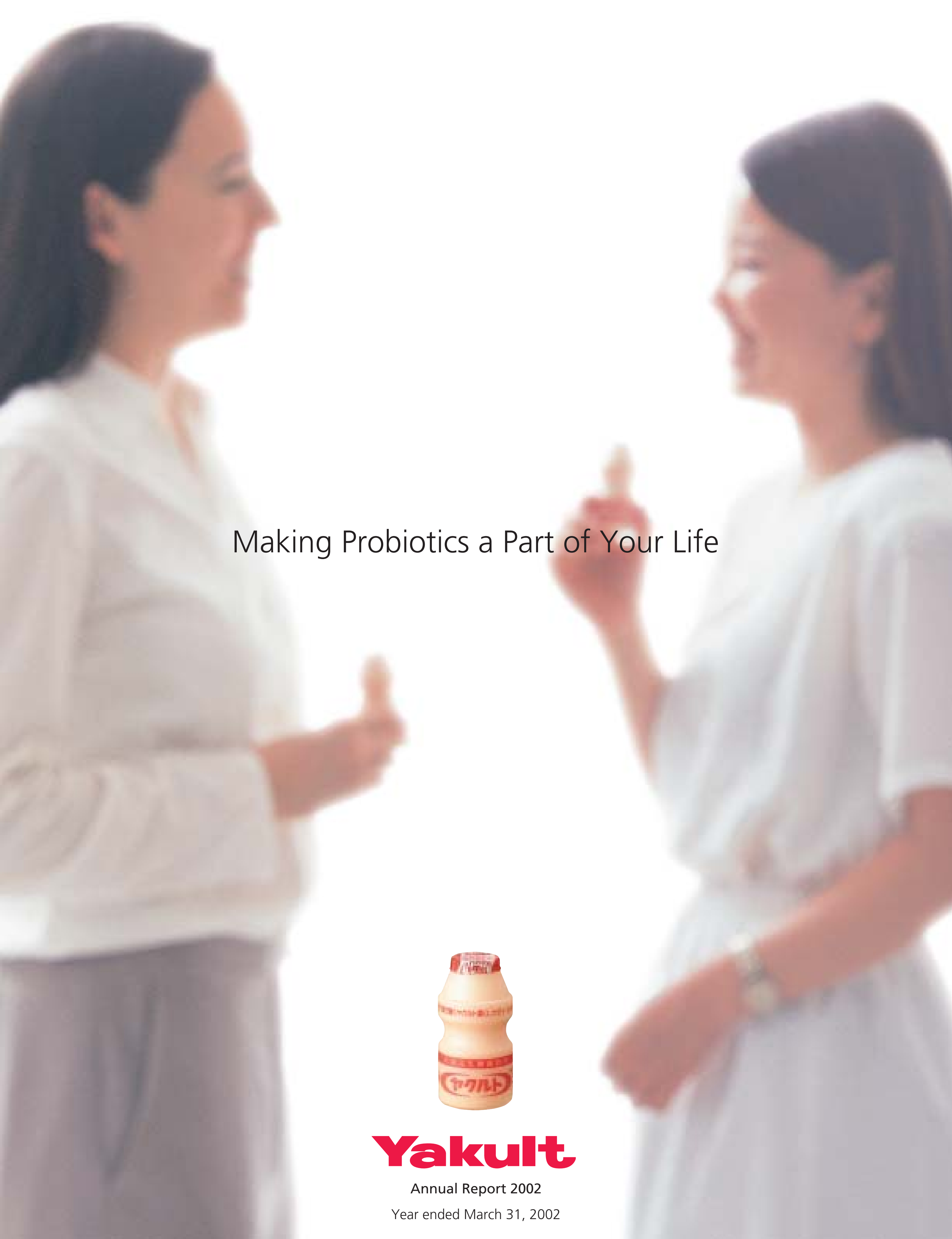


Making Probiotics a Part of Your Life

Yakult

Annual Report 2002

Year ended March 31, 2002

Yakult—A Probiotics Pioneer

Medical developments in the 20th century focused on curing disease with an ever-increasing range of medicines. In the 21st century, however, a turn toward better living habits as a means of warding off disease is shifting the focus to preventive medicine. Yakult Honsha Co., Ltd., was founded on the principles of preventive medicine and has used its extensive research in probiotics to enhance the health of its customers since the 1930s. In the 21st century, the Company aims to use its role as a probiotics pioneer to expand its contribution to the prevention of illness and disease and to thus raise the quality of life for people throughout the world.

What is Shirota-ism?

Shirota-ism refers to the philosophy of Yakult's founder, Dr. Minoru Shirota, who felt that good health should be available at an affordable price to anyone who wants it, promoted the ideals of preventive medicine, and believed that a healthy intestine leads to a long life. This philosophy guides Yakult in all its activities, from the development of new products to participation in community activities.

What are the benefits of probiotics?

Probiotics have a number of direct and indirect benefits, including the regulation of the intestines, protection against infection, reduced cancer risk, and improved functioning of the immune system. These benefits, which contribute to a better quality of life, are perfectly in line with the principles of Shirota-ism and Dr. Shirota's dream of improving people's health.

Contents

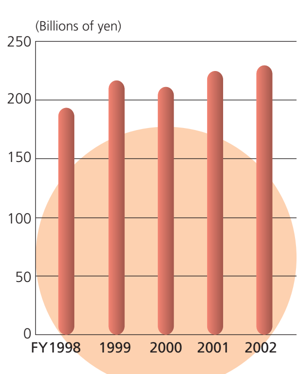
Financial Highlights

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries   March 31, 2002 and 2001

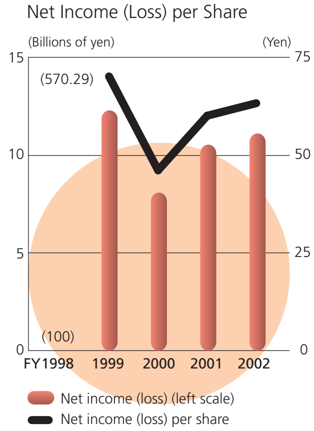
	Millions of yen		Thousands of U.S. dollars (Note)
	2002	2001	**2002**
For the year:			
Net sales	**¥229,623**	¥224,795	**$1,726,489**
Operating income	**13,071**	16,107	**98,278**
Net income	**11,108**	10,537	**83,519**
At the year-end:			
Total assets	**¥269,094**	¥242,247	**$2,023,263**
Total liabilities	**85,289**	74,861	**641,263**
Total shareholders' equity	**168,033**	158,450	**1,263,406**
	Yen		U.S. dollars (Note)
Per share of common stock:			
Basic net income	**¥63.20**	¥60.00	**$0.48**
Diluted net income	**63.19**	59.99	**0.48**
Cash dividends applicable to the year	**15.00**	15.00	**0.11**

Note: U.S. dollar amounts are included, solely for the convenience of readers, at the rate of ¥133 to U.S.$1, the approximate rate of exchange at March 31, 2002.

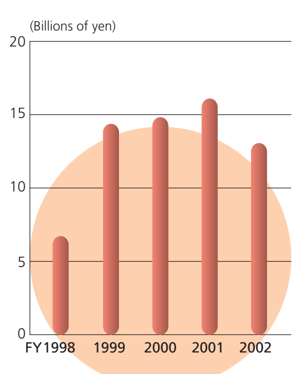
Net Sales



Net Income (Loss) and
Net Income (Loss) per Share



Operating Income



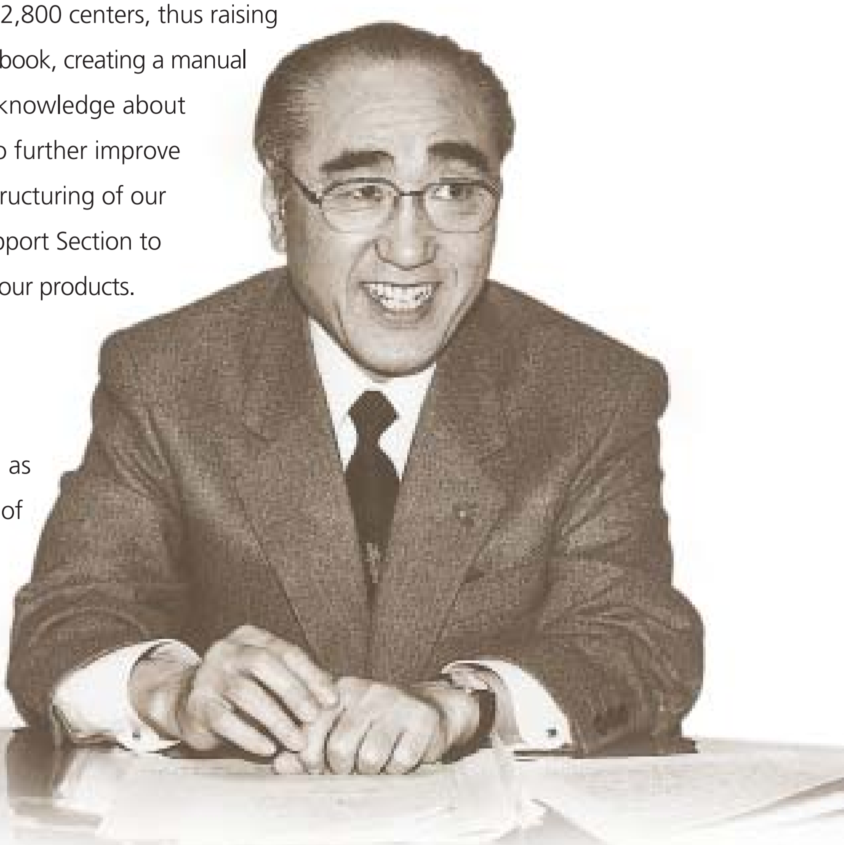
In fiscal 2002, ended March 31, 2002, the Japanese economy was characterized by low consumer demand stemming from uncertainty in the job market, the lingering problem of bad debts, and a downturn in the IT sector. This led to very difficult circumstances in the business environment. Amid this environment, Yakult Honsha Co., Ltd. (Yakult), strengthened its commitment to its corporate concepts—the promotion of the ideals of preventive medicine and the concept of a healthy intestine being the key to a long life—that were advocated by Yakult's founding father, Dr. Minoru Shirota, while concentrating management resources in its core business of dairy products. Furthermore, we adopted a management strategy that aims to realize a stronger foundation for our domestic business, higher Group efficiency, the true globalization of the Company, and the expansion of our business in pharmaceuticals.

Strengthening Our Dairy Products Business

We feel that expanding our sales force of Yakult Ladies will enable us to reach more customers and provide them with more detailed services and information. In keeping with this, we will continue to promote an increase in the number of our Yakult Ladies and make improvements to our sales and distribution system. In addition to raising the quantity of Yakult Ladies, we plan to raise their quality of expertise. As ambassadors of our Company, Yakult Ladies play a crucial role in building our reputation and image, making thorough training for Yakult Ladies an indispensable part of enhancing sales performance. To this end, we have retrained managers at our 2,800 centers, thus raising their marketing capabilities. We also have revised our sales handbook, creating a manual that instructs Yakult Ladies on sales discussions and imparts knowledge about Yakult products, as well as implemented a coaching system to further improve Yakult Ladies' sales skills. In addition to this, as part of the restructuring of our Marketing Department we established the Sales Company Support Section to assist in the operations of the 137 sales companies that market our products.

Spreading the Word about Probiotics

As people become increasingly health conscious, preventive medicine is gaining in popularity. We at Yakult see this trend as an opportunity to increase people's awareness of the benefits of probiotics—which refers to preventing illness by administering



Sumiya Hori

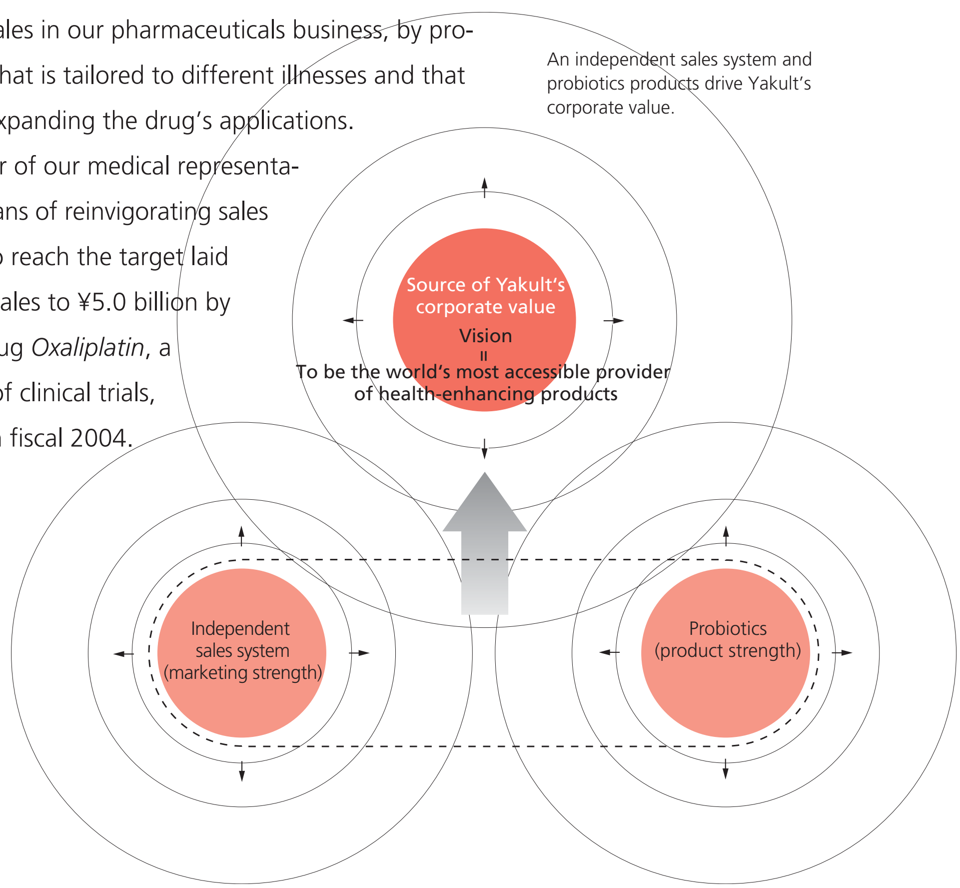
Sumiya Hori,
President

living bacteria—the science that led to the birth of Yakult's dairy products. We are the leading probiotics company in the world and we feel that it is our mission to widen the world's understanding of probiotics and their benefits. A recent survey showed that only 31.8% of all of our customers recognize the word "probiotics," and that mostly through our advertisements. Consequently, part of the aforementioned training of Yakult Ladies will entail improving their ability to clearly explain probiotics and their benefits to our customers, thereby raising the value of our products.

Broadening Our Horizons

With a domestic food market that has already reached maturity, Yakult must fortify its dairy products business while expanding its interests into such high-growth areas as pharmaceuticals if it is to survive today's increasingly competitive business environment. To achieve this kind of expansion, we will effect global expansion in our dairy products business as well as place increased emphasis on our business in pharmaceutical products. We already maintain overseas bases for our dairy products business in 15 countries and, in June 2002, we extended our sales to Guangzhou in China, one of the world's largest and fastest-growing markets. Furthermore, we plan to raise our competitiveness as well as tap into new markets.

In fiscal 2002, our pharmaceuticals business registered record sales of ¥17.4 billion. We anticipate increasing sales of the anticancer drug *Campto* (*Camptosar* in the United States), which is the principal source of sales in our pharmaceuticals business, by promoting research into medical treatment that is tailored to different illnesses and that will provide strong evidence for further expanding the drug's applications. In addition, we are increasing the number of our medical representatives (MRs), particularly in Japan, as a means of reinvigorating sales promotion activities. This will enable us to reach the target laid out in our three-year plan of raising our sales to ¥5.0 billion by fiscal 2005. At present, the anticancer drug *Oxaliplatin*, a follow-up drug to *Campto*, is in Phase II of clinical trials, and we expect to apply for its approval in fiscal 2004.



Ensuring Compliance

Two unfortunate incidents—improper fund management in 1998 and the violation of the Securities and Exchange Law in 1999—that lost us the confidence of our customers were the impetus for deep reflection and our treatment of compliance with all laws and regulations as an issue of the utmost importance. To make improvements to our compliance activities and revise Company rules, we established the Compliance Council, comprised of third parties, that began activities on May 1, 2000. The objective and functions of the council are twofold—firstly, it gives advice and guidance for better compliance and reviews reports submitted by Yakult regarding plans that incorporate such advice as well as the progress and results of compliance measures. Secondly, this third-party body ensures unbiased and fair audits as well as operations that comply with applicable rules and regulations.

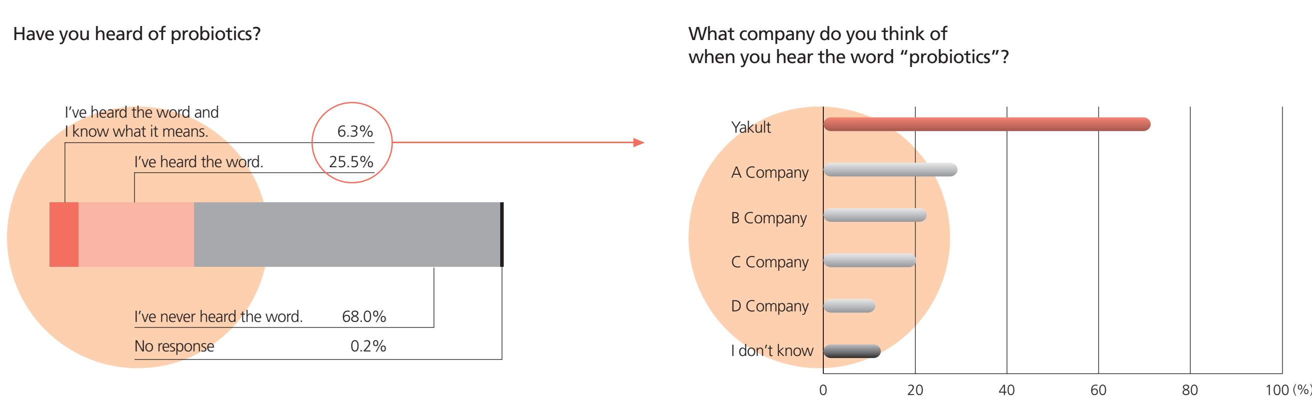
We at Yakult are committed to maximizing shareholder value. To this end, we are endeavoring to succeed in a very difficult operating environment with a variety of measures that capitalize on our strengths. Firstly, we will fully exploit the appeal of probiotics amid increasing awareness of the importance of preventive medicine. Secondly, we will continue to promote mainstay products that incorporate lactobacilli (*Lactobacillus casei* strain Shirota) and bifidobacteria (*Bifidobacterium breve* strain Yakult) while striving to develop new, highly functional products. Thirdly, we will expand both our independent Yakult Lady system and in-store sales channels, further develop our cosmetics and pharmaceuticals businesses, and aggressively pursue global expansion to satisfy the diverse needs of our customers with high-quality products and services.

We thank our shareholders and investors for their ongoing loyalty and support and ask for their continued understanding in the future.

June 2002

Sumiya Hori, President

Consumer's Familiarity with Probiotics



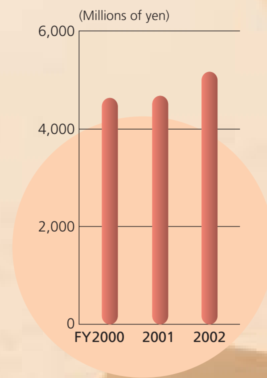
Based on Yakult's research findings
Graphs based on May 2002 survey of 400 people in the Tokyo metropolitan area aged 15 to 59

Raising Brand Value and Popularizing Probiotics

Yakult was founded on the concept of using probiotics, specifically, useful bacteria, to prevent disease. Yakult founder Dr. Minoru Shirota's belief that a healthy intestine is the key to a long and healthy life led him to discover a lactobacillus that could survive gastric acid and bile acids to reach the intestine alive. In 1930, Dr. Shirota became the first person in the world to succeed in culturing a certain variety of human intestinal lactobacilli, which was named *Lactobacillus casei* strain Shirota.

While the 20th century was an era of curative medicine in which antibiotics played a leading role, the 21st century is witnessing a shift in focus to preventive medicine. Probiotics are sure to play a central role in healthy lifestyles in the 21st century, and Yakult will position itself at the forefront of this trend, capitalizing on its vast expertise and knowledge based on the work of Dr. Shirota, who more than 70 years ago recognized the importance of preventive health care.

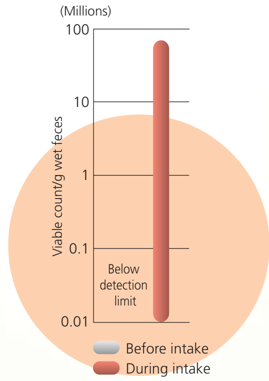
R&D Costs



R&D and Safety Assurance

As the hub of Yakult's bioscientific research, the Central Institute for Microbiology Research has made numerous achievements over the years in the application of beneficial microorganisms. The institute leverages the Company's strengths as the leader in probiotics research in its constant quest to uncover new applications and benefits in this field. Basic research into the mechanisms of intestinal microorganisms is an essential part of our work at the institute, forming the foundation for the development of health-enhancing products and other important applications. Our technological capabilities, represented by high-performance facilities and equipment, as well as extensive data amassed over the course of our long history, enable us to conduct research at the highest level of sophistication. Our research has also played a crucial role in broadening the scope of health benefits for which the bacteria in our products are recognized to include even reduced cancer risk, a claim that can be made for no other bacteria. New product development includes research into expanded applications of lactobacilli

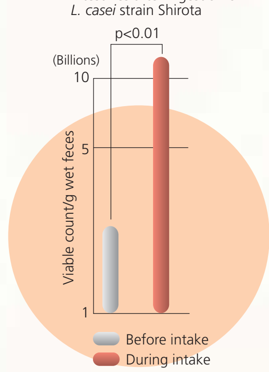
Recovery of Consumed
***Lactobacillus casei* strain Shirota**



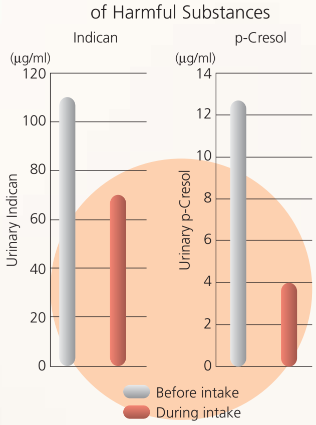
Modulation of Intestinal Condition

Improvement in Balance
of Intestinal Flora

Increase in bifidobacteria in intestines after ingestion of *L. casei* strain Shirota



Inhibition of the Intestinal Production
of Harmful Substances



(*Lactobacillus casei* strain Shirota), particularly in the treatment of such lifestyle-related diseases as high blood pressure, and has resulted in the discovery of a third microorganism to incorporate into food products, as well as the development of food products made from natural ingredients that will contribute to the prevention of lifestyle-related diseases. In the fiscal year under review, R&D costs totaled ¥5.2 billion.

R&D and Production Systems that Support Safety

The guarantee of safety is crucial in both R&D and production activities. Recognizing that the lack of side effects produced by bifidobacteria (*Bifidobacterium breve* strain Yakult) and lactobacilli (*Lactobacillus casei* strain Shirota) is Yakult's greatest asset and a primary factor in determining our popularity with consumers, we strive to create products that can be enjoyed with ease of mind. The Central Institute for Microbiology Research carries out vigilant safety testing to verify the complete safety of all of our products. Furthermore, in 1998, we introduced an HACCP hygiene control system that was approved upon the first inspection by the Ministry of Health, Labour and Welfare to ensure a highly hygienic production environment. The system analyzes the potential for contamination by harmful microorganisms or foreign matter that may be introduced at any particular stage of production. To date, 10 parent company factories and nine subsidiaries' factories have acquired HACCP certification.

Raising our Brand Image and Product Value

Our marketing and advertising activities are aimed at equating probiotics and lactobacilli in consumers' minds. Achieving this will allow us to employ consumer knowledge about the benefits of probiotics in promoting the value of our products. In addition, we will capitalize on our role as a pioneer in the field of probiotics with over 70 of years of experience—a claim that none of our competitors can make—to raise our corporate value. The general public lacks the necessary information about probiotics to fully grasp their benefits. For this reason, education has become one of the focal points of our brand strategy. We are working to employ home delivery and in-store sales channels to promote the recognition not only of probiotics and their positive effects, but of the Yakult products that embody the health benefits of probiotics. We expect Yakult Ladies to play a key role in teaching our customers about probiotics and are supporting such efforts by increasing their numbers and providing them with thorough sales training. The development of attractive and effective new products is an integral part of expanding our customer base, and we are enhancing our lineup with new products to reach a diverse range of customers with varying tastes and lifestyles. To this end, in April 2002, we introduced *Yakult 80 Ace LT* to augment our lineup of probiotics products. Moreover, we introduced a new bottle design for *Yakult 80 Ace*, a fermented milk drink, in April 2002, and in October 2002, we will commence nationwide sales of *Purera*, a soft yogurt that is already being marketed in the Tohoku and Kanto regions, to give consumers yet another way in which they can incorporate probiotics into their lives.

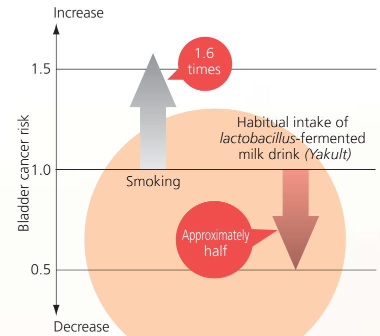
Overseas Developments in Probiotics

Europe, the home of dairy farming, is also considered the home of probiotics and is where the word was coined in 1989, despite the fact that the health benefits of useful bacteria had by then already been recognized and put to use in Japan. In 1996, two large probiotics projects got under way, aided by financial aid from the European Union and enthusiastic participation by lactobacilli research institutes and dairy product manufacturers. The purpose of this research was to reexamine the mechanisms of lactobacilli and bifidobacteria with the long-term goal of using the bacteria for preventive medicine and health enhancement. The research soon produced positive results, spurring the development and popularity of probiotics in Europe. Yakult was a forerunner in the European probiotics market, commencing sales in the Netherlands in 1994 and extending its business to Belgium, the U.K., and Germany. The explosive popularity of probiotics products has been so far-reaching as to result in special sections of German and French supermarkets dedicated to probiotics and, sparked by the boom in Europe, the concept has spread worldwide to encompass the United States, South America, and Asia.

While the favorable response to probiotics in Europe translates into business opportunities for us, it also means that competition in the international market is as heated as ever. Although we have boosted our competitiveness by lowering costs and engaging in special promotions, the confidence we have in our products and services, which have been cultivated over the past 70 years, allows us to continue to hone our business without being led astray by the fleeting trends that steer other companies. Our long history in the field of probiotics has enabled us to carefully develop safe and effective products and services, including our unique Yakult Lady system, that have withstood the test of time and transcend the boundaries of nationality and culture. The same history eliminates the need for Yakult to focus on differentiating its products from the competition—Yakult's commitment to local production and distribution as well as face-to-face communication ensure that customers will be aware of the many benefits that Yakult's products have to offer, and the Company's long history alone distinguishes it from other companies in the field.

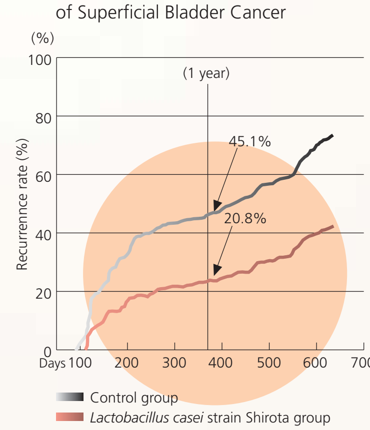
Potential for Preventing Cancer

Reduction of Bladder Cancer Risk by Ingesting *Lactobacillus*-Fermented Milk Drink *(Yakult)*



Based on research findings of Yasuo Ohashi, *et al*

Inhibitory Effect on the Recurrence of Superficial Bladder Cancer



Based on research findings of Yoshiro Aso, *et al*

Review of Operations

Food and Beverages

Pharmaceuticals

Others

Amid a protracted slump in consumption, domestic sales of our mainstay dairy products decreased. Looking overseas, as competition in the Americas and Europe intensified, we engaged in aggressive sales promotion in Asia and Oceania, where sales experienced significant growth. Furthermore, juice sales exceeded those of the previous fiscal year. As a result of the preceding factors, the food and beverages business recorded sales of ¥197.2 billion, down 0.3% from the previous fiscal year.

Dairy Products (Domestic)

Fiscal 2002 Activities

Purela

Yakult's dairy products contain lactobacilli (*Lactobacillus casei* strain Shirota), which possess a strong resistance to gastric acid and bile acids and are delivered live and active primarily to the small intestine, and bifidobacteria (*Bifidobacterium breve* strain Yakult), a select variety with proven health benefits, which are active mainly in the large intestine. Lactobacilli and bifidobacteria possess three main benefits—the promotion of regular bowel movements, the prevention of intraintestinal growth of harmful bacteria, and the prevention of intraintestinal putrefaction by inhibiting the production of harmful substances. These products, which were designed to promote good health through daily intake, embody the principles of preventive medicine. In addition, our dairy products have been designated as Food for Specified Health Uses by the Minister of Health, Labour and Welfare under the Nutrition Improvement Law. This designation recognizes the scientifically proven benefits of lactobacilli and bifidobacteria by authorizing us to indicate our products' health benefits on product packaging.

In the year under review, we worked to improve our sales organization and step up marketing activities in a number of ways, starting with efforts to strengthen the connection that consumers make between lactobacilli and bifidobacteria and probiotics by educating them about both probiotics and our products. Secondly, we engaged in the retraining of center managers to inspire and support the demonstration of initiative and leadership needed to motivate employees and efficiently manage operations. Thirdly, we implemented a nationwide coaching system that trains Yakult Ladies* to becomes better salespeople by training them in how to conduct sales and better educate their customers about probiotics and product functions. Finally, the Yakult sales handbook was made into a manual that can be used as a reference for information about the Company's products.

*Yakult Ladies are Yakult salespeople who deliver Yakult products to homes and offices, thereby furthering the spread of preventive health through close contact with customers.

In addition to expanding sales activities, particularly for our fermented milk drink *Yakult 400*, we launched *Yakult 80 Ace LT*, a lighter version of nutrient-rich *Yakult 80 Ace*, for the calorie-conscious in April 2001. Furthermore, we introduced the new soft-type yogurt *Purera* in aloe and blueberry flavors through our home-delivery network in the Tohoku and Kanto regions in September and November, respectively. *Purera*, which combines the benefits of a health food with the pleasure of a dessert, fills a gap in Yakult's array of fermented milks by adding the soft-yogurt genre to its lineup and attracted new customers to our products, exhibiting strong growth in the period under review.

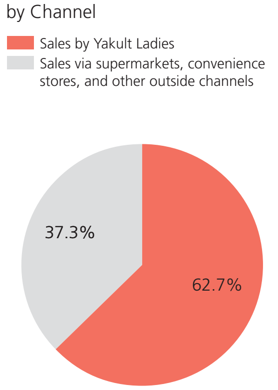
Review of 2002

Active efforts to uncover latent demand for fermented milk drinks, including *Yakult*, *Yakult 80 Ace*, and bifidobacteria yogurt drink *Bifiel,* were not enough to overcome the effects of the ongoing slump in consumer spending stemming from overall economic malaise, resulting in a drop in sales of dairy products.

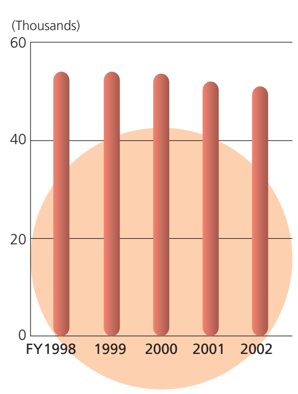
Strategy and Outlook

Looking at the road ahead, we plan to continue to strive to fulfill our mission of educating the public about the benefits of probiotics and our products as well as the functions and safety of lactobacilli. In addition, we plan to enhance our lineup through the development of new products that will reach a wider range of lifestyles and tastes to provide health benefits to a greater number of people and create a more diverse customer base. Training activities for both center managers and Yakult Ladies will enable us to fortify our sales organization toward the realization of more efficient and effective operations that capitalize on our many strengths, in particular our history in probiotics. We will carry out the nationwide launch of *Purera* through our home-delivery services and continue to move forward with sales promotion activities for conventional in-store sales channels. Finally, we plan to designate products for sale via either store or home-delivery sales channels to maximize the advantages created by the unique characteristics of each channel, thereby raising performance in both.

Sales Ratio of Daily Products by Channel



Number of Yakult Ladies



Dairy Products (Overseas)

Indonesia

Dr. Shirota's mission to provide people with an affordable means of achieving good health extends to all of the people of the world, and Yakult's ideal of promoting health and disease prevention through the use of probiotics appeals to people of all nationalities. Yakult's global expansion began in Taiwan in March 1964, when the Company established Yakult Co., Ltd. (Taiwan). Since then, Yakult's global network has expanded, and at present, we have established bases in 15 countries and, including countries in which we are conducting test marketing, manufacture and sell the fermented milk drink *Yakult* in 22 countries around the world. Accordingly, we are readily recognizable as a part of daily life for people speaking a variety of languages around the world, and we plan to continue expanding our business until it encompasses everyone who wishes to enjoy the benefits of good health.

Fiscal 2002 Activities

Mexico

The Netherlands

Asia and Oceania ● In the period under review, we extended our international operations to include China, establishing Guangzhou Yakult Co., Ltd., in Kwangtung, China in January 2001. The new company commenced sales on June 10, 2002. In Korea, we introduced *Will*, a new, extremely high-value-added product that has made a significant contribution to sales in Korea by exhibiting solid growth. In Indonesia, sales of *Yakult* were strong, reaching an average sales volume of nearly 0.5 million bottles a day. Judging the prospects for growth in Indonesia's health beverage market to be promising, the Company increased its shareholding of P.T Yakult Indonesia Persada to 100% on December 7, 2001, to change its status from an affiliate accounted for by the equity method to that of a fully owned subsidiary. Finally, in Australia, we increased product recognition nationwide through proactive sales promotion activities, thereby effecting significant sales growth. As a result of these activities, sales in the Asia and Oceania region jumped 20.7%, to ¥5.1 billion.

The Americas ● On December 18, 2001, we increased our share in Yakult S.A. de C.V. (Mexico) from 49.0% to 61.2%, gaining a majority share in the company. The Mexican market has already shown considerable growth that has enabled us to expand sales, which had previously been concentrated in Mexico City, to outlying areas. Further expansion will be guided by a highly motivated team of managers that have been placed in the area to work with the local people in further penetrating this growing market. We expect the scope of the company's operations to expand with the market, making it an important base in our global strategy and crucial to our expansion in the Americas. Due to volume sales at low prices by our competitors, sales in this region fell 3.9%, to ¥13.2 billion.

Europe ● In Europe, the fermented milk drink *Yakult* is manufactured and sold in the Netherlands and sold in the U.K., Germany, and Belgium as well. While overall sales volumes have increased in this region ever since the commencement of sales, recent years have witnessed the proliferation of competitors, forcing us to step up marketing activities. This included the spring launch of a light version of *Yakult*, which earned a favorable reception from consumers. As a result of these activities, the Company was able to post an increase in sales of 5.8%, to ¥6.9 billion.

In the fiscal year under review, the average daily sales of the mainstay product *Yakult*, which is manufactured and sold from bases in 15 countries worldwide, amounted to 14.4 million bottles a day (as of March 2002).

Breakdown of Overseas Sales of *Yakult* by Principal Market

Performance from January to December 2001

	Sales Quantity (Thousands of bottles/day)	Percentage of Previous Year's Sales (%)
Asia and Oceania		
Taiwan	1,534	82.5
Hong Kong	439	98.5
Thailand	1,585	101.9
Korea	5,102	99.4
Philippines	539	125.8
Singapore	125	101.5
Indonesia	496	148.3
Australia	124	142.7
Subtotal	9,944	99.8

	Sales Quantity (Thousands of bottles/day)	Percentage of Previous Year's Sales (%)
The Americas		
Brazil	1,788	89.2
Mexico	1,913	109.1
Argentina	29	184.6
Subtotal	3,730	98.8
Europe		
The Netherlands	111	93.0
Belgium	88	94.9
The United Kingdom	190	96.1
Germany	138	90.7
Subtotal	527	93.8
Total	14,201	99.3

Strategy and Outlook

In the future, Yakult's global strategy will involve tapping into new markets, including Vietnam, the United States (Los Angeles), France, and Spain, where we are already conducting test sales. As in our domestic operations, a core element in overseas operations is our employees, and we plan to improve staff training and raise the management capabilities of management staff that are transferred overseas. We plan to employ consolidated subsidiaries in the sale of Yakult products at the local level to realize operations that are tailored to each region's unique needs.

The outlook for our global business in dairy products is as follows.

The Americas ● In addition to the creation of a strong sales organization, we plan to launch both the fermented milk drink *Yakult 400* and yogurt dessert *Sohful* in Brazil. We will also step up management training activities for employees who are placed in Mexico to further efficient and smooth operations.

Asia and Oceania ● Looking at the fast-growing market of China, we plan to use our experience in doing business with Hong Kong Yakult Co., Ltd., to help us make a smooth entry into the market. We intend to construct an in-store sales network as well as a Yakult Lady system to fully exploit the potential of this vast market, in which direct sales channels are relatively uncommon. To raise the value of our products and our company, we will promote our product brands and place top priority on quality assurance. Yakult believes in tailoring its business to the needs and customs of the different regions in which it operates and, to this end, it employs local citizens for production and distribution as well as marketing operations. Yakult Ladies will play a leading role in carving out Yakult's niche in the Chinese market and creating a sense of trust and loyalty among Chinese customers through face-to-face interaction. Compliance with all local laws and customs will ensure our place in China so that we can effect long-term expansion. In Indonesia, we anticipate achieving daily sales of 1 million bottles or more of *Yakult* within several years due to strong market growth.

Advance into Foreign Markets

Planned expansion	
Malaysia	Sales scheduled to commence in 2003
Test sales	
Brunei, United States (Los Angeles), Uruguay, Luxembourg, France, Spain	
Currently undergoing feasibility studies	
Vietnam, India, other Asian countries	Conducting local feasibility studies based on the assumption of market entry
Europe (especially EU countries)	Conducting local feasibility studies based on the assumption of market entry
Various countries in Latin America	Conducting local feasibility studies based on the assumption of market entry
Peru, Chile	Investigation activities temporarily suspended

Juices and Other Beverages

Fiscal 2002 Activities

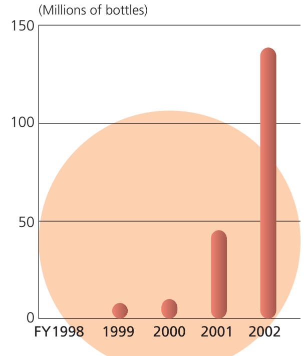
Yakult's juices and other beverages are designed to be part of active and healthy lifestyles. In the period under review, our efforts in our juices and other beverages business were rewarded with a slight increase in overall sales. Included in these efforts were vigorous marketing activities that focused primarily on those products with unique features.

One such product is *Bansoreicha*, a sugar-free tea drink made from guava leaves that was launched nationwide in June 1998 to respond to demand from increasingly health-conscious consumers. Guava tea has long been used as a folk remedy for various ailments and, more recently, as an ingredient in health teas, making it perfectly suited to consumers' demand for products with health benefits. In March 2000, the drink was approved by the Minister of Health, Labour and Welfare as a Food for Specified Health Uses in recognition of the ability of the polyphenol in the tea leaves to control increases in blood sugar after meals. Sales promotion activities centering on *Bansoreicha* included close collaboration with our sales companies to raise the product's appeal to customers and increase the number of stores that carry the product. Our aim is to make *Bansoreicha* one of our mainstay products. With this in mind, and in consideration of the exponential growth the product has already exhibited, we are working to create a line of drinks based on *Bansoreicha* and have expanded our production lines for the drink.

Another product that we focused on in our marketing activities in the period under review was *Lemoria*, a new soft drink launched in June 2001. Although the market for soft drinks with low fruit juice content (less than 10% juice) is relatively easy to enter due to the fact that the products in this market are easy-to-drink and low-calorie, because most of the products in this category do not have any unique qualities, they are easily replaced by new products. *Lemoria* is designed to carve out a new niche in the market by delivering refreshment and relaxation to today's overburdened students and workers with the combination of lemon juice and seven herb extracts in a light and fragrant low-calorie drink.

Bansoreicha

Annual Sales of *Bansoreicha*
(Non-Consolidated Basis)



Review of Fiscal 2002

As a result of the aforementioned measures, net sales increased in the period under review. A large part of this growth was attributable to the stellar performance of *Bansoreicha*. *Bansoreicha*'s growth, which is attributable to its strong performance in supermarkets and convenience stores fueled by increasing awareness of its unique health benefits, has catapulted it to the position of accounting for one-fifth of this category's total sales, confirming its status as one of our principal products. Sales of *Bansoreicha* were almost evenly divided between conventional sales channels and the Yakult Lady system. *Lemoria* also performed well, attracting new customers with its unique, prism-shaped container and light, clean taste to make a promising start.

Strategy and Outlook

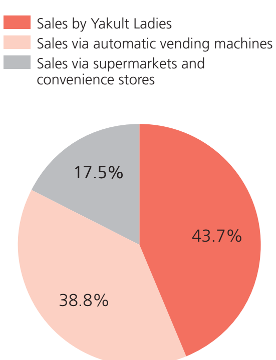
In fiscal 2003, we plan to raise the level of our sales promotion activities for *Bansoreicha* and *Lemoria*. We plan to increase recognition of the *Lemoria* brand name as well as the product's benefits to secure it a place in the soft drink market, where a constant stream of new products into the market means that products with staying power are rare.

The strengthening of our sales channels constitutes another goal that we will endeavor to fulfill in fiscal 2003. *Bansoreicha's* success in conventional store channels has opened the door for Yakult to introduce other products through these routes. *Lemoria* will be the second Yakult product to be aggressively marketed through such in-store sales channels as supermarkets and convenience stores, and we intend to continue to build on successful endeavors in this area with the introduction of new soft drinks whose primary drawing points revolve around health enhancement. Also, we will expand the number of vending machines carrying our products to augment our two other principal sales channels. Finally, we are continually engaging in the development of new products and, in fiscal 2003, we will focus on the launch of new products and the development of new materials that embody the concepts of health and enjoyment.

These activities are expected to lead to a slight 1.3% increase in sales from this business category in fiscal 2003. Growth in sales of *Bansoreicha* will slow, and the drink is expected to post a moderate 3.8% increase in sales. *Lemoria*, in its first full year of sales, is on its way to becoming a significant contributor to sales.

Lemoria

Sales Ratio of Juices and Other Beverages by Channel (Non-Consolidated Basis)



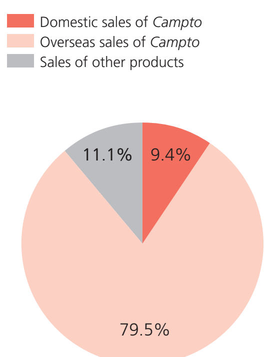
Sales of Juices and other Beverages (Non-Consolidated Basis)

Millions of yen			Thousands of U.S. dollars
2002	2001	2000	**2002**
¥49,372	¥47,950	¥46,391	**$371,216**

Fiscal 2002 Activities

Anticancer drug *Campto*

Breakdown of Pharmaceuticals Sales



Yakult's business was founded on the principles of preventive medicine and the promotion of good health. These aspects of its business naturally led the Company to extend its endeavors to the field of curative medicine. As a widely respected researcher, developer, and manufacturer of medicines and medical products, Yakult places the utmost importance on the exchange of information to ensure that all our products are used properly.

Yakult's pharmaceutical research is focused on the development of new anticancer drugs, which we believe is the key to our success in this highly competitive market. The mainstay product of our pharmaceuticals operations is *Campto* (*Camptosar* in the United States), an innovative anticancer drug introduced in April 1994 that helps treat a number of cancers, including lung and colorectal cancers. *Campto* is a derivative of camptothecin, an antitumor alkaloid that was originally derived from the *xishu* (*Camptotheca acuminata*), a plant native to China. Overseas expectations of *Campto*'s effectiveness in second-line chemotherapy are best exemplified by the record speed—only 28 hours—it took for the drug to receive an endorsement from the U.S. Food and Drug Administration (FDA) following a recommendation of the Oncologic Drugs Advisory Committee (ODAC). The drug has acquired approval for use in first-line chemotherapy against colorectal cancer in the United States and Europe. Construction work at the Fuji Susono Pharmaceuticals Plant that expanded certain facilities to respond to rising demand for *Campto* was completed in the year under review. The new facilities began making shipments in November 2001. At present, the drug is in clinical investigations in the United States and Europe to gain approval for broadening its scope of applications to include lung (small-cell carcinoma), gastric, and pancreatic cancers. Licensing agreements with Pharmacia Corporation in the United States and Aventis Pharma in Europe have enabled us to reach virtually every part of the world with *Campto* to aid people in fighting cancer. Surprisingly, the worldwide popularity and exponential growth of *Campto*, which is widely used in conjunction with other drugs in first-line chemotherapy, has not yet reached the equivalent levels in Japan. However, it has been adopted by Japan's leading hospitals and cancer-treatment facilities.

In addition to *Campto*, domestic sales promotion activities encompassed other products in the pharmaceuticals business, including the arterial embolization material *Spherex* and the *Calorian L* series of nutritional liquid foods for hospital use.

Furthermore, we expanded sales channels for *Femiest*, a menopause treatment that was launched in October 2000, through the publication of a number of articles in original papers, brochures, and magazines to educate the public about hormone replacement therapies, thereby expanding sales in the field of gynecological treatments.

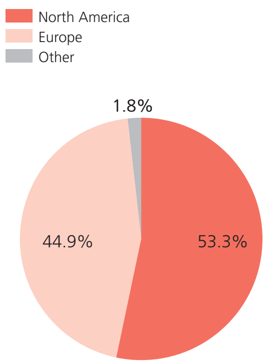
Fiscal 2002 Review

In fiscal 2002, sales by the pharmaceuticals business skyrocketed, rising 44.3% year on year, to ¥17.4 billion. These outstanding results were primarily attributable to the worldwide demand for *Campto*.

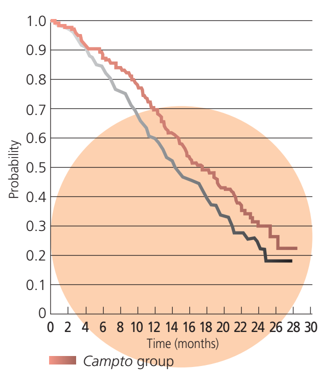
Strategy and Outlook

Effecting growth in our pharmaceuticals business is one of our top priorities, and we are making a concerted effort to step up activities in this area. Domestic sales promotion activities will continue to be concentrated on increasing sales of *Campto* in Japan. We plan to increase the number of our medical representatives (MRs) who will promote wider use of the drug by disseminating information about it to doctors and medical institutions. In addition, clinical investigations of *Campto*'s effectiveness in treating pancreatic cancer will be completed in fiscal 2003, after which the Company intends to submit an application for approval of an additional indication (10th indication) to the Ministry of Health, Labour and Welfare. We expect approval to be granted within one year. Domestic sales of *Campto* are forecast to rise 56.8%, to ¥2.6 billion, in fiscal 2003, and we have our sights on raising them to ¥5.0 billion by fiscal 2005.

Breakdown of Overseas Sales of *Campto* by Region



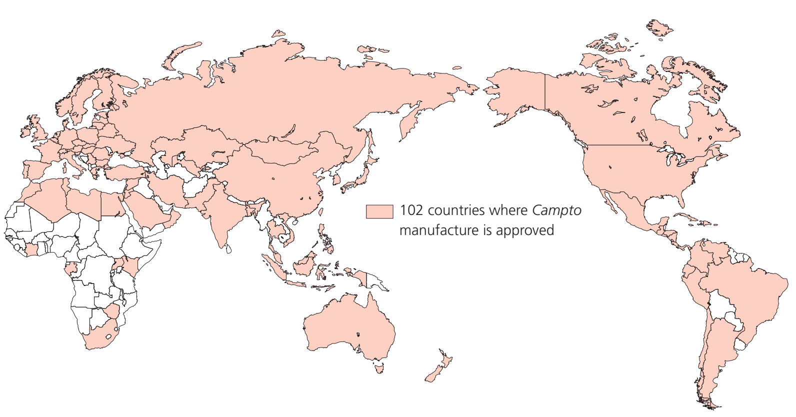
Survival Curve in Colorectal Cancer with *Campto*



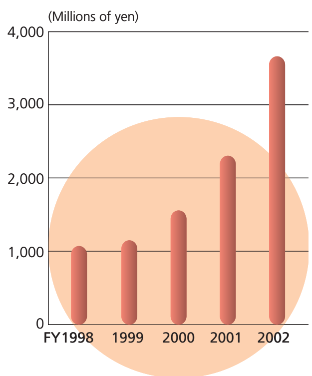
Based on research findings of J.Y. Douillard, *et al*

	Campto group	Non-*Campto* group
Median Overall Survival (months)	17.4	14.1
1-Year Survival (%)	69	59

Worldwide Distribution of *Campto*



Campto Royalty Income



Overseas activities in our pharmaceuticals business will also focus on *Campto*. As populations in all of our markets grow older, the treatment of age-related illnesses, including cancer, will be an issue of increasing importance. *Campto* is in various phases of clinical investigations for several new applications. Clinical trials for lung (small-cell carcinoma) and pancreatic cancers have reached Phase III in the United States, while Phase II clinical trials are currently being conducted for both applications in Europe as well. The drug is expected to receive approval for the treatment of gastric cancer in Europe in fiscal 2004.

Aggressive efforts to increase sales of *Femiest* will continue in fiscal 2003. Japan has an aging population, and 25% of its citizens will be 65 years of age or older by 2020, a fact that is expected to spur demand for the product. Still, we plan to continue to engage in campaigns to inform older women about the benefits of hormone replacement therapy through the publication of articles in original papers, brochures, and magazines.

Finally, we have *Oxaliplatin*—a new drug for the treatment of colorectal cancer—in our R&D pipeline, and we anticipate that it will raise the Company's profile in the pharmaceutical industry. It has entered Phase II clinical trials and we expect to apply for approval to manufacture the drug in fiscal 2004. We are looking to expand the scope of applications for our pharmaceuticals in the field of women's health, particularly to include indications for the treatment of menopausal disorders and osteoporosis. *Femiest* is preparing for Phase III clinical trials to expand its applications to the treatment of osteoporosis.

As a result of these activities, we expect our pharmaceuticals business to record solid growth in fiscal 2003, with a forecast increase in sales of 20.6%, to ¥21.0 billion. Sales of *Campto* are expected to make up a large proportion of sales in this business in fiscal 2003.

Expansion of *Campto* Applications and Development Pipeline

1. Expansion of Applications of *Campto*

	Indications	Stage	Date of application	Remarks
Japan	Pancreatic cancer	Phase II (commenced April 2001)	Fiscal 2003 (planned, approval expected within one year)	Approval will extend Yakult's patent from 2007 to 2009
Pharmacia	Small-cell lung cancer	Phase III	Undecided	—
	Pancreatic cancer	Phase III	Undecided	—
Aventis	Small-cell lung cancer	Phase II	Undecided	—
	Gastric cancer Pancreatic cancer	Phase II	Fiscal 2004 (gastric cancer)	—

2. Development Pipeline

Product	Indications	Applying company	Joint development partner	Stage	Remarks
Oxaliplatin	Colorectal cancer	Debiopharm S.A. (Switzerland)	Independent development	Phase II, plan to apply for approval in fiscal 2004	Expected to be taken in tandem with *Campto*
Femiest	Osteoporosis	Aventis	Aventis	Preparing for Phase III	Launched in 2000 to relieve symptoms of menopause; domestic education promotion
Combipatch	Menopause symptoms	Aventis	Aventis	Preparing for Phase III	—
	Osteoporosis	Aventis	Aventis	Phase II	—

Others

Cosmetics

Yakult's mission to deliver health-enhancing products to consumers is evident in every aspect of its business, including its premium cosmetics. Our cosmetics are designed to boost skin health from the inside out using our independently developed technologies, thereby complementing the internal health benefits of our beverages. Yakult cosmetics contain a moisturizing agent independently developed by the Company, called *Natural S.E. Liquid*, along with other ingredients that enhance skin health. In the development of these cosmetics and all of our other products, effectiveness and safety are of primary importance. In addition to cosmetics, Yakult has developed its own beauty-enhancing systems, which are used both at its esthetic salons and in visits to customer homes.

Bi-Cycle Lifting Essence

In the period under review, we focused our efforts on drawing customers to our cosmetics products containing *Natural S.E. Liquid* and *B.E. Liquid*. The former helps skin retain its moisture, inhibits the oxidation of natural oils to prevent blemishes, freckles, and other signs of aging, and maintains the slightly acidic pH of healthy skin. The latter, the newly developed *B.E. Liquid*, is an antiaging agent that is a by-product of the fermentation of soy milk using bifidobacteria. *B.E. Liquid* contains active isoflavones, increases the skin's hyaluronic acid content, and is the result of Yakult's extensive R&D into alternative applications for its probiotics technology. Hyaluronic acid is a substance that is abundant in young skin, degrading over time with exposure to pollutants and sunlight. It has the capacity to hold more water than any other natural or synthetic polymer, which gives it superior antiaging and moisture-retaining properties.

Grantia series

We also actively worked to upgrade the menu of services offered in our Home Esthetic service, which allows customers to receive esthetic treatments in the relaxing atmosphere of their own homes at competitive, affordable rates that enable a wider range of people access to this means of enhancing their beauty.

Our product strategy for fiscal 2002 consisted of four main elements. Firstly, we worked to enhance our *Revecy-N* series of skin care products, which feature *Dual Moisture Balance*, a moisturizing agent that revitalizes the skin by promoting healthy cellular metabolism within the keratin layer. Secondly, in September 2001, we launched *Bi-Cycle Lifting Essence*, a new product that incorporates both *B.E. Liquid* and vitamin A derivatives to increase the amount of hyaluronic acid in the skin. We engaged in sales

Skin care products

promotion activities to expand sales of this product, which responds to the older population's desire for an antiaging agent that maintains the skin's suppleness and thus prevents sagging and wrinkles. Thirdly, we launched the *Grantia* makeup series, which comprises three makeup items—*Liquid Foundation, Pressed Powder*, and *Rouge Moist*—that incorporate one of our proprietary technologies. Finally, recognizing the opportunity presented by Japan's rapidly aging population, we pursued the R&D of new antiaging products.

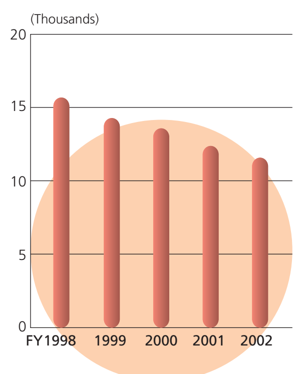
Fiscal 2002 Review

As a result of the aforementioned measures, in particular sales promotion activities centering on the newly launched *Bi-Cycle Lifting Essence*, sales of our key skin care products increased in the year under review. Moreover, even amid a trend of overall economic stagnation, redoubled marketing efforts for both skin care and makeup products allowed us to surpass the previous fiscal year's sales.

Although the contribution to sales of the "others" business remains relatively low, sales edged up 1.0% year on year, to ¥15.0 billion.

Strategy and Outlook

Number of Yakult Beauty Advisors



Looking ahead to fiscal 2003, Yakult will continue with its efforts to obtain a greater contribution to total net sales from this business. In our Home Esthetic service, we will work to upgrade and enrich our treatments to enhance the lives of as many customers as possible. Additionally, we will work to develop new customer-oriented products that reflect changing needs to realize a higher level of customer satisfaction. Part of our endeavors to enhance our sales capabilities will include improved training for Yakult Beauty Advisors, who visit customers in their homes to provide thorough counseling and dispense individually tailored advice on which products and services best suit a given customer's needs. Our product strategy will entail the more effective marketing of both skin care and makeup products as well as improved responses to the needs of an aging society. To this end, we will continue to develop innovative and groundbreaking new products that employ our proprietary technologies to meet the demands of our customers for functional and effective products. Such measures as the drafting of policies to increase the number of new customers that use our products and services and to promote the nurturance of our brands, as well as conducting seasonal campaigns, will contribute to the attainment of our goal of vitalizing sales in this sector.

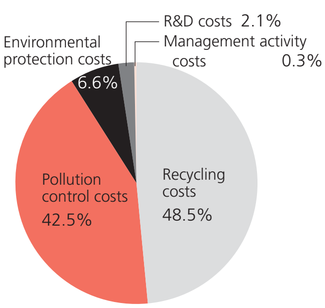
One of Yakult's top priorities is to be a good corporate citizen, enjoying a solid reputation that inspires loyalty and trust in its customers. This is why Yakult considers environmental and community activities to be an essential part of its business.

Environmental Activities

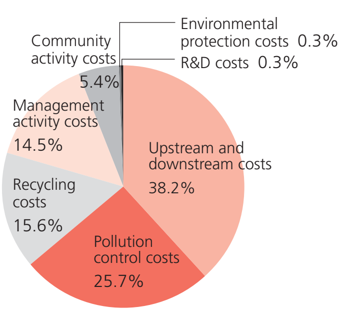
Environmental Accounting

In May 2001, we established the Yakult Environmental Accounting guidelines, based on guidelines for environmental accounting set out by the Ministry of the Environment, and we compiled and disclosed environmental accounting information for the first time.

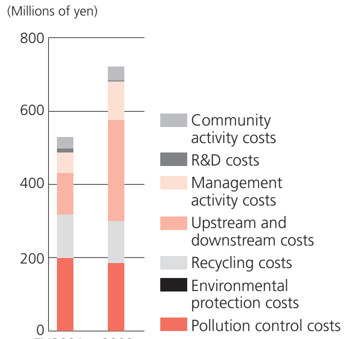
Breakdown of Investment



Breakdown of Expenses



Movement in Breakdown of Expenses



Environmental Preservation Costs (Millions of yen)

Cost	Principal measures	Investment	Expenses	Total
(1) Business Area Costs				
1. Pollution control costs	Installation of liquid natural gas boiler, upgrade of water purification system using *Yakult* bottles, maintenance and management of water-processing facilities, etc.	74.8	185.2	260.0
2. Environmental protection costs	Solar lighting construction, energy-saving measures for chilled pump, etc.	11.6	1.9	13.5
3. Recycling costs	Use of delivery cars for the recovery of empty containers, waste processing	85.3	112.7	198.0
(2) Upstream and Downstream Costs	Reuse of revamped vending machines, consignment of recycling in accordance with Containers and Packaging Recycling Law, crushing and processing of recovered plastic containers	0.0	275.8	275.8
(3) Management Activity Costs	ISO 14001 acquisition, employee training, environmental protection campaign, analysis and measurement of waste, water quality measurement, etc.	0.6	104.9	105.5
(4) R&D Costs	Shift to lightweight containers for dairy products and beverages, etc.	3.7	2.4	6.1
(5) Community Activity Costs	Placement of flower beds, beautification activities, creation of environmental report, fees for membership in environmental groups, etc.	0.0	38.7	38.7
(6) Environmental Damage Costs		0.0	0.0	0.0
Total		176.0	721.6	897.6

Economic Effect of Environmental Protection Measures (Millions of yen)

Effect	Amount
Reduction in waste-processing costs resulting from recycling	0.1
Income from recycling	4.3
Cost reductions from energy saving	12.0
Cost reductions from resource saving	3.5
Cost reductions from shift to lightweight containers and packaging	7.8
Cost reductions from reuse of revamped vending machines	718.1
Other	0.1
Total	745.9

Environmental Measures

In 1991, we stepped up our commitment to environmental preservation with the establishment of the Environmental Measures Organization, which promotes environmental awareness throughout the Yakult Group. Then, in 1999, we worked to create an environmental system that would raise the level of our environmental management activities. As of August 2002, all of our 10 plants, as well as the Central Institute for Microbiology Research, had acquired ISO 14001 certification.

Community Activities

Visitation Program for Senior Citizens

Yakult Ladies participate in a special visitation program whereby they visit elderly citizens living alone to chat with them and check on their safety and well-being. The program came about after a Yakult Lady in Koriyama began such visits voluntarily in 1972 after being deeply affected by the story of a senior citizen who had died with no one by his side. After one of Yakult's sales companies learned of the Yakult Lady's voluntary visits, they were expanded into a corporate activity. The program eventually spread nationwide with the aid of a local welfare commissioner who appreciated the value of this new service and who appealed to the municipal government to support the program. Since then, 335 local governments have requested Yakult's services in their communities, and the program involves 7,003 Yakult Ladies who pay regular visits to 87,307 senior citizens throughout Japan (as of March 2002), many of whom look forward to the visits as one of the highlights of their day.

This program has received several honors, including the 7th Special Koho Award for Excellence as a Corporation from the Keizai Koho Center (Japan Institute for Social and Economic Affairs) in 1991, the First Japan Life and Culture Grand Prize from the Japan Fashion Association in 1992, and the Minister of Health and Welfare Award for distinguished volunteer service in 1994.

Cultural Events for the Promotion of Communication and Health Information

Yakult's promotion of the dissemination of health-related information includes the publication of magazines and documents that provide information related to various aspects of health science as well as academic symposiums. Also, the Company has made a library of films and videos on health-related issues available to the general public.

In addition, we contribute to cultural enrichment via a variety of events being offered at Yakult Hall.

Promoting the Enjoyment of Sports

Yakult contributes to people's enjoyment of sports by sponsoring the *Yakult Swallows*, a professional baseball team in Japan's Central League. In addition, the Company hosts a variety of participatory sporting events, including athletic competitions. Moreover, we hold *Yakult Swallows* baseball clinics in which participants receive advice and coaching from professional players.

Contents

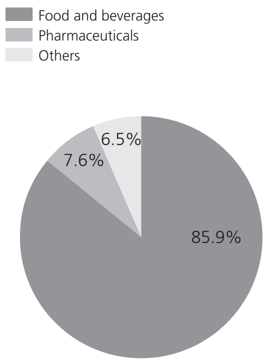
Consolidated Five-Year Summary

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries Years ended March 31

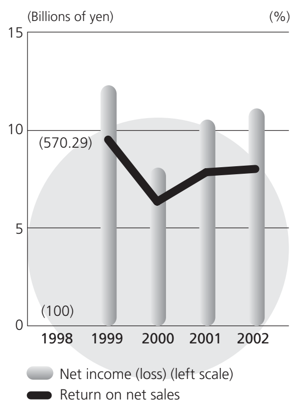
	Millions of yen					Thousands of U.S. dollars
	2002	2001	2000	1999	1998	**2002**
For the year:						
Net sales	**¥229,623**	¥224,795	¥211,279	¥216,780	¥193,463	**$1,726,489**
Selling, general and administrative expenses	**105,774**	102,353	92,978	96,173	85,886	**795,293**
Operating income	**13,071**	16,107	14,834	14,382	6,730	**98,278**
Net income (loss)	**11,108**	10,537	8,084	12,290	(100,050)	**83,519**
Research and development costs	**5,167**	4,676	4,633	—	—	**38,850**
Capital investments	**5,944**	8,911	8,882	—	—	**44,692**
Depreciation and amortization	**8,014**	8,041	7,950	7,770	7,137	**60,256**
At the year-end:						
Total assets	**¥269,094**	¥242,247	¥235,454	¥220,886	¥224,963	**$2,023,263**
Net property, plant and equipment	**87,798**	82,805	79,500	80,618	73,702	**660,135**
Total liabilities	**85,289**	74,861	70,428	93,533	131,580	**641,263**
Total shareholders' equity	**168,033**	158,450	152,104	114,978	93,383	**1,263,406**
	Yen					U.S. dollars
Per share of common stock:						
Basic net income (loss)	**¥ 63.20**	¥ 60.00	¥ 46.05	¥ 70.05	¥(570.29)	**$0.48**
Total shareholders' equity	**956.18**	901.62	865.81	655.63	532.31	**7.19**
Cash dividends per share (yen)	**15**	15	22.5	7.5	15	**0.11**
Financial ratios:						
Return on equity (ROE) (%)	**6.8**	6.8	6.1	11.8	—	**—**
Equity ratio (%)	**62.4**	65.4	64.6	52.1	41.5	**—**

Notes: 1. Figures for 1998, 1999, and 2000 have been rounded down to the nearest million.
2. Figures for 2001 and 2002 have been rounded to the nearest million.
3. Return on equity for 1998 is not shown due to the fact that a net loss for the period was recorded.
4. Minority interest: ¥1,606 million
5. U.S. dollar amounts are included, solely for the convenience of readers, at the rate of ¥133 to U.S.$1, the approximate rate of exchange at March 31, 2002.

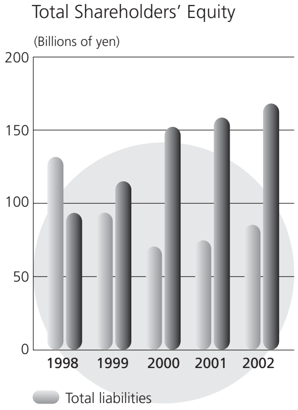
Breakdown of Net Sales



Return on Net Sales and Net Income (Loss)



Total Liabilities and Total Shareholders' Equity



Net Sales

In fiscal 2002, ended March 31, 2002, the global economy witnessed a number of negative economic developments, including bad debts, falling prices, and a downturn in the IT sector, as well as a slowdown in the U.S. economy that was exacerbated by the September 11 terrorist attacks in the United States and reverberated throughout the world, while the Japanese economy was characterized by prolonged recession and an increasingly tight job market, resulting in a contraction in consumer spending. These factors presented the Company with the challenge of an extremely difficult operating environment.

Under these circumstances, Yakult and its consolidated subsidiaries endeavored to disseminate information about probiotics, which will become a key word in the field of health in the 21st century, and the excellent benefits its products have to offer. At the same time, the Company fortified its sales organization, conducted vigorous R&D of new products, and enhanced its production facilities with an eye to raising performance. However, amid a market environment marked by cautious consumers, a decrease in the sales of our dairy products was unavoidable.

As a result of the preceding factors, the Company recorded consolidated net sales that rose 2.1% from the previous fiscal year, to reach ¥229.6 billion, buoyed by growth in its pharmaceuticals business, while overseas sales, propelled by the solid performance of pharmaceuticals in the United States, jumped 18.6%, to ¥41.3 billion.

Food and Beverages

In our dairy products business, although the new soft yogurt product *Purera* exhibited firm sales, sales of mainstay products including *Yakult* and *Yakult 80 Ace* declined. Sales by the juices and other beverages segment benefited from a significant increase in sales of Food for Specified Health Uses *Bansoreicha*, which exceeded those of the previous fiscal year. As a result of the preceding factors, sales by the Food and Beverages Business slipped 0.3%, to ¥197.2 billion, contributing 85.9% of overall net sales, a contribution which was down 2.1 percentage points from the previous fiscal year.

Pharmaceuticals

Sales by the pharmaceuticals business soared 44.3% from the previous fiscal year, to ¥17.4 billion, or 7.6% of overall net sales, up 2.2 percentage points from the previous fiscal year. These excellent results were primarily attributable to skyrocketing sales of our innovative anticancer drug *Campto* (*Camptosar* in the United States).

Others

Our other businesses, which comprise our cosmetics and professional baseball businesses, recorded sales of ¥15.0 billion, up 1.0% from the previous fiscal year.

Costs, Expenses, and Earnings

The cost of sales rose 4.2% from the previous fiscal year, to ¥110.8 billion. Due to fluctuations in our product mix, the gross income margin slid 0.9 percentage point, to 51.8%. Selling, general and administrative (SG&A) expenses rose 3.3%, to ¥105.8 billion, reflecting an increase in retirement benefit expenses. R&D expenses, which are charged to SG&A expenses as well as production costs, as a percentage of net sales rose 0.2 percentage point, to 2.3%. These factors led to an 18.9% decrease in operating income, to ¥13.1 billion, and a 1.5 percentage point drop in the operating income margin, to 5.7%.

Other income rose 123.7%, to ¥4.6 billion. Royalty income from our pharmaceuticals business as well as equity in earnings of unconsolidated subsidiaries and associated companies were primarily responsible for the rise.

Income taxes as a percentage of income before income taxes and minority interests were 35.5%, compared with 39.2% in the previous fiscal year. As a result, net income reached ¥11.1 billion, up 5.4% from the previous fiscal year, and the net income margin increased 0.1 percentage point, to 4.8%. Return on equity remained at approximately the same level as the previous fiscal year, at 6.8%.

Financial Position

Looking at the Company's financial position, the current ratio surged 39.1 percentage points from the previous fiscal year-end, to 211.5%. The debt-to-equity ratio increased 0.8 percentage point, to 12.5%, while the equity ratio was 62.4%, down 3.0 percentage points from the previous fiscal year-end. Although this reflects a considerable improvement in the liquidity of our assets, our capital structure has grown more dependent on borrowings.

Total assets rose 11.1%, to ¥269.1 billion, while current assets increased 34.8%, to ¥137.6 billion. The increase in current assets was mainly due to an increase in cash and cash equivalents of ¥27.1 billion and a rise in inventories of ¥7.9 billion. The addition of four new subsidiaries to the Group, which resulted from the mergers of associated companies, was the primary reason for the increases in these items.

Due to the aforementioned addition of four newly consolidated subsidiaries, net property, plant and equipment increased 6.0%, to ¥87.8 billion. Investments in and advances to unconsolidated subsidiaries and associated companies fell 44.2%, to ¥8.9 billion. This was primarily due to investment that was eliminated due to the consolidation of the four new subsidiaries.

Regarding the liabilities side of the balance sheet, total liabilities rose 13.9%, to ¥85.3 billion. Current liabilities increased 9.9%, to ¥65.0 billion, and total interest-bearing liabilities, including both long-term and short-term liabilities, amounted to ¥20.9 billion, a 13.3% rise from the previous fiscal year-end. An increase in notes and accounts payable of ¥1.6 billion as well as a ¥2.3 billion rise in short-term interest-bearing liabilities due to the aforementioned addition of four new consolidated subsidiaries were primarily responsible for the increase in current liabilities. Looking at long-term liabilities, liability for retirement benefits increased 97.7%. This was mainly attributable to the increase in expenses associated with retirement benefits.

Total shareholders' equity amounted to ¥168.0 billion, a rise of 6.0%. This was mainly attributable to a rise in retained earnings that was reflected in net income.

Cash Flows

Cash flows from operating activities constitute the primary source of funds for operations, capital investment, and the payment of dividends. Cash and cash equivalents, end of year, increased 78.0% from the previous fiscal year-end, to ¥61.7 billion. This rise was mainly due to a ¥13.7 billion increase in cash and cash equivalents stemming from the consolidation of four new subsidiaries as well as the activities mentioned below.

Net cash provided by operating activities fell 9.8%, to ¥24.5 billion, in the fiscal year under review. The primary factors in this decrease included a rise in equity in earnings of unconsolidated subsidiaries and associated companies, which is a non-cash item, and the fact that working capital, which comprises notes and accounts receivable, inventories, and notes and accounts payable, shifted from an inflow in the previous fiscal year to an outflow in the fiscal year under review. The fall in cash flows provided by operating activities was partly offset by an increase in liability for retirement benefits, which is a non-cash item.

Net cash used in investing activities totaled ¥5.6 billion, reflecting a 39.6% drop in cash outflows. This was primarily attributable to a decrease in time deposits, as well as a decrease in the net outflow resulting from the proceeds from sales and purchases of property, plant and equipment.

Net cash used in financing activities fell 17.7%, to ¥6.1 billion. A fall in repayment of short-term loans was the main reason for the decline.

Dividends

Our basic policy is to maintain stable dividends and a dividend payout ratio of over 30%, as well as dividends of ¥15 per share. In doing so, we take into consideration the state of our internal reserves to be allocated for R&D investment and the renewal of production equipment to maintain a solid financial position.

In accordance with this policy, in the fiscal year under review, we paid dividends of ¥15 per share. The payout ratio rose 3.4 percentage points, to 39.7%, while the dividends/shareholders' equity ratio slipped 0.1 percentage point, to 1.9%.

Outlook for Fiscal 2003

In fiscal 2003, we will face another year of instability in the domestic economy, compounded by a listless global economy, and uncertainty about the direction of the economy is expected to remain. Our strategy for dealing with these circumstances includes the development of new products, particularly those that incorporate probiotics, that are noteworthy for both functionality and safety. Furthermore, we will redouble efforts to effect overseas expansion, enhance our information infrastructure, and conduct thorough quality management with the aim of providing our customers with products and services of the highest quality.

Regarding performance in fiscal 2003, consolidated net sales are forecast to rise 11.5%, to ¥256.0 billion, while net income is expected to increase 3.5%, to ¥11.5 billion.

Forward-looking statements are based on information available at the time of their writing and carry potential risks and uncertainties. For this reason, unforeseeable circumstances may result in significant differences in forecast and actual performance.

Consolidated Balance Sheets

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 61,746**	¥ 34,686	**$ 464,256**
Time deposits (Note 5)	**8,265**	8,673	**62,143**
Receivables:			
Notes and accounts receivable	**35,148**	33,734	**264,271**
Unconsolidated subsidiaries and associated companies	**3,184**	4,133	**23,940**
Other	**2,315**	3,012	**17,405**
Inventories (Note 3)	**22,519**	14,632	**169,316**
Deferred tax assets (Note 8)	**1,911**	1,202	**14,368**
Other current assets	**2,735**	2,146	**20,564**
Allowance for doubtful accounts	**(247)**	(196)	**(1,857)**
Total current assets	**137,576**	102,022	**1,034,406**
Property, plant and equipment:			
Land (Note 5)	**29,194**	29,175	**219,504**
Buildings and structures (Note 5)	**69,887**	66,646	**525,466**
Machinery, equipment and vehicles	**73,785**	64,064	**554,774**
Furniture and fixtures	**15,218**	15,936	**114,421**
Construction in progress	**1,842**	1,650	**13,850**
Total	**189,926**	177,471	**1,428,015**
Accumulated depreciation	**(102,128)**	(94,666)	**(767,880)**
Net property, plant and equipment	**87,798**	82,805	**660,135**
Investments and other assets:			
Investment securities (Note 4)	**2,816**	4,528	**21,173**
Investments in and advances to unconsolidated subsidiaries and associated companies	**8,907**	15,948	**66,970**
Long-term loans	**870**	1,018	**6,541**
Goodwill	**1,093**	297	**8,218**
Deferred tax assets (Note 8)	**17,518**	22,836	**131,714**
Other assets	**12,516**	12,793	**94,106**
Total investments and other assets	**43,720**	57,420	**328,722**
Total	**¥269,094**	¥242,247	**$2,023,263**

See notes to consolidated financial statements.

	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 14,329**	¥ 12,277	**$ 107,737**
Current portion of long-term debt (Note 5)	**1,007**	728	**7,571**
Payables:			
Notes and accounts payable	**29,218**	27,651	**219,684**
Unconsolidated subsidiaries and associated companies	**160**	135	**1,203**
Other	**2,984**	2,586	**22,436**
Income taxes payable	**1,557**	968	**11,707**
Accrued expenses	**9,139**	9,301	**68,714**
Deferred tax liabilities (Note 8)	**1,843**		**13,857**
Other current liabilities	**4,805**	5,534	**36,128**
Total current liabilities	**65,042**	59,180	**489,037**
Long-term liabilities:			
Long-term debt (Note 5)	**5,599**	5,470	**42,098**
Liability for retirement benefits (Note 6)	**12,399**	6,272	**93,226**
Deferred tax liabilities (Note 8)	**1,386**	1,517	**10,421**
Other long-term liabilities	**862**	2,421	**6,481**
Total long-term liabilities	**20,246**	15,680	**152,226**
Minority interests	**15,773**	8,937	**118,594**
Shareholders' equity (Notes 5, 7 and 11):			
Common stock—authorized, 700,000,000 shares; issued, 175,910,218 shares in 2002 and 2001	**31,118**	31,118	**233,970**
Additional paid-in capital	**40,649**	40,649	**305,632**
Retained earnings	**97,285**	88,247	**731,466**
Unrealized gain on available-for-sale securities	**326**	500	**2,451**
Foreign currency translation adjustments	**(1,221)**	(1,957)	**(9,181)**
Total	**168,157**	158,557	**1,264,338**
Treasury stock—at cost, 175,396 shares in 2002 and 170,668 shares in 2001	**(124)**	(107)	**(932)**
Total shareholders' equity	**168,033**	158,450	**1,263,406**
Total	**¥269,094**	¥242,247	**$2,023,263**

Consolidated Statements of Income

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Net sales	**¥229,623**	¥224,795	**$1,726,489**
Cost of sales (Note 10)	**110,778**	106,335	**832,918**
Gross profit	**118,845**	118,460	**893,571**
Selling, general and administrative expenses (Note 10)	**105,774**	102,353	**795,293**
Operating income	**13,071**	16,107	**98,278**
Other income (expenses):			
Interest and dividend income	**796**	1,091	**5,985**
Interest expense	**(501)**	(559)	**(3,767)**
Royalty income	**4,338**	2,748	**32,617**
Foreign exchange gain (loss)	**193**	(243)	**1,451**
Equity in earnings of unconsolidated subsidiaries and associated companies	**4,716**	2,008	**35,459**
Charge for transitional obligations for retirement benefits	**(3,942)**	(3,942)	**(29,639)**
Other—net	**(963)**	970	**(7,241)**
Other income—net	**4,637**	2,073	**34,865**
Income before income taxes and minority interests	**17,708**	18,180	**133,143**
Income taxes (Note 8):			
Current	**1,655**	1,584	**12,443**
Deferred	**4,633**	5,549	**34,835**
Total income taxes	**6,288**	7,133	**47,278**
Minority interests in net income	**312**	510	**2,346**
Net income	**¥ 11,108**	¥ 10,537	**$ 83,519**

	Yen		U.S. dollars
Per share of common stock (Note 2 (m)):			
Basic net income	**¥63.20**	¥60.00	**$0.48**
Diluted net income	**63.19**	59.99	**0.48**
Cash dividends applicable to the year	**15.00**	15.00	**0.11**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries Years ended March 31, 2002 and 2001

	Issued number of shares of common stock (Thousands)	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, April 1, 2000	175,910	¥31,118	¥40,649	¥80,464			¥(127)
Net income				10,537			
Cash dividends, ¥15 per share				(2,639)			
Bonuses to directors and corporate auditors				(184)			
Adjustments to retained earnings for change in scope of consolidation				69			
Net increase in unrealized gain on available-for-sale securities					¥500		
Net decrease in foreign currency translation adjustments						¥ (1,957)	
Treasury stock acquired—net (61,903 shares)							20
Balance, March 31, 2001	175,910	31,118	40,649	88,247	500	(1,957)	(107)
Net income				**11,108**			
Adjustments to retained earnings for revaluation based on general price-level accounting				**1,268**			
Cash dividends, ¥15 per share				**(2,639)**			
Bonuses to directors and corporate auditors				**(164)**			
Decrease from merger of unconsolidated subsidiary				**(535)**			
Net decrease in unrealized gain on available-for-sale securities					**(174)**		
Net increase in foreign currency translation adjustments						**736**	
Treasury stock acquired—net (4,728 shares)							**(17)**
Balance, March 31, 2002	**175,910**	**¥31,118**	**¥40,649**	**¥97,285**	**¥326**	**¥(1,221)**	**¥(124)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2001	$233,970	$305,632	$663,511	$3,759	$(14,714)	$(805)
Net income			**83,519**			
Adjustments to retained earnings for revaluation based on general price-level accounting			**9,534**			
Cash dividends, $0.11 per share			**(19,842)**			
Bonuses to directors and corporate auditors			**(1,233)**			
Decrease from merger of unconsolidated subsidiary			**(4,023)**			
Net decrease in unrealized gain on available-for-sale securities				**(1,308)**		
Net increase in foreign currency translation adjustments					**5,533**	
Treasury stock acquired—net (4,728 shares)						**(127)**
Balance, March 31, 2002	**$233,970**	**$305,632**	**$731,466**	**$2,451**	**$ (9,181)**	**$(932)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Operating activities:			
Income before income taxes and minority interests	**¥17,708**	¥18,180	**$133,143**
Adjustments for:			
Income taxes—paid	**(1,671)**	(1,370)	**(12,564)**
Depreciation and amortization	**8,014**	8,041	**60,256**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(4,716)**	(2,008)	**(35,459)**
Liquidation distribution from cooperative association		(1,098)	
Loss on valuation of investment securities	**1,241**	207	**9,331**
Changes in operating assets and liabilities, net of effects from consolidating previously associated companies:			
Increase in trade receivables	**(407)**	(795)	**(3,060)**
Increase in inventories	**(3,906)**	(118)	**(29,368)**
Increase in trade payables	**990**	3,143	**7,444**
Increase in liability for retirement benefits	**6,100**	3,729	**45,865**
Other—net	**1,172**	(720)	**8,810**
Total adjustments	**6,817**	9,011	**51,255**
Net cash provided by operating activities	**24,525**	27,191	**184,398**
Investing activities:			
Decrease (increase) in time deposits	**410**	(2,735)	**3,083**
Purchases of property, plant and equipment	**(8,477)**	(8,971)	**(63,737)**
Proceeds from sales of property, plant and equipment	**529**	2,628	**3,977**
Acquisition of controlling interest in a company	**(412)**	(373)	**(3,098)**
Acquisition of shares of subsidiaries	**(42)**	(1,353)	**(316)**
Increase of loans receivable	**(348)**	(504)	**(2,617)**
Collection of loans receivable	**957**	1,564	**7,195**
Other—net	**1,812**	520	**13,626**
Net cash used in investing activities	**(5,571)**	(9,224)	**(41,887)**
Financing activities:			
Net decrease in short-term loans	**(1,766)**	(5,855)	**(13,278)**
Proceeds from long-term debt	**108**	1,768	**812**
Payments for settlement of long-term debt	**(952)**	(1,554)	**(7,158)**
Dividends paid	**(2,639)**	(2,639)	**(19,842)**
Other—net	**(893)**	820	**(6,714)**
Net cash used in financing activities	**(6,142)**	(7,460)	**(46,180)**
Foreign currency translation adjustments on cash and cash equivalents	**370**	583	**2,782**
Cash and cash equivalents increased by merger	**182**		**1,368**
Net increase in cash and cash equivalents	**13,364**	11,090	**100,481**
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	**13,696**	(811)	**102,978**
Cash and cash equivalents, beginning of year	**34,686**	24,407	**260,797**
Cash and cash equivalents, end of year	**¥61,746**	¥34,686	**$464,256**
Non-cash investing and financing activities:			
Assets and liabilities increased by consolidating previously associated companies (Note 2 (a)):			
Current assets acquired	**¥18,385**		**$138,233**
Fixed assets acquired	**5,343**		**40,173**
Current liabilities assumed	**5,045**		**37,932**
Long-term liabilities assumed	**121**		**910**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yakult Honsha Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accompanying consolidated financial statements as of March 31, 2002 include the accounts of the Company and its 54 (50 in 2001) significant subsidiaries (collectively, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 3 (9 in 2001) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Prior to December 31, 2001, the Company had equity method investments in the following five companies:

Yakult S.A. de C.V. ("Yakult")
Empresas Tekaos S.A. de C.V. ("Tekaos")
Corporacion Vermex S.A. de C.V. ("Vermex")
Distribuidora Yakult Guadalajara S.A. de C.V. ("Distribuidora"), and
P.T. Yakult Indonesia Persada ("Indonesia")

As the result of a merger between Yakult and Tekaos on December 31, 2001, whereby Yakult was the surviving company, the Company received a controlling interest in Yakult, which consequently also gave the Company a controlling interest in Vermex and Distribuidora (due to the fact that Tekaos also held ownership interests in Vermex and Vermex also held ownership interests in Distribuidora).

The Company implemented a successive share purchase of P.T. Yakult Indonesia Persada, whereby control was obtained by the Company.

Each of the four companies (the "Acquired Companies") have a reporting period of December 31, which differs from the Company's March 31 reporting date. Therefore, beginning on December 31, 2001, the balance sheets of each of the Acquired Companies are consolidated, however, the profit or loss accounts still remain recorded on the Company's income statement on the equity method for the year ended March 31, 2002. This methodology will change for the Company's financial statements for the year ended March 31, 2003, as the Acquired Companies will be fully consolidated beginning in that reporting period, and on a go forward basis.

The financial statements of the Company's subsidiaries in Mexico have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in Mexico in the accompanying consolidated financial statements have been charged or credited to operations and are directly reflected in retained earnings.

The excess of cost of the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the net assets at the respective dates of acquisition, is being amortized on a straight-line basis from 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company is eliminated.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(c) Inventories

Inventories are principally stated at cost, as determined by the moving-average method.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

Estimated useful lives are as follows:

• The Company and its domestic consolidated subsidiaries

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 17 years

• Foreign consolidated subsidiaries

Buildings and structures	9 to 50 years
Machinery, equipment and vehicles	2 to 20 years

(e) Investment Securities

The Group classifies all securities as available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, reports them at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(f) Retirement and Pension Plans

The Company and major domestic consolidated subsidiaries have contributory funded pension plans covering substantially all of their employees. Certain domestic consolidated subsidiaries have unfunded retirement benefit plans.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥19,708 million, determined as of April 1, 2000, is being amortized over 5 years.

Retirement benefits to directors and corporate auditors of the Company are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

(g) Research and Development Costs

Research and development costs are charged to income as incurred.

(h) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(i) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(j) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(k) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(l) Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

(m) Per Share Information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The weighted average number of common shares used in the computation was 175,759,807 shares for 2002 and 175,630,440 shares for 2001.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year or at the time of issuance with an applicable adjustment for related interest expense.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Merchandise	**¥ 5,512**	¥ 3,779	**$ 41,444**
Finished products	**1,340**	1,132	**10,075**
Work in process	**1,427**	1,175	**10,729**
Raw materials and supplies	**13,628**	7,564	**102,466**
Other	**612**	982	**4,602**
Total	**¥22,519**	¥14,632	**$169,316**

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Investment securities:			
Marketable equity securities	**¥1,828**	¥3,522	**$13,744**
Government and corporate bonds	**1**	1	**8**
Trust fund investments and other	**987**	1,005	**7,421**
Total	**¥2,816**	¥4,528	**$21,173**

The carrying amounts and aggregate fair values of investment securities at March 31, 2002 and 2001 were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2002				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥1,256**	**¥ 623**	**¥ 51**	**¥1,828**
Debt securities	**1**			**1**
Other	**137**		**11**	**126**
March 31, 2001				
Securities classified as—				
Available-for-sale:				
Equity securities	¥2,644	¥1,372	¥494	¥3,522
Debt securities	1			1
Other	151		16	135

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2002				
Securities classified as—				
Available-for-sale:				
Equity securities	**$9,444**	**$4,683**	**$383**	**$13,744**
Debt securities	**8**			**8**
Other	**1,030**		**83**	**947**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Carrying amount:			
Available-for-sale—equity securities	**¥861**	¥869	**$6,474**
Total	**¥861**	¥869	**$6,474**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥864 million ($6,496 thousand) and ¥199 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥645 million ($4,850 thousand) and ¥78 million for the years ended March 31, 2002 and 2001, respectively. Gross realized loss was ¥6 million for the year ended March 31, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
Available-for-sale:		
Due after one year through five years	¥1	$8
Total	¥1	$8

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2002 and 2001 were ¥14,329 million ($107,737 thousand) and ¥12,277 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2002 and 2001 ranged from 0.63% to 5.15% and 0.75% to 15.00%, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Unsecured 1.7% domestic convertible debentures, convertible into common stock at ¥1,646.70 per share, due 2002	**¥ 59**	¥ 59	**$ 444**
Loans from banks and other financial institutions, 1.75% to 18.00% (0.98% to 6.51% in 2001), due serially to 2025:			
Collateralized	**2,279**	1,842	**17,135**
Unsecured	**4,268**	4,297	**32,090**
Total	**6,606**	6,198	**49,669**
Less current portion	**(1,007)**	(728)	**(7,571)**
Long-term debt, less current portion	**¥5,599**	¥5,470	**$42,098**

Annual maturities of long-term debt as of March 31, 2002 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥1,007	$ 7,571
2004	2,367	17,797
2005	863	6,489
2006	965	7,256
2007	491	3,692
2008 and thereafter	913	6,864
Total	¥6,606	$49,669

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥6,770 million ($50,902 thousand) and the above collateralized long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 814	$ 6,120
Land	5,559	41,797
Buildings and structures—net of accumulated depreciation	1,577	11,857
Total	¥7,950	$59,774

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

The convertible debentures outstanding at March 31, 2002 were convertible into 36 thousand shares of common stock of the Company. The conversion prices of the convertible debentures are subject to adjustments in certain circumstances.

6. RETIREMENT AND PENSION PLANS

The Company and its certain domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

The plans provide benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain domestic consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits recorded in the accompanying consolidated balance sheets at March 31, 2002 and 2001, included amounts for directors and corporate auditors in the amount of ¥692 million ($5,203 thousand) and ¥882 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Certain consolidated subsidiaries have various non-contributory and contributory plans and other retirement benefit plans.

The liability (asset) for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligation	**¥75,213**	¥76,131	**$565,511**
Fair value of plan assets	**(41,204)**	(42,620)	**(309,805)**
Unrecognized actuarial loss	**(10,545)**	(12,433)	**(79,286)**
Unrecognized transitional obligation	**(11,825)**	(15,766)	**(88,909)**
Net liability	**11,639**	5,312	**87,511**
Prepaid pension cost	**68**	77	**512**
Liability for employees' retirement benefits	**¥11,707**	¥ 5,389	**$ 88,023**

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥2,800**	¥2,426	**$21,053**
Interest cost	**2,113**	2,192	**15,887**
Expected return on plan assets	**(1,816)**	(2,454)	**(13,654)**
Amortization of prior service cost	**811**		**6,098**
Recognized actuarial loss	**1,243**		**9,346**
Amortization of transitional obligation	**3,942**	3,942	**29,638**
Net periodic benefit costs	**¥9,093**	¥6,106	**$68,368**

Assumptions used for the years ended March 31, 2002 and 2001, are set forth as follows:

	2002	2001
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	4.5%	5.5%
Amortization period of prior service cost	1 year	
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	5 years	5 years

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥7,779 million ($58,489 thousand) as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, retained earnings recorded on the Company's books were ¥56,109 million ($421,872 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.05% for the years ended March 31, 2002 and 2001. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Tax loss carryforwards	**¥ 9,265**	¥16,141	**$ 69,662**
Loss from revaluation of securities	**8,142**	8,084	**61,218**
Pension and severance costs	**4,373**	1,689	**32,880**
Allowance for doubtful receivables	**1,241**	1,057	**9,331**
Other	**3,259**	2,217	**24,504**
Less valuation allowance	**(4,113)**	(2,540)	**(30,926)**
Total	**22,167**	26,648	**166,669**
Deferred tax liabilities:			
Undistributed earnings of foreign consolidated subsidiaries and associated companies	**2,002**	1,516	**15,053**
Inventories	**1,368**		**10,286**
Unrealized gain on land held by a consolidated subsidiary	**1,317**	1,317	**9,902**
Other	**1,280**	1,294	**9,623**
Total	**5,967**	4,127	**44,864**
Net deferred tax assets	**¥16,200**	¥22,521	**$121,805**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2002 and 2001 is as follows:

	2002	2001
Normal effective statutory tax rate	**42.05%**	42.05%
Equity in earnings of associated companies	**(11.20)**	(4.69)
Permanently non-deductible expenses (social expenses, etc.)	**2.66**	2.19
Other—net	**2.00**	(0.32)
Actual effective tax rate	**35.51%**	39.23%

At March 31, 2002, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥22,034 million ($165,669 thousand), which are available to be offset against taxable income of the Company and such consolidated subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 861	$ 6,474
2004	12,706	95,534
2005	498	3,744
2006	1,273	9,571
2007 and thereafter	6,696	50,346
Total	¥22,034	$165,669

9. LEASES

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the Company and its domestic subsidiaries were ¥6,877 million ($51,707 thousand) and ¥6,935 million for the years ended March 31, 2002 and 2001, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 was as follows:

	Millions of yen					
	2002			2001		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥26,662**	**¥4,790**	**¥31,452**	¥26,582	¥4,661	¥31,243
Accumulated depreciation	**12,888**	**2,275**	**15,163**	13,295	1,915	15,210
Net leased property	**¥13,774**	**¥2,515**	**¥16,289**	¥13,287	¥2,746	¥16,033

	Thousands of U.S. dollars		
	2002		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$200,466**	**$36,015**	**$236,481**
Accumulated depreciation	**96,902**	**17,105**	**114,007**
Net leased property	**$103,564**	**$18,910**	**$122,474**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥ 5,829**	¥ 5,496	**$ 43,827**
Due after one year	**10,847**	10,979	**81,556**
Total	**¥16,676**	¥16,475	**$125,383**

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥6,394 million ($48,075 thousand) and ¥6,440 million for the years ended March 31, 2002 and 2001, respectively.

Interest expense, which is not reflected in the accompanying consolidated statements of income, computed by the interest method was ¥476 million ($3,579 thousand) and ¥500 million for the years ended March 31, 2002 and 2001, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥18**	¥26	**$135**
Due after one year	**21**	3	**158**
Total	**¥39**	¥29	**$293**

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,167 million ($38,850 thousand) and ¥4,676 million for the years ended March 31, 2002 and 2001, respectively.

11. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2002 were approved at the shareholders' meeting held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥7.5 ($0.06) per share	¥1,319	$9,917
Bonuses to directors and corporate auditors	142	1,068

12. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2002 and 2001 is as follows:

(1) Industry Segments

	Millions of yen				
	2002				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income					
Sales to customers	**¥197,222**	**¥17,413**	**¥14,988**		**¥229,623**
Intersegment sales					
Total sales	**197,222**	**17,413**	**14,988**		**229,623**
Operating expenses	**179,251**	**12,203**	**14,789**	**¥ 10,309**	**216,552**
Operating income	**¥ 17,971**	**¥ 5,210**	**¥ 199**	**¥(10,309)**	**¥ 13,071**
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	**¥169,414**	**¥14,935**	**¥10,599**	**¥ 74,146**	**¥269,094**
Depreciation	**6,509**	**511**	**155**	**839**	**8,014**
Capital expenditures	**5,656**	**120**	**132**	**351**	**6,259**

	Thousands of U.S. dollars				
	2002				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income					
Sales to customers	**$1,482,872**	**$130,925**	**$112,692**		**$1,726,489**
Intersegment sales					
Total sales	**1,482,872**	**130,925**	**112,692**		**1,726,489**
Operating expenses	**1,347,752**	**91,752**	**111,196**	**$ 77,511**	**1,628,211**
Operating income	**$ 135,120**	**$ 39,173**	**$ 1,496**	**$(77,511)**	**$ 98,278**
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	**$1,273,789**	**$112,293**	**$ 79,692**	**$557,489**	**$2,023,263**
Depreciation	**48,940**	**3,842**	**1,165**	**6,309**	**60,256**
Capital expenditures	**42,526**	**902**	**992**	**2,640**	**47,060**

	Millions of yen				
	2001				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income					
Sales to customers	¥197,886	¥12,064	¥14,845		¥224,795
Intersegment sales					
Total sales	197,886	12,064	14,845		224,795
Operating expenses	174,871	9,790	14,462	¥ 9,565	208,688
Operating income	¥ 23,015	¥ 2,274	¥ 383	¥ (9,565)	¥ 16,107
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	¥155,282	¥ 9,342	¥ 9,563	¥68,060	¥242,247
Depreciation	6,874	133	123	911	8,041
Capital expenditures	7,224	1,400	148	790	9,562

Food and beverages: Fermented milk drinks, juice, noodles, etc.
Pharmaceuticals: Anticancer drugs, other medical products
Others: Cosmetics, operating a professional baseball team

(2) Geographical Segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen					
	2002					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥204,489**	**¥13,179**	**¥ 5,076**	**¥6,879**		**¥229,623**
Interarea transfer	**1,628**				**¥ (1,628)**	
Total sales	**206,117**	**13,179**	**5,076**	**6,879**	**(1,628)**	**229,623**
Operating expenses	**185,136**	**13,171**	**3,457**	**6,107**	**8,681**	**216,552**
Operating income	**¥ 20,981**	**¥ 8**	**¥ 1,619**	**¥ 772**	**¥(10,309)**	**¥ 13,071**
Total assets	**¥134,976**	**¥35,263**	**¥20,935**	**¥4,328**	**¥ 73,592**	**¥269,094**

	Thousands of U.S. dollars					
	2002					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,537,511**	**$ 99,090**	**$ 38,166**	**$51,722**		**$1,726,489**
Interarea transfer	**12,241**				**$ (12,241)**	
Total sales	**1,549,752**	**99,090**	**38,166**	**51,722**	**(12,241)**	**1,726,489**
Operating expenses	**1,392,000**	**99,030**	**25,993**	**45,917**	**65,271**	**1,628,211**
Operating income	**$ 157,752**	**$ 60**	**$ 12,173**	**$ 5,805**	**$ (77,512)**	**$ 98,278**
Total assets	**$1,014,857**	**$265,135**	**$157,406**	**$32,541**	**$553,324**	**$2,023,263**

	Millions of yen					
	2001					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥200,383	¥13,709	¥ 4,204	¥6,499		¥224,795
Interarea transfer	1,246				¥ (1,246)	
Total sales	201,629	13,709	4,204	6,499	(1,246)	224,795
Operating expenses	178,174	13,384	3,010	5,801	8,319	208,688
Operating income	¥ 23,455	¥ 325	¥ 1,194	¥ 698	¥ (9,565)	¥ 16,107
Total assets	¥137,992	¥21,028	¥12,645	¥3,787	¥66,795	¥242,247

The Americas: Mexico, Brazil, Argentina
Asia and Oceania: Hong Kong, Guangzhou, Indonesia, Australia
Europe: The Netherlands, the U.K., Germany, Belgium

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2002 and 2001 amounted to ¥41,255 million ($310,188 thousand) and ¥34,781 million, respectively.

Independent Auditors’ Report

To the Board of Directors of
Yakult Honsha Co., Ltd.:

We have examined the consolidated balance sheets of Yakult Honsha Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders’ equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Yakult Honsha Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

Board of Directors and Auditors

(As of June 28, 2002)

President

Sumiya Hori

Senior Managing Directors

Kiyoto Sakai

Takayuki Ohashi

Hirokatsu Hirano

Managing Directors

Norihiro Nagata

Toshizo Shiga

Teruo Yokokura

Tadashi Suzuki

Mitsuhiko Kaneko

Akira Katsumata

Naomasa Tsuritani

Directors

Kotaro Yamashita

Ryuichiro Tanaka

Kozo Kobayashi

Norihiko Matsuo

Masaaki Watanuki

Tamotsu Tomibe

Ryuji Chino

Kiyoshi Terada

Shinji Mizumoto

Kaoru Yamaguchi

Rikio Otsuka

Masahiko Sadakata

Senior Corporate Auditors

Masakazu Matsumura

Yasukuni Miura

Corporate Auditors

Teruo Nakamura

Akihiko Okudaira

Tomoharu Tanaka

Sumiya Hori
President

General Managers

Kiyoto Sakai
General Manager,
Administrative Division,
Senior Managing Director

Takayuki Ohashi
General Manager,
Food and Beverages Sales Division and Cosmetics Division,
Senior Managing Director

Hirokatsu Hirano
General Manager,
International Business Division,
Senior Managing Director

Toshizo Shiga
General Manager,
Pharmaceuticals Division,
Managing Director

Teruo Yokokura
General Manager,
Production Division and R&D Division,
Managing Director

Major Subsidiaries and Affiliates

(As of June 27, 2002)

Branches

Hokkaido Branch
Tohoku Branch
Kanto Branch
Tokyo Branch
Chubu Kanagawa Branch
Tokai Branch
Kinki Branch
Chugoku Shikoku Branch
Kyushu Branch

Yakult Plants

Sapporo Plant
Fukushima Plant
Ibaraki Plant
Fujisawa Plant
Fujisawa Cosmetics Plant
Fuji Susono Plant
Fuji Susono Pharmaceuticals Plant
Shizuoka Plant
Kyoto Plant
Fukuyama Plant
Saga Plant
Kumamoto Plant

Major Subsidiaries

Yakult Kyudan Co., Ltd.
Yakult Corporation Co., Ltd.
Yakult Materials Co., Ltd.
Yakult Food Industry Co., Ltd.
Yakult Higashi Nihon Logistics Co., Ltd.
Yakult Chuo Logistics Co., Ltd.
Yakult Nishi Nihon Logistics Co., Ltd.
Yakult Pharmaceutical Industry Co., Ltd.
Nihon Chlorella Co., Ltd.

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Phone: 1-310-7921422
Fax: 1-310-7921424

Corporate Name:
Yakult Honsha Co., Ltd.

Date Founded:
1935

Date Incorporated:
April 9, 1955

Head Office:
1-19 Higashi Shimbashi 1-chome,
Minato-ku, Tokyo 105-8660, Japan
Phone: 03-3574-8960
URL: http://www.yakult.co.jp/

Paid-in Capital:
¥31,117,654,815

Annual Account Settlement Date:
March 31

Number of Employees:
13,061

Number of Issued and Outstanding Shares:
175,910,218

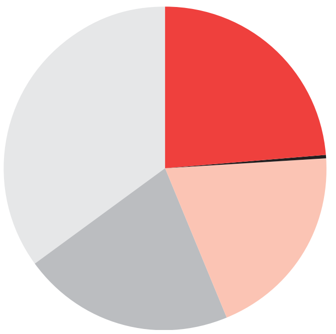
Number of Shareholders:
19,446

Offices:
1 laboratory, 9 branches, 12 factories, 6 pharmaceutical products sales offices

Major Shareholders:

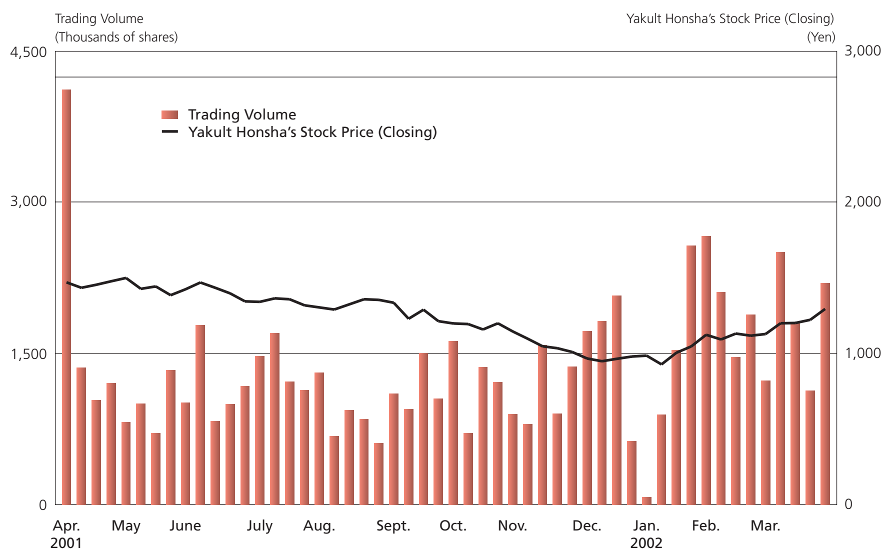
	Percentage of Total Shares Issued
Matsusho Company, Limited	6.55%
FLEGELING NOMINEES INTERNATIONAL LIMITED FEDDIAN PTE	5.03
Asahi Mutual Life Insurance Company	2.45
Mizuho Bank, Ltd.	2.23
Japan Trustee Services Bank, Ltd.	2.22
Kyoshinkai	1.99
The Mitsubishi Trust and Banking Corporation	1.94
THE CHASE MANHATTAN BANK, N.A. LONDON	1.89
Nippon Life Insurance Company	1.61
The Daiwa Bank, Limited.	1.44

Distribution of Ownership among Shareholders
(On a number of shares basis)



Japanese financial institutions.........23.68%
Japanese securities companies..........0.34%
Other Japanese corporations..........19.74%
Foreign institutions and others........21.19%
Japanese individuals and others......35.05%

Share Price Movement



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