

# **Yakult Vision Proposal (FY2011–FY2020)**

January 28, 2011

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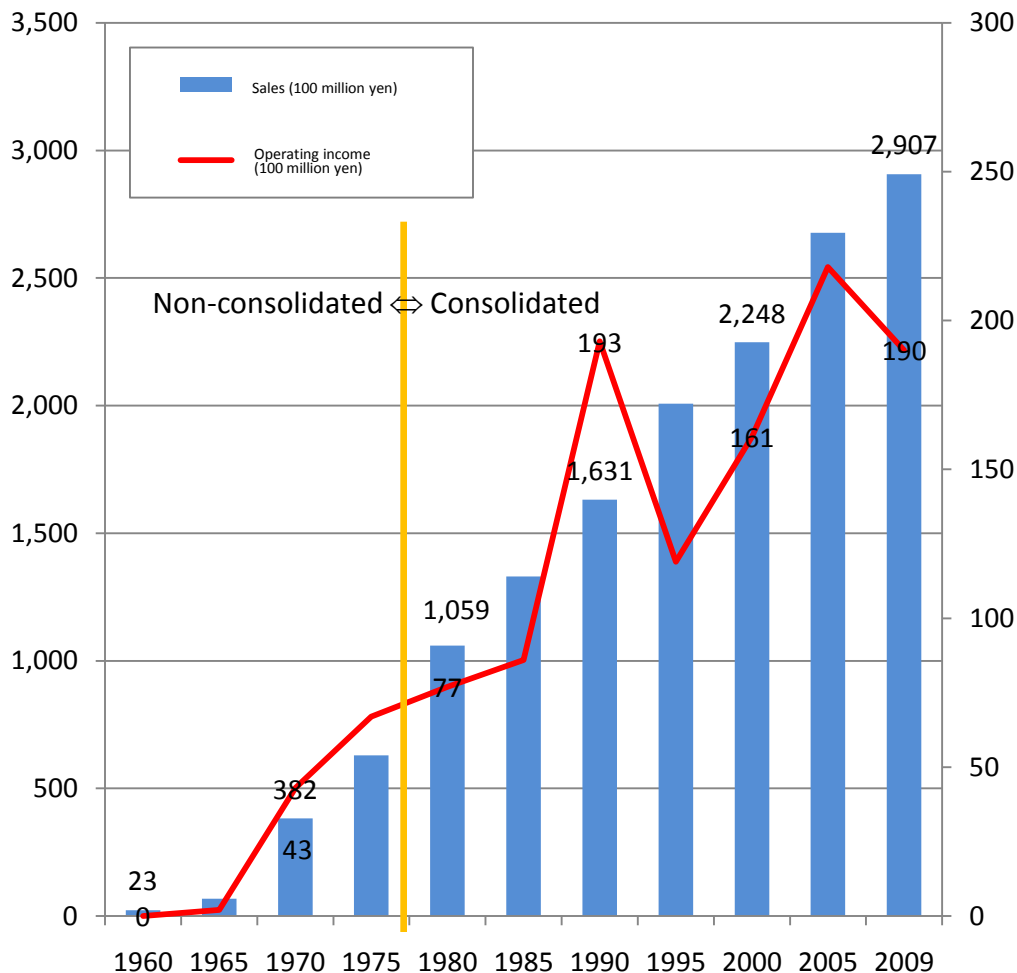
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# **Background of Drafting of Long-Term Vision**

# 1. Yakult's Growth Trajectory



## Food and Beverages(Japan)

- Development of Yakult fermented milk drink
- Introduction of home delivery system by Yakult Ladies
- Area marketing by sales companies
- Growth driven by complex products and sales channels as well as added values

## Food and Beverages(Overseas )

- Centralization of activities to promote Yakult fermented milk drink
- Driving forward business expansion with mission-driven management
- Practice of agricultural-style management rooted in community
- Area portfolio strategy that supports long-term management

## Pharmaceuticals

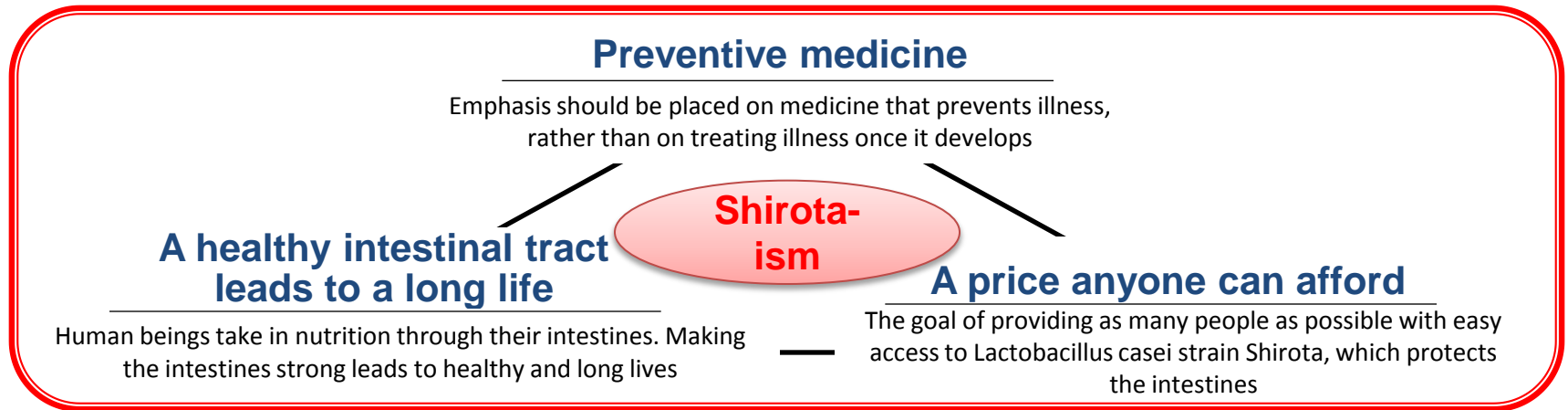
- Defining itself as a specialty pharmaceutical company focusing on oncology
- Development and sales of two anticancer drugs that are being used around the world for treating colorectal cancer

## Cosmetics

- Basic skin care products containing components developed based on lactic acid fermentation technology
- Introduction of door-to-door sales

**Yakult's businesses have been growing steadily over the years**

## 2. Concepts Sustaining Yakult's Growth



### Mission-Driven Management

#### Mission-driven management is

- employees uniting under Shirota-ism, the founder's philosophy, with passion and a sense of mission to make contributions to solving issues faced by local communities, and
- while corporate management would be impossible without profit, there would be no point in operating a company if there is no sense of mission.

### Agricultural-Style Management

#### Agricultural-style management is

- to steadily build products of assured quality and to create new values by spending sufficient labor and time within the company
- to pursue the above under any circumstances so as to win the trust of the local community, which is a most valuable barrier against competition

### 3. Necessity for Long-Term Vision

Changes in the environment surrounding Yakult

Customers	<ul style="list-style-type: none"><li>■ Increase in world population ⇔ decline in Japanese population</li><li>■ Ageing of society</li><li>■ Surging economies of emerging countries</li></ul>
Industry environment	<ul style="list-style-type: none"><li>■ Rising raw materials cost</li><li>■ Intensifying competition with global corporations</li><li>■ Strengthening of retail industry's buying power</li></ul>
Own company	<ul style="list-style-type: none"><li>■ Enhanced efforts for ensuring security and safety and risk control</li><li>■ Heightened necessity for reorganization of business structure</li></ul>

**While ensuring consistency of mission-driven and agricultural-style management that support Yakult even in turbulent management environment, we shall draft a long-term vision that would serve as a signpost for responding to changes in pursuit of overall group optimization and realizing goals of taking on new challenges.**

# **Long-Term Vision (FY2011–FY2020)**

## 1. 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.**

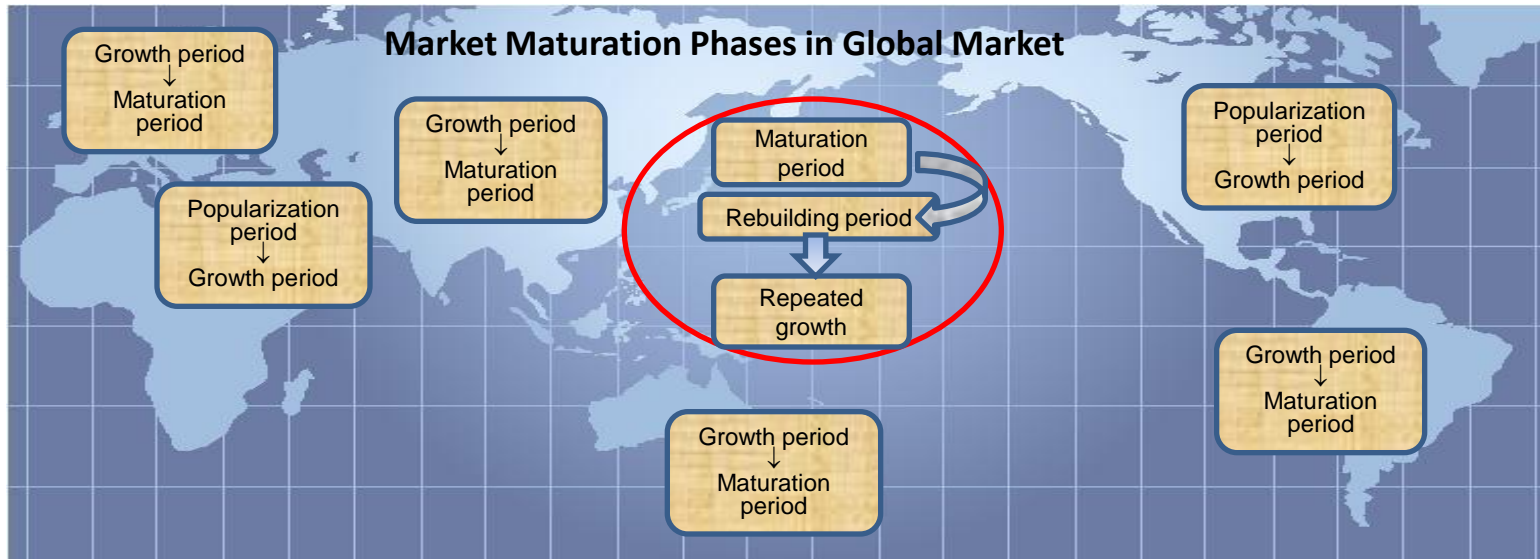
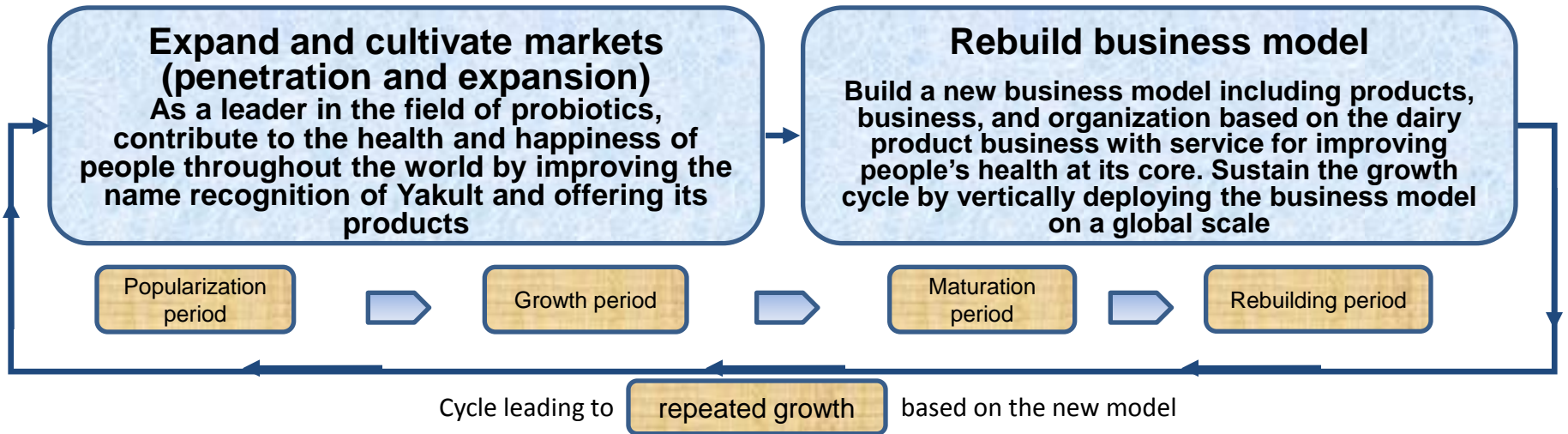
### Yakult Vision 2020 Let's Build Yakult's Future Together!

- **Let's promote the idea that a healthy intestinal tract leads to 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!**



## 2. Strategies for Achieving Goals: Global Business Portfolio Strategy

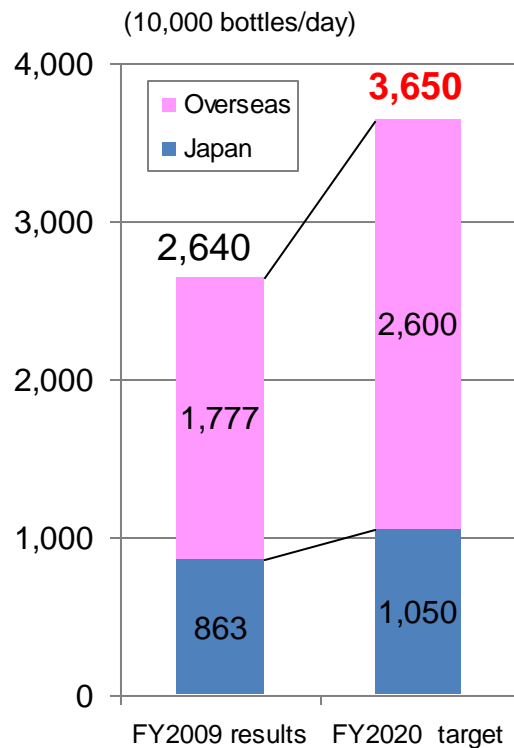
Continue to grow the group by deploying most appropriate strategies for each phase of popularization, growth, maturation, and rebuilding in respective areas of the global market



Build a base of Domestic Business, to develop next generation of global business

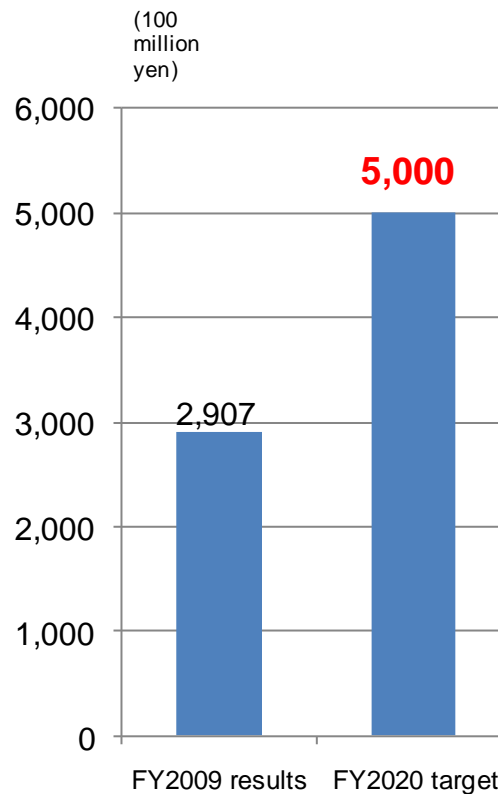
### 3. Quantitative Goals

Number of bottles of dairy products sold



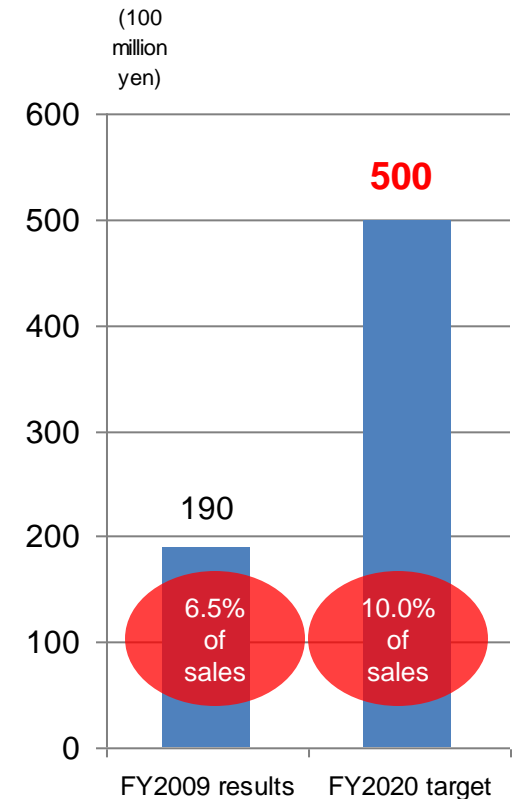
38% growth  
(22% in Japan; 46% overseas)  
Up 10 million bottles

Consolidated sales



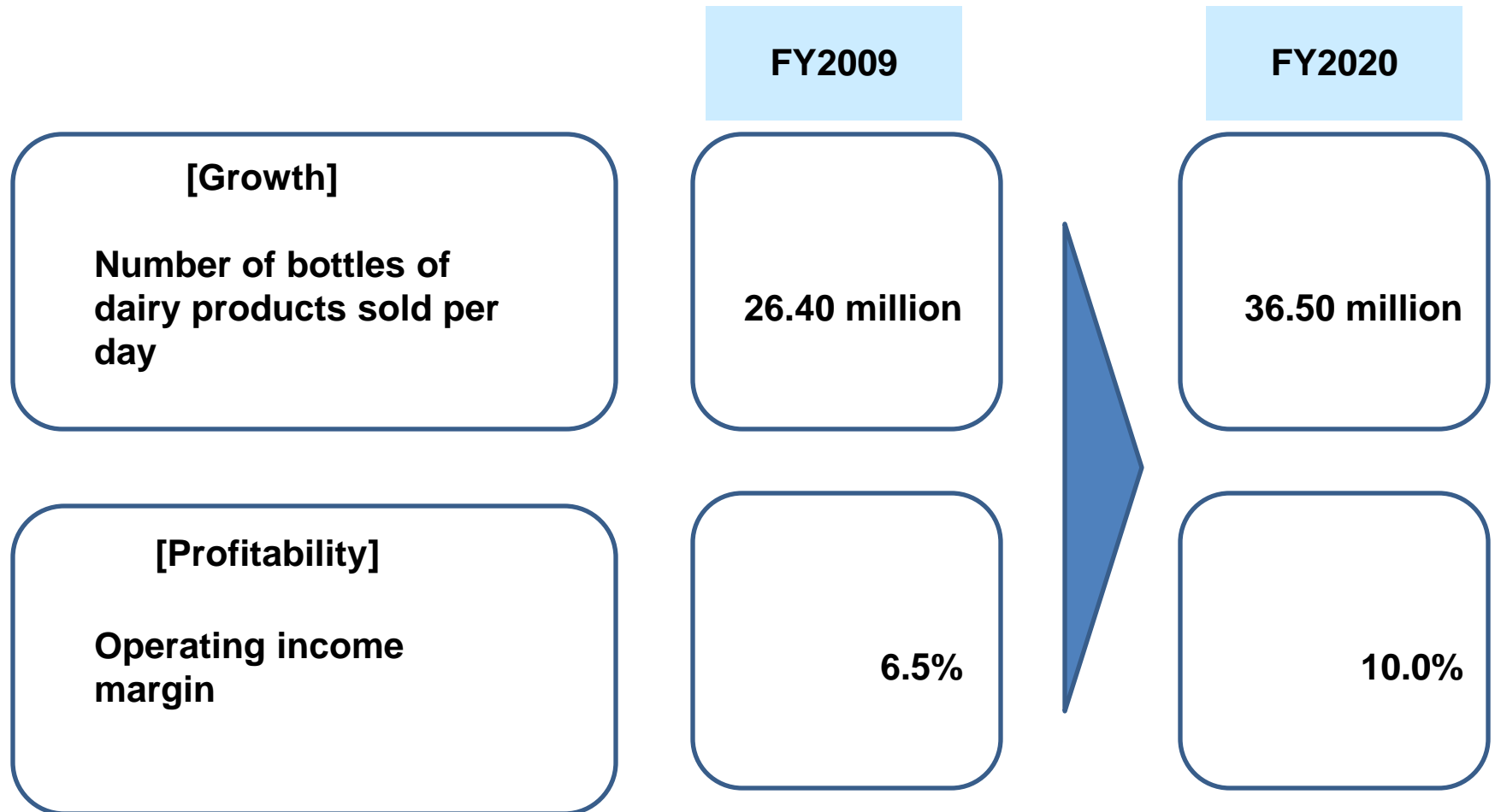
72% growth  
Up roughly twofold

Consolidate operating income

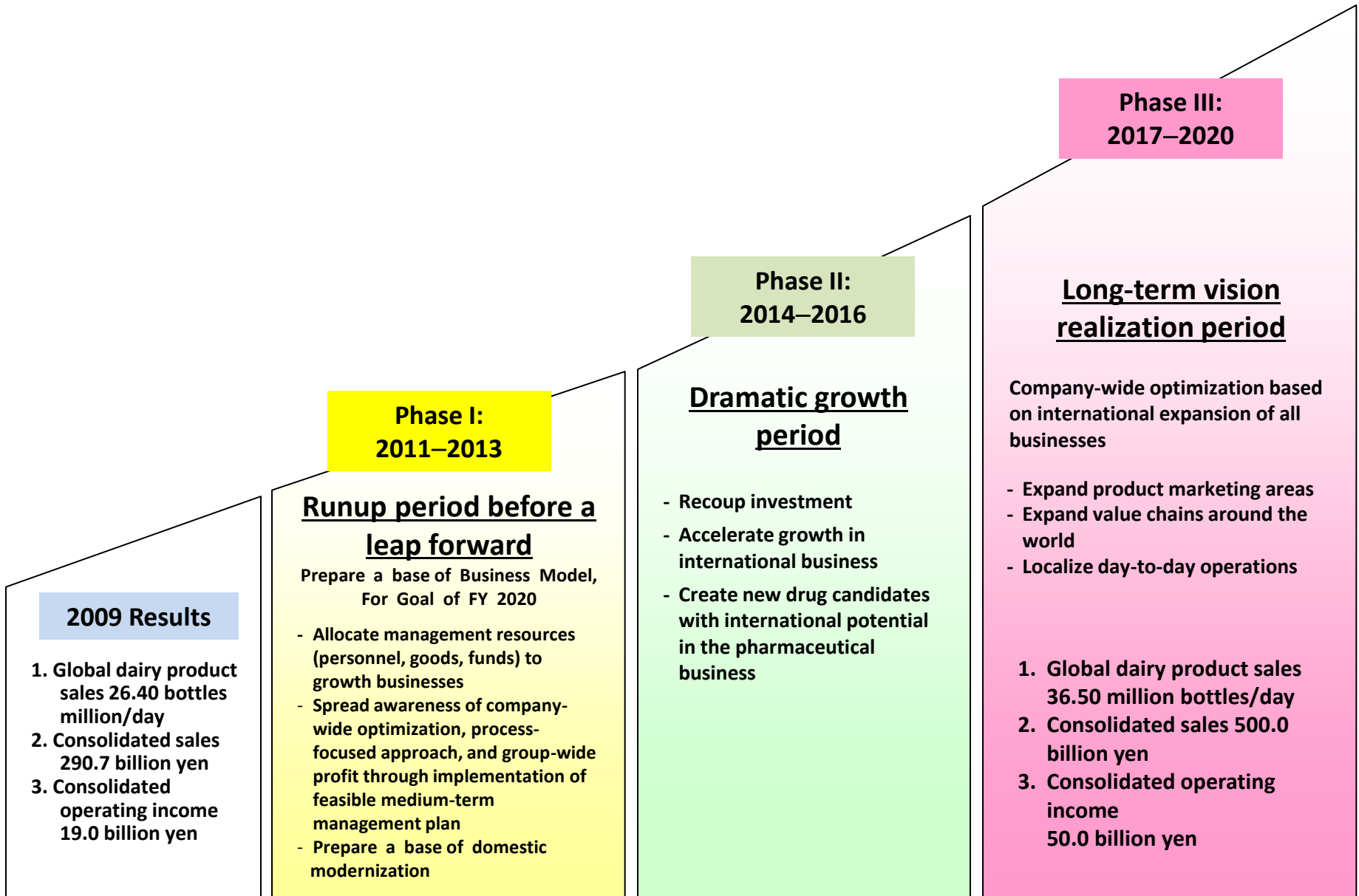


163% growth  
Up roughly threefold

# Reference: Management Benchmarks



## 4. Three Phases of Long-Term Vision



**The First Phases of Long-  
Term Vision Plan  
(FY2011–FY2013)**

# 1. Qualitative Goals

## Medium- to Long-Term Qualitative Goals for Each Business

### Food and Beverages(Japan)

Build a new bond within the group and carry out innovative value promotion to enable continued growth  
—Rebuild the domestic food and beverages business so that it serves as a model around the world—

### Food and Beverages(Overseas)

Yakult Global Vision 2016  
Communicate the Spirit of Yakult,  
Spread Joy of Living Healthy

### Pharmaceuticals

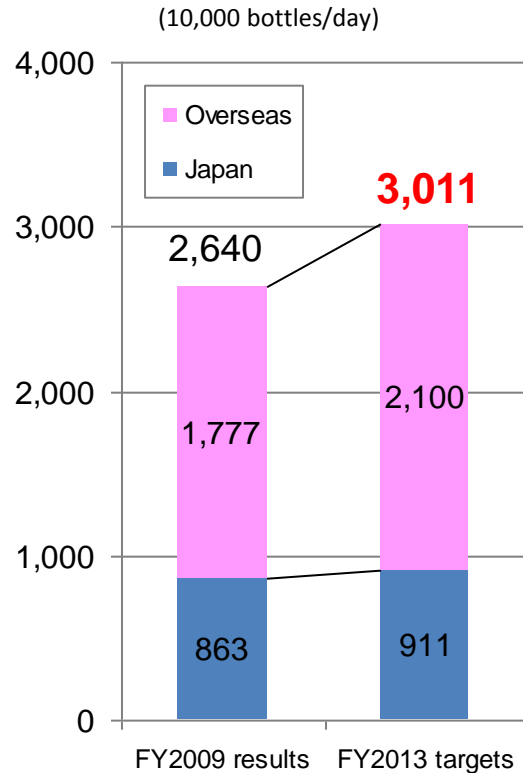
Contribute to the health of people around the world by achieving breakthroughs in cancer treatments

### Cosmetics

Spread Yakult's unique concept that intestinal health is a direct factor in producing beautiful, healthy skin, which is based on innovation of proprietary technologies, to grow cosmetics into a core business

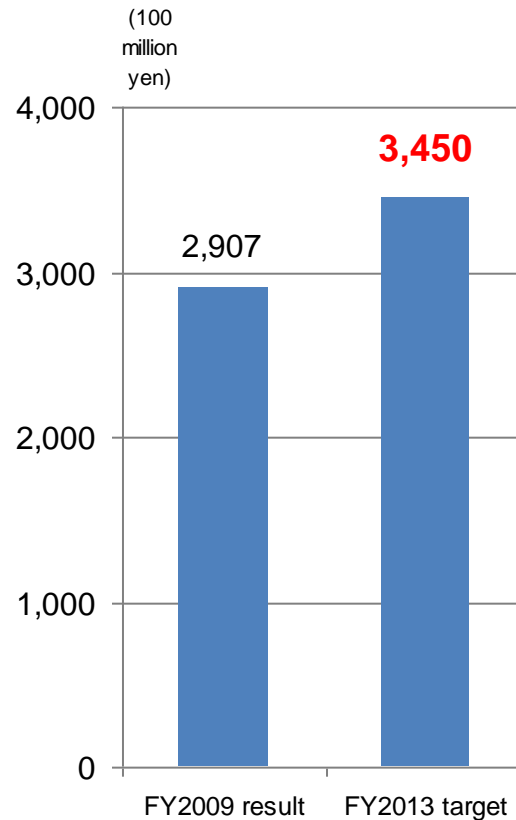
## 2. Quantitative Goals

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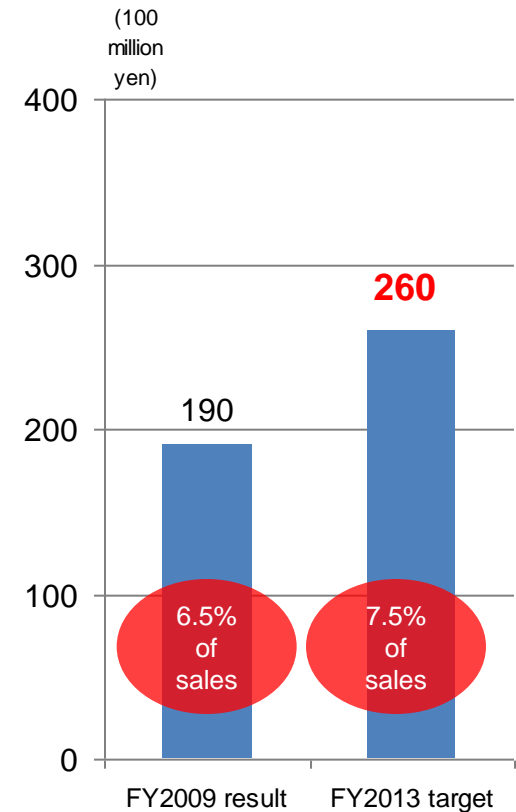
Up 14% over 2009  
(6% in Japan; 18% overseas)  
Up 3.71 million bottles

Consolidated sales



Up 19% over 2009  
Up 54.3 billion yen

Consolidated operating income



Up 37% over 2009  
Up 7.0 billion yen

### 3. Category-Based Strategy: (1) Food and Beverages(Japan)

Strengthen existing sales channels

Improve ability to promote values and strengthen own sales organization

- Promote home delivery business that is suited to the times
- Maximize store sales and profits
- Improve vending machine income and expand sales

Strengthen and nurture brand

Develop products from the perspectives of both customer needs and our technology and expertise to expand share in health food market

- Dairy products: Strengthen existing products that embody Shirota-ism
- Juice and soft drinks: Enhance high value-added products and promote planned introduction of products

Improve management quality

Strengthen management foundation to enable sustained growth

- Promote modernization to improve management quality and business structure

Promote structural reform of the domestic food and beverage business



### 3. Category-Based Strategy: (2) Food and Beverages(Overseas )

Further  
solidify  
the  
existing  
foundation

Continue to grow business of existing operations

- Expand existing operations
- Strengthen financial position and improve profitability of existing operations

Stabilize management of newly established operations and grow their businesses

- Build operating bases in China, the U.S., and India and pursue their planned expansion
- Strengthen management bases and support growth strategy of operations in countries with presence

Expand  
business  
in  
emerging  
markets  
and make  
them  
profitable

Enter into new countries

- Examine and carry out research on new countries and enter those markets

Enhance  
human  
resources

Secure and nurture quality human resources

- Strengthen personnel and organizational structure of international business divisions

### 3. Category-Based Strategy: (3) Pharmaceuticals



#### Maximize sales of Elplat

- Further spread the standard therapies of FOLFOX and XELOX
- Promote and popularize adjuvant therapy



#### Promote smooth development of additional therapeutic efficacies of Elplat

- Add Elplat's therapeutic efficacies of pancreatic cancer treatments
- Add Elplat's therapeutic efficacies of gastric cancer treatments



#### Enhance drug candidate pipeline

- Create candidates for new drugs with international potential
- License in anti-cancer treatments

### 3. Category-Based Strategy: (4) Cosmetics



Increase *Sales Partners* based on commercialization model sales companies and acquire new customers

- Increase the number of *Sales Partners*
- Increase the number of new customers

Nurture *Excellent Users* through counseling that exploits advantageous of door-to-door marketing

- Increase the number of *Excellent Users*
- Control and use customer's information

Develop primarily new skin care products based on lactobacillus

- Develop primarily new skin care products based on lactobacillus



Acquire new internet online customers

Expansion into cosmetic stores and other boutiques and corporate customers

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