

**Consolidated Financial Results for the 3rd Quarter ended December 31, 2019**  
**(Japanese Generally Accepted Accounting Principles)**



January 31, 2020

<b>Name of company</b>	<b>Yakult Honsha Co., Ltd.</b>		
Stock exchange listing	First section in Tokyo Stock Exchange		
Code number	2267		
URL	<a href="https://www.yakult.co.jp/">https://www.yakult.co.jp/</a>		
Representative	President and Representative Takashige Negishi Director		
Contact person	Executive officer	Shuichi Watanabe	TEL +81-3-3574-8960
Scheduled date of filing financial report	Statutory quarterly February 13, 2020		
Scheduled date of payment of dividends	—		
Preparation of support documentation of results	: Yes		
Holding of briefing for analysts and institutional investors	: Yes		

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

1. Consolidated financial results for the 3rd Quarter of FY2019, ended December 31, 2019 (April 1, 2019 - December 31, 2019)

(1) Consolidated Financial Results (Accumulated) (Percentage figures presents year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3Q FY2019	312,938	(0.7)	41,539	1.6	51,885	5.3	35,626	4.1
3Q FY2018	315,090	2.0	40,884	2.4	49,295	2.3	34,235	4.5

(Note) Comprehensive income for 3Q FY2019 21,631 million yen {4.7%} 3Q FY2018 20,669 million yen {(61.5)%}

	Basic earnings per Share	Diluted earnings per Share
	yen	yen
3Q FY2019	222.40	—
3Q FY2018	213.48	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Asset Ratio
	million yen	million yen	%
3Q FY2019	628,864	406,613	58.7
FY2018	618,532	392,279	57.8

(Ref.) Equity for 3Q FY2019 369,070 million yen FY 2018 357,272 million yen

2. Dividends

(Base date)	Dividends per Share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year End	Total
	yen	yen	yen	yen	yen
FY2018	—	20.00	—	24.00	44.00
FY2019	—	23.00	—		
FY2019 (Forecast)				23.00	46.00

(Note) Revision of the latest dividend forecast : No

3. Forecast for consolidated financial results for FY 2019 (April 1, 2019 - March 31, 2020)

(Percentage figures presents year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Basic earnings per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Annual	409,000	0.5	46,000	0.3	58,000	1.5	39,000	11.6	243.43

(Note) Revision of the latest financial forecast : No

\*Notes

(1) Changes in important subsidiaries during the period: No

(2) Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements: Yes  
Note: Details are stated on pg. 10 under “ Notes on Quarterly Consolidated Financial Statements”

(3) Change in accounting policies and estimates, correction of prior period errors

(a) Change in accounting policy with revision of accounting standard: Yes

(b) Change in accounting policy other than (a): No

(c) Change in accounting estimates: No

(d) Correction of prior period errors: No

(4) Shares issued (common stock)

(a) Number of shares issued  
(including treasury stocks)

(b) Number of treasury stocks

(c) Weighted average of number of shares  
(cumulative figure for quarter)

3Q FY2019	171,045,418	FY2018	171,045,418
3Q FY2019	10,836,597	FY2018	10,819,582
3Q FY2019	160,194,530	3Q FY2018	160,368,504

\*This financial report is not included in quarterly reviews by our external auditors.

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

*Note concerning statements about the future, etc.*

The statements about the future, including earnings projections, contained in this report are based on information currently available as well as certain assumptions considered reasonable. Actual results may vary considerably from these projections owing to a range of factors.

Assumptions upon which the forecast is based and notes on the use of the forecast are stated on pg. 5 under “Disclaimer of Future Outlook Including Consolidated Financial Results Forecast.”

*Procedure for obtaining supplementary information on financial results*

We plan to hold a conference call for analysts and institutional investors on January 31, 2020. Materials used in the conference call will be posted on the company’s website.

## Table of Contents

1. Qualitative Information Regarding Quarterly Consolidated Business Results .....	2
(1) Business Performance Overview .....	2
(2) Financial Position .....	5
(3) Disclaimer of Future Outlook Including Consolidated Financial Results Forecast.....	5
2. Quarterly Consolidated Financial Statements and Notes.....	6
(1) Quarterly Consolidated Balance Sheet .....	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	8
Quarterly Consolidated Statement of Income .....	8
Quarterly Consolidated Statement of Comprehensive Income .....	9
(3) Notes on Quarterly Consolidated Financial Statements .....	10
(Notes Related to Going Concern Assumption) .....	10
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	10
(Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements).....	10
(Change in Accounting Policies).....	10
(Segment Information) .....	11

## 1. Qualitative Information Regarding Quarterly Consolidated Business Results

### (1) Business Performance Overview

#### 1 Performance Overview

During the third quarter of the fiscal year ending March 31, 2020, the Japanese economy maintained its gradual recovery amid continued improvements in the income environment. Nevertheless, it remains necessary to be mindful of the potential impact of volatility in the global economy and the trend of consumer sentiment following the increase in Japan's consumption tax rate in October 2019.

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 enhancing its sales organization, developing new products, upgrading its production facilities, and actively engaging in its international and pharmaceutical businesses.

Despite these efforts, consolidated net sales for the third quarter of this fiscal year declined 0.7% from the same period of the previous year to 312,938 million yen. Operating profit increased 1.6% to 41,539 million yen, while ordinary profit increased 5.3% to 51,885 million yen. Profit attributable to owners of parent rose 4.1% to 35,626 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 its proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult by continually conducting grassroots value dissemination initiatives utilizing scientific evidence.

Through our home delivery channel, we strived to create new customers for our mainstay fermented milk drinks *Yakult 400* and *Yakult 400LT* in particular, while also encouraging existing customers to continue drinking these products. Meanwhile, in October 2019, we launched sales of the fermented milk drink *Yakult 1000* for Tokyo and the six other prefectures of the Kanto region. *Yakult 1000* can relieve stress in situations that cause temporary mental stress, and improve sleep quality. In conjunction with an advertising campaign, we worked to communicate the scientific evidence for *Yakult 1000* as the fermented milk drink with the largest quantity and highest concentration of lactic acid bacteria in Yakult's history. We also aimed to further enhance our home delivery organization by improving the working environment of Yakult Ladies, while continuing with hiring initiatives.

In the retail store channel, we conducted value dissemination initiatives with a focus on the fermented milk drinks *New Yakult* and *New Yakult Calorie Half*, through sampling and advertising. We also took steps to improve in-store visibility of *New Yakult Calorie Half* by revamping its design in October 2019.

In addition, we bolstered our lineup of dairy products, launching the firm-set yogurt *Synbiotics Yakult W*, as well as the soft-set yogurts *Ichinichibun no Tetsu & Yousan Yogurt* and *Aloe Yogurt* in October 2019. Another initiative to strengthen the lineup concerned the fermented milk drink *BF-1*, which was relaunched as Japan's first Food with Function Claims for the stomach in November.

In other beverages, we sought to boost revenue by implementing sales promotion measures focusing primarily on our *Toughman* series of energy drinks.

Despite these efforts to bolster sales, however, results were below the previous year's figures.

Consequently, consolidated net sales for the food and beverages segment (Japan) declined 4.0% from the same period of the previous fiscal year, totaling 158,620 million yen.

- **Food and Beverages (Overseas)**

Yakult's operations outside Japan commenced in March 1964 with the establishment of Yakult Taiwan Co., Ltd., and now the manufacture and sale of *Yakult* outside of Japan spans 39 countries and regions centered around 29 companies and one research center, with average daily bottle sales of approximately 27.34 million bottles as of December 2019.

During the period from January to December 2019, which corresponded to the fiscal year for our overseas companies, average daily bottle sales amounted to approximately 31.62 million bottles.

- i. The Americas**

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

In these regions, we strived to increase revenue by reinforcing the sales networks within each country's sales channels.

Despite this initiative, consolidated net sales in the food and beverages (The Americas) segment decreased 0.9% from the same period of the previous year to 36,687 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, Myanmar, and China, among others, while also importing *Yakult* for sale in the United Arab Emirates (UAE), among other nations.

In China we took action to further reinforce our sales network by increasing the number of sales offices across the entire country to 46 in June 2019. In addition, we are continuing preparations to start the construction of a second Wuxi plant, planned for May 2020, to cater to future increases in demand resulting from the expansion of our sales area and deeper cultivation of the market.

As a result of the above, consolidated net sales in the food and beverages (Asia and Oceania) segment rose 0.3% from the same period of the previous year to 95,465 million yen.

- iii. Europe**

In 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 the promotion of probiotics faces strict regulation, we are engaged in a variety of initiatives in our efforts to receive approval for health claims related to our products. Under these difficult circumstances, Yakult companies in each country aimed for sustainable growth by conducting sales activities tailored to their respective markets.

Despite these efforts, consolidated net sales in the food and beverages (Europe) segment declined 10.6% from the same period of the previous year to 5,903 million yen.

- **Pharmaceuticals**

During the quarter under review, we promoted the awareness and proper use of our products specializing in oncology and related fields.

Regarding our mainstay, the antineoplastic drug *Elplat*, we proactively conducted presentations for medical professionals in order to maintain our market share. Although medical institutions are increasingly switching to generic versions of *Elplat*, 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 the developer of the original drug, as well as the relationships of trust we have built with medical professionals. At the same

time, we sought to expand sales channels for our core generic product, the antineoplastic metabolite *Gemcitabine [Yakult]* and other products. We also worked to swiftly build market awareness, and to increase revenue, for the antineoplastic drugs *Capecitabine Tablets [Yakult]* and *Gefitinib Tablets [Yakult]*, launched in June 2019. However, the revision of National Health Insurance drug price standards in October 2019 resulted in reduced prices for most of Yakult's pharmaceutical products, which impacted our revenue. Meanwhile, in October 2019 we signed an agreement with Nihon Servier Co., Ltd. for the promotion in Japan of the antineoplastic drug liposomal irinotecan, which is currently under regulatory review in this country.

In R&D, we continued to progress with the clinical development of items in our pipeline, including the PI3K inhibitor *duvelisib [YHI1702]*, for which we concluded an exclusive licensing agreement for development and commercialization in Japan with Verastem Oncology (U.S.), and the HDAC inhibitor *resminostat [YHI-1001]*, licensed from 4SC AG (Germany). Through these efforts, we aim to further strengthen our position in oncology and related fields.

Despite the above efforts, however, consolidated net sales in the Pharmaceuticals segment declined 8.0% to 15,561 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 worked to help customers realize their inner and outer beauty, and to increase the number of regular users of our cosmetics by focusing on initiatives to disseminate the value of our proprietary moisturizing agent *S.E. (Shirota Essence)*, which is the result of our extensive research on lactic acid bacteria since the Company's foundation.

In November 2019 we launched a limited number of *Parabio AC* special program sets, offering consumers the opportunity to experience the benefits of the *Parabio* series of high-performance basic skin care products. In December, we launched a revamped version of our *Lamine S.E.* hair care series, which focuses on hair health to address the specific concerns of more mature customers, endeavoring to increase points of contact for new customers and boost revenue.

In our professional baseball operations, attendance at Tokyo's Jingu Stadium increased as a result of proactive fan engagement including diverse events and promotions at the stadium, as well as active information dissemination.

As a result, consolidated net sales in the Others segment rose 7.7% to 19,590 million yen.

Note: Consolidated sales for each segment include inter-segment sales. Sales figures for each segment do not include consumption tax, etc.

## (2) Financial Position

Total assets at the fiscal quarter-end amounted to 628,864 million yen, an increase of 10,331 million yen compared to the previous fiscal year end, nine months prior.

Net assets increased 14,333 million yen from the previous fiscal year end to 406,613 million yen. This was primarily due to an increase in retained earnings from profit attributable to owners of parent, which offset a decrease in foreign currency translation adjustments caused by the yen's appreciation and a decrease in valuation difference on available-for-sale securities resulting from declining share prices.

The equity to asset ratio was 58.7%, a 0.9 percentage point increase from the previous fiscal year end.

(3) Disclaimer of Future Outlook Including Consolidated Financial Results Forecast

The above forecast is based on the information available to management at the time of announcement. Actual operating results may differ from these projections due to various factors in the future.

With regard to earnings forecasts, basic earnings per share were affected by changes in treasury stock but other earnings forecasts have remained unchanged since the announcement on November 12, 2019.

2. Quarterly Consolidated Financial Statements and Notes  
 (1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	Fiscal year 2018 As of March 31, 2019	Current period As of December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Deposits	156,484	170,564
Notes and accounts receivable-trade	52,880	59,266
Merchandises and Finished goods	9,404	9,274
Work in process	2,143	2,162
Raw materials and supplies	17,565	16,512
Others	9,421	10,078
Allowance for doubtful accounts	(262)	(303)
<b>Total current assets</b>	<b>247,637</b>	<b>267,554</b>
<b>Non-Current Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	82,753	83,884
Others, net	117,318	113,883
<b>Total property, plant and equipment</b>	<b>200,071</b>	<b>197,768</b>
<b>Intangible assets</b>		
Software	2,463	1,971
Others	2,318	2,223
<b>Total Intangible assets</b>	<b>4,782</b>	<b>4,195</b>
<b>Investments and other assets</b>		
Investment securities	155,306	148,632
Others	10,849	10,821
Allowance for doubtful accounts	(114)	(106)
<b>Total investments and other assets</b>	<b>166,040</b>	<b>159,347</b>
<b>Total non-current assets</b>	<b>370,895</b>	<b>361,310</b>
<b>Total assets</b>	<b>618,532</b>	<b>628,864</b>

(Millions of yen)

	Fiscal year 2018 As of March 31, 2019	Current period As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	27,983	27,907
Short-term loans payable	34,598	36,569
Current portion of long-term loans payable	5,542	5,540
Income taxes payable	3,984	5,446
Provision for bonuses	6,023	3,869
Others	37,322	34,796
Total current liabilities	115,455	114,128
Non-current liabilities		
Long-term loans payable	76,344	72,182
Provision for directors' retirement benefits	392	345
Net defined benefit liability	5,463	4,555
Asset retirement obligations	981	1,017
Others	27,616	30,021
Total non-current liabilities	110,798	108,123
Total liabilities	226,253	222,251
<b>Net assets</b>		
Shareholders' equity		
Capital stock	31,117	31,117
Capital surplus	41,742	41,711
Retained earnings	347,740	375,839
Treasury shares	(54,833)	(54,933)
Total shareholders' equity	365,767	393,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,465	27,134
Foreign currency translation adjustment	(36,304)	(49,474)
Remeasurements of defined benefit plans	(2,655)	(2,325)
Total accumulated other comprehensive income	(8,495)	(24,665)
Non-controlling interests	35,007	37,542
Total net assets	392,279	406,613
Total liabilities and net assets	618,532	628,864

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statement of Income

(Millions of yen)

	Previous period From April 1, 2018 to December 31, 2018	Current period From April 1, 2019 to December 31, 2019
Net Sales	315,090	312,938
Cost of sales	131,249	130,679
Gross profit	183,840	182,258
Selling, general and administrative expenses	142,956	140,719
Operating profit	40,884	41,539
Non-operating income		
Interest income	3,268	4,060
Dividend income	1,793	1,857
Share of profit of entities accounted for using equity method	3,464	4,054
Others	1,551	1,629
Total non-operating income	10,078	11,601
Non-operating expenses		
Interest expenses	545	653
Commission fee	337	76
Foreign exchange losses	463	231
Others	319	292
Total non-operating expenses	1,667	1,254
Ordinary profit	49,295	51,885
Extraordinary income		
Gain on sales of non-current assets	83	133
Gain on sales of investment securities	1,670	2,188
Others	543	32
Total extraordinary income	2,298	2,355
Extraordinary losses		
Loss on sales of non-current assets	30	19
Loss on retirement of non-current assets	184	546
Loss on valuation of investment securities	-	799
Others	16	279
Total extraordinary losses	230	1,645
Profit before income taxes	51,363	52,595
Income taxes	13,220	12,940
Profit	38,142	39,654
Profit attributable to non-controlling interests	3,907	4,028
Profit attributable to owners of parent	34,235	35,626

## Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous period From April 1, 2018 to December 31, 2018	Current period From April 1, 2019 to December 31, 2019
Profit	38,142	39,654
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,848)	(3,344)
Foreign currency translation adjustment	(9,690)	(15,615)
Remeasurements of defined benefit plans, net of tax	327	330
Share of other comprehensive income of entities accounted for using equity method	(261)	605
Total other comprehensive income	(17,473)	(18,023)
Comprehensive income	20,669	21,631
Comprehensive income attributable to:		
Owners of parent	17,508	19,456
Non-controlling interests	3,160	2,174

### **(3) Notes on Quarterly Consolidated Financial Statements**

(Notes Related to Going Concern Assumption)

None.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None.

(Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements)

Calculation of Tax Expenses

Tax expenses for the Company and its consolidated subsidiaries in Japan are calculated by multiplying income before income taxes for the third quarter under review by the reasonably estimated effective tax rate after applying tax effect accounting to the income before income taxes for the current consolidated fiscal year, including the third quarter under review.

In addition, income taxes—deferred are included in income taxes.

(Change in Accounting Policies)

The Company's consolidated subsidiaries outside Japan began preparing their financial statements based on IFRS 16 (Leases) from the first quarter of the current fiscal year, and in principle recognize all leases as assets and liabilities on their balance sheets.

As a result, at fiscal quarter-end "Property, plant and equipment" increased by 5,100 million yen, "Others" recorded under current liabilities rose by 1,551 million yen, and "Others" recorded under non-current liabilities increased by 3,226 million yen. This change had minimal effect on the Company's profit/loss for the third quarter and had no impact on the balance of retained earnings at the beginning of the quarter under review.

## (Segment Information)

I Net sales and profit (loss) in each reportable segment during the first nine months of fiscal 2018 (April 1 to December 31, 2018)

(Millions of yen)

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Net sales				
Net sales to external customers	143,094	37,002	95,147	6,605
Intersegment net sales or transfers	22,162	—	—	—
Total	165,256	37,002	95,147	6,605
Segment profit (loss)	12,531	9,647	30,814	563

	Pharmaceuticals	Others	Adjustments	Consolidated results
Net sales				
Net sales to external customers	16,920	16,320	—	315,090
Intersegment net sales or transfers	—	1,869	(24,032)	—
Total	16,920	18,190	(24,032)	315,090
Segment profit (loss)	(1,244)	1,786	(13,214)	40,884

Notes: Adjustments are as follows:

1. The (13,214) million yen adjustment in segment profit (loss) includes (9,681) million yen of corporate expenses not allocated to specific segments. Corporate expenses include those of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments.
2. Segment profits are adjusted with operating profit under the quarterly consolidated statements of income.
3. Countries / regions in each geographic segment outside Japan.
  - (1) The Americas Mexico, Brazil, The United States of America
  - (2) Asia and Oceania Hong Kong, China, Indonesia, Singapore, Malaysia, Australia, India, Vietnam, The United Arab Emirates, Myanmar
  - (3) Europe The Netherlands, The United Kingdom, Germany, Belgium, Austria, Italy

## II Net sales and profit (loss) in each reportable segment during the first nine months of fiscal 2019 (April 1 to December 31, 2019)

(Millions of yen)

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Net sales				
Net sales to external customers	141,495	36,687	95,465	5,903
Intersegment net sales or transfers	17,124	—	—	—
Total	158,620	36,687	95,465	5,903
Segment profit (loss)	14,385	9,482	27,730	411

	Pharmaceuticals	Others	Adjustments	Consolidated results
Net sales				
Net sales to external customers	15,561	17,824	—	312,938
Intersegment net sales or transfers	—	1,766	(18,891)	—
Total	15,561	19,590	(18,891)	312,938
Segment profit (loss)	220	2,745	(13,436)	41,539

Notes: Adjustments are as follows:

1. The (13,436) million yen adjustment in segment profit (loss) includes (9,772) million yen of corporate expenses not allocated to specific segments. Corporate expenses include those of administrative divisions of the Company, such as the general affairs department, that cannot be attributed to any specific reportable segments.
2. Segment profits are adjusted with operating profit under the quarterly consolidated statements of income.
3. Countries / regions in each geographic segment outside Japan.
  - (1) The Americas Mexico, Brazil, The United States of America
  - (2) Asia and Oceania Hong Kong, China, Indonesia, Singapore, Malaysia, Australia, India, Vietnam, The United Arab Emirates, Myanmar
  - (3) Europe The Netherlands, The United Kingdom, Germany, Belgium, Austria, Italy