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Meiji

Consolidated Financial Information 2008

Fiscal year ended March 31, 2008

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, 2008, the Meiji Seika Group encompassed Meiji Seika Kaisha, Ltd. (Meiji Seika), 24 consolidated subsidiaries and 3 affiliates accounted for by the equity method. The 12 domestic subsidiaries include 10 companies in the food business, 1 company in the pharmaceutical business and one company in the healthcare business. The 12 overseas subsidiaries include 7 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, 2008, the outlook for the Japanese economy remained uncertain as the subprime loan crisis caused the U.S. economy to weaken, prices of crude oil and other resources increased rapidly, and the yen strengthened. In particular, the increase in the cost of raw materials, which far surpassed expectations, had a severe impact on earnings of companies in the food industry and other industries. Due to the magnitude of this impact, companies were unable to offset the higher cost of raw materials by raising production efficiency, cutting expenses and taking other actions.

To overcome these challenges, the Meiji Seika Group focused its resources on achieving the goals of "DASH!08," a three-year medium-term business plan ending March 31, 2009. Group companies developed new products in its confectionery products business, implemented marketing activities to promote existing brands, made substantial strategic investments in the key growth fields of Healthcare, Generic drugs and Overseas operations, and took many other actions.

Due to these activities, consolidated net sales increased 2.8% year-on-year to an all-time high of ¥404,711 million. Although the higher cost of raw materials had a significant impact on earnings, the contribution of pharmaceutical business earnings and reductions in selling, general and administrative expenses and other expenses resulted in a 1.1% increase in operating income to ¥12,725 million and a 13.9% increase in net income to ¥6,240 million.

Review of Operations by Segment

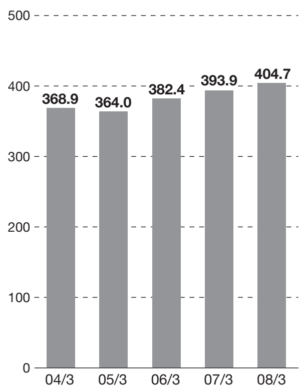
Food & Healthcare Company

Market conditions for this Company were extremely difficult because of the much higher cost of raw materials, fierce competition to sell products at stores and other factors. Furthermore, as a food company, we are requested to make our quality management systems even more rigorous due to the recent increase in concerns involving the safety and quality assurances of food products.

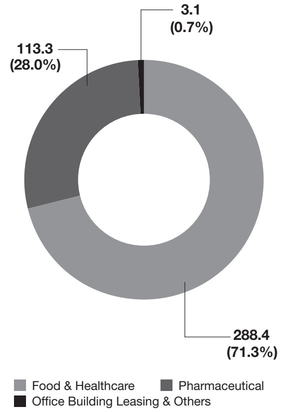
In this environment, the Meiji Seika Group took many actions aimed at increasing sales. Actions included developing new and highly distinctive products, executing product category and brand strategies from a customer-oriented standpoint, and strengthening overseas operations. In addition, for some products, Group companies started revising prices and the volume of merchandise per package in February 2008.

In the core confectionery business, sales climbed to another record high due to growth in sales of chocolate, even though total sales of chocolate in the market were lower than in the previous fiscal year, and due to strong sales of chewing gum and candy products. In the chocolate category, sales of the flagship MILK CHOCOLATE increased because of extensive actions to maximize exposure in stores. There was also a large increase in sales of ALMOND CHOCOLATE and other chocolates with nuts because of substantial investments in marketing activities. In addition,

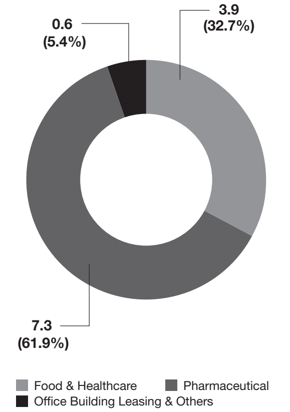
Net Sales (¥ Billions)



Net Sales by Segment (¥ Billions)
(Fiscal year ended March 31, 2008)



Operating Income by Segment (¥ Billions)
(Fiscal year ended March 31, 2008)



HOKKAIDO CHOCO POTATO, a new type of chocolate snack, made a big contribution to sales growth. This product won an "Outstanding Hit Award" from a food industry publication. Although sales of CHOCOLATE KOUKA declined, Meiji Seika continued to work on expanding the market for chocolate products for adults by supplying a variety of products that match customers' needs. In the chewing gum category, XYLISH sales were strong due to a complete update of this product line on the 10th anniversary of its introduction. In the candy category, there was a big increase in sales of KAJU GUMMY as more versions of this product were introduced. The introduction of KAON, a new type of crystal gummy, also contributed to sales growth. In the snack category, sales of KARL products were about the same as one year earlier. In the biscuit category, additions to the line of McVities products raised sales.

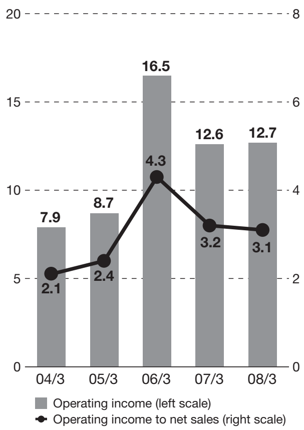
In the Healthcare business, sales were higher because of actions aimed at increasing the value of brands. Initiatives included aggressive marketing activities, increasing the exposure of products in stores and supplying information about products to customers. In the health and beauty care products category, fierce competition caused sales of AMINO COLLAGEN to decline. Sales of SAVAS beverages were much higher because of the launch of the SAVAS PROTEIN AQUA series of beverages that can be consumed like a sports drink. Greater public awareness of this brand due to a top partnership agreement between Meiji Seika and the Urawa Red Diamonds, a professional soccer team, also contributed to growth in the market share of SAVAS. In the food category, sales of GINZA CURRY increased due to the successful launch in 2007 of GINZA CHICKEN CURRY. In addition, sales of the core product MILK COCOA were about the same as one year earlier. However, total sales of cocoa products were lower because of weak market conditions. In the over-the-counter (OTC) drug category, sales of ISODINE GARGLE, a major component of this category, were higher as Japan's influenza season started earlier than usual and the product was backed by a large number of TV commercials during the peak demand season. MEIJI SPORTS PLAZA, Ltd., a consolidated subsidiary in Japan, worked on enlarging its scale of operations by increasing the number of contracts to operate public sector sports facilities and taking other actions.

In the Overseas business, exports were higher as exports to the United States and the Philippines increased and heightened activities to sell products at convenience stores contributed to growth in exports to Asia. Imports were about the same as one year earlier as higher sales of the key Snyder's and Bruyerre products offset a downturn in imports of chocolate with high cacao content. In the United States, D.F. Stauffer Biscuit Co., Inc. posted lower sales as a decline in original equipment manufacturing (OEM) sales outnumbered the growth in sales to Wal-Mart, a primary buyer of this company's products. Sales were higher at Meiji Seika (Singapore) Pte. Ltd. Growth was due to the popularity of the core HELLO PANDA and YAN YAN products in Singapore and neighboring countries as well as to the launch of DIPPY, a new product exported to Japan. At Meiji Seika (Shanghai), sales were much higher because of aggressive sales activities that included the introduction of new products and extension of sales to more areas of China.

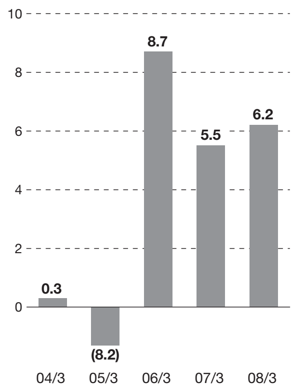
In the institutional foods products business, there was a large increase in sales of confectionery ingredients such as chocolate and cocoa products. Growth was attributable to many ideas for products for operators of restaurant chains, convenience stores and theme parks, and to the addition of products from overseas suppliers. In the food category, sales increased because of aggressive sales activities for agricultural products, canned goods, and frozen fruit and juice. MEIJI FOOD MATERIA CO., LTD., a consolidated subsidiary in Japan, achieved sales growth as sales in the core sugar business were flat but sales in the corn sweeteners business increased.

Due to these factors, consolidated net sales in the Food & Healthcare Company increased 2.5% to ¥288,386 million and operating income fell 40.4% to ¥3,869 million. Sales and earnings include the operations of two subsidiaries which were newly consolidated during the fiscal year that

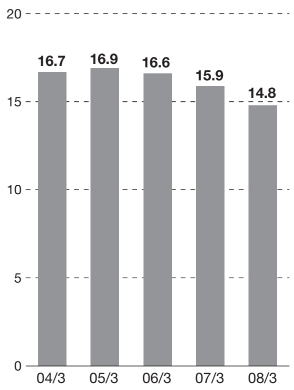
Operating Income and Operating Income to Net Sales (¥ Billions / %)



Net Income (Loss) (¥ Billions)



R&D Costs (¥ Billions)



ended in March 2008: Meiji Seika (Shanghai) Co., Ltd. and Meiji Seika Food Industry (Shanghai) Co., Ltd.

Pharmaceutical Company

Sales of Key Pharmaceutical Products (¥ Billions)

	2008	2007
MEIACT	**20.8**	19.0
(Export sales)	**2.0**	1.6
FOSMICIN	**5.0**	5.8
HABEKACIN	**3.6**	4.0
OMEGACIN	**2.7**	2.7
ISODINE	**4.2**	5.0
DEPROMEL	**10.0**	10.0
MEILAX	**4.4**	4.3
GE	**7.5**	5.7

In the operating environment for the Pharmaceutical Company, a major transformation is taking place in the ethical drug sector. The primary causes are reforms to Japan's healthcare system, including measures to hold down healthcare expenses and promote the use of generic drugs, growth in the market share of foreign drug makers, and numerous large-scale mergers and acquisitions. There is also increasing competition in the markets for agricultural chemicals and veterinary drugs. In addition, government restrictions and regulations are becoming even tighter in Japan, including the adoption of the Positive List System for agricultural chemical residues in food.

In the ethical drug category, there was a big increase in sales of MEIACT, an anti-infective drug, resulting from aggressive sales activities targeting key customers where Meiji Seika has a competitive edge. Sales were also higher for the anti-depressant DEPROMEL, the anti-anxiety drug MEILAX, and the anti-allergy drug EBASTEL. In addition, Meiji Seika continued to form alliances with other companies to offer more competitive products and increase sales. In October 2007, Meiji Seika and Fujirebio Inc. began joint sales of ESPLINE Influenza A&B-N, a rapid detection kit for influenza. The same month, Meiji Seika and Banyu Pharmaceutical Co., Ltd. started joint sales promotions for SINGULAIR, a drug for the treatment of asthma or nasal inflammation caused by allergies.

In the generic drug category, sales were up significantly because of strong sales of VANCOMYCIN MEEK, an antibacterial drug, and five products introduced in July 2007, including the antipsychotic agent RISPERIDONE MEEK.

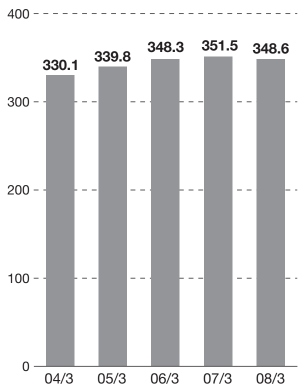
Regarding product development, Meiji Seika and Nippon Organon Co., Ltd., a company that introduced Org3770 to the Japanese market, jointly applied for manufacturing and sales licenses in July 2007. In November 2007, Meiji Seika also applied for the license for ME1211, the world's first oral carbapenem, anti-bacterial agent, originated by Wyeth K.K.

At Kitasato Pharmaceutical Industry Co., Ltd., a consolidated subsidiary in Japan, sales continued to grow due to extensive sales activities for its core influenza vaccine and to higher sales of the measles vaccine because of an outbreak of this disease in Japan.

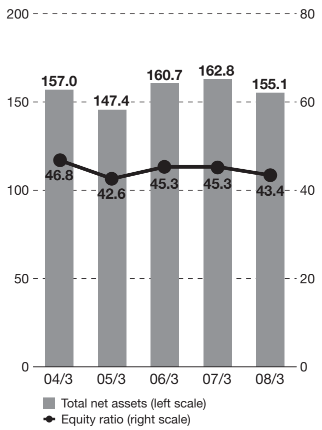
In agricultural chemicals, sales were about the same as one year earlier mainly because of a solid performance by our primary product ORYZEMATE, a fungicide that protects rice against blast. There was strong growth in the sales of veterinary drugs. Sales of livestock drugs and drugs for marine products were both up sharply, and there was an increase in sales of PANAMECTIN CHEWABLE P, an anti-parasitic agent for dogs.

In overseas business, MEIACT is positioned as the key global strategic product. Meiji Seika companies worldwide worked on increasing sales of this drug, including PT. Meiji Indonesian Pharmaceutical Industries and Thai Meiji Pharmaceutical Co., Ltd. in Southeast Asia and Tedec-Meiji Farma, S.A., a company based in Spain that covers Europe and the United States. In addition, sales of the anti-bacterial agents, MIOCAMYCIN and MEISERIN, were up significantly in China. As a result, overseas pharmaceutical sales posted strong growth.

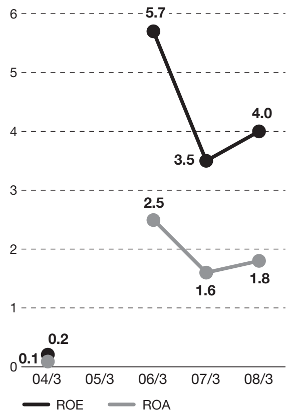
Total Assets (¥ Billions)



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.*

The Meiji Seika Group continues to make progress in disseminating academic information and conducting high-profile sales activities, mainly for core products, in the ethical drug, agricultural chemical and veterinary drug categories. At the same time, the Group is taking constant actions to reduce costs in order to improve its profit structure. Due to these activities, the sales in the Pharmaceutical Company increased 3.3% to ¥113,260 million and operating income was up 85.7% to ¥7,320 million.

Office Building Leasing & Others

In the metropolitan area, there is still a solid demand for space in large office buildings. This demand is causing the ongoing upturn in lease rates to spread from urban areas to neighboring cities as well. At the Solid Square office building, the primary property in this segment, the occupancy rate improved and progress continues in raising lease rates. In addition, stable performances continued at other buildings.

As a result, net sales increased 5.2% to ¥3,064 million and operating income increased 28.0% to ¥640 million.

Analysis of Income Statement

For the fiscal year ended March 31, 2008, net sales increased 2.8% to ¥404,711 million. Gross profit decreased 1.3% to ¥170,553 million as the higher cost of raw materials and inclusion of subsidiary store expenses in the cost of sales instead of selling, general and administrative (SG&A) expenses caused the cost of sales ratio to net sales to decline by 1.8 percentage points.

SG&A expenses decreased 1.5% to ¥157,827 million. SG&A ratio to net sales declined 1.7 percentage points to 39.0%. Research and development costs, which are included in SG&A expenses and manufacturing costs of the period, decreased 7.3% to ¥14,766 million mainly because of measures to raise the efficiency of R&D activities.

The result was a 1.1% increase in operating income to ¥12,725 million but a 0.1 percentage point decline in the ratio of operating income to net sales to 3.1%.

Other income and expenses, net were a net expense of ¥1,025 million. The primary reason was foreign exchange losses caused by the rapid appreciation of the yen rate in the fiscal year. The interest coverage ratio, which is net cash provided by operating activities divided by interest expenses, was 9.0 times.

Extraordinary items resulted in a net gain of ¥385 million compared with a net loss of ¥1,520 million one year earlier due to a gain of ¥1,739 million on the sale of property, plant and equipment.

Income before income taxes increased 8.8% to ¥12,086 million and net income increased 13.9% to ¥6,240 million. Net income per share increased ¥2.07 to ¥16.46.

Analysis of Financial Position

Total assets as of March 31, 2008 were ¥348,609 million, which was ¥2,905 million, or 0.8%, less than at the end of the previous fiscal year. Current assets decreased ¥2,907 million, or 1.9%, because of declines in cash and time deposits and notes and accounts receivable. There was almost no change in fixed assets as property, plant and equipment increased but investment securities decreased because of lower market values.

Total liabilities increased ¥4,748 million, or 2.5%, to ¥193,498 million. This was mainly the net result of declines in notes and accounts payable and in the allowance for employees' retirement benefits, as well as an increase in debt caused by the issuance of bonds.

Net assets decreased ¥7,652 million to ¥155,111 million. Although retained earnings increased because of the fiscal year's net income, net assets were brought down by dividend payments and by a large decline in valuation and translation adjustments as the market values of investment securities declined. Net assets per share decreased ¥20.61 to ¥399.01, the return on equity (ROE) improved by 0.5 percentage point to 4.0%, and the equity ratio declined 1.9 percentage point to 43.4%.

Analysis of Cash Flows

Net cash provided by operating activities decreased ¥3,793 million to ¥13,525 million. Although cash was provided by a decrease in trade receivables, there was a large increase in cash used because of an increase in inventories and a decrease in trade payables.

Net cash used in investing activities increased ¥10,552 million to ¥28,939 million. There was an increase in proceeds from sales of property, plant and equipment, but this was outweighed by payments for purchases of property, plant and equipment, including the construction of a new factory building, payments for purchases of investment securities and other uses of cash.

Net cash provided by financing activities was ¥12,105 million. This was primarily the result of proceeds of ¥15,000 million from the issuance of bonds.

The net result of these cash flows was a decrease of ¥2,721 million in cash and cash equivalents to ¥11,792 million as of March 31, 2008.

Outlook for the Year Ending March 31, 2009

The fiscal year ending in March 2009 is the final year of the "DASH!08" medium-term business plan. The Meiji Seika Group is determined to execute the growth strategies and profit structure reforms described in this business plan in order to enhance the value of the Meiji brand. The Food & Healthcare Company has been increasing its sales, which will also remain a driving source next period. Unfortunately, there are no signs of a slowdown in the rising prices of raw materials. In the confectionery business, we will focus on the expansion of market shares for three major product lines: chocolates, gums and candies, through the development of new markets, the creation of new products and further enrichment of these long-selling product lines. In the Healthcare business, we will extend the sales of our operation through concentrating on selected core brands and raising their public awareness, developing new material and functional products, and developing core products in e-commerce business.

In January 2008, Meiji Seika and POKKA CORPORATION agreed to establish a comprehensive capital and business alliance. Meiji Seika plans to capture concrete synergies with this business partner as quickly as possible through the joint development of products, collaboration involving manufacturing and sales activities, the joint procurement of raw materials, and other forms of cooperation.

In the Pharmaceutical Company, Japan's national health insurance drug price revisions will have a major impact on sales and earnings. However, we will make steady progress with our strategies, including expansion of market shares for two key drugs for infectious diseases and for central nervous system disorders, aiming for a synergy between new and generic drugs, as well as reinforcement in operations outside Japan.

Based on this outlook, for the fiscal year ending March 31, 2009, Meiji Seika forecasts net sales of ¥420,000 million, up 3.8%, operating income of ¥11,000 million, up 13.6%, and net income of ¥6,500 million, up 4.2%.

By business segment, Meiji Seika expects a 5.4% increase in sales to ¥304,000 million and a 68.0% increase in operating income to ¥6,500 million in the Food & Healthcare Company; a 0.2% decrease in sales to ¥113,000 million and a 48.1% decrease in operating income to ¥3,800 million in the Pharmaceutical Company; and a 2.1% decrease in sales in the Office Building Leasing & Others segment to ¥3,000 million and a 9.4% increase in operating income to ¥700 million.

The operating income forecast for this 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, 2008, 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, the prices of many raw materials purchased by the Meiji Seika Group are currently increasing. The Group is taking actions aimed at holding down these prices, such as by developing new procurement routes and promoting streamlining. However, if the pace of price increases accelerates, there may be a significant impact on the cost of manufacturing products.

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 of 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, 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 Antimonopoly 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 pharmaceutical 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 the 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 the 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 events may cause shutdown and temporary confusion of the information system as well as lost, leaked and altered 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, 2008, 2007 and 2006

	Millions of Japanese yen			Thousands of U.S. dollars
ASSETS	**2008**	2007	2006	**2008**
Current Assets:				
Cash and time deposits (Note 9)	**¥ 11,802**	¥ 14,773	¥ 18,980	**$ 117,800**
Notes and accounts receivable	**78,834**	84,365	78,519	**786,845**
Inventories	**47,667**	43,180	43,752	**475,767**
Prepaid and other current assets	**3,373**	4,272	5,427	**33,671**
Other current assets in unconsolidated subsidiaries and affiliates	**768**	1,025	877	**7,674**
Deferred tax assets (current) (Note 6)	**7,136**	4,862	5,765	**71,224**
Allowance for doubtful receivables	**(31)**	(22)	(28)	**(317)**
Total current assets	**149,550**	152,457	153,293	**1,492,667**
Fixed Assets:				
Property, Plant and Equipment (Note 5):				
Land	**24,486**	24,089	23,968	**244,396**
Buildings and structures	**158,454**	149,315	148,322	**1,581,539**
Machinery and equipment	**188,045**	181,155	180,251	**1,876,888**
Construction in progress	**2,915**	4,415	1,658	**29,101**
Less accumulated depreciation	**(228,347)**	(221,935)	(217,436)	**(2,279,146)**
Total property, plant and equipment (net)	**145,554**	137,041	136,764	**1,452,780**
Investments and Other Non-Current Assets:				
Investment securities (Notes 3 and 5)	**32,885**	45,392	43,525	**328,234**
Investments in and advances to unconsolidated subsidiaries and affiliates	**9,941**	1,545	1,538	**99,227**
Deferred tax assets (non-current) (Note 6)	**361**	291	284	**3,607**
Other investments and advances	**5,155**	8,712	7,546	**51,457**
Intangible fixed assets	**6,078**	7,260	6,271	**60,669**
Allowance for doubtful accounts	**(917)**	(1,186)	(943)	**(9,158)**
Total investments and other non-current assets	**53,505**	62,015	58,223	**534,037**
Total fixed assets	**199,059**	199,057	194,988	**1,986,818**
Total assets	**¥ 348,609**	¥ 351,514	¥ 348,281	**$ 3,479,485**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Japanese yen 2008	2007	2006	Thousands of U.S. dollars 2008
Current Liabilities:				
Short-term bank loans (Notes 4 and 5)	**¥ 15,569**	¥ 21,297	¥ 23,511	**$ 155,398**
Current portions of long-term bonds payable within one year	**—**	20,000	—	**—**
Commercial paper	**6,000**	4,500	—	**59,886**
Notes and accounts payable	**31,185**	35,021	27,426	**311,262**
Accrued expenses	**16,437**	17,692	16,999	**164,067**
Accrued income taxes	**2,982**	1,834	4,170	**29,767**
Other current liabilities	**18,517**	15,152	14,868	**184,826**
Total current liabilities	**90,692**	115,498	86,976	**905,208**
Long-Term Liabilities:				
Long-term debt (Notes 4 and 5)	**76,377**	37,130	57,485	**762,331**
Employees' retirement benefits (Note 8)	**11,205**	16,504	24,765	**111,846**
Deferred tax liabilities (non-current) (Note 6)	**11,422**	15,810	13,642	**114,005**
Other long-term liabilities	**3,799**	3,805	4,752	**37,919**
Total long-term liabilities	**102,805**	73,251	100,645	**1,026,102**
Total liabilities	**193,498**	188,750	187,622	**1,931,311**
Contingent Liabilities (Note 12)				
Net Assets				
Shareholders' Equity:				
Common stock:				
Authorized —796,104,000 shares in 2008, 2007 and 2006				
Issued —385,535,116 shares in 2008, 2007 and 2006	**28,363**	28,363	28,363	**283,098**
Capital surplus	**34,947**	34,949	34,948	**348,813**
Retained earnings	**84,306**	81,173	79,595	**841,467**
Treasury stock—6,448,955 shares in 2008 6,364,967 shares in 2007 4,267,324 shares in 2006	**(3,530)**	(3,485)	(2,233)	**(35,234)**
Valuation and Translation Adjustments				
Difference in valuation of other securities	**8,631**	17,245	17,730	**86,155**
Deferred gains or losses on hedges	**(1,886)**	816	—	**(18,825)**
Foreign currency translation adjustments	**425**	44	(642)	**4,243**
Minority Interests	**3,852**	3,656	2,897	**38,454**
Total net assets	**155,111**	162,763	160,659	**1,548,173**
Total liabilities and net assets	**¥348,609**	¥351,514	¥348,281	**$3,479,485**

Consolidated Statements of Income

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

	Millions of Japanese yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net Sales	**¥404,711**	¥393,853	¥382,429	**$4,039,444**
Cost of Sales	**234,158**	220,992	213,099	**2,337,145**
Gross profit	**170,553**	172,860	169,330	**1,702,298**
Selling, General and Administrative Expenses (Note 10)	**157,827**	160,276	152,869	**1,575,281**
Operating income	**12,725**	12,584	16,460	**127,016**
Other Income and Expenses:				
Interest and dividend income	**1,044**	943	507	**10,423**
Other income	**1,918**	1,878	1,632	**19,149**
Interest expenses	**(1,555)**	(1,313)	(1,283)	**(15,522)**
Other expenses	**(2,432)**	(1,465)	(1,157)	**(24,275)**
Extraordinary Income (Note 11)	**2,261**	1,290	1,570	**22,575**
Extraordinary Losses (Note 11)	**1,876**	2,810	1,309	**18,733**
Income before Income Taxes	**12,086**	11,108	16,422	**120,634**
Income Taxes:				
Current	**4,383**	2,324	5,105	**43,750**
Deferred	**1,157**	2,832	2,062	**11,550**
	5,540	5,157	7,168	**55,300**
Minority Interests	**(304)**	(470)	(575)	**(3,043)**
Net Income	**¥ 6,240**	¥ 5,480	¥ 8,678	**$ 62,289**
Per Share Data (in yen and U.S. dollars):				
Net income	**¥ 16.46**	¥ 14.39	¥ 22.41	**$ 0.16**

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, 2008, 2007 and 2006

	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, 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
Net income				**6,240**						**6,240**
Decrease in earnings from the addition of consolidated subsidiaries				**(453)**						**(453)**
Cash dividends				**(2,653)**						**(2,653)**
Acquisition of treasury stock					**(58)**					**(58)**
Disposal of treasury stock			**(1)**		**13**					**12**
Other						**(8,613)**	**(2,702)**	**380**	**196**	**(10,739)**
Balance at March 31, 2008	**385,535**	**¥28,363**	**¥34,947**	**¥84,306**	**¥(3,530)**	**¥ 8,631**	**¥(1,886)**	**¥ 425**	**¥3,852**	**¥155,111**

	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, 2007	$283,098	$348,827	$810,193	$(34,793)	$172,129	$ 8,153	$ 446	$36,495	$1,624,549
Net income			**62,289**						**62,289**
Decrease in earnings from the addition of consolidated subsidiaries			**(4,525)**						**(4,525)**
Cash dividends			**(26,489)**						**(26,489)**
Acquisition of treasury stock				**(579)**					**(579)**
Disposal of treasury stock		**(13)**		**138**					**124**
Other					**(85,973)**	**(26,978)**	**3,797**	**1,959**	**(107,195)**
Balance at March 31, 2008	**$283,098**	**$348,813**	**$841,467**	**$(35,234)**	**$ 86,155**	**$(18,825)**	**$4,243**	**$38,454**	**$1,548,173**

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, 2008, 2007 and 2006

	Millions of Japanese yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Cash Flows from Operating Activities:				
Income before income taxes	**¥ 12,086**	¥ 11,108	¥ 16,422	**$ 120,634**
Depreciation and amortization	**15,508**	14,655	14,976	**154,786**
Amortization of consolidation adjustments	**—**	—	302	**—**
Amortization of goodwill	**560**	528	—	**5,596**
Loss on disposal of property, plant and equipment	**1,127**	1,619	865	**11,250**
Loss on valuation of investment securities	**13**	466	15	**132**
Increase (decrease) in allowance for doubtful accounts	**(2)**	236	(93)	**(24)**
Increase (decrease) in employee retirement allowance	**(5,283)**	(8,273)	(7,664)	**(52,732)**
Interest and dividends received	**(1,044)**	(943)	(507)	**(10,423)**
Interest expenses	**1,555**	1,313	1,283	**15,522**
Equity in loss (income) of equity-method affiliates	**(73)**	(112)	(131)	**(733)**
Gain (loss) on sale of property, plant and equipment	**(1,729)**	(176)	(1,144)	**(17,263)**
Gain (loss) on sale of investment securities	**(427)**	(722)	(11)	**(4,270)**
Decrease (increase) in trade receivables	**5,976**	(5,461)	(2,204)	**59,648**
Decrease (increase) in inventories	**(4,164)**	956	1,170	**(41,569)**
Increase (decrease) in trade payables	**(5,694)**	8,248	1,547	**(56,836)**
Directors' bonuses paid	**—**	(93)	(13)	**—**
Other	**(1,229)**	(1,138)	(133)	**(12,266)**
Subtotal	**17,177**	22,210	24,678	**171,448**
Interest and dividends received	**1,169**	1,079	640	**11,669**
Interest paid	**(1,495)**	(1,339)	(1,278)	**(14,928)**
Income taxes paid	**(3,325)**	(4,632)	(4,526)	**(33,189)**
Net cash provided by operating activities	**13,525**	17,318	19,513	**135,000**
Cash Flows from Investing Activities:				
Payments for time deposits	**(827)**	(982)	(216)	**(8,254)**
Proceeds from withdrawal of time deposits	**1,083**	962	688	**10,817**
Payments for purchases of investment securities	**(11,372)**	(2,804)	(2,363)	**(113,506)**
Proceeds from sales of investment securities	**1,230**	803	646	**12,285**
Payments for purchases of property, plant and equipment	**(20,705)**	(13,220)	(15,000)	**(206,664)**
Proceeds from sales of property, plant and equipment	**1,910**	885	1,623	**19,066**
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	**(259)**	(4,031)	(4,029)	**(2,588)**
Net cash used in investing activities	**(28,939)**	(18,387)	(18,822)	**(288,844)**
Cash Flows from Financing Activities:				
Increase (decrease) in short-term borrowings	**(689)**	(1,065)	3,552	**(6,877)**
Increase (decrease) in commercial paper	**1,500**	4,500	—	**14,971**
Proceeds from long-term borrowings	**5,766**	6,170	1,441	**57,554**
Repayment of long-term borrowings	**(6,641)**	(7,849)	(5,552)	**(66,293)**
Proceeds from bond issuance	**35,000**	—	—	**349,336**
Redemption of bonds	**(20,000)**	—	—	**(199,620)**
Proceeds from capital contribution from minority shareholders	**—**	285	—	**—**
Dividends paid	**(2,653)**	(3,812)	(2,683)	**(26,489)**
Other	**(175)**	(1,366)	(1,445)	**(1,752)**
Net cash provided by (used in) financing activities	**12,105**	(3,138)	(4,687)	**120,828**
Translation Adjustment on Cash and Cash Equivalents	**143**	(37)	105	**1,431**
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,164)**	(4,244)	(3,890)	**(31,583)**
Cash and Cash Equivalents at Beginning of Year	**14,513**	18,755	22,646	**144,859**
Increase (Decrease) in Cash and Cash Equivalents due to the Change in the Number of Consolidated Subsidiaries	**443**	2	—	**4,424**
Cash and Cash Equivalents at End of Year	**¥ 11,792**	¥ 14,513	¥ 18,755	**$ 117,700**

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 Financial Instruments 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 ¥100.19 to $1 in effect at March 31, 2008. 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 24 (23 in 2007) 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 3 (2 in 2007) affiliates are accounted for by 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) Deferred charges

All bond issuance expenses are charged to income as accrued.

(h) 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.

(i) 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.

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

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.

(j) 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.

(k) 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.

(l) Accounting change

In prior fiscal years certain consolidated subsidiaries included personnel and other expenses required to operate sports clubs in selling, general and administrative expenses. Effective from the current fiscal year the above fitness club operating expenses are reclassified and included in cost of sales in view of the increasing monetary importance of these expenses resulting from growth in sales of the sports club business. This change was made to more appropriately present the relationship between sales and the cost of sales.

This change had the effect of increasing the cost of sales by ¥4,473 million ($44,645 thousand) and reducing gross profit and selling, general and administrative expenses by the same amount, compared to the amounts that would have been reported if the previous standard had been applied consistently.

This change had no effect on segment information.

(m) Reclassification and Restatement

For principle of fair disclosure and the convenience of the reader, certain reclassifications have been made in the 2008 financial statements. The 2007 and 2006 financial statements have been reclassified and restated to conform to the presentation used for 2008.

From fiscal 2008, notes and accounts receivable and payable for unconsolidated subsidiaries have been reclassified to each account. Also intangible assets have been reclassified among investments and other non-current assets. Allowance for returned goods has been changed from selling general and administrative expenses to cost of sales.

These reclassifications and restatements had no material impact on the previously reported financial position and results of operations.

(n) 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.

(o) Per share data

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

3. Investment Securities

Acquisition cost, book value of securities held by the Company and its consolidated subsidiaries are as follows:

1. Other securities with market prices as of March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2008	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with market prices exceeding acquisition costs						
Stocks	**¥12,889**	**¥28,411**	**¥15,522**	**$128,645**	**$283,577**	**$154,931**
Others	**41**	**46**	**5**	**409**	**466**	**57**
Subtotal	**¥12,930**	**¥28,458**	**¥15,528**	**$129,055**	**$284,043**	**$154,988**
Securities with market prices falling below acquisition costs						
Stock	**¥ 3,714**	**¥ 2,868**	**¥ (846)**	**$ 37,072**	**$ 28,628**	**$ (8,444)**
Others	**136**	**115**	**(21)**	**1,362**	**1,152**	**(209)**
Subtotal	**¥ 3,850**	**¥ 2,983**	**¥ (867)**	**$ 38,434**	**$ 29,780**	**$ (8,654)**
Total	**¥16,780**	**¥31,442**	**¥14,661**	**$167,490**	**$313,824**	**$146,334**

	Millions of Japanese yen		
As of March 31, 2007	Acquisition cost	Book value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	¥13,509	¥42,842	¥29,333
Others	41	64	23
Subtotal	¥13,550	¥42,906	¥29,356
Securities with market prices falling below acquisition costs			
Stock	¥ 293	¥ 215	¥ (77)
Others	136	131	(4)
Subtotal	¥ 429	¥ 347	¥ (81)
Total	¥13,979	¥43,254	¥29,274

2. Other securities sold during fiscal 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales amounts	**¥1,230**	¥757	**$12,285**
Total gains on sales	**462**	720	**4,620**
Total losses on sales	**36**	—	**367**

3. Book value of major securities not marked to market as of March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Other securities			
(1) Unlisted stocks	**¥ 444**	¥1,137	**$4,431**
(2) Preferred securities	**1,000**	1,000	**9,981**

4. Expected redemption values of other securities with future maturity as of March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
As of March 31, 2008	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	**—**	**99**	**—**	**—**	**989**	**—**
Total	**¥ —**	**¥ 99**	**¥ —**	**$ —**	**$989**	**$ —**

	Millions of Japanese yen		
As of March 31, 2007	Within one year	From 1–5 years	Over 5 years
Other securities			
(1) Bonds and debentures	¥ —	¥ —	¥ —
(2) Other	—	120	—
Total	¥ —	¥120	¥ —

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, 2008 and 2007 were 1.63% and 1.25%, respectively.

Long-term debt as of March 31, 2008 and 2007 is summarized as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
0.7% unsecured bonds due 2007	**¥ —**	¥ 20,000	**$ —**
0.83% unsecured bonds due 2009	**20,000**	20,000	**199,620**
1.70% unsecured bonds due 2012	**20,000**	—	**199,620**
1.28% unsecured bonds due 2014	**15,000**	—	**149,715**
Loans from domestic banks, insurance companies, government agencies and others, due 2007 to 2014	**—**	23,689	**—**
Loans from domestic banks, insurance companies, government agencies and others, due 2009 to 2014	**23,596**	—	**235,513**
	78,596	63,689	**784,470**
Less portion due within one year	**(2,218)**	(26,558)	**(22,138)**
Total long-term debt	**¥76,377**	¥ 37,130	**$762,331**

At March 31, 2008 the aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2010	¥33,342	$332,788
2011	911	9,093
2012	853	8,520
2013	25,790	257,413
Thereafter	15,480	154,514
Total	¥76,377	$762,331

5. Collateral and Secured Liability

A summary of assets pledged as collateral for liability at March 31, 2008 and 2007 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Land	**¥ 5**	¥ 312	**$ 56**
Buildings	**22,823**	24,729	**227,806**
Investment securities	**—**	1,518	**—**
Total	**¥22,829**	¥26,559	**$227,862**

A summary of secured liability at March 31, 2008 and 2007 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Long-term loans (Including current portions of long-term loans payable within one year)	**¥3,466**	¥4,881	**$34,603**

6. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets			
Amount in excess of limit for employee retirement allowances	**¥ 6,240**	¥ 8,347	**$ 62,282**
Selling expenses not deductible for tax purposes during the period	**858**	769	**8,565**
Valuation loss on investment and marketable securities	**1,563**	1,064	**15,602**
Accrued bonuses to employees	**1,619**	1,762	**16,160**
Depreciation of fixed assets	**1,035**	1,274	**10,335**
Deferred asset depreciation for tax purposes	**—**	31	**—**
Inventories	**1,147**	—	**11,455**
Accrued enterprise taxes	**297**	213	**2,972**
Deferred gains or losses on hedges	**1,310**	—	**13,082**
Other	**4,915**	5,317	**49,060**
Subtotal	**18,987**	18,782	**189,517**
Valuation allowance	**(2,078)**	(1,773)	**(20,747)**
Total deferred tax assets	**¥ 16,909**	¥ 17,008	**$ 168,770**
Deferred tax liabilities			
Advanced depreciation reserve for fixed assets	**¥(14,405)**	¥(14,689)	**$(143,783)**
Difference in valuation of other securities	**(6,010)**	(12,002)	**(59,995)**
Deferred gains or losses on hedges	**—**	(567)	**—**
Other	**(417)**	(406)	**(4,164)**
Total deferred tax liabilities	**¥(20,833)**	¥(27,666)	**$(207,944)**
Net deferred tax liabilities	**¥ (3,924)**	¥(10,657)	**$ (39,173)**

The net deferred tax assets at March 31, 2008 and 2007, included in the consolidated balance sheets are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets (current)	**¥ 7,136**	¥ 4,862	**$ 71,224**
Deferred tax assets (non-current)	**361**	291	**3,607**
Deferred tax liabilities (non-current)	**(11,422)**	(15,810)	**(114,005)**

An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2008 is as follows:

	2008	2007
Statutory tax rate	**41.0%**	41.0%
Entertainment and other permanently non-deductible expenses	**6.1**	7.0
Dividend and other permanently non-taxable income	**(4.0)**	(4.6)
Unscheduled temporary differences for loss on investment securities	**2.7**	2.6
Per capita inhabitant's tax	**1.1**	1.2
Unrecognized tax effect due to elimination of investment and capital	**3.9**	3.9
Difference in tax rate of overseas consolidated subsidiaries	**1.2**	(2.3)
Tax credit for experimentation and research expenses	**(4.4)**	(2.4)
Other	**(1.8)**	0.0
Effective tax rates	**45.8%**	46.4%

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 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition cost	**¥7,076**	¥6,747	**$70,635**
Accumulated depreciation	**3,486**	3,240	**34,802**
Net book value	**¥3,590**	¥3,507	**$35,832**

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 straight-line method is used for the calculation of asset depreciation.

Outstanding balances of future lease payments as of March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥1,233**	¥1,295	**$12,313**
Due after one year	**2,356**	2,212	**23,518**
Total	**¥3,590**	¥3,507	**$35,832**

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
	2008	2007	**2008**
Paid lease fees	**¥1,499**	¥1,380	**$14,964**
Equivalent depreciation expense amount	**1,499**	1,380	**14,964**

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, 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥ 175**	¥ 183	**$ 1,755**
Due after one year	**1,370**	1,613	**13,678**
Total	**¥1,546**	¥1,797	**$15,433**

8. Retirement Benefits

The liability for employees' retirement benefits as of March 31, 2008 and 2007 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation	**¥(42,301)**	¥(42,635)	**$(422,215)**
Fair value of plan assets	**25,354**	31,949	**253,064**
Unrecognized actuarial loss	**6,720**	(3,860)	**67,078**
Unrecognized prior service liability	**(979)**	(1,958)	**(9,773)**
Net liability for retirement benefits	**¥(11,205)**	¥(16,504)	**$(111,846)**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥2,156**	¥ 2,109	**$21,528**
Interest cost	**1,043**	1,054	**10,413**
Expected return on plan assets	**(399)**	(216)	**(3,988)**
Amortization of transitional obligation	**—**	30	**—**
Recognized actuarial loss	**(707)**	(1,401)	**(7,064)**
Amortization of prior service liability	**(979)**	(979)	**(9,773)**
Net periodic benefit costs	**¥1,113**	¥ 597	**$11,115**

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:	**2008**	2007
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

9. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2008 and 2007:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and time deposits	**¥11,802**	¥14,773	**$117,800**
Time deposits with maturities of more than three months	**(10)**	(259)	**(99)**
Cash and cash equivalents	**¥11,792**	¥14,513	**$117,700**

10. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses during fiscal 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales promotion expenses	**¥57,079**	¥56,048	**$569,717**
Salaries and wages	**21,750**	22,829	**217,095**

11. Extraordinary Income (Losses)

Major elements of extraordinary income (losses) during fiscal 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Extraordinary income			
Gain on sale of investment securities	**¥ 462**	¥ 720	**$ 4,620**
Gain on sale of property, plant and equipment	**1,739**	249	**17,360**
Extraordinary losses			
Loss on disposal of property, plant and equipment	**1,326**	1,728	**13,235**
Loss on valuation of investments in affiliated companies	**—**	466	**—**
Loss on product collection	**338**	—	**3,375**

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
	2008	2007	**2008**
Meiji Seika (Shanghai) Co., Ltd.	**¥ —**	¥ 471	**$ —**
PT CERES MEIJI INDOTAMA	**250**	239	**2,500**
Employees	**848**	1,030	**8,472**
Total	**¥1,099**	¥1,740	**$10,972**

2) Notes receivables discounted

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Notes receivables discounted	**¥99**	¥102	**$991**

13. Research and Development Costs

Research and development costs which were included in general and administrative expenses and manufacturing expenses during the fiscal years 2008 and 2007 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2008	2007	**2008**
Research and development costs	**¥14,766**	¥15,926	**$147,389**

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 payable

Items concerning market values, etc. of transactions

	Millions of Japanese yen			
	2008			
	Contractual amount	Contractual amount due after one year	Market value	Valuation gain/loss
Currency swap (receive U.S. dollars, pay Japanese yen)	¥5,410	¥5,229	¥(276)	¥(276)
Total	**¥5,410**	**¥5,229**	**¥(276)**	**¥(276)**

	Thousands of U.S. dollars			
	2008			
	Contractual amount	Contractual amount due after one year	Market value	Valuation gain/loss
Currency swap (receive U.S. dollars, pay Japanese yen)	$54,000	$52,000	$(2,759)	$(2,759)
Total	**$54,000**	**$52,000**	**$(2,759)**	**$(2,759)**

15. Segment Information

1) Segment Information by Industry

	Millions of Japanese yen					
	2008					
	Food & Healthcare	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**¥288,386**	**¥113,260**	**¥ 3,064**	**¥404,711**	**¥ —**	**¥404,711**
(2) Inter-segment sales and transfers	**409**	**1,569**	**120**	**2,099**	**(2,099)**	**—**
Total	**288,795**	**114,829**	**3,185**	**406,811**	**(2,099)**	**404,711**
Operating costs and expenses	**284,926**	**107,509**	**2,545**	**394,980**	**(2,994)**	**391,986**
Operating income	**¥ 3,869**	**¥ 7,320**	**¥ 640**	**¥ 11,830**	**¥ 895**	**¥ 12,725**
Assets, Depreciation and Capital Expenditures						
Assets	**¥166,672**	**¥118,119**	**¥26,817**	**¥311,609**	**¥36,999**	**¥348,609**
Depreciation	**9,756**	**4,751**	**1,561**	**16,068**	**—**	**16,068**
Capital expenditures	**18,649**	**3,100**	**33**	**21,783**	**—**	**21,783**

	Thousands of U.S. dollars					
	2008					
	Food & Healthcare	Pharmaceutical	Office Building Leasing & Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**$2,878,397**	**$1,130,455**	**$ 30,590**	**$4,039,444**	**$ —**	**$4,039,444**
(2) Inter-segment sales and transfers	**4,085**	**15,665**	**1,206**	**20,956**	**(20,956)**	**—**
Total	**2,882,483**	**1,146,121**	**31,796**	**4,060,400**	**(20,956)**	**4,039,444**
Operating costs and expenses	**2,843,858**	**1,073,052**	**25,408**	**3,942,319**	**(20,892)**	**3,912,427**
Operating income	**$ 38,624**	**$ 73,068**	**$ 6,388**	**$ 118,081**	**$ 8,935**	**$ 127,016**
Assets, Depreciation and Capital Expenditures						
Assets	**$1,663,561**	**$1,178,959**	**$267,666**	**$3,110,188**	**$369,296**	**$3,479,485**
Depreciation	**97,376**	**47,425**	**15,581**	**160,382**	**—**	**160,382**
Capital expenditures	**186,145**	**30,947**	**332**	**217,425**	**—**	**217,425**

	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

2) Geographical Segment Information

For the year ended March 31, 2007, the Company has omitted geographical segment information because domestic sales and assets exceeded 90% of all segments. For the year ended March 31, 2008, geographical segment information is as follows:

	Millions of Japanese yen					
	2008					
	Japan	Asia	North America / Europe	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**¥372,743**	**¥ 8,770**	**¥23,197**	**¥404,711**	**¥ —**	**¥404,711**
(2) Inter-segment sales and transfers	**3,007**	**8,316**	**664**	**11,988**	**(11,988)**	**—**
Total	**375,750**	**17,087**	**23,861**	**416,700**	**(11,988)**	**404,711**
Operating costs and expenses	**364,637**	**16,700**	**23,748**	**405,086**	**(13,100)**	**391,986**
Operating income	**¥ 11,113**	**¥ 386**	**¥ 113**	**¥ 11,613**	**¥ 1,112**	**¥ 12,725**
Assets	**¥299,459**	**¥17,223**	**¥15,349**	**¥332,032**	**¥ 16,576**	**¥348,609**

	Thousands of U.S. dollars					
	2008					
	Japan	Asia	North America / Europe	Total	Eliminations or corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to outside customers	**$3,720,364**	**$ 87,543**	**$231,535**	**$4,039,444**	**$ —**	**$4,039,444**
(2) Inter-segment sales and transfers	**30,016**	**83,011**	**6,630**	**119,658**	**(119,658)**	**—**
Total	**3,750,381**	**170,554**	**238,166**	**4,159,102**	**(119,658)**	**4,039,444**
Operating costs and expenses	**3,639,457**	**166,692**	**237,036**	**4,043,186**	**(130,759)**	**3,912,427**
Operating income	**$ 110,924**	**$ 3,861**	**$ 1,129**	**$ 115,915**	**$ 11,101**	**$ 127,016**
Assets	**$2,988,916**	**$171,910**	**$153,203**	**$3,314,030**	**$ 165,454**	**$3,479,485**

3) Overseas Sales

For the year ended March 31, 2007, the Company has omitted overseas sales because such sales accounted for less than 10% of consolidated net sales. For the year ended March 31, 2008, overseas sales are as follows:

	Millions of Japanese yen			Thousands of U.S. dollars		
	2008			2008		
	Asia	North America / Europe	Total	Asia	North America / Europe	Total
(1) Sales to outside customers	**¥12,325**	**¥29,137**	**¥ 41,462**	**$123,016**	**$290,823**	**$ 413,840**
(2) Consolidated sales			**404,711**			**4,039,444**
(3) Percentage of overseas sales among consolidated sales	**3.0%**	**7.2%**	**10.2%**	**3.0%**	**7.2%**	**10.2%**

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, 2008, 2007 and 2006, 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, 2008, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2. (l), certain consolidated subsidiaries changed its classification of personnel and other expenses in consolidated statements of income.

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, 2008

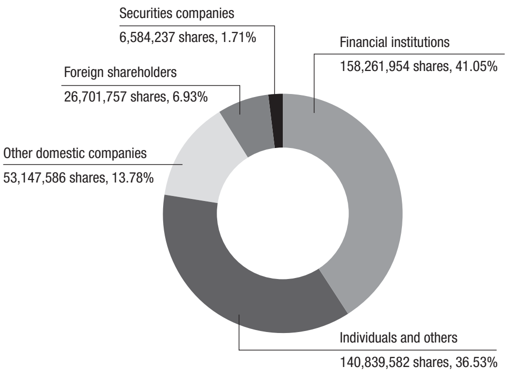
Shareholder Information (As of March 31, 2008)

Principal Shareholders

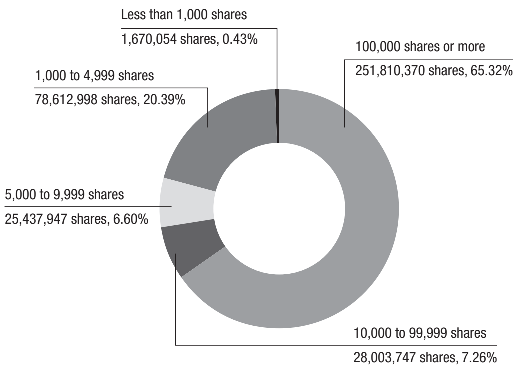
Name	Number of shares (Thousands)	Percentage of shares held (%)
Mizuho Bank, Ltd.	18,763	4.87
The Dai-ichi Mutual Life Insurance Company	16,163	4.19
The Master Trust Bank of Japan, Ltd. (Trust account)	15,992	4.15
Nippon Life Insurance Company	14,707	3.81
Meiji Dairies Corporation	10,811	2.80
Fukoku Mutual Life Insurance Company	10,001	2.59
Japan Trustee Services Bank, Ltd. (Trust account)	8,285	2.15
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,804	1.77
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,512	1.69
Meiji Seika Employee Ownership	5,712	1.48
Total	113,752	29.51%

Breakdown of Shareholders

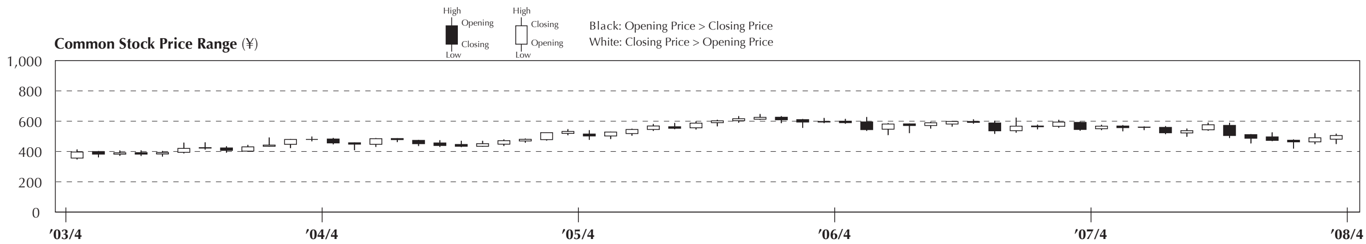
Type of Shareholders (%)

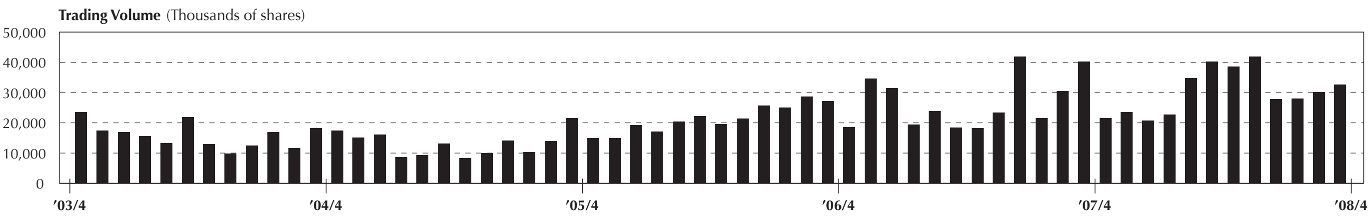


Number of Shares Held (%)



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
MEIJI SPORTS PLAZA, Ltd.	90	100.00	Management of sports and recreational facilities
Kitasato Pharmaceutical Industry Co., Ltd.	30	60.00	Sale of vaccines
Meiji Seika (Singapore) Private, Limited (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)	US$5,000 thousand	—*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 Company Inc. (U.S.A.)	US$20,729 thousand	—*1	Manufacturing and sale of confectionery and other foods
Meiji Seika (Shanghai) Co., Ltd. (China)	US$18,100 thousand	100.00	Sale of confectionery and other products
Meiji Seika Food Industry (Shanghai) Co., Ltd. (China)	US$30,000 thousand	100.00	Manufacturing and sale of confectionery and other products
PT. 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

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