Open! Meiji

Consolidated Financial Information 2007

Fiscal year ended March 31, 2007

Contents

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, 2007, the Meiji Seika Group encompassed Meiji Seika Kaisha, Ltd. (Meiji Seika), 23 consolidated subsidiaries and 2 affiliates accounted for by 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 healthcare business. The 10 overseas subsidiaries include 5 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, 2007, the moderate rebound of the Japanese economy continued as companies reported strong earnings and consumer spending improved. However, the outlook remains uncertain because of the significant impact of the higher cost of crude oil and other raw materials.

Under these circumstances, the Meiji Seika Group marked the start of "DASH! 08," a new medium-term business plan ending on March 31, 2009, and took aggressive actions to achieve the plan's goals. Main initiatives included creating new product categories in the confectionery business and making strategic investments in the key fields of healthcare, overseas operations and generic drugs.

Due to these actions, consolidated net sales increased 3.0% year-on-year to ¥393,853 million, the second consecutive year of growth. Earnings reflected the negative effects of rising prices of raw materials and April 2006 NHI drug price revisions in Japan. Operating income was down 23.6% year-on-year to ¥12,584 million and net income declined 36.9% to ¥5,480 million. Both earnings figures were generally in line with the initial plan for the fiscal year.

Review of Operations by Segment

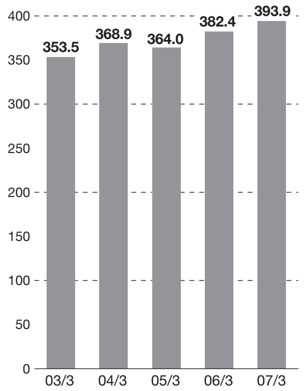
Food & Healthcare Company

Consumption of confectioneries in Japan was basically flat, as the nation's total demand for food products has peaked. In the healthcare sector, total industry sales fell significantly mainly because there were no major new ingredients for health food products.

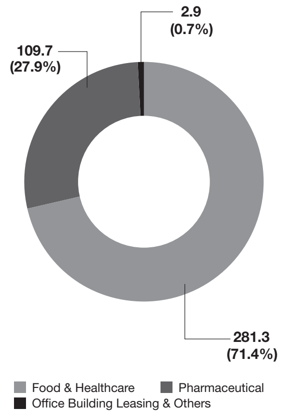
In this environment, the Meiji Seika Group took many actions aimed at increasing sales. One goal was developing new products that target emerging customer wants and are clearly superior to competing products. The Group also conducted strategic marketing activities for individual brands. Other themes of the year were developing markets for products sold to adults, such as high cacao content chocolate products, and further expanding the market for collagen products.

In the core confectionery business, sales growth was paced generally favorable by big increases in sales of chocolate and chewing gum. In the chocolate category, Meiji Seika's success at developing the market for adult products sparked significant sales growth. As the Japanese public becomes more interested in staying healthy, CHOCOLATE KOUKA drove growth in demand for high cacao content products. In response, Meiji Seika expanded its lineup of chocolate products for adults, such as introducing CHOCOLIFE, which is based on the concept of enjoying a delicious premium chocolate in small quantities. In addition, sales of the flagship MILK CHOCOLATE were also strong due to increased demand for hand-made chocolate, especially for Valentine's Day. In the chewing gum category, sales of XYLISH benefited from an advertising campaign using the Internet and from higher sales of gum sold in bottle-like containers. Meiji Seika continued to work on promoting PLUS F, which

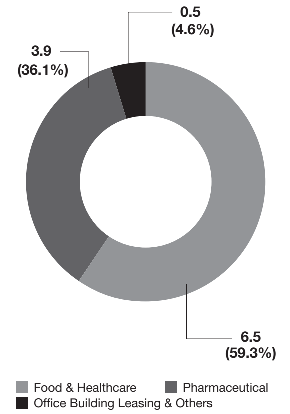
Net Sales (¥ Billions)



Net Sales by Segment (¥ Billions)
(Fiscal year ended March 31, 2007)



Operating Income by Segment (¥ Billions)
(Fiscal year ended March 31, 2007)



incorporates green tea fluorine and is certified as food for a specified health use. In the candy category, sales were strong primarily due to the popularity of KAJU GUMI and PUPURUN, which is sold as a "chewable collagen." In the snack category, sales of KARL products were lower but there was a big increase in sales of Hokkaido Potato products. Snack sales further benefited from a sharp increase in sales of PRINGLES potato chips because of new product introductions and greater exposure at stores.

To achieve steady growth in the healthcare business, the Meiji Seika Group enlarged its lineups in each category by launching revolutionary new products. There were also high-profile sales activities that leveraged the unique features of each product. Backed by TV commercials and more sales promotion activities, AMINO COLLAGEN posted large rise in sales. As a result, this product captured the leading share of the market for collagen-based drink, a collagen market sector that is currently in the spotlight. In a step to raise public awareness of SAVAS, Meiji Seika signed a top partnership contract with the Urawa Red Diamonds professional soccer team. To extend the appeal of SAVAS to more consumer segments, Meiji Seika introduced SAVAS PROTEIN AQUA. This beverage can be consumed like a sports drink, making SAVAS even easier to enjoy. Together, these actions produced significant growth in SAVAS sales. In the cassis category, Meiji Seika worked on expanding this market by making more people aware of the benefits of consuming products using cassis berries. Meiji Seika started promoting use of the new GF2 sweetener, which is not absorbed into blood as a sugar, began e-commerce business of GF2 POWDER and, in March 2007, introduced GF2 COCOA and other products that incorporate this sweetener. The Company is now making steady efforts to foster the popularity of GF2. In the cocoa category, sales were lower as higher sales of THEOBRO, a premium cocoa drink launched to reinforce the brand strategy, were insufficient to offset the impact of a warm winter on sales of MILK COCOA, the key product in this category.

In the OTC drug category, despite efforts of TV commercials and sales promotion activities in stores, sales of ISODINE GARGLE declined because of intense competition.

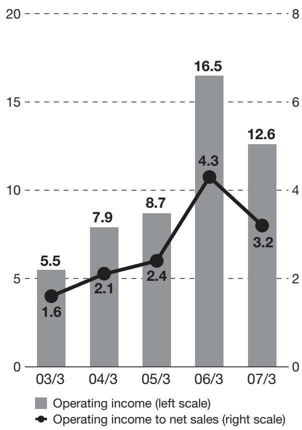
At domestic consolidated subsidiaries, MEIJI FOOD MATERIA CO., LTD. reported sales growth because of the higher sales price of sugar, its main product. MEIJI SPORTS PLAZA, Ltd. raises sales as membership continued to climb at SAVAS SPORTS CLUB DELTA (Osaka), a facility that aims to fuse "nutrition and exercise."

At overseas consolidated subsidiaries, Meiji Seika (Singapore) Pte. Ltd. achieved substantial sales growth. One reason was steady growth in sales of two major products, YAN YAN and HELLO PANDA, in Singapore and neighboring countries. Starting the manufacture and sale of PUCCA also contributed to this company's strong performance. In the United States, D.F. Stauffer Biscuit Co., Inc. recorded increased sales because of growth in sales to Wal-Mart and other major retailers and a large OEM contract.

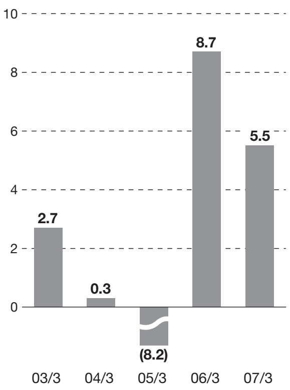
In the overseas business, there was a substantial increase in sales, mainly of chocolate products, in South Korea, Taiwan, the Philippines and other countries due to greater emphasis on measures to sell products at convenience stores. In addition, we reviewed export prices and took many actions aimed at increasing sales of products in the healthcare category, chiefly AMINO COLLAGEN. Due to these activities, exports made a big contribution to overseas business sales. Import sales declined despite higher sales of Bruyerre chocolates, high-end Valentine's Day products, resulting from the larger number of stores selling these products.

In the institutional foods products business, sales for chocolate and cocoa products were much higher than in the previous fiscal year. Meiji Seika offered customers ideas for chocolate and cocoa products that accurately target trends in food products for adults, such as the boom in demand for high cacao content products. Sales of fruit juices and fruit products, frozen vegetables, meat products and foodservice curry were also favorable because of extensive sales activities.

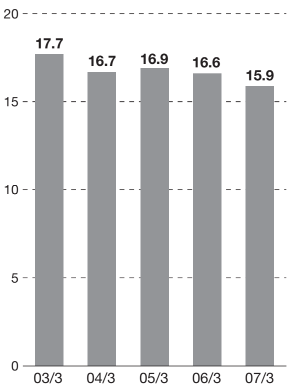
Operating Income and Operating Income to Net Sales (¥ Billions / %)



Net Income (Loss) (¥ Billions)



R&D Costs (¥ Billions)



Due to these factors, net sales in the Food and Healthcare Company increased 6.4% from the previous fiscal year to an all-time high of ¥281,272 million, but operating income was down 34.1% to ¥6,488 million.

Pharmaceutical Company

Sales of Key Pharmaceutical Products (¥ Billions)

	2007	2006
MEIACT	**19.0**	20.7
(Export sales)	**1.6**	1.7
FOSMICIN	**5.8**	6.3
HABEKACIN	**4.0**	5.5
OMEGACIN	**2.7**	3.2
SWORD	**1.5**	1.9
ISODINE	**5.0**	6.1
DEPROMEL	**10.0**	9.1
EBASTEL	**3.2**	3.7
MEILAX	**4.3**	4.5
GE	**5.7**	4.6

Market conditions remained challenging for the Pharmaceutical Company. The Japanese government continues to take actions aimed at holding down the cost of healthcare, including an average reduction of 6.7% in drug prices in April 2006. Increasingly fierce competition to develop new drugs, which is raising research and development costs, poses another challenge. In addition, the Pharmaceutical Company had to deal with adversity in markets for agricultural chemicals and veterinary drugs. Competition among manufacturers became more intense and there was a further tightening of government restrictions and guidance, including adoption of the Positive List System for agricultural chemical residues in food.

Regarding ethical pharmaceuticals, the April 2006 NHI drug price revisions and a contraction in the market for this category's core anti-infectives caused sales to decline. But the dissemination of scientific information enabled MEIACT to increase its market share even as total demand for anti-infectives declined. Sales of the central nervous system drug DEPROMEL posted strong growth and sales of the anti-anxiety drug MEILAX were about the same as in the previous fiscal year. In the generic drug category, sales were much higher. One reason was strong sales of VANCOMYCIN MEEK and VICCLOX, two established products. The start of sales of TULOBUTEROL TAPE HMT and five other new products in July 2006 also contributed to the strong performance of this category.

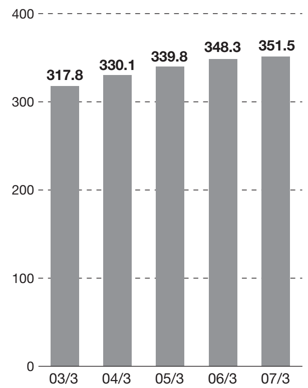
In agricultural chemicals, sales increased along with growth in sales of the fungicide ORYZEMATE, a core product in this category. In November 2006, Meiji Seika applied for approval to sell herbicide called ZAXA to begin sales as soon as possible. In veterinary drugs, sales were about the same as in the previous fiscal year even though sales of livestock drugs declined. Growth was due to much higher sales of companion animal drugs, a category where Meiji Seika aims to raise its market share, which was driven by the launch of PANAMECTIN CHEWABLE P, an anti-parasitic agent for dogs.

At domestic consolidated subsidiaries, sales at Kitasato Pharmaceutical Industry Co., Ltd. fell sharply. The downturn was attributable to soft demand for measles and rubella vaccines because of an amendment to Japan's Preventive Vaccination Law and to weak sales of influenza vaccines, a major component of sales at this company.

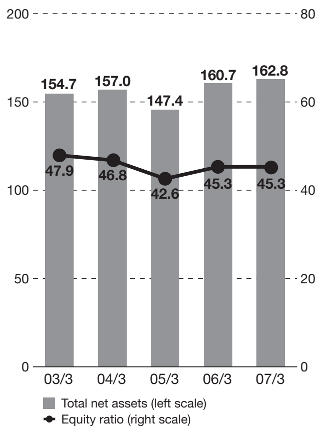
At overseas consolidated subsidiaries, there was substantial growth in sales in Southeast Asia at P.T. Meiji Indonesian Pharmaceutical Industries and Thai Meiji Pharmaceutical Co., Ltd. because of successful sales promotion activities for MEIACT and COLISTIN, an animal feed additive. In Spain, Tedec-Meiji Farma S.A. reported higher sales as the company reinforced sales activities within Spain, mainly for MEIACT. Collectively, overseas consolidated subsidiaries in the Pharmaceutical Company set new records for sales and earnings.

In the overseas business, sales were largely unchanged from the previous fiscal year. Although there were declines in sales of two main products, MEIACT and COLISTIN, there was growth in sales of

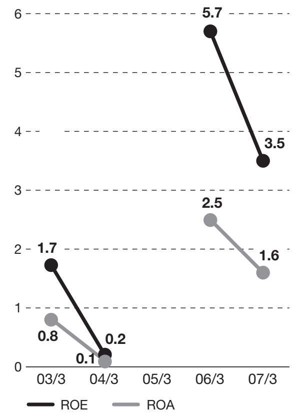
Total Assets (¥ Billions)



Total Net Assets 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.*

DOXORUBICIN, anti-malignant tumors, MEISERIN, an anti-bacterial drug, Vitamin B12 and other products.

Although the Meiji Seika Group conducted aggressive sales activities that targeted primarily major products of the Pharmaceutical Company, net sales decreased 5.0% to ¥109,668 million and operating income was down 40.3% to ¥3,942 million.

Office Building Leasing & Others

Demand for space in large office buildings in the Tokyo metropolitan area improved significantly as land prices moved up and earnings at Japanese companies rebounded. Due to this environment, there was a large increase in the occupancy rate at the Solid Square office building, the primary property in this segment, as new tenants moved in and current tenants leased more space. Higher lease rates further contributed to sales and earnings in this segment.

The result was 10.7% growth in net sales to ¥2,912 million and a 218.1% increase in operating income to ¥500 million.

Analysis of Income Statement

For the fiscal year ended March 31, 2007, net sales increased 3.0% to ¥393,853 million. Gross profit increased 2.1% to ¥172,910 million because of an increase of 0.4 percentage points to 56.1% in the ratio of cost of sales to net sales.

Selling, general and administrative (SG&A) expenses increased 4.9% to ¥160,326 million mainly because of growth in sales promotion expenses. The ratio of SG&A expenses to net sales increased 0.7 percentage points to 40.7%. Research and development costs, which are included in general and administrative expenses and manufacturing expenses, decreased 3.9% to ¥15,926 million. This decline was caused mainly by measures to raise the efficiency of R&D activities in the Pharmaceutical Company.

Due to these items, operating income decreased 23.6% to ¥12,584 million and the ratio of operating income to net sales declined 1.1 percentage points to 3.2%.

Net other income increased ¥344 million to ¥43 million mainly because of a ¥436 million increase in interest and dividend income. The interest coverage ratio, which is net cash provided by operating activities divided by interest expenses, was 12.9 times.

Extraordinary items resulted in a net loss of ¥1,520 million compared with a net gain of ¥261 million in the previous fiscal year. The difference is mainly attributable to an extraordinary loss incurred for the loss on disposal of property, plant and equipment of ¥1,728 million resulting from the removal of aging facilities.

As a result of the above items, income before income taxes declined 32.4% to ¥11,108 million, and net income decreased 36.9% to ¥5,480 million. Net income per share was ¥14.39, ¥8.02 less than in the previous fiscal year.

Analysis of Financial Position

As of March 31, 2007, total assets were ¥351,514 million, an increase of ¥3,233 million, or 0.9%, compared with the previous fiscal year-end. This was mainly due to a decrease of ¥836 million, or 0.5%, in total current assets and an increase of ¥4,069 million, or 2.1%, in total fixed assets, which includes a ¥1,867 million increase in investment securities.

Total liabilities increased ¥1,128 million, or 0.6%, to ¥188,750 million. There was a ¥27,394 million decline in total long-term liabilities resulting primarily from the transfer of corporate bonds totaling ¥20 billion to the current portion of bonds less than one year and a decrease in employees' retirement benefits. Total current liabilities increased ¥28,522 million mainly because of the transfer of bonds from long-term liabilities and an increase in notes and accounts payable.

Net assets amounted to ¥162,763 million mainly due to an increase in retained earnings. As a result, net assets per share increased ¥6.09 to ¥419.62, the return on average total shareholders' equity (ROE) was 3.5%, and the equity ratio was the same level as at the previous fiscal year-end at 45.3%.

Analysis of Cash Flows

Net cash provided by operating activities decreased ¥2,195 million from the previous year to ¥17,318 million mainly due to a decrease in income before income taxes caused mainly by reduction in drug cost and higher cost of raw materials.

Net cash used in investing activities decreased ¥435 million to ¥18,387 million mainly because of a decline in purchases of property, plant and equipment.

Net cash used in financing activities decreased ¥1,549 million to ¥3,138 million mainly because of a commemorative dividend.

The net result was a decrease of ¥4,242 million in cash and cash equivalents to ¥14,513 million as of March 31, 2007.

Outlook for the Year Ending March 31, 2008

As the second year of the "DASH! 08," medium-term business plan, the fiscal year ending March 31, 2008 is an important period for the Meiji Seika Group. To reach the goals of this business plan, the Group is executing growth strategies aimed at creating new sources of demand and conducting business activities with emphasis on earnings by maintaining the proper balance between offensive and defensive stances. In the Food & Healthcare Company, one goal is further increasing market share in the chocolate and chewing gum categories. Following up on the successful development of the market for adult products, Meiji Seika is now working on developing innovative new products that can create other new markets. Other goals include reinforcing major brands based on the theme of "good health" and enlarging the lineup of products that feature new ingredients and functions. Plans also include growth of e-commerce business and other new initiatives aimed at expanding the scale of operations. The Pharmaceutical Company is focusing on several goals: achieve further market share gains in the core anti-infectives category; upgrade sales capabilities for anti-depressant drugs, a market sector that continues to grow, such as by adding medical representatives (MRs) assigned exclusively to selling these drugs; speed up the development of new drugs; and build a sound base for the generic drug business.

For the fiscal year ending March 31, 2008, Meiji Seika is forecasting a 4.1% increase in net sales to ¥410,000 million, an 11.3% increase in operating income to ¥14,000 million and a 9.5% increase in net income to ¥6,000 million.

By business segment, Meiji Seika is forecasting a 5.2% increase in sales to ¥296,000 million and a 15.6% increase in operating income to ¥7,500 million in the Food & Healthcare Company; a 1.2% increase in sales to ¥111,000 million and a 26.8% increase in operating income to ¥5,000 million in the Pharmaceutical Company; and a 3.0% increase in sales to ¥3,000 million and no change in operating income at ¥500 million in the Office Building Leasing & Others segment. The operating income forecast for the fiscal year includes ¥1,000 million in earnings from "eliminations or corporate" that cannot be assigned to business segments.

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, 2007, 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.

The Group's pharmaceutical business relies on specific companies for the supply of certain products and raw ingredients. The Group may not be able to locate alternative suppliers for some of these items. Consequently, a delay or a suspension in the Group's manufacturing or procurement activities caused by a problem at one or more these companies may affect the Group's business results and financial position.

(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 healthcare business and its pharmaceuticals business, the Meiji Seika Group assures strict compliance with relevant laws and regulations, enhances quality and 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 healthcare 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 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 Major Earthquake or Fire or a Serious Outbreak of an Infectious Disease

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.

A global outbreak of a new type of influenza or other infectious disease could cause an emergency resulting from the absence of many employees, limitations on the movement of people, products and raw materials, and other problems. If these events cause an interruption or suspension in manufacturing and distribution activities, there may be an impact on the Group's business results and financial position.

(11) Information Systems

The Meiji Seika Group stores personal information concerning a large number of customers in order to conduct sales promotion campaigns, catalog sales and other activities. The Group conducts training programs for all employees and has suitable security measures for information management, including information systems, for the purpose of preventing the loss, mistaken use or alteration of this important data. However, a power outage, fire, software or hardware defect, computer virus, unauthorized access or other unexpected event may cause shutdown and temporary confusion of the information system and lost, leaked and altered of internal data, including customer information. If any of these events occur, the resulting loss of public confidence may affect the Group's business results and financial position.

(12) Outsourcing Activities

The Meiji Seika Group outsources some of its manufacturing activities to companies outside the Group. The inability to receive products from one or more of these outsourcing companies due to a shutdown of operations for whatever reason may affect the 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, 2007, 2006 and 2005

	Millions of Japanese yen			Thousands of U.S. dollars
ASSETS	**2007**	2006	2005	**2007**
Current Assets:				
Cash and time deposits (Note 9)	**¥ 14,773**	¥ 18,980	¥ 23,357	**$ 125,143**
Receivables:				
Notes and accounts	**83,451**	77,296	76,050	**706,918**
Unconsolidated subsidiaries and affiliates	**913**	1,223	315	**7,740**
Inventories	**43,180**	43,752	44,897	**365,783**
Prepaid and other current assets	**4,272**	5,427	8,867	**36,194**
Other current assets in unconsolidated subsidiaries and affiliates	**1,025**	877	1,169	**8,686**
Deferred tax assets (current) (Note 6)	**4,862**	5,765	5,694	**41,187**
Allowance for doubtful receivables	**(22)**	(28)	(95)	**(191)**
Total current assets	**152,457**	153,293	160,255	**1,291,462**
Fixed Assets:				
Property, Plant and Equipment (Note 5):				
Land	**24,089**	23,968	24,965	**204,064**
Buildings and structures	**149,315**	148,322	146,848	**1,264,852**
Machinery and equipment	**181,155**	180,251	176,534	**1,534,563**
Construction in progress	**4,415**	1,658	1,008	**37,407**
Less accumulated depreciation	**(221,935)**	(217,436)	(209,450)	**(1,880,010)**
Total property, plant and equipment (net)	**137,041**	136,764	139,906	**1,160,877**
Investments and Other Non-Current Assets:				
Investment securities (Notes 3 and 5)	**45,392**	43,525	29,570	**384,517**
Investments in and advances to unconsolidated subsidiaries and affiliates	**1,545**	1,538	1,589	**13,090**
Long-term loans	**1**	2	4	**11**
Deferred tax assets (non-current) (Note 6)	**291**	284	240	**2,466**
Other investments and advances	**8,711**	7,543	4,988	**73,792**
Allowance for doubtful accounts	**(1,186)**	(943)	(965)	**(10,053)**
Total investments and other non-current assets	**54,754**	51,951	35,428	**463,824**
Intangible Fixed Assets	**7,260**	6,271	4,257	**61,507**
Total fixed assets	**199,057**	194,988	179,592	**1,686,209**
Total assets	**¥351,514**	¥348,281	¥339,848	**$2,977,672**

See notes to consolidated financial statements.

	Millions of Japanese yen			Thousands of U.S. dollars
LIABILITIES AND NET ASSETS	**2007**	2006	2005	**2007**
Current Liabilities:				
Short-term bank loans (Notes 4 and 5)	**¥ 21,297**	¥ 23,511	¥ 17,223	**$ 180,408**
Current portions of long-term bonds payable within one year	**20,000**	—	—	**169,419**
Commercial paper	**4,500**	—	—	**38,119**
Payables:				
Notes and accounts	**32,722**	25,219	24,555	**277,189**
Unconsolidated subsidiaries and affiliates	**2,299**	2,207	2,231	**19,477**
Accrued expenses	**17,692**	16,999	16,770	**149,875**
Accrued income taxes	**1,834**	4,170	3,514	**15,542**
Other current liabilities	**15,152**	14,868	20,585	**128,356**
Total current liabilities	**115,498**	86,976	84,880	**978,389**
Long-Term Liabilities:				
Long-term debt (Notes 4 and 5)	**37,130**	57,485	64,118	**314,530**
Employees' retirement benefits (Note 8)	**16,504**	24,765	32,451	**139,813**
Deferred tax liabilities (non-current) (Note 6)	**15,810**	13,642	6,238	**133,930**
Other long-term liabilities	**3,805**	4,752	4,714	**32,238**
Total long-term liabilities	**73,251**	100,645	107,522	**620,513**
Total liabilities	**188,750**	187,622	192,403	**1,598,903**
Contingent Liabilities (Note 12)				
Net Assets				
Shareholders' Equity:				
Common stock:				
Authorized—796,104,000 shares in 2007, 2006 and 2005				
Issued —385,535,116 shares in 2007, 2006 and 2005	**28,363**	28,363	28,363	**240,267**
Capital surplus	**34,949**	34,948	34,946	**296,052**
Retained earnings	**81,173**	79,595	73,611	**687,617**
Treasury stock—6,364,967 shares in 2007 4,267,324 shares in 2006 2,173,904 shares in 2005	**(3,485)**	(2,233)	(977)	**(29,529)**
Valuation and Translation Adjustments				
Difference in valuation of other securities	**17,245**	17,730	10,407	**146,087**
Deferred gains or losses on hedges	**816**	—	—	**6,919**
Foreign currency translation adjustments	**44**	(642)	(1,514)	**378**
Minority Interests	**3,656**	2,897	2,607	**30,974**
Total net assets	**162,763**	160,659	147,445	**1,378,768**
Total liabilities and net assets	**¥351,514**	¥348,281	¥339,848	**$2,977,672**

Consolidated Statements of Income

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of Japanese yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Net Sales	**¥393,853**	¥382,429	¥364,018	**$3,336,327**
Cost of Sales	**220,942**	213,069	206,231	**1,871,602**
Gross profit	**172,910**	169,360	157,786	**1,464,724**
Selling, General and Administrative Expenses (Note 10)	**160,326**	152,899	149,069	**1,358,125**
Operating income	**12,584**	16,460	8,717	**106,599**
Other Income and Expenses:				
Interest and dividend income	**943**	507	458	**7,996**
Other income	**1,878**	1,632	1,908	**15,912**
Interest expenses	**(1,313)**	(1,283)	(1,227)	**(11,123)**
Other expenses	**(1,465)**	(1,157)	(1,354)	**(12,415)**
Extraordinary Income (Note 11)	**1,290**	1,570	2,946	**10,935**
Extraordinary Losses (Note 11)	**2,810**	1,309	23,779	**23,804**
Income (Loss) before Income Taxes	**11,108**	16,422	(12,330)	**94,099**
Income Taxes:				
Current	**2,324**	5,105	3,728	**19,690**
Deferred	**2,832**	2,062	(8,283)	**23,997**
	5,157	7,168	(4,555)	**43,688**
Minority Interests	**(470)**	(575)	(464)	**(3,989)**
Net Income (Loss)	**¥ 5,480**	¥ 8,678	¥ (8,240)	**$ 46,421**
Per Share Data (in yen and U.S. dollars):				
Net income	**¥ 14.39**	¥ 22.41	¥ (21.53)	**$ 0.12**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Number of shares of common stock (thousands)	Millions of Japanese yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock	Difference in valuation of other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2004	385,535	¥28,363	¥34,935	¥84,575	¥(1,103)	¥ 9,133	¥ —	¥(1,355)	¥2,441	¥156,990
Net income				(8,240)						(8,240)
Cash dividends				(2,681)						(2,681)
Directors' bonuses				(42)						(42)
Acquisition of treasury stock					(80)					(80)
Disposal of treasury stock			11		206					217
Other						1,274		(158)	165	1,281
Balance at March 31, 2005	385,535	28,363	34,946	73,611	(977)	10,407	—	(1,514)	2,607	147,445
Net income				8,678						8,678
Cash dividends				(2,683)						(2,683)
Directors' bonuses				(11)						(11)
Acquisition of treasury stock					(1,262)					(1,262)
Disposal of treasury stock			1		7					8
Other						7,323		872	289	8,483
Balance at March 31, 2006	385,535	28,363	34,948	79,595	(2,233)	17,730	—	(642)	2,897	160,659
Net income				**5,480**						**5,480**
Increase in earnings from the addition of consolidated subsidiaries				**1**						**1**
Cash dividends				**(3,812)**						**(3,812)**
Directors' bonuses				**(91)**						**(91)**
Acquisition of treasury stock					**(1,265)**					**(1,265)**
Disposal of treasury stock			**0**		**13**					**13**
Other						**(484)**	**816**	**687**	**759**	**1,778**
Balance at March 31, 2007	**385,535**	**¥28,363**	**¥34,949**	**¥81,173**	**¥(3,485)**	**¥17,245**	**¥ 816**	**¥ 44**	**¥3,656**	**¥162,763**

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Difference in valuation of other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	$240,267	$296,045	$674,253	$(18,919)	$150,195	$ —	$(5,442)	$24,542	$1,360,942
Net income			**46,421**						**46,421**
Increase in earnings from the addition of consolidated subsidiaries			**15**						**15**
Cash dividends			**(32,295)**						**(32,295)**
Directors' bonuses			**(777)**						**(777)**
Acquisition of treasury stock				**(10,720)**					**(10,720)**
Disposal of treasury stock		**7**		**111**					**118**
Other					**(4,107)**	**6,919**	**5,821**	**6,431**	**15,064**
Balance at March 31, 2007	**$240,267**	**$296,052**	**$687,617**	**$(29,529)**	**$146,087**	**$6,919**	**$ 378**	**$30,974**	**$1,378,768**

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, 2007, 2006 and 2005

	Millions of Japanese yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Cash Flows from Operating Activities:				
Income (loss) before income taxes	**¥11,108**	¥16,422	¥(12,330)	**$ 94,099**
Depreciation and amortization	**14,655**	14,976	14,750	**124,143**
Amortization of consolidation adjustments	**—**	302	144	**—**
Amortization of goodwill	**528**	—	—	**4,478**
Loss on disposal of property, plant and equipment	**1,619**	865	1,659	**13,714**
Loss on valuation of investment securities	**466**	15	293	**3,953**
Increase (decrease) in allowance for doubtful accounts	**236**	(93)	17	**2,006**
Increase (decrease) in employee retirement allowance	**(8,273)**	(7,664)	14,496	**(70,083)**
Interest and dividends received	**(943)**	(507)	(458)	**(7,996)**
Interest expenses	**1,313**	1,283	1,227	**11,123**
Equity in loss (income) of equity-method affiliates	**(112)**	(131)	(108)	**(951)**
Gain (loss) on sale of property, plant and equipment	**(176)**	(1,144)	(2,532)	**(1,497)**
Gain (loss) on sale of investment securities	**(722)**	(11)	(119)	**(6,120)**
Decrease (increase) in trade receivables	**(5,461)**	(2,204)	(2,336)	**(46,263)**
Decrease (increase) in inventories	**956**	1,170	6,300	**8,099**
Increase (decrease) in trade payables	**8,248**	1,547	(1,422)	**69,873**
Directors' bonuses paid	**(93)**	(13)	(45)	**(790)**
Other	**(1,138)**	(133)	2,512	**(9,644)**
Subtotal	**22,210**	24,678	22,051	**188,146**
Interest and dividends received	**1,079**	640	552	**9,147**
Interest paid	**(1,339)**	(1,278)	(1,243)	**(11,343)**
Income taxes paid	**(4,632)**	(4,526)	(4,629)	**(39,244)**
Net cash provided by operating activities	**17,318**	19,513	16,731	**146,705**
Cash Flows from Investing Activities:				
Payments for time deposits	**(982)**	(216)	(988)	**(8,321)**
Proceeds from withdrawal of time deposits	**962**	688	886	**8,150**
Payments for purchases of investment securities	**(2,804)**	(2,363)	(412)	**(23,755)**
Proceeds from sales of investment securities	**803**	646	333	**6,809**
Payments for purchases of property, plant and equipment	**(13,220)**	(15,000)	(18,911)	**(111,993)**
Proceeds from sales of property, plant and equipment	**885**	1,623	3,797	**7,503**
Payments for purchases of shares in affiliates related to change in the scope of consolidation	**—**	(898)	—	**—**
Proceeds from sales of shares in affiliates related to change in the scope of consolidation	**—**	727	—	**—**
Other	**(4,031)**	(4,029)	(1,477)	**(34,152)**
Net cash used in investing activities	**(18,387)**	(18,822)	(16,772)	**(155,759)**
Cash Flows from Financing Activities:				
Decrease (increase) in short-term borrowings	**(1,065)**	3,552	(1,550)	**(9,026)**
Increase (decrease) in commercial paper	**4,500**	—	(4,000)	**38,119**
Proceeds from long-term borrowings	**6,170**	1,441	7,226	**52,265**
Repayment of long-term borrowings	**(7,849)**	(5,552)	(6,884)	**(66,490)**
Proceeds from bond issuance	**—**	—	20,000	**—**
Proceeds from capital contribution from minority shareholders	**285**	—	—	**2,417**
Dividends paid	**(3,812)**	(2,683)	(2,681)	**(32,295)**
Other	**(1,366)**	(1,445)	(132)	**(11,572)**
Net cash provided by (used in) financing activities	**(3,138)**	(4,687)	11,977	**(26,582)**
Translation Adjustment on Cash and Cash Equivalents	**(37)**	105	21	**(320)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,244)**	(3,890)	11,957	**(35,957)**
Cash and Cash Equivalents at Beginning of Year	**18,755**	22,646	10,688	**158,878**
Increase (Decrease) in Cash and Cash Equivalents due to the Change in the Number of Consolidated Subsidiaries	**2**	—	—	**22**
Cash and Cash Equivalents at End of Year	**¥14,513**	¥18,755	¥22,646	**$122,943**

See notes to consolidated financial statements.

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 ¥118.05 to $1 in effect at March 31, 2007. Amounts less than ¥1 million have been omitted. The total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Consolidation policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (the "Companies"), over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has ability to exercise significant influences over operating and financial policies of the investees, are accounted for on the equity method. The consolidated financial statements consist of the Company and its 23 (21 in 2006) 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 2 (1 in 2006) 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 net asset, 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.

(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 (¥195 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) Accounting standard for presentation of net assets in the balance sheet

Effective from the fiscal year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8) both issued by the Accounting Standards Board of Japan on December 9, 2005 (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders' equity sections.

The net assets section comprises three subsections, which are shareholders' equity, valuation and translation adjustments and minority interests, as applicable.

The net assets section includes items which were not included in the previously presented shareholders' equity section. The valuation and translation adjustments section includes unrealized gains or losses on hedges, net of taxes. Prior to the fiscal year ended March 31, 2006, unrealized gains or losses on hedges were included in assets or liabilities and related income tax effects were not considered.

Minority interests were presented between long-term liabilities and the previously presented shareholders' equity.

The previously presented shareholders' equity and certain other balance sheet items as of March 31, 2006 and 2005 have been restated to conform to the 2007 presentation. As a result, minority interests amounting to ¥2,897 million are included in the net assets section as of March 31, 2006 (¥2,607 million as of March 31, 2005).

(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 net assets 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, 2007 and 2006 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2007	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs						
Stocks	**¥13,509**	**¥42,842**	**¥29,333**	**$114,435**	**$362,915**	**$248,480**
Others	**41**	**64**	**23**	**347**	**545**	**197**
Subtotal	**¥13,550**	**¥42,906**	**¥29,356**	**$114,782**	**$363,460**	**$248,678**
Securities with market prices falling below acquisition costs						
Stock	**¥ 293**	**¥ 215**	**¥ (77)**	**$ 2,483**	**$ 1,829**	**$ (654)**
Others	**136**	**131**	**(4)**	**1,154**	**1,115**	**(39)**
Subtotal	**¥ 429**	**¥ 347**	**¥ (81)**	**$ 3,637**	**$ 2,944**	**$ (693)**
Total	**¥13,979**	**¥43,254**	**¥29,274**	**$118,420**	**$366,404**	**$247,984**

	Millions of Japanese yen		
As of March 31, 2006	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	¥10,981	¥41,078	¥30,097
Others	41	66	25
Subtotal	¥11,022	¥41,144	¥30,122
Securities with market prices falling below acquisition costs			
Stock	¥ 123	¥ 100	¥ (23)
Others	136	133	(2)
Subtotal	¥ 259	¥ 233	¥ (25)
Total	¥11,281	¥41,378	¥30,096

2. Other securities sold during fiscal 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales amounts	**¥757**	¥46	**$6,414**
Total gains on sales	**720**	22	**6,107**

3. Book value of major securities not marked to market as of March 31, 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Other securities			
(1) Unlisted stocks	**¥1,137**	¥1,147	**$9,638**
(2) Preferred securities	**1,000**	1,000	**8,470**

4. Expected redemption values of other securities with future maturity as of March 31, 2007 and 2006 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2007	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	**—**	**120**	**—**	**—**	**1,022**	**—**
Total	**¥ —**	**¥120**	**¥ —**	**$ —**	**$1,022**	**$ —**

	Millions of Japanese yen		
As of March 31, 2006	Within one year	From 1–5 years	Over 5 years
Other securities			
(1) Bonds and debentures	¥ —	¥ —	¥ —
(2) Other	—	125	—
Total	¥ —	¥125	¥ —

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, 2007 and 2006 were 1.25% and 1.3%, respectively.

Long-term debt as of March 31, 2007 and 2006 is summarized as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
0.7% unsecured bonds due 2007	**¥ 20,000**	¥20,000	**$ 169,419**
0.83% unsecured bonds due 2009	**20,000**	20,000	**169,419**
Loans from domestic banks, insurance companies, government agencies and others, due 2007 to 2014	**23,689**	25,351	**200,669**
	63,689	65,351	**539,509**
Less portion due within one year	**(26,558)**	(7,866)	**(224,978)**
Total long-term debt	**¥ 37,130**	¥57,485	**$ 314,530**

At March 31, 2007 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	¥ 1,352	$ 11,460
2009	33,211	281,338
2010	780	6,615
2011	784	6,644
Thereafter	1,000	8,471
Total	¥37,130	$314,530

5. Collateral and Secured Liability

A summary of assets pledged as collateral for liability at March 31, 2007 and 2006 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Land	**¥ 312**	¥ 693	**$ 2,649**
Buildings	**24,729**	26,333	**209,480**
Investment securities	**1,518**	1,926	**12,858**
Total	**¥26,559**	¥28,953	**$224,988**

A summary of secured liability at March 31, 2007 and 2006 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Long-term loans (Including current portions of long-term loans payable within one year)	**¥4,881**	¥5,676	**$41,348**

6. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets			
Employee retirement allowances	**¥ 8,347**	¥11,710	**$ 70,714**
Selling expenses not deductible for tax purposes during the period	**769**	607	**6,519**
Valuation loss on investment and marketable securities	**1,064**	1,070	**9,019**
Accrued bonuses to employees	**1,762**	1,755	**14,933**
Excess depreciation of fixed assets	**1,274**	1,352	**10,794**
Excess deferred asset depreciation for tax purposes	**31**	38	**268**
Accrued enterprise taxes	**213**	438	**1,812**
Other	**5,317**	5,022	**45,043**
Subtotal	**18,782**	21,995	**159,107**
Temporary difference for future reductions that are unscheduled	**(1,773)**	(1,392)	**(15,024)**
Total deferred tax assets	**¥ 17,008**	¥ 20,603	**$ 144,082**
Deferred tax liabilities			
Advanced depreciation reserve for fixed assets	**¥(14,689)**	¥(15,554)	**$(124,432)**
Difference in valuation of other securities	**(12,002)**	(12,339)	**(101,674)**
Deferred gains or losses on hedges	**(567)**	—	**(4,808)**
Other	**(406)**	(301)	**$ (3,443)**
Total deferred tax liabilities	**¥(27,666)**	¥(28,196)	**$(234,359)**
Net deferred tax liabilities	**¥(10,657)**	¥ (7,592)	**$ (90,276)**

The net deferred tax assets at March 31, 2007 and 2006, included in the consolidated balance sheets are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets (current)	**¥ 4,862**	¥ 5,765	**$ 41,187**
Deferred tax assets (non-current)	**291**	284	**2,466**
Deferred tax liabilities (non-current)	**(15,810)**	(13,642)	**(133,930)**

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

	2007	2006
Statutory tax rate	**41.0%**	41.0%
Entertainment and other permanently non-deductible expenses	**7.0**	5.3
Dividend and other permanently non-taxable income	**(4.6)**	(3.0)
Unscheduled temporary differences for loss on investment securities	**2.6**	—
Per capita inhabitant's tax	**1.2**	0.8
Unrecognized tax effect due to elimination of investment and capital	**3.9**	4.0
Difference in tax rate of overseas consolidated subsidiaries	**(2.3)**	(1.9)
Tax credit for experimentation and research expenses	**(2.4)**	(4.2)
Other	**0.0**	1.6
Effective tax rates	**46.4%**	43.6%

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 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition cost	**¥6,747**	¥7,303	**$57,161**
Accumulated depreciation	**3,240**	3,780	**27,448**
Net book value	**¥3,507**	¥3,523	**$29,713**

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, 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥1,295**	¥1,278	**$10,974**
Due after one year	**2,212**	2,244	**18,739**
Total	**¥3,507**	¥3,523	**$29,713**

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
	2007	2006	**2007**
Paid lease fees	**¥1,380**	¥1,514	**$11,691**
Equivalent depreciation expense amount	**1,380**	1,514	**11,691**

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, 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 183**	¥ 169	**$ 1,554**
Due after one year	**1,613**	1,781	**13,667**
Total	**¥1,797**	¥1,950	**$15,222**

8. Retirement Benefits

The liability for employees' retirement benefits as of March 31, 2007 and 2006 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥42,635**	¥(43,196)	**$361,163**
Fair value of plan assets	**(31,949)**	31,463	**(270,644)**
Unrecognized actuarial loss	**3,860**	(10,116)	**32,703**
Unrecognized transitional obligation	**—**	21	**—**
Unrecognized prior service liability	**1,958**	(2,937)	**16,590**
Net liability for retirement benefits	**¥16,504**	¥(24,765)	**$139,813**

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, 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service cost	**¥2,109**	¥2,144	**$17,862**
Interest cost	**1,054**	1,062	**8,934**
Expected return on plan assets	**(216)**	(186)	**(1,833)**
Amortization of transitional obligation	**30**	27	**255**
Recognized actuarial loss	**(1,401)**	307	**(11,870)**
Amortization of prior service liability	**(979)**	(979)	**(8,295)**
Net periodic benefit costs	**¥ 597**	¥2,376	**$ 5,053**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:	**2007**	2006
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.0%**	3.0%
Amortization period of prior service cost	**4 years**	4 years
Recognition period of actuarial gain/loss	**7 years**	7 years
Amortization period of transitional obligation	**7 years**	7 years

9. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2007 and 2006:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Cash and time deposits	**¥14,773**	¥18,980	**$125,143**
Time deposits with maturities of more than three months	**(259)**	(224)	**(2,199)**
Cash and cash equivalents	**¥14,513**	¥18,755	**$122,943**

10. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses during fiscal 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales promotion expenses	**¥56,048**	¥51,014	**$474,781**
Salaries and wages	**22,829**	21,685	**193,386**

11. Extraordinary Income (Losses)

Major elements of extraordinary income (losses) during fiscal 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Extraordinary income			
Gain on liquidation of affiliated companies	**¥ —**	¥ 315	**$ —**
Gain on sale of investment securities	**720**	—	**6,107**
Gain on sale of property, plant and equipment	**249**	1,161	**2,113**
Extraordinary losses			
Loss on disposal of property, plant and equipment	**1,728**	904	**14,644**
Loss on valuation of investments in affiliated companies	**466**	20	**3,953**

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
	2007	2006	**2007**
MEIKA KOUSAN CO., LTD.	**¥ —**	¥ 800	**$ —**
Meiji Seika (Shanghai) Co., Ltd.	**471**	—	**3,991**
P.T.Ceres-Meiji Indotama	**239**	—	**2,025**
Employees	**1,030**	1,188	**8,729**
Total	**¥1,740**	¥1,988	**$14,746**

2) Notes receivables discounted

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Notes receivables discounted	**¥102**	¥76	**$867**

13. Effect of bank holiday

In case the balance sheet date is bank holiday, notes maturing on the balance sheet date were settled on the following business day and accounted for accordingly.

	Millions of Japanese yen	Thousands of U.S. dollars
	2007	**2007**
Notes receivable	**¥620**	**$5,255**
Notes payable	**149**	**1,268**

14. Research and Development Costs

Research and development costs which were included in general and administrative expenses and manufacturing expenses during the fiscal years 2007 and 2006 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2007	2006	**2007**
Research and development costs	**¥15,926**	¥16,578	**$134,910**

15. 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 payable

16. Segment Information

1) Segment Information by Industry

	Millions of Japanese yen					
	2007					
	Food & Healthcare	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**¥281,272**	**¥109,668**	**¥ 2,912**	**¥393,853**	**¥ —**	**¥393,853**
(2) Inter-segment sales and transfers	**366**	**1,343**	**127**	**1,836**	**(1,836)**	**—**
Total	**281,638**	**111,011**	**3,039**	**395,689**	**(1,836)**	**393,853**
Operating costs and expenses	**275,150**	**107,069**	**2,539**	**384,759**	**(3,490)**	**381,269**
Operating income	**¥ 6,488**	**¥ 3,942**	**¥ 500**	**¥ 10,930**	**¥ 1,653**	**¥ 12,584**
Assets, Depreciation and Capital Expenditures						
Assets	**¥144,363**	**¥122,885**	**¥28,073**	**¥295,322**	**¥56,191**	**¥351,514**
Depreciation	**8,501**	**5,122**	**1,559**	**15,183**	**—**	**15,183**
Capital expenditures	**14,361**	**2,993**	**40**	**17,395**	**—**	**17,395**

	Thousands of U.S. dollars					
	2007					
	Food & Healthcare	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**$2,382,655**	**$ 928,999**	**$ 24,672**	**$3,336,327**	**$ —**	**$3,336,327**
(2) Inter-segment sales and transfers	**3,101**	**11,377**	**1,076**	**15,554**	**(15,554)**	**—**
Total	**2,385,756**	**940,376**	**25,749**	**3,351,882**	**(15,554)**	**3,336,327**
Operating costs and expenses	**2,336,797**	**906,983**	**21,512**	**3,259,292**	**(29,564)**	**3,229,728**
Operating income	**$ 54,959**	**$ 33,392**	**$ 4,236**	**$ 92,589**	**14,010**	**$ 106,599**
Assets, Depreciation and Capital Expenditures						
Assets	**$1,222,901**	**$1,040,957**	**$237,814**	**$2,501,674**	**$475,997**	**$2,977,672**
Depreciation	**72,019**	**43,394**	**13,207**	**128,621**	**—**	**128,621**
Capital expenditures	**121,655**	**25,355**	**345**	**147,356**	**—**	**147,356**

	Millions of Japanese yen					
	2006					
	Food & Healthcare	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

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, 2007 and 2006.

3) Overseas Sales

The Company has omitted information on overseas sales because such sales accounted for less than 10% of the total fiscal 2007 and 2006 consolidated net sales.

17. Subsequent Events

The Company made a resolution regarding issuance of domestic bonds at the Board of Directors' meeting held on June 27, 2007 as follows.

(1) Total amount of issuance	¥20 billion
(2) Interest rate	Within 2.2%
(3) The value of the bond	¥100 per ¥100 of the face value
(4) Period of issuance	From July 2007 to September 2007
(5) Terms	5 years
(6) Refund	Lump-sum payment in due date
(7) Intended usage of the bond	Redemption of bonds

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, 2007, 2006 and 2005, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 2007, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Japan.

The amounts expressed in U.S. dollars, which are provided 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

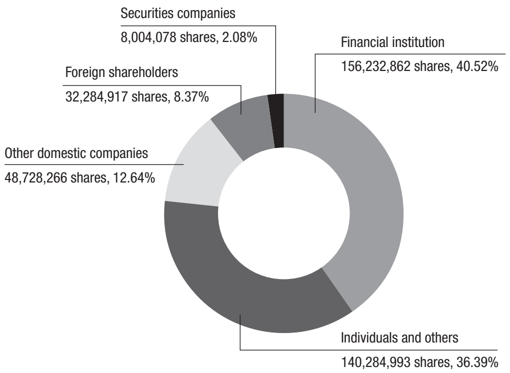
Tokyo, Japan
June 27, 2007

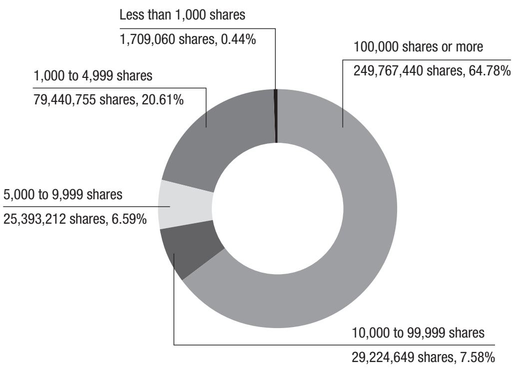
Shareholders Information (As of March 31, 2007)

Principal Shareholders

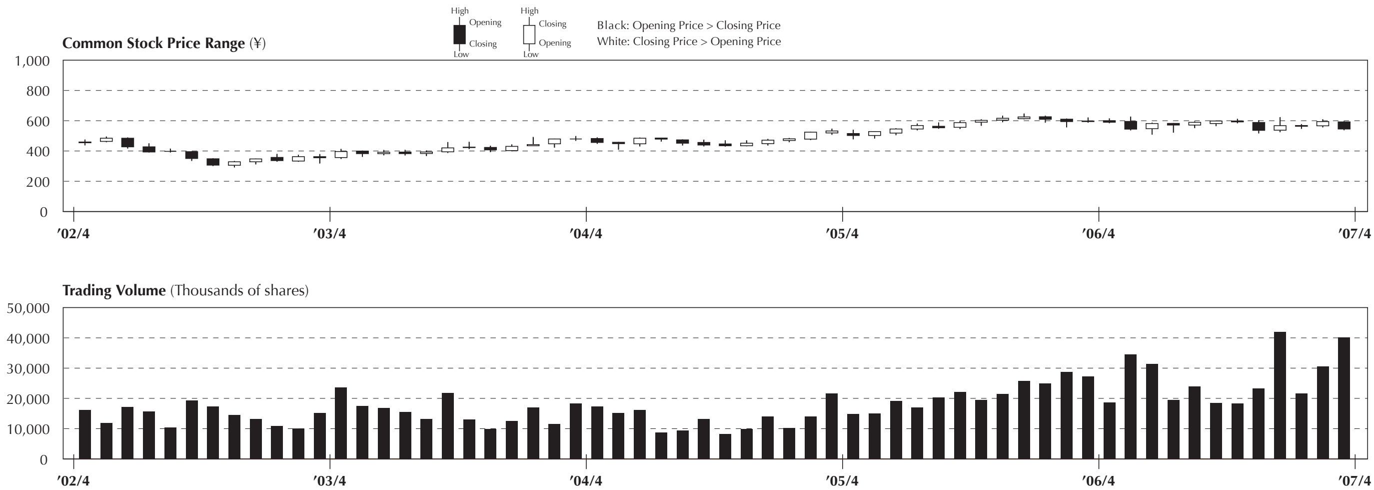
Name	Number of shares (Thousands)	Percentage of shares held (%)
Mizuho Bank, Ltd.	18,861	4.89
The Dai-ichi Mutual Life Insurance Company	16,163	4.19
The Master Trust Bank of Japan, Ltd. (Trust account)	15,804	4.10
Nippon Life Insurance Company	14,707	3.81
Fukoku Mutual Life Insurance Company	10,001	2.59
Meiji Dairies Corporation	9,003	2.34
Japan Trustee Services Bank, Ltd. (Trust account)	7,351	1.91
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,804	1.77
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,512	1.69
Mitsubishi UFJ Trust and Banking Corporation	5,481	1.42
Total	110,689	28.71%

Stock Price Range and Trading Volume





Stock Price Range and Trading Volume



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
Cecilia Confectionery Pte. Ltd. (Singapore)	S$1 thousand	—*1	Manufacturing and sale of confectionery and confectionery foods
Five Stars Dairy Ingredients Pte. Ltd. (Singapore)	S$5 million	—*2	Manufacturing and sale of modified milk powder
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*3	Manufacturing and sale of medical and veterinary products
Tedec-Meiji Farma S.A. (Spain)	Euro 2,028 thousand	20.00*4	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. 51% owned in indirect shareholdings
*3. 94.61% owned including indirect shareholdings
*4. 80% owned including indirect shareholdings

MEIJI SEIKA KAISHA,LTD.
4-16, Kyobashi 2-chome, Chuo-ku,
Tokyo 104-8002, Japan
Tel. 81-3-3272-6511
Fax. 81-3-3271-3528

Printed in Japan with soy ink on recycled paper.