

Consolidated Financial Results for the Year Ended March 31, 2018

(Japanese General Accepted Accounting standards)

May 10, 2018

Name of company	Yakult Honsha Co., Ltd.		
Stock exchange listing	First section of Tokyo Stock Exchange		
Code number	2267		
URL	http://www.yakult.co.jp/		
Representative	President	Takashige Negishi	
Contact person	Managing Executive Officer	Shuichi Watanabe	TEL (03) 3574 - 8960
Scheduled date of ordinary shareholders' meeting	June 20, 2018		
Scheduled date of filing Yukashoken-Houkokusho	June 21, 2018		
Scheduled date of payment of dividends	June 4, 2018		
Preparation of support documentation of results:	Yes		
Holding of briefing for analysts and institutional investors:	Yes		

1. Consolidated financial results for the year ended March 31, 2018 (April 1, 2017–March 31, 2018)

(Figures less than 1 million yen have been rounded down)

(1) Consolidated financial results

(Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Profit Attributable to Owners of the Parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year 2017	401,569	6.1	43,463	16.6	53,054	7.5	34,064	13.0
Fiscal year 2016	378,307	(3.1)	37,281	(6.9)	49,370	(2.5)	30,154	4.5

(Note) Comprehensive income Fiscal year 2017 54,364 million yen (180.3%) Fiscal year 2016 19,397 million yen (54.2%)

	Net Profit per Share	Diluted Earnings per Share	Return on Equity	Ordinary Income Ratio	Operating Income Ratio
	yen	yen	%	%	%
Fiscal year 2017	207.02	—	9.8	8.7	10.8
Fiscal year 2016	182.39	—	8.9	8.5	9.9

(Ref.) Investment gain (loss) on the equity me Fiscal year 2017 3,883 million yen Fiscal year 2016 4,442 million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	million yen	million yen	%	yen
Fiscal year 2017	631,241	386,674	55.8	2,194.32
Fiscal year 2016	585,741	376,880	58.6	2,077.29

(Ref.) Shareholders' equity Fiscal year 2017 352,178 million yen Fiscal year 2016 343,502 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents As of March 31
	million yen	million yen	million yen	million yen
Fiscal year 2017	61,989	(30,285)	(21,969)	105,936
Fiscal year 2016	59,998	(44,986)	(13,749)	95,130

2. Dividends

	Dividends per Share					Total Dividends (Annual)	Payout Ratio (Consolidated)	Dividends Ratio to Net Assets (Consolidated)
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year 2016	—	16.00	—	16.00	32.00	5,291	17.5	1.6
Fiscal year 2017	—	17.00	—	17.00	34.00	5,539	16.4	1.6
Fiscal year 2018 (Forecast)	—	20.00	—	20.00	40.00		18.1	

3. Forecast for consolidated financial results for FY2018 (April 1, 2018 - March 31, 2019)

(Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Profit Attributable to Owners of the Parent		Net Profit per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2nd Qtr.	205,000	3.7	22,000	(3.5)	26,500	(1.3)	17,000	(4.9)	105.92
Annual	418,000	4.1	46,500	7.0	56,500	6.5	35,500	4.2	221.19

*Notes

- (1) Changes in important subsidiaries during the period: No
(Change in specified subsidiary with change in scope of consolidation)
- (2) Change in accounting policies and estimates, correction of prior period error
- | | |
|--|----|
| (a) Change in accounting policy with revision of accounting standard | No |
| (b) Change in accounting policy other than (a) | No |
| (c) Change in accounting estimates | No |
| (d) Correction of prior period error | No |

(3) Shares issued (common stock)

(a) Number of shares issued (including treasury stocks)	
FY2017	171,045,418
FY2016	175,910,218
(b) Number of treasury stocks	
FY2017	10,549,711
FY2016	10,548,970
(c) Weighted average of number of shares	
FY2017	164,550,031
FY2016	165,326,643

(Ref.) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(1) Non-consolidated financial results

(Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year 2017	177,535	2.2	2,215	183.1	15,151	19.8	13,908	37.9
Fiscal year 2016	173,683	(2.9)	782	(56.2)	12,652	(2.2)	10,088	11.5

	Net Profit per Share	Diluted Earnings per Share
	yen	yen
Fiscal year 2017	84.53	—
Fiscal year 2016	61.01	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	million yen	million yen	%	yen
Fiscal year 2017	353,617	160,529	45.4	1,000.21
Fiscal year 2016	334,873	179,160	53.5	1,083.45

(Ref.) Shareholders' equity Fiscal year 2017 160,529 million yen Fiscal year 2016 179,160 million yen

2. Forecast for non-consolidated financial results for FY2018 (April 1, 2018 - March 31, 2019)

(Percentage figures represent year-on-year changes)

	Net Sales		Ordinary Income		Net Profit		Net Profit per Share
	million yen	%	million yen	%	million yen	%	yen
2nd Qtr.	94,000	4.3	4,000	(39.6)	3,500	(38.8)	21.81
Annual	179,500	1.1	15,500	2.3	14,000	0.7	87.23

*These consolidated financial results are not subjected to audit by our auditor.

*Explanation for appropriate use of the financial forecast and the other comments

(Note concerning statements about the future, etc.)

The statements about the future, including earnings projections, included in this report are based on information currently available and certain assumptions considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors.

(Procedure for obtaining supplementary information on financial results)

We plan to hold a briefing for analysts and institutional investors on May 10, 2018.

Materials used in the briefing will be posted on the company's website.

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1. Business Performance Overview

(1) Qualitative information regarding consolidated business results

1. Performance Overview

During the fiscal year ended March 31, 2018, the Japanese economy continued a gradual recovery due to improved corporate profits and a moderate pickup in consumer spending. At the same time, the outlook remained unclear as a result of increasingly uncertain economic conditions outside Japan and other factors.

Against this background, the Yakult Group (the “Group”) worked to build awareness and understanding of the probiotics that constitute the bedrock of our operations, while striving to communicate the superiority of our products. The Group also sought to improve its performance by bolstering its sales organization, developing new products, upgrading its production facilities, and engaging in positive initiatives for its international and pharmaceutical businesses.

As a result of these efforts, on a consolidated basis, net sales for this fiscal year rose 6.1% from the previous year to 401,569 million yen. Operating income increased 16.6% to 43,463 million yen, while ordinary income climbed 7.5% to 53,054 million yen. Net profit attributable to parent company stockholders increased 13.0% to 34,064 million yen.

2. Overview by Segment

Food and Beverages (Japan)

In dairy products for the Japanese market, Yakult focused on broadening recognition of the science behind, and the value of, its proprietary living *Lactobacillus casei* strain Shirota and proactively conducted grassroots value dissemination initiatives that utilized scientific evidence.

Through our home delivery channel, we strived to develop new customers for our mainstay fermented milk drinks *Yakult 400* and *Yakult 400LT* while also encouraging our existing customers to continue drinking these products. In October 2017 we also launched our new *Yakult Delivery Net* service on a regional trial basis, which allows customers to order Yakult products via the internet, increasing convenience and creating new opportunities to engage customers who have not yet experienced our home deliver services. We also aimed to bolster our home delivery organization by attempting to improve the working environment for Yakult Ladies and pushing our hiring initiatives.

Through our retail store channel, promotion staff continuously worked to communicate the value of our products to customers, centered on the fermented milk drinks *New Yakult* and *New Yakult Calorie Half*. In addition, during July and August 2017 we implemented the “2017 Pro Baseball Support” campaign for the aforementioned products, while in February and March 2018 we ran the “Yakult: Keep Drinking to Feel the Difference” campaign, which helped contribute to higher sales. We also strove to reach new customers by releasing *Synbiotics Yakult W*, a fermented milk drink at convenience stores and

supermarkets nationwide in November 2017.

Regarding products, we continued to market the drinkable yoghurt *Joie* series using packages featuring Disney characters under a license agreement with Walt Disney Company (Japan) Ltd. In addition, we also worked to vitalize the brand by launching limited-time items such as *Joie Maroyaka Hani* (Joie Mellow Honey) and *Joie Tedumi Ringo* (Joie Hand-Picked Apple), as well as running the “Take a Break with Joie—Reward Your Body” advertising campaign from October 2017 to January 2018.

As a result of our efforts to bolster sales through the initiatives outlined above, overall sales of dairy products surpassed those of the previous fiscal year.

In juices and other beverages, we strove to increase sales primarily through functional beverages such as *Toughman* nutritional drinks and *Bansoreicha* tea with blood sugar regulating properties. In January 2018 we also released *Yakult Oishii Hakkou Kajitsu* (Yakult Tasty Fermented Fruit Juice), a lactobacillus-fermented fruit drink, at locations nationwide.

Despite this, overall sales in the juices and other beverages were lower than the previous fiscal year.

As a result, consolidated net sales for the food and beverages segment (Japan) increased 2.9% from the previous fiscal year, totaling 210,022 million yen.

Food and Beverages (Overseas)

Yakult’s operations outside of Japan commenced in March 1964 with the establishment of Yakult Co., Ltd. (Taiwan) and now extend to 37 countries and regions outside Japan, centered around 28 business bases and one research center. These operations focus primarily on the production and sale of the fermented milk drink *Yakult*. Average daily sales of all Yakult products outside Japan in March 2018 amounted to approximately 29.78 million bottles.

i. The Americas

Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil, Mexico, and the United States.

During the year under review we worked to enhance our sales network in the region, including both our home delivery and retail store channels, and to achieve sales growth.

As a result of these efforts, consolidated net sales in the food and beverages (The Americas) segment increased 10.8% to 50,158 million yen.

ii. Asia and Oceania

Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Hong Kong, Singapore, Indonesia, Australia, Malaysia, Vietnam, India, China, among others while also allowing the United Arab Emirates among other nations to import Yakult from them.

In China, we expanded the number of sales bases in the country to 42 through January

2018 and worked to further strengthen our sales network. Due to increasing sales of *Yakult*, we commenced construction of a new manufacturing plant in Foshan, Guangdong province, as well as a second building at our Wuxi plant (Wuxi Yakult Co., Ltd.), with start of production scheduled for 2019.

In India, we commenced sales of the low calorie *Yakult Light* in February 2018 in order to meet the market's desire for low-sugar, low-calorie products as consumers place an increasing focus on health.

In Myanmar, we are proceeding with preparations for the manufacture and sale of Yakult in 2018.

As a result of the above, consolidated net sales in the food and beverages (Asia and Oceania) segment rose 17.7% from the previous year to 109,852 million yen.

iii. Europe

Yakult manufactures the fermented milk drink *Yakult* and other products in the Netherlands, and sells them in the Netherlands, Belgium, the United Kingdom, Germany, Austria, Italy, and other countries. In the European market, where efforts to promote probiotics face strict regulation, we have engaged in a variety of initiatives to receive approval for health claims related to our products, while concurrently working to increase sales.

As a result, consolidated net sales in the food and beverages (Europe) segment rose 6.9% from the previous year to 8,342 million yen

Pharmaceuticals

During the fiscal year under review, we promoted the public awareness and proper use of our products with a focus on oncology and related fields.

Regarding our mainstay, the antineoplastic drug *Elplat*, we proactively conducted briefing meetings and other conferences targeting medical professionals in order to maintain and grow our market share. Although medical institutions are increasingly switching to generic versions of *Elplat* since generic equivalents were launched, we boosted initiatives to encourage customers to continue choosing *Elplat* by leveraging our ability to provide relevant information about the drug—a Company strength as we developed the original drug—as well as relationships of trust with medical professionals. Regarding the antineoplastic drug *ZALTRAP*®, on which we entered into a contractual agreement for joint promotion with Sanofi S.A, we strove to proactively provide information on the production in order to achieve rapid market penetration and adoption in the colorectal cancer field. In addition, we sought higher sales following efforts to expand sales channels for our core generic products, antineoplastic metabolite *Gemcitabine Yakult*, bone resorption inhibitor *Zoledronic acid Yakult*, and *Docetaxel Yakult*, a generic taxoid antineoplastic drug.

Meanwhile, in R&D, we pushed forward with planned clinical developments, including oral HDAC inhibitor *Resminostat* by 4SC AG, and platelet-increasing agent YHI-1501, which we are developing jointly with Nissan Chemical Industries, Ltd. Through these

efforts, we aim to further strengthen our position in oncology and related fields.

As a result, consolidated net sales in the Pharmaceuticals segment declined 7.8% to 25,661 million yen.

Others

This segment encompasses Yakult's cosmetics manufacturing and sales as well as its professional baseball team operations.

In our cosmetics operations, we continued to conduct home visit-based sales initiatives to counsel customers on our basic skin care products, centered on our core brands Parabio, Revey, and Revey White. As part of these initiatives, we focused on communicating the value of our proprietary moisturizing agent *S.E. (Shirota Essence)*, derived from our long history of research on lactic acid bacteria since the Company's foundation.

In June 2017 we also renewed the Revey series, with the revamped product featuring our proprietary *Ludwigia octovalvis* extract. Additionally, in November 2017 we revamped our *Agetics Moist Repair Essence* for concealing fine wrinkles caused by dryness, which helped increase customer satisfaction and boost sales.

Through these initiatives, overall sales in our cosmetics operations surpassed the previous year.

In our professional baseball operations, attendance at Tokyo's Jingu Stadium rose from the previous fiscal year, bolstered by proactive fan engagement such as diverse events and promotions, as well as active information dissemination.

As a result, consolidated net sales in the Others segment rose 4.1% to 20,778 million yen.

Sales figures for each segment do not include consumption tax, etc.

Note: Consolidated sales for each segment include inter-segment sales.

(2) Financial Position

Total assets at the fiscal year-end amounted to 631,241 million yen, an increase of 45,500 million yen year on year.

Net assets rose 9,793 million yen from the previous fiscal year end to 386,674million yen. This was primarily due to an increase in retained earnings from net profit attributable to parent company stockholders, as well as an increase in valuation difference on available-for-sale securities resulting from rising share prices. This offset the impact of a decrease in net assets due to share buybacks.

Shareholders' equity ratio was 55.8%, a 2.8% decline year on year.

(3) Cash Flow

(Status of Cash Flow)

	FY2016	FY2017	YoY Change
Cash flow from operating activities	59,998	61,989	1,990
Cash flow from investing activities	-44,986	-30,285	14,700
Cash flow from financing activities	-13,749	-21,969	-8,219
Foreign currency translation adjustments on cash and cash equivalents	-7,931	1,070	9,001
Net increase (decrease) in cash and cash equivalents	-6,668	10,805	17,473
Cash and cash equivalents, beginning of year	101,799	95,130	-6,668
Cash and cash equivalents, end of year	95,130	105,936	10,805

Cash flow from operating activities increased 1,990 million yen from the previous year to 61,989 million yen. The increase primarily resulted from 53,481 million yen in income before income taxes and 21,532 million yen in depreciation and amortization, which was partly offset by 14,331 million yen in income taxes paid.

Cash flow from investing activities decreased 14,700 million yen from the previous year, to 30,285 million yen. Cash was mainly used for payments into time deposits and purchases of fixed assets, specifically for the expansion of new production facilities.

Cash flow from financing activities increased 8,219 million yen to 21,969 million yen reflecting share buybacks and the payment of dividends.

(Cash Flow Related Indices)

	FY 2013	FY2014	FY2015	FY2016	FY2017
Shareholders' equity ratio	52.9%	56.1%	57.5%	58.6%	55.8%
Shareholders' equity based on market price	164.8%	238.8%	142.6%	174.5%	200.1%
Debt-to-cash-flow ratio	2.3 years	2.2 years	1.9 years	1.9 years	2.2 years
Interest coverage ratio	64.3	69.5	66.9	85.3	95.6

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity based on market price: Market capitalization/total assets

Debt-to-cash-flow ratio: Interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest payments

* All figures are calculated using consolidated financial data

* Market capitalization = share price at end of period × number of shares outstanding (exclusive treasury stock)

* "Operating cash flow" refers to the cash flow from operating activities in the Consolidated Statement of Cash Flow. "Interest-bearing debt" refers to all liabilities reflected on the consolidated balance sheets that are subject to interest payments. "Interest payments" refer to interest expenses as stated in the Consolidated Statement of Cash Flow.

(4) Looking to the Future

1. Consolidated Forecast for the Next Fiscal Year

	Net Sales (Millions of yen)	Ordinary income (Millions of yen)	Net profit attributable to owners of the parent (Millions of yen)	Net profit per share (yen)
FY2018 ending March 31, 2019	418,000	56,500	35,500	221.19
FY2017 ended March 31, 2018	401,569	53,054	34,064	207.02
Increase/Decrease	4.1%	6.5%	4.2%	6.8%

2. Forecasts by Segment

· Food and Beverages (Japan)

For dairy products in Japan, Yakult is continuously committed to focusing on the *Yakult* series of fermented milk drinks as its most important brand, aiming to expand its share in the probiotics market by communicating the scientifically verified benefits of *Lactobacillus casei* strain Shirota and utilizing its full organizational strength to emphasize the value these products offer through "value dissemination" initiatives.

Regarding products, we will work to bolster community-based value dissemination initiatives for *Yakult 400* and *Yakult 400LT* sold only through our home delivery channel as well as conducting ongoing branding initiatives by communicating our commitment to

R&D and technology. Meanwhile, in our retail store channel we will strive to improve visibility and communicate the health-promotion benefits of our products with a focus on *New Yakult* and *New Yakult Calorie Half* with the aim of further expanding sales.

In juices and other beverages, we will aim to expand sales by strengthening our functional drinks lineup through the vitalization of our brand, including the launch of *Toughman Refresh*, a canned, carbonated energy drink from the existing *Toughman* brand.

In addition, we will continue striving to increase awareness of the nature of our Yakult Ladies' work, and make the role more attractive to bolster our home delivery organization. We will also strive to strengthen our response to markets with future growth potential in order to achieve further sales growth.

· Food and Beverages (Overseas)

Outside Japan, our existing business offices will work to further expand business, enhance our financial strength, and raise profitability. We will place particular focus on strengthening our management base and achieving business growth in Vietnam, India, China, the United States, and the Middle East. We will also push forward with preparations for business launch in Myanmar.

We will decide on further overseas expansions after carefully considering the environments both in Japan and abroad.

· Pharmaceuticals

In Japan, we anticipate a decline in revenue due to a decline in the price of most of our drug products in accordance with the revision of NHI Drug Price Standards in April 2018. In addition, it is inevitable that medical institutions will continue to switch to generic versions of our mainstay antineoplastic drug *Elplat*. However, drawing on our ability as the drug's original creator to provide relevant information, and the trust relationships we have developed with professionals in the medical industry to date, we will work to expand the market and secure sales volume. We will also utilize joint promotion of Sanofi S.A.'s antineoplastic drug *ZALTRAP*®, which was released in May 2017, in order to further strengthen our presence in the oncology field, while also working to expand the market share of our generic drug lineup.

In R&D, we are promoting new drug development both in Japan and abroad while rapidly assessing the introduction of drugs to strengthen our pipelines. We will also actively develop new generic drugs for cancer and related fields.

· Others

In our cosmetics operations, we will focus on communicating the value of our proprietary moisturizing agent S.E. (Shirota Essence), derived from our long history of research on lactic acid bacteria since the Company's foundation, while conducting home visit -based sales initiatives to counsel customers on our basic skin care products, centered on our core brands Parabio, Revecy, and Revecy White.

We will also release a revamped version of our Yakult Medical *APACOAT S.E. (Nontechnology)* toothpaste in May 2018, including a new small-sized version named Yakult Medical *APACOAT S.E. (Nontechnology)* Portable that aims to deliver greater convenience for customers.

Furthermore, we will bolster our basic cosmetics business to deliver products and services that win the trust and satisfaction of customers, thereby increasing customer satisfaction and leading to further growth in the cosmetics business.

(5) Basic Policy on the Distribution of Profits; Dividends in Fiscal 2017 and 2018

We place top priority on the continuous payment of stable dividends to shareholders by setting the annual dividend at a base on 30.0 yen per share. The total dividend is decided after comprehensively taking into account the need for funds for future business expansion and increasing earnings as well as the Company's financial position and business performance for the year.

Based on this policy, we decided to pay a total dividend of 34.0 yen per share for the fiscal year ended March 2018, up 2.0 yen from the prior fiscal year to continuously increase the return to shareholders. We have already paid an interim dividend of 17.0 yen per share, and the balance of 17.0 yen per share will be distributed to shareholders as the year-end dividend.

We also conducted a 35,999 million yen share buyback in February 2018, purchasing 4,864,800 treasury shares with the aim of improving capital efficiency and enhancing returns to shareholders. The above shares were retired in full in March 2018.

For the year ending March 31, 2019, we plan to raise the annual dividend by 6.0 yen to 40.0 yen per share in an effort to offer higher returns to shareholders in addition to continuously paying stable dividends, in line with the policy described above.

2. Group Companies

The Yakult Group is comprised of Yakult Honsha, 74 subsidiaries, and 21 affiliates. The Group's main businesses and the positioning of each are outlined below.

Food and Beverages Business

1. Dairy products : Yakult Honsha manufactures dairy products which are primarily sold to 113 Yakult marketing companies across Japan (including one subsidiary of Yakult Miyagi Chuo Sales Co., Ltd., one subsidiary of Yakult Tokyo Sales Co., Ltd., four subsidiaries of Yakult Tokai Co., Ltd., one subsidiary of Yakult Hokuriku Co., Ltd., and two subsidiaries of Yakult Sanyo Co., Ltd. Among these, Yakult Tokyo Sales Co., Ltd. and 23 others are consolidated subsidiaries, while Yakult Musashino Sales Co., Ltd. and 16 others are affiliates to which the equity method is not applied).

Certain parts of the manufacturing process are outsourced to Yakult Iwate Plant Co., Ltd. and four other companies (consolidated subsidiaries), while raw materials used in production are supplied by Yakult Materials Co., Ltd. and one other company (consolidated subsidiaries).
2. Juices and other beverages : Yakult Honsha purchases products which are primarily sold to 113 Yakult marketing companies across Japan.
3. Other food products : The Group's main product lines are noodles and health foods, which are manufactured by Yakult Food Industry Co., Ltd. and one other company (consolidated subsidiaries) and sold, via Yakult Honsha, to 113 Yakult marketing companies across Japan.
4. Logistics : Consolidated subsidiary Yakult Logistics Co., Ltd. operates a transportation business encompassing the shipment of manufactured products.
5. Overseas business : Yakult S.A. De C.V. (Mexico) and 26 other companies (consolidated subsidiaries), as well as four affiliates, manufacture and sell dairy products outside Japan.
6. Saleable materials, etc. : Saleable materials, etc. are purchased by Yakult Corporation Co., Ltd. and sold, via Yakult Honsha, to Yakult marketing companies, etc.

Pharmaceuticals Business

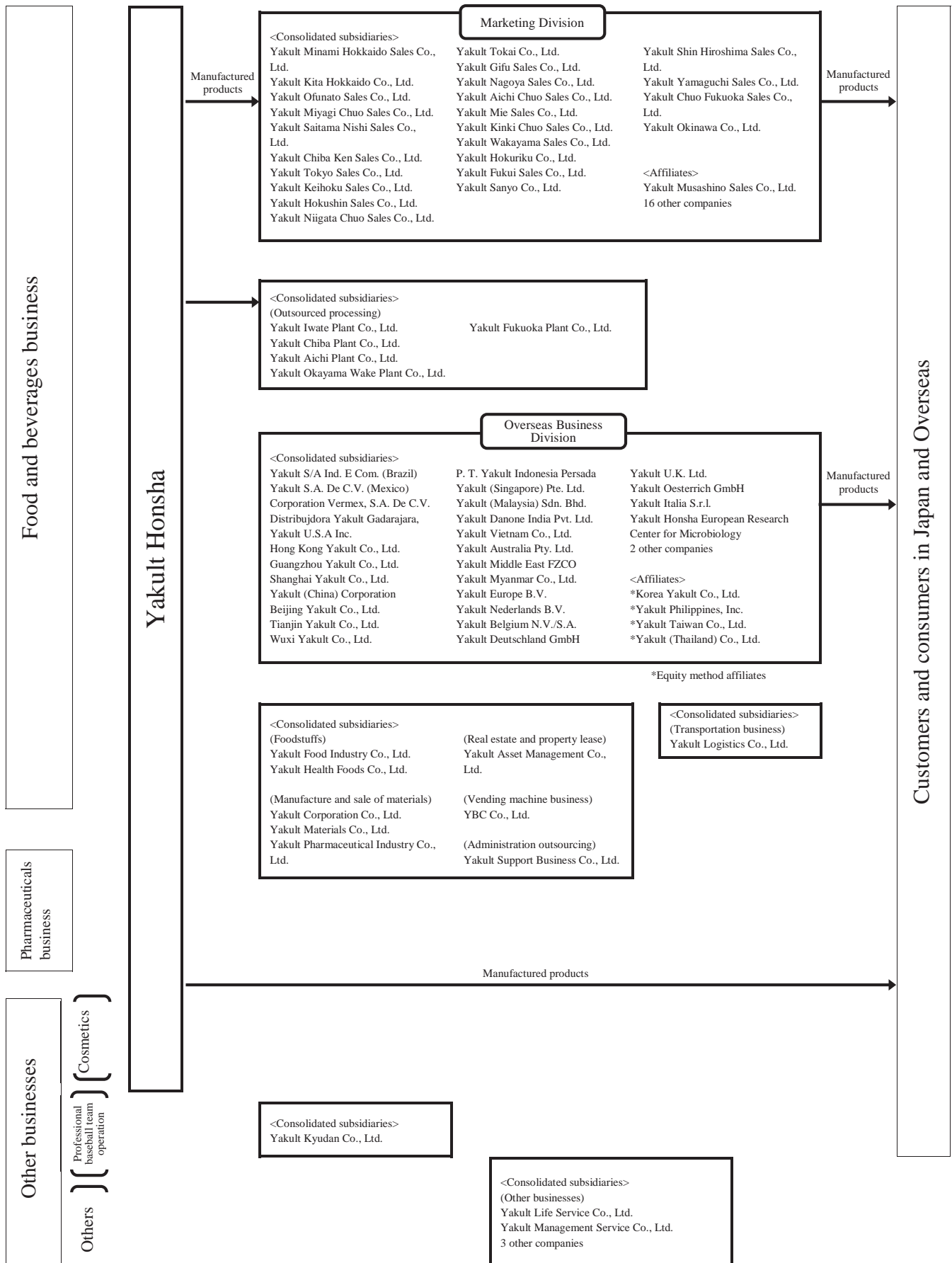
- Pharmaceuticals products : Yakult Honsha manufactures products which are sold to hospitals and pharmacies in Japan via pharmaceutical wholesalers. Outside Japan, products manufactured by the Company are sold to partner pharmaceutical companies.

Other Businesses

1. Cosmetics : Yakult Honsha manufactures products which are sold to 101 Yakult marketing companies across Japan.

2. Professional baseball team operation : Yakult's professional baseball team is operated by the consolidated subsidiary Yakult Kyudan Co., Ltd.

Yakult Honsha's business organization is outlined below:



3. Basic Policy Regarding Selection of Accounting Standards

The Company applies Japanese Generally Accepted Accounting Principles (GAAP) in the preparation of its consolidated financial statements.

Although we are currently working to ascertain the discrepancies between Japanese GAAP and International Financial Reporting Standards (IFRS) as well as the effect of adoption on our financial statements, we have not yet established a plan to adopt IFRS.

4. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2016 (April 1, 2016 to March 31, 2017)	FY2017 (April 1, 2017 to March 31, 2018)
Assets		
Current assets		
Cash and deposits	132,030	151,788
Notes and accounts receivable	54,437	56,479
Merchandise and finished products	8,641	9,089
Semi-finished products	2,725	2,449
Raw materials and supplies	17,159	16,598
Deferred tax assets	4,770	5,059
Others	9,260	9,129
Allowance for doubtful accounts	(229)	(254)
Total current assets	228,795	250,341
Fixed assets		
Tangible fixed assets		
Buildings and structures	161,843	165,406
Depreciation	(71,932)	(78,019)
Buildings and structures (net)	89,911	87,387
Machinery and vehicles	145,084	151,058
Depreciation	(94,494)	(102,099)
Machinery and vehicles (net)	50,589	48,958
Land	41,930	44,561
Lease assets	18,842	17,993
Depreciation	(10,763)	(10,812)
Lease assets (net)	8,078	7,180
Construction in progress	3,803	9,406
Others	24,935	25,692
Depreciation	(20,949)	(21,989)
Others (net)	3,985	3,703
Total tangible fixed assets	198,299	201,198
Intangible fixed assets		
Software	2,738	3,050
Others	2,726	2,676
Total intangible fixed assets	5,464	5,727
Investments and other assets		
Investment securities	143,822	163,591
Deferred tax assets	1,920	1,954
Net defined benefit assets	446	638
Others	7,135	7,918
Allowance for doubtful accounts	(142)	(129)
Total investments and other assets	153,182	173,974
Total fixed assets	356,945	380,900
Total assets	585,741	631,241

(Millions of yen)

	FY2016 (April 1, 2016 to March 31, 2017)	FY2017 (April 1, 2017 to March 31, 2018)
Liabilities	0	0
Current liabilities	0	0
Notes and accounts payable	24,618	29,528
Short-term loans	41,071	41,643
Current portion of long-term loans payable within one year	5,598	45,570
Lease obligations	2,145	2,098
Income tax payable	3,907	3,404
Deferred tax liabilities	-	0
Allowance for bonuses	5,607	5,840
Notes payable for facilities	1,187	1,633
Others	30,016	32,079
Total current liabilities	114,152	161,800
Fixed liabilities	0	0
Long-term loans	57,491	41,898
Lease obligations	5,364	4,614
Deferred tax liabilities	19,900	26,360
Allowance for retirement benefits for directors	501	395
Net defined benefit liability	7,471	5,346
Asset retirement obligations	973	966
Others	3,005	3,183
Total fixed liabilities	94,708	82,767
Total liabilities	208,860	244,567
Net assets	0	0
Shareholders' equity	0	0
Capital	31,117	31,117
Capital surplus	41,581	41,528
Retained earnings	314,101	318,580
Treasury stock	(40,446)	(52,322)
Total shareholders' equity	346,354	338,903
Accumulated other comprehensive income (loss)	0	0
Valuation difference on available-for-sale securities	26,117	35,215
Foreign currency translation adjustments	(26,598)	(20,721)
Remeasurements of defined benefit plans	(2,370)	(1,218)
Total accumulated other comprehensive income (loss)	(2,851)	13,274
Non-controlling interests	33,378	34,495
Total net assets	376,880	386,674
Total liabilities and net assets	585,741	631,241

(2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	FY2016 (April 1, 2016 to March 31, 2017)	FY2017 (April 1, 2017 to March 31, 2018)
Sales	378,307	401,569
Cost of sales	163,972	171,639
Gross profit	214,335	229,930
Selling, general and administrative expenses		
Selling expenses	84,667	90,070
General and administrative expenses	92,385	96,396
Total selling, general and administrative expenses	177,053	186,466
Operating income (loss)	37,281	43,463
Non-operating income		
Interest income	2,926	3,945
Dividend income	1,658	1,867
Investment gains on the equity method	4,442	3,883
Gains on foreign translation	2,222	152
Others	2,051	1,959
Total non-operating income (loss)	13,301	11,808
Non-operating expenses		
Interest expense	708	652
Commission fee	31	334
Compensation expenses	280	945
Others	192	285
Total non-operating expenses	1,213	2,217
Ordinary income	49,370	53,054
Extraordinary gain		
Gain on sale of fixed assets	291	164
Gain on sales of investment securities	-	660
Others	2	1
Total extraordinary gain	294	825
Extraordinary loss		
Loss on sale of fixed assets	15	55
Loss on retirement of fixed assets	374	327
Impairment loss	176	12
Valuation loss on investment securities	373	-
Others	43	4
Total extraordinary loss	983	399
Income before income taxes	48,681	53,481
Income taxes-current	12,464	13,096
Income taxes-deferred	1,244	1,724
Total income taxes	13,708	14,820
Profit	34,972	38,660
Profit attributable to non-controlling interests	4,818	4,595
Profit attributable to owners of parent	30,154	34,064

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2016 (April 1, 2016 to March 31, 2017)	FY2017 (April 1, 2017 to March 31, 2018)
Profit	34,972	38,660
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,659	8,950
Foreign currency translation adjustments	(18,927)	5,487
Remeasurements of defined retirement benefit plans	1,270	1,151
Share of other comprehensive income of entities accounted for using equity	422	114
Total other comprehensive income	(15,575)	15,703
Comprehensive income	19,397	54,364
Comprehensive income attributable to:		
Owners of the parent	17,668	50,191
Non-controlling interests	1,729	4,173

(3) Consolidated Statement of Shareholders' Equity

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the current period	31,117	41,534	290,723	(41,213)	322,162
Changes of items during the period					
Dividends of surplus			(6,776)		(6,776)
Change in the parent's ownership interest due to transactions with non-controlling interests		6			6
Net profit attributable to owners of the parent			30,154		30,154
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		40		769	810
Retirement of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	46	23,378	767	24,191
Balance at end of the current period	31,117	41,581	314,101	(40,446)	346,354

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the current period	24,485	(11,217)	(3,633)	9,634	33,667	365,464
Changes of items during the period						
Dividends of surplus						(6,776)
Change in the parent's ownership interest due to transactions with non-controlling interests						6
Net profit attributable to owners of the parent						30,154
Repurchase of treasury stock						(2)
Disposal of treasury stock						810
Retirement of treasury stock						—
Net changes of items other than shareholders' equity	1,631	(15,381)	1,263	(12,486)	(289)	(12,776)
Total changes of items during the period	1,631	(15,381)	1,263	(12,486)	(289)	11,415
Balance at end of the current period	26,117	(26,598)	(2,370)	(2,851)	33,378	376,880

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the current period	31,117	41,581	314,101	(40,446)	346,354
Changes of items during the period					
Dividends of surplus			(5,456)		(5,456)
Change in the parent's ownership interest due to transactions with non-controlling interests		(52)			(52)
Net profit attributable to owners of the parent			34,064		34,064
Repurchase of treasury stock				(36,005)	(36,005)
Retirement of treasury stock					—
Cancellation of treasury stock			(24,129)	24,129	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(52)	4,478	(11,876)	(7,450)
Balance at end of the current period	31,117	41,528	318,580	(52,322)	338,903

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the current period	26,117	(26,598)	(2,370)	(2,851)	33,378	376,880
Changes of items during the period						
Dividends of surplus						(5,456)
Change in the parent's ownership interest due to transactions with non-controlling interests						(52)
Net profit attributable to owners of the parent						34,064
Repurchase of treasury stock						(36,005)
Disposal of treasury stock						—
Retirement of treasury stock						—
Net changes of items other than shareholders' equity	9,097	5,876	1,151	16,126	1,117	17,243
Total changes of items during the period	9,097	5,876	1,151	16,126	1,117	9,793
Balance at end of the current period	35,215	(20,721)	(1,218)	13,274	34,495	386,674

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2016 (April 1, 2016 to March 31, 2017)	FY2017 (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	48,681	53,481
Depreciation	22,660	21,532
Impairment loss	176	12
Changes in allowance	296	101
Changes in net defined benefit liability	(1,939)	(1,706)
Interest and dividend income	(4,585)	(5,812)
Interest expenses	708	652
Profit (loss) of entities accounted for using equity method	(4,442)	(3,883)
Gain (loss) on sale of fixed assets	97	217
Valuation gain or loss on investment securities	373	—
Other gains or losses	2,033	1,939
Decrease (increase) in notes and accounts receivables	551	(1,499)
Decrease (increase) in inventories	(958)	389
Increase (decrease) in notes and accounts payables	813	4,679
Changes in other assets and liabilities	1,912	(746)
Subtotal	66,377	69,358
Interest and dividends received	5,517	7,220
Interest paid	(703)	(648)
Income taxes paid	(11,856)	(14,331)
Income taxes refunded	663	391
Cash flows from operating activities	59,998	61,989
Cash flows from investing activities		
Payment for time deposits	(55,466)	(63,711)
Proceeds from withdrawal of time deposits	36,976	55,970
Purchase of non-current assets	(24,772)	(22,332)
Proceeds from sales of non-current assets	605	269
Purchase of investment securities	(1,635)	(1,143)
Proceeds from sale of investment securities	62	1,800
Others	(756)	(1,138)
Cash flows from investing activities	(44,986)	(30,285)
Cash flows from financing activities		
Net decrease (increase) in short-term borrowings	5,782	668
Proceeds from long-term loans	—	30,000
Repayment of long-term loans	(8,465)	(5,644)
Payment of lease obligations	(2,723)	(2,421)
Purchase of treasury stock	(2)	(36,005)
Proceeds from sales of treasury stock	549	—
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(62)	(1,183)
Proceeds from stock issuance to noncontrolling shareholders	176	—
Dividends paid	(6,766)	(5,450)
Dividends paid to non-controlling interests	(2,235)	(1,932)
Cash flows from financing activities	(13,749)	(21,969)
Effect of exchange rate change on cash and cash equivalents	(7,931)	1,070
Net increase (decrease) in cash and cash equivalents	(6,668)	10,805
Cash and cash equivalents at beginning of period	101,799	95,130
Cash and cash equivalents at end of period	95,130	105,935

(5) Notes on Consolidated Financial Statements

(Notes Related to Going Concern Assumption)
None.

(Significant Accounting Policies for the Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 74

Names of main consolidated subsidiaries:

Yakult Tokyo Sales Co., Ltd., Yakult Okayama Wake Plant Co., Ltd., Yakult Corporation Co., Ltd., Yakult Materials, Co., Ltd., Yakult Health Foods Co., Ltd., Yakult Logistics Co., Ltd., Yakult Kyudan Co., Ltd., Yakult (China) Corporation

2. Application of the equity method

Number of affiliates to which the equity method is applied: 4

Names of main equity method affiliates:

Korea Yakult Co., Ltd.

Investments in Yakult Musashino Sales Co., Ltd. and 16 other affiliates to which the equity method is not applied are valued at cost as they are small in scale and their respective net income/loss and retained earnings corresponding to the equity have no significant impact on these account items in the consolidated financial statements. For equity method companies, figures from each company's most recent fiscal year have been used to compile the consolidated financial statements.

3. Matters related to the fiscal year of consolidated subsidiaries

The account closing dates of the following consolidated subsidiaries differed from that of the parent.

Japan:	Yakult Kyudan Co., Ltd.	(December 31)
Overseas:	Yakult S.A. De C.V. (Mexico), 26 other companies	(December 31)

Significant discrepancies in transactions between consolidated subsidiaries and significant fluctuations in financial position occurring during the consolidated accounting period through to March 31 are amended as necessary.

4. Matters related to accounting policies

(1) Standards and methods for valuation of significant assets

i. Investment securities

Other investment securities

Marketable securities: reported at market value as of end of consolidated accounting period. (Net unrealized gains (losses) are booked directly on net assets, and the costs of securities sold are primarily calculated based on the moving-average method.)

Non-marketable securities: primarily stated at cost based on the moving-average method

ii. Inventories: primarily stated at cost based on the moving-average method (amounts shown on the balance sheet are based on the method for reducing book value due to a decline in profitability)

(2) Depreciation Methods Applied to Significant Depreciable Assets

The Company and its domestic subsidiaries

i. Tangible fixed assets (excluding lease assets)

Buildings (excluding building fixtures)

Acquired on or before March 31, 1998 Declining balance method

Acquired on or after April 1, 1998 Straight-line method

Building fixtures and structures

Acquired on or before March 31, 2016 Declining balance method

Acquired on or after April 1, 2016 Straight-line method

Other tangible fixed assets

Useable Period Declining balance method
Buildings and structures: 7 to 50 years
Machinery, equipment and vehicles: 4 to 17 years

ii. Intangible fixed assets (excluding lease assets)

Software

Software for internal use Straight line method over a useful life of five years

Other intangible assets Straight-line method

iii. Lease assets

Lease assets relating to finance lease transactions without transfer of ownership Depreciated over the lease period by the straight-line method with a residual value of zero

Foreign subsidiaries

Tangible and intangible fixed assets Primarily straight-line method

Principal useful lives Buildings and structures: 5 to 40 years
Machinery, equipment and vehicles: 3 to 21 years

(3) Accounting Standards for Significant Allowances

1. Allowance for doubtful accounts The Company and its consolidated subsidiaries in Japan record allowances for doubtful accounts at the estimated uncollectible amount based mainly on past credit loss experience for general accounting receivables and in consideration of individual collectability for specific receivables including doubtful accounts receivables. Consolidated subsidiaries outside Japan record allowances for doubtful accounts primarily based on the estimated amounts of unrecoverable receivables.

2. Allowance for bonuses To provide for future payment of bonuses to employees, the Company and its main consolidated subsidiaries book the estimated amounts to be paid during the consolidated fiscal year under review.

3. Allowance for officers' retirement benefits To provide for future payments of retirement benefits to officers, the Company's main consolidated subsidiaries book the entire amount to be needed at the end of the fiscal period based on their internal regulations.

(4) Accounting Method for Retirement Benefits

1. Service period basis for projected retirement benefits

In calculating retirement benefit liabilities, the company uses the benefit formula to attribute projected benefits to the period ending with the final day of the consolidated fiscal year under review.

2. Accounting method for actuarial gains and losses and past service costs

Past service costs are recognized as a lump-sum when incurred.

Actuarial gains and losses are amortized by the straight-line method over a period within the average remaining service years for employees (generally 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

(5) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate at the consolidated fiscal year-end, and the translation adjustment is treated as a profit or loss.

The assets and liabilities of overseas consolidated subsidiaries are converted to yen at the spot exchange rate on the closing dates of the subsidiaries, and revenue and expenses are converted to yen at the average annual exchange rate. Translation differences are then recorded as part of non-controlling interests and foreign currency translation adjustments in net assets.

(6) Scope of cash and cash equivalents on the Consolidated Statements of Cash Flow

Cash and cash equivalents on Consolidated Statements of Cash Flow consist of cash on hand, readily available deposits, and highly liquid short-term investments with original maturities of three months or less, that are exposed to an insignificant risk of changes in value.

(7) Accounting for Consumption Taxes

Japanese consumption tax and other regional consumption taxes are accounted for by the tax-exclusion method.

Accrued consumption tax is included in 'Current assets – Other'.

(Segment Information)

1. Overview of Reportable Segments

The Company's reportable segments are structural components which are evaluated regularly by the Company's Board of Directors in order to assess performance and decide how resources are allocated among the Group.

The Company's main focus is the manufacture and sale of dairy, pharmaceutical, and other products. In Japan, the Group's dairy and other product business involves manufacture and sales by the Company and its production and marketing subsidiaries, while outside Japan, the business is operated by the Group's overseas entities in the respective regions. In the pharmaceuticals business, the Company manufactures products and sells them in Japan and overseas.

Therefore, the reportable segments by product and service consist of the Food and Beverages segment and the Pharmaceuticals segment. The Food and Beverages segment is further broken down into regional segments consisting of Japan, the Americas, Asia and Oceania, and Europe.

Food and Beverages (Japan) primarily consists of the manufacture and sale of dairy products and noodles, and the sale of juice and other beverages.

Food and Beverages (The Americas) primarily consists of the manufacture and sale of dairy products.

Food and Beverages (Asia and Oceania) primarily consists of the manufacture and sale of dairy products.

Food and Beverages (Europe) consists of the manufacture and sale of dairy products.

Pharmaceuticals consists of the manufacture and sale of anticancer drugs and other pharmaceuticals.

Others includes the Group's cosmetics business and professional baseball team operation.

2. Methods of Measurement for the Amounts of Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting methods of each reportable segment are generally consistent with those disclosed in "Significant Accounting Policies for the Consolidated Financial Statements."

Profit in the reportable segments is based on operating profit.

Intersegment sales and transfers are based on prevailing market prices.

3. Profit (Loss), Assets, etc., in Reportable Segments

Fiscal 2016 (April 1, 2016 to March 31, 2017)

Millions of yen

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Sales				
Sales to external customers	186,532	45,252	93,364	7,800
Intersegment sales or transfers	17,598	—	—	—
Total	204,130	45,252	93,364	7,800
Segment profit (loss)	13,813	10,323	25,307	491
Segment assets	183,500	69,399	173,745	9,030
Other:				
Depreciation and amortization	12,318	1,815	5,480	330
Increase in tangible fixed assets and intangible fixed assets	7,563	976	9,364	112

	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales				
Sales to external customers	27,836	17,521	—	378,307
Intersegment sales or transfers	—	2,430	(20,028)	—
Total	27,836	19,951	(20,028)	378,307
Segment profit (loss)	2,890	904	(16,449)	37,281
Segment assets	26,634	13,586	109,844	585,741
Other:				
Depreciation and amortization	1,305	554	855	22,660
Increase in tangible fixed assets and intangible fixed assets	568	674	6,067	25,327

Notes: Adjustments are as follows.

- (1) The (16,449 million) yen adjustment in segment profit (loss) includes (12,610 million) yen of corporate expense not allocated to specific segments. Company-wide costs include expenses of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments.
- (2) The 109,844 million yen adjustment in segment assets includes 115,598 million yen of corporate assets that are not allocated to each segment. Company-wide assets include cash and deposits of the Company that cannot be attributed to any specific reportable segments, long-term investment funds (investment securities), deferred tax assets, and assets related to administrative divisions.
- (3) Adjustment in depreciation consists of 855 million yen of depreciation of the Company that cannot be attributed to any specific reportable segments.
- (4) Adjustment in increase in tangible and intangible fixed assets consists of 6,067 million yen of capital expenditure of the Company that cannot be attributed to any specific reportable segments.

Fiscal 2017 (April 1, 2017 to March 31, 2018)

Millions of yen

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Sales				
Sales to external customers	189,213	50,158	109,852	8,342
Intersegment sales or transfers	20,808	—	—	—
Total	210,022	50,158	109,852	8,342
Segment profit (loss)	17,029	11,279	30,093	664
Segment assets	181,670	72,971	200,697	10,481
Other:				
Depreciation and amortization	10,942	1,957	5,946	282
Increase in tangible fixed assets and intangible fixed assets	7,951	1,042	10,833	675

	Pharmaceuticals	Others	Adjustment	Consolidated
Sales				
Sales to external customers	25,661	18,340	—	401,569
Intersegment sales or transfers	—	2,437	(23,246)	—
Total	25,661	20,778	(23,246)	401,569
Segment profit (loss)	1,322	950	(17,876)	43,463
Segment assets	25,203	14,268	125,949	631,241
Other:				
Depreciation and amortization	950	460	992	21,532
Increase in tangible fixed assets and intangible fixed assets	665	326	3,629	25,123

Notes: Adjustments are as follows.

- (1) The (17,876 million) yen adjustment in segment profit (loss) includes (13,297 million) yen of corporate expense that is not allocated to each segment. Company-wide costs include expenses of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments.
- (2) The 125,949 million yen adjustment in segment assets includes 131,845 million yen of corporate assets that are not allocated to each segment. Company-wide assets consist of cash and deposits of the Company that cannot be attributed to any specific reportable segments, long-term investment funds (investment securities), deferred tax assets, and assets related to administrative divisions.
- (3) Adjustment in depreciation consists of 992 million yen of depreciation of the Company that cannot be attributed to any specific reportable segments.
- (4) Adjustment in increase in tangible and intangible fixed assets consists of 3,629 million yen of capital expenditure of the Company that cannot be attributed to any specific reportable segments.

4. Information about geographical areas

Fiscal 2016 (April 1, 2016 to March 31, 2017)

				Millions of yen	
(1) Sales	Japan	The Americas	Asia and Oceania	Europe	Total
	229,592	45,270	95,466	7,977	378,307

Note: Sales are classified by country or region based on the location of customers.

				Millions of yen	
(2) Tangible fixed assets	Japan	The Americas	Asia and Oceania	Europe	Total
	124,610	17,081	54,921	1,685	198,299

Fiscal 2017 (April 1, 2017 to March 31, 2018)

				Millions of yen	
(1) Sales	Japan	The Americas	Asia and Oceania	Europe	Total
	231,088	50,177	111,960	8,342	401,569

Note: Sales are classified by country or region based on the location of customers.

				Millions of yen	
(2) Tangible fixed assets	Japan	The Americas	Asia and Oceania	Europe	Total
	124,591	15,808	58,542	2,255	201,198

(Per Share Information)

Fiscal 2016 (April 1, 2016 to March 31, 2017)		Fiscal 2017 (April 1, 2017 to March 31, 2018)	
Net assets per share	¥2,077.29	Net assets per share	¥2,194.32
Net income per share	¥182.39	Net income per share	¥207.02

Note: Basis for calculation of net profit per share

	Fiscal 2016 (April 1, 2016 to March 31, 2017)	Fiscal 2017 (April 1, 2017 to March 31, 2018)
Net profit per share		
Net profit attributable to owners of the parent (millions of yen)	30,154	34,064
Amount not attributable to common shareholders (millions of yen)	—	—
Net profit attributable to owners of the parent and available to common shareholders (millions of yen)	30,154	34,064
Average number of shares during reporting period (1,000 shares)	165,326	164,550

(Significant Subsequent Events)

None.

5. Other Matters

Changes in Directors (Effective on June 20, 2018)

(1) Candidates for new directors (two people)

Director

Susumu Hirano (Managing executive officer of the Company)

Outside Director

Pascal Yves de Petrini (Senior Vice President, Non-Executive Chairman, Danone Asia Non-Executive Director, China Mengniu Dairy Co., Ltd.)

(2) Retiring directors (two)

Outside Director

Bertrand Austruy

Outside Director

Filip Kegels

Changes in Executive officers (Effective on June 20, 2018)

(1) Retiring executive officer (one people)

Executive officer

Richard Hall *re-appointment candidate of the Company's directors