

Yakult Vision 2020 Phase II Plan (2014–2016)

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Yakult Honsha Co., Ltd.

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Outline of Long-term Vision

Outline of Long-term Vision



Yakult Vision 2020 is a medium- to long-term management plan formulated in the year of its 75th anniversary to clarify what it aspires to be in the next 10 years.

Qualitative goals

Corporate philosophy

We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular

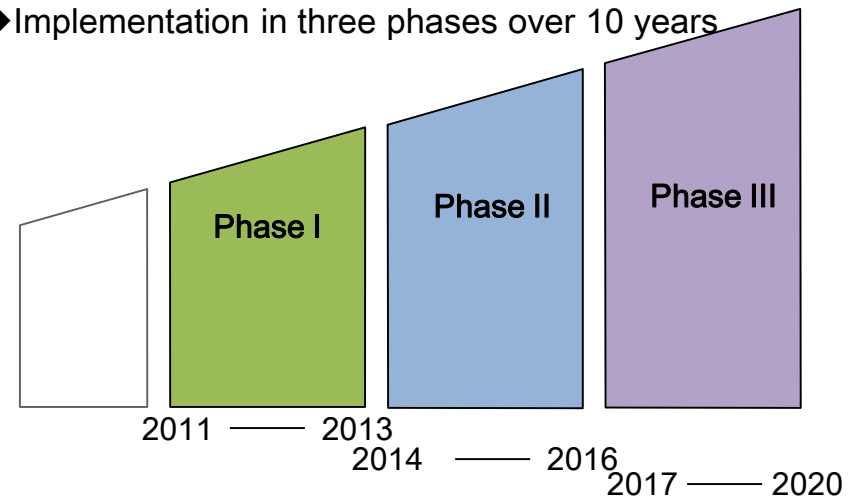
Yakult Vision 2020
Let's Build Yakult's Future Together!

- Let's promote the idea that a healthy intestinal tract leads to a long life, to as many people as possible on the earth!
- Let's apply our unique combination of preventative medicine and therapeutic medicine to realize a healthy society!
- Let's offer satisfaction and happiness to our customers and ourselves by whole-heartedly delivering the best technology with gratitude!

Quantitative goals

	FY2009	FY2020	
Number of bottles of dairy products sold per day worldwide	26.40 million bottles/day	36.50 million bottles/day	Up 10 million bottles
Consolidated sales	290.7 billion yen	500.0 billion yen	About double
Consolidated operating income	19.0 billion yen	50.0 billion yen	About triple

◆ Implementation in three phases over 10 years

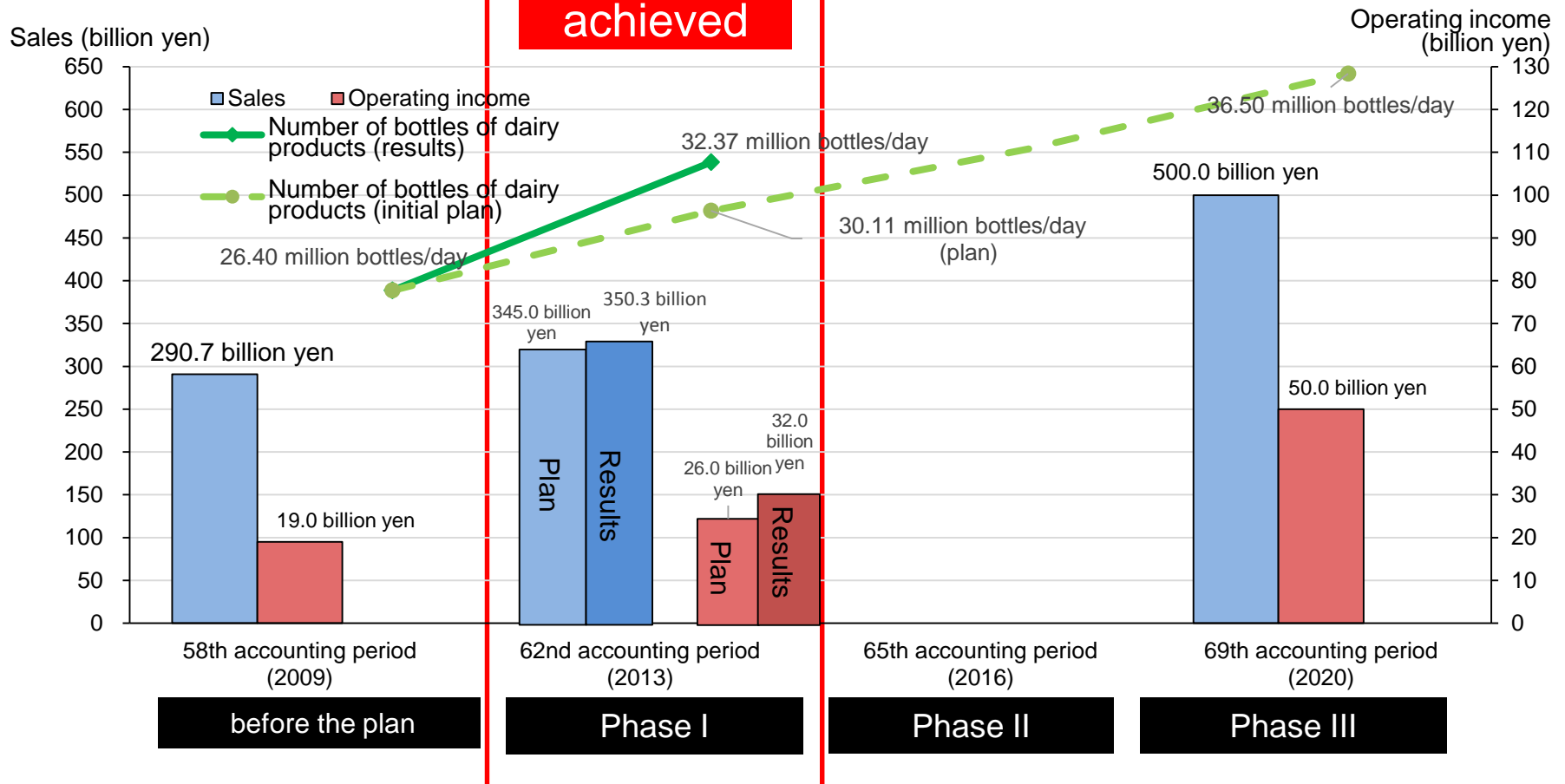


Review of Phase I Plan (2011–2013)

Company-wide Goals and Results for Phase I [1]



◆ Quantitative goals



	Plan	Result (achievement rate of target)
Dairy products sold worldwide	30.11 million bottles/day	32.37 million bottles/day (107.5%)
Consolidated sales	345.0 billion yen	350.3 billion yen (101.5%)
Consolidated operating income	26.0 billion yen	32.0 billion yen (123.1%)

Significance of Phase I

Run-up period before a leap forward

Prepare a base of business model, for goal of FY2020

In the Japanese food and beverages business, we built a base for regrowth in the mature domestic market. We bolstered our research and development bases, improved the efficiency of production bases through reorganization, and promoted the value of probiotics, which is the core of our business. As a result, we achieved a certain level of success.

In the overseas food and beverages business, we strived to cultivate and expand the markets and strengthened the supply system, which drove forward the overall performance of the business.

While the pharmaceutical business faced tough conditions due to the impact of NHI drug price revision, we worked to enhance the business with focus on oncology by driving forward development of products in the pipeline.

Company-wide Goals and Results for Phase I [3]



Segment	Achievement in the 3 years
Company-wide	<ul style="list-style-type: none"> ➤ Introduction of the executive officer system (in June 2011)
Food and Beverages (Japan)	<ul style="list-style-type: none"> ➤ Strengthening of research and development bases <ul style="list-style-type: none"> - Yakult Central Institute for Microbiological Research: construction of 4 research blocks (started in October 2012; to be completed in 2015) ➤ Reorganization and streamlining of production bases <ul style="list-style-type: none"> - Driving forward the second phase of capital investment plan (reorganization from 14 plants to 11 plants) - Full-scale operation of Hyogo Miki Plant (December 2012) ➤ Strengthening of existing brands <ul style="list-style-type: none"> - Improvement of core products' value (launch of New Yakult in November 2013) ➤ Continued implementation of value promotion activities
Food and Beverages (Overseas)	<ul style="list-style-type: none"> ➤ Increasing marketing population and increase of population ratio <ul style="list-style-type: none"> - Started sales in 2 new countries and 5 new cities in China (the number of countries and regions where we sell our products increased to 32) ➤ Enhancement of supply bases <ul style="list-style-type: none"> - Driving forward plant capital investment (production system of 31 million bottles/day at 22 bases)
Pharmaceuticals	<ul style="list-style-type: none"> ➤ Approval of adjuvant XELOX treatment with Elplat ➤ Expanded indications of Elplat <ul style="list-style-type: none"> - Approval for treating pancreas cancer and promotion of the process for gaining approval for treating stomach cancer ➤ Driving forward development of pipeline products



Phase II Plan (2014–2016)

(1) Concept of Phase II Plan Formulation [1]

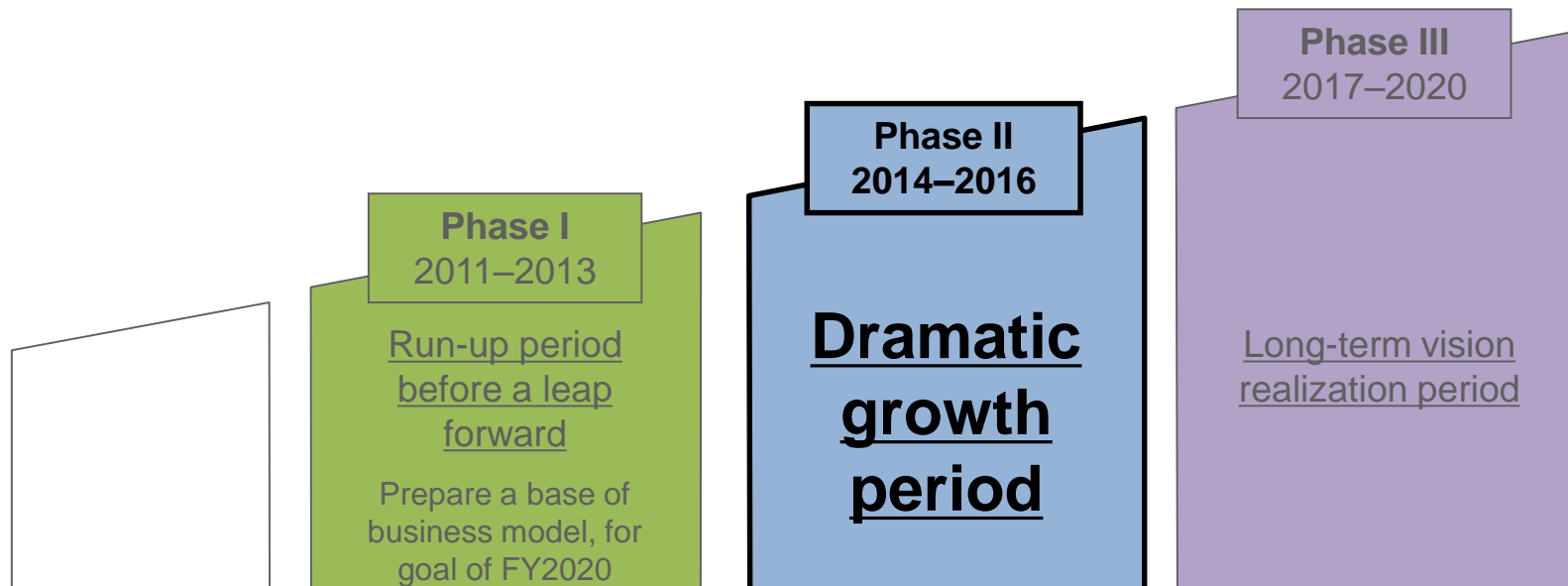


Significance of Phase II Plan

Yakult Group aims for a dramatic growth, primarily through business promotion in accordance with the corporate philosophy, based on the preparation of a business model that is continuing from Phase I.

◆ Corporate philosophy ◆

We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular



(1) Concept of Phase II Plan Formulation [2]



Concept for achieving goals

- We will further promote globalization by spreading the probiotics value promotion activities around the world, which is the core of the Yakult business.
- We aim for sustainable growth by strengthening our research and development capabilities as well as by offering unique products whose effectiveness has been scientifically proven and providing services that only Yakult can provide.
- The entire group will work together to contribute to people around the world (local communities) through practice of the corporate philosophy.

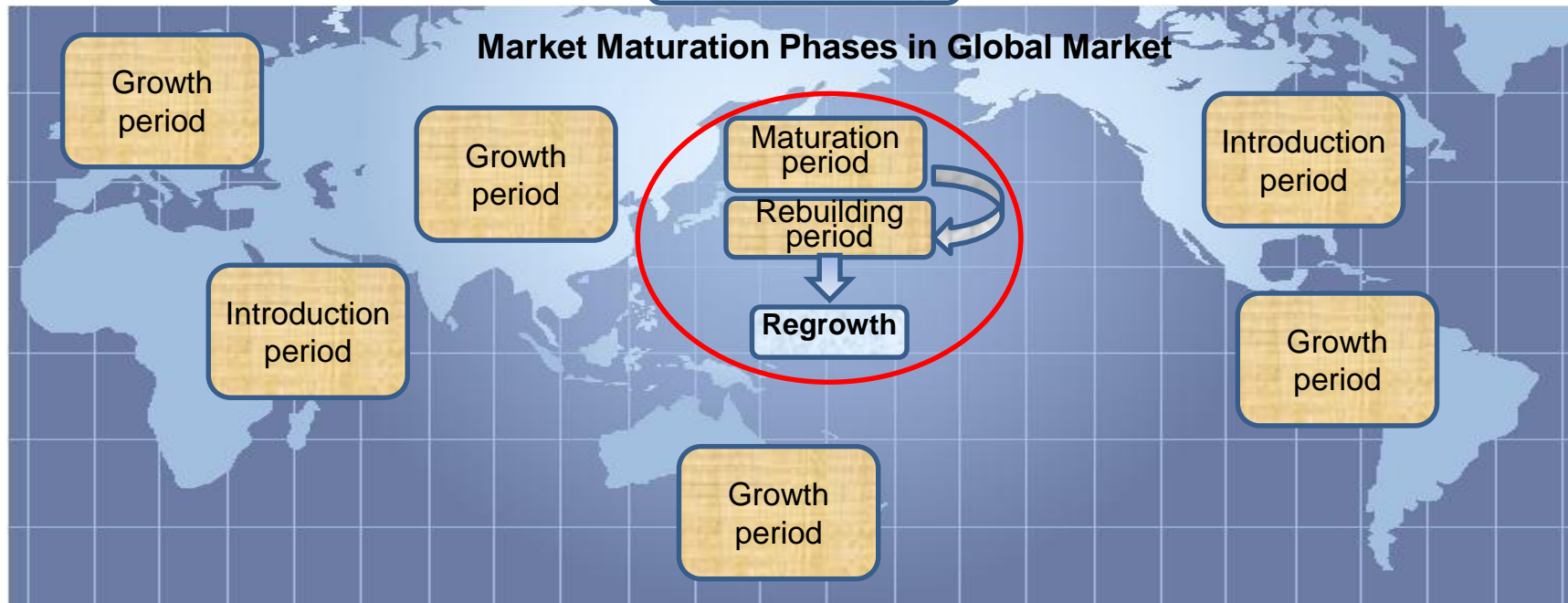
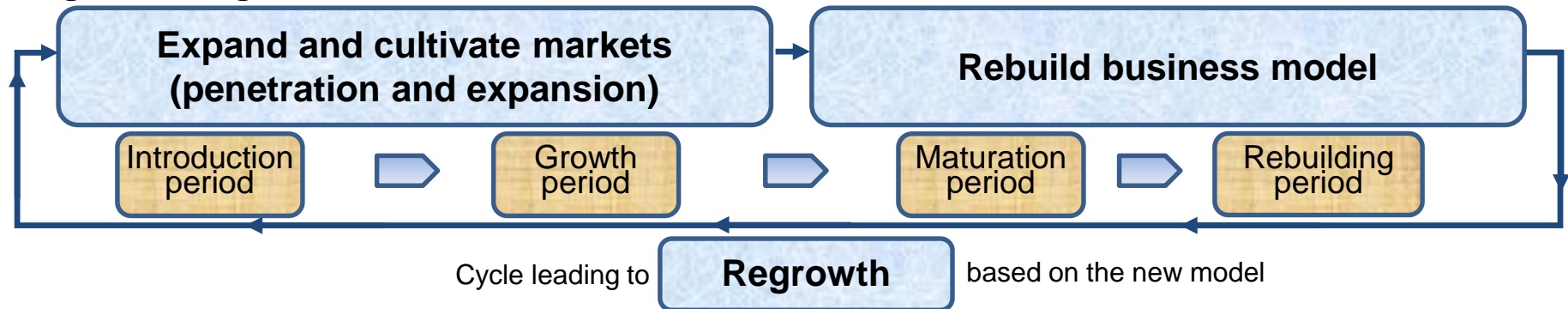


(2) Phase II Company-wide Strategy

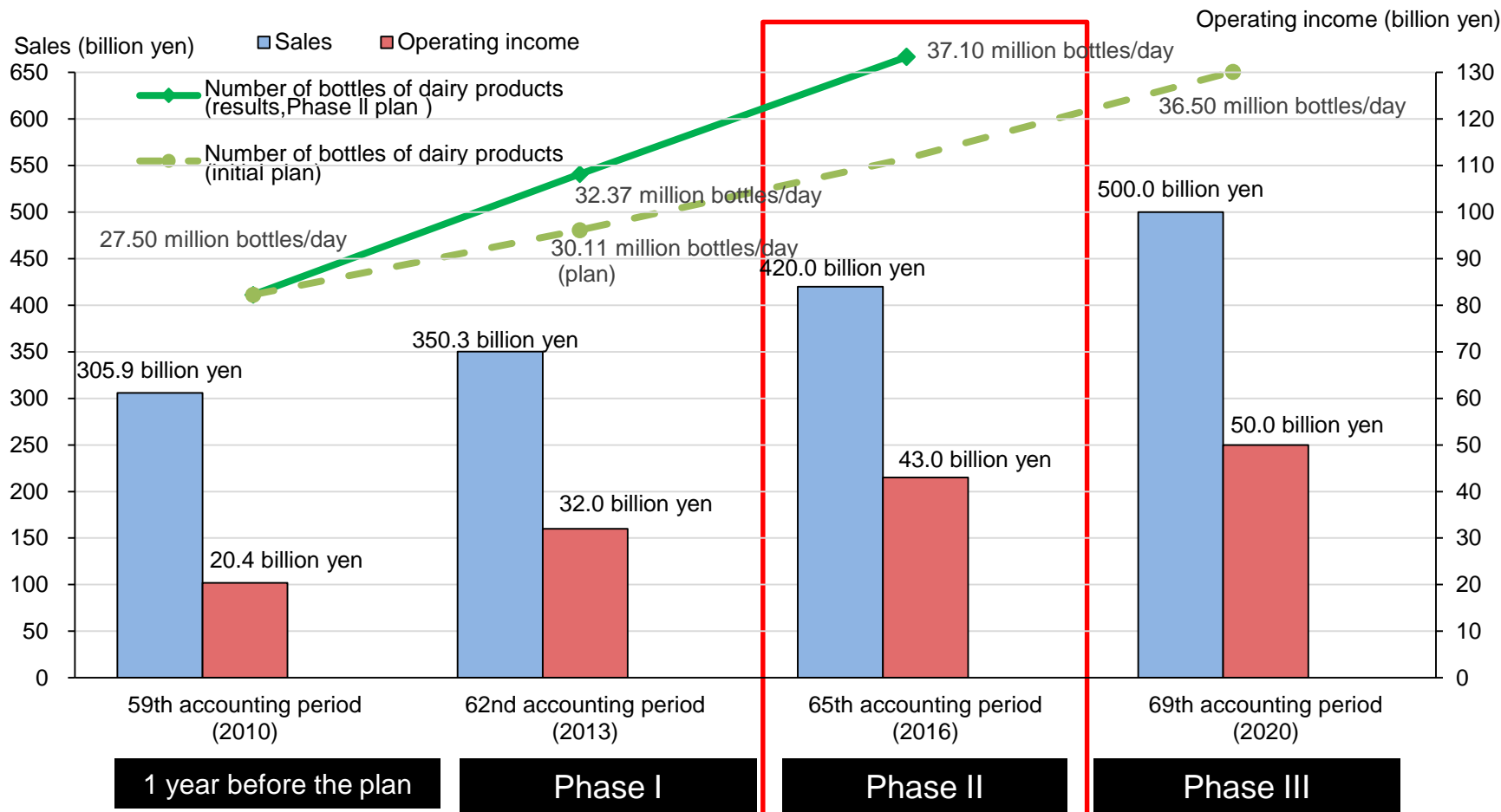


[Continued promotion of the global business portfolio strategy]

Continue to grow the group by deploying the most appropriate strategies for each phase of introduction, growth, maturation, and rebuilding in respective areas of the global market. Also, drive forward development of the foundation of the domestic business, which leads the next-generation global businesses.



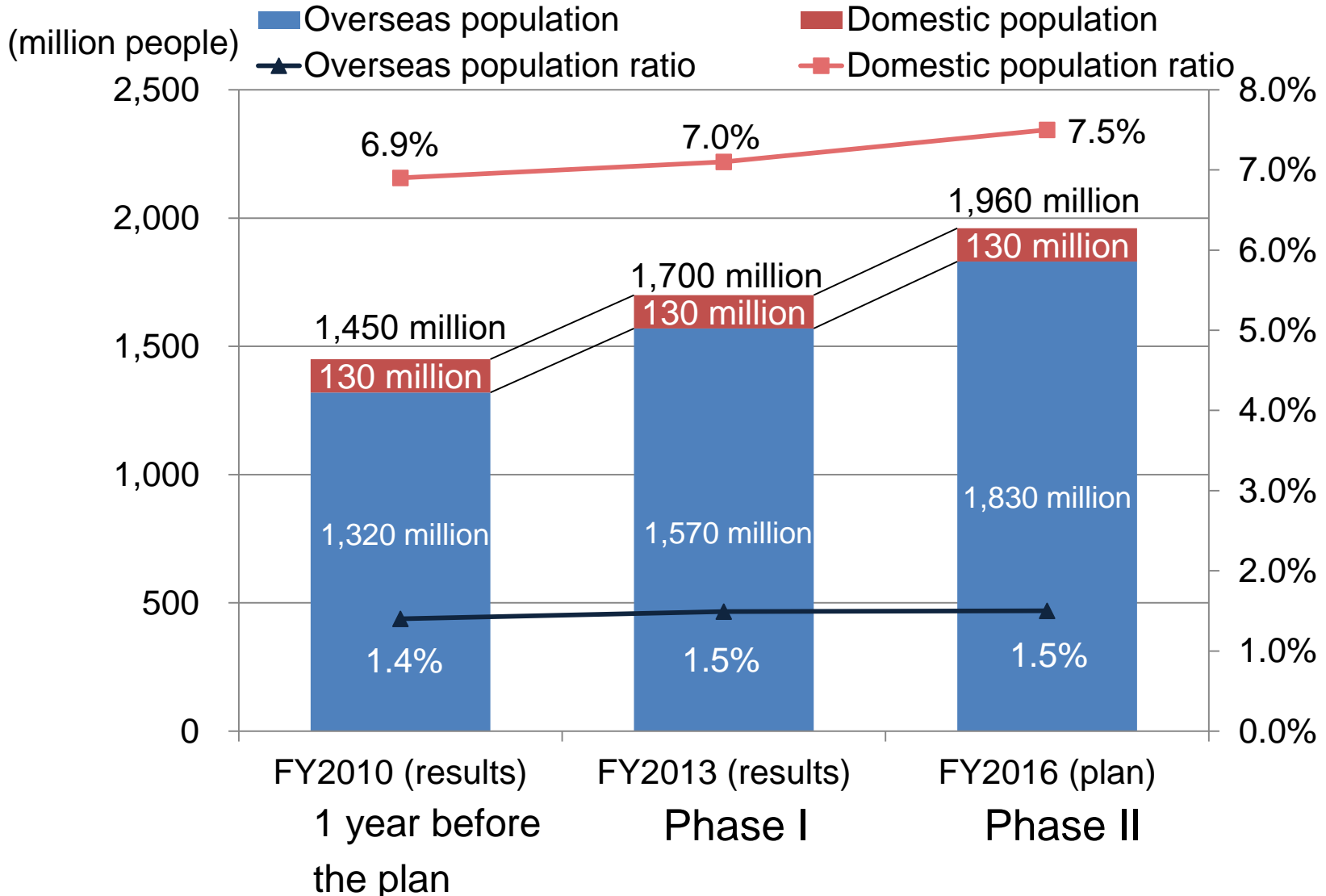
(3) Quantitative Goals: [1] Company-wide Goals



Dairy products sold worldwide 37.10 million bottles/day (up 4.73 million bottles/day from Phase I)
 Consolidated sales 420.0 billion yen (up 69.7 billion yen from Phase I)
 Consolidated operating income 43.0 billion yen (up 11.0 billion yen from Phase I)

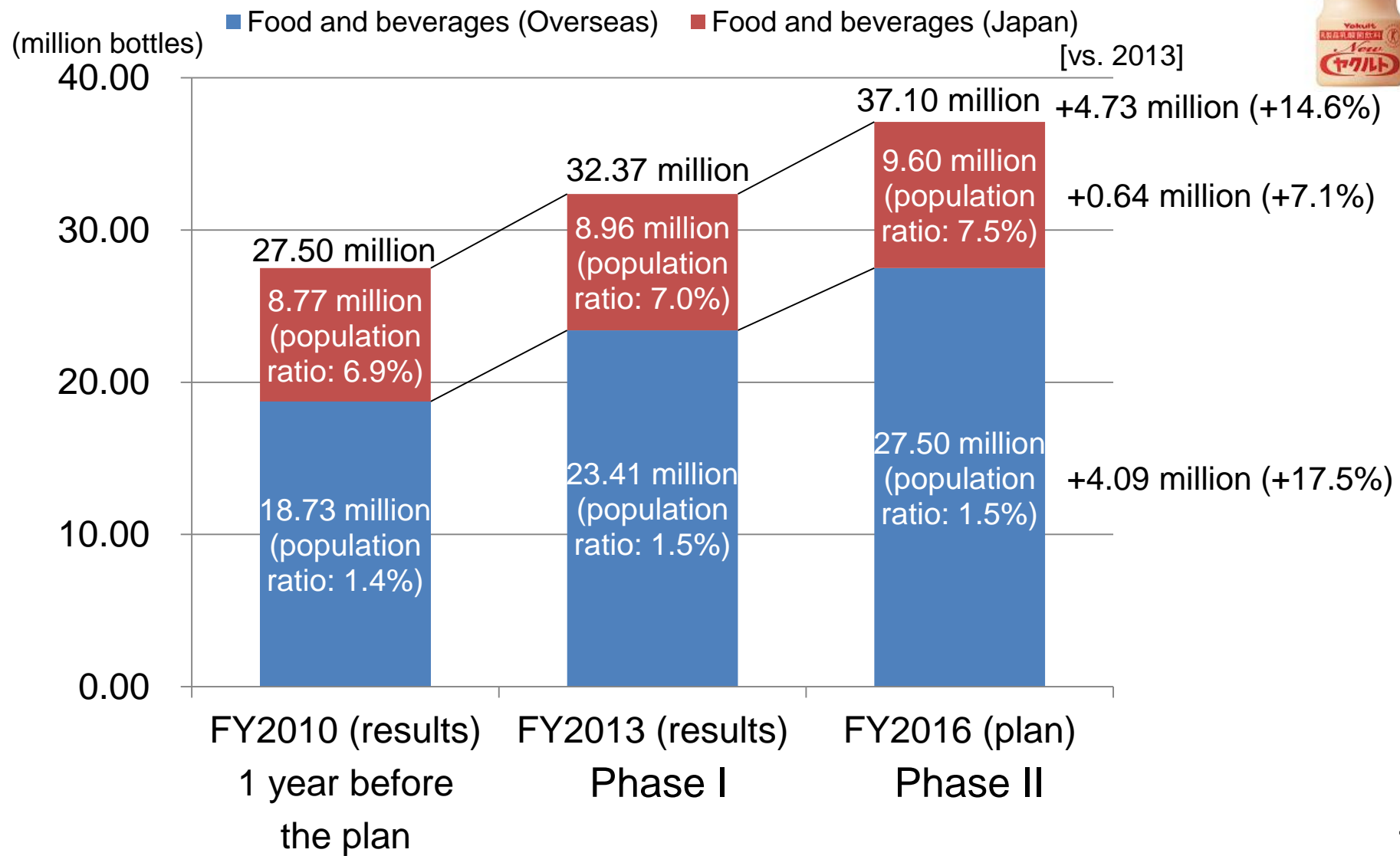
⇒ We aim to achieve company-wide 2020 quantitative goals ahead of schedule

(3) Quantitative Goals: [2] Marketing Population and Population Ratio



*Population ratio: Dairy products sold per day/marketing population

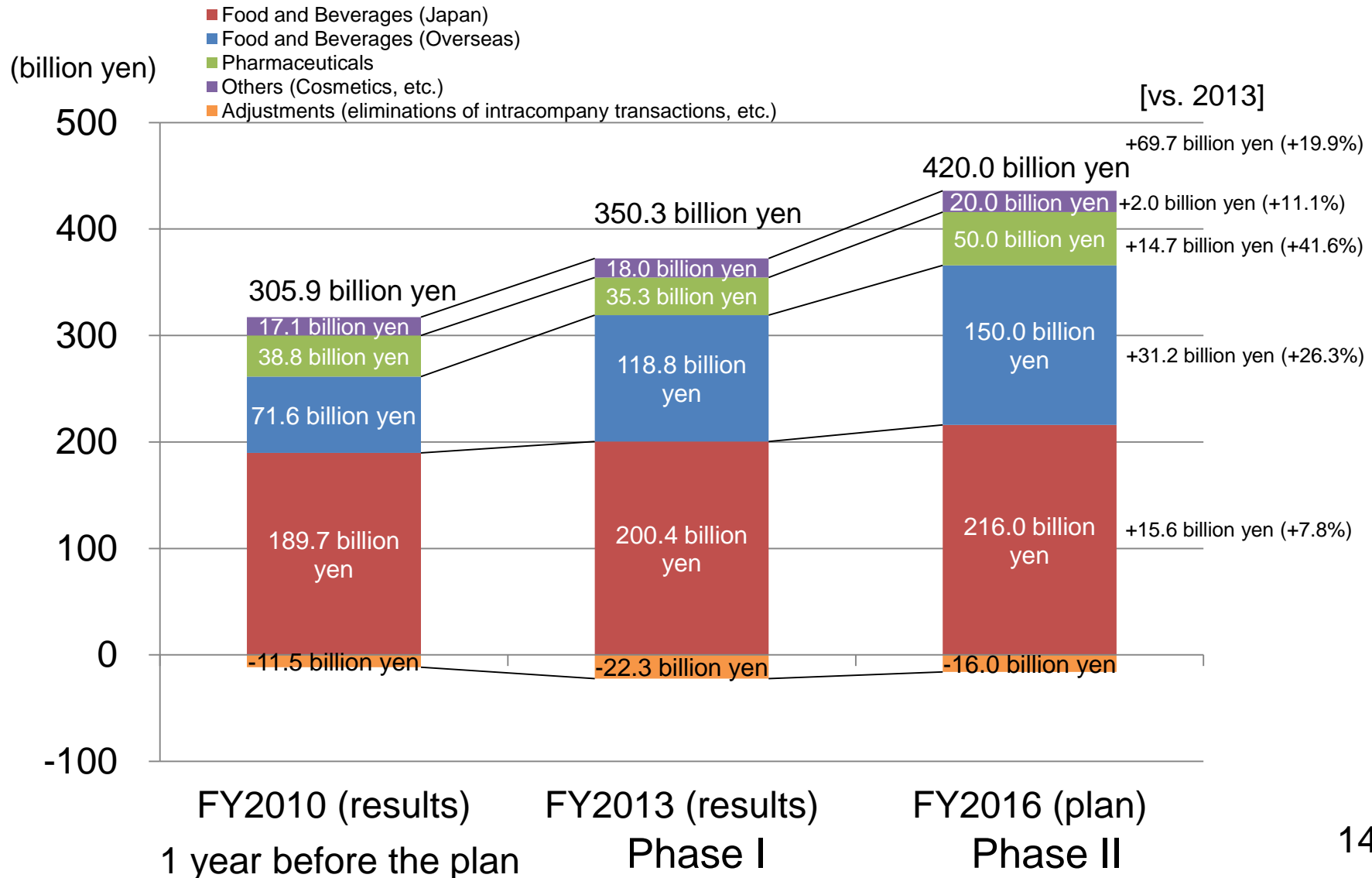
Phase II Plan (2014–2016)
 (3) Quantitative Goals: [3] Number of Dairy Products Sold per Day



(3) Quantitative Goals: [4] Consolidated Sales



◆ By segment



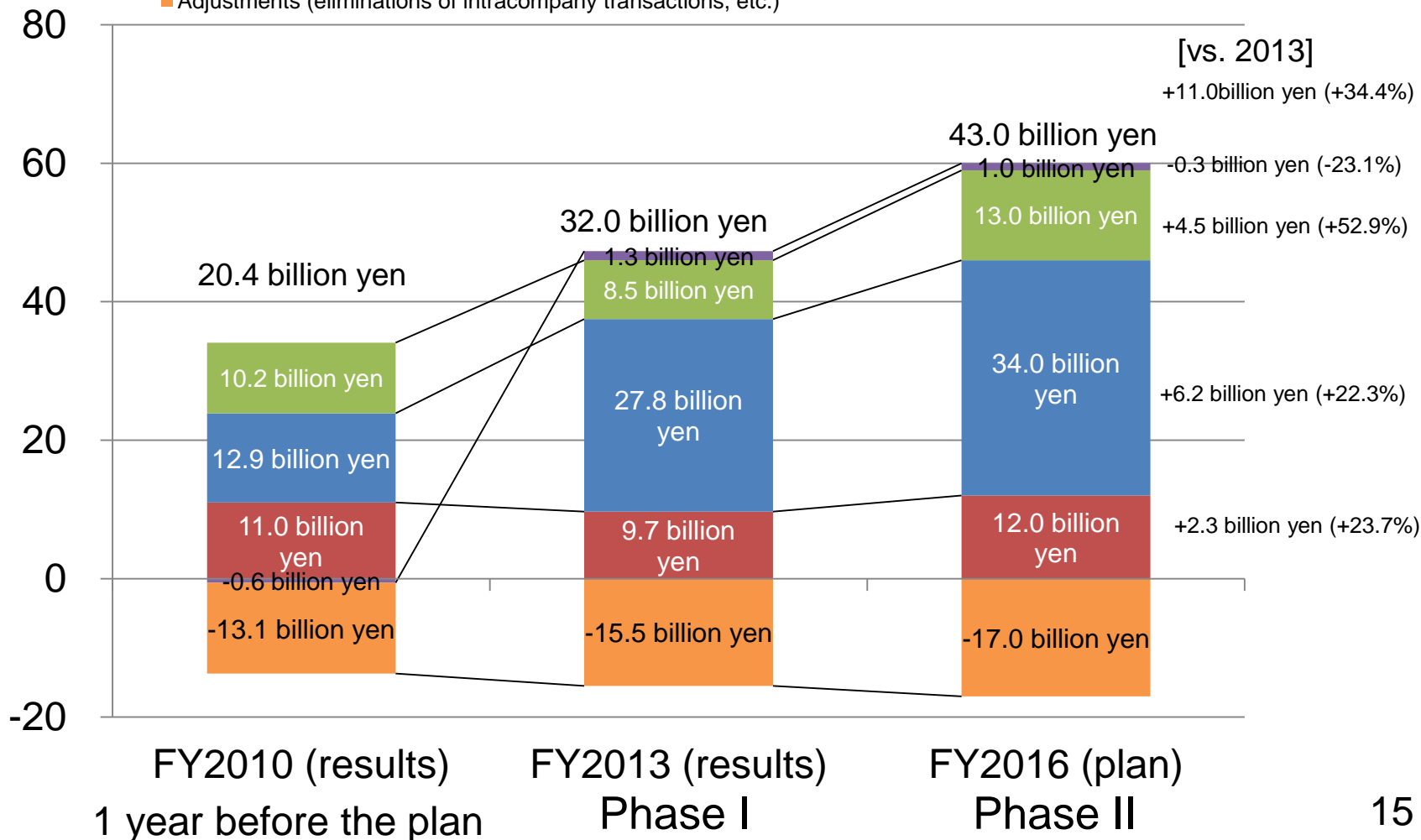
(3) Quantitative Goals: [5] Consolidated Operating Income



◆ By segment

- Food and Beverages (Japan)
- Food and Beverages (Overseas)
- Pharmaceuticals
- Others (Cosmetics, etc.)
- Adjustments (eliminations of intracompany transactions, etc.)

(billion yen)



(4) Concept of Management Benchmarks



[1] Operating income margin

In Yakult Vision 2020, we are targeting sales of 500.0 billion yen and operating income of 50.0 billion yen (operating income margin of 10%) in 2020. We will continue to improve profitability and aim to achieve 10% operating income margin in 2016.

[2] Return on equity (ROE)

We will aim for an ROE of 9% in 2016 by improving management efficiency while working to maximize net income.

[3] Return on assets (ROA)

We will aim for an ROA of 9% in 2016 by improving investment efficiency while working to maximize ordinary income.

[4] Equity ratio

We will aim to improve it to 57% in 2016 by further strengthening our financial structure.

(5) Segment-based Strategy: [1] Food and Beverages (Japan)



Business policy



Establish brand superiority in the probiotics market



Strengthen R&D prowess to take the lead in the preventative medicine era



Offer safe, secure and high-quality products

Strengthen operating base and promote reforms



Pursue value promotion closely linked to local communities



Strengthen and innovate a business model that can adapt to the changing times

(5) Segment-based Strategy: [1] Food and Beverages (Japan)



Quantitative goals

	FY2016 target	Change vs. FY2013
No. of bottles of dairy products sold	9.60 million bottles/day	+0.64 million bottles/day
Consolidated sales	216.0 billion yen	+15.6 billion yen
Consolidated operating income	12.0 billion yen	+2.3 billion yen

Qualitative goals

Achieve continuous growth in the mature domestic market

Pillars of the strategy

- Dairy products: Strengthen existing brand and develop products with new evidence
- Juices and soft drinks: Strengthen lineup of functional health drinks and food products
- Pursue value promotion activities that combine advertising, PR and sales channels (home delivery/route sales)
- Improve management quality of the group and enhance organization
- Strengthen and expand contact with customers through business model innovation.

(5) Segment-based Strategy: [2] Food and Beverages (Overseas)



Quantitative goals

	FY2016 target	Change vs. FY2013
No. of bottles of dairy products sold	27.50 million bottles/day	+4.09 million bottles/day
Consolidated sales	150.0 billion yen	+31.2 billion yen
Consolidated operating income	34.0 billion yen	+6.2 billion yen

Qualitative goals

Propagate the message of Yakult and spread the joy of health

Expand and cultivate global markets

Pillars of the strategy

- Continue to grow business of existing operations
- Stabilize management of newly established operations and grow their businesses
- Enter into new countries



(5) Segment-based Strategy: [3] Pharmaceuticals



Business policy

Aim to become Japan's No. 1 oncology company



In pursuit of healthy life for people around the world



(5) Segment-based Strategy: [3] Pharmaceuticals



Quantitative goals

	FY2016 target	Change vs. FY2013
Consolidated sales	50.0 billion yen	+14.7 billion yen
Consolidated operating income	13.0 billion yen	+4.5 billion yen

Qualitative goals

Contribute to the health of people around the world by making innovations in the field of oncology

Pillars of the strategy

- Maximize sales of Elplat
- Maintain sales of existing products and long-term listed products
- Further increase share by boosting generic product lineup
- Build foundation for continuous development of new drugs by enhancing drug candidate pipeline

(5) Segment-based Strategy: [4] Others (Cosmetics, Etc.)



Business policy (Cosmetics)



Basic skin care products with moisturizing ingredients based on lactobacillus



Cosmetic development with focus on safety and security

Health and happiness of people based on the concept of
“intestinal health is a direct factor in producing beautiful, healthy skin”
“Intestinal health is a direct factor in producing beautiful, healthy skin”: tone up the internal organs/stomach with lactobacillus drinks and protect the health of the outside of the body/skin with cosmetics



Value promotion activities with focus on Yakult customers



Prepare environment for carrying out counseling

(5) Segment-based Strategy: [4] Others (Cosmetics, Etc.)


**Quantitative goals
(Total for Others)**


	FY2016 target	Change vs. FY2013
Consolidated sales	20.0 billion yen	+2.0 billion yen
Consolidated operating income	1.0 billion yen	-0.3 billion yen

**Qualitative goals
(Cosmetics)**

Working as one, Yakult Honsha and marketing companies are making efforts to strengthen and expand the cosmetics business.

**Pillars of the strategy
(Cosmetics)**

- Marketing strategy activities centered on basic skin care products based on Yakult's proprietary ingredients derived from lactic acid research
- Strengthen and expand the cosmetics business at marketing companies
- Promote new customer development by utilizing esthetic salons, and offer Yakult customers Yakult cosmetics as well as food and beverages
- Study online sales and new sales channels and expand corporate customers





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