(7) 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 position. 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.

(8) 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 position.

(9) 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 position.

(10) 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 position.

(11) 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 position.

The above list is not a complete list of the risks to which the Meiji Seika Group is vulnerable.

Consolidated Balance Sheets

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
March 31, 2006, 2005 and 2004

	Millions of Japanese yen			Thousands of U.S. dollars
ASSETS	**2006**	2005	2004	**2006**
Current Assets:				
Cash and time deposits (Note 9)	**¥ 18,980**	¥ 23,357	¥ 11,271	**$ 161,575**
Receivables:				
Notes and accounts	**77,296**	76,050	73,790	**658,008**
Unconsolidated subsidiaries and affiliates	**1,223**	315	243	**10,413**
Inventories	**43,752**	44,897	51,231	**372,454**
Prepaid and other current assets	**5,427**	8,867	11,095	**46,206**
Other current assets in unconsolidated subsidiaries and affiliates	**877**	1,169	1,866	**7,465**
Deferred tax assets (current) (Note 6)	**5,765**	5,694	5,172	**49,079**
Allowance for doubtful receivables	**(28)**	(95)	(60)	**(246)**
Total current assets	**153,293**	160,255	154,610	**1,304,957**
Fixed Assets:				
Investments and Other Non-Current Assets:				
Investment securities (Notes 3 and 5)	**43,525**	29,570	27,295	**370,524**
Investments in and advances to unconsolidated subsidiaries and affiliates	**1,538**	1,589	1,653	**13,099**
Long-term loans	**2**	4	203	**21**
Other investments and advances	**7,543**	4,988	4,758	**64,218**
Allowance for doubtful accounts	**(943)**	(965)	(984)	**(8,031)**
Total investments and other non-current assets	**51,667**	35,187	32,926	**439,832**
Property, Plant and Equipment (Note 5):				
Land	**23,968**	24,965	25,106	**204,042**
Buildings and structures	**148,322**	146,848	140,032	**1,262,641**
Machinery and equipment	**180,251**	176,534	173,186	**1,534,447**
Construction in progress	**1,658**	1,008	8,152	**14,119**
Less accumulated depreciation	**(217,436)**	(209,450)	(207,656)	**(1,850,998)**
Total property, plant and equipment (net)	**136,764**	139,906	138,821	**1,164,251**
Intangible Fixed Assets	**6,271**	4,257	3,457	**53,391**
Deferred Tax Assets (Non-Current) (Note 6)	**284**	240	242	**2,420**
Total fixed assets	**194,988**	179,592	175,448	**1,659,896**
Total assets	**¥348,281**	¥339,848	¥330,059	**$2,964,853**

See notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Japanese yen 2006	2005	2004	Thousands of U.S. dollars 2006
Current Liabilities:				
Short-term bank loans (Notes 4 and 5)	**¥ 23,511**	¥ 17,223	¥ 20,110	**$ 200,148**
Commercial paper	**—**	—	4,000	**—**
Payables:				
Notes and accounts	**25,219**	24,555	25,332	**214,687**
Unconsolidated subsidiaries and affiliates	**2,207**	2,231	2,668	**18,789**
Accrued expenses	**16,999**	16,770	17,257	**144,714**
Accrued income taxes	**4,170**	3,514	4,305	**35,502**
Other current liabilities	**14,868**	20,585	21,377	**126,569**
Total current liabilities	**86,976**	84,880	95,052	**740,412**
Long-Term Liabilities:				
Long-term debt (Notes 4 and 5)	**57,485**	64,118	42,542	**489,362**
Employees' retirement benefits (Note 8)	**24,765**	32,451	17,959	**210,822**
Deferred tax liabilities (non-current) (Note 6)	**13,642**	6,238	13,105	**116,136**
Other long-term liabilities	**4,752**	4,714	4,409	**40,457**
Total long-term liabilities	**100,645**	107,522	78,015	**856,779**
Total liabilities	**187,622**	192,403	173,068	**1,597,191**
Minority Interests	**2,897**	2,607	2,441	**24,663**
Contingent Liabilities (Note 12)				
Shareholders' Equity:				
Common stock				
Authorized — 796,104,000 shares				
Issued 2006 — 385,535,116 shares	**28,363**	—	—	**241,454**
Issued 2005 — 385,535,116 shares	**—**	28,363	—	
Issued 2004 — 385,535,116 shares	**—**	—	28,363	
Capital surplus	**34,948**	34,946	34,935	**297,507**
Retained earnings	**79,595**	73,611	84,575	**677,583**
Difference in valuation of other securities	**17,730**	10,407	9,133	**150,936**
Foreign currency translation adjustments	**(642)**	(1,514)	(1,355)	**(5,469)**
Treasury stock	**(2,233)**	(977)	(1,103)	**(19,013)**
Total shareholders' equity	**157,761**	144,837	154,549	**1,342,998**
Total liabilities, minority interests and shareholders' equity	**¥348,281**	¥339,848	¥330,059	**$2,964,853**

Consolidated Statements of Income

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of Japanese yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Net Sales	**¥382,429**	¥364,018	¥368,865	**$3,255,551**
Cost of Sales	**213,069**	206,231	213,626	**1,813,821**
Gross profit	**169,360**	157,786	155,239	**1,441,730**
Selling, General and Administrative Expenses (Note 10)	**152,899**	149,069	147,357	**1,301,603**
Operating income	**16,460**	8,717	7,881	**140,128**
Other Income and Expenses:				
Interest and dividend income	**507**	458	413	**4,324**
Other income	**1,632**	1,908	2,650	**13,906**
Interest expenses	**(1,283)**	(1,227)	(1,318)	**(10,927)**
Other expenses	**(1,157)**	(1,354)	(1,383)	**(9,857)**
Extraordinary Income (Note 11)	**1,570**	2,946	1,768	**13,373**
Extraordinary Losses (Note 11)	**1,309**	23,779	6,306	**11,147**
Income (Loss) before Income Taxes	**16,422**	(12,330)	3,705	**139,800**
Income Taxes:				
Current	**5,105**	3,728	4,963	**43,464**
Deferred	**2,062**	(8,283)	(1,930)	**17,557**
	7,168	(4,555)	3,032	**61,021**
Minority Interests	**(575)**	(464)	(324)	**(4,897)**
Net Income (Loss)	**¥ 8,678**	¥ (8,240)	¥ 348	**$ 73,882**
Per Share Data (in yen and U.S. dollars):				
Net income	**¥ 22.41**	¥ (21.53)	¥ 0.79	**$ 0.19**

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, 2006, 2005 and 2004

	Number of shares of common stock (thousands)	Millions of Japanese yen					
		Common stock	Capital surplus	Retained earnings	Difference in valuation of other securities	Foreign currency translation adjustments	Treasury stock
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)
Net income				**8,678**			
Cash dividends				**(2,683)**			
Directors' bonuses				**(11)**			
Other			**2**		**7,323**	**872**	**(1,256)**
Balance at March 31, 2006	**385,535**	**¥28,363**	**¥34,948**	**¥79,595**	**¥17,730**	**¥ (642)**	**¥ (2,233)**

	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, 2005	$241,454	$297,492	$626,640	$ 88,601	$(12,889)	$ (8,324)
Net income			**73,882**			
Cash dividends			**(22,842)**			
Directors' bonuses			**(96)**			
Other		**14**		**62,335**	**7,419**	**(10,688)**
Balance at March 31, 2006	**$241,454**	**$297,507**	**$677,583**	**$150,936**	**$ (5,469)**	**$(19,013)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of Japanese yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Cash Flows from Operating Activities:				
Income (loss) before income taxes	**¥16,422**	¥(12,330)	¥ 3,705	**$139,800**
Depreciation and amortization	**14,976**	14,750	13,892	**127,494**
Amortization of consolidation adjustments	**302**	144	101	**2,572**
Loss on disposal of property, plant and equipment	**865**	1,659	1,204	**7,366**
Loss on valuation of investment securities	**15**	293	213	**135**
Increase (decrease) in allowance for doubtful accounts	**(93)**	17	(142)	**(795)**
Increase (decrease) in employee retirement allowance	**(7,664)**	14,496	(2,235)	**(65,248)**
Interest and dividends received	**(507)**	(458)	(413)	**(4,324)**
Interest expenses	**1,283**	1,227	1,318	**10,927**
Equity in loss (income) of equity-method affiliates	**(131)**	(108)	(83)	**(1,119)**
Gain (loss) on sale of property, plant and equipment	**(1,144)**	(2,532)	(339)	**(9,743)**
Gain (loss) on sale of investment securities	**(11)**	(119)	(1,153)	**(94)**
Decrease (increase) in trade receivables	**(2,204)**	(2,336)	(2,025)	**(18,766)**
Decrease (increase) in inventories	**1,170**	6,300	(3,254)	**9,962**
Increase (decrease) in trade payables	**1,547**	(1,422)	2,498	**13,172**
Directors' bonuses paid	**(13)**	(45)	(41)	**(118)**
Other	**(133)**	2,512	(3,365)	**(1,136)**
Subtotal	**24,678**	22,051	9,879	**210,085**
Interest and dividends received	**640**	552	564	**5,453**
Interest paid	**(1,278)**	(1,243)	(1,337)	**(10,885)**
Income taxes paid	**(4,526)**	(4,629)	(2,443)	**(38,534)**
Net cash provided by operating activities	**19,513**	16,731	6,663	**166,118**
Cash Flows from Investing Activities:				
Payments for time deposits	**(216)**	(988)	(325)	**(1,838)**
Proceeds from withdrawal of time deposits	**688**	886	84	**5,858**
Payments for purchases of investment securities	**(2,363)**	(412)	(841)	**(20,123)**
Proceeds from sales of investment securities	**646**	333	7,681	**5,507**
Payments for purchases of property, plant and equipment	**(15,000)**	(18,911)	(11,995)	**(127,694)**
Proceeds from sales of property, plant and equipment	**1,623**	3,797	1,172	**13,820**
Payments for purchases of shares in affiliates related to change in the scope of consolidation	**(898)**	—	—	**(7,652)**
Proceeds from sales of shares in affiliates related to change in the scope of consolidation	**727**	—	—	**6,193**
Other	**(4,029)**	(1,477)	(1,199)	**(34,305)**
Net cash used in investing activities	**(18,822)**	(16,772)	(5,424)	**(160,233)**
Cash Flows from Financing Activities:				
Decrease (increase) in short-term borrowings	**3,552**	(1,550)	(350)	**30,244**
Increase (decrease) in commercial paper	**—**	(4,000)	(1,000)	**—**
Proceeds from long-term borrowings	**1,441**	7,226	2,720	**12,269**
Repayment of long-term borrowings	**(5,552)**	(6,884)	(3,690)	**(47,269)**
Proceeds from bond issuance	**—**	20,000	—	**—**
Dividends paid	**(2,683)**	(2,681)	(2,695)	**(22,842)**
Other	**(1,445)**	(132)	(1,012)	**(12,306)**
Net cash provided by (used in) financing activities	**(4,687)**	11,977	(6,028)	**(39,904)**
Translation Adjustment on Cash and Cash Equivalents	**105**	21	84	**897**
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,890)**	11,957	(4,705)	**(33,122)**
Cash and Cash Equivalents at Beginning of Year	**22,646**	10,688	15,290	**192,785**
Increase (Decrease) in Cash and Cash Equivalents due to the Change in the Number of Consolidated Subsidiaries	**—**	—	103	**—**
Cash and Cash Equivalents at End of Year	**¥18,755**	¥22,646	¥10,688	**$159,662**

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 ¥117.47 to $1 in effect at March 31, 2006.

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 (21 in 2005) significant subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends differ by three months from 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. Depreciation 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.

Certain consolidated subsidiaries charge the difference at the time of accounting standard alteration (¥233 million) is being charged to income on a pro rata basis over seven years.

Prior service liabilities are amortized on the straight-line method over a specified number of years (4 years), that is less than the average remaining period of employment for employees from the time the liability arouse.

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 arose.

(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) Impairment of fixed assets

Effective from the fiscal year ended March 31, 2006, the Companies adopted the new accounting standards for impairment of fixed assets ("Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan on August 9, 2002) and the implementation guidance for accounting standards for impairment of fixed assets (Financial Accounting Standards Implementation Guidance No.6– "Application Guidance on Accounting Standards for Impairment of Fixed Assets" issued by the Accounting Standards Board of Japan on October 31, 2003) .

The adoption of these standards had no effect on the consolidated statement of income for the fiscal year ended March 31, 2006.

(l) 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.

(m) 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, 2006 and 2005 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2006	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs						
Stocks	**¥10,981**	**¥41,078**	**¥30,097**	**$93,481**	**$349,693**	**$256,211**
Others	**41**	**66**	**25**	**349**	**562**	**213**
Subtotal	**¥11,022**	**¥41,144**	**¥30,122**	**$93,830**	**$350,255**	**$256,424**
Securities with market prices falling below acquisition costs						
Stock	**¥ 123**	**¥ 100**	**¥ (23)**	**$ 1,050**	**$ 851**	**$ (199)**
Others	**136**	**133**	**(2)**	**1,158**	**1,138**	**(19)**
Subtotal	**¥ 259**	**¥ 233**	**¥ (25)**	**$ 2,208**	**$ 1,990**	**$ (218)**
Total	**¥11,281**	**¥41,378**	**¥30,096**	**$96,039**	**$352,245**	**$256,206**

	Millions of Japanese yen		
As of March 31, 2005	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	¥8,868	¥26,605	¥17,736
Bonds and debentures	500	500	0
Others	11	17	6
Subtotal	¥9,379	¥27,123	¥17,743
Securities with market prices falling below acquisition costs			
Stock	¥ 176	¥ 140	¥ (36)
Bonds and debentures	100	85	(14)
Others	164	142	(22)
Subtotal	¥ 441	¥ 368	¥ (73)
Total	¥9,821	¥27,491	¥17,670

2. Other securities sold during fiscal 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Sales amounts	**¥46**	¥311	**$399**
Total gains on sales	**22**	182	**194**

3. Book value of major securities not marked to market as of March 31, 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Other securities			
(1) Unlisted stocks	**¥1,147**	¥1,078	**$9,766**
(2) Preferred securities	**1,000**	1,000	**8,512**

4. Expected redemption values of other securities with future maturity as of March 31, 2006 and 2005 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2006	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	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$ —**	**$ —**
(2) Other	**—**	**125**	**—**	**—**	**1,066**	**—**
Total	**¥ —**	**¥125**	**¥ —**	**$ —**	**$1,066**	**$ —**

	Millions of Japanese yen		
As of March 31, 2005	Within one year	From 1–5 years	Over 5 years
Other securities			
(1) Bonds and debentures	¥500	¥—	¥85
(2) Other	—	98	—
Total	¥500	¥98	¥85

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, 2006 and 2005 were 1.3% and 1.1%, respectively.

Long-term debt as of March 31, 2006 and 2005 is summarized as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
0.7% unsecured bonds due 2007	**¥20,000**	¥20,000	**$170,256**
0.83% unsecured bonds due 2009	**20,000**	20,000	**170,256**
Loans from domestic banks, insurance companies, government agencies and others, due 2006 to 2022	**25,351**	29,441	**215,813**
	65,351	69,441	**556,325**
Less portion due within one year	**(7,866)**	(5,323)	**(66,963)**
Total long-term debt	**¥57,485**	¥64,118	**$489,362**

At March 31, 2006 the aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2008	¥26,425	$224,955
2009	1,189	10,122
2010	27,368	232,983
2011	772	6,576
Thereafter	1,729	14,725
Total	¥57,485	$489,362

5. Collateral and Secured Liability

A summary of assets pledged as collateral for liability at March 31, 2006 and 2005 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Land	**¥ 693**	¥ 693	**$ 5,907**
Buildings	**26,333**	27,754	**224,170**
Investment securities	**1,926**	1,014	**16,395**
Total	**¥28,953**	¥29,462	**$246,473**

A summary of secured liability at March 31, 2006 and 2005 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Long-term loans (Including current portions of long-term loans payable within one year)	**¥5,676**	¥6,393	**$48,324**

6. Deferred Tax Assets and Liabilities

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

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets			
Amount in excess of limit for employee retirement allowances	**¥11,710**	¥ 14,471	**$ 99,690**
Selling expenses not deductible for tax purposes during the period	**607**	627	**5,171**
Valuation loss on investment and marketable securities	**1,070**	1,112	**9,112**
Amount in excess of limit for accrued bonuses to employees	**1,755**	1,983	**14,942**
Excess depreciation of fixed assets	**1,352**	1,347	**11,510**
Excess deferred asset depreciation for tax purposes	**38**	32	**327**
Accrued enterprise taxes	**438**	354	**3,730**
Other	**5,022**	4,700	**42,757**
Subtotal	**21,995**	24,629	**187,243**
Temporary difference for future reductions that are unscheduled	**(1,392)**	(1,402)	**(11,851)**
Total deferred tax assets	**¥ 20,603**	¥ 23,227	**$ 175,392**
Deferred tax liabilities			
Advanced depreciation reserve for fixed assets	**¥(15,554)**	¥(16,060)	**$(132,415)**
Difference in valuation of other securities	**(12,339)**	(7,244)	**(105,045)**
Other	**(301)**	(225)	**(2,568)**
Total deferred tax liabilities	**¥(28,196)**	¥(23,530)	**$(240,029)**
Net deferred tax liabilities	**¥ (7,592)**	¥ (302)	**$ (64,637)**

The net deferred tax assets at March 31, 2006 and 2005, included in the consolidated balance sheets are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets (current)	**¥ 5,765**	¥ 5,694	**$ 49,079**
Deferred tax assets (non-current)	**284**	240	**2,420**
Deferred tax liabilities (non-current)	**(13,642)**	(6,238)	**(116,136)**

An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2006 is as follows:

	2006
Statutory tax rate	41.0%
Entertainment and other permanently non-deductible expenses	5.3
Dividend and other permanently non-taxable income	(3.0)
Per capita inhabitant's tax	0.8
Unrecognized tax effect due to elimination of investment and capital	4.0
Difference in tax rate of overseas consolidated subsidiaries	(1.9)
Tax credit for experimentation and research expenses	(4.2)
Other	1.6
Effective tax rates	43.6%

No information for differences between the statutory income tax rate and the effective income tax rate is required for the year 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 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Acquisition cost	**¥7,303**	¥7,668	**$62,174**
Accumulated depreciation	**3,780**	3,938	**32,181**
Net book value	**¥3,523**	¥3,730	**$29,992**

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, 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥1,278**	¥1,374	**$10,883**
Due after one year	**2,244**	2,355	**19,108**
Total	**¥3,523**	¥3,730	**$29,992**

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
	2006	2005	**2006**
Paid lease fees	**¥1,514**	¥1,677	**$12,896**
Equivalent depreciation expense amount	**1,514**	1,677	**12,896**

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, 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 169**	¥ 148	**$ 1,440**
Due after one year	**1,781**	1,721	**15,164**
Total	**¥1,950**	¥1,869	**$16,604**

8. Retirement Benefits

The liability for employees' retirement benefits at March 31, 2006 and 2005 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥(43,196)**	¥ (43,500)	**$(367,720)**
Fair value of plan assets	**31,463**	12,757	**267,843**
Unrecognized actuarial loss	**(10,116)**	2,152	**(86,118)**
Unrecognized transitional obligation	**21**	55	**181**
Unrecognized prior service liability	**(2,937)**	(3,916)	**(25,008)**
Net liability for retirement benefits	**¥(24,765)**	¥ (32,451)	**$(210,821)**

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 incurred prior service cost (a reduction of the liability) in the year ended March 31, 2006 as a result of this change.

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	**¥2,144**	¥ 2,231	**$18,257**
Interest cost	**1,062**	1,658	**9,042**
Expected return on plan assets	**(186)**	(659)	**(1,584)**
Recognized actuarial loss	**307**	10,525	**2,617**
Amortization of transitional obligation	**27**	7,530	**237**
Amortization of prior service liability	**(979)**	—	**(8,336)**
Net periodic benefit costs	**¥2,376**	¥21,287	**$20,233**

Assumptions used for the years ended March 31, 2006 and 2005 are set forth as follows:	**2006**	2005
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.0%**	3.5%
Recognition period of actuarial gain/loss	**7 years**	7 years
Amortization period of transitional obligation	**7 years**	7 years
Amortization period of prior service cost	**4 years**	—

9. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2006 and 2005:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Cash and time deposits	**¥18,980**	¥23,357	**$161,575**
Time deposits with maturities of more than three months	**(224)**	(710)	**(1,912)**
Cash and cash equivalents	**¥18,755**	¥22,646	**$159,662**

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses during fiscal 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Sales promotion expenses	**¥51,014**	¥47,068	**$434,279**
Salaries and wages	**21,685**	19,743	**184,606**

11. Extraordinary Income (Losses)

Extraordinary income (losses) during fiscal 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Extraordinary income			
Gain on liquidation of affiliated companies	**¥ 315**	¥ —	**$2,689**
Gain on sale of property, plant and equipment	**1,161**	2,558	**9,890**
Gain on sale of marketable securities	**—**	182	**—**
Extraordinary losses			
Loss on disposal of property, plant and equipment	**904**	950	**7,698**
Loss on sales of stock of affiliated companies	**20**	—	**171**
Amortization of unrecognized retirement benefit obligation	**—**	13,295	**—**
Expenses incurred due to revision of workforce and organization	**—**	7,337	**—**

12. Contingent Liabilities

1) Guaranteed Financial Obligations

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

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
MEIKA KOUSAN CO., LTD.	**¥ 800**	¥ 900	**$ 6,810**
Employees	**1,188**	1,339	**10,120**
Total	**¥1,988**	¥2,239	**$16,930**

2) Notes receivables discounted

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Notes receivables discounted	**¥76**	¥30	**$649**

13. Research and Development Costs

Research and development costs which were included in general and administrative expenses and manufacturing expenses during the fiscal years 2006 and 2005 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2006	2005	**2006**
Research and development costs	**¥16,578**	¥16,852	**$141,129**

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 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 nonperformance 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

Forward foreign exchange contracts and other instruments

Interest rate swap contracts

Hedged items

Trade payables and receivables denominated in foreign currencies and expected trade payables and receivables denominated in foreign currencies

Interest on loans and bonds payable

15. Segment Information

1) Segment Information by Industry

	Millions of Japanese yen					
	2006					
	Food & Health Care	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**¥264,410**	**¥115,388**	**¥ 2,630**	**¥382,429**	**¥ —**	**¥382,429**
(2) Inter-segment sales and transfers	**416**	**1,756**	**110**	**2,283**	**(2,283)**	**—**
Total	**264,826**	**117,145**	**2,740**	**384,712**	**(2,283)**	**382,429**
Operating costs and expenses	**254,983**	**110,538**	**2,583**	**368,104**	**(2,136)**	**365,968**
Operating income	**¥ 9,843**	**¥ 6,606**	**¥ 157**	**¥ 16,607**	**¥ (146)**	**¥ 16,460**
Assets, Depreciation and Capital Expenditures						
Assets	**¥133,099**	**¥126,965**	**¥29,260**	**¥289,324**	**¥58,956**	**¥348,281**
Depreciation	**7,723**	**5,589**	**1,583**	**14,895**	**80**	**14,976**
Capital expenditures	**9,917**	**2,872**	**52**	**12,842**	**1,551**	**14,394**

	Thousands of U.S. dollars					
	2006					
	Food & Health Care	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**$2,250,873**	**$ 982,283**	**$ 22,393**	**$3,255,551**	**$ —**	**$3,255,551**
(2) Inter-segment sales and transfers	**3,546**	**14,950**	**939**	**19,435**	**(19,435)**	**—**
Total	**2,254,419**	**997,233**	**23,333**	**3,274,986**	**(19,435)**	**3,255,551**
Operating costs and expenses	**2,170,623**	**940,989**	**21,995**	**3,133,608**	**(18,184)**	**3,115,423**
Operating income	**$ 83,796**	**$ 56,243**	**$ 1,338**	**$ 141,378**	**$ (1,250)**	**$ 140,127**
Assets, Depreciation and Capital Expenditures						
Assets	**$1,133,052**	**$1,080,829**	**$249,085**	**$2,462,966**	**$501,886**	**$2,964,853**
Depreciation	**65,747**	**47,579**	**13,477**	**126,804**	**689**	**127,494**
Capital expenditures	**84,426**	**24,456**	**446**	**109,329**	**13,205**	**122,535**

	Millions of Japanese yen						
	2005						
	Food	Pharmaceutical	Health Care	Office Building Leasing & 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

Change in classification of business segment

The Company formerly classified operations into four business segments: Food, Pharmaceutical, Health Care, and Office Building Leasing & Others. On July 1, in-house companies Food and Health Care merged to form a Food & Health Care company. Effective from the current consolidated fiscal year, the Company's operations are classified into three business segments: Food & Health Care, Pharmaceutical and Office Building Leasing & Others.

Segment information for the year ended March 31, 2005 restated in accordance with the segment classification is as follows:

	Millions of Japanese yen					
	2005					
	Food & Health Care	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	¥251,860	¥109,530	¥ 2,627	¥364,018	¥ —	¥364,018
(2) Inter-segment sales and transfers	386	3,883	114	4,383	(4,383)	—
Total	252,246	113,414	2,741	368,402	(4,383)	364,018
Operating costs and expenses	245,964	109,897	2,644	358,505	(3,204)	355,300
Operating income	¥ 6,282	¥ 3,516	¥ 96	¥ 9,896	¥ (1,178)	¥ 8,717
Assets, Depreciation and Capital Expenditures						
Assets	¥126,861	¥131,131	¥29,950	¥287,943	¥51,904	¥339,848
Depreciation	7,256	5,854	1,588	14,699	51	14,750
Capital expenditures	7,458	6,305	36	13,800	6,026	19,827

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, 2006 and 2005.

3) Overseas Sales

The Company has omitted information on overseas sales because such sales accounted for less than 10% of the total fiscal 2006 and 2005 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, 2006, 2005 and 2004, and the related consolidated statements of income, shareholders' 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, 2006, 2005 and 2004, 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.

As described in Note 15, the Company has changed its method of business segment classification in the year ended March 31, 2006.

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

The Fuji Accounting Office

The Fuji Accounting Office
Certified Public Accountants

Tokyo, Japan
June 28, 2006

Corporate Information (As of March 31, 2006)

Corporate Data

Number of Employees:	3,759
Stock Listing:	Tokyo
Authorized Common Stock:	796,104,000
Shares Issued and Outstanding:	385,535,116
Number of Shareholders:	71,161

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	98.94	Manufacturing and sale of confectionery and other foods
TAIYO SHOKUHIN CO., LTD.	80	100.00	Manufacturing and sale of foods
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 AQA SPORTS, Ltd.	100	—*1	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)	16,965	4.40
The Dai-ichi Mutual Life Insurance Company	16,163	4.19
Nippon Life Insurance Company	14,707	3.81
Fukoku Mutual Life Insurance Company	10,001	2.59
Japan Trustee Services Bank, Ltd. (Trust account)	9,438	2.45
Meiji Dairies Corporation	7,249	1.88
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,804	1.77
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,512	1.69
Asahi Mutual Life Insurance Company	6,386	1.66
Total	113,154	29.35%

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
Facsimile: 1-717-854-2387

Laguna Cookie Company, Inc.
4041 West Garry Ave., Santa Ana, CA 92704, U.S.A.
Telephone: 1-714-546-6855
Facsimile: 1-714-556-2491

Mecor, Inc.
600 Corporate Circle, Suite H, Golden, CO 80401, U.S.A.
Telephone: 1-303-216-2489
Facsimile: 1-303-216-2477

Comércio e Indústria Uníquimica Ltda.
Av. Casa Grande, 574 Bairro Casa Grande, Diadema, CEP 09961-350, São Paulo, Brasil
Telephone: 55-11-4066-6277
Facsimile: 55-11-4066-6359

[EUROPE]

Meiji Seika Kaisha, Ltd., London Office
Salisbury House, Finsbury Circus, London EC2M 5QQ, England
Telephone: 44-20-7638-2283
Facsimile: 44-20-7638-0460

Béghin Meiji
Rue du Petit Versailles BP 08 F 59239 Thumeries, France
Telephone: 33-3-20-90-40-41
Facsimile: 33-3-20-90-40-49

Meiji Seika Europe B.V.
Atrium, Strawinskylaan 3105, 1077 ZX Amsterdam, Netherlands
Telephone: 31-20-646-59-56
Facsimile: 31-20-642-76-75

Tedec-Meiji Farma S.A.
Carretera M-300, Km 30,500, 28802 Alcala de Henares, Madrid, Spain
Telephone: 34-91-887-09-80
Facsimile: 34-91-883-70-23

Mabo Farma S.A.
Carretera M-300, Km 30,500, 28802 Alcala de Henares, Madrid, Spain
Telephone: 34-91-887-09-80
Facsimile: 34-91-883-70-23

[ASIA]

Meiji Seika Kaisha, Ltd., Singapore Office
Meiji Seika Kaisha (Singapore) Pte. Ltd.
36 Quality Road, Jurong Town, 618806, Singapore
Telephone: 65-6265-2411
Facsimile: 65-6265-2834

P.T. Meiji Indonesian Pharmaceutical Industries
(Office)
Jl. Tanah Abang II, No. 4 Jakarta 10160, P.O. Box 3611 Jakarta 10036, Indonesia
Telephone: 62-21-384-5584
Facsimile: 62-21-345-7650
(Factory)
Jl. Mojoparon 1, Bangi 167153, Pasuruan, Jawa Timur, Indonesia
Telephone: 62-343-741102
Facsimile: 62-343-741103

P.T. Ceres Meiji Indotama
Jl. Maligi III, Lot J-2B, KIIC Karawang 41361, Indonesia
Telephone: 62-21-891-09777
Facsimile: 62-21-891-09779

Thai Meiji Pharmaceutical Co., Ltd.
(Office)
8th Floor, Regent House, 183 Rajdamri Road, Lumpinee, Pathumwan, Bangkok 10330, Thailand
Telephone: 66-2-251-1570
Facsimile: 66-2-651-9063
(Factory)
64 Moo 4, Ladkrabang Industrial Estate, Chalongkrung Road, Lamplatiew, Ladkrabang, Bangkok 10520, Thailand
Telephone: 66-2-326-0750–0754
Facsimile: 66-2-326-0958

Guangzhou Meiji Confectionery Co., Ltd.
1st Floor A-7 Building, Bei Wei Industrial One Zone, Guangzhou Economic & Technological Development Zone, Guangzhou, China
Telephone: 86-20-8221-4446
Facsimile: 86-20-8221-4445

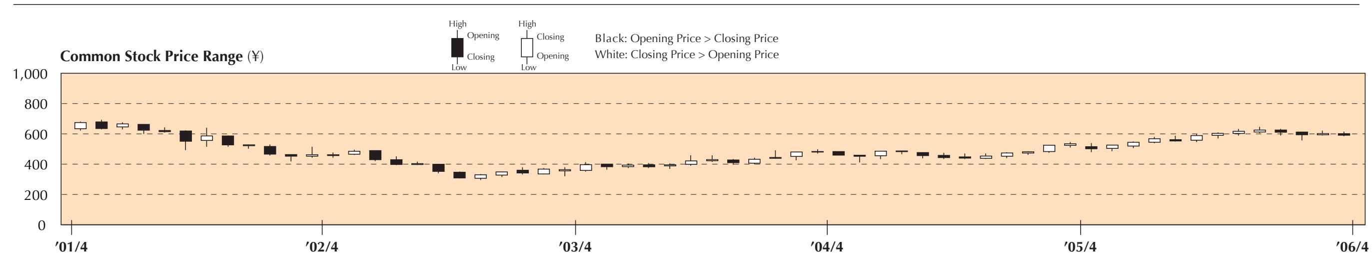
Shantou Meiji Pharmaceuticals Co., Ltd.
West 3/F, Block 9, Da Bei Shan Er Lu, Longhu Industrial District, Shantou S.E.Z., Guangdong, China
Telephone: 86-754-8805172
Facsimile: 86-754-8805220

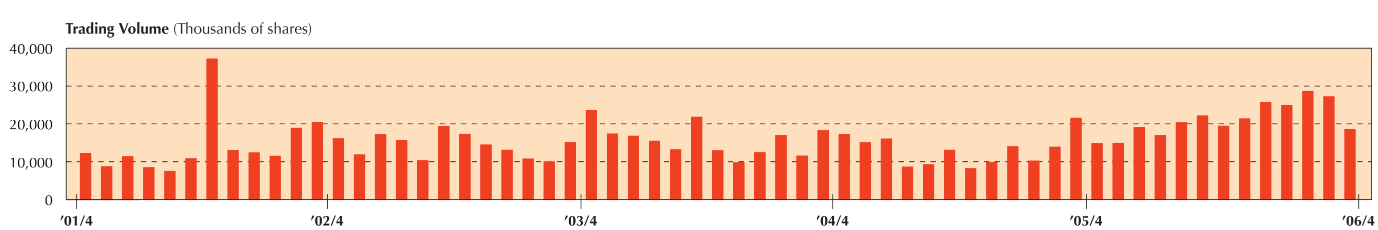
Meiji Lukang Pharmaceutical Co., Ltd.
8 East Ringroad, Jining High-Tech Development Zone, Shandong, China
Telephone: 86-537-2386006
Facsimile: 86-537-2486003

Meiji Seika (Shanghai) Co., Ltd.
Room No. 2501, Shanghai International Trade Center, 2201, Yan An West Road, Shanghai, China
Telephone: 86-21-6219-3360
Facsimile: 86-21-6219-9136

Meiji Seika Kaisha, Ltd., Beijing Office
Room 303, Tower B, Winterless Center Property Management Office, No. 1 West Dawanglu Road, Chaoyang District, Beijing 100026, China
Telephone: 86-10-6538-8196
Facsimile: 86-10-6538-8199

Stock Price Range and Trading Volume





MEIJI SEIKA KAISHA, LTD.

4-16, Kyobashi 2-chome, Chuo-ku,
Tokyo 104-8002, Japan
Telephone: 81-3-3272-6511
Facsimile: 81-3-3271-3528

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