A PASSION FOR PROBIOTICS

Yakult

ANNUAL REPORT 2006

Year ended March 31, 2006

A **PASSION** FOR
PROBIOTICS

Every day, 25 million people around the world drink *Yakult*.

Yakult's history dates back more than 70 years to 1930 when Dr. Minoru Shirota, working in a microbiology lab at Kyoto Imperial University's School of Medicine, successfully strengthened and cultivated a strain of lactobacillus that destroys harmful bacteria and increases the number of beneficial bacteria in the intestines—*Lactobacillus casei* strain Shirota.

Dr. Shirota believed in warding off disease by focusing on promoting health rather than curing disease and that there is a link between a healthy intestinal tract fortified by *Lactobacillus casei* strain Shirota and a long life. He advocated the ideals of preventive medicine and the concept that a healthy intestinal tract leads to a long life. This is the very essence of Probiotics, which is currently gaining attention around the world.

When Dr. Shirota began studying medicine at university, Japan was still a poor nation and many children lost their lives to dysentery and other infectious diseases. Dr. Shirota created the delicious, affordable fermented milk drink *Yakult* so that as many people as possible could enjoy the health benefits offered by *Lactobacillus casei* strain Shirota.

For the more than 70 years since we began manufacturing and selling the fermented milk drink *Yakult* in 1935, Dr. Shirota's passion for promoting health and wellbeing throughout the world has guided us and become an integral part of our corporate DNA.

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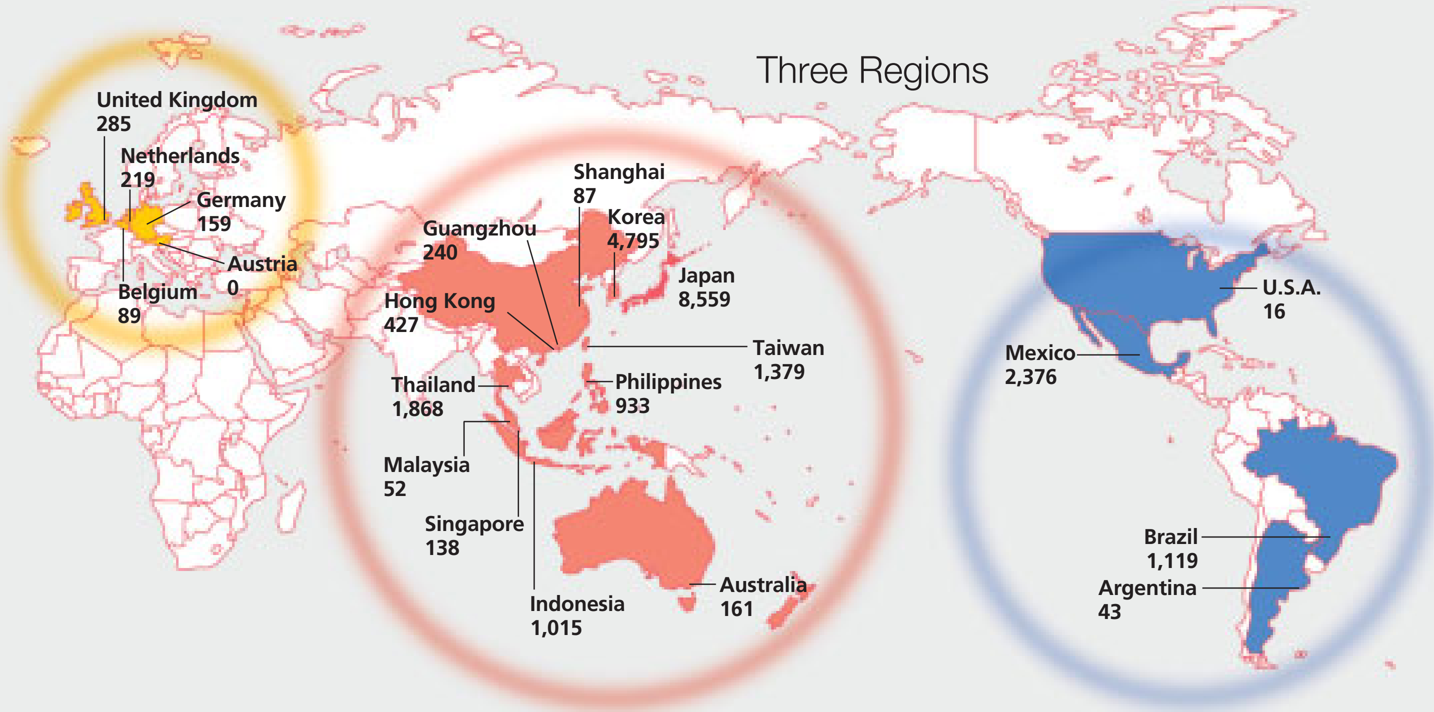
Forward-looking statements

Statements contained in the *Annual Report 2006* regarding business results for fiscal 2006 represent judgments based on currently available information. It should be noted that there is a possibility that actual results could differ significantly from those anticipated due to such factors as exchange rate fluctuations.

YAKULT CONSUMPTION AROUND THE WORLD

Sales Volume by Country in 2006 (Thousands of bottles/day)



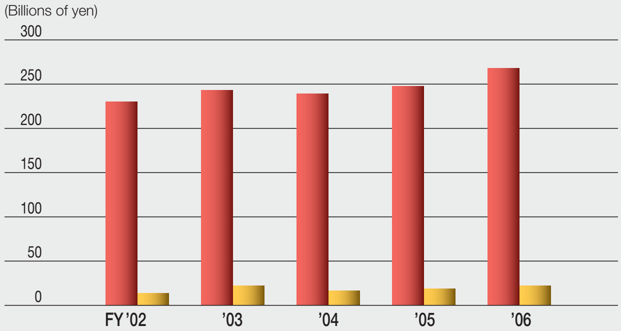
Europe	
Netherlands	219
Belgium	89
United Kingdom	285
Germany	159
Austria	0
Total	**752**

Asia and Oceania	
Taiwan	1,379
Hong Kong	427
Thailand	1,868
Korea	4,795
Philippines	933
Singapore	138
Indonesia	1,015
Australia	161
Guangzhou	240
Shanghai	87
Malaysia	52
Total	**11,095**

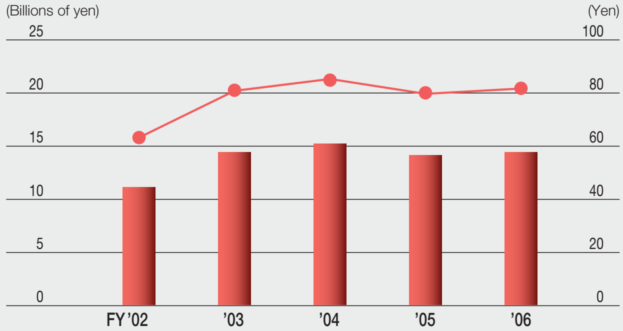
Japan	8,559

The Americas	
Brazil	1,119
Mexico	2,376
Argentina	43
U.S.A.	16
Total	**3,554**

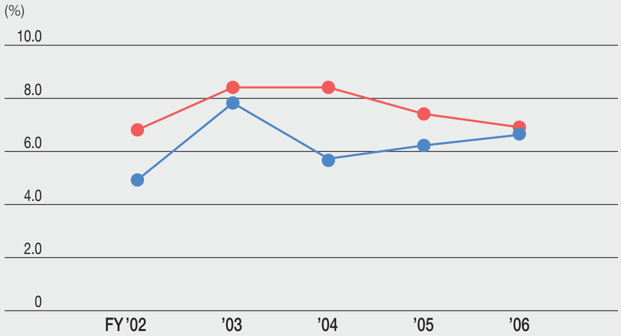
Net Sales and Operating Income



Net Income and Net Income per Share

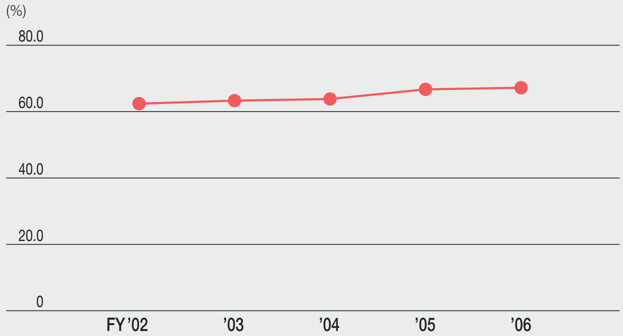


ROA and ROE



*Calculated on an operating income basis

Equity Ratio



FINANCIAL HIGHLIGHTS

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
March 31, 2006, 2005, 2004, 2003 and 2002

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2006	2005	2004	2003	2002	**2006**
For the year:						
Net sales	**¥267,707**	¥247,506	¥238,847	¥242,740	¥229,623	**$2,288,098**
Operating income	**21,754**	18,125	16,395	21,619	13,071	**185,929**
Net income	**14,442**	14,105	15,083	14,383	11,108	**123,436**
At the year-end:						
Total assets	**¥328,619**	¥293,922	¥286,389	¥276,203	¥269,094	**$2,808,706**
Total liabilities	**88,345**	83,504	90,354	87,959	85,288	**755,085**
Total shareholders' equity	**220,701**	196,023	182,766	174,827	168,033	**1,886,331**
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	**¥81.67**	¥79.67	¥85.27	¥80.88	¥63.20	**$0.70**
Diluted net income				80.87	63.19	
Cash dividends applicable to the year	**16.00**	17.50	15.00	15.00	15.00	**0.14**

Notes: 1. Figures for 2002, 2003, 2004, 2005 and 2006 have been rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and has been made at the rate of ¥117 to U.S.$1, the approximate rate of exchange at March 31, 2006.
3. Diluted net income per share of common stock for 2004, 2005 and 2006 was not calculated due to the absence of dilutive stock.

OPERATING PERFORMANCE HIGHLIGHTS

In fiscal 2006, YAKULT HONSHA Co., Ltd., moved forward with structural reforms in Japan with the aim of narrowing its focus on certain business areas. Specifically, the Company worked to bolster its core food and beverages business by enhancing its Yakult Lady organization, both in terms of quantity and quality, while shoring up efforts in the retail market with a more robust product lineup, striving to expand interaction with customers, and working to further strengthen its strong revenue base. In addition, the Group endeavored to

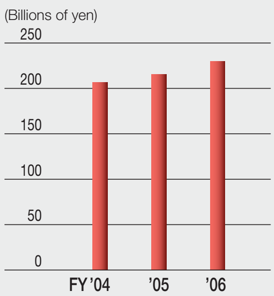
Food and Beverages

Financial Highlights by Business Segment

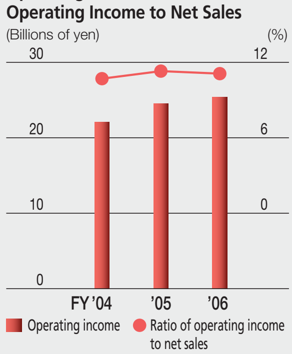
DAIRY PRODUCTS

JUICES AND OTHER BEVERAGES

Net Sales



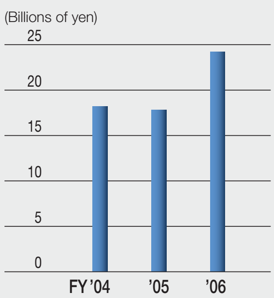
Operating Income and Ratio of Operating Income to Net Sales



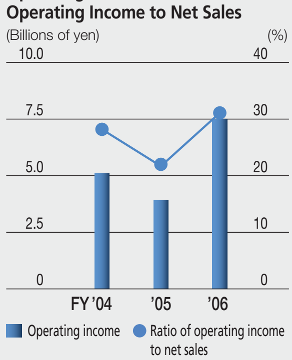
Pharmaceuticals

Financial Highlights by Business Segment

Net Sales



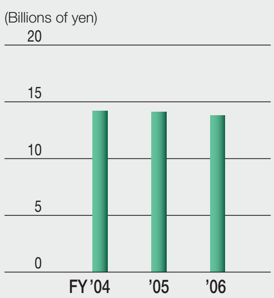
Operating Income and Ratio of Operating Income to Net Sales



Others

Financial Highlights by Business Segment

Net Sales



Operating Income and Ratio of Operating Income to Net Sales

improve its performance by taking steps to reinforce its sales organization, develop new products, upgrade its production facilities, and enhance its overseas operations.

Thanks to these initiatives, net sales for the fiscal year under review climbed 8.2% from the previous fiscal year, to ¥267.7 billion, operating income soared 20.0%, to ¥21.8 billion, and net income rose 2.4%, to ¥14.4 billion.

Product Lineup

Fermented Milk Drinks
Yakult, Yakult LT, Yakult 200, Yakult 80Ace, Yakult 80AceLT, Yakult 300V, Yakult 400, Pretio

Fermented Milk
Joie, Bifiene, Mil-Mil, Sofuhl, Purela

Juices and Other Beverages
Bansoreicha, Toughman, Kurozu Drink, Soymilk drinks, Coffee products, Black tea products, Juice products

Fiscal Year in Review

Sales of the mainstay fermented milk drink *Yakult 400* continued to show robust growth, reaching a level higher than in the previous fiscal year.

The October 2005 launch of the new *Bifiene* series of fermented milk drinks played a major role in reversing the downward trend in sales of products containing bifidobacteria.

Overall sales of dairy products were essentially flat due to sluggish sales of other dairy products amid a tough operating environment.

Sales of functional foods grew on the back of the strong performance of soymilk drinks, *Kurozu Drink*, *Lemorea*, and other drinks.

Sales of such mainstay products as the nutritious tonic beverage *Toughman* and the health tea *Bansoreicha* failed to grow, leading to a year-on-year decline in overall sales of juices and other beverages.

In June 2005, Yakult entered into a domestic alliance with Kirin Brewery Company, Limited, and Kirin Beverage Corporation, mainly for health and functional food operations.

Product Lineup

Campto,
Elplat

Fiscal Year in Review

Domestic pharmaceutical sales were nearly three times higher than in the previous fiscal year, thanks to strong sales of the anticancer drug *Elplat*, which was launched in Japan in April 2005; the anticancer drug *Campto Injection*; and the antiemetic *Sinseron Tablets.**

Sales in the Pharmaceuticals segment surged 36.2% from the previous fiscal year, to ¥24.2 billion.

* Domestic pharmaceutical sales include sales of pharmaceuticals not mentioned herein.

Business and Product Lineup

Professional Baseball Team
Tokyo Yakult Swallows Baseball Club

Cosmetics
Parabio, Natural SE liquid

Fiscal Year in Review

Sales of the *Parabio* cosmetics series substantially exceeded the level of the previous year.

Overall sales of cosmetics struggled, owing in part to the implementation of scrap and build measures associated with the revision of product brands.

Although interleague games were newly introduced, a decline in attendance at Company-sponsored games, lower income from broadcasting fees, and other factors created harsh operating conditions for professional baseball operations.

Sales in the Others segment edged down 2.5%, to ¥13.8 billion.

“We will rework our business structure to concentrate on core operations so that we can adapt to market changes.”

Who We Are

Yakult Honsha Co., Ltd., traces its roots to 1930, when the Company’s founder Dr. Minoru Shirota, who advocated the ideals of preventive medicine and the concept that a healthy intestinal tract leads to a long life, successfully strengthened and cultivated *Lactobacillus casei* strain Shirota. During the more than 70 years since this achievement, Yakult has promoted a deeper and more widespread awareness of Probiotics—living microorganisms that provide health benefits by improving the balance of intestinal flora. We manufacture and sell products anchored in the R&D of microorganisms that live in harmony with humans and promote good health, and we are developing operations around the world.

Fiscal 2006 Performance

In fiscal 2006, ended March 31, 2006, Yakult saw record growth in consolidated net sales, operating income, and ordinary income. These results were achieved despite the lack of growth in the Company’s three mainstay domestic businesses—the dairy products, juices and other beverages, and cosmetics businesses—even though the year saw a gradual recovery in the Japanese economy. In contrast, the Company’s pharmaceuticals business enjoyed sales of the anticancer drug *Elplat*, which was launched in April 2005 in Japan, that greatly exceeded initial targets. Moreover, 12 of our 19 overseas establishments recorded higher sales volumes of dairy products than in the previous fiscal year. As a result, we are able to present generally favorable consolidated results for fiscal 2006.

Strategic Alliances

Yakult has taken a proactive stance toward alliances. In April 2005, Yakult announced its decision to, along with its strategic partner France-based Groupe DANONE, make a foray into India aimed at developing a Probiotics

Going forward, we will redouble our efforts to be an attractive corporate group that is trusted by stakeholders.

70th Anniversary Celebration

The 2005 Yakult International Convention in Tokyo attracted 5,000 participants, including 324 staff from overseas offices.

Sumiya Hori, President

business, and in April 2006 the Company revealed its plans to establish a joint venture with Groupe DANONE in Vietnam. In addition, in July 2005 Yakult teamed up with the Kirin Group, a leading organization in the Japanese beverage industry, to develop innovative health and functional food operations in Japan.

Structural Reforms

In fiscal 2006, Yakult embarked upon the realignment of its dairy product plants. Our plan is to streamline our current network of 19 plants to 11 plants by fiscal 2013, promote customer satisfaction by reinforcing product safety and credibility, and concentrate on creating products for a wide variety of needs. In addition, we are working to create a better, stronger sales framework by enhancing the Yakult Lady organization. In the pharmaceuticals business, we are moving forward with marketing activities that emphasize safety precautions. Overseas, we are expanding our operations in China and picking up the pace of studies and analysis of countries where we plan to set up business as we work toward our goal of operating in 45 countries and regions by 2010. Our overseas business currently encompasses 20* core establishments and operations in 28 countries and regions, including India and Vietnam. (*Beijing Yakult Co., Ltd., commenced operations in June 2006.)

Going forward, Yakult will continue to work to retain the confidence of its stakeholders while redoubling efforts to be an attractive corporate group.

June 2006

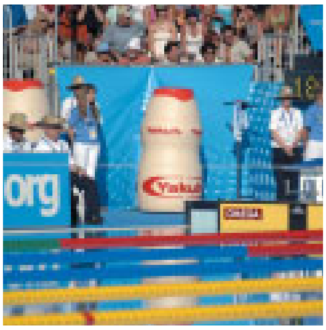
Sumiya Hori, President

Business Partnership with the Kirin Group

Yakult and the Kirin Group are working together to develop innovative health and functional food operations in Japan.

Sponsorship of International Swimming Events

Yakult's decision to sponsor international swimming events through 2009 was spurred by a desire to share its philosophy on health promotion with the world.



Q. Could you tell us about Shirota-ism and Probiotics?

Yakult's founder Dr. Minoru Shirota advocated preventive medicine and the idea that a healthy intestinal tract leads to a long life. Not only did Dr. Shirota believe in emphasizing the link between intestinal health and longevity and preventing disease rather than merely treating disease once it occurs, he also felt strongly that it was important to advance the health of families and communities rather than individuals. Dr. Shirota had an idea—why not develop a drink that when consumed daily will promote health and make the drink affordable so that as many people as possible can reap its benefits? This prompted him to strengthen and cultivate the *Lactobacillus casei* strain Shirota and subsequently create *Yakult*—a major achievement. Dr. Shirota's ideals, which we refer to as Shirota-ism, lie at the heart of Yakult and form the very foundation for our R&D operations.

Probiotics, which is getting a lot of buzz around the world right now, is analogous with Shirota-ism. A word that stands in distinct contrast to the term antibiotics, Probiotics refers to the living microorganisms that provide health benefits by improving the balance of intestinal flora. For more than 70 years, preventive medicine and the idea that intestinal health leads to a long life have remained constant themes at Yakult, guiding our ongoing work to uncover and confirm the benefits of Probiotics, including benefits with regard to intestinal health and immunoregulation.

Benefits of *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult

1 Promotion of Healthier Intestinal Activity to Improve Bowel Movements

Lactobacillus casei strain Shirota produces lactic acid while *Bifidobacterium breve* strain Yakult produces lactic acid and acetic acid. Both types of acid stimulate the intestines and improve bowel movements.

2 Prevention of the Intraintestinal Growth of Harmful Bacteria

The lactic and acetic acids that *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult produce prevent the growth of harmful bacteria inside the intestines.

3 Prevention of Intestinal Putrefaction by Inhibiting Production of Harmful Substances

By preventing the growth of harmful bacteria, *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult also prevent the production of substances that these bacteria create, substances that lead to intraintestinal putrefaction.

Lactobacillus casei strain Shirota

Bifidobacterium breve strain Yakult

Minoru Shirota, M.D.

Former Chairman of Yakult Honsha Co., Ltd., and Director of the Yakult Central Institute for Microbiological Research

1899	Born in Iida, Nagano Prefecture
1921	Entered the Medical School of Kyoto Imperial University (currently Kyoto University)
1930	Received the degree of Doctor of Medicine
1931	Received a license to practice medicine

Dedicating his life to the study of beneficial lactic acid bacteria and the promotion of preventive medicine, Dr. Shirota passed away in 1982 at the age of 82.

Q. Could you give us an overview of Yakult's R&D history?

Our R&D operations got their start when Yakult's founder Dr. Shirota, working at Kyoto Imperial University's School of Medicine (currently Kyoto University), successfully strengthened and cultivated *Lactobacillus casei* strain Shirota. In 1955, Dr. Shirota converted his Kyoto residence into a laboratory. Over the years, R&D operations expanded, and, in 1967, the Yakult Central Institute for Microbiological Research, which still serves as our R&D hub today, was established in Kunitachi, Tokyo. In the 1960s and 1970s, the Company counted the verification of *Lactobacillus casei* strain Shirota's regulatory effects on the intestinal environment and the commercialization of *Mil-Mil*—the world's first fermented milk containing *Bifidobacterium breve* strain Yakult—among its achievements.

In the 1980s, Yakult expanded its research initiatives to include the investigation of benefits to human health obtained by drinking beverages containing *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult, including the enhancement of immune function and cancer prevention. In recent years, Yakult has also been conducting clinical research to verify that synbiotics—combinations of such Probiotics as lactobacilli and bifidobacteria and such prebiotics as galacto-oligosaccharide—reduce the incidence of infection following surgery. In addition, we are working to develop outstanding functional beverages and foods that help to ward off illness, focusing on such issues as combating lifestyle diseases and preventing allergies.

R&D Achievements over the Years

1930 Strengthening and cultivation of *Lactobacillus casei* strain Shirota

1935 Start of research on lactobacilli at the newly founded Shirota Institute for Research on Protective Bacteria

1955 Establishment of Yakult Honsha Co., Ltd., and a research center in Kyoto (relocated to Tokyo in 1967)

1978 Development of the world's first fermented milk containing bifidobacteria—*Mil-Mil*
Discovery of the antitumor effects of *Lactobacillus casei* strain Shirota

1979 Successful reduction of the antitumor agent camptothecin's toxicity via chemical modification
Development of galacto-oligosaccharide, a substance that stimulates the growth of bifidobacteria

1980 Isolation of SE, an antioxidant with skin moisturizing properties for use in cosmetics, from a culture broth of lactic acid bacteria

1983 Demonstration of the therapeutic effects of bifidobacteria in intractable diarrhea

1984 First discovery of transposable DNA elements in lactobacilli

1986 Development of techniques for the microbial production of hyaluronic acid
Discovery of vasodepressive substances in the cellular constituents of lactobacilli

1991 Application for manufacturing approval for the anticancer chemotherapeutic drug *Campto Injection*
Development of LS-1, a lipid compound with skin moisturizing properties

1994 Demonstration of the effects of bifidobacteria administration in premature infants
Receipt of manufacturing approval in Japan for the anticancer drug *Campto Injection* as an agent for treating cancer, including colorectal cancer

1995 Discovery of intestinal bacteria related to the induction of intestinal immunity

1997 Discovery of the antiproliferative effects of *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult on enterohemorrhagic *E. coli* O157
Demonstration of the beverage *Bansoreicha's* inhibitory effect on increases in blood sugar levels following meals

1998 Discovery of *Lactobacillus casei* strain Shirota's ability to enhance cellular immunity and delay the onset of cancer attributable to carcinogeic chemicals when administered orally in mice

1999 Discovery that regular consumption of *Yakult* helps to reduce the risk of urinary bladder cancer

2000 Discovery that consumption of *Mil-Mil* is effective in the treatment of ulcerative colitis

2002 Clinical studies demonstrate that the continued administration of *Lactobacillus casei* strain Shirota reduces the risk of onset of colorectal cancer
Completion of the mapping of the genomes of *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult

2003 Demonstration of *Yakult 400*'s sustained effects on immune function (natural killer (NK) cell activation) in not only seniors but also smokers with reduced NK activity

2004 Demonstration of the ability of *Pretio*, a fermented milk drink containing gamma-aminobutryic acid (GABA), to improve blood pressure in individuals with high-normal blood pressure
Demonstration of the ability of the intestinal regulator *Yakult BL Seichoyaku* and *Oligomate*, when administered together as a synbiotic (a combination of a Probiotic and a prebiotic) in bile duct cancer patients, to improve the intestinal environment and prevent postoperative septic complications

Yakult's pharmaceutical R&D began in the 1970s. While conducting research investigating the use of lactobacilli in cancer treatment, the Company developed the anticancer drug *Campto* using material obtained from a plant native to China called *xishu (Camptotheca acuminate)*. Since then, we have specialized in R&D on anticancer agents and are currently developing new drugs in this field.

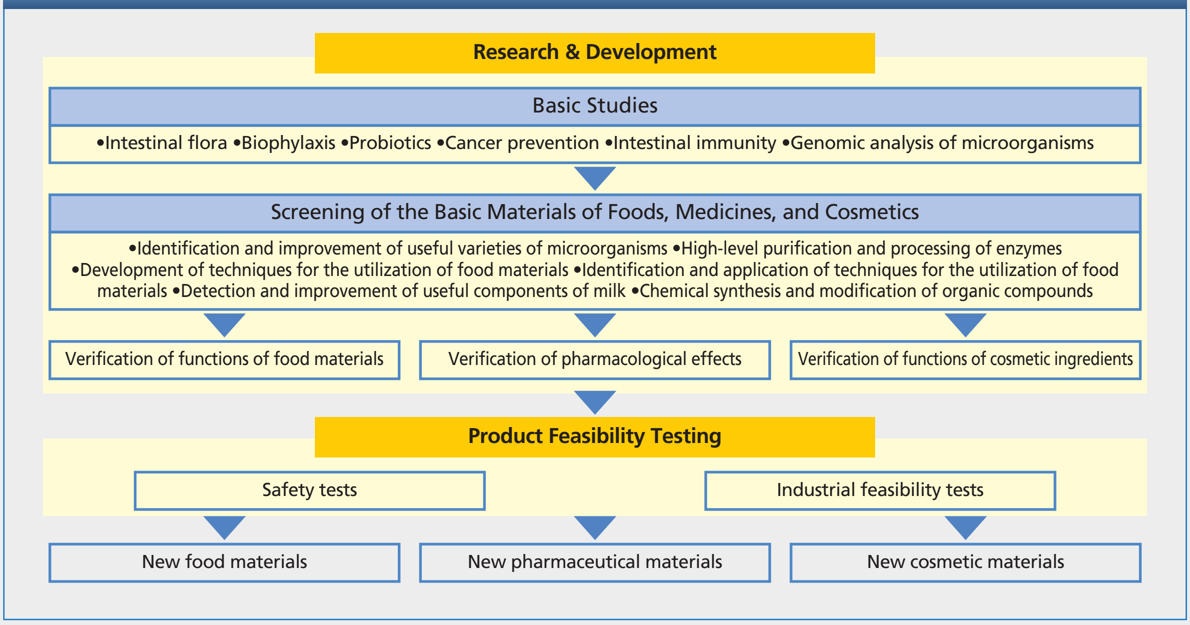
Our foray into cosmetics was sparked by the discovery that the plant staff charged with washing the glass bottles used for *Yakult* at that time had unusually beautiful skin on their hands. In the 1970s, Yakult rolled out cosmetics that leveraged the moisturizing and antioxidant effects of a culture supernatant of lactobacilli. Recently, Yakult has been moving forward with R&D aimed at using nanotechnology to create products that enhance beauty.

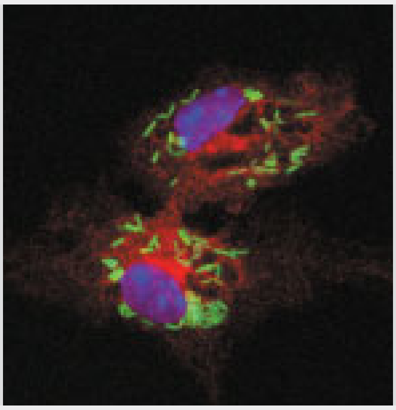
As for research facilities, in May 2005, the Company established a research center in Belgium to solidify its research base in Europe, conduct research on the intestinal flora of Europeans, and gather scientific data to be utilized in the future development of overseas operations. In addition, we are currently renovating the Yakult Central Institute for Microbiological Research, work that we plan to bring to a close in March 2010.

Q. What are Yakult's fundamental R&D policies?

Our research focuses on developing and making use of food, pharmaceutical, and cosmetic materials that help to promote good health from the viewpoint of preventive medicine. In the area of food, we are conducting R&D on functional materials that help to maintain and enhance higher-order regulatory mechanisms in the body as well as applied research to develop food products containing such materials. In pharmaceuticals, we are concentrating on anticancer agents and drugs targeting lifestyle diseases, and, in cosmetics, we are striving to create extremely safe, effective cosmetics rooted in dermatology.

Functions of Yakult Central Institute for Microbiological Research





Yakult actively makes use of knowledge and introduces technologies from a wide variety of disciplines, including microbiology, dietetics, physiology, immunology, biochemistry, bioengineering, organic chemistry, enzymology, natural products chemistry, pharmacology, and analytical chemistry, that are key to the development of food, pharmaceutical, and cosmetic materials. Going forward, we will also strive to develop products that employ nanotechnology.

In line with our commitment to ensuring that products are both effective and safe, we established the Safety Research Center at the Yakult Central Institute for Microbiological Research to conduct safety testing on products as well as food, pharmaceutical, and cosmetic materials. Our goal is to create safe products that can be used with confidence.

Q. What direction will Yakult’s R&D activities take in the future?

Yakult is delivered live to the intestine where it prevents the proliferation of harmful bacteria in the intestine and suppresses the generation of harmful metabolites. These benefits have earned *Yakult* the right to bear the Japanese Ministry of Health, Labour and Welfare’s Food for Specified Health Uses (FOSHU) mark. In the future, we also work to gather the data required to obtain permission to label *Yakult* as beneficial in improving immune function.

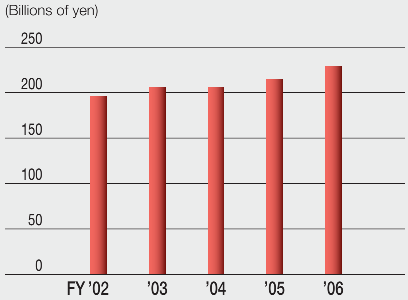
Yakult will continue to engage in R&D pertaining to foods that help to prevent cancer, infectious diseases, lifestyle diseases, and other ailments that threaten the health of people around the globe, pharmaceuticals that treat diseases, and cosmetics that promote internal and external health and beauty. Times may change, but good health will remain priceless. Aspiring to be a company that helps people worldwide to create lifestyles that will allow them to enjoy good health, Yakult works to uncover new possibilities in bioscience while remaining rooted in preventive medicine and the idea that intestinal health leads to a long life, which are for it constant themes.

The power of microorganisms is unlimited. At Yakult, we are conducting research aimed at putting this power to use in cleaning up the environment. Our motto is to promote both human and global environmental health through the power of microorganisms.

Research Theme:
Putting our corporate philosophy into practice by developing functional foods, pharmaceuticals, and cosmetics that leverage useful microorganisms and are based on the concept of preventive medicine.

Food and Beverages

Sales of Food and Beverages



Food and Beverages
- **Domestic** (p.12)
  - Dairy Products (p.13)
  - Juices and Other Beverages (p.15)
- **Overseas** Dairy Products (p.16)
  - Asia and Oceania (p.16)
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INDUSTRY TRENDS AND BUSINESS STRATEGIES (DOMESTIC)

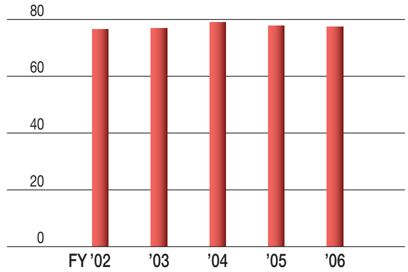
In Japan, demand for functional beverages is rising on the back of growing interest in health. However, several companies have jumped on the bandwagon, launching a wide variety of functional beverages, and the amount of shelf space available for each brand of fermented milk drinks and yogurt is shrinking. The annual market for fermented milk beverages is currently worth around ¥80 billion. In fiscal 2006, new players introduced fermented milk beverages targeting adults and rolled out major advertising campaigns. We anticipate that the heightened interest in new competing fermented milk drinks generated by these promotions will drive market expansion.

We also expect the demographic graying of the population to markedly affect our operating environment. On the positive side, this trend is bound to be good for our mainstay home distribution channel as renewed recognition of the value of home delivery services should accompany an upsurge in the percentage of people spending more time at home due to the greater number of seniors. On the down side, this could exacerbate the downward trend in the number of personnel in the Yakult Ladies sales organization. Going forward, we will work to attract and retain Yakult Ladies by spreading the word about what makes Yakult and being a Yakult Lady great. In addition, we will put even more energy into training to enhance the skills of our Yakult Ladies.

At the same time, the Company plans to aggressively promote its yogurt products as there is room for growth in this market. As for Food for Specified Health Uses (FOSHU) products, other than fermented milk beverages and other dairy products, we will develop drinks that offer additional value, for instance, products that help to prevent diabetes or curb increases in neutral fat, as part of efforts to provide comprehensive health support.

Dairy Products (Domestic)

Sales of Dairy Products
(Non-Consolidated Basis)
(Billions of yen)

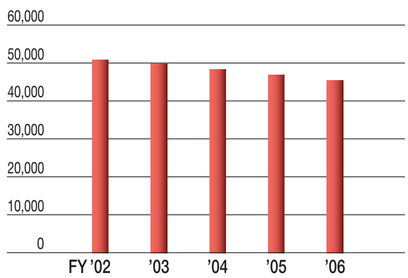


Yakult 400

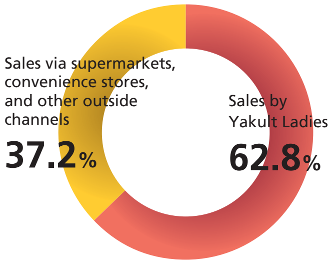
The Company relies on Yakult Ladies for its home delivery services and, in recent years, the Yakult Lady organization has begun to shrink. In fiscal 2006, the number of Yakult Ladies fell 1,300 from the previous fiscal year, to 45,600. This trend is due to a variety of factors, including greater opportunities for women in the general workforce and increased demand for staff from the target Yakult Lady recruitment population stemming from the recent shift in hiring from regular full-time employees to part-time employees.

Against this backdrop, we are concentrating on getting people to see what is great about Yakult and being a Yakult Lady to attract new staff while shoring up training to encourage new Yakult Ladies to stay with us for years to come. In fiscal 2006, we created a manual and video on etiquette and manners, which we distributed to all of our sales companies. In addition, we gave our Yakult Lady uniforms a new look for the first time in 11 years in celebration of our 70th anniversary. The extra energy that we have been putting into enhancing the competencies of our Yakult Ladies in response to the shrinking of the Yakult Lady organization has helped to boost the percentage of powerful sales companies with high turnover within the Group to approximately 70%. In fiscal 2007, we plan to launch a comprehensive campaign to bolster the Yakult Lady brand image, leveraging all major media formats—from television and magazines to the Internet.

Number of Yakult Ladies in Japan



Breakdown of Dairy Product Sales by Channel



Sofuhl

Bifiene

Although the total shelf space allotted for functional beverages at retail stores has not changed, our products are getting less exposure as the newly launched products of competitors crowd into shelf space traditionally held by Yakult products. In response, we have enhanced our flagship *Yakult*, *Mil-Mil*, and *Sofuhl* brands through the introduction of new products and the revamping of product lines.

In February 2005, we launched *Yakult 300V*. Designed for adults, particularly women, this product offers all the key benefits of *Yakult* in addition to the antioxidant properties provided by vitamins C and E. *Yakult 300V* was originally marketed exclusively through retail stores but we have since been expanding the product's distribution channels.

Furthermore, we integrated our traditional *Mil-Mil*, *Mil-Mil E*, and *Bifiel* fermented milk drinks to create the new *Bifiene* series of fermented milk drinks containing *Bifidobacterium breve* strain Yakult. The series comprises *Bifiene V*, which is marketed through retail stores, and *Bifiene M* and *Bifiene S*, which are offered exclusively via Yakult Ladies.

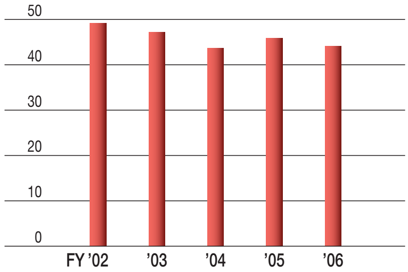
In the *Sofuhl* line, we added *Sofuhl LCS100*. Yakult's traditional *Sofuhl* products are designed to be eaten as desserts, with taste being key; however, functionality is the focus of *Sofuhl LCS100*. In fiscal 2007, we intend to take on the yogurt market with *Sofuhl LCS100* as our star player. In addition, we plan to launch new *Sofuhl* products in fall 2007.

As an official partner of the Federation Internationale de Natation (FINA) from 2005 through 2008, Yakult will sponsor the FINA World Championships and the FINA World Swimming Championships. In July 2005, the Company provided *Yakult* and other beverages to athletes and event officials at the 11th FINA World Championships in Montreal, Canada. In addition, in October 2005, we held the 2005 Yakult International Convention in commemoration of Yakult's 70th anniversary. The event attracted around 5,000 participants, including Yakult Ladies and other frontline employees, and included an awards ceremony, concert, and reception.

The 2005 Yakult International Convention

Juices and Other Beverages (Domestic)

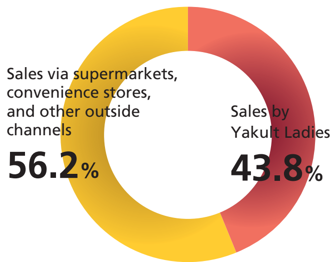
Sales of Juice and Beverages
(Non-Consolidated Basis)
(Billions of yen)



Bansoreicha

THORPEDO

Breakdown of Juice and Beverage Sales by Channel



In February 2006, we created new packaging for *Bansoreicha*, a beverage that helps control the increases in blood sugar levels after meals, and added two new sizes to the series—a 400ml PET bottle and a 1,000ml PET bottle. In March 2006, Yakult launched *Kurozu Drink*, a black vinegar health beverage, in a new, larger 1,000ml rectangular paper package.

In vending machine operations, we are promoting a shift to larger-sized vending machines to enhance the range of product offerings and competitiveness. Along with this shift, we have moved from a traditional system of management focusing on the individual vending machine level to a system wherein oversight is conducted at the vending column level. This management approach has enabled us to accurately ascertain such information as which products are selling well. To boost sales through vending machines, Yakult is leveraging its strengths in the area of functional beverages by proactively placing vending machines in hospitals and other locations where there is high demand for these products. In addition, we are striving to make the most of our joint marketing alliance with Kirin Beverage Corporation, which dates back to 2003, by stocking vending machines with the best of both companies' products. Furthermore, Yakult and the Kirin Group are already working together on the home delivery of health foods and plan to co-develop health food products that showcase both parties' strengths.

In December 2005, the Company and Australia-based Thorpedo Foods Pty. Ltd., entered into an agreement giving Yakult the exclusive rights to develop, manufacture, and sell *THORPEDO* brand beverages in Japan. Thorpedo Foods is a joint venture between the food company So Natural Foods Australia Limited and Olympic gold medalist swimmer Ian Thorpe that manufactures and sells *THORPEDO* brand sports drinks. In May 2005, Yakult launched *THORPEDO*, a sports drink designed to suit the palates of Japanese consumers and rehydrate athletes and dieters alike. Going forward, we will use major promotional campaigns to build the *THORPEDO* brand.

INDUSTRY TRENDS AND BUSINESS STRATEGIES (OVERSEAS)

From Asia and Central and South America to Europe and the United States, the Probiotics market is expanding globally. In this setting, Yakult is actively developing its international operations to offer better health to consumers throughout the world. The Company has 20* overseas marketing companies and manufactures and sells approximately 15.4 million bottles of Yakult products per day in 26 countries and regions, excluding Japan. By 2010, we aim to offer Yakult products in 45 countries and regions.

In Japan and overseas, Yakult focuses on ensuring that consumers fully understand the superior characteristics of *Lactobacillus casei* strain Shirota and the science of Yakult products—an approach that has won the Company a large number of fans who drink Yakult products every day. Unlike with other foods and beverages, very few regular users tire of the taste of Yakult products and stop drinking them. Our business partners love this because it helps them to build a solid customer base, regardless of the sales channel. In addition, the Company dispatches engineers from Japan to all of its overseas plants manufacturing Yakult products, leveraging the experience and know-how of these individuals to ensure product reliability.

Going forward, umbrella companies in various regions will lead the rapid, strategic expansion of our overseas operations.

*Beijing Yakult Co., Ltd., commenced operations in June 2006.

Asia and Oceania

Shanghai

Australia

Singapore

Yakult's Asia and Oceania operations encompass production and sales of Yakult's fermented milk drinks in Taiwan, Hong Kong, Thailand, Korea, the Philippines, Singapore, Indonesia, Australia, Guangzhou Province (China), Shanghai, Beijing, Malaysia, and New Zealand.

In Taiwan, *Bansoreicha*, a functional drink that helps control the increase in blood sugar after meals, has proven popular. In 2002, the Company began exporting the Japanese-made drink for sale in Taiwan.

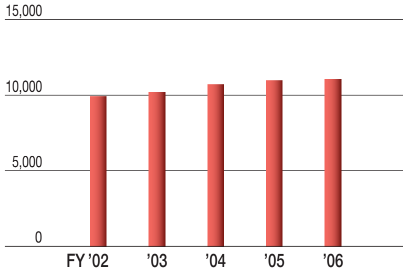
In Hong Kong, the average daily sales volume for fiscal 2006 came to about 430 thousand bottles per day, exceeding 400 thousand bottles per day for the first time in four years since the transfer of the manufacturing of products for export to Guangzhou Yakult Co., Ltd., in China.

In October 2005, an event celebrating the 35th anniversary of Korea Yakult Co., Ltd., was held. Yakult's focus on diversifying product offerings and introducing high value-added products has contributed to sales growth in the Republic of Korea.

In Indonesia, we achieved record monthly sales of nearly 1.33 million bottles per day in October and recorded an average daily sales volume for the year of around 1.01 million bottles per day. In addition, an event celebrating the 15th anniversary of P.T. Yakult Indonesia Persada was held in May 2005.

Sales Volume in Asia & Oceania

(Thousands of bottles/day)



The Philippines

Indonesia

In April 2005, we established Yakult (China) Co., Ltd., to oversee our operations in China. This new umbrella company has already taken Guangzhou Yakult and Shanghai Yakult Co., Ltd., under its wing and established a new marketing company in Beijing as part of efforts to speed up business development in China and will oversee additional marketing companies slated for future development in the country.

In China's Guangzhou Province, the average daily sales volume for the year reached an all-time high of nearly 240 thousand bottles per day as did monthly sales in September, at roughly 340 thousand bottles per day. A Yakult Lady distribution system is being created in the region, and thus far 10 Yakult centers employ approximately 300 Yakult Ladies delivering *Yakult* directly to homes. In addition, the Company began offering home delivery service in the city of Shenzhen.

In Shanghai, monthly sales also reached a record high in September of around 130 thousand bottles per day. As in Guangzhou, the Company is establishing a Yakult Lady distribution system; at present, there are two Yakult centers staffed by approximately 20 Yakult Ladies. Meanwhile, the construction of our Shanghai plant has been completed and we are preparing for its start-up in August 2006.

In Malaysia, Yakult increased the number of sales routes in Penang and Johor and worked to differentiate its products from the competition, boosting the average daily sales volume for the year to more than 50 thousand bottles per day, representing approximately 92% growth from the previous fiscal year.

In October 2005, we teamed up with Group DANONE to establish the joint venture Yakult Danone India Private Limited. The new company is currently preparing for the construction of a plant and hopes to begin production and sales in India in fiscal 2007.

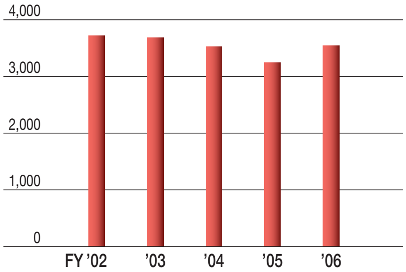
The Philippines

Indonesia

The Americas

Sales Volume in the Americas

(Thousands of bottles/day)



Mexico

U.S.A.

Argentina

Brazil

Yakult's operations in the Americas consist of the production and sale of fermented milk products in Brazil, Mexico, Argentina, and some parts of the United States.

In Brazil, the average daily sales volume for the year was approximately 1.12 million bottles per day, reflecting an increase from the previous fiscal year. In April 2006, we introduced a muscat-flavored version of the soft yogurt *Sofuhl*, which is marketed in Brazil under the brand name *Sofyl*, as part of efforts to diversify our product lineup in this country.

In Mexico, dairy product sales reached a record monthly high of nearly 2.63 million bottles per day in September and the average daily sales volume for the year rose to an all-time high of 2.38 million bottles per day, supported by the energetic sales activities of Yakult Ladies, which were, in turn, spurred in part by the June 2005 revamping of three *Sofuhl* offerings. In addition, we added more variety to our product mix in Mexico with the April 2006 launch of mango-flavored *Sofuhl*.

In the United States, we have, to date, sold *Yakult* mainly through stores in Los Angeles and New York catering to the local Asian market. However, the Company expanded its operations to include stores in Southern California targeting the local Hispanic market in May 2005, and began offering *Yakult* at stores in Phoenix, Arizona, serving the Hispanic community there in February 2006. Going forward, we will prepare to sell *Yakult* in the general market.

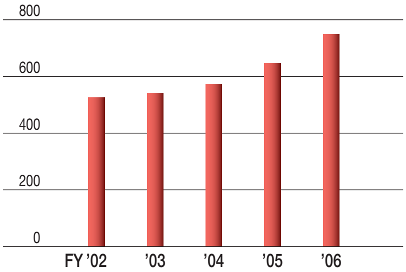
Mexico

Brazil

Europe

Sales Volume in Europe

(Thousands of bottles/day)



In Europe, Yakult's fermented milk drinks are manufactured and sold in the Netherlands as well as marketed in Belgium, the United Kingdom, Germany, Ireland, and Austria.

In the Netherlands, the monthly sales volume reached a record high of nearly 250 thousand bottles per day in November and the average daily sales volume for the year soared to an all-time high of around 220 thousand bottles per day. In Germany, a record-breaking monthly sales volume of nearly 210 thousand bottles per day was posted in March and the average daily sales volume for the year surged to an all-time high of around 160 thousand bottles per day.

In November 2005, the Company established Yakult Oesterreich GmbH (Yakult Austria), and the new subsidiary began selling *Yakult* in December 2005. In addition, Yakult's research center in Gent, Belgium, which was established in May 2005, moved forward with academic research on the intestinal flora of Europeans as part of efforts to strengthen Yakult's presence in Europe

U.K.

Germany

Belgium

Ireland

The Netherlands

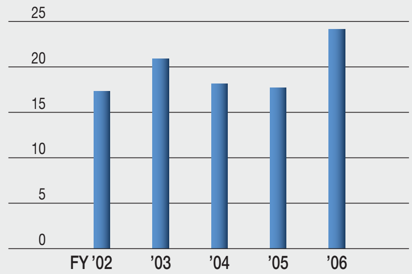
Pharmaceuticals

Campto Injection

Elplat for injection

Sales of Pharmaceuticals

(Billions of yen)

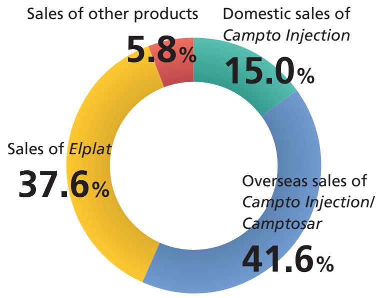


During the fiscal year under review, Yakult promoted the anticancer drug *Elplat* for injection, which was launched in Japan in April 2005, placing top priority on ensuring the proper use of this drug. In addition, Yakult continued to focus on promotional activities in oncology so as to expand sales channels for products such as *Campto Injection*, an anticancer drug, and *Sinseron Tablets*, an oral antiemetic. As a result of these initiatives, domestic pharmaceutical sales substantially exceeded those of the previous fiscal year.

Campto Injection (*Camptosar* in the United States) is approved as a first-line treatment for colorectal cancer in Europe and the United States, and our licensing partner Pfizer Inc. (U.S.) distributes the drug worldwide. In Japan, Yakult and Daiichi Pharmaceutical Co., Ltd., withdrew their application for the approval of pancreatic cancer as an additional indication for *Campto Injection* due to the unlikelihood of receiving approval with the data existing at this time and have discontinued the drug's development.

The patent for *Campto* is due to expire in the United States—Pfizer has obtained pediatric exclusivity for the agent through February 2008—in August 2007 and in major European countries in July 2009. In regions where Yakult has not submitted patent applications for *Campto*, price competition is intensifying due to the introduction of generic versions of the agent. In addition, *Campto* inventories are no longer being built up in Europe where a major decline in sales of the drug is projected. Going forward, we will work to establish *Elplat*, which has performed even better that we expected in Japan, as a new revenue source.

Breakdown of Pharmaceutical Sales



In fiscal 2007, we will work to boost sales by promoting *Campto* and developing the promising new agent *Elplat* as our second mainstay product while increasing the number of R&D personnel and aggressively investing in R&D aimed at bringing to market a new cancer drug that will serve as our third flagship pharmaceutical. In April 2006, Yakult submitted an Investigational New Drug (IND) application to the U.S. Food and Drug Administration (FDA) for IHL 305, a liposomal formulation encapsulating irinotecan (the active ingredient of *Campto)*, and plans to start clinical trials in May or June 2006. In addition, a survey has revealed that approximately 75% of patients undergoing treatment for cancer in Japan do not receive adequate explanations regarding standard treatment options. We are working to change this. In fiscal 2006, Yakult held numerous lectures on FOLFOX and FOLFIRI, global standards for the treatment of colorectal cancer, for medical professionals at venues throughout Japan. In the future, we will continue to strive to enhance awareness and understanding of cancer treatments.

Expansion of Indications for *Campto* and New Drug Development Pipeline

1. Expansion of *Campto* Indications

(As of May 2006)

	Indications	Stage	Date of Application	Remarks
North America, South America, Oceania (Pfizer)	① Gastric cancer	Phase III completed	Under preparation of sNDA	Combination with 5FU/FA, first-line*
	② Lung cancer (Small cell lung cancer)	Phase III on-going	Undecided	Utilization of JCOG data**
	③ Pediatric cancer	Data exclusivity up to February 2008 has been given in the USA		
	④ Breast cancer (Oral formulation)	Phase I on-going	Undecided	
Europe (Pfizer)	① Gastric cancer	Phase III completed	Under sNDA	Due to the transfer of *Campto* business to Pfizer, sNDA will be submitted in accordance with the progress of line extension studies.
	② Colorectal cancer (Adjuvant ***)	Phase III on-going	Undecided	
	③ Lung cancer (Small cell lung cancer)	Phase III on-going		

Note: * FA: Folic acid
** Japan Clinical Oncology Group
*** Adjuvant: Post operation chemotherapy for aiming prevention of recurrence

Japan	North America	Europe
Sep 2007	Aug 2007	Jul 2009

2. Expansion of *Elplat* Indications

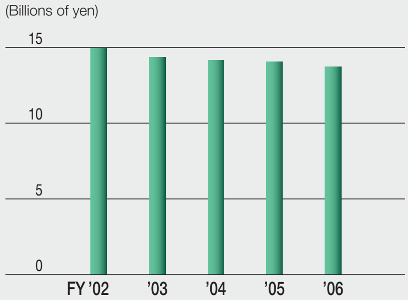
Under investigation of possibility for line extension with the following cancer			
Colorectal cancer (Adjuvant)	Pancreatic cancer	Lung cancer (Non-small cell lung cancer)	Gastric cancer

3. New drug development pipeline

Product	Indications	Licensor	Co-Development Partner	Stage	Remarks
① *Elplat* (oxaliplatin) Development code: L-OHP	Colorectal cancer	Debiopharm	(Independent development)	Approved in March 2005, and launched in April 2005	Safety confirmation study for FOLFOX4 regimen (combination with infusional 5-Fu/l-LV) and combination study with oral 5FU derivative are on-going
② *Femiest* Development code: RG83933	Osteoporosis	Sanofi•Aventis (Aventis)	ASKA Pharmaceutical. Co., Ltd..	Phase II completed On-hold development	Development on-hold due to publication of US Phase III results indicating risk of long-term hormone replacement therapy exceeding benefit
③ *E2/NETA patch* Development code: RPR106522	Post-menopausal syndromes	Sanofi•Aventis (Aventis)	ASKA Pharmaceutical. Co., Ltd..	Phase III completed, under preparation of NDA	
	Osteoporosis			On-hold development	
④ *Irinotecan liposome* Development code: IHL-305	Solid tumors	In-house	Terumo Corporation	Phase I	

Others

Sales of Others



The others business comprises cosmetics operations and the management of the Tokyo Yakult Swallows Baseball Club, a professional baseball team in Japan. In January 2006, Yakult launched a new three-year medium-term plan for its cosmetics business. The plan clarifies the core target market for cosmetics operations as women in their 50s and older and calls for developing fragrance- and color-free products in small packages that are easy for Yakult Ladies to sell, enhancing the counseling skills of Yakult Beauty Advisors, and rolling out regional television commercials and radio spots that showcase our cosmetics' unique roots in lactobacilli. In May 2006, we introduced the new *Uruou* series, which comprises a facial wash and a skin lotion that leverage the power of lactobacilli. In the future, we will aggressively pursue the development of antiaging products that capitalize on the moisturizing and antioxidant properties of lactobacilli that set our products apart.

In fiscal 2006, Yakult launched three new basic skin care products, including *AC Whitening Essence* in the *Parabio* series and *Whitening Lotion* in the *Revecy* line. This, coupled with our focus on the promotion of basic skin care products, led to major growth in year-on-year sales for the *Parabio* and *Revecy* lines. Going forward, our efforts to expand sales will remain focused on basic skin care products. Yakult will also work to bolster sales by continuing to forge ahead with initiatives to reinforce its sales organization and employing more straightforward explanations to drive home to customers the uniqueness and functionality of its products, which are backed by the Company's lactobacilli technology.

CORPORATE GOVERNANCE, COMPLIANCE, AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

CORPORATE GOVERNANCE

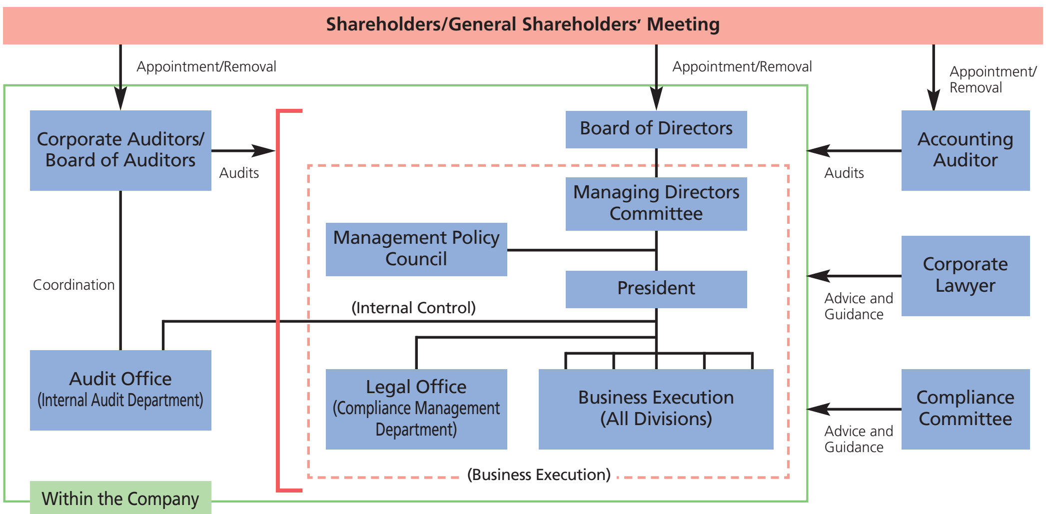
Our corporate governance policy is to "devote ourselves to achieving solid business development based on our core operations while promoting transparent management aimed at realizing financial soundness."

Specifically, Yakult provides ongoing in-house training to ensure the maintenance of solid corporate ethics and compliance with laws and regulations and revises Company regulations as appropriate. In addition, we are shoring up our approval report system and bolstering legal and business process audits as part of efforts to reinforce the oversight of business functions.

As a "company with corporate auditors" in line with Japan's new Company Law, Yakult is working to enhance internal control, accelerate decision making, and strengthen auditing functions. The Company has in place a Board of Directors comprising 26 members, including two outside directors, and a Board of Auditors comprising six members, including four outside auditors. In addition, Yakult has established the Executive Board and the Management Policy Council, which, in principle, convene weekly, to promote effective management activities and speed up decision making. Moreover, Yakult will continue to examine the functionality and effectiveness of new forms of management and decision-making bodies, including the "company with committees" system and the corporate officer system.

Regarding internal control, the Company established an Audit Office as an organization under the direct control of the president to conduct internal audits of all business processes at each department and office as well as domestic and overseas affiliates, report on the findings of these audits, and provide specific advice on how to improve business processes. Corporate auditors attend Board of Directors' meetings as well as other important meetings and examine important documents, auditing the directors' execution of duties. As for accounting audits, Yakult retains the firm Deloitte Touche Tohmatsu to perform audits as required by law.

Corporate Governance Framework



Board of Directors and Corporate Auditors
(As of June 28, 2006)

President

Sumiya Hori

General Managers

Tadashi Suzuki
General Manager,
Administrative Division,
Senior Managing Director

Norihiro Nagata
General Manager,
Food and Beverages Sales Division,
Senior Managing Director

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

Akira Katsumata
General Manager,
Cosmetics Division,
Senior Managing Director

Naomasa Tsuritani
General Manager,
International Business Division
and Production Division,
Senior Managing Director

President

Sumiya Hori

Senior Managing Directors

Tadashi Suzuki*
Norihiro Nagata*
Teruo Yokokura*
Akira Katsumata*
Naomasa Tsuritani*
Ryuichiro Tanaka
Tamotsu Tomibe

Managing Directors

Ryuji Chino
Kiyoshi Terada
Masaaki Watanuki

Directors

Kenji Taguchi
Katsumi Ohtsubo
Yoshihiro Kawabata
Tsuyoshi Kinugasa
Chizuka Kai
Takashige Negishi
Yasufumi Murata
Masahiro Negishi
Emmanuel Faber
Marcel Bertaud
Shouji Ikegami
Masayuki Takemura
Toshihiro Araki
Tetsuya Hoshino
Yasuhisa Abe

Senior Corporate Auditor

Yasukuni Miura

Corporate Auditors

Teruo Nakamura
Akihiko Okudaira
Ryohei Sumiya
Masahiko Ikeda
Seijyuro Tanigawa

*Senior Managing Directors who have responsibilities as General Managers of business divisions.

COMPLIANCE

In 2000, we established the Yakult Code of Ethics and the Yakult Code of Behavior to ensure that corporate activities are conducted properly. In July 2005, we added concrete guidelines and examples and made other revisions to make these codes even more effective. In the future, we will continue to rework these codes as appropriate in light of amendments to laws and regulations and other events.

Also in 2000, the Company established the Compliance Committee. Composed of eminent people from outside the Company, the committee provides Yakult with fair, impartial advice regarding compliance activities as well as management in general. In principle, the committee meets three times a year. In fiscal 2006, the committee provided Yakult with advice pertaining to specific topics, including compliance measures with regard to overseas operations.

Furthermore, Yakult provides in-house training and development to educate employees on compliance, has placed a Compliance Officer in each department and office, and has established a framework for providing rapid, accurate checks of daily business processes as part of an effort to reinforce compliance.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Yakult Group's business purpose is to "contribute to the health and happiness of people around the world." In line with this goal, which encompasses the concept of CSR, we are promoting corporate activities that enable us to remain a company that is of value to individuals and society as a whole as well as a company that grows together with local communities and helps people to create lifestyles that will enable them to enjoy healthy, relaxed, and fulfilling lives.

To realize the Yakult Group's aspiration to "spread health, happiness, and peace throughout the world," we must develop operations based on our corporate philosophy of advocating Shirota-ism—comprising the espousal of the concept of preventive medicine and the idea that a healthy intestinal tract leads to a long life—and contribute to the health of people around the world while keeping pace with the changing times by constantly looking at things from new angles and transforming mindsets when necessary before we act. If we are to achieve this, we also need to be a responsible corporate citizen. To this end, we are working to operate in harmony with society and in a manner that facilitates the development of both the Company and society.

Yakult has long promoted environmental preservation. Since the early 1990s, the Company has moved forward with multifaceted initiatives to preserve the global environment—a top management priority. Specific measures include efforts to reduce the environmental impact of our production activities, reduce the use of containers and packaging materials, and promote the recycling of containers.

Yakult also engages in a wide array of initiatives that benefit society. The Company promotes science and technology, focusing on lactobacilli; has in place a visitation program for senior citizens called "Love Visitation Activities;" encourages the widespread use of the *Yakult* bottle-based water purification system by providing Yakult Bio-Contact Media (Yakult bottles whose bottoms have been removed); and supports sports. In addition, Yakult organizes plant events and tours to encourage interaction with local residents as part of efforts to promote communication with society. Going forward, we will continue to push ahead with CSR activities designed to promote business operations that are in harmony with society and nature.

The Environment

Electric vehicle

Delivery trucks with additional space for carrying empty bottles and cans to be recycled

The Yakult Group traces its environmental initiatives back to when it first began plastic container recycling. In 1976, we created the unique Yakult Plastic Bottle Recycle System, and ever since we have been recycling *Yakult* bottles and other plastic containers. The containers that we collect are recycled into plastic, a portion of which is used to produce rulers, pen stands, and other items that are distributed to the participants of plant tours and local environmental events to raise recycling awareness.

In 1991, Yakult began full-fledged environmental preservation activities with the establishment of an environmental policy group. In 2004, the Company formulated Yakult Ecovision 2010 and, in line with this vision, kicked off its Second Stage Environmental Action Plan in April 2004, working toward the achievement of Yakult Ecovision 2010 by reinforcing various Companywide environmental initiatives, including activities to curb greenhouse gas emissions, reduce waste, conserve energy, and expand green procurement.

January 2003 marked the completion of the ISO 14001 certification of all of the parent company's plants and the Yakult Central Institute for Microbiological Research. In addition, all Group company offices with production departments have been ISO 14001 certified. In fiscal 2005, the Company began providing assistance for the creation of environmental management systems for sales departments.

As for product-related initiatives, we have reduced the volume of materials used for packaging and facilitated the reuse of such materials by improving product container specifications and streamlining package design. In addition, our efforts to reduce greenhouse gas emissions by reducing the amount of energy used in production processes, water use, and waste generation are producing solid results. Furthermore, we encourage drivers not to leave vehicles idling during deliveries and are purchasing environment-friendly electric vehicles for Yakult Ladies to use when making deliveries.

Community Activities

Love Visitation Activities

Intestinal Flora Symposium

Yakult Bio-Contact Media

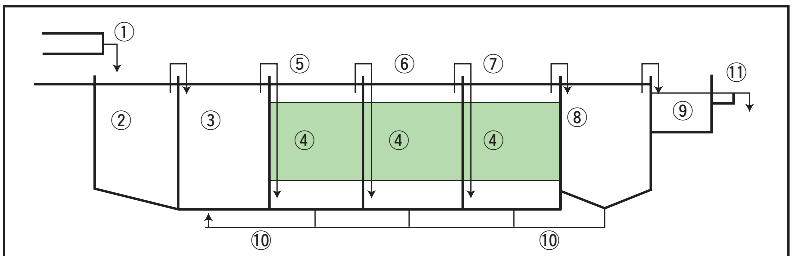
During the more than three decades since 1972, Yakult Ladies have been undertaking "Love Visitation Activities" that involve the initiation of discussions with elderly customers living alone to confirm the well-being of those customers. In addition, the Company is keenly aware that water is a precious resource and is promoting the more widespread use of the highly effective Yakult bottle-based water purification system by providing *Yakult* Bio-Contact Media (*Yakult* bottles whose bottoms have been removed) to national and local governments engaged in water purification activities.

An avid supporter of sports, the Company owns the Tokyo Yakult Swallows Baseball Club, a professional baseball team in Japan, and has organized Yakult Swallows baseball clinics since 1976. Through the clinics, elementary and junior high school students experience the enjoyment of sports and are reminded of the importance of good health as they learn proper practice methods and techniques from professional baseball players.

Turning to the promotion of science and technology, the Company has lent its full support to the Intestinal Flora Symposium since its inception. Sponsored by the Yakult Bio-Science Foundation with support from the Japanese Ministry of Education, Culture, Sports, Science and Technology, the symposium aims to build awareness and understanding of bio-science and intestinal flora in particular. In April 2005, Yakult established an endowment lecture series on Probiotics at Juntendo University. The Company hopes that the series will lead to research achievements related to the benefits of Probiotics, including protection against hospital-acquired infections as well as improvement with regard to the immune system and the intestinal environment. Yakult's efforts to support science and technology extend beyond Japan's borders. The Global Probiotics Council, which was co-founded by Yakult and Groupe DANONE in June 2004, is working to raise worldwide awareness of Probiotics and support R&D in the field through education-, information-, and exchange-based activities.

Yakult is also working to make a difference overseas. For instance, in Indonesia, where there are high rates of infant mortality, the Company has teamed up with the Japanese Organization for International Cooperation in Family Planning (JOICFP) to promote improvements in maternal and child health. In rural areas, Yakult and the JOICFP have established centers that provide healthcare and other services for mothers and their children.

Yakult Bottle-Based Water Purification System



① Inflow
② Raw water pump tank (grit tank)
③ Flow control tank
④ *Yakult* Bio-Contact Media
⑤⑥⑦ Contact oxidation tank
⑧ Grit tank
⑨ Discharge (disinfection) tank
⑩ Sludge return
⑪ Outflow

FINANCIAL SECTION

CONTENTS

CONSOLIDATED FIVE-YEAR SUMMARY

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2006, 2005, 2004, 2003 and 2002

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2006	2005	2004	2003	2002	**2006**
For the year:						
Net sales	**¥267,707**	¥247,506	¥238,847	¥242,740	¥229,623	**$2,288,098**
Selling, general and administrative expenses	**122,827**	118,740	113,756	109,116	105,774	**1,049,806**
Operating income	**21,754**	18,125	16,395	21,619	13,071	**185,929**
Net income	**14,442**	14,105	15,083	14,383	11,108	**123,436**
Research and development costs	**6,966**	6,775	6,457	5,801	5,167	**59,538**
Capital investments	**11,652**	7,864	7,802	10,166	5,944	**99,588**
Depreciation and amortization	**8,407**	8,040	7,985	8,348	8,014	**71,854**
At the year-end:						
Total assets	**¥328,619**	¥293,922	¥286,389	¥276,203	¥269,094	**$2,808,706**
Net property, plant and equipment	**92,269**	86,830	86,635	85,156	87,798	**788,624**
Total liabilities	**88,345**	83,504	90,354	87,959	85,288	**755,085**
Total shareholders' equity	**220,701**	196,023	182,766	174,827	168,033	**1,886,331**

	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	**¥ 81.67**	¥ 79.67	¥ 85.27	¥ 80.88	¥ 63.20	**$ 0.70**
Total shareholders' equity	**1,264.65**	1,123.03	1,047.78	995.51	956.18	**10.81**
Cash dividends applicable to the year	**16.00**	17.50	15.00	15.00	15.00	**0.14**
Financial ratios:						
Return on equity (ROE) (%)	**6.9**	7.4	8.4	8.4	6.8	
Equity ratio (%)	**67.2**	66.7	63.8	63.3	62.4	

Notes: 1. Figures for 2002, 2003, 2004, 2005 and 2006 have been rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and has been made at the rate of ¥117 to U.S.$1, the approximate rate of exchange at March 31, 2006.

OVERVIEW

In fiscal 2006, the Japanese economy showed clear signs of recovery, including improvements in the income environment and employment picture on the back of stronger corporate performance as well as more lively investment and spending.

Against this backdrop, the Yakult Group (the Group) worked to build awareness and understanding of the probiotics—living microorganisms that provide health benefits by improving the balance of intestinal flora—that constitute the bedrock of its operations while striving to communicate the superiority of its products. In addition, the Group endeavored to improve its performance by taking steps to shore up its sales organization, develop new products, upgrade its production facilities, and enhance its overseas operations.

As a result, on consolidated basis, net sales climbed 8.2% from the previous fiscal year, to ¥267.7 billion, operating income soared 20.0%, to ¥21.8 billion, and net income rose 2.4%, to ¥14.4 billion. The relatively small increase in net income compared with growth in operating income was mainly due to the posting of a ¥3.7 billion gain on the amortization of prior service cost in the previous fiscal year.

RESULTS OF OPERATIONS

Net Sales

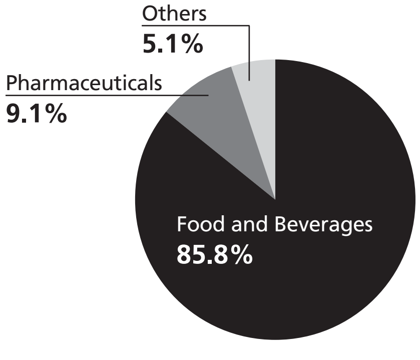
Net sales increased 8.2%, to ¥267.7 billion, reflecting a marked rise in sales generated by the pharmaceuticals business and robust overseas sales of dairy products. Looking at net sales by industry segment, Food and Beverages accounted for 85.8% of sales, compared with 87.1% in the previous fiscal year; Pharmaceuticals accounted for 9.1%, up from 7.2%; and Others contributed 5.1%, down from 5.7%. As for operating income by industry segment, Food and Beverages accounted for 75.9% of operating income, compared with 84.2% in the previous fiscal year; Pharmaceuticals accounted for 22.5%, up from 13.3%; and Others contributed 1.6%, down from 2.5%. The percentage of net sales and operating income accounted for by the Pharmaceuticals segment can thus be seen to be expanding. Sales to foreign customers grew 16.4%, to ¥67.3 billion, increasing as a proportion of consolidated net sales from 23.4% to 25.1%.

Sales by Business

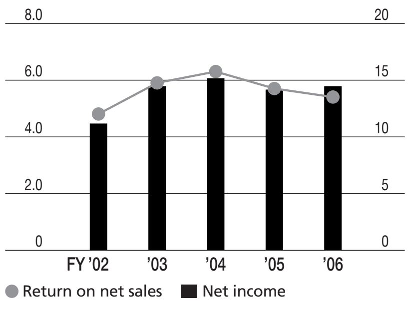
Food and Beverages: Sales in the Food and Beverages business rose 6.5%, to ¥229.7 billion. Regarding dairy products, we continued working to strengthen and expand our marketing organization and marketing operations through the sustained implementation of Companywide probiotics activities that spotlight Yakult's *Lactobacillus casei* strain Shirota and through efforts to explain to customers the ideas that led to Yakult's founding—the preventive medicine concept and the idea that a healthy intestinal tract leads to a long life. In addition, 2005 marked the Group's 70th anniversary—an occasion that spurred us to return to our roots and strive to generate new value from lactobacilli as well as build a sales organization to accommodate market changes.

Sales of the mainstay fermented milk drink *Yakult 400* continued to show steady growth, reaching a level higher than in the previous fiscal year. To more clearly convey the health benefits of bifidobacteria to customers, we launched the new *Bifiene* series of fermented milk drinks in October 2005 and clarified that these drinks' value lies in their ability to deliver live *Bifidobacterium breve* to the intestines. This was instrumental in reversing the downward trend in sales of products containing bifidobacteria. In addition, in March 2006, we introduced *Sofuhl LCS100*, which combines the good old-fashioned taste of plain yogurt with enhanced functionality, with an eye to expanding our share of retail shelf space and increasing sales. Nevertheless, the fermented milk drink *Yakult* and other dairy products struggled to gain ground

Breakdown of Net Sales



Return on Net Sales and Net Income



amid a tough operating environment, and, as a result, overall sales of dairy products were essentially flat.

In juices and other beverage operations, we augmented marketing promotion activities focused primarily on functional foods while strengthening the direct marketing routes of our sales companies, expanding our network of vending machines, and working to increase average sales per vending machine. In April 2005, we introduced a redesigned package for *Lemorea* relaxation drinks and added new products to the line, and in June 2005 we launched *Chosei Tonyu*, a drink made from both black and white soy beans, to complement our traditional *Luck Me Drink* series of soy milk drinks. These and other initiatives to enhance our functional food offerings led to a rise in sales of such products. In addition, sales of the *Kininaruyasai* line of combined fruit and vegetable juice drinks increased markedly from the previous fiscal year, owing in part to the introduction of a redesigned package and the addition of a new product in October 2005. Sales of such mainstay products as the nutritious tonic beverage *Toughman* and the health tea *Bansoreicha*, however, did not grow despite efforts to bolster sales of these items. Consequently, overall sales of juices and other beverages were lower than in the previous fiscal year.

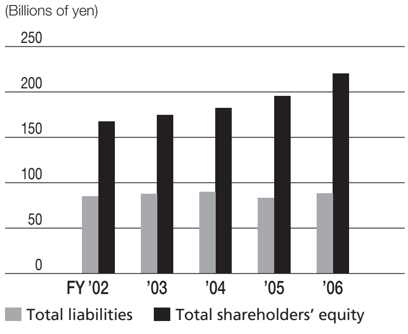
In addition, in June 2005 Yakult Honsha Co., Ltd. (the Company) entered into a business alliance with Kirin Brewery Company, Limited, and Kirin Beverage Corporation, mainly for health and functional food operations. Through this partnership, we aim to create new value based on the theme "food and health" to help our customers to enjoy healthy fulfilling lives.

Yakult's overseas operations commenced in March 1964 with the establishment of Yakult Co., Ltd. (Taiwan), and have grown to include business bases in 19 countries and regions as well as other operations in 26 countries and regions outside Japan, including those in which test sales are being conducted. These operations focus primarily on the production and sale of the fermented milk drink *Yakult*. Daily average overseas sales of all Yakult products reached approximately 16.34 million bottles as of March 2006. As for operations in Asia and Oceania, we established Yakult Danone India Private Limited in October 2005. The new company will serve as our base for full-fledged development in India and is currently preparing to commence sales. In addition, in April 2005 we established Yakult (China) Co., Ltd., to oversee our operations in China. In Europe, marketing operations in Austria began in December 2005.

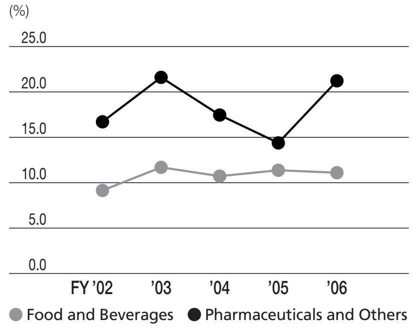
Pharmaceuticals: Sales in this segment surged 36.2%, to ¥24.2 billion, on the back of a robust performance in Japan that offset lower overseas sales stemming from ongoing inventory adjustments on the part of our U.S. licensing partner and other factors. The Company continued to specialize in cancer and cancer-related ailments while working to expand sales channels. The Company promoted the anticancer drug *Elplat*, which was launched in Japan in April 2005, placing top priority on ensuring the proper use of this drug. In addition, the Company worked to expand sales of such products as *Campto Injection*, an anticancer drug, and *Sinseron Tablets*, an oral antiemetic. As a result of these initiatives, domestic pharmaceutical sales were nearly four times higher than in the previous fiscal year, outstripping overseas pharmaceutical sales for the first time.

Campto Injection is primarily used as a first-line treatment for colorectal cancer, and our licensing partner Pfizer Inc. (U.S.) distributes the drug mainly in Europe and the United States in addition to other countries worldwide. Amid fierce price competition stemming from the introduction of generic versions of *Campto Injection* in certain European countries, efforts have been made to promote the agent for use in combination with such molecular targeted therapies as *Erbitux* and

Total Liabilities and Total Shareholders' Equity



Operating Margin by Business Segment



Avastin, which have recently been approval for sale. We also worked to support sales of the agent by offering rebates on *Campto* bulk supplied to countries where the Company has lost its market exclusivity due to the launch of generic versions of the drug. In addition, the Company has withdrawn its application for the approval of pancreatic cancer as an additional indication for *Campto Injection* due to the unlikelihood of receiving approval at this time.

Others: Sales in the Others segment edged down 2.5%, to ¥13.8 billion. This segment encompasses Yakult's cosmetics operations as well as its professional baseball team operations.

In cosmetics operations, the Company worked to increase customer awareness of the benefits of its original moisturizing agents, which leverage the power of lactobacilli. The Company focused on boosting sales generated by its core basic skin care product lines—*Parabio* and *Revecy*. Specifically, we added two new items to the *Parabio* series, including the skin lightening product *Whitening Essence*, and introduced three new skin lightening products and a moisturizing eye cream called *Balance Up Eyefilm* in the *Revecy* series. As a result, sales of *Parabio* products in particular gained substantial ground. Overall sales of cosmetics, however, struggled due to such factors as the implementation of scrap and build measures associated with the revision of product brands.

In our professional baseball operations, we proactively developed strategies to attract more fans. In addition, interleague games were newly introduced. However, such factors as a decline in attendance at Company-sponsored games and lower income from broadcasting fees created harsh operating conditions.

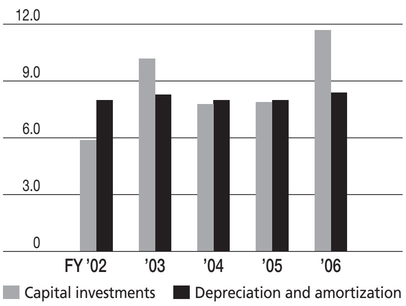
COSTS, EXPENSES AND EARNINGS

The cost of sales rose 11.3%, to ¥123.1 billion, a higher rate increase compared to the 8.2% increase in net sales. Although the gross profit margin declined 1.3 percentage points, from 55.3% to 54.0%, the marked increase in sales boosted gross profit 5.6%, to ¥144.6 billion. Selling, general and administrative (SG&A) expenses edged up 3.4%, to ¥122.8 billion. Although general and administrative expenses declined 3.1% from the previous fiscal year to ¥63.0 billion, selling expenses rose 11.4%, to ¥59.8 billion as a result of proactive marketing activities in Japan and overseas. Operating income surged 20.0%, to ¥21.8 billion as the increase in gross profit stemming from higher sales offset the rise in SG&A expenses. Looking at operating income by industry segment, operating income in the Food and Beverages segment gained 4.0% and operating income in Pharmaceuticals nearly doubled—soaring 95.2%. Operating income in the Others segment fell 26.4%.

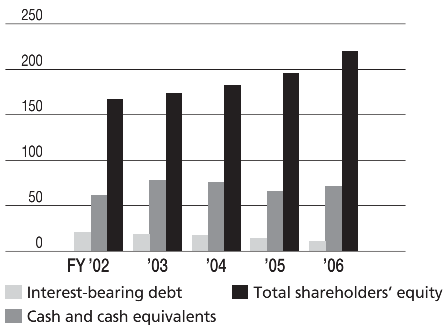
Other income (expenses) edged up ¥0.7 billion, from income of ¥6.9 billion in the previous fiscal year to income of ¥7.6 billion. Interest and dividend income increased ¥1.5 billion, to ¥2.8 billion, foreign exchange gain rose ¥1.1 billion, to ¥1.3 billion, and equity in earnings of unconsolidated subsidiaries and associated companies was up ¥0.6 billion, to ¥3.4 billion, together outweighing the absence of the ¥3.7 billion gain on the amortization of prior service cost arising from the adoption of a defined benefit pension plan that was posted in the previous fiscal year.

The actual effective tax rate (income taxes as a percentage of income before income taxes and minority interests, which is recorded under provision for income taxes) rose to 41.4%, compared with 38.0% in the previous fiscal year. As a result, net income increased 2.4%, to ¥14.4 billion, and return on net sales declined 0.3 percentage point, from 5.7% to 5.4%. Capital investments amounted to ¥11.7 billion, up 48.2% from ¥7.9 billion in fiscal 2005, and R&D expenses rose 2.8%, to ¥7.0 billion.

Capital Investments and Depreciation and Amortization



Interest-Bearing Debt and Liquidity on Hand



FINANCIAL POSITION

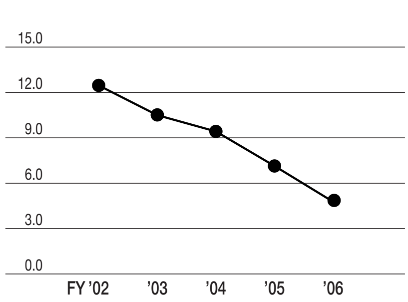
Total assets at year-end were up 11.8%, or ¥34.7 billion, from fiscal 2005 year-end, to ¥328.6 billion. The parent company's total assets at year-end increased ¥12.5 billion. Current assets climbed ¥13.0 billion, to ¥155.8 billion, mainly due to a ¥5.2 billion rise in cash and cash equivalents and a ¥7.2 billion increase in notes and accounts receivable. Net property, plant and equipment advanced ¥5.4 billion, from ¥86.8 billion in the previous fiscal year to ¥92.3 billion, reflecting capital investments of ¥11.7 billion that exceeded adjustments for depreciation and amortization of ¥8.4 billion. Investments and other assets were up ¥16.3 billion, to ¥80.5 billion, mainly as a result of a ¥20.3 billion rise in investment securities and investments in and advances to unconsolidated subsidiaries and associated companies, to ¥62.4 billion, which offset a ¥5.4 billion decline in deferred tax assets, to ¥5.6 billion. The increase in cash and cash equivalents was primarily attributable to the contributions of consolidated companies, while the gains in notes and accounts receivable as well as investments were mainly attributable to the Company.

Total liabilities rose ¥4.8 billion, to ¥88.3 billion, principally reflecting a ¥3.3 billion increase in notes and accounts payable, a ¥1.8 billion rise in income taxes payable, and a ¥1.1 billion allowance for loss on plant reorganization, which countered a ¥3.5 billion reduction in long- and short-term debt.

Shareholders' equity grew 12.6%, or ¥24.7 billion, to ¥220.7 billion. This gain was mainly attributable to a ¥12.1 billion rise in retained earnings due to strong performance; however, a ¥7.8 billion increase in foreign currency translation adjustments and a ¥4.5 billion rise in unrealized gain on available-for-sale securities also contributed to the increase. As a result, the equity ratio rose 0.5 percentage point, from 66.7% to 67.2%. Interest-bearing debt at year-end was down ¥3.5 billion from fiscal 2005 year-end, to ¥10.5 billion, and the debt-to-equity ratio was down a substantial 2.3 percentage points, from 7.1% to 4.8%.

Regarding asset profitability, return on equity (ROE) decreased 0.5 percentage point, from 7.4% to 6.9%, mainly reflecting the marked increase in shareholders' equity. Return on assets (ROA) rose from 6.2% to 6.6%. This reflects the further strengthening of the Company's already solid financial position as well as an increase in actual profitability achieved by leveraging assets.

Debt-to-Equity Ratio



CASH FLOWS

Net cash provided by operating activities increased ¥7.6 billion, to ¥26.9 billion, mainly owing to an increase in operating income coupled with a rise in interest and dividend income.

Net cash used in investing activities came to ¥19.1 billion, down ¥2.3 billion, and primarily comprised purchases of property, plant and equipment, the rise in which offset a decline in purchases of investment securities.

Net cash used in financing activities totaled ¥7.0 billion, up ¥0.1 billion.

As a result, cash and cash equivalents at year-end amounted to ¥71.3 billion, a net increase of ¥5.2 billion from fiscal 2005.

DIVIDENDS

The Company regards profit distribution as an important part of its basic management strategy. In March 2005, the Company took an even more proactive stance on profit sharing by moving to a policy that takes fiscal year performance into account but remains primarily focused on maintaining stable dividends.

At the 54th annual general shareholders' meeting in June 2006, we plan to propose supplementing our standard year-end dividend of ¥7.5 per share with a ¥1.0 per share performance-based dividend in light of the achievement of record-high sales both on a nonconsolidated and a consolidated basis. This, along with the standard interim dividend of ¥7.5 per share, will result in an annual dividend of ¥16 per share for the fiscal year under review.

Internal reserves are to be used for R&D investment and facility renewal projects designed to strengthen the Company and enhance its competitiveness.

In addition, the enactment of the new Company Law has resulted in the lifting of restrictions with regard to the number of times that dividends may be distributed. At the present time, the Company does not plan to implement quarterly dividends or make any other changes and will continue to distribute dividends twice a year at the close of the interim and fiscal-year periods.

FORWARD-LOOKING STATEMENTS

Food and Beverages

Regarding dairy products, the Group will continue to spread the word about its founding concepts of preventive medicine and the link between a healthy intestinal tract and a long life. In Juices and Other Beverages, the Company will augment its marketing promotion programs centered on functional health products (Food for Specified Health Uses) and continue efforts to strengthen the direct sales routes of its marketing companies by separating sales functions from distribution functions to facilitate focus on a single business activity. Overseas, there are still numerous promising markets remaining to be developed, and, as the leading company in the field of probiotics, we plan to vigorously expand internationally.

Pharmaceuticals

In Japan, the Company will continue to specialize in cancer and cancer-related ailments, move forward with promotional activities that emphasize the proper use of *Elplat*, and work to expand sales of *Campto Injection* and *Sinseron Tablets*. In addition, the Company will add a new tablet formation to its *Yakult BL Seichoyaku* series of quasi-drugs for regulating intestinal function. Furthermore, in April 2006, we will establish a sales network comprising 10 offices throughout Japan as part of efforts to reinforce our sales organization.

Overseas, Pfizer Inc. will be able to establish unified marketing strategies for *Campto* as it holds marketing rights for the drug in major markets throughout the world. To boost overseas sales of *Campto*, promotional activities will focus even more on communicating the agent's position as a first-line treatment. In addition, the Company will concentrate on product life cycle management in light of the upcoming expiration of the Company's patent for this agent.

Others

In its cosmetics operations, the Company will launch the *Yakult Beautiens* brand, actively work to convey the functionality of lactobacilli to customers, and strive to set the Company apart from the competition. Under the new brand, we will anchor our efforts to further expand our cosmetics business under the slogan "putting the power of lactobacilli to work for the skin."

In addition, the Company will work to develop product launch-related campaigns to enhance customer satisfaction and breathe new life into marketing activities. At the same time, we are seeking to upgrade our marketing capabilities and augment the service we offer via education and training programs designed to bolster the consulting skills of sales companies' staff and Yakult Beauty Advisors.

In fiscal 2007, the Group projects that net sales will rise 3.5%, to ¥277.0 billion; operating income will increase 3.4%, to ¥22.5 billion; and net income will jump 10.8%, to ¥16.0 billion, as a result of the aforementioned activities and initiatives.

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 forecasts and actual performance.

BUSINESS RISKS

1. Risks that may cause abnormal fluctuations in financial position and/or operating results

The Group's reliance on profits from overseas operations has been increasing annually as a result of the strong performance of overseas entities. However, there is no guarantee that such risks as exchange rate fluctuations and unstable political and economic conditions in countries where the Group operates will not affect the Company's performance.

2. Risks pertaining to a high degree of reliance on products for which future potential is uncertain

The Company's principal pharmaceutical product *Campto* has been approved for the first-line treatment of colorectal cancer in the United States and Europe, and is sold virtually worldwide. However, the impact of business integration and other realignments on the part of our licensing partner for this drug as well as the projected decline in royalty income subsequent to the expiration of the patent for *Campto* in March 2008 may affect the Company's performance.

Other risks and factors that could affect the future performance of the Group include, but are not limited to, abnormal weather and natural disasters. The Group is committed to maintaining an awareness of and working to avoid such risks.

CONSOLIDATED BALANCE SHEETS

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 71,299**	¥ 66,145	**$ 609,395**
Time deposits (Note 6)	**899**	1,599	**7,685**
Receivables:			
Notes and accounts receivable	**43,107**	35,875	**368,434**
Unconsolidated subsidiaries and associated companies	**3,252**	3,221	**27,792**
Other	**2,786**	2,819	**23,812**
Inventories (Note 3)	**28,740**	27,115	**245,643**
Deferred tax assets (Note 9)	**4,166**	3,961	**35,609**
Other current assets	**2,443**	2,656	**20,878**
Allowance for doubtful accounts	**(850)**	(538)	**(7,266)**
Total current assets	**155,842**	142,853	**1,331,982**
Property, plant and equipment:			
Land (Note 6)	**32,276**	32,367	**275,862**
Buildings and structures (Note 6)	**74,704**	73,217	**638,493**
Machinery, equipment and vehicles	**86,358**	80,527	**738,104**
Furniture and fixtures	**14,677**	14,061	**125,448**
Construction in progress	**4,621**	531	**39,496**
Total	**212,636**	200,703	**1,817,403**
Accumulated depreciation	**(120,367)**	(113,873)	**(1,028,779)**
Net property, plant and equipment	**92,269**	86,830	**788,624**
Investments and other assets:			
Investment securities (Note 5)	**37,825**	23,987	**323,288**
Investments in and advances to unconsolidated subsidiaries and associated companies	**24,562**	18,059	**209,930**
Long-term loans	**611**	595	**5,223**
Goodwill	**1,508**	1,740	**12,888**
Deferred tax assets (Note 9)	**5,620**	11,013	**48,035**
Other assets	**10,382**	8,845	**88,736**
Total investments and other assets	**80,508**	64,239	**688,100**
Total	**¥328,619**	¥293,922	**$2,808,706**

See notes to consolidated financial statements.

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6)	**¥ 8,367**	¥ 11,323	**$ 71,512**
Current portion of long-term debt (Note 6)	**545**	983	**4,657**
Payables:			
Notes and accounts payable	**27,135**	23,840	**231,920**
Unconsolidated subsidiaries and associated companies	**167**	232	**1,430**
Other	**5,603**	5,220	**47,892**
Income taxes payable	**4,514**	2,705	**38,579**
Accrued expenses	**13,374**	12,957	**114,308**
Deferred tax liabilities (Note 9)	**845**	843	**7,225**
Other current liabilities	**4,662**	4,108	**39,845**
Total current liabilities	**65,212**	62,211	**557,368**
Long-term liabilities:			
Long-term debt (Note 6)	**1,574**	1,653	**13,448**
Liability for retirement benefits (Note 7)	**17,269**	16,616	**147,600**
Allowance for loss on plants reorganization	**1,120**		**9,573**
Deferred tax liabilities (Note 9)	**1,354**	1,521	**11,572**
Other long-term liabilities	**1,816**	1,503	**15,524**
Total long-term liabilities	**23,133**	21,293	**197,717**
Minority interests	**19,573**	14,395	**167,290**
Commitments and contingent liabilities (Note 10)			
Shareholders' equity (Notes 8 and 12):			
Common stock— authorized, 700,000,000 shares; issued, 175,910,218 shares in 2006 and 2005	**31,118**	31,118	**265,963**
Capital surplus	**40,956**	40,768	**350,048**
Retained earnings	**145,746**	133,602	**1,245,690**
Unrealized gain on available-for-sale securities	**6,601**	2,071	**56,418**
Foreign currency translation adjustments	**(1,170)**	(9,008)	**(9,996)**
Treasury stock—at cost, 1,558,899 shares in 2006 and 1,549,285 shares in 2005	**(2,550)**	(2,528)	**(21,792)**
Total shareholders' equity	**220,701**	196,023	**1,886,331**
Total	**¥328,619**	¥293,922	**$2,808,706**

CONSOLIDATED STATEMENTS OF INCOME

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Net sales	**¥267,707**	¥247,506	**$2,288,098**
Cost of sales (Note 11)	**123,126**	110,641	**1,052,363**
Gross profit	**144,581**	136,865	**1,235,735**
Selling, general and administrative expenses (Note 11)	**122,827**	118,740	**1,049,806**
Operating income	**21,754**	18,125	**185,929**
Other income (expenses):			
Interest and dividend income	**2,824**	1,316	**24,140**
Interest expense	**(163)**	(229)	**(1,396)**
Royalty income	**3,283**	3,208	**28,062**
Foreign exchange gain	**1,316**	194	**11,250**
Gain on exemption from the pension obligation of the governmental program (Note 7)		49	
Amortization of prior service cost (Note 7)		3,654	
Equity in earnings of unconsolidated subsidiaries and associated companies	**3,442**	2,862	**29,415**
Provision for loss on plants reorganization	**(1,120)**		**(9,573)**
Impairment loss (Note 4)	**(1,437)**		**(12,279)**
Charge for transitional obligations for retirement benefits		(2,490)	
Other—net	**(551)**	(1,630)	**(4,713)**
Other income—net	**7,594**	6,934	**64,906**
Income before income taxes and minority interests	**29,348**	25,059	**250,835**
Income taxes (Note 9):			
Current	**10,135**	8,439	**86,623**
Deferred	**2,028**	1,073	**17,329**
Total income taxes	**12,163**	9,512	**103,952**
Minority interests in net income	**2,743**	1,442	**23,447**
Net income	**¥ 14,442**	¥ 14,105	**$ 123,436**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 2 (n)):			
Basic net income	**¥81.67**	¥79.67	**$0.70**
Cash dividends applicable to the year	**16.00**	17.50	**0.14**

Diluted net income per share of common stock for 2006 and 2005 was not calculated due to the absence of dilutive stock.
See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Outstanding number of shares of common stock (Thousands)	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2004	174,432	¥31,118	¥40,739	¥121,770	¥1,300	¥(9,807)	¥(2,354)
Net income				14,105			
Surplus from disposal of treasury stock			29				
Adjustments to retained earnings for revaluation based on general price-level accounting				517			
Cash dividends, ¥15 per share				(2,617)			
Bonuses to directors and corporate auditors				(173)			
Net increase in unrealized gain on available-for-sale securities					771		
Net decrease in foreign currency translation adjustments						799	
Repurchase of treasury stock	(116)						(207)
Disposal of treasury stock	45						33
Balance, March 31, 2005	174,361	31,118	40,768	133,602	2,071	(9,008)	(2,528)
Net income				**14,442**			
Surplus from disposal of treasury stock			**177**				
Increase (decrease) resulting from merger of consolidated subsidiaries			**11**	**(11)**			
Adjustments to retained earnings for revaluation based on general price-level accounting				**971**			
Cash dividends, ¥17.5 per share				**(3,051)**			
Bonuses to directors and corporate auditors				**(207)**			
Net increase in unrealized gain on available-for-sale securities					**4,530**		
Net decrease in foreign currency translation adjustments						**7,838**	
Repurchase of treasury stock	**(10)**						**(22)**
Disposal of treasury stock	**158**						**213**
Other increase in treasury stock	**(158)**						**(213)**
Balance, March 31, 2006	**174,351**	**¥31,118**	**¥40,956**	**¥145,746**	**¥6,601**	**¥(1,170)**	**¥(2,550)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2005	$265,963	$348,447	$1,141,900	$17,703	$(76,996)	$(21,611)
Net income			**123,436**			
Surplus from disposal of treasury stock		**1,511**				
Increase (decrease) resulting from merger of consolidated subsidiaries		**90**	**(90)**			
Adjustments to retained earnings for revaluation based on general price-level accounting			**8,300**			
Cash dividends, $0.15 per share			**(26,079)**			
Bonuses to directors and corporate auditors			**(1,777)**			
Net increase in unrealized gain on available-for-sale securities				**38,715**		
Net decrease in foreign currency translation adjustments					**67,000**	
Repurchase of treasury stock						**(181)**
Disposal of treasury stock						**1,821**
Other increase in treasury stock						**(1,821)**
Balance, March 31, 2006	**$265,963**	**$350,048**	**$1,245,690**	**$56,418**	**$ (9,996)**	**$(21,792)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YAKULT HONSHA Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Operating activities:			
Income before income taxes and minority interests	**¥29,348**	¥25,059	**$250,835**
Adjustments for:			
Income taxes—paid	**(9,317)**	(11,019)	**(79,633)**
Depreciation and amortization	**8,407**	8,040	**71,854**
Impairment loss	**1,437**		**12,279**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(3,442)**	(2,862)	**(29,415)**
Changes in operating assets and liabilities:			
Increase in trade receivables	**(6,438)**	(552)	**(55,030)**
Increase in inventories	**(647)**	(488)	**(5,527)**
Increase (decrease) in trade payables	**3,286**	(2,160)	**28,088**
Increase (decrease) in liability for retirement benefits	**653**	(1,227)	**5,584**
Other—net	**3,632**	4,557	**31,043**
Total adjustments	**(2,429)**	(5,711)	**(20,757)**
Net cash provided by operating activities	**26,919**	19,348	**230,078**
Investing activities:			
Decrease in time deposits	**700**	513	**5,983**
Purchases of property, plant and equipment	**(13,454)**	(8,378)	**(114,994)**
Proceeds from sales of property, plant and equipment	**1,586**	647	**13,555**
Purchases of investment securities	**(6,782)**	(13,541)	**(57,963)**
Acquisition of controlling interest in a company	**(254)**		**(2,173)**
Acquisition of shares of subsidiaries	**(35)**	(7)	**(303)**
Increase in loans receivable	**(330)**	(179)	**(2,821)**
Collection of loans receivable	**158**	303	**1,349**
Other—net	**(731)**	(777)	**(6,240)**
Net cash used in investing activities	**(19,142)**	(21,419)	**(163,607)**
Financing activities:			
Net decrease in short-term loans	**(3,071)**	(564)	**(26,247)**
Proceeds from long-term debt	**967**	400	**8,264**
Payments for settlement of long-term debt	**(1,547)**	(3,328)	**(13,222)**
Repurchase of treasury stock	**(22)**	(207)	**(181)**
Disposal of treasury stock	**390**	75	**3,332**
Dividends paid	**(3,051)**	(2,617)	**(26,079)**
Other—net	**(626)**	(626)	**(5,351)**
Net cash used in financing activities	**(6,960)**	(6,867)	**(59,484)**
Foreign currency translation adjustments on cash and cash equivalents	**4,337**	(566)	**37,064**
Net increase (decrease) in cash and cash equivalents	**5,154**	(9,504)	**44,051**
Cash and cash equivalents, beginning of year	**66,145**	75,649	**565,344**
Cash and cash equivalents, end of year	**¥71,299**	¥66,145	**$609,395**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING THE 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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥117 to U.S.$1, the approximate rate of exchange at March 31, 2006. Such translation should not be construed as a representation 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, 2006 include the accounts of the Company and its 68 (65 in 2005) significant subsidiaries (collectively, the "Group"). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control or influence concept, those companies in which the Company, 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 (3 in 2005) 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.

The financial statements of the Company's subsidiaries in Mexico and Argentina have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in Mexico and Argentina in the accompanying consolidated financial statements have been charged or credited to net income 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 fair value of the net assets at the respective dates of acquisition, is being amortized on a straight-line basis from 3 to 10 years in 2006 and 2005.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group 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	5 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	3 to 20 years

(e) Long-lived Assets

In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued "ASBJ Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥1,437 million ($12,279 thousand).

(f) 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, and reports marketable available-for-sale securities at fair value with unrealized gains and losses (net of applicable taxes) as 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.

(g) Retirement and Pension Plans

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

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.

(h) Research and Development Costs

Research and development costs are charged to income as incurred.

(i) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer the 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.

(j) 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.

(k) Appropriations of Retained Earnings

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

(l) 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 consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(m) 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," a separate component of shareholders' equity.

(n) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share for the year ended March 31, 2006 and 2005 is not disclosed due to the absence of dilutive stock.

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.

(o) New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Business Combinations, and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued Accounting Standard for Business Separations and ASBJ Guidance No.10, Guidance for Accounting Standard for Business Combinations and Business Separations. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,
(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock Options

On December 27, 2005, the ASBJ issued Accounting Standard for Stock Options and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to Directors and Corporate Auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting treatment for bonuses to directors and corporate auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year-end to which such bonuses are attributable.

3. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Merchandise	**¥ 3,691**	¥ 3,640	**$ 31,548**
Finished products	**1,558**	1,359	**13,316**
Work in process	**2,389**	2,294	**20,416**
Raw materials	**20,005**	18,913	**170,983**
Other	**1,097**	909	**9,380**
Total	**¥28,740**	¥27,115	**$245,643**

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2006 and recognized impairment loss as follows:

	Millions of yen	Thousands of U.S. dollars
Investment properties	**¥ 188**	**$ 1,605**
Idle assets	**112**	**958**
Leased assets	**291**	**2,490**
Assets in a professional baseball team	**846**	**7,226**
Total	**¥1,437**	**$12,279**

The relevant properties were written down to the recoverable amount due to a continuous operating loss or a decrease of their fair market value. The recoverable amounts were measured at their net realizable value mainly based on appraisals estimated by independent appraisers or their value in use, and the discount rate used for computation of present value of future cash flows was 5%.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Investment securities:			
Marketable equity securities	**¥35,214**	¥21,170	**$300,973**
Government and corporate bonds		1	
Trust fund investments and other	**2,611**	2,816	**22,315**
Total	**¥37,825**	¥23,987	**$323,288**

The carrying amounts and aggregate fair values of investment securities at March 31, 2006 and 2005 were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥24,366**	**¥10,852**	**¥4**	**¥35,214**
Debt securities				
Other				
March 31, 2005				
Securities classified as—				
Available-for-sale:				
Equity securities	¥17,769	¥3,446	¥45	¥21,170
Debt securities	1			1
Other	128	8	4	132

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006				
Securities classified as—				
Available-for-sale:				
Equity securities	**$208,256**	**$92,748**	**$31**	**$300,973**
Debt securities				
Other				

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Available-for-sale:			
Equity securities	**¥2,611**	¥2,684	**$22,315**
Total	**¥2,611**	¥2,684	**$22,315**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥189 million ($1,611 thousand) and ¥10 million, respectively. Gross realized gains on these sales for the years ended March 31, 2006 and 2005, computed on the moving average cost basis, were ¥37 million ($320 thousand) and ¥4 million, respectively. Gross realized loss for the year ended March 31, 2006 and 2005 were ¥6 million ($48 thousand) and ¥1 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2006 are not disclosed due to the absence of them.

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

Short-term bank loans at March 31, 2006 and 2005 were ¥8,367 million ($71,512 thousand) and ¥11,323 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2006 and 2005 ranged from 0.60% to 8.75% and 0.59% to 8.75%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Loans from banks and other financial institutions, 0.87% to 14.00% (1.30% to 6.75% in 2005), due serially to 2025:			
Collateralized	**¥1,096**	¥ 972	**$ 9,363**
Unsecured	**1,023**	1,664	**8,742**
Total	**2,119**	2,636	**18,105**
Less current portion	**(545)**	(983)	**(4,657)**
Long-term debt, less current portion	**¥1,574**	¥1,653	**$13,448**

Annual maturities of long-term debt as of March 31, 2006 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 545	$ 4,657
2008	592	5,057
2009	453	3,875
2010	281	2,401
2011	123	1,052
2012 and thereafter	125	1,063
Total	¥2,119	$18,105

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥5,040 million ($43,077 thousand) and the above collateralized long-term debt at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 20	$ 171
Land	4,964	42,433
Buildings and structures—net of accumulated depreciation	1,338	11,434
Total	¥6,322	$54,038

As is customary in Japan, the Company maintains substantial deposit balances with the 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.

7. RETIREMENT AND PENSION PLANS

The Company and its certain 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 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, 2006 and 2005, included the amounts of ¥763 million ($6,522 thousand) and ¥874 million for directors and corporate auditors, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The Company and certain consolidated subsidiaries have various non-contributory and contributory plans and other retirement benefit plans.

The contributory funded defined benefit pension plan, established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval.

The Company obtained approval for exemption from the future obligation by the Ministry of Health, Labour and Welfare on July 25, 2003 and recognized a gain on exemption from the pension obligation of the governmental program in the amount of ¥5,908 million for the year ended March 31, 2004.

In the previous period, the Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on October 1, 2004.

The Company thereafter transferred the substitutional portion of the pension obligation and related assets to the government on March 25, 2005 and recognized ¥49 million as income for the difference between the balance of the retirement benefit liabilities brought forward and the amount actually transferred for the year ended March 31, 2005.

The liability (asset) for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥54,949**	¥52,423	**$469,648**
Fair value of plan assets	**(34,130)**	(28,471)	**(291,712)**
Unrecognized actuarial loss	**(4,458)**	(8,299)	**(38,099)**
Unrecognized transitional obligation			
Net liability	**16,361**	15,653	**139,837**
Prepaid pension cost	**145**	89	**1,241**
Liability for employees' retirement benefits	**¥16,506**	¥15,742	**$141,078**

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	**¥2,236**	¥2,395	**$19,111**
Interest cost	**1,172**	1,191	**10,017**
Expected return on plan assets	**(660)**	(644)	**(5,644)**
Amortization of prior service cost	**12**	(3,654)	**109**
Recognized actuarial loss	**1,199**	1,166	**10,246**
Amortization of transitional obligation		2,490	
Net periodic retirement benefit costs	**3,959**	2,944	**33,839**
Gain on exemption from the pension obligation of the governmental program		(49)	
Total	**¥3,959**	¥2,895	**$33,839**

Assumptions used for the years ended March 31, 2006 and 2005, are set forth as follows:

	2006	2005
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation		5 years

8. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥74,654 million ($638,066 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2006 and 2005. 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, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Tax loss carryforwards	**¥ 2,380**	¥ 2,762	**$ 20,341**
Loss from revaluation of securities	**7,515**	7,251	**64,232**
Pension and severance costs	**6,345**	6,149	**54,227**
Allowance for doubtful receivables	**1,232**	1,214	**10,532**
Other	**6,878**	5,591	**58,791**
Less valuation allowance	**(3,346)**	(2,164)	**(28,602)**
Total	**¥21,004**	¥20,803	**$179,521**
Deferred tax liabilities:			
Undistributed earnings of foreign consolidated subsidiaries and associated companies	**¥ 5,673**	¥ 3,490	**$ 48,490**
Inventories	**749**	920	**6,402**
Unrealized gain on land held by a consolidated subsidiary	**1,601**	1,530	**13,685**
Unrealized gain on available-for-sale securities	**4,415**	1,385	**37,731**
Other	**979**	868	**8,366**
Total	**¥13,417**	¥ 8,193	**$114,674**
Net deferred tax assets	**¥ 7,587**	¥12,610	**$ 64,847**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates is not disclosed because the reconciliation for the year ended March 31, 2006 was less than 5% in the normal effective statutory tax rates.

At March 31, 2006, certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥7,569 million ($64,695 thousand) which are available to be offset against taxable income of 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
2007	¥ 422	$ 3,605
2008	121	1,030
2009	52	447
2010	30	260
2011 and thereafter	6,944	59,353
Total	¥7,569	$64,695

10. 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 ¥5,777 million ($49,378 thousand) and ¥6,098 million for the years ended March 31, 2006 and 2005, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, and 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, 2006 and 2005 was as follows:

	Millions of yen					
	2006			2005		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥21,102**	**¥4,037**	**¥25,139**	¥22,453	¥5,018	¥27,471
Accumulated depreciation	**11,541**	**1,360**	**12,901**	12,841	3,272	16,113
Accumulated impairment loss	**7**	**31**	**38**			
Net leased property	**¥ 9,554**	**¥2,646**	**¥12,200**	¥ 9,612	¥1,746	¥11,358

	Thousands of U.S. dollars		
	2006		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$180,360**	**$34,504**	**$214,864**
Accumulated depreciation	**98,639**	**11,624**	**110,263**
Accumulated impairment loss	**60**	**264**	**324**
Net leased property	**$ 81,661**	**$22,616**	**$104,277**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 4,525**	¥ 4,727	**$ 38,676**
Due after one year	**7,943**	6,882	**67,888**
Total	**¥12,468**	¥11,609	**$106,564**

Allowance for impairment loss on leased property of ¥30 millions ($255 thousand) as of March 31, 2006 is not included in obligations under finance leases.

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥5,454 million ($46,618 thousand) and ¥5,734 million for the years ended March 31, 2006 and 2005, respectively.

Interest expense, which is not reflected in the accompanying consolidated statements of income, computed by the interest method was ¥287 million ($2,450 thousand) and ¥292 million for the years ended March 31, 2006 and 2005, respectively.

Reversal of allowance for impairment loss on leased property was ¥8 million ($69 thousand) and impairment loss was ¥38 million ($325 thousand) for the year ended March 31, 2006.

The minimum rental commitments under noncancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 69**	¥ 69	**$ 590**
Due after one year	**107**	118	**914**
Total	**¥176**	¥187	**$1,504**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,966 million ($59,538 thousand) and ¥6,775 million for the years ended March 31, 2006 and 2005, respectively.

12. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2006 were approved at the Company's shareholders meeting held on June 28, 2006:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥8.5 ($0.07) per share	¥1,482	$12,667
Bonuses to directors and corporate auditors	178	1,525

13. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2006 and 2005 is as follows:

(1) Industry Segments

	Millions of yen				
	2006				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income (Loss)					
Sales to customers	**¥229,684**	**¥24,246**	**¥13,777**		**¥267,707**
Intersegment sales					
Total sales	**229,684**	**24,246**	**13,777**		**267,707**
Operating expenses	**204,252**	**16,717**	**13,241**	**¥ 11,743**	**245,953**
Operating income	**¥ 25,432**	**¥ 7,529**	**¥ 536**	**¥(11,743)**	**¥ 21,754**
b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures					
Total assets	**¥211,836**	**¥28,321**	**¥6,781**	**¥81,681**	**¥328,619**
Depreciation	**7,146**	**246**	**130**	**885**	**8,407**
Impairment loss	**106**		**846**	**485**	**1,437**
Capital expenditures	**11,368**	**99**	**91**	**1,631**	**13,189**

	Thousands of U.S. dollars				
	2006				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income (Loss)					
Sales to customers	**$1,963,115**	**$207,231**	**$117,752**		**$2,288,098**
Intersegment sales					
Total sales	**1,963,115**	**207,231**	**117,752**		**2,288,098**
Operating expenses	**1,745,746**	**142,884**	**113,175**	**$ 100,364**	**2,102,169**
Operating income	**$ 217,369**	**$ 64,347**	**$ 4,577**	**$(100,364)**	**$ 185,929**
b. Total Assets, Depreciation Impairment Loss and Capital Expenditures					
Total assets	**$1,810,559**	**$242,062**	**$57,955**	**$698,130**	**$2,808,706**
Depreciation	**61,072**	**2,100**	**1,115**	**7,567**	**71,854**
Impairment loss	**909**		**7,226**	**4,144**	**12,279**
Capital expenditures	**97,159**	**847**	**779**	**13,943**	**112,728**

	Millions of yen				
	2005				
	Food and Beverages	Pharmaceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and Operating Income (Loss)					
Sales to customers	¥215,585	¥17,796	¥14,125		¥247,506
Intersegment sales					
Total sales	215,585	17,796	14,125		247,506
Operating expenses	191,130	13,939	13,398	¥ 10,914	229,381
Operating income	¥ 24,455	¥ 3,857	¥ 727	¥(10,914)	¥ 18,125
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	¥181,281	¥25,173	¥ 7,901	¥ 79,567	¥293,922
Depreciation	6,787	258	125	870	8,040
Capital expenditures	7,585	264	118	848	8,815

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, 2006 and 2005 are summarized as follows:

	Millions of yen					
	2006					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥211,654**	**¥30,744**	**¥13,133**	**¥12,176**		**¥267,707**
Interarea transfers	**4,340**				**¥ (4,340)**	
Total sales	**215,994**	**30,744**	**13,133**	**12,176**	**(4,340)**	**267,707**
Operating expenses	**196,164**	**22,097**	**10,562**	**9,727**	**7,403**	**245,953**
Operating income	**¥ 19,830**	**¥ 8,647**	**¥ 2,571**	**¥ 2,449**	**¥(11,743)**	**¥ 21,754**
Total assets	**¥145,946**	**¥46,641**	**¥49,045**	**¥ 7,620**	**¥ 79,367**	**¥328,619**

	Thousands of U.S. dollars					
	2006					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,809,007**	**$262,770**	**$112,249**	**$104,072**		**$2,288,098**
Interarea transfers	**37,094**				**$ (37,094)**	
Total sales	**1,846,101**	**262,770**	**112,249**	**104,072**	**(37,094)**	**2,288,098**
Operating expenses	**1,676,619**	**188,863**	**90,276**	**83,141**	**63,270**	**2,102,169**
Operating income	**$ 169,482**	**$ 73,907**	**$ 21,973**	**$ 20,931**	**$(100,364)**	**$ 185,929**
Total assets	**$1,247,399**	**$398,644**	**$419,183**	**$ 65,127**	**$ 678,353**	**$2,808,706**

	Millions of yen					
	2005					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥204,209	¥22,427	¥10,220	¥10,650		¥247,506
Interarea transfers	2,464				¥ (2,464)	
Total sales	206,673	22,427	10,220	10,650	(2,464)	247,506
Operating expenses	188,206	16,513	8,147	8,065	8,450	229,381
Operating income	¥ 18,467	¥ 5,914	¥ 2,073	¥ 2,585	¥(10,914)	¥ 18,125
Total assets	¥141,181	¥32,943	¥34,968	¥ 6,551	¥ 78,279	¥293,922

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

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2006 and 2005 amounted to ¥67,318 million ($575,364 thousand) and ¥57,831 million, respectively.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yakult Honsha Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yakult Honsha Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2, effective April 1, 2005, the consolidated financial statements have been prepared in accordance with the new accounting standard for impairment of fixed assets.

Our audits 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 28, 2006

Member of
Deloitte Touche Tohmatsu

GLOBAL NETWORK

(As of June 20, 2006)

Branches

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

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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★ Yakult Honsha European Research Center for Microbiology ESV
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Gent-Zwijnaarde, Belgium
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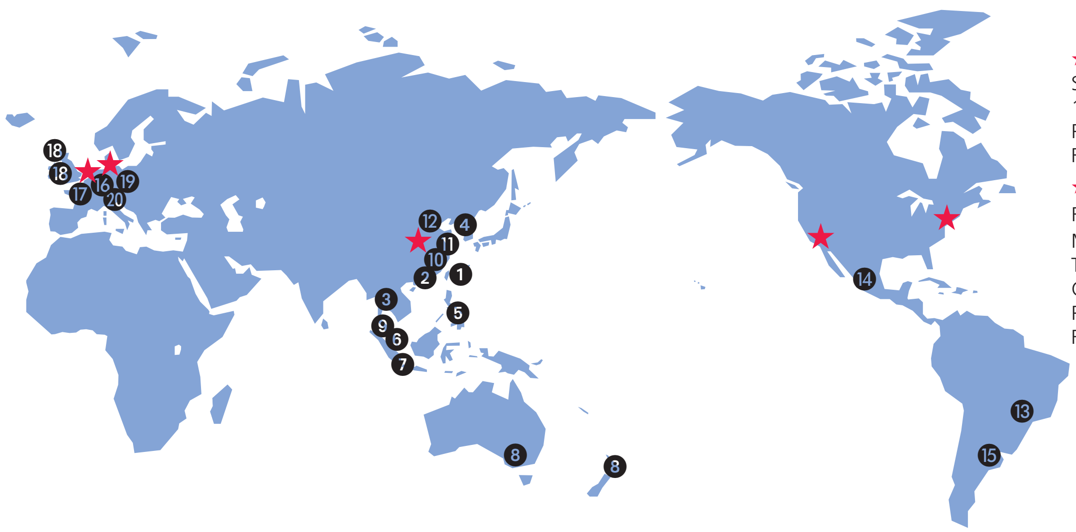

CORPORATE DATA

(As of March 31, 2006)

Corporate Name:
YAKULT HONSHA Co., Ltd.

Date Founded:
1935

Date Incorporated:
April 9, 1955

Head Office:
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Minato-ku, Tokyo 105-8660, Japan
Phone: +81-3-3574-8960
URL: http://www.yakult.co.jp/

Paid-in Capital:
¥31,117,654,815

Annual Account Settlement Date:
March 31

Number of Employees:
14,584

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

Number of Shareholders:
21,021
* Including shareholders whose shares do not comprise full trading units

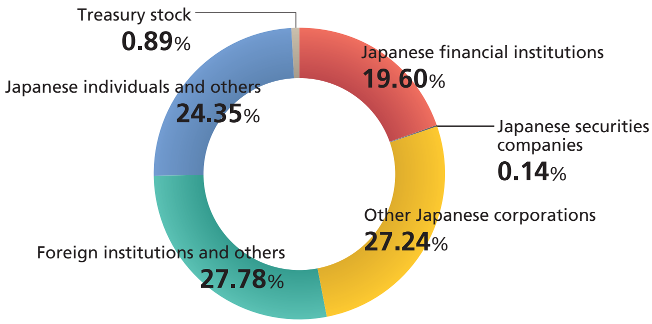
Offices:
1 institute, 9 branches, 12 plants,
10 pharmaceutical product sales offices

Major Shareholders:

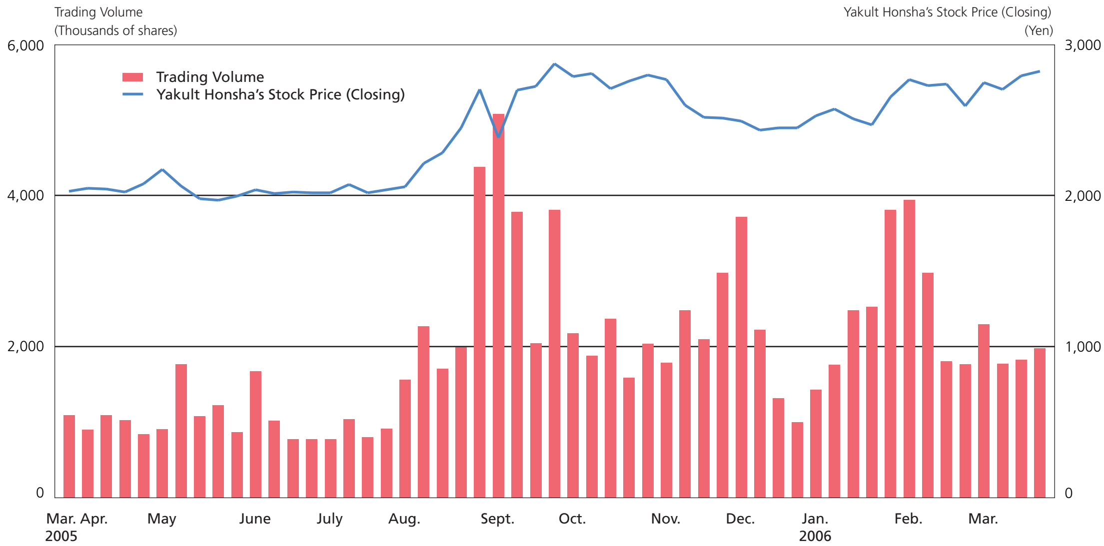
	Percentage of Total Shares Issued
MLPFS NOMINEE/DANONE ASIA HOLDINGS PTE. LTD	20.02%
Matsusho Co., Ltd.	6.55
Fuji Television Network, Inc.	3.69
Japan Trustee Services Bank, Ltd.	3.43
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Mizuho Bank account))	2.82
The Master Trust Bank of Japan, Ltd.	2.57
Kyoshinkai	2.22
Nippon Life Insurance Company	1.66
Kirin Beverage Corporation	1.40
Teruo Nakamura	1.15

Distribution of Ownership among Shareholders

(On a number of shares basis)



Share Price Movement



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