

Consolidated Financial Results for the 3rd Quarter ended December 31, 2020
(Japanese Generally Accepted Accounting Principles)



January 29, 2021

Name of company	Yakult Honsha Co., Ltd.		
Stock exchange listing	First section in Tokyo Stock Exchange		
Code number	2267		
URL	https://www.yakult.co.jp/		
Representative	President and Representative	Takashige Negishi	
	Director		
Contact person	Executive officer	Shuichi Watanabe	TEL +81-3-6625-8960
Scheduled date of filing Statutory quarterly financial report	February 9, 2021		
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 FY2020, ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(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 FY2020	296,057	(5.4)	40,061	(3.6)	53,161	2.5	37,342	4.8
3Q FY2019	312,938	(0.7)	41,539	1.6	51,885	5.3	35,626	4.1

(Note) Comprehensive income for 3Q FY2020 21,260 million yen { (1.7)% } 3Q FY2019 21,631 million yen { 4.7% }

	Basic earnings per Share	Diluted earnings per Share
	yen	yen
3Q FY2020	232.89	—
3Q FY2019	222.40	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Asset Ratio
	million yen	million yen	%
3Q FY2020	632,091	426,115	62.0
FY2019	627,871	412,082	59.5

(Ref.) Equity for 3Q FY2020 391,793 million yen FY 2019 373,379 million yen

2. Dividends

(Base date)	Dividends per Share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year End	Total
	yen	yen	yen	yen	yen
FY2019	—	23.00	—	23.00	46.00
FY2020	—	26.00	—		
FY2020 (Forecast)				26.00	52.00

(Note) Revision of the latest dividend forecast : No

3. Forecast for consolidated financial results for FY 2020 (April 1, 2020 - March 31, 2021)

(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	388,000	(4.4)	43,000	(5.9)	58,500	0.0	40,000	0.7	249.30

(Note) Revision of the latest financial forecast : No

*Notes

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

(Change in specified subsidiary with change in scope of consolidation)

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

Note: Details are stated on pg. 9 under “(3) 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: No

(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 FY2020	171,045,418	FY2019	171,045,418
3Q FY2020	10,593,227	FY2019	10,836,662
3Q FY2020	160,346,701	3Q FY2019	160,194,530

*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. 4 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 29, 2021.

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.....	4
(3) Disclaimer of Future Outlook Including Consolidated Financial Results Forecast	4
2. Quarterly Consolidated Financial Statements and Notes.....	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income.....	7
Quarterly Consolidated Statement of Comprehensive Income.....	8
(3) Notes on Quarterly Consolidated Financial Statements	9
(Notes Related to Going Concern Assumption)	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9
(Special Accounting Treatment for Preparation of the Quarterly Consolidated Financial Statements)	9
(Quarterly Consolidated Statement of Income).....	9
(Segment Information)	10

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, 2021, the Japanese economy benefited from the effects of several policies, as well as improvements in overseas economies, and exhibited some signs of recovery, but it remains necessary to be mindful of the risk of economic downturn in the wake of the novel coronavirus.

Against this background, the Yakult 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.

Following these efforts, consolidated net sales for the first nine months of this fiscal year declined 5.4% from the same period of the previous year to 296,057 million yen. Operating profit decreased 3.6% to 40,061 million yen, while ordinary profit increased 2.5% to 53,161 million yen. Profit attributable to owners of parent rose 4.8% to 37,342 million yen.

2 Overview by Segment

• Food and Beverages (Japan)

In Japan, we continued taking measures to prevent infection from spreading among our customers and employees as we pursued our operating activities amid the growing novel coronavirus pandemic.

In our home delivery channel, we placed a particular focus on the *Yakult 400* fermented milk drink series and *Yakult 1000*, as we made use of delivery methods designed to fulfill the customers' needs, in order to encourage existing customers to continue drinking these products while also creating new customers. Meanwhile, we sought to raise the profile of the Yakult Delivery Net online ordering service by reinforcing its promotion through online advertising, which led to an increase in both users and sales.

In the retail store channel, we took action to improve in-store visibility of the *New Yakult* fermented milk drink series by launching winter-themed package designs. Moreover, higher expectations of lactic acid bacteria as an aid to maintaining customers' health led to increased revenue for the *New Yakult* series.

In product specific initiatives, we launched the fermented milk drink *Yakult 400W* as a Food with Function Claims in October 2020 and took steps to promote the product's distinctive features.

In other beverages, we worked towards brand revitalization of our *Toughman* series of energy drinks through a television commercial featuring Kazuya Kamenashi and a consumer campaign. However, sales decreased, particularly from vending machines, due to an increase in remote working and fewer trips outside the home by consumers.

Consequently, consolidated net sales for the Food and Beverages segment (Japan) decreased 1.0% from the same period of the previous fiscal year, totaling 157,061 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 27.63 million bottles in December 2020. Average daily bottle sales from January to December 2020, which corresponds to the fiscal year for Yakult companies overseas, amounted to approximately 30.56 million bottles.

The impact of the novel coronavirus varies across countries and regions depending on the extent of the infection's spread, as well as the business restrictions implemented by local and national governments among other factors. We are therefore taking measures appropriate to each location and following the instructions of governmental agencies as we conduct our operations and manufacturing activities.

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 for both the home delivery and retail store sales channels.

Despite these efforts, consolidated net sales in the Food and Beverages (The Americas) segment decreased 13.6% from the same period of the previous year to 31,688 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* and other products 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 to 49 in August 2020. However, our revenue has been impacted by various factors including the spread of the novel coronavirus and unseasonable weather.

As a result of the above, consolidated net sales in the Food and Beverages (Asia and Oceania) segment declined 4.8% from the same period of the previous year to 90,912 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 have engaged in a variety of initiatives in our efforts to receive approval for health claims related to our products. Under these difficult circumstances, the Yakult companies in each country aimed for sustainable growth by conducting sales activities tailored to their respective markets.

As a result of these efforts, consolidated net sales in the Food and Beverages (Europe) segment increased 7.1% from the same period of the previous year to 6,319 million yen.

• Pharmaceuticals

During the quarter under review, we refrained from visiting medical institutions in order to prevent the spread of the novel coronavirus. Instead, we made use of alternative methods such as online meetings, according to the needs of medical professionals, in order to promote awareness and proper use of our products specializing in oncology and related fields.

Regarding our mainstay, the antineoplastic drug *Elplat*, despite the fact that medical institutions are increasingly switching to available generic versions, we boosted initiatives to encourage customers to continue choosing *Elplat* by leveraging our ability to provide relevant information about it, 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 worked to increase revenue for the antineoplastic drug *Capecitabine Tablets [Yakult]*. In addition, for the antineoplastic drug *Onivyde*[®] (liposomal irinotecan), which was launched in June 2020 pursuant to a promotional agreement with Nihon Servier Co., Ltd., we undertook aggressive promotional activities, including meetings with doctors and presentations using an online meeting system, which resulted in successful introduction of this product to the market.

However, opportunities to use our products decreased as the spread of the pandemic prompted a postponement of hospitalizations and operations, a decrease in doctor visits, and other developments, as well as the prioritization and concentration of limited medical resources on patients with novel coronavirus. In addition, our revenue was

impacted by revisions to National Health Insurance drug prices up to April 2020, which reduced prices for most of Yakult's pharmaceutical products.

In R&D, we continued to progress with the clinical development of items in our pipeline, including the PI3K inhibitor *duvelisib* [YHI-1702], for which we have an exclusive licensing agreement for development and commercialization in Japan from Secura Bio, Inc. (U.S.), and the HDAC inhibitor *resminostat* [YHI-1001], licensed from 4SC AG (Germany).

Despite the above efforts, however, consolidated net sales in the Pharmaceuticals segment declined 12.8% to 13,568 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.

As a specific example of such activities, having bolstered the lineup for our *Lactdew* series of basic skin care products in July 2020, we focused on this series as we worked to boost revenue by increasing points of contact for new customers and encouraging regular use.

In China, we continued striving to raise the profile of the online sales we commenced in July 2020 via the e-commerce shopping site Tmall Global.

Meanwhile, our professional baseball operations were impacted by the spread of the novel coronavirus, particularly as we were forced to limit the number of spectators at games. However, we took action to respond to fans' expectations by creating an environment where they could watch games with peace of mind while also engaging with them in various ways.

Despite our initiatives, however, consolidated net sales in the Others segment declined 28.5% to 14,006 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 632,091 million yen, an increase of 4,220 million yen compared to the previous fiscal year end, nine months prior.

Net assets increased 14,032 million yen from the previous fiscal year end to 426,115 million yen. This was primarily due to an increase in retained earnings from profit attributable to owners of parent, which outweighed a decrease in foreign currency translation adjustments caused by the yen's appreciation.

The equity to asset ratio was 62.0%, a 2.5 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.

In many countries, the novel coronavirus has still not abated, but at the current time there are no restrictions on production activities at dairy plants in our mainstay Food and Beverages segment. As results in each segment remain broadly within the range expected, earnings forecasts have remained unchanged since their announcement on November 13, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal year 2019 As of March 31, 2020	Current period As of December 31, 2020
Assets		
Current assets		
Cash and deposits	175,638	178,100
Notes and accounts receivable-trade	51,832	57,514
Merchandises and finished goods	10,232	9,733
Work in process	2,165	2,524
Raw materials and supplies	16,374	16,001
Others	9,814	11,267
Allowance for doubtful accounts	(249)	(229)
Total current assets	265,806	274,912
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	86,081	83,720
Others, net	117,914	115,282
Total property, plant and equipment	203,996	199,003
Intangible assets		
Software	2,121	2,102
Others	2,328	2,706
Total intangible assets	4,450	4,808
Investments and other assets		
Investment securities	139,780	140,704
Others	13,938	12,751
Allowance for doubtful accounts	(101)	(88)
Total investments and other assets	153,617	153,368
Total non-current assets	362,064	357,179
Total assets	627,871	632,091

Yakult Honsha Co., Ltd. (2267) Financial Report for the 3rd Quarter of FY2020 ended December 31, 2020

(Millions of yen)

	Fiscal year 2019 As of March 31, 2020	Current period As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,210	24,274
Short-term loans payable	27,272	25,822
Current portion of long-term loans payable	5,467	5,467
Income taxes payable	4,430	6,651
Provision for bonuses	5,879	3,857
Others	39,803	37,419
Total current liabilities	109,062	103,492
Non-current liabilities		
Long-term loans payable	70,683	66,888
Provision for directors' retirement benefits	359	361
Net defined benefit liability	6,408	5,305
Asset retirement obligations	1,676	1,623
Others	27,596	28,306
Total non-current liabilities	106,725	102,484
Total liabilities	215,788	205,976
Net assets		
Shareholders' equity		
Capital stock	31,117	31,117
Capital surplus	41,475	40,893
Retained earnings	379,948	409,434
Treasury shares	(54,933)	(52,724)
Total shareholders' equity	397,607	428,721
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,950	22,329
Foreign currency translation adjustment	(40,150)	(55,636)
Remeasurements of defined benefit plans	(4,028)	(3,620)
Total accumulated other comprehensive income	(24,228)	(36,927)
Non-controlling interests	38,702	34,321
Total net assets	412,082	426,115
Total liabilities and net assets	627,871	632,091

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Previous period From April 1, 2019 to December 31, 2019	Current period From April 1, 2020 to December 31, 2020
Net sales	312,938	296,057
Cost of sales	130,679	120,866
Gross profit	182,258	175,191
Selling, general and administrative expenses	140,719	135,129
Operating profit	41,539	40,061
Non-operating income		
Interest income	4,060	2,925
Dividend income	1,857	1,880
Share of profit of entities accounted for using equity method	4,054	3,883
Foreign exchange gains	—	2,995
Others	1,629	2,399
Total non-operating income	11,601	14,084
Non-operating expenses		
Interest expenses	653	573
Foreign exchange losses	231	—
Others	369	411
Total non-operating expenses	1,254	984
Ordinary profit	51,885	53,161
Extraordinary income		
Gain on sales of non-current assets	133	216
Gain on sales of investment securities	2,188	3,753
Others	32	250
Total extraordinary income	2,355	4,220
Extraordinary losses		
Loss on sales of non-current assets	19	33
Loss on retirement of non-current assets	546	252
Loss on valuation of investment securities	799	892
Expense related to a novel coronavirus	—	1,140
Others	279	245
Total extraordinary losses	1,645	2,564
Profit before income taxes	52,595	54,817
Income taxes	12,940	13,744
Profit	39,654	41,073
Profit attributable to non-controlling interests	4,028	3,730
Profit attributable to owners of parent	35,626	37,342

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous period From April 1, 2019 to December 31, 2019	Current period From April 1, 2020 to December 31, 2020
Profit	39,654	41,073
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,344)	2,396
Foreign currency translation adjustment	(15,615)	(22,484)
Remeasurements of defined benefit plans, net of tax	330	404
Share of other comprehensive income of entities accounted for using equity method	605	(130)
Total other comprehensive income	(18,023)	(19,813)
Comprehensive income	21,631	21,260
Comprehensive income attributable to:		
Owners of parent	19,456	24,643
Non-controlling interests	2,174	(3,382)

(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.

(Quarterly Consolidated Statement of Income)

Expense Related to the Novel Coronavirus (Extraordinary Losses)

Such expenses primarily comprised compensation for absence from work paid to Yakult Ladies in Japan and overseas, along with fixed costs in our professional baseball operations corresponding to the reduced number of games held during the regular season.

(Segment Information)I Net sales and profit (loss) in each reportable segment during the third quarter of FY2019
(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 of 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, 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 Netherland, The United Kingdom, Germany, Belgium, Austria, Italy

II Net sales and profit (loss) in each reportable segment during the third quarter of FY2020
(April 1 to December 31, 2020)

(Millions of yen)

	Food and Beverages			
	Japan	The Americas	Asia and Oceania	Europe
Net sales				
Net sales to external customers	141,158	31,688	90,912	6,319
Intersegment net sales or transfers	15,903	—	—	—
Total	157,061	31,688	90,912	6,319
Segment profit (loss)	18,285	8,607	24,563	771

	Pharmaceuticals	Others	Adjustments	Consolidated results
Net sales				
Net sales to external customers	13,568	12,410	—	296,057
Intersegment net sales or transfers	—	1,596	(17,499)	—
Total	13,568	14,006	(17,499)	296,057
Segment profit (loss)	356	688	(13,210)	40,061

Notes: Adjustments are as follows.

1. The (13,210) million yen of adjustment in segment profit (loss) includes (9,558) 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, 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 Netherland, The United Kingdom, Germany, Belgium, Austria, Italy