Yakult 75th

75 YEARS YOUNG

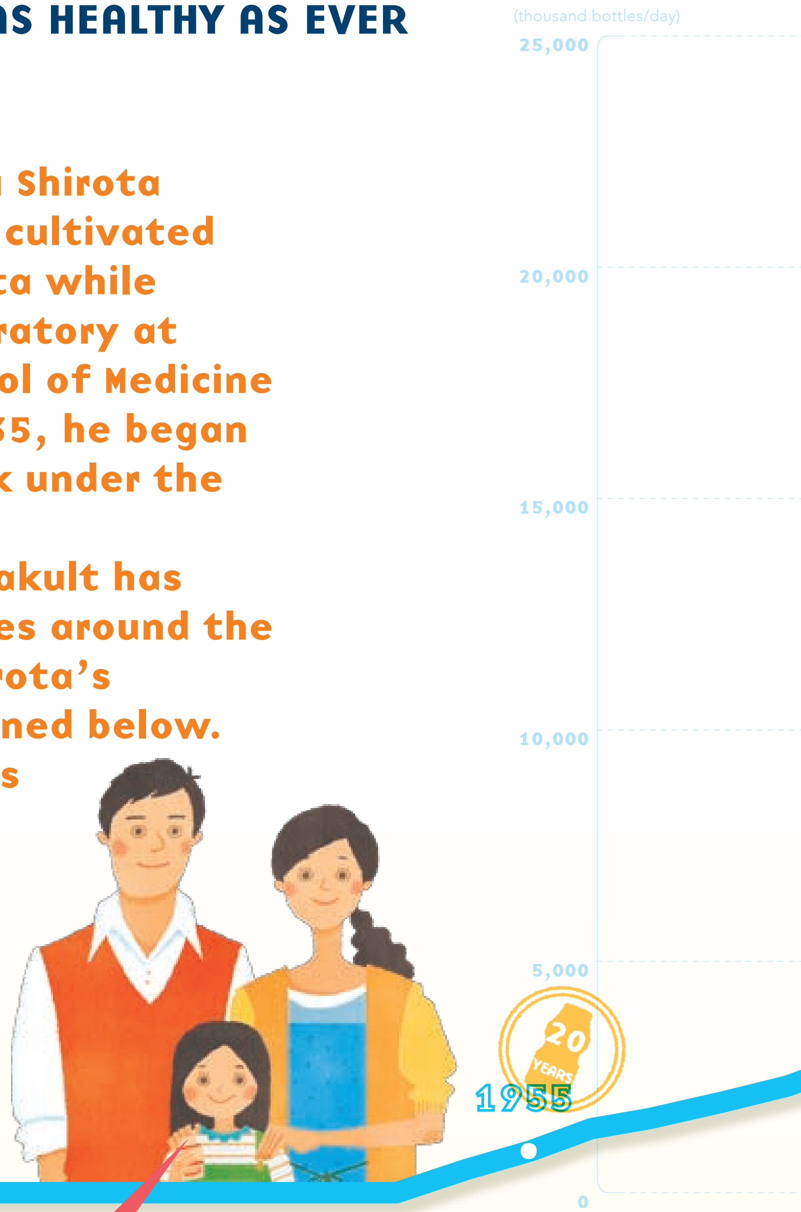
ANNUAL REPORT 2010 Year ended March 31, 2010

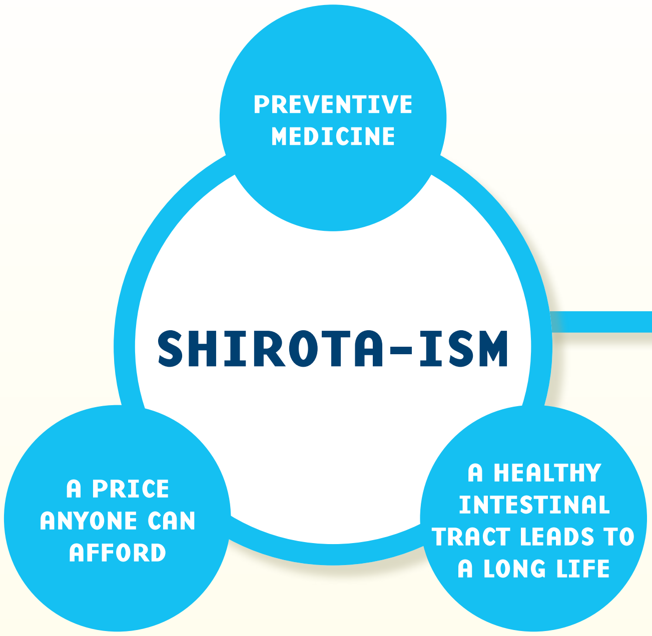
THE CONTINUING PROMISE OF YAKULT

ON OUR 75TH ANNIVERSARY, AS HEALTHY AS EVER

In 1930, our founder Dr. Minoru Shirota successfully strengthened and cultivated *Lactobacillus casei* strain Shirota while working in a microbiology laboratory at Kyoto Imperial University School of Medicine (now Kyoto University). In 1935, he began sales of a fermented milk drink under the brand name *Yakult*.

In the 75 years since then, Yakult has conducted its business activities around the world in ways based on Dr. Shirota's philosophy—Shirota-ism, explained below. Here we look back over Yakult's history... and into the future.





1935 / JAPAN

1930s–1940s

1930

- Dr. Minoru Shirota succeeds in strengthening and cultivating lactic acid bacteria, useful for maintaining health (*Lactobacillus casei* strain Shirota).

1935

- *Yakult* is manufactured and introduced to the market.

1938

- *Yakult* is registered as a trademark.

1940

- Local offices of the Association for Promotion of Preventive Bacteria Strain Shirota are established in various parts of Japan for the purpose of marketing and distributing *Yakult*.

THE 75TH ANNIVERSARY LOGO

Yakult's mission is to bring to life Dr. Shirota's vision of providing a healthy life for as many people as possible. Representing this mission, our 75th anniversary logo design incorporates a Lactobacillus motif in a design that resembles a watch that has kept steady time over our 75-year history and will keep ticking on into the future the Company is creating.

1950s

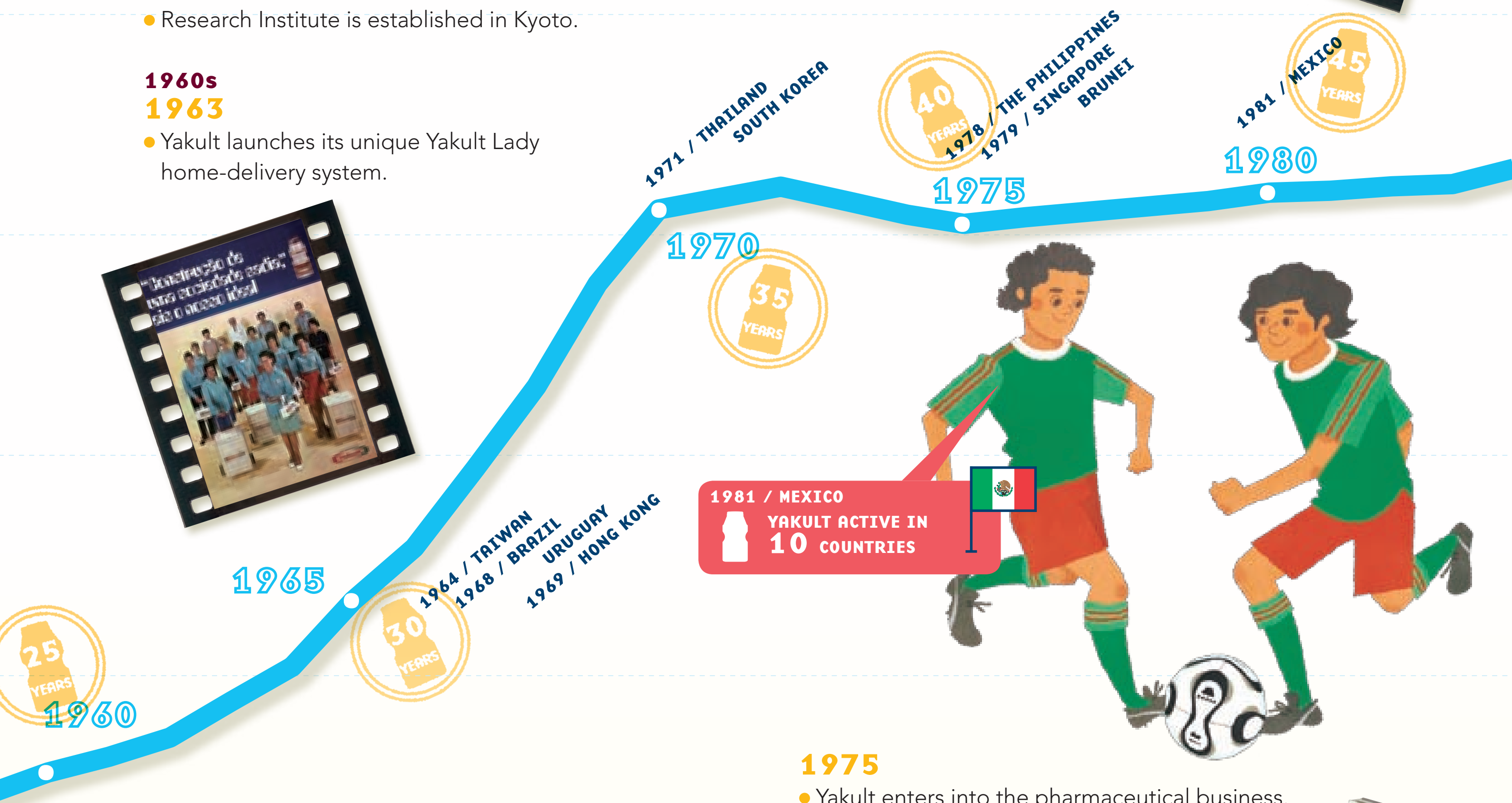
1955

- Yakult Honsha Co., Ltd. is established.
- Research Institute is established in Kyoto.

1960s

1963

- Yakult launches its unique Yakult Lady home-delivery system.



1967

- Yakult Central Institute for Microbiology Research is established in Kunitachi, Tokyo.

1968

- The company takes over the management of the Sankei Atoms baseball team (now the Tokyo Yakult Swallows).
- *Yakult* is introduced to the market in a new plastic container.

1970s

1970

- *Joie* fermented milk is introduced to the market.

1971

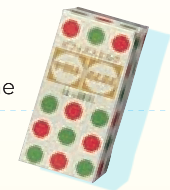
- The company begins the full-scale sale of cosmetics.

1975

- Yakult enters into the pharmaceutical business.

1978

- *Mil-Mil* fermented milk—developed through the direct culture of bifidobacteria—is introduced to the market.



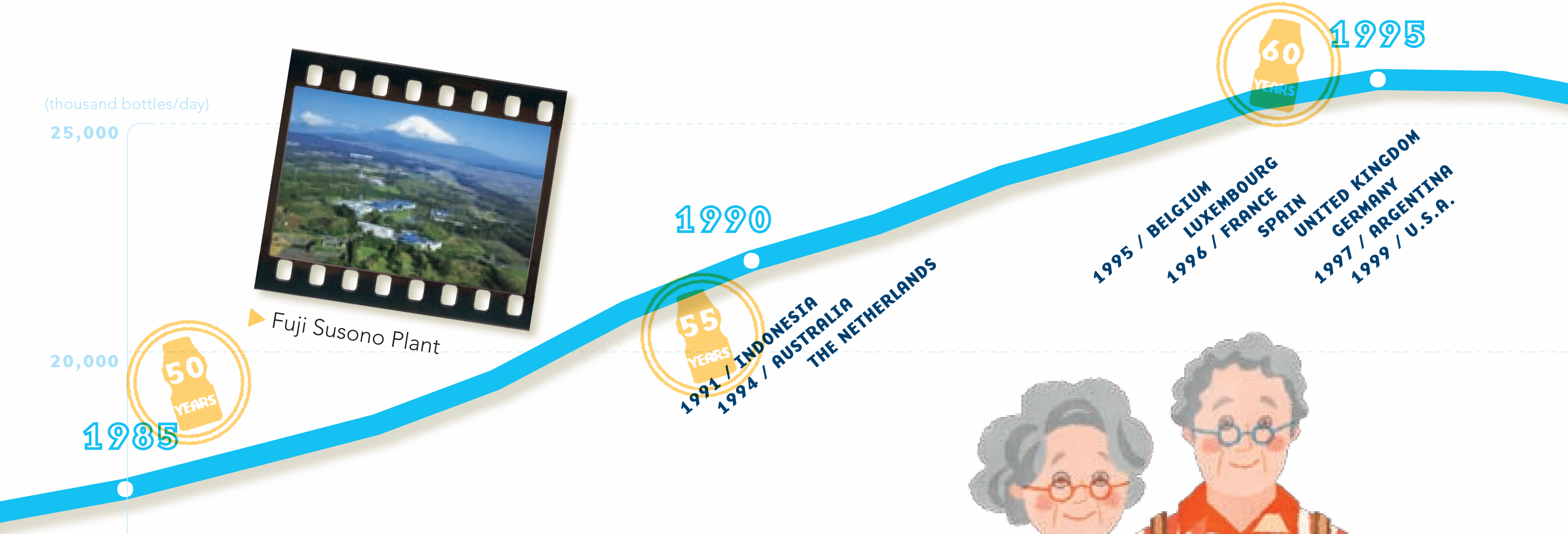
1979

- *Yakult Seichoyaku* intestinal regulator—an over-the-counter medicine—is introduced to the healthcare industry.

CONTENTS

FORWARD-LOOKING STATEMENTS

Statements contained in the Annual Report 2010 regarding business results for fiscal 2010 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.



Fuji Susono Plant

1980s

1981

- Company stocks are listed on the First Section of the Tokyo Stock Exchange.

1989

- *Revecy S.E.* series is introduced to the market.

1990s

1994

- The manufacture of irinotecan hydrochloride, a cancer chemotherapeutic agent, is approved, and the drug is introduced to the healthcare industry under the brand name of *Campto*.

1995

- *Parabio* Series premium-quality skincare product line is introduced to the market.

1998

- *Bansoreicha* is introduced to the market.

1999

- *Yakult 400* fermented milk drink is introduced to the market.

THE SOURCES OF YAKULT'S STRENGTH

Yakult has three unique sources of strength: Product Power, Sales Power, and R&D Power.

1.PRODUCT POWER

More Than 70 Years of a Global Classic

Yakult possesses the proprietary bacteria *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult, whose health benefits and safety have been confirmed through clinical trials. Yakult products incorporating *Lactobacillus casei* strain Shirota are currently available all over the world.

2000 65 YEARS

2005 70 YEARS

2002 / CHINA
2004 / MALAYSIA
NEW ZEALAND
IRELAND

2005 / AUSTRIA
2007 / ITALY
CANADA
VIETNAM
2008 / INDIA
BELIZE

2008 / INDIA
YAKULT ACTIVE IN 30 COUNTRIES

2000s

2004

- Entered into a strategic alliance with Groupe Danone.

2005

- Research center is established in Europe (Belgium).

- Oxaliplatin, a cancer chemotherapeutic agent for the treatment of advanced colorectal cancer, is approved under the name of *Elplat.*

2007

- Yakult develops a cutting-edge intestinal flora analysis system (YIF-SCAN).

2008

- *BF-1*, a new-type fermented dairy beverage containing the bifidobacteria *B. bifidum* strain *BF-1* is introduced to the market.
- *Yakult 400LT* is introduced to the market.
- *Yakult* receives a 2008 Good Design Long Life Design Award (G-Mark).

GOOD DESIGN
Good Design Long Life Design Award

2009

- As an expansion of indication, *Elplat* is approved for the adjuvant treatment of the patient with adjuvant treatment of colon cancer who have undergone complete resection of the primary cancer.

2. SALES POWER

Everywhere is Local

In addition to retail store sales, Yakult has developed the “Yakult Lady System,” a unique home-delivery sales system available across the globe. This channel offers opportunities to meet customers face-to-face and explain to them how lactic acid bacteria work to support good health. It also enables customers to experience for themselves the benefits of Yakult products—winning us loyal customers.

3. R&D POWER

The Wellspring of Future Competitiveness

Yakult’s powerful R&D division carries on the ideals of founder Dr. Minoru Shirota to generate the momentum we need for future development. We focus on R&D activities as the vital foundation of our ability to create products that promote good health today and in the future.

2010

As of March 31, 2010, as a leading Probiotics* company, we help to protect people's health in 32 countries and regions including Japan. In addition to fermented milk drinks, Yakult operations in Japan today include a pharmaceuticals business, in which we handle an anticancer drug widely used worldwide, as well as a cosmetics business.

* Probiotics: Live microorganisms that provide health benefits by improving the balance of intestinal flora.

MORE REGIONS

[INTERNATIONAL BUSINESS DEVELOPMENT]

◎ THE AMERICAS

COUNTRIES AND REGIONS: 7

SALES VOLUME: 4,696 THOUSAND BOTTLES/DAY

◎ EUROPE

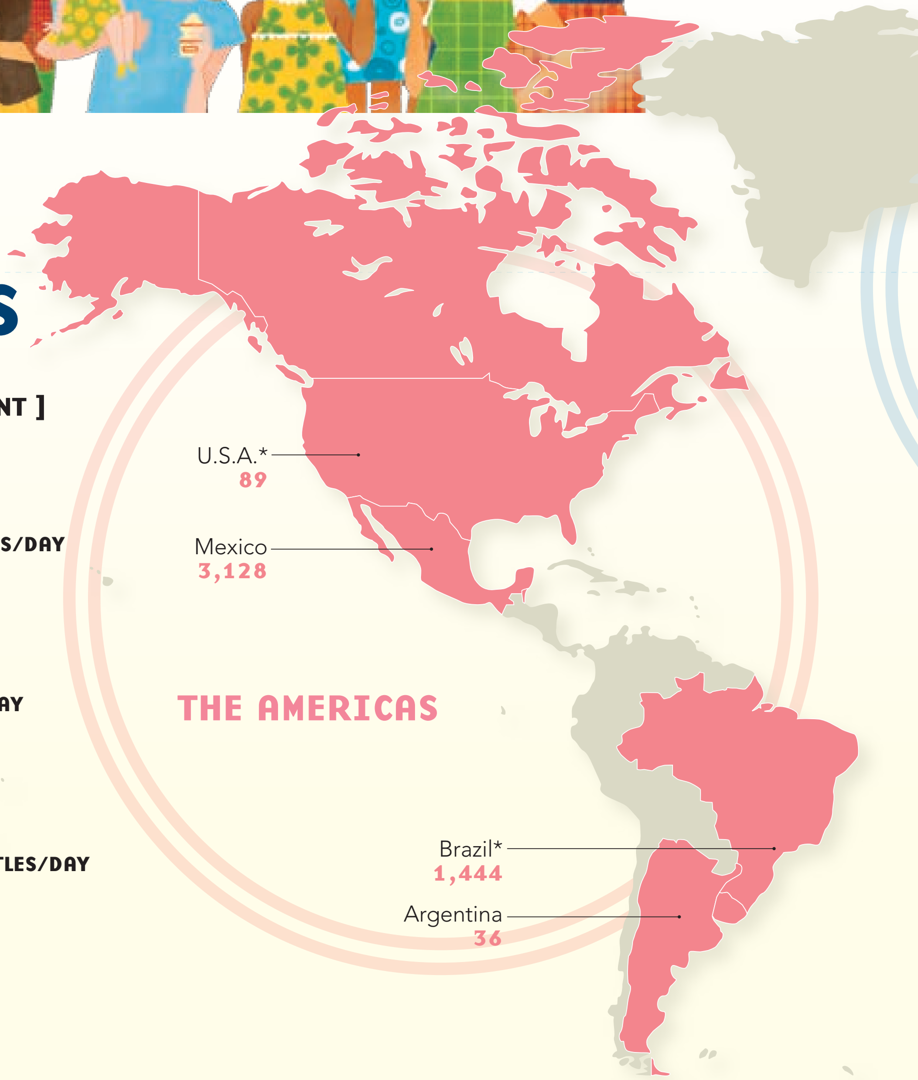
COUNTRIES AND REGIONS: 10

SALES VOLUME: 697 THOUSAND BOTTLES/DAY

◎ ASIA AND OCEANIA

COUNTRIES AND REGIONS: 14

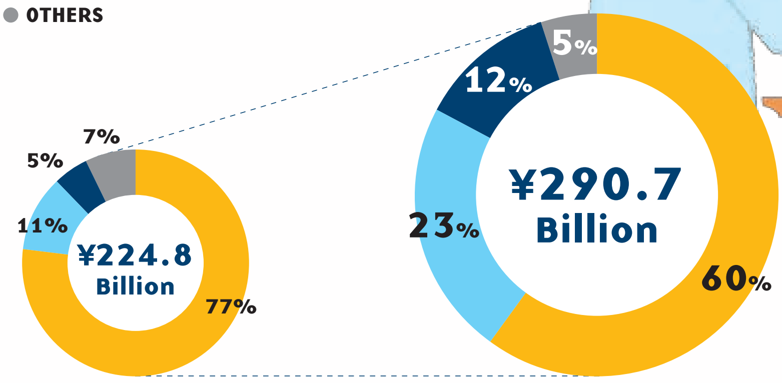
SALES VOLUME: 12,377 THOUSAND BOTTLES/DAY



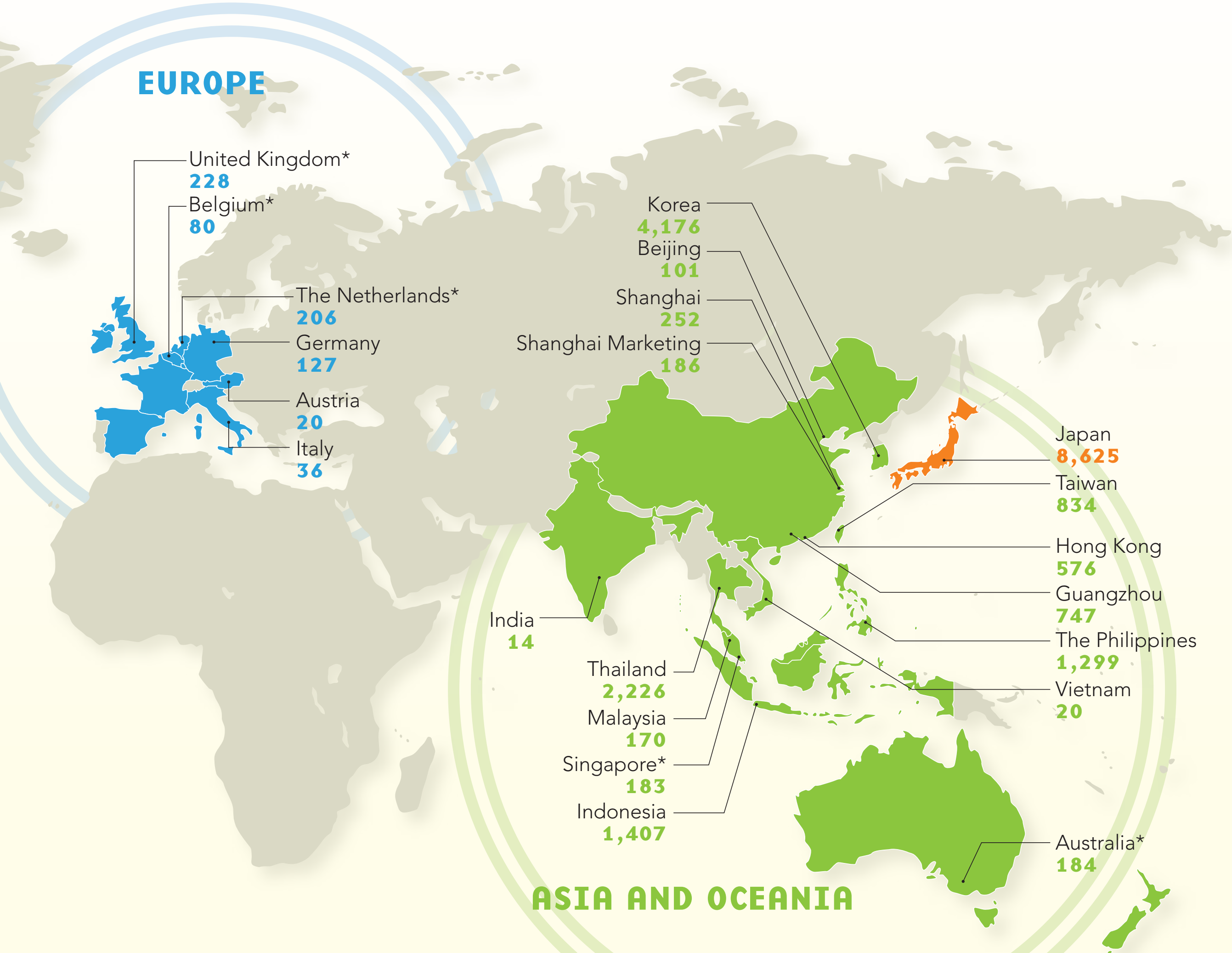
MORE PRODUCTS

[PERCENTAGE OF NET SALES BY SEGMENT]

- FOOD AND BEVERAGES (JAPAN)
- INTERNATIONAL BUSINESS
- PHARMACEUTICALS
- OTHERS



▶ *Lactobacillus casei* strain Shirota



* The sales bottles of the following countries are included: Uruguay (Brazil), Belize (Mexico), Canada (U.S.A.), Luxembourg (Belgium), France (The Netherlands), Spain (The Netherlands), Ireland (United Kingdom), Brunei (Singapore), New Zealand (Australia)

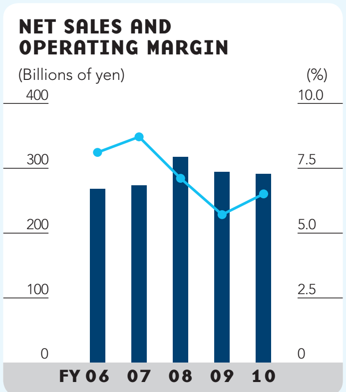
FINANCIAL HIGHLIGHTS

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
March 31, 2010, 2009, 2008, 2007 and 2006

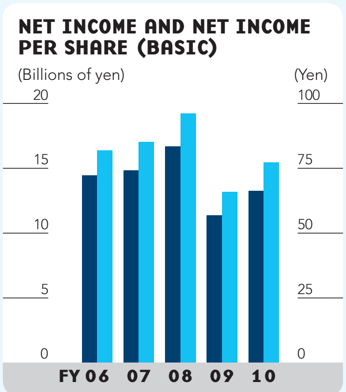
	Millions of yen					Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2009	**2010**	**2010**
For the year:						
Net sales	¥ 267,707	¥ 273,100	¥ 317,335	¥ 293,490	**¥ 290,678**	**$3,125,570**
Operating income	21,754	23,893	22,502	16,744	**18,991**	**204,204**
Net income	14,442	14,806	16,675	11,325	**13,249**	**142,459**
At the year-end:						
Total assets	¥ 328,619	¥ 354,539	¥ 384,569	¥ 361,902	**¥ 389,892**	**$4,192,385**
Total liabilities	88,345	93,334	118,566	134,936	**140,970**	**1,515,802**
Total shareholders' equity	220,701					
Total equity		261,205	266,003	226,966	**248,922**	**2,676,583**
Financial ratio:						
Return on equity (ROE) (%)	6.9	6.5	7.0	5.1	**6.2**	

	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 81.67	¥ 84.93	¥ 95.93	¥ 65.75	**¥ 77.11**	**$ 0.83**
Total equity (Note 3)	1,264.65	1,356.68	1,376.41	1,195.60	**1,300.21**	**13.98**
Cash dividends applicable to the year	16.00	18.00	20.00	20.00	**20.00**	**0.22**

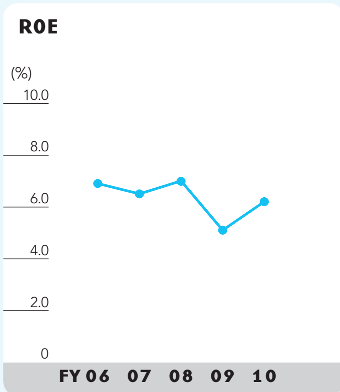
Notes: 1. Figures are rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93 to U.S.$1, the approximate rate of exchange at March 31, 2010.
3. Minority interests are not included in equity on process of calculation.



■ Net sales (left scale)
Operating margin (right scale)



■ Net income (left scale)
■ Net income per share (basic) (right scale)



SUMIYA HORI
President

CELEBRATING 75 YEARS.
LOOKING TO THE FUTURE.

The first bottles of *Yakult* were sold in Fukuoka 75 years ago, in the spring of 1935. To mark the occasion of the 75th anniversary of our founding, in 2010 we have set a goal of selling an average of 30 million Probiotic products per day worldwide for at least a single month. To achieve this goal, the employees of the Yakult Group all over the world will unite to reinvigorate the company.

FINANCIAL PERFORMANCE IN FISCAL 2010

The economy in the fiscal year ended March 2010 (fiscal 2010) showed signs of a recovery in the second half, led by emerging nations. Conditions remained harsh in developed countries, however, as Japan saw the employment situation worsen and personal incomes decline.

Amid such conditions, Yakult worked to build awareness and understanding of the Probiotics—live microorganisms that provide health benefits by improving the balance of intestinal flora—that constitute the bedrock of our operations, while striving to communicate the superiority of our products. In addition, we endeavored to improve performance by taking steps to shore up the sales organization, develop new products, upgrade production facilities, and vigorously enhance our overseas operations and pharmaceuticals business.

As a result of these efforts, consolidated net sales for fiscal 2010 totaled ¥290.7 billion, a decline of 1.0% from the previous year, operating income increased 13.4% to ¥19.0 billion and net income rose 17.0% to ¥13.2 billion.

BUSINESS OVERVIEW
[JAPAN]

Food and Beverages

Yakult's management is dedicated to achieving our goal of worldwide Probiotic product shipments of 30 million bottles per day as quickly as possible. I believe that one of the keys to accomplishing this is our activities in Japan.

To boost sales in Japan we have steadily increased the number of Yakult Ladies, sales reps who make home deliveries of Yakult products, which is our main sales channel. We will continue to focus on increasing Yakult Ladies and further enhance the foundation of our home delivery system. In terms of products, we reintroduced *Mil-Mil*—a drink containing *Bifidobacteria*—to the market in March 2010 following a five-year absence. Aggressive sales promotions paid off as *Mil-Mil* sold at a rate of 510,000 units per day in March, and it continues to sell strongly. We intend to make fiscal 2011 a year the domestic Probiotic products business takes a quantum leap forward.

At the same time, with juice and other beverages continuing to endure tough conditions, we intend to reexamine the benefits inherent in each product and convert to a top-quality lineup oriented to health and functionality based on people's current needs.

Our other initiatives include "domestic modernization," which has been a focus for some time. We are making steady progress in various areas. First, with regard to "modernization of the organization," over the course of the year we consolidated 124 sales companies into 112 companies. We also proceeded with reorganization of the "domestic branch system," moving from a total of nine branches to five as of April 2010. For the "modernization of

"In fiscal 2011 we will wholeheartedly take on the challenge of 10 million bottles per day in Japan in order to achieve worldwide daily sales of 30 million bottles."

function" initiative, which seeks to raise management efficiency, we are actively working to "enhance the efficiency of administrative divisions by promoting the outsourcing of administrative operations of sales companies" and are "considering cooperative logistics and optimal logistics functions for each region." For "plant reorganization," preparations are underway for construction of a new plant that will play a central role in the western region of Japan. Construction is scheduled to commence in the second half of fiscal 2011.

Going forward, we will work to further accelerate our efforts at "domestic modernization."

Cosmetics Business

Achieving self-sufficiency for the cosmetics business is one of Yakult's strategic priorities. To make it happen, we are first working to quickly revitalize sales channels. Specifically, we have traditionally acquired customers through sales companies, but starting in fiscal 2011 we plan to develop new sales channels that connect Yakult directly with its customers. We will actively take on the challenge of selling cosmetics over the Internet, through television shopping channels and at stores, as well as in overseas markets.

Pharmaceuticals Business

In the pharmaceuticals business, we will work to promote and expand treatment using *Campto* and *Elplat*, global-standard cancer chemotherapeutic agents for colon cancer, and further develop the business while putting ultimate priority on proper use of such cancer chemotherapeutic agents.

In fiscal 2011, we will focus further on expanding the market for cancer chemotherapeutic agent *Elplat*. In April 2010, Japanese National Health Insurance (NHI) drug prices were revised. However, the influence of this NHI drug price revision on *Elplat* was minimal because *Elplat* was subject to a new incentive related to creation of innovative drugs or drugs resolving off-labeling indications. As far as adjuvant treatment by *Elplat* is concerned, the approval for this indication of *Elplat* was obtained in August 2009, and steady market penetration is on-going. Furthermore, Yakult is going to proceed with phase III clinical trials in patients with gastric cancer so as to expand indications as quickly as possible. Moreover, we are planning to submit a supplemental New Drug Application for *Elplat* in summer 2010 using XELOX therapy (a combination of Xeloda, oral 5-FU derivative and *Elplat*) in patients with adjuvant treatment. We are continuously focusing on offering a new chemotherapy to bring cures to patients with cancer.

[INTERNATIONAL BUSINESS]

The Americas

Although the prospects of an economic recovery in the Americas remain unclear, Yakult continues to perform well.

It has been three years since we began full-fledged business development in the United States, beginning in California in 2007. We are now selling our products at over 5,000 retail locations in six states. As sales volume continues to increase, we will work quickly to acquire a site for a factory on the West Coast of the United States, with the first "Made in the U.S.A." bottles of Yakult set to arrive in 2012.

Mexico's economy in 2009 suffered the largest decline in GDP growth since World War II and it continues to struggle. Yakult regards the current beleaguered state of the economy as an opportunity, and we are expanding our sales infrastructure by actively hiring Yakult Ladies, which also serves to promote employment for married homemakers.

Europe

In Europe, we are working to rebuild foundations through aggressive measures so that we will be ready when economic conditions and consumer spending recover. On a volume basis, we are projecting results that surpass fiscal 2010.

The EU continues to be mired in poor economic conditions due to a myriad of issues affecting consumption, including the fiscal crisis in Greece and issues surrounding product health claims. However, our sure and steady efforts to promote sales over the past few years have paid dividends, and in fiscal 2011 we are expecting sales volumes to bottom out and begin to rebound.

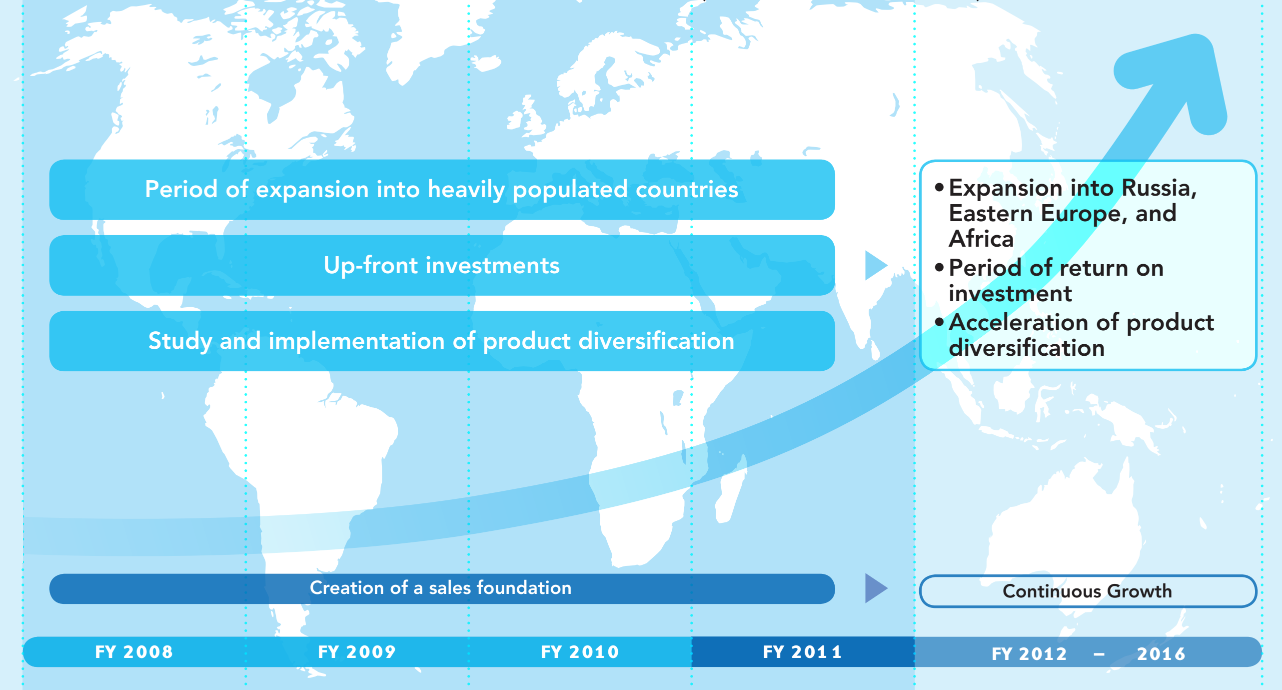
Asia and Oceania

In Asia and Oceania, economies are generally on the upswing again and Yakult continues to put up a solid performance.

Our operations in China moved into the black in fiscal 2010 and we were able to secure operating income of more than ¥1.0 billion. We intend to continue our efforts in fiscal 2011 to add to this total. In terms of geographic expansion, we commenced sales of *Yakult* in April 2010 at the Shenyang and Dalian branches in Liaoning Province and at the Fuzhou and Xiamen branches in Fujian Province. This has served to establish a sales system that covers the major coastal cities of mainland China, and secure sales bases in the northeastern area of the country. For the immediate future we will develop our sales network through mass merchandisers while at the same time steadily expanding the Yakult Lady home delivery system, a sales channel that is unique to Yakult. Specifically, our major priorities are establishing the home delivery channel in Guangzhou, Shanghai and Beijing and expanding to other cities.

In order to respond to the increased sales volume due to this substantial rise in demand, in spring of 2011 we will begin operations at the Tianjin Factory, bringing our total daily production capacity in China to 3 million bottles per day.

AN IMAGE OF INTERNATIONAL BUSINESS GROWTH (CONSOLIDATED BASE)



“All employees of the Yakult Group will return to the basics and diligently strive to achieve worldwide sales of 30 million bottles per day as quickly as possible.”

We have high expectations for other countries and regions in Asia and Oceania as well. We intend to enter areas in the region where our products are not yet sold, and expand sales volumes in our existing sales areas through meticulous response to local needs.

SHAREHOLDER RETURNS

We give top priority to the payment of a higher and stable dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend paid will be based on business performance for the year, after comprehensively taking into account the need for funds for future business expansion and increasing earnings, as well as financial position.

In line with this policy, we will pay an annual dividend of ¥20.0 per share for fiscal 2010. This dividend will consist of a standard year-end dividend of ¥10.0 per share, together with an earlier paid interim dividend of ¥10.0 per share.

Furthermore, we plan to pay a dividend of ¥22.0 per share for fiscal 2011. In addition to payment of a base annual dividend of ¥20.0 per share in line with the aforementioned policy, we intend to add a commemorative dividend of ¥2.0 to the year-end dividend in fiscal 2011. This increased dividend is to celebrate the 75th anniversary of the Yakult Group during the year, and an expression of gratitude to shareholders for their steadfast support.

We will utilize internal reserves for R&D investment and facility renewal projects designed to strengthen our corporate structure and enhance our competitiveness.

This year, the 75th anniversary of our founding, we are committed to returning to the basics. All employees of the Yakult Group will diligently strive to quickly achieve our goal of selling an average of 30 million bottles per day around the world.

However, the goal of 30 million bottles a day is really only a mile marker on the road to 40 million and 50 million bottles sold every day. Our founder, Dr. Minoru Shirota, was driven by a desire to bring health to as many people as possible. Our activities are dedicated to this end, so in this way they are endless.

Thank you for your continuing support. You can expect much from Yakult in the years ahead.

May 2010

堀 澄也

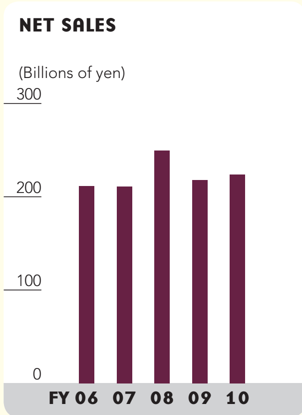
Sumiya Hori
President

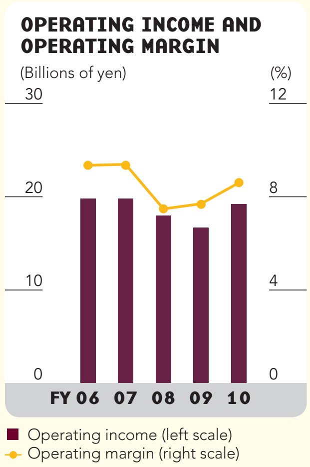
OPERATING PERFORMANCE HIGHLIGHTS

AT A GLANCE

JAPAN

Yakult pursues several businesses in Japan. In addition to the Food and Beverages business centered largely on Probiotic products, our Pharmaceuticals business entails manufacture and sales aimed at developing Yakult into a pharmaceuticals specialist in the treatment of cancer. Cosmetics and a professional baseball team, meanwhile, are central operations in our 'Others' business segment. For the fiscal year ended March 31, 2010, consolidated sales in Japan came to ¥223.9 billion.





FOOD AND BEVERAGES

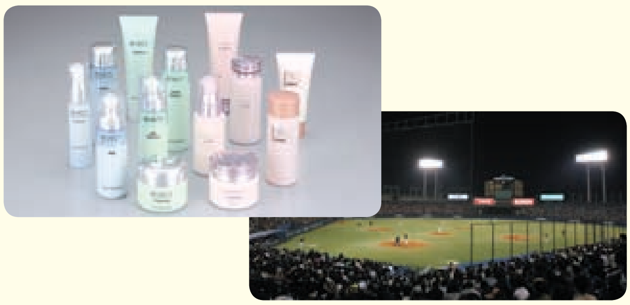
In the Food and Beverages segment, we sell both Probiotic products and Juices and Other Beverages through our home delivery and retail store sales channels. In Probiotic products, business activities are centered on *Yakult*, which delivers live cultures of *Lactobacillus casei* strain Shirota to the intestinal tract. In Juices and Other Beverages, business operations emphasize products with functional properties. For the fiscal year ended March 31, 2010, consolidated sales in Food and Beverages were ¥174.6 billion.

PHARMACEUTICALS

In Pharmaceuticals, Yakult specializes in the field of oncology business, especially focused on sales and marketing of *Campto* and *Elplat*, that are two key drugs for the treatment of colorectal cancer. Consolidated sales in this segment for the fiscal year ended March 31, 2010, were ¥35.1 billion.

OTHERS

In Others, the Company is involved in the cosmetics business, founded on the beneficial effects of lactic acid bacteria for the skin, as well as management of a professional baseball team, the Tokyo Yakult Swallows Baseball Club. Consolidated segment sales for the fiscal year ended March 31, 2010 were ¥14.2 billion.

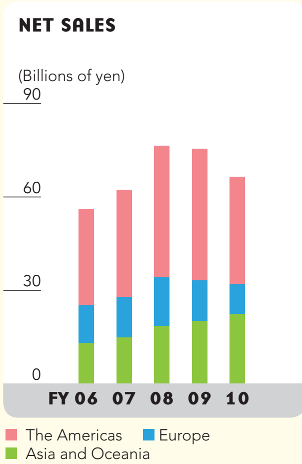


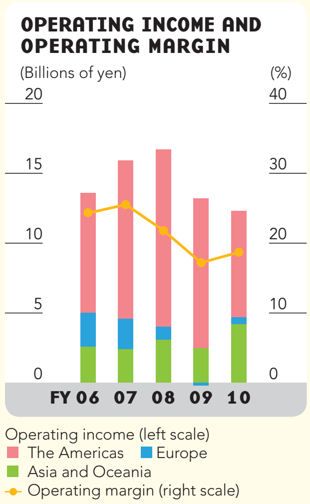
INTERNATIONAL BUSINESS

Outside Japan, we are developing the Company's Probiotics operations in three regions—the Americas, Europe, and Asia and Oceania, with the goal of establishing Yakult as a truly global brand.

As of March 31, 2010, Yakult Probiotic drinks and other products are sold in 31 countries and regions outside of Japan, with an average of 17.8 million bottles of Yakult sold per day during the year under review.

On a consolidated basis for this same period,the International Business recorded sales volume of 9.2 million bottles per day, and sales of ¥66.7 billion.





THE AMERICAS

This area accounts for the most unit sales on a consolidated basis. In addition to steadily rising sales volumes in Brazil and Mexico, where Yakult has a long-established presence, the Company recently made a full-fledged advance into the United States, and unit sales there are on the rise. In the Americas, consolidated sales for the fiscal year ended March 31, 2010 were ¥34.6 billion.

[OPERATING COUNTRIES AND REGIONS]
BRAZIL, URUGUAY, MEXICO, BELIZE, ARGENTINA, U.S.A., CANADA

EUROPE

Retail stores are the center of business activities in Europe, which Yakult entered in the 1990s. Consolidated sales for the fiscal year ended March 31, 2010 came to ¥9.7 billion for the year.

[OPERATING COUNTRIES AND REGIONS]
THE NETHERLANDS, BELGIUM, LUXEMBOURG, UNITED KINGDOM, IRELAND, GERMANY, AUSTRIA, ITALY, FRANCE, SPAIN

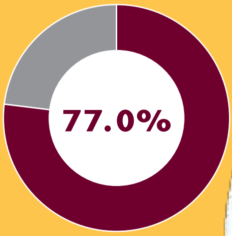
ASIA AND OCEANIA

Yakult's first foray into the region, and first overseas expansion, was in Taiwan in 1964. More recently, the Company is also developing business in population-rich China, India and Vietnam. In Asia and Oceania, consolidated sales for the fiscal year ended March 31, 2010 were ¥22.5 billion.

[OPERATING COUNTRIES AND REGIONS]
TAIWAN, HONG KONG, THAILAND, SOUTH KOREA, THE PHILIPPINES, SINGAPORE, BRUNEI, INDONESIA, AUSTRALIA, NEW ZEALAND, MALAYSIA, VIETNAM, INDIA, CHINA

JAPAN

PERCENTAGE OF NET SALES BY REGION
(%)



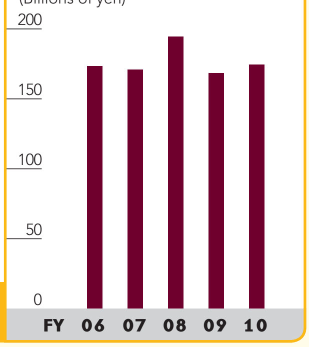
In Food and Beverages, while Probiotic products performed strongly, demand for Juices and Other Beverages cooled, damping results.

In Pharmaceuticals, the mainstay cancer chemotherapeutic agent *Elplat* performed strongly, and other products also brought increased sales.

FOOD AND BEVERAGES

Yakult *Yakult 400* *Joie* *Mil-Mil*

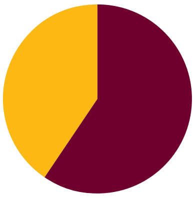
SALES OF FOOD AND BEVERAGES
(Billions of yen)



IN PROBIOTIC PRODUCTS, we pursued marketing operations driven by efforts to promote the health value of being able to deliver live *Lactobacillus casei* strain Shirota to the intestinal tract.

By product, *Yakult 400* and *Yakult 400LT* saw unit sales rise 13.6% year on year, while *BF-1*, for which sales regions are steadily expanding, rose 81.3%. In June 2009, the Company launched *Yakult Calorie Half*, followed in September by the debut of *Yakult SHEs* hard type, and conducted in-store activities by promotion staff to educate consumers about the value of these products. In March 2010, Yakult relaunched *Mil-Mil*, a product made using the proprietary *Bifidobacterium breve*

BREAKDOWN OF PROBIOTIC PRODUCTS SALES BY CHANNEL
(%)



● Sales by Yakult Ladies	59.5
● Sales via supermarkets, convenience stores, and other outside channels	40.5

strain Yakult, achieving firm sales results. As a result of these developments, overall performance in Probiotic products improved year on year, overcoming severe conditions for other Probiotic products.

IN JUICES AND OTHER BEVERAGES, alongside the launch in June 2009 of *Toughman CHANGE* as a new addition to the mainstay *Toughman* series of health and functional food products, Yakult revamped existing items in a bid to revitalize the *Toughman* brand. In October 2009, the Company strove to inform customers of the health value of products, switching to compact and lightweight paper-based containers (65 ml), leading to steady growth in sales for three products in our *Gyutto Kenko* series of health drinks with functional properties. However, sales growth in other products faltered despite efforts to enhance sales, as demand in the soft drinks market cooled. The result was lower performance overall in Juices and Other Beverages compared to the previous fiscal year.

As a result, consolidated sales in the Food and Beverages segment amounted to ¥174.6 billion, an increase of 3.5% year on year.

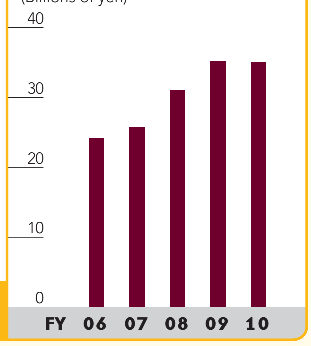
PHARMACEUTICALS

CAMPTO100mg for I. V. infusion

Elplat for injection 100mg

Neu-up for injection

SALES OF PHARMACEUTICALS
(Billions of yen)



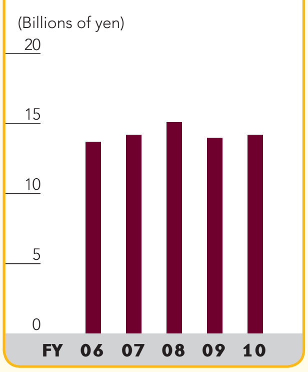
In Japan, we focused on promoting the proper use of the cancer chemotherapeutic agents *Campto* and *Elplat*, actively sponsoring lectures and explanation sessions targeting healthcare professionals in oncology. Similarly, attention was given to sales and promotional activities built on Yakult's specialization in the oncology field, which focused on sales growth for oral antiemetic *Sinseron*, and expansion of market share for activated folic acid drug *Levofolinate Yakult*, among other actions.

Moreover, in October 2009, Yakult concluded an agreement with Kyowa Hakko Kirin Co., Ltd. for the transfer to Yakult of sales, marketing and manufacturing rights pertaining to *Neu-up*, a recombinant G-CSF preparation for the treatment of neutropenia induced by chemotherapy. From this agreement, Yakult began promotional activities for *Neu-up* from January 2010, followed by its own marketing and sales in March.

Although domestic sales forged ahead, overseas sales fell against the previous year, and therefore, consolidated sales in the Pharmaceuticals segment declined 0.4%, to ¥35.1 billion.

OTHERS

SALES OF OTHERS



IN COSMETICS OPERATIONS, we promoted sales activities based on home visits to counsel customers on cosmetics. Emphasis here was on basic skin care products, namely our core brands *Parabio* and *Revecy*, that embody Yakult's lactobacillus technology and its R&D capabilities. In October 2009, Yakult Beautiens opened, marking Yakult's first directly managed store in the cosmetics business that offers not only the sale of cosmetics, but also services available only from Yakult.

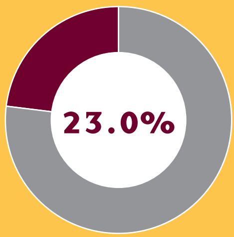
IN OUR PROFESSIONAL BASEBALL OPERATIONS, attendance rose thanks in part to events and campaigns celebrating the 40th anniversary of the Tokyo Yakult Swallows Baseball Club.

As a result, consolidated sales in the Others segment rose 1.3%, to ¥14.2 billion.

PARABIO

INTERNATIONAL BUSINESS

PERCENTAGE OF NET SALES BY REGION
(%)



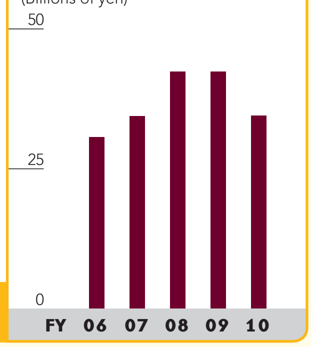
Although unit sales and sales on a local currency basis continued to perform strongly, revenues were down year-on-year as a result of the appreciation of the yen.

THE AMERICAS

BRAZIL, URUGUAY, MEXICO, BELIZE, ARGENTINA, U.S.A., CANADA

Brazil Mexico Argentina U.S.A.

OVERALL SALES IN THE AMERICAS
(Billions of yen)



IN THE AMERICAS, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil and Mexico, and imports products for sale in Argentina, the United States, and other countries.

In Brazil, Yakult reaped the fruit of a strategy to develop the market in the state of Sao Paolo. As a result, unit sales rose 4.8% to 1,444,000 bottles per day.

In Mexico, Yakult worked to strengthen its home delivery system even under severe economic conditions by increasing the number of Yakult Ladies, resulting in stable growth in unit sales.

Brazil

In the United States, Yakult is being sold primarily in six states, and is also available in Asian stores in other states. Yakult has expanded its sales area to over 5,000 stores, leading to a 40.6% rise in unit sales to 89,000 bottles per day. In light of this success, the Company is considering building a factory in the United States, with operations to begin in 2012.

Overall sales for the Americas in yen terms were affected by currency exchange rate fluctuations due to the high value of the yen. As a result, consolidated net sales for the Americas declined by 18.4% from the previous fiscal year to ¥34.6 billion.

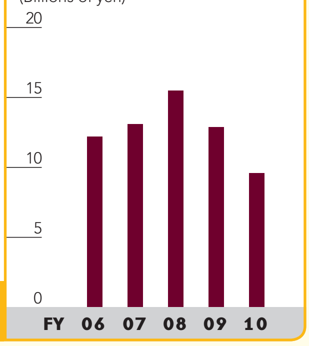
EUROPE

THE NETHERLANDS, BELGIUM, LUXEMBOURG, UNITED KINGDOM, IRELAND, GERMANY, AUSTRIA, ITALY, FRANCE, SPAIN

The Netherlands | Belgium | United Kingdom | Austria | Italy

OVERALL SALES IN EUROPE

(Billions of yen)



IN EUROPE, Yakult manufactures the fermented milk drink *Yakult* and other products in the Netherlands, and sells them in the Netherlands, Belgium, the United Kingdom, Germany, Austria, Italy, and other countries.

Although sales in Italy were robust, they were overshadowed by severe economic conditions in the Probiotics market, particularly in countries where Yakult already has a well-established presence. The situation was exacerbated by intensifying competition from rival companies across Europe.

As a result, consolidated sales in Europe declined 25.2% compared to the previous fiscal year, to ¥9.7 billion.

THE NETHERLANDS

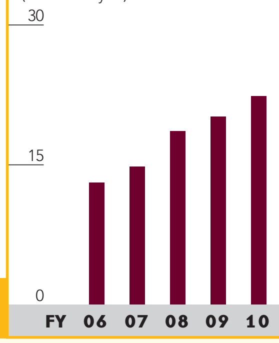
ASIA AND OCEANIA

TAIWAN, HONG KONG, THAILAND, SOUTH KOREA, THE PHILIPPINES, SINGAPORE, BRUNEI, INDONESIA, AUSTRALIA, NEW ZEALAND, MALAYSIA, VIETNAM, INDIA, CHINA

Indonesia | Australia | China (Shanghai) | India | Vietnam

OVERALL SALES IN ASIA AND OCEANIA

(Billions of yen)



IN ASIA AND OCEANIA, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Hong Kong, Singapore, Indonesia, Australia, Malaysia, Vietnam, India, China, and other countries.

In China, Yakult continued to steadily expand our sales area to major cities in line with expansion plans, focusing on Guangzhou, Shanghai and Beijing. These efforts have resulted in firm growth in unit sales, to 1,287,000 bottles per day in fiscal 2010, up 36.2% year on year. To supply products to northern China, we commenced construction of our third production facility in China in the city of Tianjin. When the facility is completed in 2011, it will bring daily production in China to a total of 3 million bottles per day.

In other areas performance was strong as unit sales grew by double-digits in Singapore, Indonesia, Malaysia, Vietnam and India.

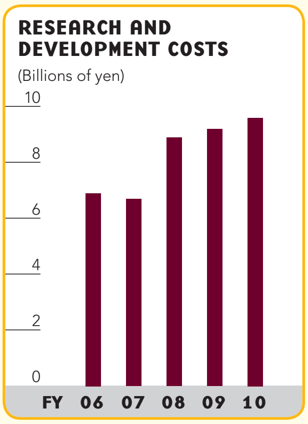
As a result, consolidated sales in the Asia and Oceania region increased 11.1% to ¥22.5 billion.

*Sales from equity-method affiliates Yakult Co., Ltd. (Taiwan), Yakult (Thailand) Co., Ltd., Korea Yakult Co., Ltd. and Yakult Philippines, Inc. are not included in the above sales figures.

INDONESIA

RESEARCH & DEVELOPMENT

Since our founding, Yakult's R&D activities have vitally underpinned its ability to create products that promote good health today and in the future. The R&D Division pursues fundamental research in life science aimed at developing and applying basic materials in food, pharmaceuticals, cosmetics and other areas.



YAKULT CENTRAL INSTITUTE AND YAKULT HONSHA EUROPEAN RESEARCH CENTER

Located in Kunitachi, Tokyo, since 1967, the Yakult Central Institute for Microbiological Research, originally established in Kyoto in 1955 as the Shirota Research Institute, is a cutting-edge research facility in the Probiotics field investigating life science for the benefit of human health.

The study of useful microorganisms, particularly intestinal microflora, is the guiding theme of research, with the institute having recorded many achievements, including the discovery and use of lactic acid bacteria with high levels of functionality.

We completed construction of new research facilities for the Yakult Central Institute in March 2010. The institute is now an innovative facility designed with concern for its lush green surroundings that allows our researchers to tackle development projects and joint research in a more efficient manner.

The Yakult Honsha European Research Center for Microbiology ESV was established in Ghent, Belgium, in May 2005. The Center is working to accumulate scientific evidence regarding the benefits of drinking our Probiotic products. By establishing a research base in the birthplace of the Probiotics concept, our goal is to support global business expansion encompassing not only Europe, but the Americas and Asia as well.

ORGANIZATION OF YAKULT CENTRAL INSTITUTE FOR MICROBIOLOGICAL RESEARCH

Research & Development

Basic Studies
•Intestinal flora •Biophylaxis •Probiotics •Cancer prevention •Intestinal immunity
•Genomic analysis of microorganisms •Discovery of yet-unknown intestinal bacteria

↓

Screening of Basic Materials of Food, Pharmaceuticals, and Cosmetics
•Discovery and improvement of useful microorganisms •High-level purification and processing of enzymes
•Development of techniques for utilization of food materials
•Discovery and utilization of effective components in natural organic substances
•Detection and improvement of useful components of milk •Chemical synthesis and modification of organic compounds

↓

Verification of functions of food materials | **Determining pharmacological effects and mechanisms** | **Verification of functions of cosmetic ingredients**

↓

Product Feasibility Tests

Safety testing | **Industrial feasibility tests**

↓

New food materials | **New pharmaceutical materials** | **New cosmetic materials**

Yakult Central Institute for Microbiological Research

Yakult Honsha European Research Center for Microbiology ESV (YHER),
Exterior view of bio-incubator facility located in the Technologiepark
*The YHER is located on the first floor of this building

RECENT R&D ACCOMPLISHMENTS

IDENTIFICATION OF INTESTINAL BACTERIA THAT INDUCE TH17

—Discovery Offers Hope for Preventing and Treating Autoimmune and Infectious Diseases

In joint research with universities Yakult has shown that an intestinal bacteria induces Th17 immune cells.

Th17 cells are a type of T-cell, which play a central role in the immune system. Th17 cells in particular are known to play an extremely large role in fighting bacterial (such as *Pseudomonas aeruginosa*) and fungal (such as *Candida*) infections. However, over-response by Th17 has been proved to contribute significantly to the development of autoimmune diseases such as rheumatoid arthritis and Crohn's disease, and in recent years the relationship between Th17 cells and autoimmune disease has drawn a great deal of attention. It is believed that the ability to artificially increase the Th17 count could help treat infectious diseases, while artificially lowering the count could lead to treatments for autoimmune diseases.

Previous experimental results showed that intestinal flora play an important role in the presence of these many Th17 cells in the intestinal tract, but the specific mechanism was unknown. This joint research effort has demonstrated that segmented filamentous bacteria* specifically and powerfully induce intestinal Th17, and that a large presence of Th17 in the intestinal tract makes the host more resilient against pathogenic bacteria.

Going forward, we will pursue research into determining the presence of segmented filamentous bacteria in the human intestinal tract, as well as looking into the actual relationship with inflammatory bowel disease (IBD) and other autoimmune disorders, with a view to helping treat and prevent disease.

* Segmented filamentous bacteria: A bacteria normally present in the intestinal tracts of many mammals. In 1994, the Yakult Central Institute succeeded in isolating this bacteria from the intestine of a mouse. A significant amount of data from subsequent research has shown that segmented filamentous bacteria have characteristics that exert a strong influence on mammalian immune systems.

INTERNATIONAL STANDARDS FOR BIFIDOBACTERIUM CULTURE

—A Culture Method Developed by Yakult Becomes the World Standard

Yakult participated in the process for setting the standards for enumeration of Bifidobacteria jointly run by the International Dairy Federation and the International Organization for Standardization. Yakult proposed Transgalactosylated oligosaccharides (TOS) propionate agar medium, developed in-house by Yakult, as a standard. At the outcome of the discussions, TOS propionate agar medium with an additive of the anti-bacterial agent mupirocin to control growth was adopted as the standard. A ring test* was then conducted with participation from 11 countries, establishing this as the international standard method for cultivation of Bifidobacteria.

* A ring test involves a single sample being tested at multiple locations simultaneously according to a unified protocol to determine whether identical results are obtained.

CORPORATE GOVERNANCE

1. BASIC STANCE

Our basic stance on corporate governance is to promote highly transparent management that is committed to the steady development of operations in our core business domain.

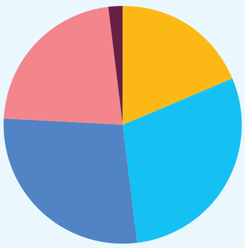
In pursuing our corporate philosophy, "we contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular," our belief is that it is important to implement transparent management with an emphasis on well-developed internal control functions. This includes efforts to ensure an appropriate management organization and decision-making processes. Furthermore, corporate governance at the Company is underpinned by a "company with corporate auditors" system.

2. CAPITAL COMPOSITION

The distribution of ownership among shareholders (on a number of shares basis) and major shareholders are as follows:

DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(As of March 31, 2010)



- Japanese financial institutions **18.73%**
- Japanese securities companies **0.32%**
- Other Japanese corporations **29.20%**
- Foreign institutions and others **27.74%**
- Japanese individuals and others **22.13%**
- Treasury stock **1.88%**

MAJOR SHAREHOLDERS

(As of March 31, 2010)

	Percentage of Total Shares Issued
MLPFS NOMINEE· DANONE ASIA HOLDINGS PTE. LTD.	20.02%
Matsusho Co., Ltd.	6.55
Fuji Television Holdings, Inc.	3.69
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Mizuho Bank account))	2.82
Kyoshinkai	2.28
Japan Trustee Services Bank, Ltd. (Trust Account)	1.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.73
Nippon Life Insurance Company	1.66
Kirin Beverage Corporation	1.40
Mizuho Bank, Ltd.	1.24

Note: In addition to the above, the Company holds 1.88% of its own shares.

3. GOVERNING BODIES, ORGANIZATIONAL OPERATIONS AND OPERATIONAL EXECUTION

BOARD OF DIRECTORS

The Board of Directors is composed of 26 directors, including four outside directors, and holds meetings in principle seven times each year, in addition to convening special meetings as needed. The seven corporate auditors also attend meetings. The Board of Directors deliberates on matters within its jurisdiction as defined by law and company rules, and is responsible for supervising the status of business execution.

As a system of support for outside directors, the General Affairs Department functions as the secretariat for the Board of Directors, and serves in this capacity as a point of contact for all Company officers, including outside directors. The four outside directors are listed in the chart below:

(As of June 23, 2010)

Name	Relationship to the Company	Reason for Appointment as Outside Director
Jacques Vincent	Vice Chairman, DANONE SA	Mr. Vincent is a business executive of the major corporate holder of Yakult Honsha shares. He was appointed on the expectation that he will strengthen business execution oversight and supervision and contribute to further improving management by drawing on his extensive overseas business experience to offer appropriate advice on all aspects of management from a broad perspective.
Sven Thormahlen	Executive Vice President, Research and Development DANONE SA	Same as above
Ryuji Yasuda	Professor, International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University	Mr. Yasuda was appointed on the expectation that he will strengthen business execution oversight and supervision and contribute to further improving management by offering recommendations on all aspects of management based on a specialist perspective gained through a broad range of past experience, including positions as a university professor and a consultant independent from the executive team that manages Yakult Honsha's business.
Richard Hall	President, Danone Waters of Japan Co., Ltd.	Mr. Hall is a business executive of the major corporate holder of Yakult Honsha shares. He was appointed on the expectation that he will strengthen business execution oversight and supervision and contribute to further improving management by drawing on his extensive overseas business experience to offer appropriate advice on all aspects of management from a broad perspective.

MANAGEMENT POLICY COUNCIL AND THE MANAGING DIRECTORS COMMITTEE

The Company has established a set of meetings, the Management Policy Council and the Managing Directors Committee, designed to promote effective management activities and accelerate decision making. These meetings are, in principle, convened on a weekly basis.

CORPORATE AUDITORS

The Company has seven corporate auditors, including four outside corporate auditors. All corporate auditors attend meetings of the Board of Directors and other important company meetings and audit the operational execution of the directors by examining documents related to decision-making and other matters. The corporate auditors strive to enhance the effectiveness of their audits by forging close ties with the Internal Audit Department and the accounting auditor.

The system of support for the Board of Auditors consists of a staff assigned exclusively to the corporate auditors that functions as the secretariat for the board. Furthermore, the Board of Auditors convenes prior to meetings of the Board of Directors and other important meetings to discuss the proposed agenda for the meetings, and to share information gathered from materials provided by relevant department and division heads, as well as information gained from explanations received firsthand and by other means. Furthermore, with respect to systems for conveying information to outside corporate auditors, the full-time corporate auditors issue progress reports on a regular basis, and provide the outside corporate auditors with a range of materials, including those from important company meetings and decision-making and audit-related materials.

The four outside corporate auditors are listed in the chart below:

(As of June 23, 2010)

Name	Relationship to the Company	Reason for Appointment as Outside Corporate Auditor
Akihiko Okudaira	None	Mr. Okudaira was appointed on the basis of his independence from the executive team that manages Yakult Honsha's business, as well as his experience as an attorney and his history as a director of the Japan Federation of Bar Associations, Chair of the board of directors of the Dai-Ichi Tokyo Bar Association, and Chair of the Japan Federation of Conciliation Associations. He is expected to use this broad knowledge to improve the quality of audits.
Ryohei Sumiya	None	Mr. Sumiya was appointed based on his independence from the executive team that manages the business of Yakult Honsha, his professional career as a CPA, and his knowledge of the Company; from his expert knowledge of finance and accounting and his past experience as an employee of the Company's accounting auditor, he is expected to improve audit effectiveness.
Masahiko Ikeda	President, Yakult Nishi Shizuoka Sales Co., Ltd.	As indicated, Mr. Ikeda is a business executive of one of the Yakult sales companies with which Yakult Honsha does business. Appointed as part of efforts by the Company to promote outstanding personnel from Yakult sales companies; his assumption of audit duties as a corporate auditor is expected to contribute immensely to the Group's overall development.
Seijuro Tanigawa	President, Yakult Kobe Sales Co., Ltd.	Same as above

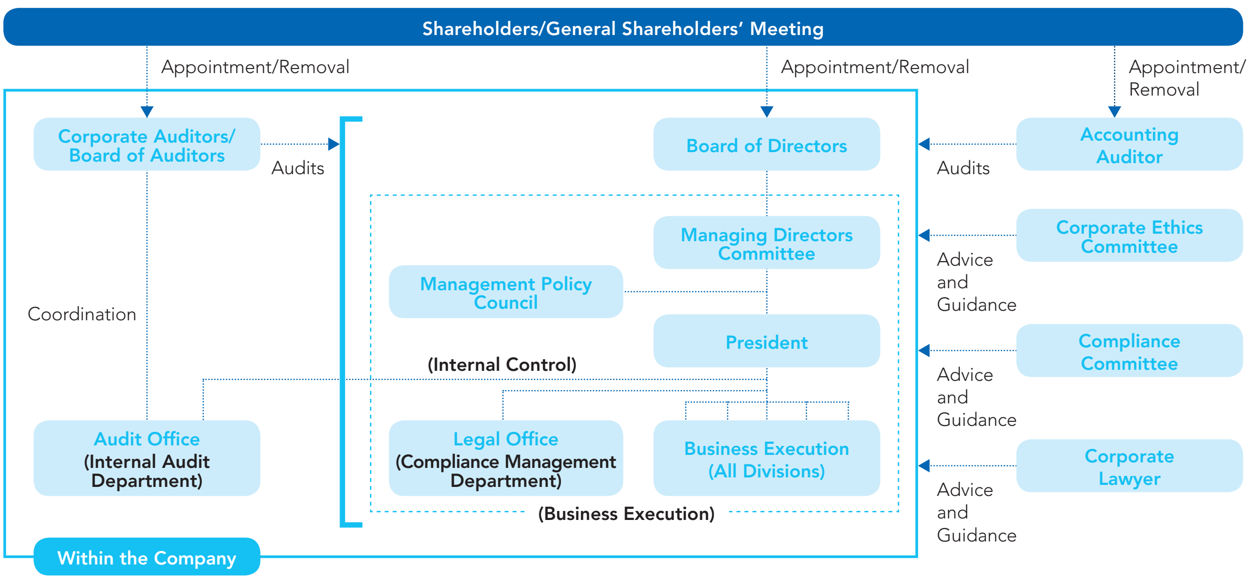
INTERNAL AUDITS

Internal audits are conducted by the Audit Office, an organization that reports directly to the Company president and which performs financial and operational audits, including those of Group companies in Japan and overseas. The head of the Audit Office currently oversees a fourteen-member staff responsible for risk avoidance and other internal audit functions. These personnel conduct internal audits spanning the operations of all internal departments and Group companies, as well as issuing concrete advice and warnings with respect to operational improvements.

ACCOUNTING AUDITOR

The Company has appointed Deloitte Touche Tohmatsu to serve as the accounting auditor for the audit of its business accounts as required by law. Compensation is paid to the accounting auditor based on an auditing contract signed with Deloitte Touche Tohmatsu.

CORPORATE GOVERNANCE FRAMEWORK



4. INTERNAL CONTROL SYSTEMS AND POLICIES

The Company resolved at the Board of Directors' meeting on May 19, 2006 to establish an internal control system as mandated for a large company with a Board of Directors by the Companies Act and its enforcement regulations. The Company revises the details of this resolution promptly in response to changes inside and outside the Company. At the current time, the details are as follows:

Yakult Honsha aims to proceed with its business activities in accordance with its corporate philosophy "we contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." To achieve this, the Company believes that it is important to implement management that places emphasis on strengthening and enhancing internal control functions as a company that is widely trusted by society.

Based on this perspective, the Company has made the below mentioned resolutions on basic policies regarding building internal control systems after reconfirming the current situation at the Company in relation to development of internal control systems.

Meanwhile, the contents of the resolutions will be revised on a timely basis in line with revisions to laws and environmental changes inside and outside the Company, aiming to further strengthen and enhance internal control systems.

i) Systems to ensure that the performance of duties by directors and employees complies with laws and articles of incorporation

As standards for executives and workers to properly perform business activities, our company has established the Yakult Code of Ethics and Code of Practice. The Yakult Code of Ethics and Code of Practice have been distributed to all persons concerned, aiming to familiarize them with the details of the codes. At the same time, our company is continuously offering in-house training programs regarding compliance.

In addition, a meeting of the Compliance Committee, which consists of external knowledgeable persons, is held on a regular basis to receive advice regarding the development of our company's compliance system.

Furthermore, our company has established an "internal reporting system," aiming to improve the self-cleaning functions by which our company detects its own violations of law and takes corrective actions.

In addition, our company will resolutely block and repudiate anti-social forces that pose a threat to the business activities. We shall also maintain a close relationship with the police under normal circumstances and shall tackle any unreasonable claims organizationally and take all possible legal measures.

ii) Systems regarding preservation and management of information related to the performance of duties by directors

Minutes of general shareholders meetings and board of directors meetings are preserved properly in accordance with law.

In addition, in line with the Rules for Handling Documents, information related to the performance of duties by directors is recorded and preserved in documents or electromagnetic media (hereinafter referred to as "documents and other media").

Directors and auditors can look through the minutes and the documents and other media at any time.

Furthermore, the Rules for Handling Documents include rules regarding maintaining confidentiality, taking preventive measures against information leakage.

iii) Rules and other systems regarding the management of risks for losses

The Administrative Division plays a central role in supervising the conditions of cross-sectional risk and making company-wide responses. The department concerned handles the management of risks related to the operations of each department.

In addition, in order to respond to crises that appear suddenly, there are the Risk Management Rules, which include a rule to have the company president or general managers serve as the head of various task forces set up in accordance with the details of crisis situations.

Furthermore, in order to provide safe products to customers and establish a quality assurance system, the Quality Assurance Committee has been established and its meetings are being held. In addition, the Food & Beverages Quality Assurance Department has been established as an independent department to carry out exclusive company-wide supervisory operations related to food quality assurance.

iv) Systems to ensure that the performance of duties by directors is efficient

Our company's decision-making methods are stipulated in the Rules for Decision-Making, aiming to make decisions in line with the level of importance. At the same time, a management policy meeting and an executive committee meeting are held every week in principle, aiming to speed up decision making.

In addition, to carry out business operations efficiently, the organizational structure of our company and its management standards are stipulated in the Organization Rules and the Table of Division of Duties.

v) Systems to ensure that operations at the concerned joint-stock company and the corporate group consisting of the joint-stock company's parent company and subsidiaries are appropriate

Our company endeavors to ensure that operations at its subsidiaries are appropriate by sending its executives or employees to the subsidiaries and having them serve as executives of the subsidiaries.

In addition, the Rules for the Management of Affiliates include provisions to require the subsidiaries and affiliates to obtain advance approval and provide reports. At the same time, our company has established an internal support system by setting up a department in charge of the management of the subsidiaries for securing the appropriate operations.

Furthermore, the Auditing Department, which is our company's internal auditing department, carries out audits of subsidiaries and affiliates.

vi) Matters regarding employees who support the duties of auditors in cases in which auditors make a request to assign such employees

Employees who have a thorough knowledge of our company's business operations and can properly support the duties of auditors serve as full-time staff members who support auditors. In terms of the organizational structure, the staff members serve as "auditing officers" and are independent of the Auditing Department, which is an internal auditing department. They carry out operations under the direct supervision of auditors.

vii) Matters regarding the independence of employees who support the duties of auditors, who are mentioned in the previous item, from directors

To secure the independence of full-time employees who support the duties of auditors from directors, such employees do not belong to any department in the organization and are not under the supervision of directors.

In addition, full-time auditors directly evaluate the performance of such employees in order to respect their independence.

viii) Systems for directors and employees to provide reports to auditors and other systems regarding reports provided to auditors

Auditors attend board of directors meetings and other important meetings and read minutes of such meetings on an as-needed basis. In addition, auditors confirm the details of important requests. There is a system in which auditors can perceive the details of such requests.

Furthermore, reports regarding the results of internal audits are provided to auditors on a regular basis. The Rules for Audits by Auditors also stipulate that auditors can request directors to provide business reports and request related departments, subsidiaries, and other parties to provide reports if necessary.

ix) Other systems to ensure that audit operations of auditors are carried out effectively

The Rules for Audits by Auditors ensure that auditors effectively exercise the authorities to "attend board of directors meetings and other important meetings," "ask for explanations in cases of failure to attend meetings and read minutes and documents," "read documents necessary to investigate business conditions and request related departments to provide reports," "request subsidiaries and affiliates to provide reports and investigate business and asset conditions."

In addition, they can hear opinions from lawyers, certified public accountants, consultants, and other outside experts if necessary.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 23, 2010)

PRESIDENT

SUMIYA HORI

DIVISIONAL GENERAL MANAGERS

YOSHIHIRO KAWABATA
Divisional General Manager of International Business Division

TSUYOSHI KINUGASA
Divisional General Manager of Management Support Division

CHIZUKA KAI
Divisional General Manager of Research & Development Division, and Production Division

TAKASHIGE NEGISHI
Divisional General Manager of Administrative Division

YASUFUMI MURATA
Divisional General Manager of Cosmetic Business Division

MASAHIRO NEGISHI
Divisional General Manager of Food and Beverages Business Division

SHIGEYOSHI SAKAMOTO
Divisional General Manager of Pharmaceutical Business Division

President
Sumiya Hori

Senior Managing Directors
Yoshihiro Kawabata*
Tsuyoshi Kinugasa*
Chizuka Kai*
Takashige Negishi*

Managing Directors
Yasufumi Murata*
Masahiro Negishi*
Shigeyoshi Sakamoto*
Hiroshi Narita
Haruji Sawada

Directors
Akinori Abe
Kenichi Shiino
Yoshiaki Tanaka
Kiyotaka Kikuchi
Hiroshi Wakabayashi
Masaki Tanaka
Fumiyasu Ishikawa
Masanori Ito
Jacques Vincent
Sven Thormahlen
Ryuji Yasuda
Richard Hall
Shyouji Ikegami
Masayuki Takemura
Toshihiro Araki
Yasuhisa Abe

Senior Corporate Auditors
Katsumi Ohtsubo
Takeyoshi Tanaka

Corporate Auditors
Teruo Nakamura
Akihiko Okudaira
Ryohei Sumiya
Masahiko Ikeda
Seijuro Tanigawa

*Persons who have responsibilities as Divisional General Managers

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a leading Probiotics company, Yakult believes it can fulfill its social responsibilities by putting into practice its corporate philosophy of "we contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." This is accomplished through the principles of Shirota-ism, which we have followed since the founding of the Company. In addition, considering the environmental crisis currently facing the Earth, we must work at the same time to create a resource-recycling, sustainable society—this is a very important issue for us, and something that we recognize as one of the responsibilities we must fulfill.

THE ENVIRONMENT

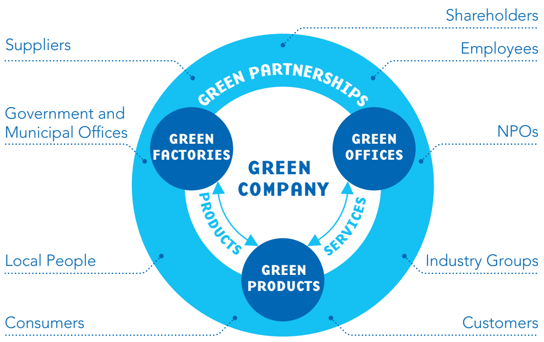
Yakult first established an internal organization dedicated to preserving the global environment back in November 1991. This was followed in June 1997 by the creation of the "Yakult Basic Policy on the Environment," which encompasses the entire Group. Guided by the environmental philosophy and directives for action found in this policy, we promote environmental protection activities in every aspect of our business operations. In March 2004, our directives for action were revised to add a greater level of detail to these guidelines.

In fiscal 2002, the Company drafted the "Yakult Environmental Action Plan," and we have implemented environmental protection measures across all business areas, including development, production, sales and administration, in order to reduce the environmental burden caused by our business activities. The year ended March 31, 2008 marked the launch of our Third Stage Environmental Action Plan, which includes measures for reducing greenhouse gas emissions and waste, and cutting the volume of printer paper the Company uses, among other initiatives.

In recognition of the need to continuously implement such activities in tandem with business operations, in March 2004, we established Yakult Eco Vision 2010 to develop a future vision of the environmental aspects of our businesses from a long-term perspective. With Eco Vision, we are attempting to transform all of our companies in Japan into "green companies" by 2010, by promoting environmentally focused management. In this way, we aim to contribute to the formation of a society that allows the global environment to be preserved and sustained. More specifically, we aspire to have "green products," (whereby all products and services are in harmony with the environment), and "green factories," (meaning that none of our factories pollute the environment and that our facilities have minimal environmental impact, generating no unnecessary waste). We also aspire to have "green offices" with minimal environmental impact and "green partnerships," with rapid disclosure of information and wide-ranging communications.

In the year ended March 31, 2010, Yakult carried on its initiatives from the previous year, continuing to introduce solar and wind power generation and other forms of renewable energy, implementing greenhouse gas reduction efforts at dairy product plants and in logistics operations, and striving to achieve zero waste emissions. All these initiatives produced successful results. Since 1994 the entire Yakult Group has conducted the Environmental Preservation Campaign. More than 100,000 people have participated since the inception of the program, which has helped raised employee awareness of environmental preservation and social contribution activities.

YAKULT ECO VISION 2010



- All products and services to exist in harmony with the environment
  ▶ **GREEN PRODUCTS**
- Factories that do not release environmental pollutants, minimize their negative environmental impact and do not generate waste, at all sites
  ▶ **GREEN FACTORIES**
- Minimize environmental impact at all offices
  ▶ **GREEN OFFICES**
- Speed up information disclosure and expand communication
  ▶ **GREEN PARTNERSHIPS**

VISION FOR 2010

All domestic offices to conform to GREEN COMPANY principles, contributing to coexistence with the environment and the formation of a sustainable society.

Courtesy Visit Activities

Yakult Crime Prevention Patrols

Health Maintenance Advocacy Meeting

COMMUNITY ACTIVITIES

INITIATIVES BY THE YAKULT LADIES

Since 1972, the Yakult Ladies have been carrying out "Courtesy Visit Activities," which entail checking on the well-being of elderly people in their area who live alone and chatting with them while delivering their products. In September 2009, as part of this initiative, the Yakult Ladies presented elderly people living alone with flowers and a message card, the fifth instance of this program. Because the program has brought such joy both to the Yakult Ladies presenting the flowers and to elderly recipients alike, we plan to continue these activities in the hope that everyone involved will continue to enjoy happy and healthy lives.

The Yakult Ladies also contribute to safety and peace of mind in local communities by organizing crime prevention and safety patrols and maintaining contact with the police and local governments.

PUBLIC ACCESS TO PLANTS

In order to deepen understanding of Yakult's products and the Group's commitment to environmental awareness and safe, reliable products, we conduct tours of Yakult Honsha and other Group company plants. In 2009, tours were held at all domestic plants, except in a few cases when tours were temporarily suspended due to construction. Approximately 220,000 members of the public participated. Plant tours also take place at nearly all overseas plants. Each year we also hold festivals at our Yakult Honsha plants, and invite the local community and the families of our employees to participate, with the aim of improving relations between plants and local communities. In 2009, a total of about 20,000 people participated in these festivals.

PROVIDING HEALTH INFORMATION

To mark World Health Day, each year on April 7, Yakult co-sponsors a Health Maintenance Advocacy Meeting with the Japan Dietetic Association (JDA), held in Yakult Hall. In 2009, the 30th year of the program, the theme of the meeting was exercise and sports nutrition, a topic deeply related to preventive medicine. In total, the event was attended by approximately 450 nutritionists and others with a strong interest in health issues.

To mark the program's 30th year, Yakult and the JDA teamed up again to offer free expert nutritional and dietary consultations for the general public in the conference rooms of regional Yakult sales companies and distribution centers and citizens' centers around Japan. A total of 2,320 people came for consultations at 40 locations.

In May 2009, Yakult helped to organize the 21st Century Food and Health Forum. The theme of the forum, now in its ninth year, was "Children's Health Starts in the Intestines: Probiotics in Pediatric Care." Around 570 participants came to the event to increase their understanding of the relationship between Probiotics and health.

PROMOTING SPORTS AND CULTURE

Since 1976, Yakult has hosted the Tokyo Yakult Swallows Baseball Clinic to help children learn proper practice methods and techniques and understand the fun of exercise and the benefits of health by interacting with professional baseball players. In fiscal 2009, the clinic was held at 13 locations around Japan, with participation by 1,509 elementary and junior high-school students.

Yakult also participates in initiatives to promote lifelong sports activities, including "bound tennis," a sport that originated in Japan.

FINANCIAL SECTION

CONSOLIDATED FIVE-YEAR SUMMARY

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007 and 2006

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2009	**2010**	**2010**
For the year:						
Net sales	¥ 267,707	¥ 273,100	¥ 317,335	¥ 293,490	**¥ 290,678**	**$3,125,570**
Selling, general and administrative expenses	122,827	124,110	146,693	138,113	**138,584**	**1,490,152**
Operating income	21,754	23,893	22,502	16,744	**18,991**	**204,204**
Net income	14,442	14,806	16,675	11,325	**13,249**	**142,459**
Research and development costs	6,966	6,745	8,952	9,248	**9,622**	**103,461**
Capital investments	11,652	16,786	28,973	27,967	**19,980**	**214,837**
Depreciation and amortization	8,407	9,025	12,054	18,571	**18,913**	**203,365**
At the year-end:						
Total assets	¥ 328,619	¥ 354,539	¥ 384,569	¥ 361,902	**¥ 389,892**	**$4,192,385**
Net property, plant and equipment	92,269	101,590	116,078	131,321	**130,391**	**1,402,058**
Total liabilities	88,345	93,334	118,566	134,936	**140,970**	**1,515,802**
Total shareholders' equity	220,701					
Total equity		261,205	266,003	226,966	**248,922**	**2,676,583**

	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 81.67	¥ 84.93	¥ 95.93	¥ 65.75	**¥ 77.11**	**$ 0.83**
Total equity (Note 3)	1,264.65	1,356.68	1,376.41	1,195.60	**1,300.21**	**13.98**
Cash dividends applicable to the year	16.00	18.00	20.00	20.00	**20.00**	**0.22**
Financial ratios:						
Return on equity (ROE) (%)	6.9	6.5	7.0	5.1	**6.2**	
Equity ratio (%)	67.2	66.6	61.7	56.8	**57.4**	

Notes: 1. Figures are rounded to the nearest million.
2. 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 ¥93 to U.S.$1, the approximate rate of exchange at March 31, 2010.
3. Minority interests are not included in equity on process of calculation.

FINANCIAL SECTION

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In fiscal 2010, ended March 31, 2010, the Japanese economy continued to face adverse conditions characterized by weak corporate earnings, a worsening employment environment, and declines in individual incomes. This challenging climate lingered despite signs of recovery in exports and production, as the economy began to rebound from the sudden and dramatic economic recession that had persisted since the second half of the previous fiscal year.

Under these circumstances, 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 vigorously enhance its overseas operations and pharmaceuticals business.

Despite these repeated efforts, consolidated net sales declined 1.0% from the previous fiscal year, to ¥290.7 billion, due in part to the erosion in sales when converted into yen as a result of the impact of foreign currency fluctuations. However, operating income climbed 13.4%, to ¥19.0 billion, while the operating margin rose 0.8 of a percentage point year on year, to 6.5%. Consequently, net income increased 17.0%, to ¥13.2 billion, and the return on net sales was 4.6%, up 0.7 of a percentage point from the previous fiscal year.

SALES, COSTS, EXPENSES AND EARNINGS

SALES

Net sales declined 1.0%, to ¥290.7 billion, largely due to the impact of negative ¥14.7 billion from foreign currency fluctuations, which outweighed upward momentum from the consolidation of new subsidiaries.

Looking at net sales by industry segment, Food and Beverages accounted for 83.1% of sales, or 0.1 point lower than in the previous fiscal year. Pharmaceuticals generated 12.0%, unchanged from a year earlier; and Others contributed 4.9%, up 0.1 point from the previous fiscal year.

Sales overseas amounted to ¥66.7 billion, declining ¥8.8 billion, or 11.6%, year on year. The contribution of overseas sales to total Group net sales fell 2.7 percentage points, to 23.0%.

In the Americas, sales on a yen basis fell 18.4%, to ¥34.6 billion, due to the effects of exchange rate volatility. This outcome arose despite sales growth in the United States as Yakult expanded its sales area and the number of stores that sell its products. Growth in sales volume was also noted in Brazil and Mexico amid adverse economic conditions in these markets. In Asia and Oceania, sales climbed 11.1%, to ¥22.5 billion, supported by steady sales growth in China and other key countries and regions. In contrast, sales in Europe declined 25.2% to ¥9.7 billion, as robust sales in Italy were overshadowed by intensifying competition from rival companies across Europe. The situation was exacerbated by severe economic conditions in the Probiotics market, particularly in countries where Yakult already has a well-established presence.

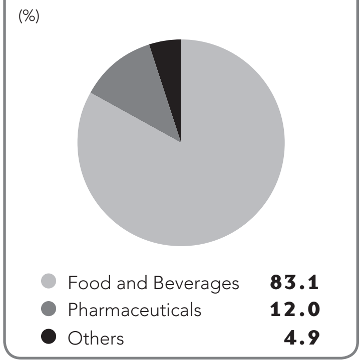
COSTS, EXPENSES AND EARNINGS

Consolidated cost of sales contracted 4.0%, to ¥133.1 billion. As a result, the cost of sales ratio declined 1.4 percentage points, to 45.8%. Gross profit increased 1.8%, to ¥157.6 billion, and the gross profit margin rose 1.4 percentage points, to 54.2%.

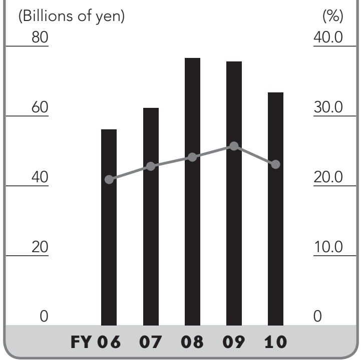
Selling, general and administrative (SG&A) expenses increased 0.3%, to ¥138.6 billion. This increase resulted mainly from growth in new consolidation, business expansion in China, and other sources of increased selling expenses, which outweighed efforts to reduce selling expenses in Europe and decrease of costs due to exchange rate fluctuations. Consequently, the SG&A expense ratio increased 0.6 of a percentage point, to 47.7%. R&D expenses edged up ¥0.4 billion year on year, to ¥9.6 billion. As a percentage of net sales, R&D expenses increased 0.1 of a percentage point, to 3.3%.

As a result, operating income rose 13.4%, to ¥19.0 billion, and the operating margin increased 0.8 of a percentage point, to 6.5%.

BREAKDOWN OF NET SALES (FY2010)

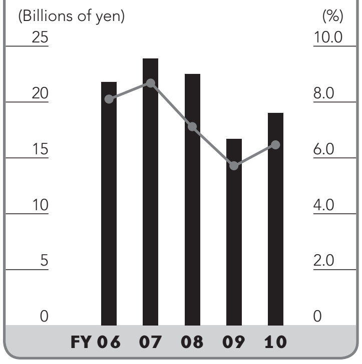


OVERSEAS NET SALES/RATIO TO TOTAL NET SALES



■ Overseas net sales (left scale)
-●- Ratio to total net sales (right scale)

OPERATING INCOME AND OPERATING MARGIN



■ Operating income (left scale)
-●- Operating margin (right scale)

Other income—net amounted to ¥2.6 billion, up ¥6.2 billion from a year earlier. This income mainly reflected both a smaller valuation loss on investment securities and a decline in the provision for loss on plant reorganization versus the previous year, despite the impairment loss recognized for the year.

Income taxes came to ¥5.7 billion.

Consequently, net income increased 17.0%, to ¥13.2 billion, and the return on net sales rose 0.7 of a percentage point, to 4.6%.

OVERVIEW BY BUSINESS SEGMENT

FOOD AND BEVERAGES: Consolidated sales in the Food and Beverages segment, both in Japan and overseas, declined 1.2% compared to the previous fiscal year, to ¥241.4 billion, while operating income increased 23.2%, to ¥21.1 billion.

In Probiotic products, we pursued marketing operations driven by efforts to promote the health value of being able to deliver living *Lactobacillus casei* strain Shirota to the intestinal tract.

In our home delivery channel, we worked to develop more customers using sales activities that get people to try our products through samples or trial use. The focus of these activities was *Yakult 400* series products, including both our mainstay *Yakult 400* fermented milk drink and *Yakult 400LT*, as well as *BF-1*, a Probiotic product for which sales regions are steadily expanding. These efforts culminated in substantial year-on-year growth in sales performance for both *Yakult 400* series products and *BF-1*.

In our retail store channel, in June 2009, we launched sales of the fermented milk drink *Yakult Calorie Half*, followed in September by the debut of *Yakult SHEs* hard type as a new addition to the *Yakult SHEs* fermented milk series. In parallel with these launches, Yakult sales promotion staff took steps to highlight the value and appeal of both products.

In March 2010, we commenced the sale of *Mil-Mil*, a drinkable yogurt made from Yakult's proprietary *Bifidobacterium breve* strain Yakult, in both our home delivery and retail store channels. The accompanying advertising campaign designed to emphasize the value of the product, which included TV ads, resulted in brisk sales of *Mil-Mil*.

As a result of these activities, overall performance in Probiotic products improved year on year, overcoming severe conditions for other Probiotic products.

In juices and other beverages, alongside the launch in June 2009 of *Toughman CHANGE* as a new addition to our mainstay *Toughman* series of health and functional food products, we revamped existing items in a bid to revitalize the *Toughman* brand. In October 2009, we also changed the package design and revamped the containers used for four 100% juice products and two vegetable juice products, with the goal of boosting sales. Similarly, a switch from October 2009 to compact and lightweight paper-based containers (65 ml) led to steady growth in sales of three products in our *Gyutto Kenko* series of health and functional food products, as we strove to inform customers of the health value of these products.

However, sales growth in other products faltered despite efforts to enhance sales, as demand in the soft drinks market cooled. The result was lower performance in overall juices and other beverages compared to the previous fiscal year.

Yakult's overseas operations commenced in March 1964 with the establishment of Yakult Co., Ltd. (Taiwan). They now extend to 31 countries and regions outside Japan including those in which test sales are being conducted, and are centered on 27 business bases and 1 research center. These operations focus primarily on the production and sale of the fermented milk drink *Yakult* including trial sales. Daily average sales of all *Yakult* products overseas were approximately 18.65 million bottles in fiscal 2010.

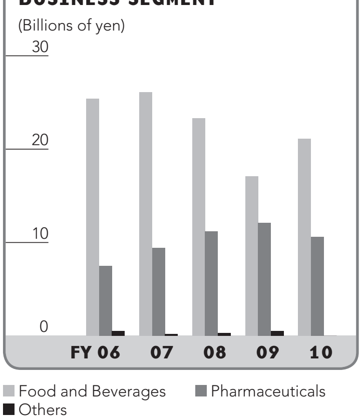
In Asia and Oceania, we commenced retail store channel sales of *Yakult* in Mumbai, India, in September 2009. In Indonesia, we established a branch in the province of Aceh on the island of Sumatra in December 2009. This base now gives Yakult the ability to promote sales in all major areas of Indonesia, covering the islands of Java, Bali, Lombok and Sumatra.

In China, we continued to steadily expand our sales area to other major cities in line with expansion plans. While efforts focused on Guangzhou, Shanghai and Beijing, in May 2009 we launched sales of *Yakult* in Yantai and Weihai, followed by Wuhan in July, Wenzhou and Taizhou in August, and Shenyang in March 2010. To supply products to northern China, we commenced construction of our third production facility in China in the city of Tianjin.

In the Americas, in August 2009, we began selling *Yakult* at the request of certain chain stores in the U.S. states of New Mexico and Colorado. Sales volume also grew in Brazil and Mexico amid severe economic conditions. Nevertheless, upon conversion to yen, sales in the Americas overall were impacted by exchange rate volatility linked to the yen's appreciation during the year.

PHARMACEUTICALS: Brisk growth in domestic sales was undermined by a year-on-year drop in overseas sales, causing consolidated sales in the Pharmaceuticals segment to

OPERATING INCOME BY BUSINESS SEGMENT



decline 0.4%, to ¥35.1 billion. Operating income decreased 12.3%, to ¥10.6 billion.

In Japan, we focused on promoting the correct use of the cancer drugs *Campto* and *Elplat*, actively sponsoring lectures and presentations targeting healthcare professionals in this area. Similarly, attention was given to sales activities built on Yakult's specialization in the oncology field, which focused on sales growth for oral antiemetic *Sinseron*, and greater market share for activated folic acid drug *Levofolinate Yakult*, among other actions.

For *Elplat*, we acquired in August 2009 an additional efficacy indication for its use in supplemental chemotherapy following surgery for colon cancer, as well as recognition of a water-soluble version of the drug. We also won approval of dosages for use in the treatment of advanced and recurring colon and rectal cancer in September 2009.

In October 2009, Yakult reached an agreement with Kyowa Hakko Kirin Co., Ltd. regarding the transfer of sales and manufacturing rights pertaining to *Neu-up*, a recombinant DNA G-CSF chemotherapy treatment. With this agreement, Yakult began supplying information on *Neu-up* from January 2010, followed by the start of sales in March.

Overseas, we endeavored to enhance our price competitiveness for *Campto Injection* (branded overseas as *Camptosar*) to maintain and recover market share, by assuming a more flexible stance regarding supply pricing for the *Campto Injection* original formula, based on the prevailing market situation. We also sought to differentiate ourselves from generic products in certain European and South American countries by promoting the sales of a shockproof plastic vial version of the product. Despite these efforts, we were not able to make up for shares lost due to the appearance of generic products.

OTHERS: Consolidated sales in the Others segment rose 1.3%, to ¥14.2 billion, but operating income fell 99.3%, to ¥0.0 billion.

This segment encompasses Yakult's cosmetics operations as well as its professional baseball team operations.

In cosmetics operations, we promoted sales activities based on home visits to counsel customers on cosmetics. Emphasis here was on basic skin care products, namely our core brands *Parabio* and *Revecy*, that embody Yakult's lactobacillus technology and its R&D capabilities. We also launched *Revecy White*, a new series of products for customers in need of skin-lightening cosmetics. Four products in this line were released in July 2009, with five more sold in February 2010, in an effort to boost customer satisfaction with this series. In October 2009, meanwhile, saw the opening in Yokohama of Yakult Beautiens, our first directly managed store in the cosmetics business that offers not only the sale of cosmetics but services available only from Yakult.

These efforts notwithstanding, overall performance in cosmetics was virtually unchanged year on year, largely due to weak sales performance for products in our core brand *Parabio*.

In our professional baseball operations, we faced a tough business environment primarily due to declines in broadcasting revenues. This situation persisted despite a drive to boost attendance, which included sponsoring events and campaigns celebrating the 40th anniversary of the Tokyo Yakult Swallows Baseball Club, and the team's success in advancing to post-season Climax Series play.

FINANCIAL POSITION

Total assets at year-end amounted to ¥389.9 billion, climbing 7.7% year on year.

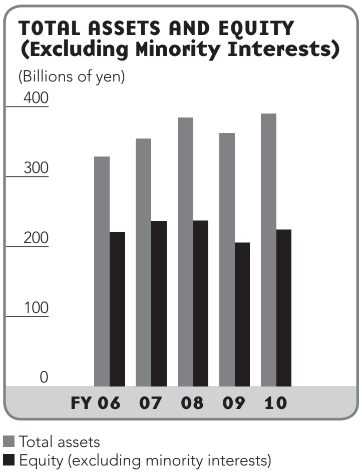
Current assets increased ¥19.3 billion, or 11.9%, from the prior fiscal year-end, to ¥181.7 billion, principally due to growth in cash and cash equivalents.

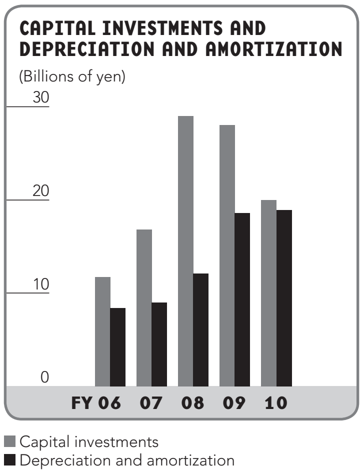
Net property, plant and equipment declined ¥0.9 billion, to ¥130.4 billion. This was primarily because of ordinary depreciation.

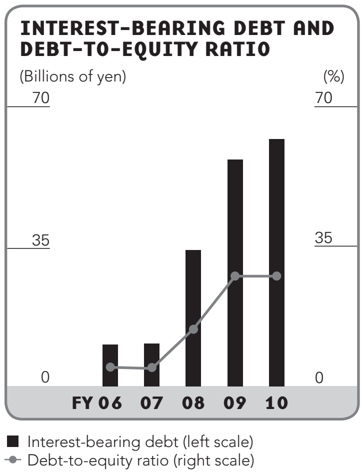
Investments and other assets increased ¥9.6 billion, or 14.1%, to ¥77.8 billion, mainly because of increases in investment securities.

In the fiscal year under review, capital investments fell 28.6%, to ¥20.0 billion.

Total liabilities grew 4.5%, to ¥141.0 billion. The major component of the increase was a rise in long-term debt of







¥37.3 billion, which was largely offset by a decline of ¥31.7 billion in short-term borrowings. This growth owed to long-term debt was taken to enable Yakult to respond flexibly to future funding demands, as well as the repayment of the Company's borrowing commitment line (short-term bank loans). As a result, interest-bearing debt climbed ¥5.1 billion from the previous fiscal year, to ¥61.9 billion, while the debt-to-equity ratio remained unchanged, at 27.6%.

Equity increased 8.9% to ¥223.9 billion, from ¥205.6 billion a year earlier. This rise was primarily due to growth in retained earnings, foreign currency translation adjustments, and unrealized gain on available-for-sale securities.

As a result, the equity ratio improved 0.6 of a percentage point, to 57.4%. Return on equity (ROE) increased 1.1 percentage points, to 6.2%, principally due to higher net income for the year. Return on assets (ROA) rose 0.6 of a percentage point, to 5.1%.

CASH FLOWS

Net cash provided by operating activities was up ¥2.0 billion from the previous year, to ¥39.5 billion. The improvement primarily resulted from an increase in income before income taxes and minority interests, increase in depreciation and amortization, and a decrease in inventories.

Net cash used in investing activities decreased ¥5.1 billion, to ¥20.0 billion. Cash was mainly used for purchases of property, plant and equipment, specifically for the new establishment and expansion of production facilities.

Net cash used in financing activities was ¥2.7 billion, a decrease of ¥0.5 billion from the previous fiscal year. This change was mainly attributed to the repayment of lease obligations and the payment of dividends, which outweighed proceeds from long-term debt.

As a result, cash and cash equivalents at year-end amounted to ¥83.2 billion, a net increase of ¥20.5 billion from the previous fiscal year-end.

DIVIDENDS

We give top priority to the payment of a higher and stable dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend will be decided based on business performance for the year, after comprehensively taking into account the need for funds for future business expansion and increasing earnings, as well as financial position.

In line with the aforementioned policy, we will pay an annual dividend of ¥20.0 per share for fiscal 2010. This dividend will consist of a standard year-end dividend of ¥10.0 per share, together with an interim dividend of ¥10.0 per share.

Furthermore, we plan to pay a dividend of ¥22.0 per share for fiscal 2011. In addition to the payment of a base annual dividend of ¥20.0 per share in line with the aforementioned policy, we intend to add a commemorative dividend of ¥2.0 to the year-end dividend in fiscal 2011. This additional dividend is to celebrate the 75th anniversary of the Yakult Group during the year, and an expression of gratitude to shareholders for their steadfast support.

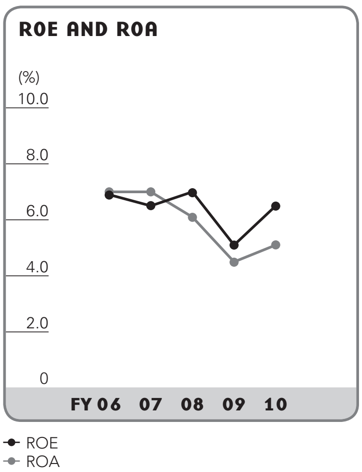
Internal reserves will be used for R&D investment and facility renewal projects designed to strengthen our corporate structure and enhance our competitiveness.

FORWARD-LOOKING STATEMENTS

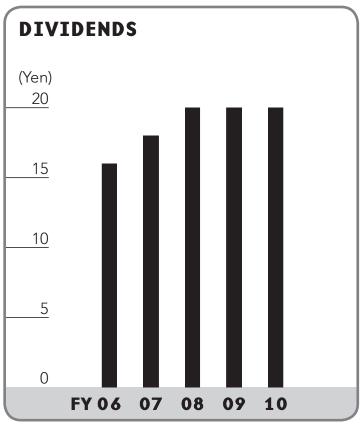
FOOD AND BEVERAGES

As Yakult prepares to celebrate 75 years since its founding, and with "Back to beginnings" as a key slogan, we will spread the word in our Probiotics business about Yakult's founding concepts of preventive medicine, the link between a healthy intestinal tract and a long life, and offering products at a price affordable to everyone. We will also develop more robust activities that underscore the value of the *Lactobacillus casei* strain Shirota and the enhanced *Bifidobacterium breve* strain Yakult.

In our home delivery channel, we will work to develop more customers by continuing sales promotion activities that get people to try our products through samples or trial use. These activities will be built around *Yakult 400*, *Yakult 400LT*, a product made using *Lactobacillus casei* strain Shirota, and *Mil-Mil*, a product made using *Bifidobacterium breve* strain Yakult.



Note: ROA is calculated based on operating income.



In addition, we will continue to steadily expand the sales areas for *BF-1*, as we promote this product nationwide in Japan.

In our retail store channel, we will strive to attract more customers by conveying to them the closely linked history of lactobacillus and Yakult, as well as thoughts on the Company's importance, through various fairs and retail promotions that express our gratitude to customers for their many years of patronage.

In juices and other beverages, we will aim to reinforce our brand power by renewing existing products with healthcare functions to revitalize core brands. Other actions will include building a stronger product lineup that will boost growth in sales per vending machine.

Overseas, we will develop operations with "Yakult Penetration & Expansion Plan 45," our medium- to long-term plan for the international business, as a guiding framework.

In countries where Yakult has already made inroads, our goal is to continue to strengthen the base for growth by expanding sales areas, and boosting sales in existing sales areas. In countries where sales have recently commenced, namely Vietnam, India, China and the United States, we will establish the marketing bases necessary to stabilize management and promote business growth.

Decisions to advance operations in new countries and regions will be made following careful consideration of our internal and external business climate.

PHARMACEUTICALS

In Japan, we will continue to move forward with promotional activities that emphasize the proper use of *Campto* and *Elplat*, and that view market expansion as a key issue. We will also work to expand sales of *Sinseron Tablets*, will target a higher market share for activated folic acid drug *Levofolinate Yakult*, and seek to expand sales channels for the drug *Neu-up*, which Yakult received from Kyowa Hakko Kirin Co., Ltd. In these ways, we will further concentrate our efforts on sales activities that focus on the cancer field.

Overseas, we remain committed to maintaining the price competitiveness of *Campto Injection* (*Camptosar* overseas) by being flexible with supply prices for the original formulation of this drug, given the market situation, in response to the price competition from generic products. Similarly, we will strive to strengthen sales of the plastic vial version of the product to differentiate them from generic products.

OTHERS

In our cosmetics operations, we will continue to revitalize marketing activities, taking steps to create the required business organization for sales with a focus on cosmetics counseling home visits, and a related customer base, centered on basic cosmetics. At the same time, another aim will be to boost sales by diversifying both sales channels and selling methods.

BUSINESS RISKS

1. Risks Accompanying Global Business Operations

The Group conducts business operations worldwide, and is involved in production and sales activities overseas. As these overseas business sites gain stronger footing, the proportion of overseas business results is growing each year.

This trend notwithstanding, consolidated business results as reported in the financial statements are impacted by currency exchange rate fluctuations. Moreover, the regions where the Group operates overseas include countries marked by political and economic instability. While we work to mitigate these risks in various ways, there is no guarantee that such risks can be completely avoided. Moreover, given the underlying differences of social background between many overseas countries and regions and Japan, there is a risk that the unforeseen establishment, amendment, or abolition of certain laws and regulations could provoke problems with respect to Group business activities. The occurrence of such issues could adversely impact our business performance and financial condition.

2. Risks Related to Product Safety

Growing concern regarding food safety and quality assurance among consumers today is placing strong pressure on companies to provide unquestionably reliable and safe food products. The Group recognizes that this trend demands greater levels of safety and quality assurance for the products it handles, which are subject to Japan's Food Sanitation Law, Pharmaceutical Affairs Law, and other regulations. As a Group, we also strive to strengthen our quality assurance system, with the provision of safe products as our highest priority.

These efforts notwithstanding, the unexpected occurrence of incidents related to the Group's food products could have an extremely adverse impact on our business results and financial condition. For this reason, every available step is taken to improve the safety and quality of our food products.

3. Risks Pertaining to Raw Material Prices

The Group's main products consist of dairy products and lactobacillus-based drinks. Sharp increases in procurement prices for the raw materials required for these products, due largely to market supply and demand, could impact manufacturing costs, including costs for containers and other packaging. Moreover, further escalation in crude oil prices could adversely affect transportation costs related to our products. In the event that we are unable to cover the effects of higher crude oil prices through cost reductions, or are prevented from enacting price revisions due to market conditions, these trends could have a tremendously adverse impact on the Group's financial condition.

In addition to the aforementioned, the Group faces a range of other risks, including the risks related to unseasonable weather conditions and natural disasters. As such, the aforementioned risks are not an exhaustive list of those that could negatively impact the Group business operations. The Group is aware of these risks, however, and strives to mitigate or to avoid their occurrence.

CONSOLIDATED BALANCE SHEETS

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 12)	**¥ 83,190**	¥ 62,666	**$ 894,518**
Time deposits (Notes 6 and 12)	**2,713**	3,687	**29,172**
Receivables: (Note 12)			
Notes and accounts receivable	**46,386**	45,766	**498,774**
Unconsolidated subsidiaries and associated companies	**2,989**	2,933	**32,136**
Other	**5,163**	4,588	**55,511**
Inventories (Note 3)	**31,103**	31,215	**334,442**
Deferred tax assets (Note 9)	**7,184**	7,588	**77,249**
Other current assets	**3,604**	4,519	**38,757**
Allowance for doubtful accounts (Note 12)	**(615)**	(559)	**(6,615)**
Total current assets	**181,717**	162,403	**1,953,944**
Property, plant and equipment:			
Land (Note 6)	**33,929**	35,658	**364,831**
Buildings and structures (Note 6)	**94,224**	86,560	**1,013,160**
Machinery, equipment and vehicles	**94,850**	89,214	**1,019,894**
Furniture and fixtures	**17,681**	16,402	**190,123**
Lease assets (Note 10)	**22,375**	20,456	**240,589**
Construction in progress	**4,569**	9,027	**49,125**
Total	**267,628**	257,317	**2,877,722**
Accumulated depreciation	**(137,237)**	(125,996)	**(1,475,664)**
Net property, plant and equipment	**130,391**	131,321	**1,402,058**
Investments and other assets:			
Investment securities (Notes 5 and 12)	**29,837**	22,614	**320,826**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 12)	**30,922**	28,532	**332,497**
Long-term loans	**428**	628	**4,599**
Goodwill	**413**	722	**4,436**
Deferred tax assets (Note 9)	**4,978**	5,997	**53,530**
Other assets	**11,206**	9,685	**120,495**
Total investments and other assets	**77,784**	68,178	**836,383**
Total	**¥ 389,892**	¥ 361,902	**$ 4,192,385**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 6 and 12)	**¥ 4,456**	¥ 36,203	**$ 47,909**
Current portion of long-term debt (Notes 6, 10 and 12)	**5,508**	5,948	**59,222**
Payables: (Note 12)			
Notes and accounts payable	**21,452**	22,820	**230,669**
Unconsolidated subsidiaries and associated companies	**127**	155	**1,368**
Other	**5,646**	8,309	**60,711**
Income taxes payable (Note 9)	**2,257**	1,175	**24,270**
Accrued expenses	**17,493**	13,452	**188,090**
Allowance for loss on plant reorganization	**169**	1,027	**1,817**
Deferred tax liabilities (Note 9)	**56**	42	**607**
Other current liabilities	**5,750**	4,496	**61,831**
Total current liabilities	**62,914**	93,627	**676,494**
Long-term liabilities:			
Long-term debt (Notes 6, 10 and 12)	**51,917**	14,647	**558,247**
Liability for retirement benefits (Note 7)	**17,903**	16,728	**192,507**
Allowance for loss on plant reorganization	**2,092**	2,095	**22,495**
Deferred tax liabilities (Note 9)	**2,582**	2,423	**27,759**
Other long-term liabilities	**3,562**	5,416	**38,300**
Total long-term liabilities	**78,056**	41,309	**839,308**
Commitments and contingent liabilities (Note 10)			
Equity (Notes 8 and 14)**:**			
Common stock—			
authorized, 700,000,000 shares;			
issued, 175,910,218 shares in 2010 and 2009	**31,118**	31,118	**334,598**
Capital surplus	**41,230**	41,136	**443,331**
Retained earnings	**187,991**	178,214	**2,021,413**
Unrealized gain (loss) on available-for-sale securities	**1,161**	(1,441)	**12,481**
Foreign currency translation adjustments	**(29,202)**	(34,426)	**(313,994)**
Treasury stock—at cost			
3,733,177 shares in 2010 and 3,906,594 shares in 2009	**(8,432)**	(8,953)	**(90,661)**
Total	**223,866**	205,648	**2,407,168**
Minority interests	**25,056**	21,318	**269,415**
Total equity	**248,922**	226,966	**2,676,583**
Total	**¥389,892**	¥361,902	**$4,192,385**

CONSOLIDATED STATEMENTS OF INCOME

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Net sales	**¥290,678**	¥293,490	**$3,125,570**
Cost of sales (Notes 7, 10 and 13)	**133,103**	138,633	**1,431,214**
Gross profit	**157,575**	154,857	**1,694,356**
Selling, general and administrative expenses (Notes 7, 10 and 13)	**138,584**	138,113	**1,490,152**
Operating income	**18,991**	16,744	**204,204**
Other income (expenses):			
Interest and dividend income	**2,358**	3,654	**25,359**
Interest expense	**(807)**	(920)	**(8,681)**
Royalty income	**314**	494	**3,377**
Foreign exchange gain	**117**	2,676	**1,258**
Equity in earnings of associated companies	**2,275**	1,451	**24,463**
Valuation loss on investment securities (Note 5)	**(12)**	(7,996)	**(125)**
Provision for loss on plant reorganization	**(106)**	(2,911)	**(1,143)**
Impairment loss (Note 4)	**(2,247)**		**(24,161)**
Other—net	**736**	(46)	**7,913**
Other income (expenses)—net	**2,628**	(3,598)	**28,260**
Income before income taxes and minority interests	**21,619**	13,146	**232,464**
Income taxes (Note 9):			
Current	**5,700**	5,309	**61,292**
Deferred	**(14)**	(7,952)	**(155)**
Total income taxes	**5,686**	(2,643)	**61,137**
Minority interests in net income	**2,684**	4,464	**28,868**
Net income	**¥ 13,249**	¥ 11,325	**$ 142,459**

Per share of common stock (Note 2 (O))**:**	Yen		U.S. dollars (Note 1)
Basic net income	**¥77.11**	¥65.75	**$0.83**
Cash dividends applicable to the year	**20.00**	20.00	**0.22**

Diluted net income per share of common stock for 2010 and 2009 was not calculated due to the absence of dilutive securities.
See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
Years ended March 31, 2010 and 2009

	Thousands	Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2008	172,392	¥ 31,118	¥ 40,956	¥ 172,273	¥ 193	¥ 323	¥ (7,582)	¥ 237,281	¥ 28,722	¥ 266,003
Adjustment of retained earnings due to the adoption of PITF No. 18 (Note 2 (B))				(1,505)				(1,505)		(1,505)
Net income				11,325				11,325		11,325
Cash dividends, ¥22.5 per share				(3,879)				(3,879)		(3,879)
Disposal of treasury stock	180		180				179	359		359
Repurchase of treasury stock	(6)						(14)	(14)		(14)
Other increase in treasury stock	(562)						(1,536)	(1,536)		(1,536)
Net change in the year					(1,634)	(34,749)		(36,383)	(7,404)	(43,787)
Balance, March 31, 2009	172,004	31,118	41,136	178,214	(1,441)	(34,426)	(8,953)	205,648	21,318	226,966
Net income				**13,249**				**13,249**		**13,249**
Cash dividends, ¥20.0 per share				**(3,435)**				**(3,435)**		**(3,435)**
Adjustment of retained earnings for newly consolidated subsidiaries				**(37)**				**(37)**		**(37)**
Disposal of treasury stock	**550**		**94**				**1,214**	**1,308**		**1,308**
Repurchase of treasury stock	**(3)**						**(7)**	**(7)**		**(7)**
Other increase in treasury stock	**(374)**						**(686)**	**(686)**		**(686)**
Net change in the year					**2,602**	**5,224**		**7,826**	**3,738**	**11,564**
Balance, March 31, 2010	**172,177**	**¥31,118**	**¥41,230**	**¥187,991**	**¥ 1,161**	**¥(29,202)**	**¥(8,432)**	**¥223,866**	**¥25,056**	**¥248,922**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2009	$ 334,598	$ 442,322	$ 1,916,288	$ (15,492)	$ (370,171)	$ (96,273)	$ 2,211,272	$ 229,221	$ 2,440,493
Net income			**142,459**				**142,459**		**142,459**
Cash dividends, $0.22 per share			**(36,933)**				**(36,933)**		**(36,933)**
Adjustment of retained earnings for newly consolidated subsidiaries			**(401)**				**(401)**		**(401)**
Disposal of treasury stock		**1,009**				**13,062**	**14,071**		**14,071**
Repurchase of treasury stock						**(79)**	**(79)**		**(79)**
Other increase in treasury stock						**(7,371)**	**(7,371)**		**(7,371)**
Net change in the year				**27,973**	**56,177**		**84,150**	**40,194**	**124,344**
Balance, March 31, 2010	**$334,598**	**$443,331**	**$2,021,413**	**$ 12,481**	**$(313,994)**	**$(90,661)**	**$2,407,168**	**$269,415**	**$2,676,583**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Operating activities:			
Income before income taxes and minority interests	**¥ 21,619**	¥ 13,146	**$ 232,464**
Adjustments for:			
Income taxes—paid	**(4,132)**	(6,415)	**(44,431)**
Income taxes—refund	**746**	3,641	**8,017**
Depreciation and amortization	**18,913**	18,571	**203,365**
Impairment loss	**2,247**		**24,161**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(2,275)**	(1,451)	**(24,463)**
Loss on valuation of investment securities	**12**	7,996	**125**
Payment for execution of debt guarantee	**(1,836)**		**(19,746)**
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	**407**	(3,070)	**4,377**
Decrease in inventories	**1,385**	1,440	**14,892**
(Decrease) increase in payables	**(1,746)**	338	**(18,770)**
Increase (decrease) in liability for retirement benefits	**891**	(296)	**9,586**
Other—net	**3,304**	3,660	**35,537**
Total adjustments	**17,916**	24,414	**192,650**
Net cash provided by operating activities	**39,535**	37,560	**425,114**
Investing activities:			
Transfers to time deposits	**(7,377)**	(7,369)	**(79,320)**
Proceeds from withdrawing time deposits	**8,307**	9,960	**89,321**
Purchases of property, plant and equipment	**(20,429)**	(28,079)	**(219,671)**
Proceeds from sales of property, plant and equipment	**3,923**	1,208	**42,182**
Purchases of investment securities	**(3,156)**	(233)	**(33,931)**
Acquisition of controlling interests in companies	**(34)**	(556)	**(367)**
Acquisition of shares of subsidiaries	**(215)**	(260)	**(2,314)**
Increase in loans receivable	**(187)**	(136)	**(2,012)**
Collection of loans receivable	**335**	321	**3,601**
Other—net	**(1,137)**	114	**(12,223)**
Net cash used in investing activities	**(19,970)**	(25,030)	**(214,734)**
Financing activities:			
Net (decrease) increase in short-term loans	**(32,315)**	7,486	**(347,474)**
Proceeds from long-term debt	**40,060**	871	**430,753**
Payments for settlement of long-term debt	**(7,297)**	(7,061)	**(78,463)**
Repurchase of treasury stock	**(7)**	(14)	**(79)**
Sales of treasury stock	**1,572**	487	**16,899**
Dividends paid	**(3,429)**	(3,872)	**(36,871)**
Other—net	**(1,327)**	(1,105)	**(14,264)**
Net cash used in financing activities	**(2,743)**	(3,208)	**(29,499)**
Foreign currency translation adjustments on cash and cash equivalents	**3,675**	(21,551)	**39,518**
Net increase (decrease) in cash and cash equivalents	**20,497**	(12,229)	**220,399**
Cash and cash equivalents of newly consolidated subsidiary, beginning of year	**27**		**297**
Cash and cash equivalents, beginning of year	**62,666**	74,895	**673,822**
Cash and cash equivalents, end of year	**¥ 83,190**	¥ 62,666	**$ 894,518**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YAKULT HONSHA CO., LTD. and consolidated subsidiaries
Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to U.S.$1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 68 (72 in 2009) significant subsidiaries (together, 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 4 (5 in 2009) 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 excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis from 5 to 10 years.

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

(B) UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

The Company applied this accounting standard effective April 1, 2008.

(C) 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.

(D) INVENTORIES

Inventories are stated at the lower of cost, determined by the average method , or net selling value.

(E) 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 by the declining-balance method. On the other hand, 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 consolidated domestic subsidiaries	
Buildings and structures	5 to 50 years
Machinery, equipment and vehicles	4 to 17 years
• Consolidated foreign subsidiaries	
Buildings and structures	5 to 50 years
Machinery, equipment and vehicles	3 to 21 years

(F) LONG-LIVED ASSETS

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.

(G) INVESTMENT SECURITIES

The Group classifies all securities as available-for-sale securities, and reports marketable securities at fair value, with unrealized gains and losses (net of applicable taxes) as a separate component of 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.

(H) RETIREMENT AND PENSION PLANS

The Company and certain 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 certain consolidated subsidiaries are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

Effective April 1, 2009, the Company applied ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefit (Part 3)". The effect of this change was to increase unrecognized actuarial loss by ¥3,023 million ($32,503 thousand). There is no effect on operating income, ordinary income and income before corporate taxes since actuarial loss will be amortized from next fiscal year.

(I) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred.

(J) LEASES

All finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

(K) BONUSES TO DIRECTORS AND CORPORATE AUDITORS

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(L) 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.

(M) 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.

(N) FOREIGN CURRENCY FINANCIAL STATEMENTS

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the average exchange rate.

(O) 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 years ended March 31, 2010 and 2009 is not disclosed due to the absence of dilutive securities.

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.

(P) NEW ACCOUNTING PRONOUNCEMENTS

Business Combinations

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In December 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to the equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

In March 2008, the ASBJ issued a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations", and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections

In December 2009, ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies:

When a new accounting policy is applied with a revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures", and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Merchandise	**¥ 4,235**	¥ 4,101	**$ 45,536**
Finished products	**3,084**	2,919	**33,161**
Work in process	**3,925**	1,938	**42,199**
Raw materials	**18,456**	20,928	**198,456**
Other	**1,403**	1,329	**15,090**
Total	**¥31,103**	¥31,215	**$334,442**

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2010 and 2009, and recognized impairment loss as follows;

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Assets classified as held for sale	**¥2,091**		**$22,479**
Idle assets	**156**		**1,682**
Total	**¥2,247**		**$24,161**

Carrying amounts of assets classified as held for sale which had been classified as business assets were written down to their recoverable amounts due to the decision to sell the assets.

Carrying amounts of idle assets which are not expected to be used were written down to their recoverable amounts.

5. INVESTMENT SECURITIES

Investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Investment securities:			
Marketable equity securities	**¥29,072**	¥21,809	**$312,605**
Government and corporate bonds	**5**		**51**
Trust fund investments and other	**760**	805	**8,170**
Total	**¥29,837**	¥22,614	**$320,826**

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥27,676**	**¥4,030**	**¥2,634**	**¥29,072**
Debt securities	**5**			**5**
Other	**20**		**6**	**14**
March 31, 2009				
Securities classified as—				
Available-for-sale:				
Equity securities	¥ 24,651	¥ 872	¥ 3,714	¥ 21,809

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as—				
Available-for-sale:				
Equity securities	**$297,596**	**$43,328**	**$28,319**	**$312,605**
Debt securities	**51**			**51**
Other	**217**		**68**	**149**

Available-for-sale securities whose fair value was not readily determinable as of 2009 were as follows. The similar information for 2010 is disclosed in Note 12.

	Millions of yen
	2009
Available-for-sale:	
Equity securities	¥805
Total	¥805

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥12 million ($125 thousand) and ¥7,996 million, respectively.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings mainly consisting of bank loans, which include notes to banks and bank overdrafts, at March 31, 2010 and 2009 were ¥4,456 million ($47,909 thousand) and ¥36,203 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2010 and 2009 ranged from 0.38% to 7.00% and 0.60% to 13.00%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans from banks and other financial institutions, 0.52% to 5.25% (0.80% to 5.12% in 2009), due serially to 2025:			
Collateralized	**¥ 1,513**	¥ 1,455	**$ 16,264**
Unsecured	**42,624**	3,710	**458,318**
Obligations under finance leases (Note 10)	**13,288**	15,430	**142,887**
Total	**57,425**	20,595	**617,469**
Less current portion	**(5,508)**	(5,948)	**(59,222)**
Long-term debt, less current portion	**¥51,917**	¥14,647	**$558,247**

Annual maturities of long-term debt as of March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 5,508	$ 59,222
2012	4,329	46,552
2013	3,001	32,271
2014	41,735	448,763
2015	971	10,436
2016 and thereafter	1,881	20,225
Total	¥57,425	$617,469

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥24 million ($261 thousand) and the above collateralized long-term debt at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	**¥ 20**	**$ 215**
Land	**4,477**	**48,145**
Buildings and structures—net of accumulated depreciation	**1,737**	**18,675**
Total	**¥6,234**	**$67,035**

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 certain consolidated subsidiaries have severance payment plans for employees. Certain consolidated subsidiaries have severance payment plans for 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, 2010 and 2009, included the amounts of ¥335 million ($3,600 thousand) and ¥333 million respectively for directors and corporate auditors. 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 liability (asset) for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 59,364**	¥ 56,532	**$ 638,318**
Fair value of plan assets	**(33,663)**	(31,226)	**(361,961)**
Unrecognized actuarial loss	**(8,171)**	(8,943)	**(87,864)**
Net liability	**17,530**	16,363	**188,493**
Prepaid pension cost	**38**	32	**414**
Liability for employees' retirement benefits	**¥ 17,568**	¥ 16,395	**$ 188,907**

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥2,189	¥ 2,322	$23,540
Interest cost	1,314	1,319	14,135
Expected return on plan assets	(743)	(1,089)	(7,995)
Recognized actuarial loss	1,736	1,483	18,666
Net periodic retirement benefit costs	¥4,496	¥ 4,035	$48,346

Assumptions used for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	2.5%	3.5%
Recognition period of actuarial gain/loss	10 years	10 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(A) DIVIDENDS

Under the Companies Act, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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. The Companies Act 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 Companies Act 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 aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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 equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2010 and 2009. Consolidated foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Pension and severance costs	**¥ 7,017**	¥ 6,540	**$ 75,456**
Tax loss carryforwards	**4,972**	3,810	**53,458**
Other	**15,064**	14,056	**161,975**
Less valuation allowance	**(9,497)**	(5,839)	**(102,115)**
Total	**¥17,556**	¥18,567	**$ 188,774**
Deferred tax liabilities:			
Undistributed earnings of foreign consolidated subsidiaries and associated companies	**¥ 2,572**	¥ 2,781	**$ 27,659**
Unrealized gain on land held by consolidated subsidiaries	**2,281**	2,076	**24,525**
Other	**3,179**	2,590	**34,177**
Total	**¥ 8,032**	¥ 7,447	**$ 86,361**
Net deferred tax assets	**¥ 9,524**	¥11,120	**$ 102,413**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2010 was as follows:

	2010
Normal effective statutory tax rate	**40.69%**
Equity in earnings of associated companies	**(4.28)**
Social expenses not deductible for income tax purposes	**1.62**
Tax rate differences in overseas subsidiaries	**(12.21)**
Other—net	**0.48**
Actual effective tax rate	**26.30%**

At March 31, 2010, certain consolidated subsidiaries had tax loss carryforwards aggregating to approximately ¥14,039 million ($150,958 thousand), which were 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
2011	¥ 615	$ 6,615
2012	566	6,088
2013	408	4,389
2014	931	10,011
2015 and thereafter	11,519	123,855
Total	¥14,039	$150,958

10. LEASES

The Group leases certain machinery, research apparatus, vending machines, computer equipment and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2010		2010	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	**¥ 4,856**	**¥ 424**	**$ 52,217**	**$ 4,564**
Due after one year	**8,432**	**777**	**90,670**	**8,352**
Total	**¥13,288**	**¥1,201**	**$142,887**	**$12,916**

	Millions of yen	
	2009	
	Finance leases	Operating leases
Due within one year	¥ 5,172	¥246
Due after one year	10,258	631
Total	¥15,430	¥877

11. RELATED PARTY DISCLOSURES

Transactions with related parties which are owned by directors and corporate auditors of the Company for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Sales	**¥10,110**	¥10,160	**$108,715**
Sales discount and rebate	**162**	182	**1,743**
Purchases	**19**	21	**200**
Payment of loans		44	
Collection of loans	**27**		**287**
Rent of vending machines	**134**	146	**1,437**
Temporary receipt	**1,919**	1,785	**20,636**
Subsidy of sales expenses	**109**	119	**1,170**

The balances due to or from these related parties at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Notes and accounts receivable	**¥2,209**	¥2,190	**$23,751**
Other receivables	**27**	31	**288**
Long-term loans	**208**	235	**2,234**
Other payables	**70**	63	**749**
Accrued expenses	**26**	15	**278**
Other current liabilities	**15**	15	**166**

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The Group uses bank loans based on its capital investment plan mainly for food and beverages business.

Temporal surplus funds are invested in short-term investments exposed to an insignificant risk of changes in value such as bank deposits. The Group does not invest in speculative instruments in compliance with the Group policy.

(2) NATURE, EXTENT OF RISK AND RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Notes and accounts receivable are exposed to customer credit risk. To manage such credit risk, the Group monitors payment terms and credit information of major customers. Investment securities, mainly held for business-related purposes, are exposed to the risk of market price fluctuations. To manage such market risk, the fair value of the investments are obtained regularly and reported to the Company's board of directors.

Payment terms of notes and accounts payable are usually within one year.

Loans are made principally in connection with capital investments. Most of the loans are at variable interest rates and exposed to the risk of interest rate fluctuations. It is the Group policy not to hedge such market risk by derivatives such as interest-rate swaps as a result of considering the financial market situation and outstanding balance.

Payables and loans are exposed to liquidity risk. The Group manages the risk by reviewing cash-flow projections prepared by the accounting and related departments.

(3) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments are based on the quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The result of estimation might differ if other valuation techniques were taken.

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
March 31, 2010			
Cash and cash equivalents	**¥ 83,190**	**¥ 83,190**	
Time deposits	**2,713**	**2,713**	
Receivables (include allowance for doubtful accounts)	**53,923**	**53,923**	
Investment securities	**29,091**	**29,091**	
Total	**¥168,917**	**¥168,917**	
Short-term borrowings	**¥ 4,456**	**¥ 4,456**	
Payables	**27,225**	**27,225**	
Long-term debt (exclude obligations under finance leases)	**44,137**	**44,232**	**¥95**
Total	**¥ 75,818**	**¥ 75,913**	**¥95**

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
March 31, 2010			
Cash and cash equivalents	**$ 894,518**	**$ 894,518**	
Time deposits	**29,172**	**29,172**	
Receivables (include allowance for doubtful accounts)	**579,806**	**579,806**	
Investment securities	**312,805**	**312,805**	
Total	**$1,816,301**	**$1,816,301**	
Short-term borrowings	**$ 47,909**	**$ 47,909**	
Payables	**292,748**	**292,748**	
Long-term debt (exclude obligations under finance leases)	**474,582**	**475,604**	**$1,022**
Total	**$ 815,239**	**$ 816,261**	**$1,022**

Cash and cash equivalents, Time deposits and Receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 5.

Short-term borrowings and Payables (excluding current portion of long-term debt)

The carrying values of short-term borrowings and payables (excluding current portion of long-term debt) approximate fair value because of their short maturities.

Long-term debt (including current portion of long-term debt)

The fair value of long-term borrowings are determined by discounting the cash flows related to the debt at the Group's assumed corporate discount rate.

(4) FINANCIAL INSTRUMENTS WHOSE FAIR VALUE CANNOT BE RELIABLY DETERMINED

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
March 31, 2010		
Investments in equity instruments and unconsolidated subsidiaries that do not have a quoted market price in an active market, and investments in associated companies	**¥31,648**	**$340,304**

(5) MATURITY ANALYSIS FOR FINANCIAL ASSETS AND SECURITIES WITH CONTRACTUAL MATURITIES

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2010				
Cash and cash equivalents	**¥ 83,190**			
Time deposits	**2,713**			
Receivables	**54,538**			
Investment securities				
Total	**¥140,441**			

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2010				
Cash and cash equivalents	**$ 894,518**			
Time deposits	**29,172**			
Receivables	**586,421**			
Investment securities				
Total	**$1,510,111**			

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,622 million ($103,461 thousand) and ¥9,248 million for the years ended March 31, 2010 and 2009, respectively.

14. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2010 were approved at the Company's board of directors' meeting held on May 14, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥10.0 ($0.11) per share	**¥1,726**	**$18,559**

15. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 were as follows:

(1) INDUSTRY SEGMENTS

	Millions of yen				
	2010				
	Food and Beverages	Pharma-ceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and operating income (loss)					
Sales to customers	**¥241,353**	**¥35,079**	**¥14,246**		**¥290,678**
Intersegment sales					
Total sales	**241,353**	**35,079**	**14,246**		**290,678**
Operating expenses	**220,241**	**24,454**	**14,242**	**¥ 12,750**	**271,687**
Operating income	**¥ 21,112**	**¥10,625**	**¥ 4**	**¥(12,750)**	**¥ 18,991**
b. Total assets, depreciation, impairment loss and capital expenditures					
Total assets	**¥273,950**	**¥36,805**	**¥ 7,460**	**¥ 71,677**	**¥389,892**
Depreciation	**16,761**	**591**	**282**	**1,279**	**18,913**
Impairment loss	**190**			**2,057**	**2,247**
Capital expenditures	**18,507**	**1,410**	**195**	**1,967**	**22,079**

	Thousands of U.S. dollars				
	2010				
	Food and Beverages	Pharma-ceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and operating income (loss)					
Sales to customers	**$2,595,193**	**$377,194**	**$153,183**		**$3,125,570**
Intersegment sales					
Total sales	**2,595,193**	**377,194**	**153,183**		**3,125,570**
Operating expenses	**2,368,185**	**262,941**	**153,145**	**$ 137,095**	**2,921,366**
Operating income	**$ 227,008**	**$114,253**	**$ 38**	**$(137,095)**	**$ 204,204**
b. Total assets, depreciation, impairment loss and capital expenditures					
Total assets	**$2,945,695**	**$395,748**	**$ 80,218**	**$ 770,724**	**$4,192,385**
Depreciation	**180,225**	**6,352**	**3,033**	**13,755**	**203,365**
Impairment loss	**2,042**			**22,119**	**24,161**
Capital expenditures	**198,997**	**15,161**	**2,101**	**21,151**	**237,410**

	Millions of yen				
	2009				
	Food and Beverages	Pharma-ceuticals	Others	Eliminations/ Corporate	Consolidated
a. Sales and operating income (loss)					
Sales to customers	¥244,191	¥35,235	¥14,064		¥293,490
Intersegment sales					
Total sales	244,191	35,235	14,064		293,490
Operating expenses	227,058	23,125	13,530	¥ 13,033	276,746
Operating income	¥ 17,133	¥12,110	¥ 534	¥(13,033)	¥ 16,744
b. Total assets, depreciation and capital expenditures					
Total assets	¥256,295	¥37,065	¥ 8,012	¥ 60,530	¥361,902
Depreciation	16,653	366	357	1,195	18,571
Capital expenditures	24,553	809	265	3,460	29,087

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 Group for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen					
	2010					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥223,936**	**¥34,595**	**¥22,476**	**¥9,671**		**¥290,678**
Interarea transfers	**5,859**				**¥ (5,859)**	
Total sales	**229,795**	**34,595**	**22,476**	**9,671**	**(5,859)**	**290,678**
Operating expenses	**210,586**	**26,932**	**18,191**	**9,087**	**6,891**	**271,687**
Operating income	**¥ 19,209**	**¥ 7,663**	**¥ 4,285**	**¥ 584**	**¥(12,750)**	**¥ 18,991**
Total assets	**¥204,610**	**¥50,655**	**¥56,846**	**¥8,222**	**¥ 69,559**	**¥389,892**

	Thousands of U.S. dollars					
	2010					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$2,407,911**	**$371,989**	**$241,676**	**$103,994**		**$3,125,570**
Interarea transfers	**63,000**				**$ (63,000)**	
Total sales	**2,470,911**	**371,989**	**241,676**	**103,994**	**(63,000)**	**3,125,570**
Operating expenses	**2,264,358**	**289,595**	**195,606**	**97,712**	**74,095**	**2,921,366**
Operating income	**$ 206,553**	**$ 82,394**	**$ 46,070**	**$ 6,282**	**$(137,095)**	**$ 204,204**
Total assets	**$2,200,105**	**$544,673**	**$611,250**	**$ 88,414**	**$ 747,943**	**$4,192,385**

	Millions of yen					
	2009					
	Japan	The Americas	Asia and Oceania	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥217,949	¥42,385	¥20,233	¥12,923		¥293,490
Interarea transfers	8,550				¥ (8,550)	
Total sales	226,499	42,385	20,233	12,923	(8,550)	293,490
Operating expenses	209,778	31,652	17,728	13,105	4,483	276,746
Operating income	¥ 16,721	¥10,733	¥ 2,505	¥ (182)	¥(13,033)	¥ 16,744
Total assets	¥203,796	¥46,433	¥48,660	¥ 8,225	¥ 54,788	¥361,902

The Americas: Mexico, Brazil, Argentina, U.S.A.
Asia and Oceania: Hong Kong, China, Indonesia, Singapore, Malaysia, Australia, India, Vietnam
Europe: The Netherlands, the U.K., Germany, Belgium, Austria, Italy

(3) SALES TO FOREIGN CUSTOMERS

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥70,922 million ($762,603 thousand) and ¥83,215 million, respectively.

Deloitte.

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Japan

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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. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in 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, 2010 and 2009, 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.

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.

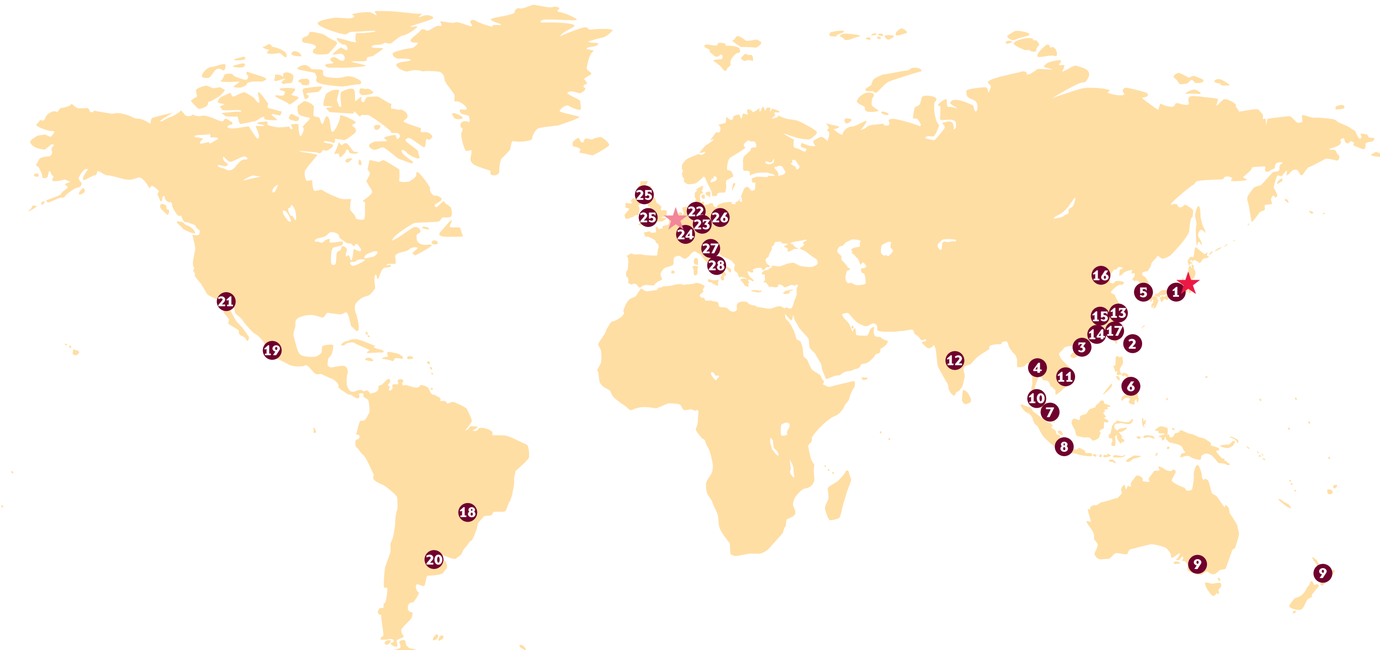
Deloitte Touche Tohmatsu LLC

June 23, 2010

Member of
Deloitte Touche Tohmatsu

GLOBAL NETWORK

(As of March 31, 2010)



PRINCIPAL INTERNATIONAL SUBSIDIARIES AND AFFILIATES

1. Yakult Honsha Co., Ltd.

★ Yakult Central Institute for Microbiological Research

2. Yakult Co., Ltd. (Taiwan)
3. Hong Kong Yakult Co., Ltd.
4. Yakult (Thailand) Co., Ltd.
5. Korea Yakult Co., Ltd.
6. Yakult Philippines, Inc.
7. Yakult (Singapore) Pte., Ltd.
8. P.T. Yakult Indonesia Persada
9. Yakult Australia Pty. Ltd.
   • New Zealand Branch
10. Yakult (Malaysia) Sdn. Bhd.
11. Yakult Vietnam Co., Ltd.
12. Yakult Danone India Pvt. Ltd.
13. Yakult (China) Corporation
14. Guangzhou Yakult Co., Ltd.
15. Shanghai Yakult Co., Ltd.
16. Beijing Yakult Co., Ltd.
17. Shanghai Yakult Marketing Co., Ltd.
18. Yakult S/A Ind. E. Com. (Brazil)
19. Yakult S.A. de C.V. (Mexico)
20. Yakult Argentina S.A.
21. Yakult U.S.A. Inc.
22. Yakult Europe B.V.
23. Yakult Nederland B.V.
24. Yakult Belgium S.A./N.V.
25. Yakult UK Ltd.
   • Ireland Branch
26. Yakult Deutschland GmbH
27. Yakult Oesterreich GmbH
28. Yakult Italia S.R.L.

★ Yakult Honsha European Research Center for Microbiology ESV

CORPORATE DATA

(As of March 31, 2010)

CORPORATE NAME

YAKULT HONSHA CO., LTD.

DATE FOUNDED

1935

DATE INCORPORATED

April 9, 1955

HEAD OFFICE

1-19, Higashi Shimbashi 1-chome,
Minato-ku, Tokyo 105-8660, Japan
Phone: +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

16,876 (Consolidated)

NUMBER OF ISSUED AND OUTSTANDING SHARES

175,910,218

NUMBER OF SHAREHOLDERS

28,484

* Including shareholders whose shares do not comprise full trading units

OFFICES

1 institute, 5 branches, 9 plants

Branches

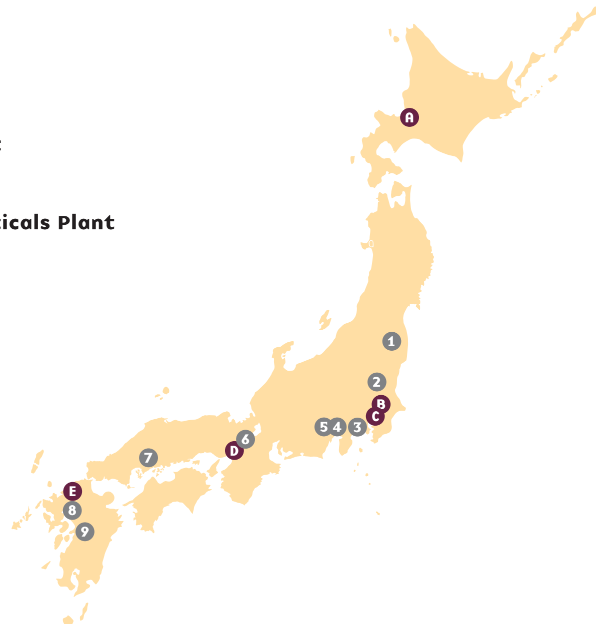
- A Hokkaido Branch
- B East Japan Branch
- C Metropolitan Branch
- D Central Japan Branch
- E West Japan Branch

Plants

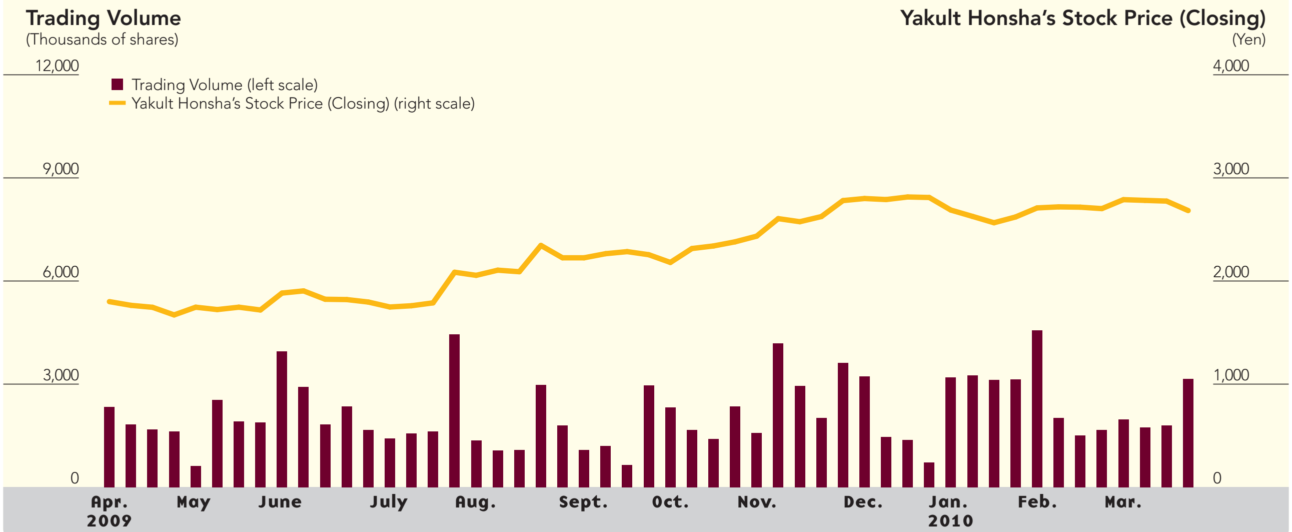
1. Fukushima Plant
2. Ibaraki Plant
3. Shonan Cosmetics Plant
4. Fuji Susono Plant
5. Fuji Susono Pharmaceuticals Plant
6. Kyoto Plant
7. Fukuyama Plant
8. Saga Plant
9. Kumamoto Plant

MAJOR SUBSIDIARIES IN JAPAN

Yakult Tokyo Sales Co., Ltd.
Yakult Kobe Plant Co., Ltd.
Yakult Corporation Co., Ltd.
Yakult Materials Co., Ltd.
Yakult Food Industry Co., Ltd.
Yakult Chuo Logistics Co., Ltd.
Yakult Kyudan Co., Ltd.



SHARE PRICE MOVEMENT



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