Annual Report
2003

Meiji

In this Annual Report

The fiscal year past was one of the worst years for Meiji Seika in recent history. Nevertheless, performance recovered in the second half, and the Company is pressing forward with strategies to improve performance by the use of value-added information in its core Food, Pharmaceutical, and Healthcare companies.

President and Chairman

Sales:
228,646 million (64.7%)
Operating income:
3,551 million (51.0%)

The Food Company's confectionaries and food are part of the daily lives of Japanese based on the strength and ubiquitousness of the many leading Meiji Seika brands. The Food Company is building on that base by using value-added information to increase product power, especially concerning the health benefits of polyphenol.

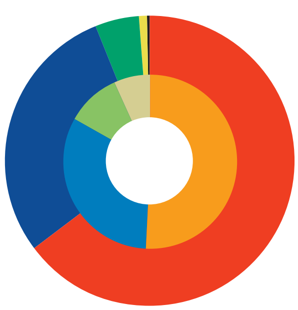
Sales:
103,037 million (29.2%)
Operating income:
2,265 million (32.5%)

The Pharmaceutical Company is promoting its newly completed full lineup of anti-infectives by using value-added information provided by its DMP system. In fiscal 2003, the company acquired the veterinary drug business of Eisai Co., Ltd., expanding its lineup of veterinary drugs.

Sales:
17,192 million (4.9%)
Operating income:
706 million (10.1%)

The Healthcare Company is taking advantage of the growing interest in personal health management to offer a range of products and services.
In addition, the company is building a profit structure based on value-added information, with particular emphasis on expanding its professional athlete advisory services to the public.

The leasing business centers on the management of the Solid Square office building, which has become a landmark of Kawasaki. Also in this category, the TR&D Project is playing an important role in discovering potential new businesses.



Net Sales and Operating Income by Business Segment
(%)

Outside: **Net sales**	Inside: **Operating Income**
Food: **64.7%**	Food: **51.0%**
Pharmaceutical: **29.2%**	Pharmaceutical: **32.5%**
Healthcare: **4.9%**	Healthcare: **10.1%**
Office Building Leasing: **0.9%**	Office Building Leasing: **6.8%**
Others: **0.3%**	Others: **–%**

Healthy is wealthy.

Good health is an invaluable asset that cannot be replaced. With that in mind, Meiji Seika utilizes its base in "**food**" and "**pharmaceutical**" to provide consumers with products, services, and information in the confectionary, food product, pharmaceutical, healthcare, agriculture, and environmental markets. The two key words used in all our business operations are "**taste and health.**" In addition we pursue functionality, aiming to supply our customers with the high-value-added products and services that only Meiji Seika can provide.

Our corporate principle is "**to help people lead happier and more fulfilling lives by emphasizing the taste experience and zest in life.**"

Harmonizing our business with the environment, we are expanding our three core businesses in the hopes of further contributing to enriching the lives of people around the world.

Financial Highlights

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

	Millions of Japanese yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
For the Year:				
Net sales	**¥353,453**	¥361,866	¥358,898	**$2,940,548**
Operating income	**5,503**	13,042	17,990	**45,787**
Income before income taxes	**5,507**	12,041	14,893	**45,822**
Net income	**2,670**	5,887	6,880	**22,215**
Per Share Data (in yen and U.S. dollars):				
Net income	**¥ 6.83**	¥ 15.20	¥ 17.68	**$0.06**
Shareholders' equity	**395.31**	404.68	408.87	**3.29**
At Year End:				
Total assets	**¥317,798**	¥336,932	¥341,350	**$2,643,911**
Shareholders' equity	**152,222**	155,990	158,407	**1,266,407**

Note: As a convenience to the reader, U.S. dollar amounts are translated at the rate of ¥120.2=$1, the prevailing exchange rate on March 31, 2003.

Shifting from Hardware to Software—
Targeting New Growth Utilizing Intangible Assets

Business Environment

In the fiscal year ended March 2003, our consolidated sales totaled ¥353.5 billion, operating income amounted to ¥5.5 billion, and net income was ¥2.7 billion. These figures represented declines of 2.3%, 57.8%, and 54.6% from the previous fiscal year, respectively.

Our performance in the first half of the fiscal year under review was probably the worst in our history. Despite a relatively good performance in the second half, we were not able to recover to the previous fiscal year's level for the full year.

The Japanese economy offered little help during the fiscal year. Corporate Japan's performance declined under the prolonged deflationary trend and the related anxiety over job security prompted continued contraction in personal consumption.

These economic trends had a strong impact on our core Food Company. Nevertheless, we launched new products and conducted an aggressive sales campaign for our major chocolate product using England soccer team captain David Beckham as our image character. However, sales still declined 3.5% from the previous fiscal year, to ¥228.6 billion, and operating income dropped 44.1% from the previous fiscal year, to ¥3.6 billion.

This performance resulted from downward pressure on sales of chocolate and chewing gum, markets where our sales were relatively strong. Prices declined because of intensified competition and profit margins were down because of the impact of "Volume Up" campaigns within the industry. Moreover, product recalls also significantly affected performance in the first half. A flavoring additive manufactured by Kyowa Perfumery & Chemical Co., one of our suppliers, was found to be unauthorized under the Food Sanitation Law. It became a major incident that affected the entire food industry when the Ministry of Health, Labor and Welfare issued a directive requiring the recall of all products using the ingredient. The flavoring additive is currently used in the United States and Europe and has no record of being harmful. Nonetheless, we recalled all products involved at a cost of more than ¥2.0 billion to sales.

Sales of our other core business, the Pharmaceutical Company, also declined, slipping 6.9%, to ¥103.0 billion. Operating income amounted to ¥2.3 billion, down 63.9% year on year. The downturn in sales can be mainly attributed to a low level of infective diseases in Japan during the fiscal

year, resulting in poor business conditions for sales of our anti-infectives, one of our strong areas. Moreover, under the system of two-year cycles in official drug price revisions, a revised price list was announced by the government in April 2002, bringing about a reduction in prices. The new revisions reduced prices in the industry on average 6.3%, and cut Meiji Seika's sales by approximately 5.5%.

This backlash from the reform of the healthcare system in Japan as represented by the revisions in official drug prices is expected to continue for some time. In response, we intend to redouble our sales efforts centered on the full lineup of anti-infectives created by the launch of SWORD and OMEGACIN and on central nervous system (CNS) drugs, for which demand is anticipated to expand.

In contrast, our Healthcare Company, which was established in 2001, enjoyed favorable growth during the fiscal year under review. We believe that this growth can be attributed to the heightened interest among the public in health and growing awareness of preventative medicine. Reflecting this environment, the company's sales rose to ¥17.2 billion. Unfortunately, operating expenses ballooned far higher than expected, holding operating income to ¥706 million. The Healthcare Company is working to establish a more profitable structure by expanding its product lineup and pursuing cost reductions.

from left:
Naotada Sato, *President*,
Ichiro Kitasato, *Chairman*

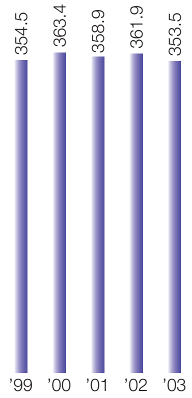
Medium-term Management Plan and Outlook

We introduced a new 3-year medium-term management plan in the fiscal year under review, with the theme of growth. Our three fixed goals are to expand our business scope to create profits, establish a business foundation for our Healthcare Company, make effective use of intangible assets and improve corporate value. Our quantitative goal under the plan is a return on equity (ROE) of 8% or greater.

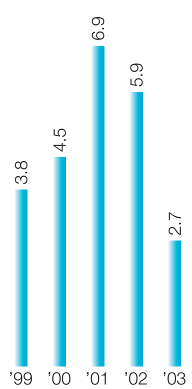
In the fiscal year ended March 2003, I feel that we achieved the goal of establishing a business foundation for our Healthcare Company to a certain extent. We shall have to attain the rest of the goals over the next two years. Currently, it has become a popular trend in our business to increase the value of the product by adding information content, which is then sold along with the product. Because of the slump in our performance, we are keen on using information to build up our sales and profits, and intend to make powerful advances in this area.

Specifically, in our Food Company, the software we are considering using is information on the beneficial health effects of the polyphenol contained in cacao. Holding the top market share of the chocolate confectionaries market in Japan, we have been researching cacao for a long time. People today have an extremely high interest in health, and we believe that by using the information on polyphenol in chocolate and in cacao beans that are used in making chocolate as value-added content, we will be able to boost the value of our products and expand sales.

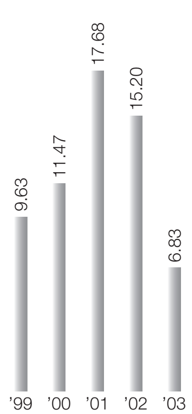
Net Sales
(Billions of yen)



Net Income
(Billions of yen)



Net Income Per Share
(Yen)



Of course, we are also continuing our cost reduction programs. One of our current focuses is on optimally reallocating our production bases. Prices for raw materials for food products are rising, and the cost differential for raw materials and labor between Japan and other markets is extremely challenging. Previously, we tried to expand our production network domestically and overseas, producing biscuits in the United States and other products elsewhere. Now we are building an efficient production system that optimally allocates production.

In our Pharmaceutical Company, we will be trying to make full use of our Disease Management Program (DMP). This system enables medical professionals to search for the most advantegeous combination of drugs for patients with infectious diseases and related disorders based on symptoms. We developed this system during the fiscal year under review, and are now making practical use of DMP. However, we still think that various improvements can be made.

We are also focusing on the generic drug market. Medical institutions are showing a growing tendency to use generic drugs in the face of the ongoing reforms of the health-care system in Japan. We have a high-value-added line of generic drugs that have a strong reputation with these institutions. Consequently, we intend to move strongly into this growing market to help overcome the adversities created by healthcare system reform and increase sales and profitability.

We think it can be said that the start up of our Healthcare Company has been a success. We see intangible assets or software as having an even more important role to play in this business than our other core businesses.

For example, the instructors at our Sports and Nutrition (SN) Laboratory give advice to professional sports players and others on the best diet management for playing sports as well as on dealing with the nutritional deficiencies that cannot be solved by diet alone by taking nutritional supplements, such as our SAVAS product line. In previous years, our SN Laboratory has provided support to national teams at the Seoul, Atlanta and other Olympics, the World Cup of soccer, and other major sports events. And it is currently providing assistance to judo and soccer associations and many professional sportsmen and women.

These activities are representative of the use of intangible assets. Also, the data gathered from these activities is useful for the development of new products. We plan to leverage the software that has been developed to take a giant leap into the age of preventative healthcare, where people manage their own health.

Among our major companywide measures, we are conducting a total cost-down project (TCP) and a total research and development (TR&D) project.

As an activity, TCP aims to cut costs by working across business unit lines for the purpose of increasing profitability. Since February 2002, the entire Company has been working together on this program. Through TCP, we have revised our production structure and unprofitable businesses and achieved cost benefits by reducing our labor force and cutting other expenses. These efforts are ongoing.

In our TR&D project, we are looking at the potential of various materials accumulated within the Company as well as materials of other companies. Taking an overall view of our businesses, we are conducting companywide research on the use of these materials to make new products and considering their commercialization. Through this process, we are targeting the development of new fields through the creation of new businesses. Through these and other measures, we are actively pursuing structural reforms.

Corporate Governance

From the point of view of strengthening our corporate governance, we are reinforcing a variety of our management systems. Our goals are to boost our competitiveness as well as earning the trust of society by conducting a healthy business with high transparency in its activities.

Our board of directors comprises 12 directors, two of which are outside directors. We have four corporate auditors, two of which are outside auditors. Corporate auditors sit in on all meetings of the board of directors, allowing them to monitor decisions on important items as well as the activities of directors.

We also have a Nomination Committee, which nominates candidates the positions of director and corporate officer, and a Compensation Committee that suggests the appropriate compensation for directors and corporate officers. The Chairman and President of the Company and the two outside directors sit on these committees to ensure a high degree of transparency in the selection of management and determination of their compensation.

Among other steps taken to improve corporate governance, we have introduced a Corporate Executive Officer System to clearly separate the management function from the execution of daily operations, allowing managers to dedicate themselves to the business they are in charge of.

In October 2002, we also set up a Compliance Committee. Under the leadership of a Compliance Officer, the committee will work to ensure even stricter compliance with laws and regulations as laid down in the Company’s Business Practices Charter, which was formulated in January 2003.

To further raise our level of management, we are now pursuing the optimization of our management system.

Protecting the Environment

Meiji Seika first established its Environmental Committee in 1994 to research, propose, debate, and implement environment management actions.

Our focus in our energy conservation programs is on initiating energy conservation measures in our plants, which account for 80% of our energy consumption. In our industrial waste programs, we have a wide range of actions in progress at our food and pharmaceutical plants, our R&D facilities, head office, branches, and sales offices. Because approximately 80% of our industrial waste is produce by our plants, they are again the focus of our measures.

Another issue we are addressing is the use of chemical substances, mainly in the production of pharmaceutical and in our R&D activities. We have established chemical substance management committees at each of our pharmaceutical production and R&D facilities. These committees are responsible for determining standards for the use and handling of all chemical substances taking into account safety and environmental considerations. In addition, they manage the purchase volume and inventories for actual use.

Among our other efforts, we have taken steps to include pertinent environmental activities within our business processes. Our Food and Pharmaceutical companies have environmental committees, environmental subcommittees to research, deliberate, and consider specific issues, and environmental committees at each of their plants and R&D facilities.

Our Dividend Policy

Our basic dividend policy is to return profits to shareholders in a steady and appropriate stream while taking into consideration the need to increase reserves from a long-term point of view. These reserves are used to fund our capital investments in and outside Japan as well as our R&D expenses. Through this funding, we are striving to expand our business and to strengthen our financial position.

For the fiscal year under review, we have declared year-end cash dividends of ¥3.50 per share. Including the equivalent interim cash dividend, annual cash dividends were ¥7.00 per share.

Based on the premise of achieving stable dividend payouts, we will continue to expand our reserves, and intend to implement share buybacks under the right conditions, as a method of returning profits to shareholders.

June 2003

I. Kitasato N. Sato

Ichiro Kitasato, *Chairman* Naotada Sato, *President*

Food Company

Topics

1
We launched a television commercial featuring England soccer team captain David Beckham that became highly popular.

2
Our efforts to spread the health benefits of chocolate and cocoa through sponsoring an international symposium and other measures contributed to growth in cocoa sales.

3
For a limited time only in summer 2002, we opened a GINZA CURRY-KAN in Ginza, Tokyo. The specialty curries and hayashi rice were a big hit with customers.

David Beckham


International symposium


GINZA CURRY-KAN

Targeting growth, we are demonstrating the strength of our products by linking information on cacao with our products.

THE MEIJI SEIKA NAME BECAME INEXTRICABLY ASSOCIATED WITH THE BEST IN CHOCOLATE

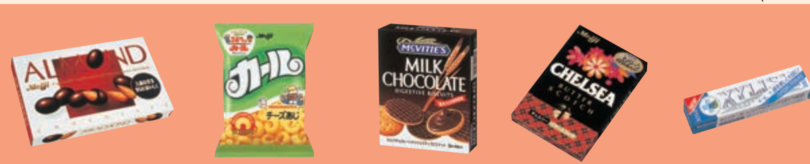
The Food Company is developing two businesses, confectionaries and food. The confectionary business consists of such categories as chocolate, candy, chewing gum, savory snacks, and biscuits. The food business comprises cocoa, curry, soup, balanced nutrition meals, and other products.

In its main confectionary category, the Food Company possesses many of Japan's leading brands, including MILK CHOCOLATE, ALMOND CHOCOLATE, FRAN, CHELSEA, XYLISH, KARL, and MCVITTIE'S. The source of this brand strength is the synergistic effects of advanced technological capabilities and product development. Chocolate is Meiji Seika's core sector, and it holds a top share of 26% in Japan.

Meiji's history in the food business commenced in 1916. The Company began by manufacturing candy and biscuits, but after constructing modern production facilities in 1926, it started selling MILK CHOCOLATE. Still packaged in its sepia-colored wrapper with gold lettering, this long seller remains popular today.

Market size, share, and rank for each Food Company product category

(As of March 31, 2002) (billions of yen)



	Confectionary	Chocolate	Snacks	Biscuits	Candy	Chewing gum
Market size (sales)	1,056.1	306.5	263.6	204.7	164.0	117.3
Our share (%)	12.1%	24.8%	4.7%	2.7%	10.5%	7.4%
Our rank	2nd	1st	4th	8th	2nd	3rd

The Meiji Seika name became inextricably associated with the best in chocolate, this being further enhanced with the marketing of MARBLE CHOCOLATE. Since then, the Company has continue to introduce blockbuster hits, such as CHOCOLATE KOKA, featuring enriched polyphenol content, and FRAN, the chocolate snack that started a new trend.

Besides chocolate, Meiji Seika began developing the market for genuine snacks with the launch of KARL in 1968. The Company followed up on this effort with the development of another new market—candies—with the introduction of CHELSEA in 1971 and KAJU GUMMY in 1988.

The food business got its start in 1926 with the manufacture of cocoa. Since then, it has brought many products to market, including Japan's first canned juice, TENNEN ORANGE JUICE, in 1954. Today, Meiji Seika supplies the tables of Japanese households with cocoa and other popular drinks, GINZA CURRY, MARUGOTO YASAI SOUP and other retort-pouch foods, and the PERFECT PLUS brand of healthfoods.

TARGETING SALES GROWTH AND PROFIT CREATION THOROUGH VALUE-ADDED CONTENT

Through our ongoing medium-term management plan, we are seeking to expand the business scope of the Food Company and to create profits. To achieve these goals, we plan to aggressively leverage the power of the Meiji brand that has been developed over the years and the information that we have accumulated on products and ingredients through our long-term research.

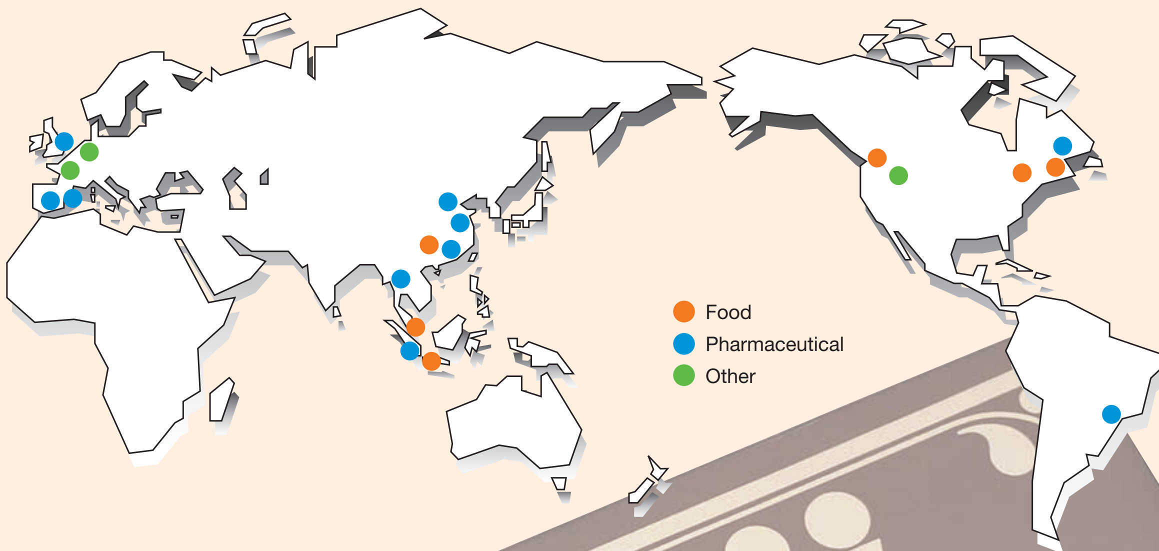
One specific example is the use of health-related information on chocolate products.

We are the market leader in the chocolate market with a 26% share. This position is based on our accumulated performance over our history and indicates that the Meiji brand is firmly established. Nevertheless, we are not resting on our laurels—we are now targeting a 30% market share.

To achieve this growth in market share, we will of course take full advantage of the power of the Meiji brand. In addition, we will use special information on products to increase their value-added content. The most effective information that we plan to use is information on polyphenol in cacao beans, one of the basic ingredients of chocolate and cocoa.

We have had our eye on polyphenol as one of the active compounds in the cacao bean from an early stage. For some time, we have been researching its health benefits. We discovered that polyphenol is a strong anti-oxidant, smoothes blood flow, and has application in the prevention of lifestyle-

Worldwide network



related diseases. Consequently, polyphenol has received a lot of attention in the media, being taken up as a topic by health-related television shows and magazines.

In recent years, Japan's national health insurance system has changed rapidly in the face of the continued economic stagnation. Individuals with national health insurance now have to bear 30% of their medical expenses. As a result, the public's awareness of the need for personal health management is steadily rising, and they are looking for a variety of personal health management methods to suit their needs.

As a company that creates "taste and health," we are making use of the information on the medically proven beneficial effects of polyphenol. We are actively including this information with our cacao products, such as chocolate, and cocoa itself to create high-value added products.
We also believe that aggressively using the media is an effective way to increase value-added content through marketing.

We are using England soccer team captain David Beckham in our television commercials. In the sense of the value-added content of providing consumers with what they want, it is also probably also effective to include images of Beckham on our products.

Other possible methods of increasing value-added content are to launch premium products and products that are one grade above our existing products. We are still thinking about whether or not to introduce premium products, but our "one rank up" strategy for products is already under way. Among other products, we have introduced MORE FRAN, which features richer chocolate, and the retort-pouch CHIANTI CURRY, which offers a first-class restaurant CHIANTI's taste.

The Food Company is using such methods to take advantage of the Meiji brand and to use information to create value-added content for its products.
It will continue to explore such methods that provide mutual satisfaction for consumers and Meiji Seika.

Pharmaceutical Company

Topics

1
We launched OMEGACIN and SWORD, completing a full lineup of anti-infectives in fiscal 2002.

2
In February 2003, we acquired the veterinary drug business of Eisai Co., Ltd.

3
Through seminars and lectures, we worked to disseminate information about our drugs and the diseases for which they have indications.

SWORD

ASTOP


Seminars for dissemination of academic information

We are targeting sales growth for our full lineup of anti-infectives through a drug application list categorized by disorder.

THE BASIC BUSINESS PRINCIPLE OF THE PHARMACEUTICAL COMPANY IS TO “FIGHT INFECTIOUS DISEASES.”

The Pharmaceutical Company produces ethical drugs, agricultural chemicals, and veterinary drugs. The company’s major business is ethical drugs, and its products center on anti-infectives and central nervous system (CNS) drugs.

Meiji Seika has a special affinity for the infective disease field, having launched successive superior products in the anti-infectives market since beginning to make penicillin in 1946.
The Company’s sales of streptomycin contributed substantially to the control of tuberculosis. And Meiji Seika introduced Japan’s first domestically produced antibiotic, KANAMYCIN.

Today, the Pharmaceutical Company’s main anti-infectives are MEIACT and FOSMICIN. In addition, it recently introduced CIPROXAN and OMEGACIN. With the December 2002 launch of domestic sales of SWORD, the company now has a full lineup of anti-infectives.

Among Meiji Seika's CNS drugs, sales of our anti-anxiety drug MEILAX and our antidepressant DEPROMEL were robust during the fiscal year under review.

As Japan steadily become a truly gray society, we intend to move forward toward our goal of being an excellent company as a pharmaceutical manufacturer specializing in anti-infectives and CNS drugs.

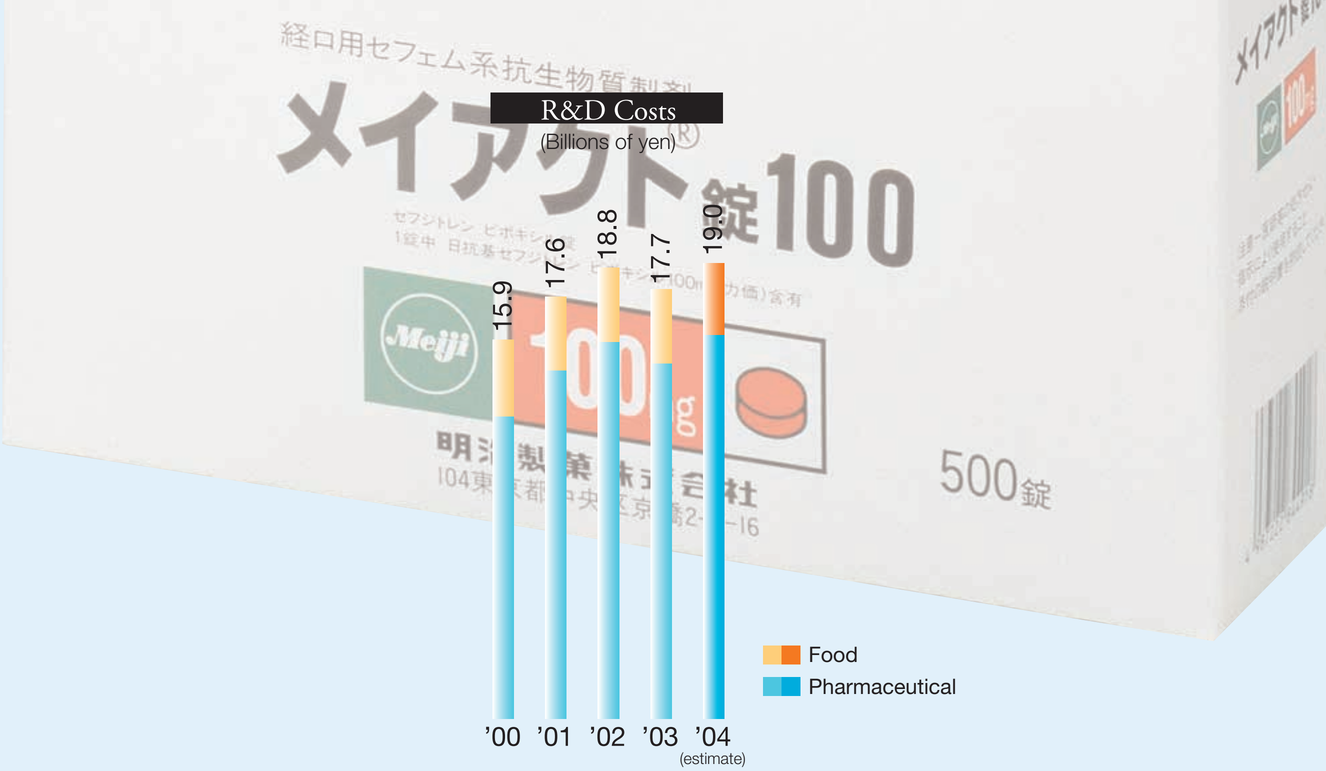
USING DMP TO HELP OVERCOME THE HARSH BUSINESS CLIMATE

The healthcare industry faces extremely difficult conditions in Japan, buffeted by the whirlwind of reforms in the healthcare system. From April 2003, company employees have to pay 30% of their medical expenses. University hospitals and major public hospital will have to care for patients with specified disorders at specified costs. Part of the government's policy of cutting overall medical treatment costs, the direction of reform is unlikely to change in future.

Under these circumstances, we have decided not to depend solely on our products, but to create value-added content linked to our products—in other words, to develop intangible assets. This has been made one of the goals of our current medium-term management plan.

The most outstanding feature of the Pharmaceutical Company is the full lineup of anti-infectives created by the introduction of OMEGACIN and SWORD in 2002. To create value-added content for this product lineup, the company produced and is using a Disease Management Program (DMP), which is a list of the applications for Meiji Seika's anti-infectives by disorder. DMP answers doctors' questions about which drugs they should use and plays up the advantage of Meiji Seika's full lineup.

In response to the medical institutions considering the greater use of generic drugs to control medical expenses, we have stepped up our promotion of Meiji Seika's generic drugs, and are thinking of introducing new, value-added products.



List of new products under development

(As of March 31, 2003)

stage	name	classification	notes
NDA Field	ME2906	Photosensitizer	Origin: Nippon Petro Chemicals Codevelopment with Matsushita Industirial Equipment
Phase II	ME3301	Antiasthmatic, Antiallergic	Original development by Meiji (Phase I in Japan)
Phase II	ME1211	Antibacterial (carbapenem)	Origin: Wyeth Lederls Japan
Phase II	ME3738	Hepatoprotective	Original development by Meiji

Research	Anti-infectives, CNS drugs, Respiratory drugs

In this manner, we intend to aggressively implement actions based on the concept of attaching value-added content to our products and selling it. Through this process, we plan to affect a recovery in our profitability to levels targeted, and eventually to reach global standards.

In the agricultural chemicals and veterinary drugs fields, we acquired the veterinary drug business of Eisai Co., Ltd., on February 2003. This acquisition added such products to our lineup as ASTOP and PACOMA, disinfectants for livestock; INFEC and other nutritional products for livestock; PRIMIX, nutritional product for fisheries; and MYCOBUSTER, POSEIDON, and other vaccines. We have high expectations for the contribution these products will make to our sales in future.

PURSUING SPECIALIZED R&D ACTIVITIES FOCUSED ON ANTI-INFECTIVES AND CNS DRUGS

Since its start up, the Pharmaceutical Company has contributed to society through the development and sales of drugs specialized in the infective diseases field. In the fiscal year under review, the company completed its anti-infectives lineup with the domestic launch of OMEGACIN and SWORD. We are, of course, developing useful drugs in other fields.

Looking at the infective diseases field, our oral antibacterial carbapenum ME1211 is in the Phase II development stage. In the CNS field, we are planning to develop more indications for our antidepressant DEPROMEL for social anxiety disorders.

In other fields, our antiathmatic product ME3301 and our hepatoprotective drug ME3738 are both in the Phase II development stage.

Healthcare Company

Topics

1
Through our SN Laboratory, we provided nutritional guidance and support to Japan's national soccer team for the 2002 FIFA WORLD CUP Korea/Japan game, contributing to their victory.

2
In January 2003, we acquired sales agency rights for Bayer's BAYCLEAR® PLUS for athlete's foot and jock itch and began sales.

3
In March 2003, we changed the collagen ingredient in our Amino Collagen product and substantially redesigned the package.

SN Laboratory staff planning model menus

BAYCLEAR® PLUS

Amino Collagen

The establishment of a solid business base is within sight. Our goal is now to build a profit structure.

OUR HEALTHCARE COMPANY—BORN OF SOCIAL NEEDS

The Healthcare Company has just recently gotten under way, being formed in October 2001 from an amalgamation of the healthfood business of the Food Company and the OTC drug business of the Pharmaceutical Company.

The main products of the Healthcare Company are healthfood products and over-the-counter (OTC) drugs. Among its wide range of healthfoods are SAVAS, a line of sports supplements for athletes, PERFECT PLUS, a line of balanced nutritional supplements; and DAIZU KARA TSUKUTTA SOUP, which is recognized as a special-use item by the national health insurance system. The company's line of OTC drugs is headed up by its ISODINE throat gargle line, which boasts a 70% share of the market.

The 21st century is said to be the age of preventative healthcare. For individuals, this means managing their own health, which has produced a huge interest in health among consumers. As a company that has constantly pursued "Good taste and Health," we are developing our business to meet these social needs.

BUILDING A PROFIT STRUCTURE BASED ON VALUE-ADDED CONTENT

Meiji Seika's product development is based on the concept of "functional and delicious." This applies to the Healthcare Company as well as our other businesses. In that sense, Meiji Seika believes that having a background in both food and pharmaceutical is a substantial advantage. In combining the technology to create delicious products with the research capability for functional substances, Meiji Seika makes use of an information background that other companies do not have.

The Healthcare Company's and Nutrition (SN) Laboratory offers guidance to top athletes on the optimum diet and nutritional management for their body needs. In the past, the SN Laboratory has supported national teams participating in the Barcelona, Atlanta, Sydney, and other Olympics and World Cup soccer teams. Currently, it is focusing on providing healthcare management services for judo and soccer associations and many famous sport athletes. This is a typical example of how products and information can be effectively combined.

In future, the Healthcare Company intends to expand and improve this system. For example, we are investigating how various factors, such as amount of exercise, speed, and others, could be used to prescribe SAVAS or other supplements for individuals. In pursuing these activities, we have an eye on developing a market for products for the general public customized for individuals by type and use.

The Healthcare Company also operates the SAVAS Sports Club, which has facilities in Kawasaki, Takatsuki, and Niigata. The SAVAS Sport Club facilities at Solid Square in Kawasaki offer their customers a total physical development program that give equal weight to exercise and diet.

Contributing to society with good taste and healthy products

Office Building Leasing and Others

Solid Square office building

New Products containing PGA

Using know how developed in our Food, Pharmaceutical, and Healthcare companies, we expand our business fields.

SCOPE OF BUISINESS

In addition to our core Food, Pharmaceutical, and Healthcare businesses, we operate a building leasing business, sports facilities, and others.

The focus of our leasing business is Solid Square, a modernistic office building constructed on the idle site of our Kawasaki Plant. Built using leading-edge technology, Solid Square was opened in May 1995. The office building is highly popular because of its location, which offers easy access to metropolitan Tokyo, and the futuristic image of the building. Because of these advantages, Solid Square has a wide range of Japanese and foreign companies as tenants. In April 2000, the government opened a Passport Center in the building, reflecting people's familiarity with Solid Square as one of the landmarks of Kawasaki.

Among other activities in the Others segment, in December 2002, Meiji Seika sold all its shares of MEIJI SEIKA RETAIL CO., LTD., exiting from the restaurant business.

TOTAL R&D PROJECT

Another business that is more than just a business is Meiji Seika's Total R&D (TR&D) Project. The project constantly searches for new materials that could become the seeds of new businesses. One of the fruits of these efforts is a new business centered on polyglutamine (PGA), which got fully under way in the second half of the previous fiscal year. PGA is a water-soluble polymer compound formed of chains of glutamic acid. It has high moisture retention and purification properties. Technically, it can be produced in volume, and has promising application as an ingredient in cosmetics or as a water purification material. Among other materials that the project is researching as possible foundations for new businesses are the use of enzyme to degrade abnormal prion and materials from other companies.

Six-Year Summary

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

	Millions of Japanese yen					
	2003	2002	2001	2000	1999	1998
For the Year:						
Net sales	**¥353,453**	¥361,866	¥358,898	¥363,381	¥354,515	¥354,793
Food	**228,646**	236,991	233,827	238,423	241,164	244,356
Pharmaceutical	**103,037**	110,692	117,872	117,505	109,051	106,946
Healthcare	**17,192**	7,867	—	—	—	—
Office building leasing	**3,041**	3,080	3,035	2,876	2,561	1,610
Others	**1,535**	3,234	4,163	4,575	1,738	1,879
Operating income	**5,503**	13,042	17,990	19,100	15,671	11,189
Net income	**2,670**	5,887	6,880	4,467	3,751	4,934
Capital expenditures	**13,260**	17,731	14,472	13,493	20,211	13,060
Food	**9,155**	9,033	8,069	7,376	6,903	8,001
Pharmaceutical	**3,654**	6,934	5,802	5,670	12,402	4,924
Healthcare, Office building leasing and others	**451**	1,764	601	447	906	135
Depreciation and amortization	**15,086**	14,798	15,096	15,308	16,481	13,950
R & D costs	**17,738**	18,838	17,667	15,854	14,990	14,456
Per Share Data (in yen):						
Net income	**¥ 6.83**	¥ 15.20	¥ 17.68	¥ 11.47	¥ 9.63	¥ 12.67
Shareholders' equity	**395.31**	404.68	408.87	373.38	398.75	394.97
At Year End:						
Total assets	**¥317,798**	¥336,932	¥341,350	¥321,103	¥318,527	¥315,912
Shareholders' equity	**152,222**	155,990	158,407	145,403	155,285	153,813
Ratios (%):						
ROE	**1.7**	3.7	4.5	3.0	2.4	3.2
ROA	**0.8**	1.7	2.0	1.4	1.2	1.6
Equity ratio	**47.9**	46.3	46.4	45.3	48.8	48.7

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CONSOLIDATED SUBSIDIARIES

Meiji Seika's consolidated subsidiaries include 13 domestic consolidated subsidiaries (9 food product companies, 2 pharmaceutical companies, one healthcare company, and one other company) and 8 overseas companies (3 food product companies, 4 pharmaceutical companies, and one other company). In addition, 2 domestic companies are affiliated companies accounted for by the equity method.

OVERVIEW

During the fiscal year ended March 31, 2003, the Japanese economy continued to face harsh circumstances. The stock market fell lower, deflationary pressure intensified, and personal consumption continued to slump amid anxiety over job security.

Overseas, the economies in Asia posted mild expansion, but the recovery in the U.S. economy was slowed by the outbreak of the war with Iraq. Overall, there was a deepening sense of recession in the global economy.

Amid these conditions, the Meiji Seika Group focused on three business objectives: expanding business scope and creating profits, establishing a business foundation for the Healthcare Company, and effective use of intangible assets and improving corporate value. The Group worked to establish a robust corporate structure in all of its business fields and to expand earning power. Nevertheless, consolidated net sales declined 2.3% from the previous fiscal year, to ¥353,453 million. Profitability was also down, with operating income falling 57.8%, to ¥5,503 million and net income dropping 54.6%, to ¥2,670 million.

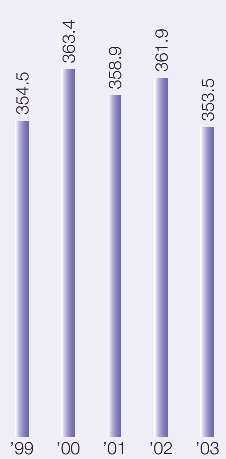
REVIEW OF OPERATIONS BY SEGMENT

Food Company

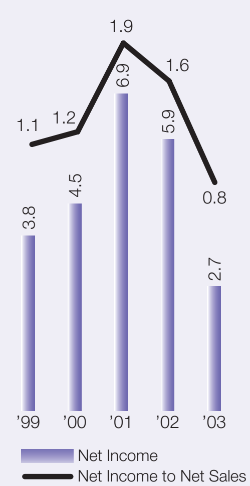
In the fiscal year ended March 2003, the confectionaries market experienced extremely difficult business conditions. Personal consumption remained in a slump, prices were falling, and import prices for ingredients were rising. In addition, the entire food processing industry was affected by an unauthorized flavoring additive incident that resulted in the unavoidable recall of products. Under these circumstances, the Group developed overall marketing strategies for each of its major products and made efforts to develop products with originality.

Among confectionaries, sales of our core chocolate products were favorable overall. This result was partially because of aggressive sales promotion activities. For example, a television commercial using England soccer team captain David Beckham boosted sales of *ALMOND CHOCOLATE*. And sales of *CHOCOLATE KOKA*, were helped by the growing attention that polyphenol is drawing because of its beneficial

Net Sales
(Billions of yen)



Net Income and Net Income to Net Sales
(Billions of yen / %)



health effects. Sales of the newly launched *REGA* and *BODA* were also favorable.

Chewing gum sales advanced, particularly our main *XYLISH* brand, but sales of snacks and cookies and candies declined.

Among food products, assisted by the growing awareness of its health benefits, sales of cocoa grew. Retort pouch sales, however, suffered under the impact of the bovine spongiform encephalopathy (BSE) problem in Japan.

Overall, consolidated sales of the Food Company decreased 3.5% from the previous fiscal year, to ¥228,646 million and operating income fell 44.0%, to ¥3,551 million.

Pharmaceutical Company

In April 2002, an average 6.3% cut in prices was implemented for pharmaceuticals in Japan. In addition to the pricing of medical care being reduced, the age at which senior citizens become eligible for the old age health insurance plan was raised to 75 years old. Through these and other measures, the government is stepping up its curtailment of healthcare expenses, creating an increasingly severe business climate in the healthcare industry. The average reduction in the prices for Meiji Seika's pharmaceuticals was 5.5%, representing an approximately ¥4,000 million decrease in sales.

Sales of anti-infectious drugs were depressed by the lack of a significant outbreak of infectious disease during the fiscal year under review and by the revision in pharmaceutical prices. Sales of our major anti-infectious drug *MEIACT* edged down 4% from the previous fiscal year, to ¥18,300 million. Sales of *FOSMICIN* dropped 15, to ¥8,900 million while sales of *HABEKACIN* sunk 17%, to ¥6,300 million.

Conversely, sales grew for *OMEGACIN*, an injectable carbapenum-based anti-infectious drug newly introduced in March 2002, and *SWORD*, an oral newquinolone antibacterial agent launched in December 2002. Sales of *OMEGACIN* and *SWORD* were ¥2,000 million and ¥1,300 million, respectively.

Among our CNS drugs, sales of the antidepressant *DEPROMEL* increased 3% from the previous fiscal year, to ¥6,500 million. On the other hand, sales of anti-anxiety drug *MEILAX* declined 5%, to ¥4,000 million.

Among other medicines, sales of a major product, the external disinfectant *ISODINE*, decreased 5% because of intensified competition.

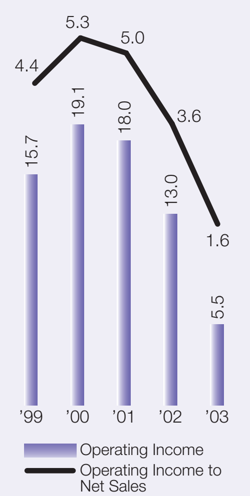
In the biological field, because of the contraction of the fungus culturing market, we sold our medically related fungus culturing operations to a major domestic company in October 2002.

Overall, consolidated sales of the Pharmaceutical Company decreased 6.9%, to ¥103,037 million and operating income dropped 63.9%, to ¥2,265 million.

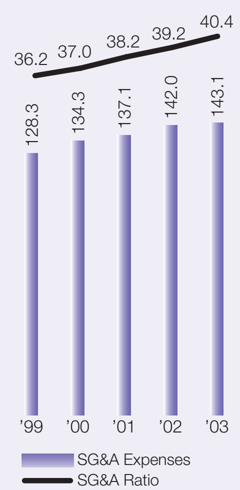
Healthcare Company

Against the backdrop of the reform of the healthcare system in Japan and growing consumer interest in self-mediation, the

Operating Income and Operating Income to Net Sales
(Billions of yen / %)



SG&A Expenses and SG&A Ratio
(Billions of yen / %)



healthcare market continued to expand during the fiscal year under review. On the other hand, there have been many new entrances by companies in to the market and competition is intensifying.

The Healthcare Company began operations in October 2001. During its first full fiscal year of operation, it took advantage of the accumulated know how of the Meiji Seika Group and the power of brand marketing to develop the business. As a result, consolidated sales of the Healthcare Company increased 118.5% from the previous fiscal year, to ¥17,192 million and operating income soared 1,096.6%, to ¥706 million.

INCOME STATEMENT ANALYSIS

For the fiscal year ended March 31, 2003, consolidated net sales decreased 2.3% from the previous fiscal year, to ¥353,453 million while cost of sales declined 1.0%, to ¥204,879 million. Because net sales dropped under the impact of lower prices caused by the revision in official prices and because of higher ingredient costs, cost of sales as a percentage of net sales edged up 0.8 percentage points.

Selling, general and administrative (SG&A) expenses edged up 0.8% from the previous fiscal year, to ¥143,070 million. This increase was mainly the result of additional employees' retirement benefits. SG&A as a percentage of net sales rose 1.2 percentage points to 40.4%.

As a result, consolidated operating income fell 57.8% from the previous fiscal year, to ¥5,503 million. Operating income as percentage of net sales decreased 2.0 percentage points, to 1.6%.

Income before income taxes amounted to ¥5,507 million, down 54.3% from the previous fiscal year. Despite there was deferred income taxes totaling ¥2,001, consolidated net income slid 54.6%, to ¥2,670 million. The net income to net sales ratio declined 0.8 percentage points, to 0.8%.

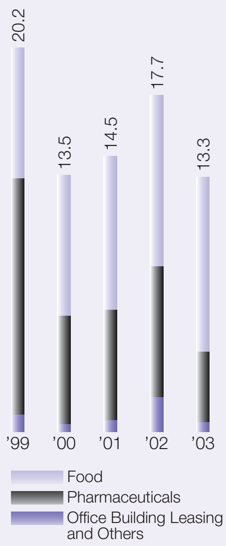
ANALYSIS OF FINANCIAL POSITION

At March 31, 2003, total assets amounted to ¥317,798 million, down 5.7% from the previous fiscal year.

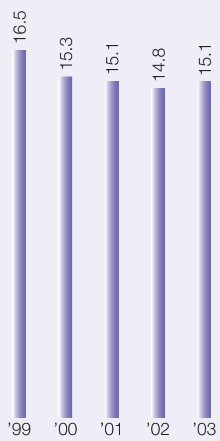
Current assets decreased 6.3% from the previous fiscal year, to ¥147,364 million, as cash and time deposits and notes and accounts receivable declined in line with lower net sales.

Property, plant and equipment fell 3.2% from the previous fiscal year, to ¥138,869 million because of decreases in buildings and structures and in construction in progress. Investment and other non-current assets sunk 15.5%, to ¥27,656 million primarily due to a drop in investment securities. The decrease in investment securities came from revaluation resulting from the application of mark-to-market accounting. Consequently, total fixed assets declined 5.1%, to ¥170,433 million.

Capital Expenditures
(Billions of yen)



Depreciation and Amortization
(Billions of yen)



At March 31, 2003, total liabilities amounted to ¥163,089 million, falling 8.5% from the prior fiscal year. This decrease can mainly attributed to the drop in current liabilities. Current liabilities decreased 28.8% from the previous fiscal year, to ¥81,591 million, primarily due to declines in bank loans, notes and accounts payable, and commercial paper.

Long-term liabilities rose 28.1% from the previous fiscal year, to ¥81,498 million. Although deferred tax liabilities (non current) declined during the fiscal year, long-term debt rose because the Company made a ¥20,000 million uncollateralized domestic straight bond issue to fund working capital and repay loans.

Shareholders' equity slid 2.4% from the previous fiscal year, to ¥152,222 million. Basic shareholders' equity was approximately the same as in the previous fiscal year but declined in total because of a drop in the difference in valuation of other securities. Consequently, the shareholders' equity ratio improved 1.6 percentage points, to 47.9%. Return on equity (ROE), however, fell 2.0 percentage points, to 1.7%.

CASH FLOW ANALYSIS

Net cash provided by operating activities decreased 37.8% from the previous fiscal year, to ¥9,612 million. The main reason for the decline was the fall in income before income taxes.

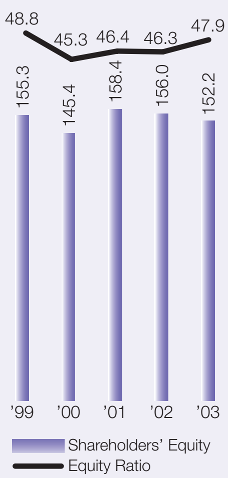
Net cash used in investing activities increased 4.0% from the previous fiscal year, to ¥13,814 million. The growth in capital investment outlays was primary the result of greater expenditures for the purchases of investment securities and of property, plant and equipment.

Accordingly, free cash flow for the fiscal year under review was a negative ¥4,202 million.

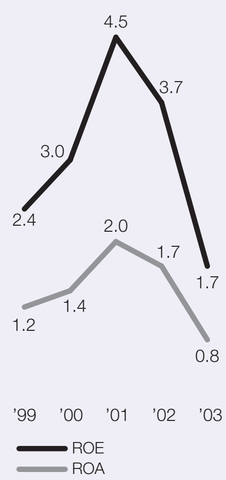
Net cash used in financial activities fell 88.3% from the previous fiscal year, to ¥212 million. Although there was a contraction in the balances of short- and long-term loans and commercial paper, these expenses were more than offset by the proceeds of the bond issue.

As a result of the above cash flows, cash and cash equivalents at the end of the consolidated fiscal year decreased 22.8% from the previous fiscal year, to ¥15,290 million.

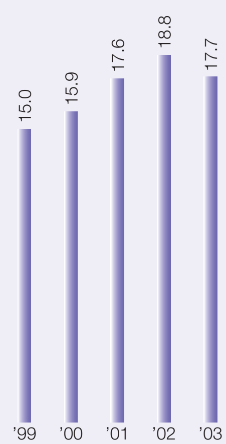
Shareholders' Equity & Equity Ratio
(Billions of yen / %)



ROE & ROA
(%)



R&D Costs
(Billions of yen)



Financial Section

Consolidated Balance Sheets

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries
March 31, 2003, 2002 and 2001

ASSETS	Millions of Japanese yen 2003	2002	2001	Thousands of U.S. dollars 2003
Current Assets:				
Cash and time deposits (Notes 5 and 9)	**¥ 15,632**	¥ 18,997	¥ 19,348	**$ 130,052**
Marketable securities (Note 3)	**40**	1,199	20	**333**
Receivables:				
Notes and accounts	**71,678**	76,028	77,534	**596,323**
Unconsolidated subsidiaries and affiliates	**326**	431	584	**2,716**
Inventories	**47,974**	46,775	44,432	**399,126**
Prepaid and other current assets	**6,872**	6,015	3,357	**57,179**
Other current assets in unconsolidated subsidiaries and affiliates	**578**	3,024	954	**4,814**
Deferred tax assets (current) (Note 6)	**4,331**	4,792	6,206	**36,032**
Allowance for doubtful receivables	**(69)**	(37)	(28)	**(578)**
Total current assets	**147,364**	157,228	152,409	**1,225,998**
Fixed Assets:				
Investments and Other Non-Current Assets:				
Investment securities (Notes 3 and 5)	**17,553**	22,320	33,321	**146,033**
Investments in and advances to unconsolidated subsidiaries and affiliates	**7,226**	6,969	6,608	**60,120**
Long-term loans	**242**	199	227	**2,014**
Other investments and advances	**3,753**	4,232	4,263	**31,225**
Allowance for doubtful accounts	**(1,118)**	(976)	(49)	**(9,306)**
Total investments and other non-current assets	**27,656**	32,744	44,371	**230,085**
Property, Plant and Equipment (Note 5)**:**				
Land	**25,322**	25,527	25,570	**210,669**
Buildings and structures	**141,438**	141,367	136,449	**1,176,692**
Machinery and equipment	**173,814**	168,535	162,240	**1,446,043**
Construction in progress	**966**	2,554	2,812	**8,039**
Less accumulated depreciation	**(202,672)**	(194,457)	(185,935)	**(1,686,124)**
Total property, plant and equipment (net)	**138,869**	143,528	141,138	**1,155,319**
Intangible Fixed Assets	**3,600**	3,139	3,136	**29,955**
Deferred Tax Assets (Non-Current) (Note 6)	**307**	265	267	**2,554**
Total fixed assets	**170,433**	179,678	188,914	**1,417,913**
Deferred Assets	**—**	25	25	**—**
Total assets	**¥ 317,798**	¥ 336,932	¥ 341,350	**$ 2,643,911**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Japanese yen 2003	2002	2001	Thousands of U.S. dollars 2003
Current Liabilities:				
Bank loans (Notes 4 and 5)	**¥ 17,293**	¥ 30,387	¥ 24,901	**$ 143,871**
Commercial paper	**5,000**	13,000	5,000	**41,597**
Payables:				
Notes and accounts	**23,646**	28,107	29,962	**196,724**
Unconsolidated subsidiaries and affiliates	**2,513**	2,815	2,697	**20,908**
Accrued expenses	**17,621**	20,934	20,040	**146,603**
Accrued income taxes	**1,758**	3,431	6,329	**14,632**
Other current liabilities	**13,758**	15,940	12,526	**114,460**
Total current liabilities	**81,591**	114,617	101,458	**678,796**
Long-Term Liabilities:				
Long-term debt (Notes 4 and 5)	**46,688**	23,706	34,567	**388,422**
Employees' retirement benefits (Note 8)	**20,194**	19,959	18,844	**168,007**
Deferred tax liabilities (non-current) (Note 6)	**10,055**	14,959	20,350	**83,660**
Other long-term liabilities	**4,559**	5,005	5,221	**37,933**
Total long-term liabilities	**81,498**	63,630	78,984	**678,021**
Total liabilities	**163,089**	178,248	180,443	**1,356,817**
Minority Interests	**2,486**	2,693	2,499	**20,686**
Contingent Liabilities (Note 12)				
Shareholders' Equity:				
Common stock				
Authorized—796,104,000 shares				
Issued 2003—385,535,116 shares	**28,363**			**235,970**
Issued 2002—385,535,116 shares		28,363		
Issued 2001—387,431,116 shares			28,363	
Capital surplus	**34,935**	34,935	34,935	**290,643**
Retained earnings	**86,969**	87,159	84,925	**723,539**
Difference in valuation of other securities	**2,915**	6,328	11,815	**24,255**
Foreign currency translation adjustments	**(754)**	(762)	(1,629)	**(6,280)**
Treasury stock	**(206)**	(34)	(1)	**(1,721)**
Total shareholders' equity	**152,222**	155,990	158,407	**1,266,407**
Total liabilities and shareholders' equity	**¥317,798**	¥336,932	¥341,350	**$2,643,911**

Financial Section

Consolidated Statements of Income

Meiji Seika Kaisha, Ltd.and its Consolidated Subsidiaries
For the years ended March 31, 2003, 2002 and 2001

	Millions of Japanese yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Net Sales	**¥353,453**	¥361,866	¥358,898	**$2,940,548**
Cost of Sales	**204,879**	206,863	203,824	**1,704,489**
Gross profit	**148,574**	155,003	155,073	**1,236,058**
Selling, General and Administrative Expenses (Note 10)	**143,070**	141,960	137,083	**1,190,271**
Operating income	**5,503**	13,042	17,990	**45,787**
Other Income and Expenses:				
Interest and dividend income	**450**	612	869	**3,747**
Other income	**2,851**	2,203	1,980	**23,726**
Interest expenses	**(1,486)**	(1,682)	(1,733)	**(12,368)**
Other expenses	**(1,247)**	(1,054)	(1,384)	**(10,375)**
Extraordinary Income (Note 11)	**4,235**	2,558	14,866	**35,233**
Extraordinary Losses (Note 11)	**4,799**	3,639	17,695	**39,929**
Income before Income Taxes	**5,507**	12,041	14,893	**45,822**
Income Taxes:				
Current	**4,679**	6,279	8,681	**38,928**
Deferred	**(2,001)**	(281)	(1,030)	**(16,654)**
	2,677	5,997	7,651	**22,274**
Minority Interests	**(160)**	(156)	(360)	**(1,332)**
Net Income	**2,670**	5,887	6,880	**22,215**
Per Share Data (in yen and U.S. dollars)**:**				
Net income	**¥6.83**	¥15.20	¥17.68	**$0.06**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Meiji Seika Kaisha, Ltd.and its Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Number of shares of common stock (thousands)	Millions of Japanese yen: Common stock	Capital surplus	Retained earnings	Difference in valuation of other securities	Foreign currency translation adjustments	Treasury common stock
Balance at March 31, 2000	389,431	¥28,363	¥34,935	¥82,109			¥ (4)
Net income				6,880			
Increase in earnings from the addition of consolidated subsidiaries				200			
Cash dividends				(2,920)			
Directors' bonuses				(74)			
Retirement of treasury common stock	(2,000)			(1,271)			
Other					¥11,815	¥(1,629)	2
Balance at March 31, 2001	387,431	28,363	34,935	84,925	11,815	(1,629)	(1)
Net income				5,887			
Increase in earnings from the addition of consolidated subsidiaries				36			
Cash dividends				(2,712)			
Directors' bonuses				(77)			
Retirement of treasury common stock	(1,896)			(899)			
Other					(5,487)	867	(32)
Balance at March 31, 2002	385,535	¥28,363	¥34,935	¥87,159	¥ 6,328	¥ (762)	¥ (34)
Net income				**2,670**			
Increase in earnings due to increase in the number of companies accounted for by the equity method				**178**			
Cash dividends				**(2,697)**			
Directors' bonuses				**(42)**			
Decrease in earnings due to changes in the number of consolidated subsidiaries and the method of accounting for companies by the equity method				**(298)**			
Other					**(3,412)**	**7**	**(172)**
Balance at March 31, 2003	**385,535**	**¥28,363**	**¥34,935**	**¥86,969**	**¥ 2,915**	**¥ (754)**	**¥(206)**

	Thousands of U.S. dollars: Common stock	Capital surplus	Retained earnings	Difference in valuation of other securities	Foreign currency translation adjustments	Treasury common stock
Balance at March 31, 2002	$235,970	$290,643	$725,119	$ 52,648	$(6,340)	$ (283)
Net income			**22,215**			
Increase in earnings due to increase in the number of companies accounted for by the equity method			**1,484**			
Cash dividends			**(22,445)**			
Directors' bonuses			**(354)**			
Decrease in earnings due to changes in the number of consolidated subsidiaries and the method of accounting for companies by the equity method			**(2,480)**			
Other				**(28,393)**	**60**	**(1,438)**
Balance at March 31, 2003	**$235,970**	**$290,643**	**$723,539**	**$ 24,255**	**$(6,280)**	**$(1,721)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiji Seika Kaisha, Ltd.and its Consolidated Subsidiaries
Year ended March 31, 2003, 2002 and 2001

	Millions of Japanese yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Operating Activities:				
Income before income taxes	¥ 5,507	¥ 12,041	¥ 14,893	$ 45,821
Depreciation and amortization	15,086	14,798	15,096	125,510
Amortization of consolidation adjustments	390	470	493	3,251
Loss on disposal of property, plant and equipment	1,399	982	999	11,646
Loss on valuation of marketable securities	440	1,062	830	3,665
Gains on entrusting securities for retirement allowances	—	—	(11,589)	—
Cash entrusted for retirement allowances	—	—	15,196	—
Change in allowance for doubtful accounts	173	936	(345)	1,446
Change in employee retirement allowance	244	1,114	323	2,032
Interest and dividends received	(450)	(612)	(869)	(3,746)
Interest expenses	1,486	1,682	1,733	12,367
Equity in (income) loss of equity-method affiliates	(132)	(56)	755	(1,104)
Gain on sale of property, plant and equipment	(1,950)	(2,331)	(1,353)	(16,225)
(Gain) loss on sale of investment securities	(2,184)	243	(1,521)	(18,173)
Change in trade receivables	4,418	2,120	(6,740)	36,757
Change in inventories	(1,228)	(2,300)	(1,627)	(10,222)
Change in trade payables	(6,640)	(1,474)	4,304	(55,245)
Change in other assets and liabilities	284	(3,206)	(930)	2,368
Directors' bonuses paid	(44)	(79)	(78)	(368)
Subtotal	16,801	25,393	29,569	139,781
Interest and dividends received	648	612	869	5,397
Interest paid	(1,462)	(1,648)	(1,770)	(12,168)
Income taxes paid	(6,375)	(8,915)	(8,493)	(53,038)
Net cash provided by operating activities	9,612	15,441	20,174	79,971
Investing Activities:				
Payments for time deposits	(327)	(65)	(429)	(2,725)
Proceeds from withdrawal of time deposits	355	32	481	2,956
Purchases of marketable securities	(3,607)	(558)	(1,165)	(30,008)
Proceeds from sale of marketable securities	3,473	541	2,754	28,894
Purchases of property, plant and equipment	(16,979)	(14,319)	(15,036)	(141,256)
Proceeds from sale of property, plant and equipment	3,912	1,158	1,520	32,548
Sale of stock of associated companies in accordance with the change in the scope of consolidation	(68)	—	—	(567)
Purchases of subsidiaries stocks	—	—	(307)	—
Change in other investment	(573)	(73)	(74)	(4,770)
Net cash used in investing activities	(13,814)	(13,284)	(12,257)	(114,929)
Financing Activities:				
Change in short-term borrowings	(1,733)	(9,284)	(533)	(14,421)
Change in commercial paper	(8,000)	8,000	—	(66,555)
Proceeds from long-term borrowings	7,541	5,250	4,344	62,744
Repayment of long-term borrowings	(15,126)	(2,038)	(9,070)	(125,844)
Proceeds from issuance of corporate bonds	20,000	—	—	166,389
Purchases of treasury stocks to offset retained earnings	—	(899)	(1,271)	—
Dividends paid	(2,697)	(2,712)	(2,920)	(22,445)
Other	(195)	(129)	(90)	(1,630)
Net cash used in financing activities	(212)	(1,813)	(9,541)	(1,764)
Translation Adjustment on Cash and Cash Equivalents	(99)	459	(37)	(828)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,513)	803	(1,661)	(37,550)
Cash and Cash Equivalents at Beginning of Year	19,808	18,992	20,492	164,795
Decrease in Cash and Cash Equivalents due to the Change in the Number of Consolidated Subsidiaries	(3)	—	—	(31)
Cash and Cash Equivalents at End of Year	¥ 15,290	¥ 19,808	¥ 18,992	$ 127,212

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Seika Kaisha, Ltd. and its Consolidated Subsidiaries

1. Basis of Presenting Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Meiji Seika Kaisha, Ltd. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles generally accepted in Japan. U.S. dollar amounts in these financial statements are translated from yen at the rate of ¥120.2=US$1, the average exchange rate on the Tokyo Foreign Exchange Market on March 31, 2003.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The Company had 21 consolidated subsidiaries as of March 31, 2003. The consolidated financial statements include the accounts of the Company, MEIJI TRADING CORP. (90% owned), DONAN SHOKUHIN CO., LTD. (100%), ZAO SHOKUHIN KAISHA, LTD. (100%), RONDE CORPORATION (100%), MEIJI SANGYO CO., LTD. (100%), MEIJI CHEWING GUM CO., LTD. (51%), OKAYAMAKEN SHOKUHIN CO., LTD. (100%), SHIKOKU MEIJI CO., LTD. (84.14%), TAIYO SHOKUHIN CO., LTD. (100%), FUJI-AMIDO CHEMICAL, CO., LTD. (90%), Kitasato Pharmaceutical Industry Co., Ltd. (60%), MEIJI KAIHATSU, Ltd. (100%), MEIJI SPORTS PLAZA, Ltd. (100%), D.F. Stauffer Biscuit Co., Inc. (92.23%), Laguna Cookie Co., Inc. (92.23%), Meiji Seika (Singapore) Pte. Ltd. (100%), Tedec-Meiji Farma S.A. (80%), Meiji Seika Europe B.V. (100%), P.T. Meiji Indonesian Pharmaceutical Industries (83.86%), Thai Meiji Pharmaceutical Co., Ltd. (94.61%) and Mabo Farma S.A. (80%).

The Company applies the equity method of accounting for Nikken Chemicals Co., Ltd. (24.53% owned) and Sanofi-Synthelabo-Meiji Pharmaceuticals Co., Ltd. (49%) in the term under review.

(b) Marketable securities

Marketable securities are valued at the following method.

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

(c) Inventories

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

(d) Income taxes

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Deprecation of the assets of the parent company and domestic subsidiaries is calculated primarily by the declining balance method. However, depreciation of buildings and structures used in the leasing business that were acquired on or after April 1, 1996 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. The consolidation adjustment accounts are amortized by the straight-line method over five years and 15 years.

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

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

(g) Allowance for doubtful accounts

To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual designated accounts, such as credits from companies in danger of bankruptcy.

(h) Reserve for retirement allowances

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

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

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

(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) 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, liabilities, revenues and expenses of overseas subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date of each overseas subsidiary. The translation adjustments are included in minority interests in consolidated subsidiaries and in the foreign currency translation adjustment account in the shareholders' equity portion of the consolidated balance sheet.

(k) Per share data

Net income per share is computed based on the weighted average number of shares of common stock and common stock equivalents adjusted for free share distributions.

3. Marketable Securities

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

1. Other securities with the market prices as of March 31, 2003 are as follows:

	Millions of Japanese yen		
	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	¥ 5,932	¥11,756	¥ 5,823
Bonds and debentures	500	500	0
Others	44	44	0
Subtotal	¥ 6,477	¥12,301	¥ 5,824
Securities with market prices falling below acquisition costs			
Stock	¥ 3,299	¥ 2,589	¥ (710)
Bonds and debentures	500	457	(42)
Others	129	86	(42)
Subtotal	¥ 3,928	¥ 3,133	¥ (795)
Total	¥10,406	¥15,434	¥ 5,028

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Securities with market prices exceeding acquisition costs			
Stocks	$49,359	$ 97,804	$48,446
Bonds and debentures	4,160	4,166	6
Others	368	371	3
Subtotal	$53,886	$102,341	$48,455
Securities with market prices falling below acquisition costs			
Stocks	$27,451	$ 21,542	$ (5,909)
Bonds and debentures	4,160	3,805	(354)
Others	1,076	720	(356)
Subtotal	$32,687	$ 26,067	$ (6,619)
Total	$86,573	$128,408	$41,835

2. Other securities sold during fiscal 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Sale value	¥2,477	$20,615
Total gain on sales	2,161	17,983
Total loss on sales	(15)	(132)

3. Book value of major securities not marked to market as of March 31, 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Other securities		
(1) Unlisted stocks (excluding OTC stocks)	¥1,118	$9,305
(2) Debt securities, corporate bonds	40	333
(3) Preferred securities	1,000	8,319

4. Expected redemption value of other securities with future maturity as of March 31, 2003 are as follows:

	Millions of Japanese yen		
	Within one year	From 1—5 years	Over 5 years
Other securities			
(1) Bonds and debentures	¥40	¥457	¥500
(2) Other	—	—	80
Total	¥40	¥457	¥581

	Thousands of U.S. dollars		
	Within one year	From 1—5 years	Over 5 years
Other securities			
(1) Bonds and debentures	$333	$3,805	$4,166
(2) Other	—	—	669
Total	$333	$3,805	$4,834

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

The average annual rate of interest on the outstanding balance of short-term loans payable as of March 31, 2003 and March 31, 2002 were 1.4% and 2.0%, respectively.

Long-term debt as of March 31, 2003 and March 31, 2002 is summarized as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Bons due 2007	**¥20,000**	¥ —	**$166,389**
Loans from domestic banks, insurance companies, government agencies and others, due 2003 to 2022	**30,312**	38,985	**252,180**
	50,312	38,985	**418,570**
Less portion due within one year	**(3,623)**	(15,279)	**(30,148)**
Total long-term debt	**¥46,688**	¥ 23,706	**$388,422**

At March 31, 2003 the aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2005	¥ 6,640	$ 55,243
2006	3,159	26,289
2007	5,062	42,115
2008	25,835	214,935
Thereafter	5,990	49,840
Total	¥46,688	$388,422

5. Collateral and Secured Liability

A summary of assets pledged as collateral for liability at March 31, 2003 and 2002 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deposit	**¥ 45**	¥ 222	**$ 377**
Land	**703**	703	**5,856**
Buildings	**30,849**	32,531	**256,655**
Machinery and equipment	**1,027**	1,294	**8,552**
Investment securities	**193**	1,995	**1,611**
Total	**¥32,820**	¥36,747	**$273,051**

A summary of secured liability at March 31, 2003 and 2002 is as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Long-term loans (Including current portions of long-term loans payable within one year)	**¥9,010**	¥11,989	**$74,965**

6. Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2003 and 2002 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets			
Amount in excess of limit for employee retirement allowances	**¥ 6,507**	¥ 5,099	**$ 54,139**
Selling expenses not deductible for tax purposes during the period	**787**	1,140	**6,548**
Valuation loss on investment and marketable securities	**1,127**	1,353	**9,384**
Amount in excess of limit for accrued bonuses to employees	**2,202**	2,086	**18,323**
Excess depreciation of fixed assets	**1,296**	1,433	**10,783**
Excess deferred asset depreciation for tax purposes	**152**	264	**1,267**
Accrued enterprise taxes	**147**	318	**1,226**
Other	**3,292**	2,677	**27,395**
Subtotal deferred tax assets	**15,513**	14,373	**129,064**
One-time difference for future reductions that are unscheduled	**(1,467)**	(1,599)	**(12,205)**
Total deferred tax assets	**¥ 14,046**	¥ 12,773	**$ 116,859**
Deferred tax liabilities			
Advanced depreciation reserve for fixed assets	**¥(16,998)**	¥(17,710)	**$(141,415)**
Valuation difference on other marketable securities	**(2,112)**	(4,570)	**(17,573)**
Other	**(353)**	(393)	**(2,945)**
Total deferred tax liabilities	**¥(19,464)**	¥(22,674)	**$(161,933)**
Net deferred tax liabilities	**¥ (5,417)**	¥ (9,901)	**$ (45,073)**

The net deferred tax assets at March 31, 2003 and 2002, included in the consolidated balance sheets are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets (current)	**¥ 4,331**	¥ 4,792	**$36,032**
Deferred tax assets (non-current)	**307**	265	**2,554**
Deferred tax liabilities (non-current)	**10,055**	14,959	**83,660**

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 2003 and 2002 are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2003	2002	**2003**
Acquisition cost	**¥10,034**	¥10,092	**$83,480**
Accumulated depreciation	**5,496**	5,618	**45,726**
Net leased property of machinery, equipment and other assets	**¥ 4,538**	¥ 4,474	**$37,754**

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, 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
	2003	**2003**
Due within one year	**¥1,667**	**$13,870**
Due after one year	**2,870**	**23,884**
	¥4,538	**$37,754**

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.

b) Operating leases

Outstanding balances of future lease payments as of March 31, 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
	2003	**2003**
Due within one year	**¥ 157**	**$ 1,312**
Due after one year	**2,322**	**19,319**
	¥2,479	**$20,631**

8. Retirement Benefits

The liability for employees' retirement benefits at March 31, 2003 is as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 69,533	$ 578,479
Fair value of plan assets	(21,397)	(178,012)
Unrecognized actuarial loss	(17,826)	(148,307)
Unrecognized transitional obligation	(10,115)	(84,154)
Net liability for retirement benefits	¥ 20,194	$ 168,007

The components of net periodic benefit costs for the year ended March 31, 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Service cost	¥2,492	$20,735
Interest cost	2,137	17,786
Expected return on plan assets	(605)	(5,037)
Recognized actuarial loss	1,926	16,023
Amortization of transitional obligation	2,534	21,084
Net periodic benefit costs	¥8,485	$70,592

Assumptions used for the year ended March 31, 2003 are set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.5%
Recognition period of actuarial gain/loss	7 years
Amortization period of transitional obligation	7 years

9. 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 fluctuations in value.

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses during fiscal year 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Sales promotion expenses	¥50,766	$422,352
Salaries and wages	18,048	150,156
Employees' retirement benefits	5,284	43,968

11. Extraordinary Income (Losses)

Extraordinary income (losses) during fiscal year 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Extraordinary income		
Gain on sale of marketable securities	¥2,161	$17,983
Gain on sale of property, plant and equipment	1,972	16,408
Extraordinary losses		
Expenses incurred due to revision of workforce and organization of parent company	2,143	17,834
Loss on disposal of property, plant and equipment	1,746	14,526

12. Contingent Liabilities

1) Guaranteed Financial Obligations

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

	Millions of Japanese yen	Thousands of U.S. dollars
MEIKA KOUSAN CO., LTD.	¥ 931	$ 7,748
Other affiliated companies (4 companies)	862	7,179
Employees	2,233	18,582
Total	¥4,027	$33,509

2) Notes receivables discounted

	Millions of Japanese yen	Thousands of U.S. dollars
Notes receivables discounted	¥104	$869

13. Research and Development Costs

Research and development costs which were included in general and administrative expenses and manufacturing expenses during the fiscal year 2003 are as follows:

	Millions of Japanese yen	Thousands of U.S. dollars
Research and development costs	¥17,738	$147,572

14. Segment Information

(1) Segment Information by Industry

	Millions of Japanese yen							
	2003							
	Food	Pharmaceutical	Healthcare	Office building leasing	Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income								
Sales								
(1) Sales to outside customers	¥228,646	¥103,037	¥17,192	¥ 3,041	¥1,535	¥353,453	¥ —	¥353,453
(2) Inter-segment sales and transfers	2,890	3,682	2,980	124	1	9,679	(9,679)	—
Total	231,537	106,719	20,173	3,166	1,536	363,133	(9,679)	353,453
Operating costs and expenses	227,985	104,453	19,467	2,692	1,569	356,169	(8,219)	347,950
Operating income	¥ 3,551	¥ 2,265	¥ 706	¥ 474	¥ (32)	¥ 6,964	¥ (1,460)	¥ 5,503
Assets, Depreciation and Capital Expenditures								
Assets	¥111,084	¥126,854	¥10,045	¥31,737	¥ 475	¥280,198	¥37,599	¥317,798
Depreciation	7,256	5,964	19	1,771	44	15,056	29	15,086
Capital expenditures	9,155	3,654	52	13	7	12,884	375	13,260

	Thousands of U.S. dollars							
	2003							
	Food	Pharmaceutical	Healthcare	Office building leasing	Others	Total	Eliminations or corporate	Consolidated
Sales and Operating Income								
Sales								
(1) Sales to outside customers	$1,902,219	$ 857,213	$143,034	$ 25,307	$12,772	$2,940,547	$ —	$2,940,547
(2) Inter-segment sales and transfers	24,049	30,632	24,799	1,036	13	80,532	(80,532)	—
Total	1,926,269	887,846	167,834	26,344	12,786	3,021,079	(80,532)	2,940,547
Operating costs and expenses	1,896,720	869,001	161,959	22,398	13,058	2,963,138	(68,378)	2,894,760
Operating income	$ 29,548	$ 18,845	$ 5,874	$ 3,945	$ (272)	$ 57,941	$ (12,154)	$ 45,787
Assets, Depreciation and Capital Expenditures								
Assets	$ 924,166	$1,055,361	$ 83,574	$264,041	$ 3,958	$2,331,102	$312,808	$2,643,910
Depreciation	60,370	49,620	165	14,741	366	125,264	245	125,510
Capital expenditures	76,167	30,407	439	116	64	107,194	3,124	110,318

	Food	Pharmaceutical	Healthcare	Office building leasing	Others	Total	Eliminations or corporate	Consolidated
	Millions of Japanese yen							
	2002							
Sales and Operating Income								
Sales								
(1) Sales to outside customers	¥236,991	¥110,692	¥7,867	¥ 3,080	¥3,234	¥361,866	¥ —	¥361,866
(2) Inter-segment sales and transfers	3,158	3,343	1,348	130	1	7,982	(7,982)	—
Total	240,149	114,035	9,216	3,211	3,236	369,849	(7,982)	361,866
Operating costs and expenses	233,802	107,753	9,157	2,816	3,201	356,731	(7,907)	348,824
Operating income	¥ 6,347	¥ 6,281	¥ 59	¥ 395	¥ 34	¥ 13,117	¥ (75)	¥ 13,042
Assets, Depreciation and Capital Expenditures								
Assets	¥118,725	¥129,285	¥9,143	¥33,681	¥1,470	¥292,306	¥44,625	¥336,932
Depreciation	6,800	6,091	9	1,784	78	14,763	35	14,798
Capital expenditures	9,033	6,934	33	12	86	16,100	1,630	17,731

Note: In prior years the Company classified its businesses into four segments referred to as the food business, the pharmaceutical business, the office buildings leasing business and other businesses. Effective October 1, 2001, the Company transferred certain operations from the food business, pharmaceutical business and other businesses into an independent healthcare business, and now classifies its operations into five business categories.

The revised figures for Company operating results for the consolidated accounting fiscal year under review based upon the new business segment classifications following this change are as follows:

	Food	Pharmaceutical	Healthcare	Office building leasing	Others	Total	Eliminations or corporate	Consolidated
	Millions of Japanese yen							
	2002							
Sales and Operating Income								
Sales								
(1) Sales to outside customers	¥234,980	¥105,928	¥15,345	¥ 3,080	¥2,531	¥361,866	¥ —	¥361,866
(2) Inter-segment sales and transfers	3,841	5,219	2,705	130	1	11,897	(11,897)	—
Total	238,822	111,147	18,050	3,211	2,533	373,764	(11,897)	361,866
Operating costs and expenses	232,704	105,512	17,060	2,816	2,553	360,646	(11,822)	348,824
Operating income	¥ 6,117	¥ 5,634	¥ 990	¥ 395	¥ (19)	¥ 13,117	¥ (75)	¥ 13,042
Assets, Depreciation and Capital Expenditures								
Assets	¥118,616	¥129,078	¥ 9,459	¥33,681	¥1,470	¥292,306	¥ 44,625	¥336,932
Depreciation	6,800	6,091	17	1,784	69	14,763	35	14,798
Capital expenditures	9,033	6,934	50	12	70	16,100	1,630	17,731

(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, 2003 and 2002.

(3) Overseas Sales

The Company has omitted information on overseas sales because such sales accounted for less than 10% of the total fiscal 2003 and 2002 consolidated net sales.

Report of the Independent Public Accountants

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

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

We have audited the accompanying consolidated balance sheets of Meiji Seika Kaisha, Ltd. and its subsidiaries as of March 31, 2003, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test bases, 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, 2003, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Japan.

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

The Fuji Accounting Office

The Fuji Accounting Office
Certified Public Accountants

Tokyo, Japan
June, 26, 2003

Corporate Data

Board of Directors

(As of June 27, 2003)

Chairman of the Board
Ichiro Kitasato

Vice Chairman of the Board
Fumiaki Ito

Member of the Board
President
Naotada Sato

Member of the Boards
Executive Vice Presidents
Akinobu Otsubo
Akio Takahashi
Kazuo Yamaguchi

Member of the Boards
Senior Vice Presidents
Yasunobu Narihiro
Toshiyuki Kobayashi
Masahiko Matsuo
Harunobu Tsukanishi

Member of the Boards
Takeo Shiina
(Sinior Advisor of IBM Japan Ltd.)
Masahisa Naito
(Vice Charman of ITOCHU Corporation)

Senior Corporate Auditor
Yoshiaki Iida

Corporate Auditors
Takashi Hasunuma
Mitsuo Kanazawa
Kunisada Kume

Senior Vice Presidents
Masaki Nagasaki
Masayuki Matsunaga

Vice Presidents
Hiromichi Kitahara
Hirobumi Mori
Iwao Hachiya
Tadao Shibasaki
Masaharu Akahane
Osamu Makabe
Hideki Takahashi
Yoshihiko Mizoguchi
Kazuyoshi Otsuka
Toyomi Sato
Eiichi Irie
Riichi Fukui
Fumio Yokomichi
Yukio Nakamura

Consolidated Subsidiaries

(As of March 31, 2003)

Name (Principal subsidiaries)	Paid-in capital (Millions of yen)	Equity ownership (%)	Main business
MEIJI TRADING CORP.	300	90	Sales of sugar, glucose and other foods
DONAN SHOKUHIN CO., LTD.	40	100	Manufacturing and sale of confectionery and other foods
ZAO SHOKUHIN KAISHA, LTD.	10	100	Manufacturing and sale of confectionery and other foods
RONDE CORPORATION	50	100	Manufacturing and sale of confectionery and other foods
MEIJI SANGYO CO., LTD.	50	85*1	Manufacturing and sale of confectionery and other foods
MEIJI CHEWING GUM CO., LTD.	75	51	Manufacturing and sale of confectionery and other foods
OKAYAMAKEN SHOKUHIN CO., LTD.	50	94*1	Manufacturing and sale of confectionery and other foods
SHIKOKU MEIJI CO., LTD.	91	84.14	Manufacturing and sale of confectionery and other foods
TAIYO SHOKUHIN CO., LTD.	80	100	Manufacturing and sale of foods
FUJI-AMIDE CHEMICAL, CO., LTD.	30	90	Manufacturing and sale of chemicals, medical products and pesticides
Kitasato Pharmaceutical Industry Co., Ltd.	30	60	Sale of vaccines
MEIJI KAIHATSU, CO., Ltd.	30	100	Management of sports and recreational facilities
MEIJI SPORTS PLAZA, Ltd.	90	100	Management of sports and recreational facilities
Meiji Seika (Singapore) Pte. Ltd. (Singapore)	S$15 million	100	Manufacturing and sale of confectionery and confectionery materials
D.F. Stauffer Biscuit Co., Inc. (U.S.A.)	US$33,005 thousand	92.23	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 products
Thai Meiji Pharmaceutical Co., Ltd. (Thailand)	Bt297 million	93.53*2	Manufacturing and sale of medical products
Tedec-Meiji Farma S.A. (Spain)	Euro 2,028 thousand	20*3	Manufacturing and sale of medical products
Mabo Farma S.A. (Spain)	Euro 300 thousand	—*1	Sale of medical products
Meiji Seika Europe B.V. (Netherlands)	Euro 22 thousand	100	Finance and investment operations

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

(As of March 31, 2003)

Number of Employees
4,418

Stock Listings
Tokyo, Osaka,
Nagoya, Fukuoka,
Sapporo stock exchanges

Authorized Capital Stock
796,104,000

Shares Issued and Outstanding
385,535,116

Number of Shareholders
76,156

Principal Shareholders

(As of March 31, 2003)

Name	Number of shares (Thousands)	Percentage of shares held
Mizuho Bank, Ltd.	19,023	4.93
The Dai-ichi Mutual Life Insurance Company	17,959	4.66
Nippon Life Insurance Company	14,942	3.88
Fukoku Mutual Life Insurance Company	10,001	2.59
Japan Trustee Services Bank, Ltd. (Trust account)	9,559	2.48
Risona Bank, Ltd.	9,461	2.45
The Norinchukin Bank	7,000	1.82
The Bank of Tokyo-Mitsubishi, Ltd.	6,804	1.77
The Tokyo Marine and Fire Insurance Company, Limited	6,512	1.69
The Master Trust Bank of Japan, Ltd. (Trust account)	6,402	1.66

Overseas Offices and Affiliates

(As of March 31, 2003)

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