

Results for the fiscal year ended  
March 31, 2018

*Future management outlook*

May 10, 2018

Takashige Negishi

President and  
Representative  
Director

**Yakult**

## Offering results

\* Percentages are relative to all outstanding shares

Danone's stock in Yakult went from 35,212,000 shares (a 20.02%\* stake) to 10,612,000 shares (a 6.2%\* stake).

## Amendments to the Memorandum of Understanding with Danone

Yakult and Danone agreed to continue to engage in the existing joint ventures, probiotics promotion activities, and research activities that they have jointly undertaken under their agreement.

## Agreements to explore possibilities for new collaborations

1. Having Danone distribute Yakult products in the European market, where Yakult has yet to establish a substantial presence (with Spain as the initial test market)
2. Holding symposia and other events to nurture a deeper understanding of food and health, rooted in programs on how a balanced diet nurtures a healthy body

## Shareholder returns

### Repurchasing/extinguishing own shares

To bolster its shareholder returns, improve capital efficiency, and mitigate the effects on share demand and supply arising from the offering, Yakult repurchased 4,864,800 of its own shares at the closing price on February 15 (7,400 yen) for a total repurchase price of 36 billion yen; on March 16, the company then extinguished all the repurchased shares.

### Expected dividends for the fiscal year ended March 31, 2019

A 40-yen dividend per share (a 6-yen increase)

## Information disclosure

### Enhancing the IR Information section on the company website

1. More English-language financial materials
2. Disclosure of monthly information on domestic sales of dairy products

# Profit-loss performance



(Millions of yen) (Figure 3)

	Performance for the fiscal year ended March 31, 2018 (exchange-rate effects)	Year on year	Prospective year on year (released November 10)
<b>Net sales</b>	401,500 (+4,300)	106.1%	99.8%
<b>Operating income</b>	43,400 (+800)	116.6%	104.7%
<b>Ordinary income</b>	53,000 (+900)	107.5%	104.0%
<b>Profit</b> attributable to owners of the parent	34,000 (+600)	113.0%	108.1%

Exchange-rate effects are year-on-year values

# Full-year forecast



(Figure 4)

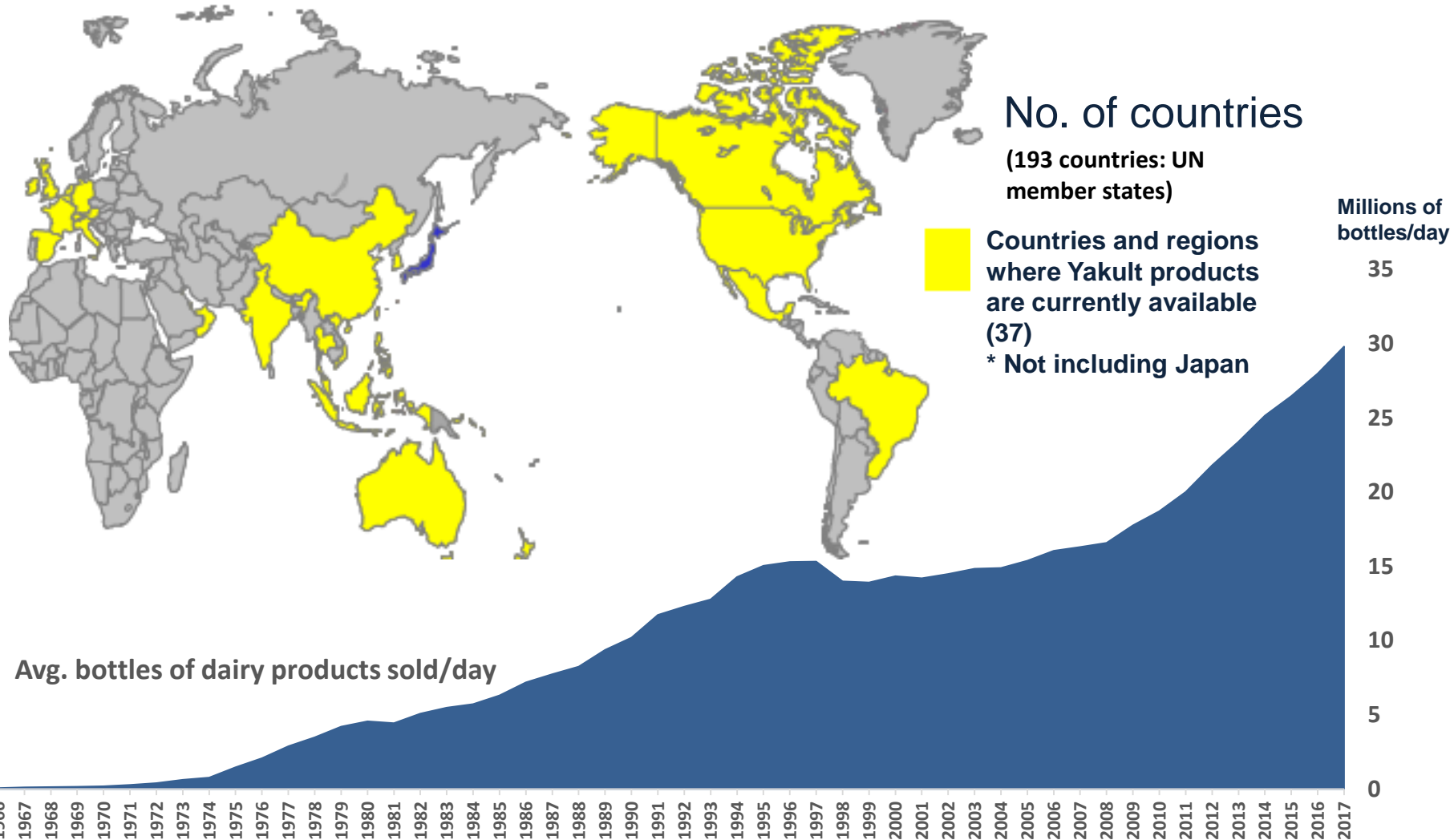
(Millions of yen)

	<b>Full-year forecasts for the fiscal year ending March 31, 2019</b>	<b>Year on year</b>
<b>Net sales</b>	<b>418,000</b>	<b>104.1%</b>
<b>Operating income</b>	<b>46,500</b>	<b>107.0%</b>
<b>Ordinary income</b>	<b>56,500</b>	<b>106.5%</b>
<b>Profit</b> attributable to owners of the parent	<b>35,500</b>	<b>104.2%</b>
<b>Profit per share</b>	<b>221.19 yen</b>	<b>106.8%</b>

# International business

**Yakult**  
(Figure 5)

Yakult has products available in 37 countries/regions, 26 plants operating in 16 countries, 22,000 full-time employees, and 46,000 Yakult Ladies (all as of December 31, 2017).



# International business

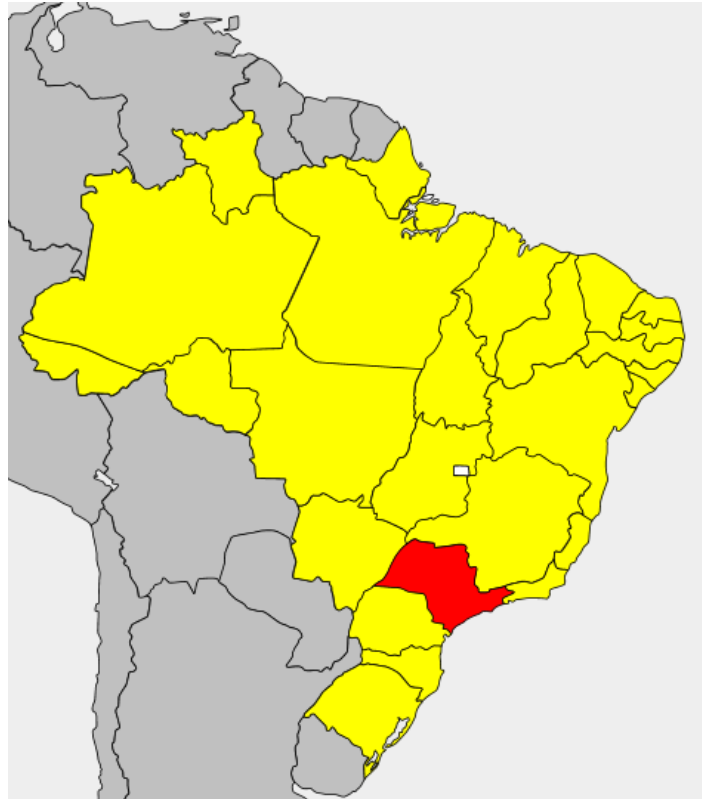
**Yakult**  
(Figure 6)

Country		Marketing population (Thousands)	Jan.-Dec., 2017 Bottles sold (Bottles/day)	Year on year (%)	Population ratio (%)	Country	Marketing population (Thousands)	Jan.-Dec., 2017 Bottles sold (Bottles/day)	Year on year (%)	Population ratio
Hong Kong		7,980	527,886	96.1	6.62	Brazil	101,290	1,817,192	93.9	1.79
Singapore		3,900	229,349	94.7	5.88	Mexico	94,532	3,677,962	103.3	3.89
Indonesia		200,000	5,294,434	104.8	2.65	United States	173,200	293,831	115.3	0.17
Australia		23,500	244,880	103.2	1.04	Americas total	369,022	5,788,985	100.7	1.57
Malaysia		23,000	330,162	100.4	1.44	The Netherlands	17,017	173,331	101.4	1.02
Vietnam		64,200	275,346	127.9	0.43	Belgium	32,897	76,054	109.9	0.23
India		126,000	185,754	118.5	0.15	United Kingdom	69,784	198,430	104.5	0.28
Middle East		16,180	11,105	—	0.07	Germany	81,298	80,692	97.0	0.10
	Guangzhou	88,290	2,660,455	115.3	3.01	Austria	8,300	11,796	108.0	0.14
	Shanghai	24,000	650,508	111.8	2.71	Italy	61,219	94,971	109.5	0.16
	Beijing	30,280	413,337	120.9	1.37	Europe total	270,515	635,274	104.0	0.23
	China	560,400	3,278,771	126.4	0.59	(Consolidated total)	1,807,267	20,526,246	108.2	1.14
China total		702,970	7,003,071	120.2	1.00	Taiwan	22,810	751,473	93.9	3.29
Consolidated Asia and Oceania total		1,167,730	14,101,987	111.9	1.21	Thailand	65,930	2,210,633	101.3	3.35
						South Korea	51,500	3,572,785	99.1	6.94
						The Philippines	91,400	2,761,604	112.7	3.02
						(Equity method total)	231,640	9,296,495	102.9	4.01
						Total	2,038,907	29,822,741	106.5	1.46

# International business (major countries)

**Yakult**  
(Figure 7)

## Brazil

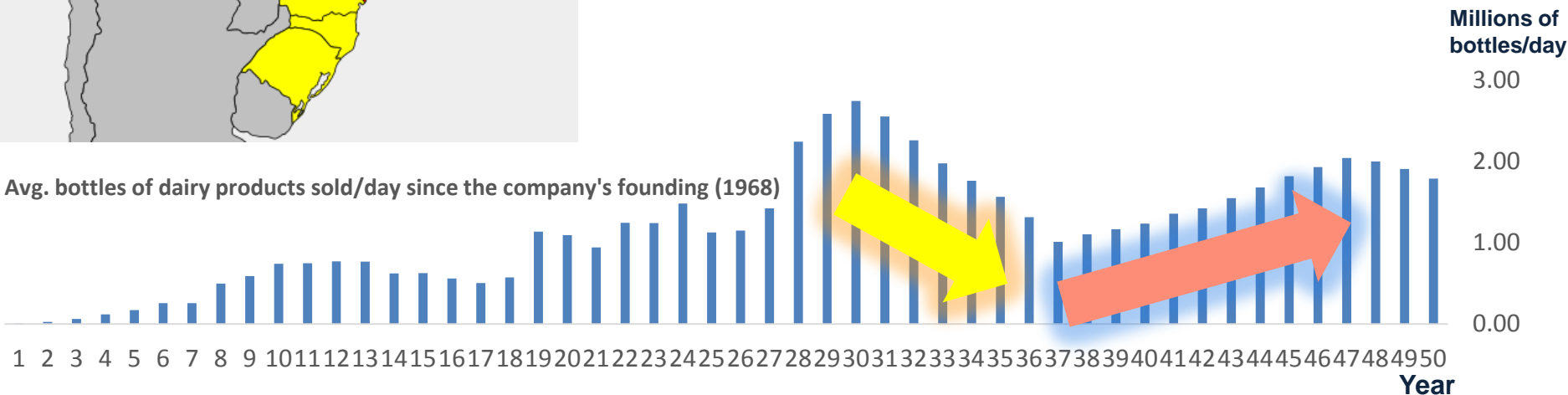


With hyper inflation causing chaotic conditions in the market economy, Yakult Brazil's total bottle sales fell by half since reaching their peak level.

To help turn things around, the company sent in teams of employees from Japan, improved the home-delivery system, and reworked deals with stores receiving deliveries, putting bottle sales on course for recovery.

Recent inflation has slowed personal consumption, thereby creating more challenges for Yakult Brazil, but current economic indicators are trending in the right direction.

Avg. bottles of dairy products sold/day since the company's founding (1968)





# International business (major countries)

**Yakult**

(Figure 8)

## Mexico

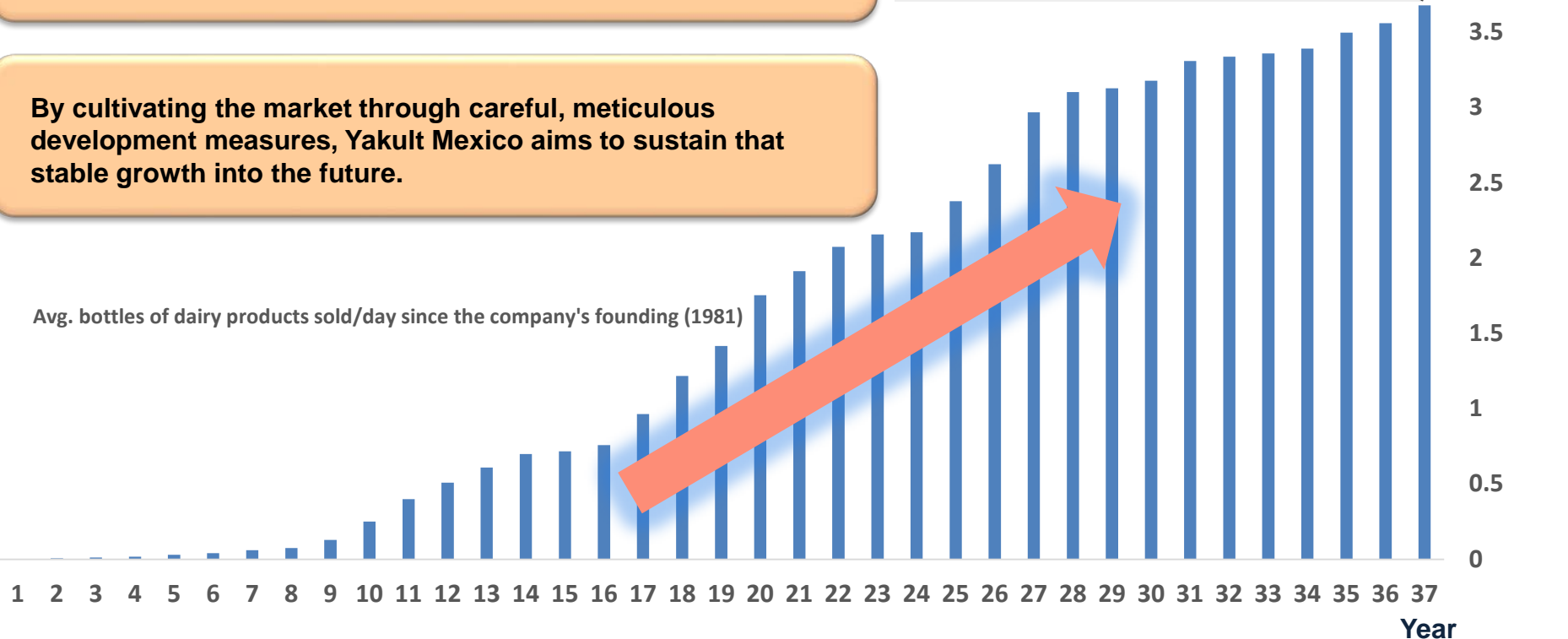
Yakult Mexico has been extremely stable, never once slipping below the previous year's performance levels in its entire history.

Since its 15th year in business (1996), the company has made a full-fledged push to expand business into regional communities.

By cultivating the market through careful, meticulous development measures, Yakult Mexico aims to sustain that stable growth into the future.



Avg. bottles of dairy products sold/day since the company's founding (1981)



# International business (major countries)

**Yakult**  
(Figure 9)

## Indonesia

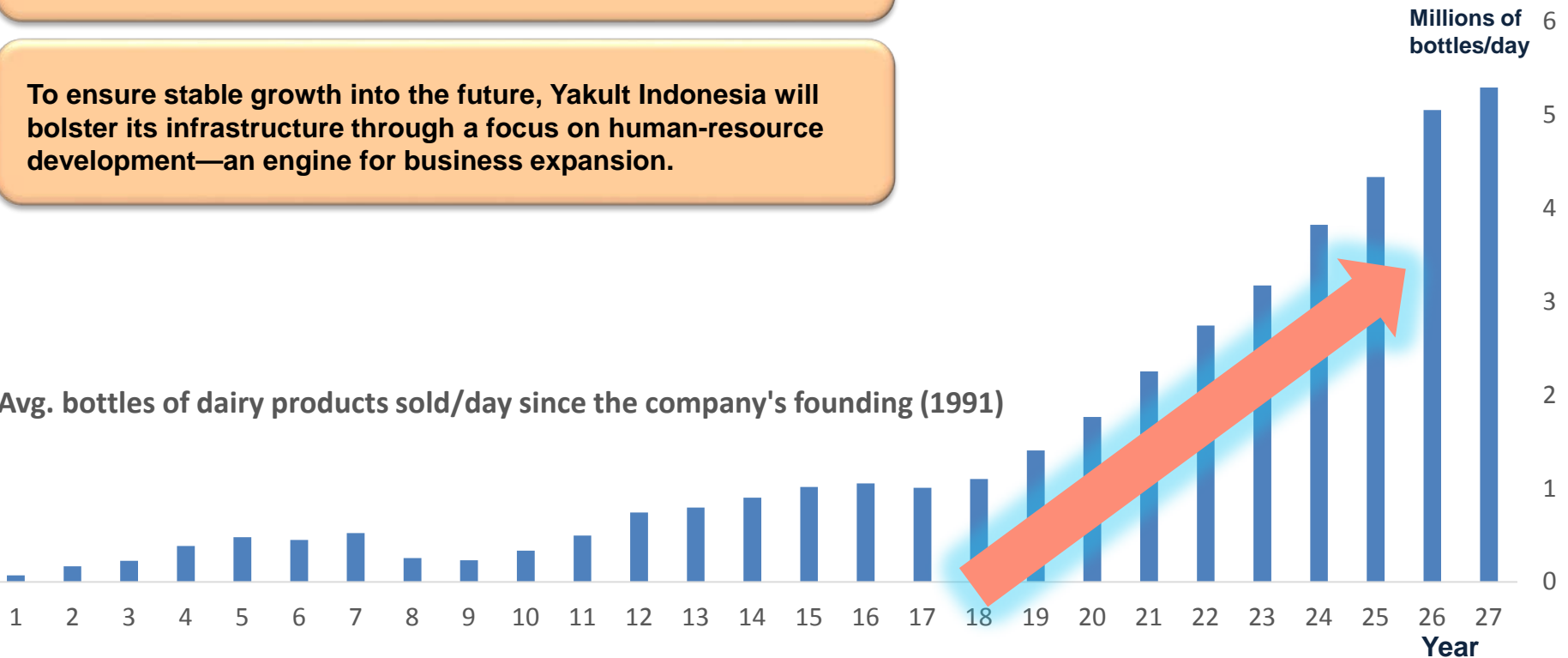
After developing store and home-delivery channels slightly over a decade after its founding, Yakult Indonesia began focusing specifically on the home-delivery channel.

Skill development by training and increases in the numbers of Yakult Ladies have sparked growth in sales figures (and synergistic effects for the store channel, as well).

To ensure stable growth into the future, Yakult Indonesia will bolster its infrastructure through a focus on human-resource development—an engine for business expansion.



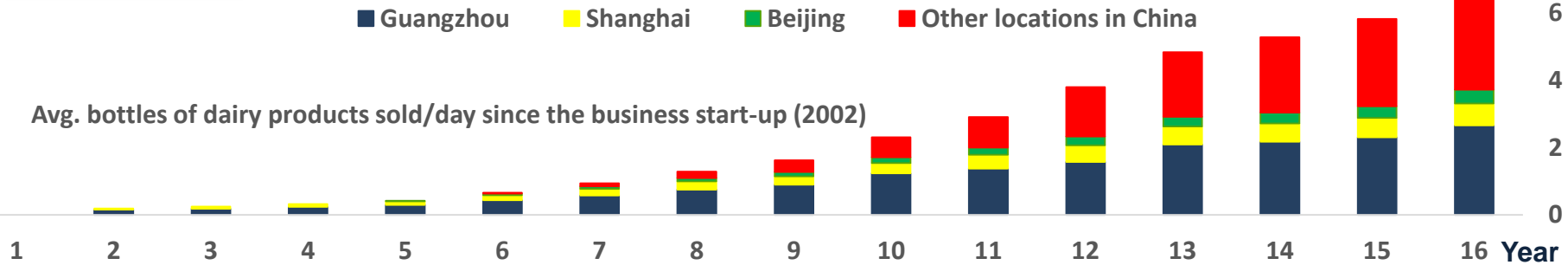
Avg. bottles of dairy products sold/day since the company's founding (1991)



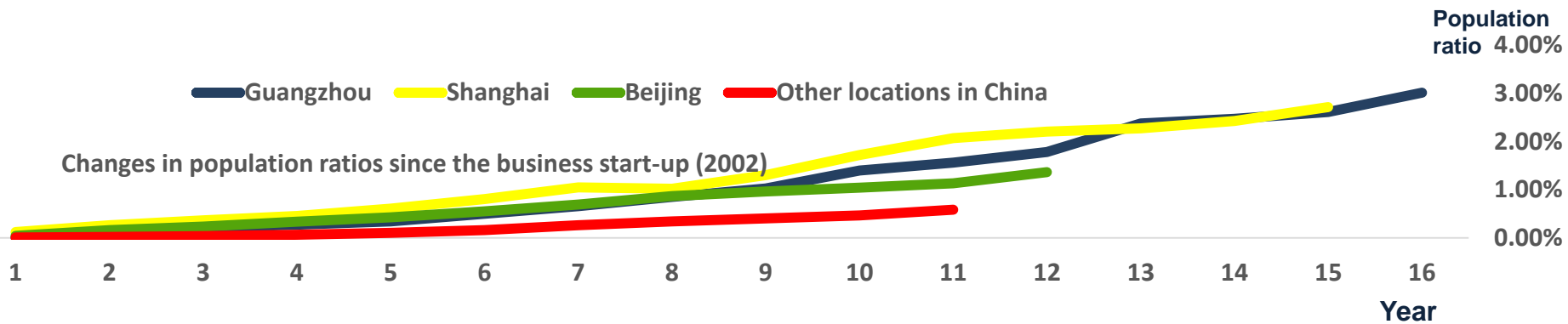
# International business (major countries)

**Yakult**  
(Figure 10)  
Millions of bottles/day

## China



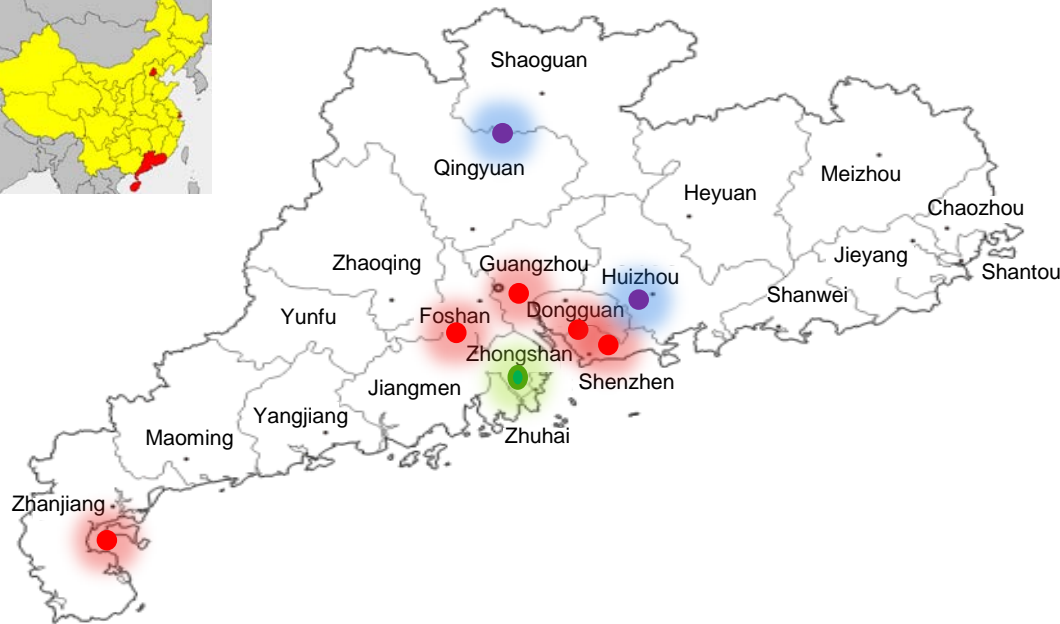
Yakult began its business operations in China 16 years ago, starting with Guangzhou in 2002. Stores represent the company's primary marketing channel. The existing market in Guangzhou has posted strong results for some time now, but recent years have seen accelerating growth in the "Other locations in China" category.



Since setting up operations, the Guangzhou business has seen its population ratio climb steadily.

# International business (Guangzhou)

**Yakult**  
(Figure 11)



No.	Location name	Established
1	Guangzhou Head Office	June 2002
2	Shenzhen Branch	June 2004
3	Foshan Branch	May 2007
4	Zhanjiang Branch	August 2008
5	Dongguan Branch	June 2011
6	Qingyuan Branch	August 2017
7	Huizhou Branch	September 2017
8	Zhongshan Branch	January 2018

## Guangdong Province

Land area:

Approx. 180,000 km<sup>2</sup>  
(roughly half the size of Japan)

Population:

Approx. 110 million  
(of which 14.04 million live in  
Guangzhou and 11.91 million live  
in Shenzhen)

Source: Consulate-General of Japan in  
Guangzhou

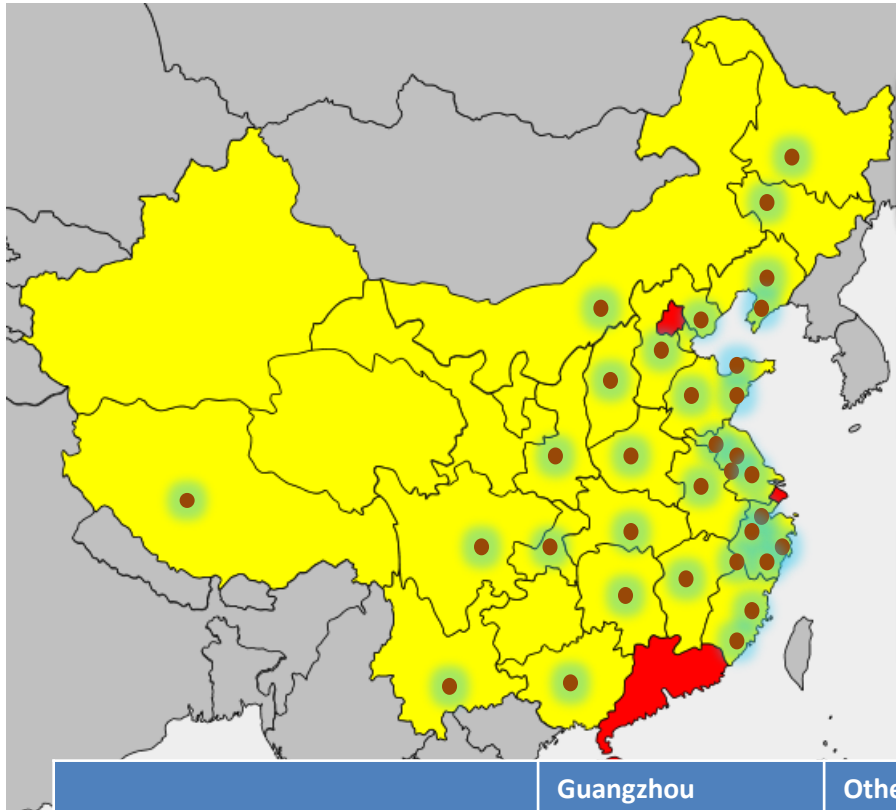
(as of Dec. 31, 2016)

Yakult's business activities in the province have centered on Guangzhou and Shenzhen which represent a massive market. The company plans to keep penetrating the market into the future.

Yakult established two new locations in 2017 and another new location in 2018. The company will bolster its business activities in areas outside the two major metropolitan areas, as well, such as suburbs and satellite towns.

# International business (other locations in China)

**Yakult**  
(Figure 12)



Efforts to expand and penetrate the market since the company made its official entry in 2006 have paid off, with bottle sales soaring on a sustained basis.

There are still communities that lie outside the company's marketing reach, however, so the company plans to pursue market-expansion (marketing location-development) initiatives on a yearly basis.

Yakult also plans to bolster its marketing network in the existing markets.

	Guangzhou	Other locations in China	
Marketing population	88.29 million	560 million	More than 6 times the population of Guangzhou
Avg. bottles sold/day (population ratio)	2.66 million (3.01%)	3.279 million (0.59%)	Penetration rate (population ratio) = 20% of the Guangzhou rate
Number of marketing locations (Marketing population per location)	8 (11.04 million)	32 (17.50 million)	Marketing population per marketing location = 1.6 times larger than the Guangzhou figure
No. of stores receiving deliveries (No. of stores receiving deliveries per location)	51,833 (6,479)	81,091 (2,534)	No. of stores receiving deliveries per location = 40% of the Guangzhou rate

\* 2017 figures; the number of marketing locations for Guangzhou includes the Zhongshan Branch.

# Domestic food and beverage business

**Yakult**  
(Figure 13)

The market for probiotics using live lactic acid bacteria continues to expand, with drinkable products joining the existing base of edible yogurt products.

Consumers are showing increasing levels of interest in probiotic products.

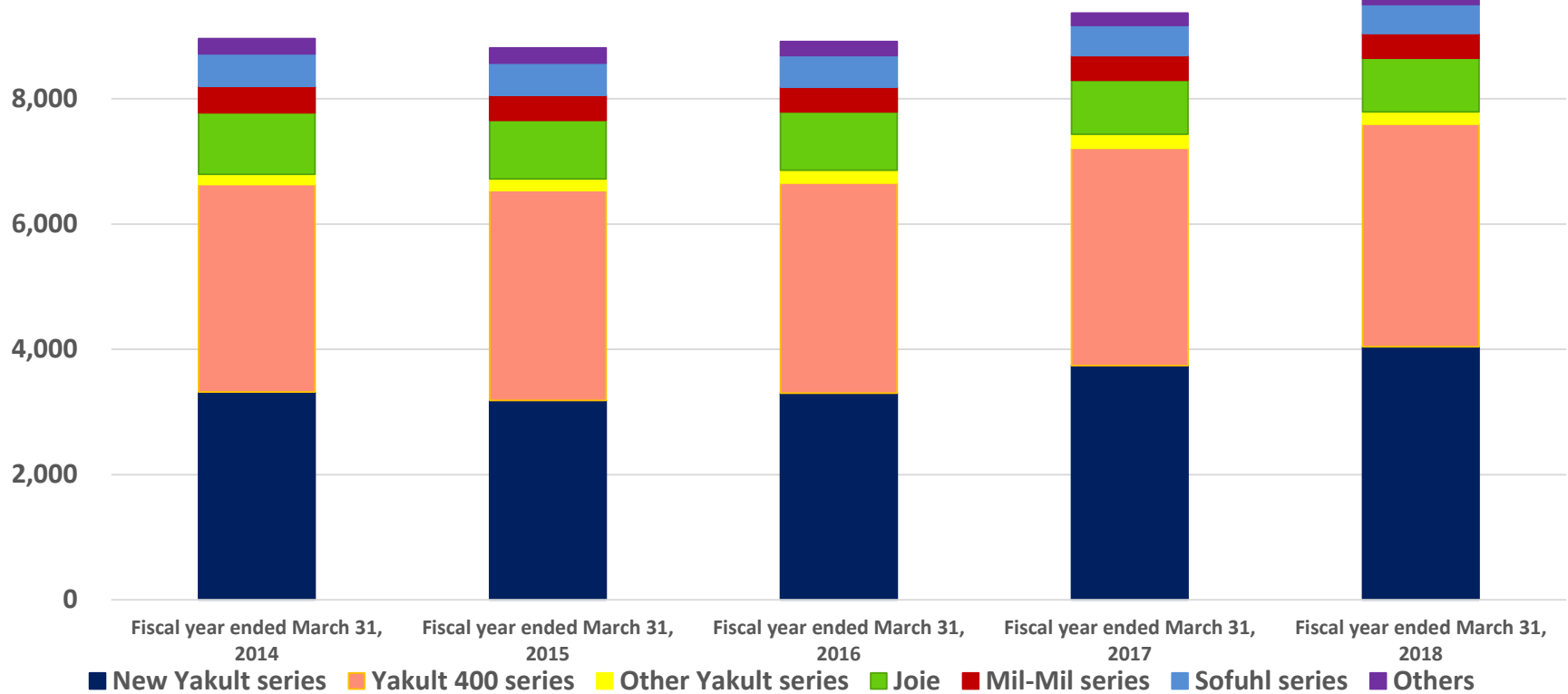


# Domestic food and beverage business

**Yakult**  
(Figure 14)

Thousands of bottles/day

10,000 Avg. bottles of dairy products sold/day



**Avg. bottles of dairy products sold/day, fiscal year ended March 31, 2018: 9.694 million**



**Population ratio: 7.57%**



# Domestic food and beverage business

**Yakult**  
(Figure 15)

Encouraging loyal users to keep drinking Yakult products/Working to develop new customers

## Advertising

Focusing on the Yakult brand and freshening up the company's main dairy products

Maximizing touchpoints between Yakult and its customers to keep cultivating a larger fan base

### Maintaining the three-pronged approach to advertising

**Yakult brand**  
(A strong probiotic for a strong body)

**R&D/technological prowess**  
(Yakult, dedicated to science)

**Yakult Ladies**  
(Every day is good with Yakult)

## Publicity

Engaging in publicity to nurture a more positive, endearing, loyalty-building image for the Yakult brand

Communicating relevant information (in Japan and abroad) to publicize the R&D segment, thereby enhancing Yakult's corporate value

### Target: Consumers

Offering plant tours, dispatching guest lecturers, and publicizing information

**Target: Opinion leaders**  
(doctors, nurses, registered dietitians, pharmacists, etc.)

Holding workshops on the effectiveness of Yakult probiotics in the medical field, etc.

### Target: Researchers

Fostering progress in research on intestinal microbiota



# Domestic food and beverage business

**Yakult**  
(Figure 16)

Promoting progress behind a nationwide network of marketing companies

## Home delivery

### Area value dissemination

Hold health-related lectures and other community-based dissemination/awareness campaigns to help clients/consumers in regional communities understand Yakult's corporate philosophy, product value, and service value and develop an attachment to the Yakult brand



### Yakult Delivery Net

Roll out the home-delivery online ordering system (new last year) nationwide and work to meet a diversifying range of customer needs

## Stores

### Supermarkets

Build a stronger in-store presence for field staff/promotion staff members



### Convenience Store (CVS)

Develop a lineup of CVS-targeted products to make Yakult offerings into "staple" items and help secure/expand marketing spaces

### Other markets

Head to hospitals, schools, offices, and other locations to showcase the value of dairy products and build a broader customer base

# Pharmaceutical business

**Yakult**  
(Figure 17)

## Factors behind the reduced-income forecasts

### Impact of drug-price revisions

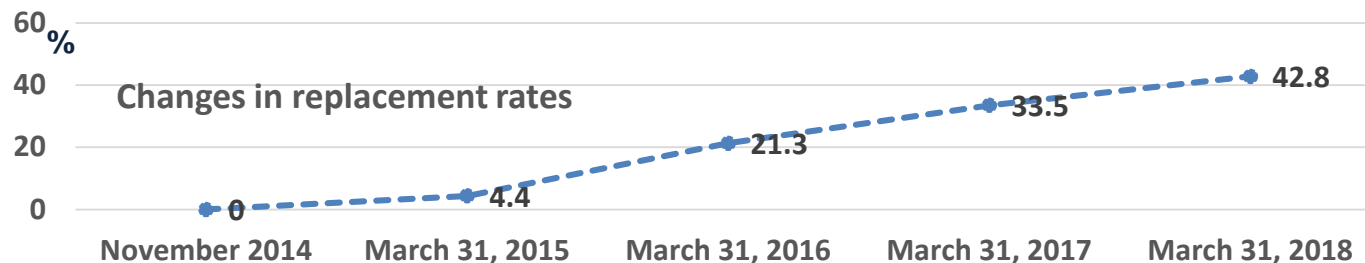
The price of Elplat was lowered by 12.3%, mainly because of intensifying market competition and other factors.

The company's ethical drugs overall saw a price reduction in the mid-10% range.



### Generics replacing Elplat

The national government's policy to encourage the use of generics (aiming for a 80% share by September 2020) will likely lead to more replacements of Elplat with generics.



## Factors behind the reduced-profit forecasts

Decreasing gross profits due to drops in income

Increasing R&D expenditures

## Policy for the future

**Yakult will recover/expand its medium- and long-term earnings to sustain its cancer-specific pharmaceutical business.**

## Measures for the future

**The plan for this fiscal year involves boosting R&D expenditures to drive sales up over the medium and long term.**

## Medium- and long-term plans

**The company will develop new drugs and introduce new generics in the cancer field.**

**Aiming to repeat the success of its co-promotion partnership with Sanofi, the company will also expand its alliances with other companies.**

**Thank you!**

# CAUTIONARY STATEMENT



**Statements contained in these materials with respect to Yakult's plans, forecasts and other statements that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ substantially from expectations.**

**The information contained in these materials is not intended as a solicitation for investment. Furthermore, Yakult does not guarantee the accuracy of the contents of these materials. Yakult and the provider of these materials disclaim any responsibility for any loss or damage that should arise from the use of this information.**