Yakult

"Global Yakult"— Entering a New Growth Stage

Annual Report 2013

Year ended March 31, 2013

Growing From Our Roots

Contents

Forward-Looking Statements

Statements contained in the Annual Report 2013 regarding business results for fiscal 2013 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.

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*.

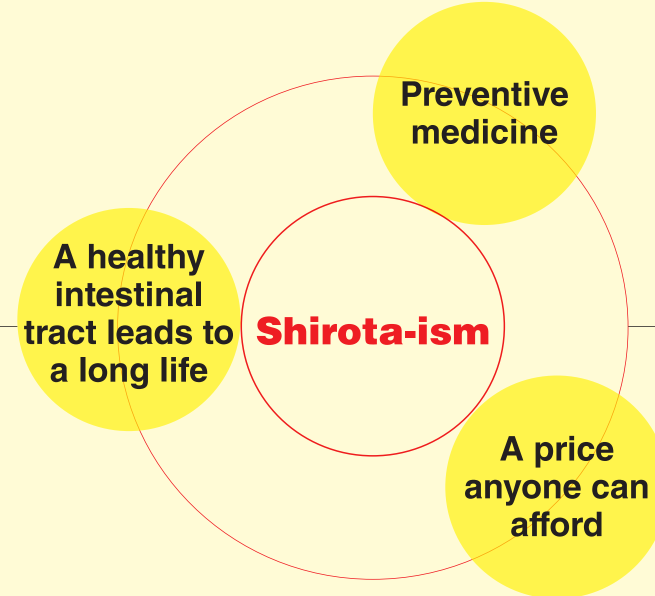
In the more than 75 years since then,

Yakult has conducted its business activities around the world in ways based on Dr. Shirota's philosophy—Shirota-ism (preventive medicine, the link between a healthy intestinal tract and a long life, and offering products at a price affordable to everyone)—as explained on the next page.

As a Probiotics* pioneer,

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.



The Sources of Yakult's Strength

Yakult has three unique sources of strength:

Products Power

Products Power:

More than 75 Years of a Global Classic

Since its founding more than 75 years ago, Yakult has been a pioneer in the field of Probiotics, delivering products that contribute to good health. Today, Yakult has expanded beyond food and beverages to play an active part in the pharmaceuticals and cosmetics businesses as well.

Sales Power

The Yakult Lady System:

Everywhere Is Local

Yakult supplies its products via two sales channels: home delivery sales by Yakult Ladies, and retail sales via high-volume retailers, vending machines, and other points of sale. Together, these two channels are better than one, creating synergies that underpin Yakult's powerful sales capabilities.

Our unique home delivery system offers opportunities to meet customers face-to-face and explain to them how lactobacilli work to support good health. It also enables customers to experience for themselves the benefits of Yakult products.

R&D Power

Dynamic R&D:

The Wellspring of Future Competitiveness

For Yakult, R&D activities vitally underpin 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.

Lactobacillus casei strain Shirota

Bifidobacterium breve strain Yakult

Yakult Consumption around the World

Taking Good Health

United Kingdom*
219
(Thousands of bottles/day)

Belgium*
68

United States*
162 (Thousands of bottles/day)

THE AMERICAS

EUROPE

Mexico*
3,337

Brazil*
1,847

Financial Highlights

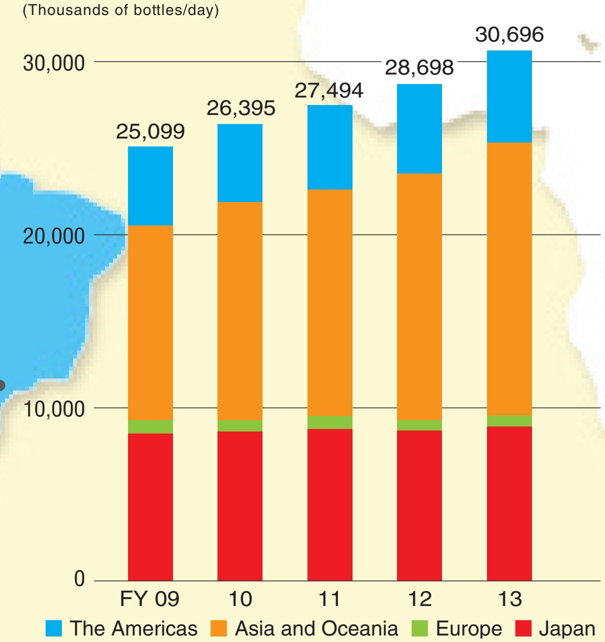
YAKULT HONSHA CO., LTD. and its consolidated subsidiaries
March 31, 2013, 2012, 2011, 2010 and 2009

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2009	2010	2011	2012	**2013**	**2013**
For the year:						
Net sales	¥293,490	¥290,678	¥305,944	¥312,553	**¥319,193**	**$3,432,184**
Operating income	16,744	18,991	20,401	20,817	**23,068**	**248,045**
Net income	11,325	13,249	13,169	13,292	**16,379**	**176,120**
At the year-end:						
Total assets	¥361,902	¥389,892	¥392,828	¥397,214	**¥438,176**	**$4,711,568**
Total liabilities	134,936	140,970	141,857	144,971	**151,077**	**1,624,486**
Total equity	226,966	248,922	250,971	252,243	**287,099**	**3,087,082**
Financial ratio:						
Return on equity (ROE) (%)	5.1	6.2	5.9	5.8	**6.7**	
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 65.75	¥ 77.11	¥ 76.55	¥ 77.32	**¥ 95.03**	**$ 1.02**
Total equity (Note 3)	1,195.60	1,300.21	1,313.37	1,328.61	**1,517.88**	**16.32**
Cash dividends applicable to the year	20.00	20.00	22.00	22.00	**23.00**	**0.25**

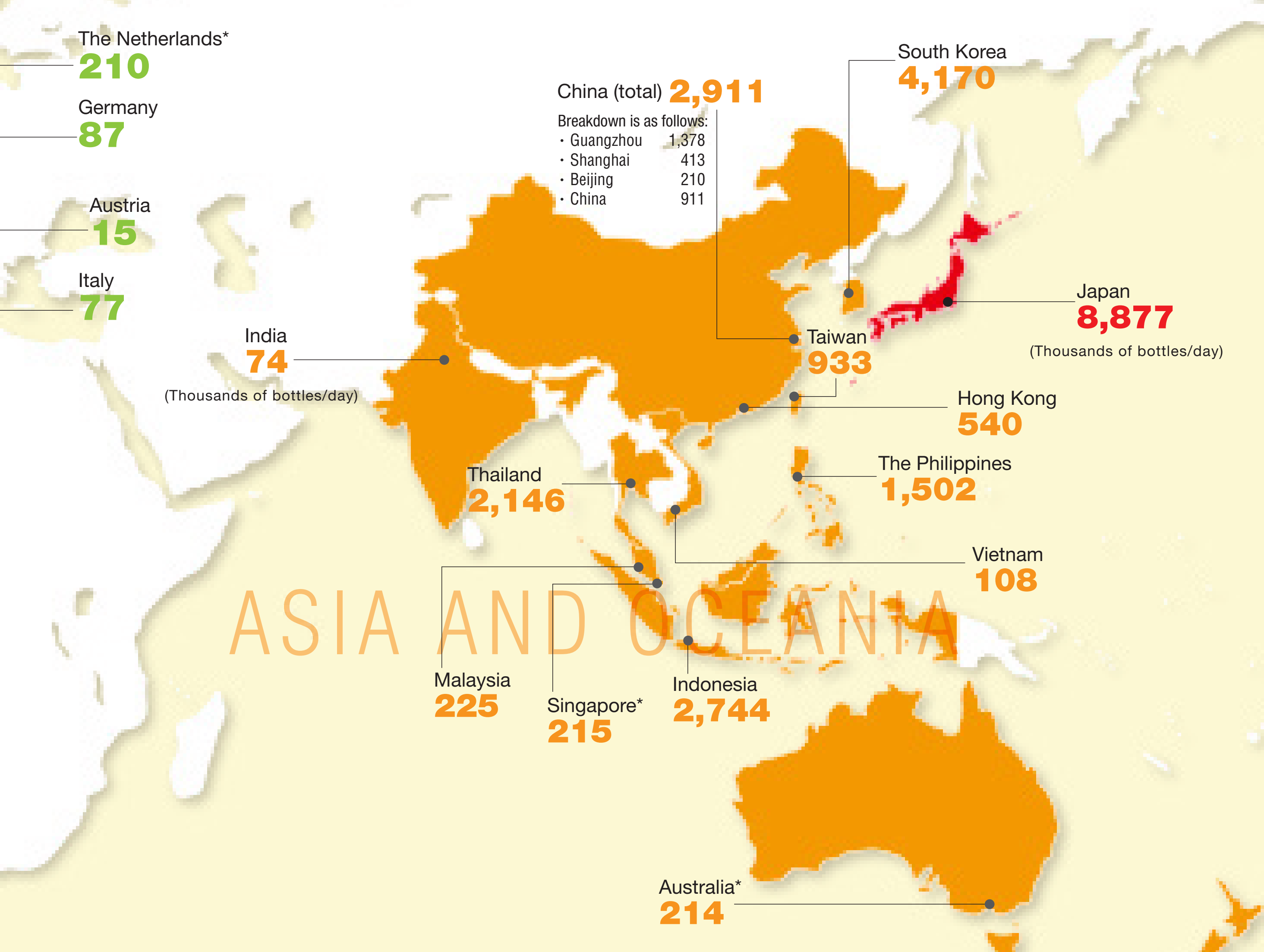
Notes: 1. Figures are rounded to the nearest million.
2. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93 to U.S.$1, the approximate rate of exchange at March 31, 2013.
3. Minority interests are not included in equity on process of calculation.

Sales Volume by Region in 2013

(Thousands of bottles/day)

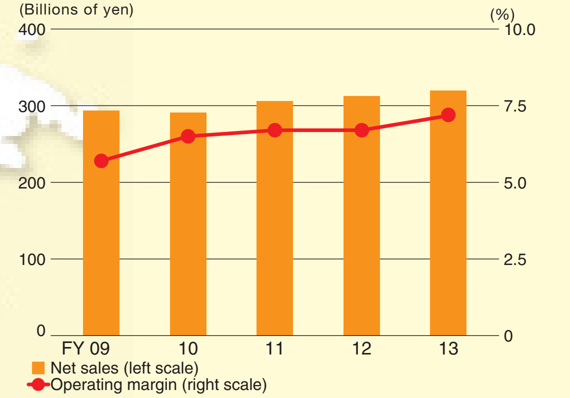


Global

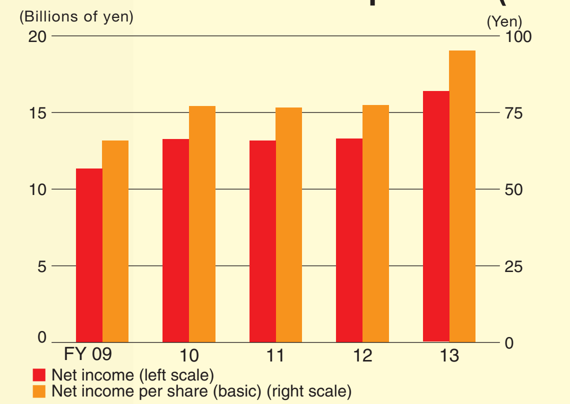


* The sales of bottles for the following countries are included: Uruguay (Brazil), Belize (Mexico), Canada (the United States), Luxembourg (Belgium), France (the Netherlands), Spain (the Netherlands), Ireland (the United Kingdom), Brunei (Singapore), and New Zealand (Australia).

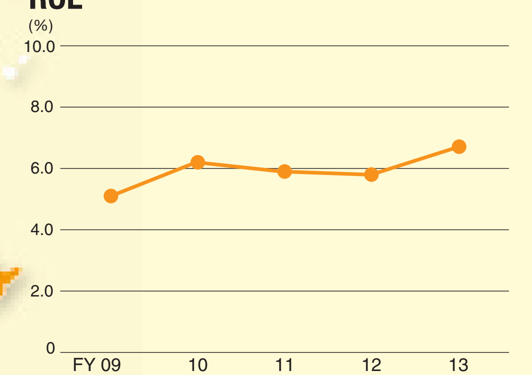
Net Sales and Operating Margin



Net Income and Net Income per Share (Basic)



ROE



Message from the Chairman and President

Takashige Negishi
President and Representative Director
Chief Operating Officer (COO)

Sumiya Hori
Chairman and Representative Director
Chief Executive Officer (CEO)

Opening the door to a new stage for growth and aiming for the next leap forward

The Yakult World Convention was held in November 2012 in Kobe. Symbolic of Yakult's globalization, outstanding Yakult Ladies from both Japan and overseas attended the convention. At this highly productive gathering, we succeeded in sharing with the participants the passionate spirit of Yakult's foundation as well as the bonds and sense of unity of the Group.

Yakult advanced overseas for the first time in 1964, when it established operations in Taiwan. Since then, regular consumption of *Yakult* products has been expanding steadily in Asia, the Americas and Europe, and as of August 2013 we have operations in 32 countries and regions, including Japan, with an annual average sales volume of dairy products totaling 30.7 million bottles per day. This is the first time since Yakult's establishment that the sales volume has exceeded 30 million bottles.

The dream of our founder, Dr. Minoru Shirota, was delivering good health to people around the world, and his dream is steadily becoming a reality. We are delighted that the core value of our existence as a company entrusted with social responsibility has been enhanced.

To deal with the new changing times to come, we would like to propose a lifestyle in which *Yakult* is consumed at all times, in all places and in all situations so that Yakult continues to be a company that is useful not only for people but also for society. As an example, we embarked on a space project called "Yakult Space Discovery" and have been conducting a range of research to contribute to human health even in the coming space age.

With respect to the current status of Yakult, against the backdrop of the dramatic expansion and steady business performance overseas described earlier, we have high hopes, expecting new growth. Going forward, the business environment is expected to undergo drastic changes on a global level. Nonetheless, we aim to ensure sustained growth by continuing to adhere to our principles and roots, which represent the value of our existence as a company.

We look forward to showing Yakult's growth as it takes a new step forward.

August 2013

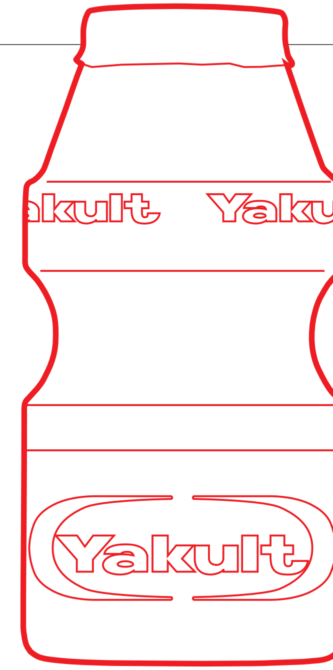
Sumiya Hori

Sumiya Hori
Chairman and Representative Director
Chief Executive Officer (CEO)

Takashige Negishi

Takashige Negishi
President and Representative Director
Chief Operating Officer (COO)

Opening the door to a new stage for growth



With a dramatic expansion and steady business performance overseas, Yakult has opened the door to a new stage for growth. We have asked top management about questions that are currently asked most frequently, such as those regarding strategies for future growth.

Q Reflecting on the Fiscal Year Ended March 31, 2013

Please summarize the business results for the fiscal year ended March 31, 2013.

A We recorded record-high net sales, while profits also grew significantly.

Although the business environment fluctuated wildly both in Japan and overseas during the year under review, we worked to build awareness and understanding of Probiotics, which constitutes the bedrock of our operations, while striving to communicate the superiority of our products. In addition, we sought to boost performance by taking steps to shore up our sales organization, research and develop new products, upgrade our production facilities, and vigorously enhance our overseas operations and pharmaceuticals business.

As a result, our consolidated net sales in the fiscal year ended March 31, 2013 reached ¥319.2 billion (up 2.1% compared with the previous year), our best performance to date. In terms of profits, we recorded operating income of ¥23.1 billion (up 10.8%) and net income for the year of ¥16.4 billion (up 23.2%), thus achieving increases in revenues and income. Furthermore, total global annual average sales of *Yakult* and other fermented milk products grew to 30.7 million bottles per day, marking the first time that more than 30 million bottles were sold per day since the Company's foundation.

With regard to business performance during the year under review by segment, in the Food and Beverages business, we achieved growth in revenues thanks to the expanded sales volume of dairy products. However, we recorded a slight decrease in profits because of an increase in depreciation and amortization and a rise in costs of raw materials caused by the start of operations at the Hyogo Miki Plant. In our international business, sales volume of dairy products rose significantly throughout Asia, resulting in increases in revenues and income. In the pharmaceuticals business, despite a growth in sales volume, especially that of *Elplat*, a drug for the treatment of colon cancer, both revenues and income declined due to the large impact of the NHI price revision.

Q

The Prospect for Business Management (1)

Please discuss measures being taken in the Food and Beverages business.

A

We will maintain a growth trend in Japan and accelerate growth in the overseas market which has a large potential for expansion.

Let us speak first about the domestic food and beverages business.

Since fiscal 2007, the sales volume of dairy products in Japan has been increasing each year, albeit gradually, except in fiscal 2010, when the Great East Japan Earthquake occurred. The driving force behind this is the Yakult Ladies, who are active in the home delivery channel. In sales activities, the Yakult Ladies meet directly with customers to convey and promote understanding of the health value of *Lactobacillus casei* strain Shirota. We call these value dissemination activities. Each sales company in Japan has a deep understanding of these activities and practices them while improving the structures and systems for the activities. Furthermore, in our retail store channel, promotion staff at retail stores also actively implement value dissemination activities.

In the home delivery channel during the fiscal year ending March 31, 2014, we will focus on sales of the *Yakult 400* series as priority products, aiming to increase the Yakult Ladies' incomes as well as to reform the business structures of sales companies. In the retail store channel, we will implement sales activities with clear targets and promotional points, promoting *Yakult Ace,* which has been on the market since March 2013, as a priority product. Furthermore, the retail sales ratio of the drinkable yogurt brand *Joie* series, which we renewed during the fiscal year under review, is 40%. We aim to maintain its fresh appeal while mainly promoting products featuring flavors offered for a limited time only.

As a new product, we launched *Nyusankin soy* α, a fermented soy drink containing *Lactobacillus casei* strain Shirota offering evidence-based health benefits, in May 2013. Sales are limited to Okinawa and the northern part of the Tokyo metropolitan area, but we plan to gradually expand our sales territories. In the future, we intend to develop this first collaboration of soymilk, which has been attracting worldwide attention, and *Lactobacillus casei* strain Shirota on a large scale.

We would now like to discuss our international food and beverages business.

The annual average number of bottles sold overseas per day was a record-high 21.82 million bottles, an increase of 1.8 million bottles (9.0%) compared with the previous year. We will continue to further cultivate and expand sales areas while promoting the reinforcement of our production system.

Among the major countries into which we have already entered, we will discuss the situation in China and Mexico. For Indonesia and Brazil, please see the special feature on pages 10 – 13.

First, in China, the annual average number of bottles per day was 2.91 million bottles, an increase of 26.1% compared with the previous year, showing that the ongoing cultivation and expansion of the market has been steady. With a goal of 27 sales bases by 2015, we have established three new sales bases in Chengdu, Chongqing and Zhengzhou since January 2013. Currently, we have a total of 24 sales bases in China. Furthermore, we are building Yakult's second plant in Guangzhou and Yakult's second factory building in Tianjin as part of measures to reinforce our production system. By 2014, we plan to construct a system capable of producing approximately 7.0 million bottles per day to meet the robust sales demand within China.

As for Mexico, although its economic environment remained harsh, we achieved a good start with the number of bottles sold during the first quarter in the fiscal year ending March 31, 2014 rising 3.3% from the previous fiscal year. This largely reflected a steady increase in the number of Yakult Ladies in the home delivery channel as well as in the number of retail stores to which we deliver our products, together with thorough promotion of the health benefits offered by *Lactobacillus casei* strain Shirota. In addition to the steady expansion in the number of bottles sold, a rise in the unit price through a price increase also contributed to our performance. We hope to maintain this growth trend in the future.

The Prospect for Business Management (2)

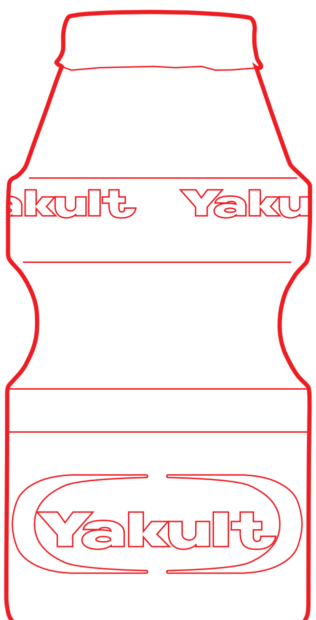
Q Could you discuss recent initiatives undertaken in the pharmaceuticals business?

A We have been concentrating business resources in the field of anticancer drugs, *Elplat* in particular, to improve earnings capacity.

The core product of our pharmaceuticals business, *Elplat*, is highly rated as a key drug for the treatment of advanced or recurrent colorectal cancer and for the adjuvant treatment of colon cancer in patients who have undergone complete resection of the primary cancer. During the fiscal year under review, we faced difficult conditions due to a 15% reduction in pharmaceuticals prices, which started in April 2012 because of repricing for market expansion. However, since the use of *Elplat* in medical practice is rising, we plan to boost sales volume in the future.

To be specific, in adjuvant therapy in patients with colon cancer, we will continue to strive to achieve a 40% share among 24,000 target patients. In particular, in Stage IIIB with the largest number of patients where potent adjuvant treatment has not been standardized, we will work hard to make adjuvant treatment using *Elplat* a standard therapy. To accomplish this, we will not only reinforce sales promotion through MRs but also promote understanding of adjuvant treatment for patients by offering educational activities to the public through public lectures. Moreover, although *Elplat* already has won a share of more than 70% as the first-line drug (primary chemotherapy) for advanced or recurrent colorectal cancer, we now face a challenge where the treatment courses have decreased. We will strive to gradually improve the treatment courses by thoroughly implementing measures to deal with side effects. We will apply for further expansion of indications of *Elplat* for pancreatic cancer in the first quarter of the fiscal year ending March 31, 2014 as well as for gastric cancer in the second quarter.

To boost sales of drugs other than *Elplat*, our marketing will continue to focus on the oncological field, including actions to capture a greater share for cancer chemotherapeutic agent *Campto* in Japan and to increase marketing channels for a nucleoside metabolic inhibitor that exhibits antitumor activity, *Gemcitabine* Yakult. Outside Japan, we will continue to further differentiate *Campto* from its generic drugs.



Corporate Social Responsibility

Q Please tell us about Yakult's major activities aimed at achieving a sustainable society.

A We are working mainly through "Yakult Sustainable Ecology 2020," which was implemented in April 2012.

We established the "Yakult Basic Policy on the Environment" in June 1997, which encompasses the entire Group. Guided by the environmental philosophy and directives for action constituting this policy, we promote environmental protection activities in every aspect of our business operations.

Recognizing the need to continuously implement these activities in tandem with business operations, in March 2004 we sought to transform all of our Group companies in Japan into "green companies" by 2010. In this way, we established the "Yakult Eco Vision 2010," which aims to realize coexistence with the global environment and

Yakult Sustainable Ecology 2020

- Realization of a low-carbon society
- Efficient use of resources
- Efforts to preserve biodiversity

↓

Creation of a sustainable society

the formation of a sustainable society and has achieved successful results. This was followed by the establishment of "Yakult Sustainable Ecology 2020" in April 2012, covering the period through the target year of 2020. While describing the future of the Company in specific terms according to the three aspects of "realization of a low-carbon society," "promotion of efficient use of resources" and "preservation of biodiversity," this program aims to form a sustainable society in harmony with our stakeholders.

During the fiscal year ended March 31, 2013, Yakult continued its initiatives from the previous year, continuing to introduce renewable energy with solar power generation and other forms, implementing greenhouse gas reduction efforts at dairy product plants and in logistics operations, striving to achieve zero waste emissions, and promoting fuel conversion. All of these initiatives attained successful results. In addition, Yakult strengthened activities such as the introduction of a program of forest conservation activity.

Furthermore, each year since the fiscal year ended March 31, 1995, the entire Yakult Group has conducted the Yakult Environmental Protection Campaign as part of environmental education. More than 130,000 people have participated since the program's inception, and the Company has had a considerable effect in steadily increasing environmental consciousness and social contributions among Yakult Group employees.

Q

Business Forecast and Returns to Shareholders

What is your message for Yakult investors with regard to the business forecast for the fiscal year ending March 31, 2014 and shareholder returns, among others?

A

We will meet shareholders' expectations through significant improvements in profitability and dividend increases.

For the fiscal year ending March 31, 2014, on a consolidated basis, we anticipate net sales of ¥355.0 billion (up 11.2%), operating income of ¥29 billion (up 25.7%) and net income of ¥20 billion (up 22.1%). We expect to see steady sales in all segments, especially in our overseas business, anticipating a significant record-setting rise in net sales and profits due to the significant positive effects of the lower yen on the exchange rate.

With respect to the annual dividend for the fiscal year ended March 31, 2013, we set an annual dividend of ¥23.0 per share, an increase of ¥1.0 from the previous year, to return profits to shareholders. Since we had already paid an interim dividend of ¥11.5, the dividend paid at the end of the fiscal year ended March 31, 2013 was ¥11.5. In the fiscal year ending March 31, 2014, we plan to pay an annual dividend of ¥24.0 per share, an increase of ¥1.0 from the year under review, as we continue to return profits to shareholders.

Lastly, against the backdrop of a dramatic expansion and steady business performance overseas, the Yakult Group has opened the door to a new stage for growth and taken a new step forward. In the future, we will continue to propose a lifestyle in which *Yakult* is consumed anytime, anywhere and in all situations so that Yakult continues to be a company that is useful not only for people but also for society, striving to further enhance our corporate value.

We ask our shareholders and investors for their continued support and understanding.

Special Feature

"Global Yakult"—Entering

Entering a New Growth Stage

Yakult launched overseas operations in 1964. Today, *Yakult* is consumed daily by more than 20 million people around the world in 31 countries and regions, excluding Japan, and the Company has entered a new stage of growth. In this annual report, we highlight our strategy for international operations and feature Indonesia and Brazil, two countries where further growth is expected in the future.

a New Growth Stage

Our Global Strategy

The Basic Strategy Pursued Consistently in Japan and Abroad since the Beginning

Yakult is a product for consuming live cultures of *Lactobacillus casei* strain Shirota, a beneficial bacteria strain unique to the Company. The concept of consuming live bacteria for health had not existed in any country until Yakult was founded in Japan. Therefore, the top priority of Yakult's strategies overseas is to spread the knowledge that *Lactobacillus casei* strain Shirota is a live microorganism (Probiotic) that promotes health.

To explain this, it is necessary to work steadily to convey the values of *Lactobacillus case*i strain Shirota and promote understanding. In addition to explaining the products and scientific facts on the strain by visiting individual homes through our unique Yakult Lady System and demonstrating products at stores, steady grassroots efforts are essential, such as implementing public relations activities at elementary schools, kindergartens and community centers and making presentations to hospital staffs such as nutritionists.

Unlike the "hunting" approach to marketing, which pursues short-term results through major advertising campaigns, these value dissemination activities take a "farming" approach to marketing, which requires repeated steady and thorough efforts as if cultivating a field. Since its establishment, Yakult has consistently implemented the latter, and for overseas business this philosophy is unchanged. First, we aim to thoroughly understand the culture and customs of a country where we operate, and then implement activities to clearly explain and promote the understanding of Yakult's philosophy. Through such activities, we create our customer base and establish an overseas market from the ground up.

Global Market with Great Growth Potential

There are more than 190 nations in the world, with a total population of some 7.05 billion. At the same time, Yakult sells its products in only 31 countries and regions, excluding Japan. We plan to continue to conduct detailed market research to expand and cultivate our market.

In existing markets, approximately 4.29 billion people live in the 31 nations and regions where we operate. Of the total, Yakult's marketing population is only 1.51 billion people. Accordingly, we see sufficient growth potential in existing markets.

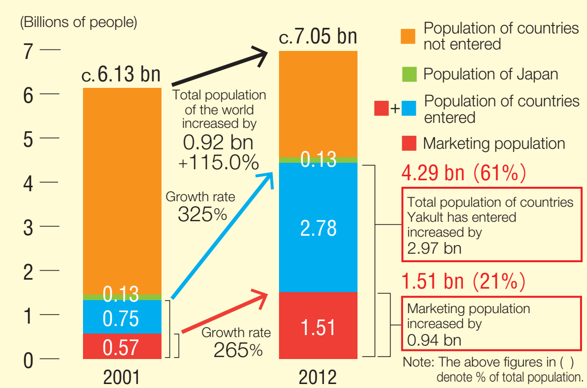
With regard to further cultivation of sales territories in existing markets, we will gauge our market penetration rate for each country and region by measuring the number of bottles sold per population. In addition, we will subdivide the areas managed by sales bases in each country or region at appropriate times, according to how mature the market is, carefully managing the markets and diversifying products as needed.

World Population Top 10 (Excluding Japan)

(Billions of people)	2011 estimated population	Bottles/marketing population in 2012
China	1.34	0.70%
India	1.24	0.10
United States	0.31	0.21
Indonesia	0.24	1.72
Brazil	0.19	1.83
Pakistan	0.17	—
Nigeria	0.16	—
Bangladesh	0.15	—
Russia	0.14	—
Mexico	0.11	3.94
* Japan	0.12	

(Source: World Bank)

Global Population Growth



Continued Growth in Indonesia

Indonesia is the fourth-largest nation in the world in terms of population. In 2011, the country surpassed the Netherlands in terms of GDP and was ranked 16th in the world. Economic growth is likely to continue to expand, as the percentage of the working age population in Indonesia (aged 15 to 64) is expected to rise over the medium term.

Yakult Has Deep Roots in Indonesia

In Indonesia, average daily sales of dairy products rose by approximately 0.49 million bottles from a year earlier to some 2.74 million bottles in 2012, buoyed by heightened consciousness of good health among the growing number of the middle class in recent years. Since its current population stands at approximately 240 million, Indonesia offers ample growth potential.

In addition to strong product appeal of *Yakult*, which embodies our philosophy of Shirota-ism (preventive medicine, the link between a healthy intestinal tract and a long life and offering products at a price affordable to everyone), the introduction of the Yakult Lady System for the home delivery channel has helped Yakult build a strong foundation in Indonesia.

Yakult Ladies in Indonesia have a multi-directional network covering people of every age and income across the towns they serve. They have established a unique sales channel through local housewives for delivery of *Yakult* by hand while recommending continued consumption of one bottle of *Yakult* per day.

Yakult has also penetrated deeply into the local distribution channel. In addition to sales through the most powerful local retail store chain, Yakult is strengthening marketing by providing “mom and pop” stores with refrigerated showcases marked with the Yakult logo in an effort to boost recognition of the Yakult brand. Despite stiffer competition due to market entry by competitors, Yakult has firmly established itself in Indonesia through steady efforts, such as consistent implementation of Shirota-ism, expansion of the Yakult Lady System and further penetration through the retail store channel.

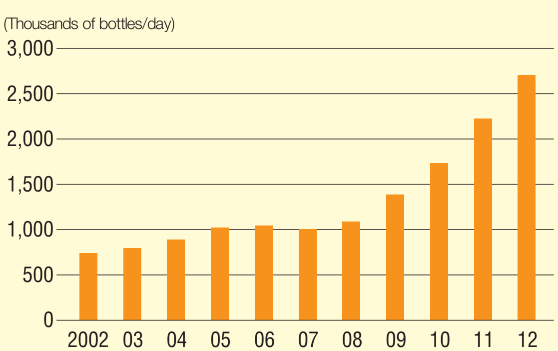
Yakult’s Production and Sales Structure in Indonesia

We introduced *Yakult* in Indonesia in 1991 and have continued to expand our business, overcoming the Asian economic crisis in 1997. The latest figures show that daily sales of *Yakult* reached 2.74 million bottles in 2012, up 121.8% year on year. The number of Yakult Ladies increased by 760 from a year earlier to 4,600 at the end of 2012, while the number of retail stores selling *Yakult* totaled 95,000, up by 12,000 from the same month of the previous year, attesting to the continued strengthening of our sales structure.

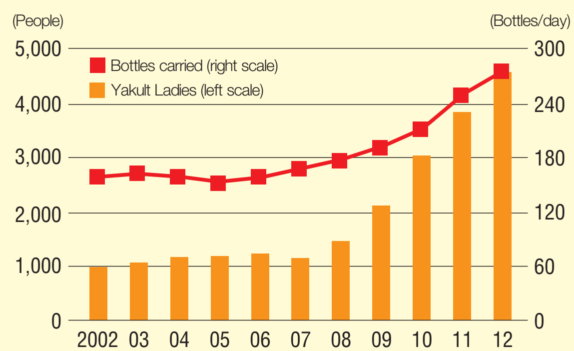
Since we expect demand to continue to rise supported by the expansion of sales areas, we decided to build a second plant near Indonesia’s second-largest city of Surabaya. Production is slated to begin in December 2013. By building the second plant on the eastern half of the island of Java, which stretches some 1,000 kilometers in length, we aim to ensure that supply smoothly complements our first plant, which is located in Sukabumi in western Java.

Surabaya Plant
P.T.Yakult Indonesia Persada

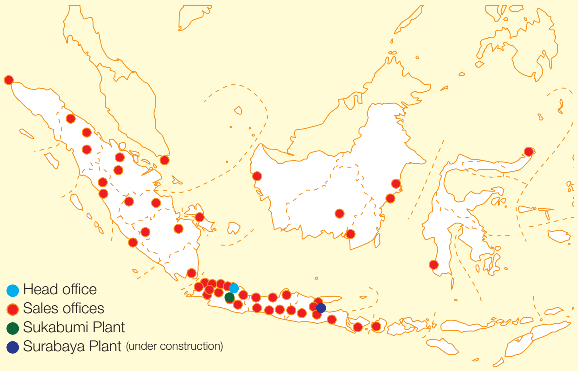
Annual Average Bottles Sales/Day



Number of Yakult Ladies and Bottles Carried at a Time



Expansion of Sales Bases in Indonesia



Brazil

Further Growth Is Expected for Brazil

Value Dissemination Activities Using Video-Showing Vehicles

We use video-showing minibuses to explain about *Yakult* as a Probiotics product and its value, at places where people gather. Up to 12 people can take part at one time, and each session hosted by two employees lasts for some 30 minutes, including questions and answers. Samples are handed out after each session.

Video-showing minibus

Plant Tours in Indonesia

We also invite visitors to a tour of the Yakult plant to give them an opportunity to see how *Yakult* is manufactured. During the tour, we explain the corporate philosophy of the Yakult Group and Yakult products by showing a video. Some 60,000 people visit us each year.

Participants at our plant tour

Brazil is the fifth-largest country in the world in terms of population. The country will host the soccer World Cup in 2014 and the Olympic Games in 2016, and is expected to record strong growth as one of the BRICs economies.

Yakult's Efforts to Revive Sales in Brazil

Since Yakult launched sales in São Paulo state in 1968, it has made steady progress and now sells *Yakult* dairy products in most parts of Brazil, covering 21 states out of 27, including the federal district surrounding the capital. Currently, the market penetration rate of *Yakult* dairy products stands at 1.83% in Brazil, compared to 3.94% in Mexico, indicating the significant potential for growth in the future.

Our road in Brazil has not always been an easy one. In particular, economic turmoil in the early 1990s due to hyperinflation—reflected in the sharp fall of the Brazil real—gradually had a negative impact on Yakult's sales operations. Daily sales volume plunged from some 2.8 million bottles during the peak period to some 1.0 million bottles in 2004.

In this business environment, Yakult launched an initiative aimed at revamping its organizational structure and redeveloping markets in São Paulo state in 2005, and sales there grew to account for 71.3% of total sales. Consequently, daily sales volume of *Yakult* dairy products has recovered to some 2.0 million bottles in Brazil as a whole.

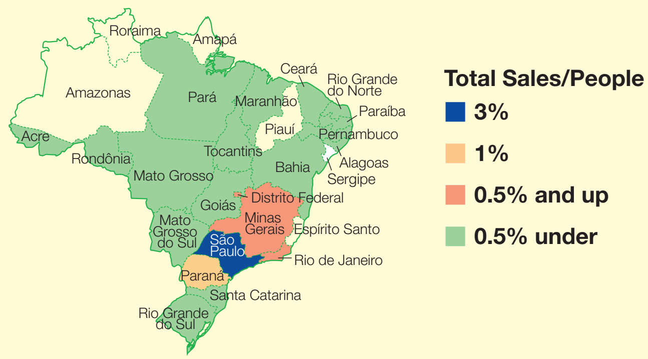
Yakult is now gearing up for full-scale comeback outside São Paulo state. Specifically, we are covering the northeastern part of the country, focusing on the populous states of Bahia and Pernambuco, as well as Paraná and Rio de Janeiro, with efforts centered on the state capitals (Salvador in Bahia, Recife in Pernambuco, Belo Horizonte in Minas Gerais, Curitiba in Paraná, and Rio de Janeiro).

Along with the expansion of sales areas, we intend to make the supply structure of our products more efficient. We started production in the third production facility at the Lorena plant in March 2013. This has enabled us to centralize production and distribution from the Lorena and São Bernardo do Campo plants at the Lorena plant. Reduction in overhead costs and improved logistics are expected to strengthen our competitive advantage in terms of both production and sales.

We aim to further enhance our recognition as a safe and reliable brand, by focusing on convenience for consumers and through grassroots activities in local communities.

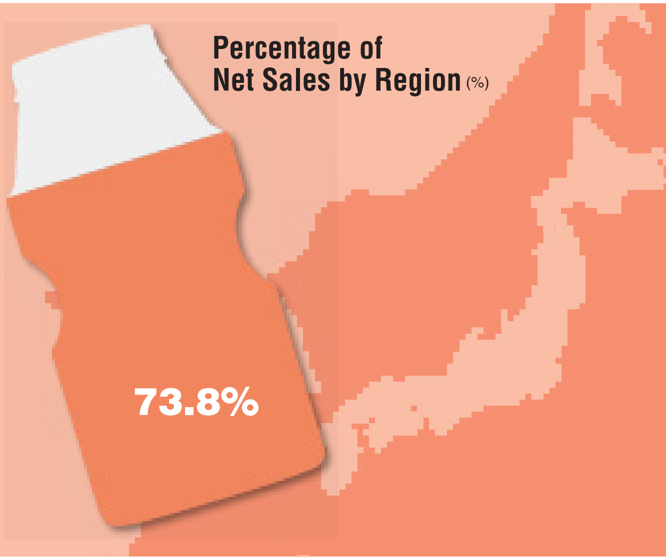
Area Development in Brazil (As of 2012)

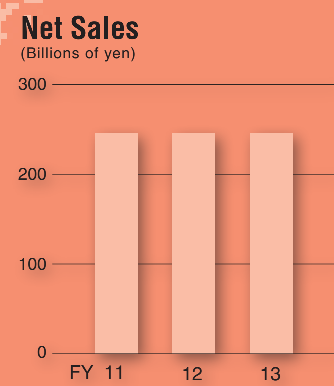
Bottle sales/day: 1.85 million



Lorena Plant
Yakult S/A Ind.E.Com (Brazil)

Note: Sales by business segment and percentage of net sales by region include intersegment transactions.





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, 2013, net sales in Japan came to ¥246.4 billion.

Food and Beverages


Yakult


Yakult 400


Joie


Mil-Mil


Pretio

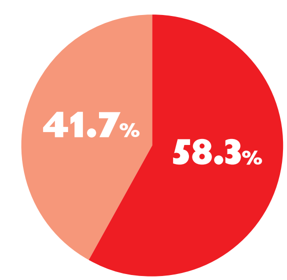
In Probiotic products, Yakult expanded activities aimed at promoting the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult.

In our home delivery channel, we worked to develop more long-term 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*.

In addition, we worked to promote continuous use of *Pretio*, which was renewed in January 2012, and carried out activities aimed at promoting the value of *Lactobacillus casei* strain Shirota by emphasizing the scientific evidence for its effects.

In our retail store channel, marketing staff organized

Breakdown of Probiotic Products Sales by Channel (%)



activities aimed at promoting the value and appeal of *Lactobacillus casei* strain Shirota by stressing the scientific evidence and carried out retail store sales promotion for each season to expand sales of the fermented milk drink *Yakult*, *Yakult Calorie Half* and other dairy products.

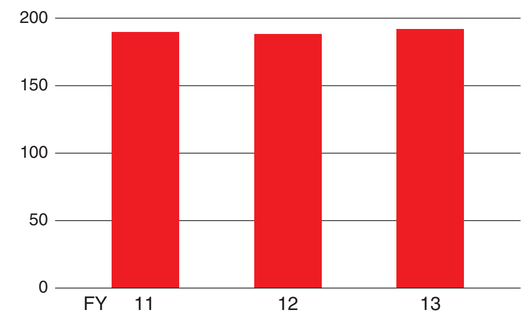
By product, we focused on our long-selling drinkable yogurt brand *Joie* and adopted measures throughout the year to revitalize the brand and boost sales. These included a renewal of the package design in June 2012, the introduction of products offered for a limited period only, such as *Joie* tropical mix flavor, the launch of a spoonable version of *Joie* (Yogurt Cup) for the first time for the series, and an advertising campaign featuring actress Ayame Goriki.

For the *Sofúl* yogurt series, we introduced *Sofúl Genki Yogurt* in June 2012 and *Sofúl* chestnut flavor in September for a limited period only as part of efforts to bolster the product line-up.

These measures helped achieve higher sales in dairy products. Meanwhile, in juices and other beverages, we carried out marketing campaigns for our mainstay *Toughman* and *Bansoreicha* lines to shore up the brands. To attract new customers, we introduced the beauty drink *CHOBI* in Tokyo, Kanagawa, Saitama and Chiba prefectures in May 2012 as the first product of the *Mitsuboshi Factory* brand targeted at women in their 20s and 30s. In addition, we started to sell the 125-ml version of *Tangerine Orange Mixed Juice* to boost the line-up of products in small quantities and expand sales mainly through school and hospital meal channels. Despite these measures to bolster sales, however, sales in the juices and other beverages segment did not increase and sales actually declined from the previous fiscal year.

As a result, net sales increased to ¥191.8 billion, or 2.0%, from the previous fiscal year.

Net Sales of Food and Beverages
(Billions of yen)



Pharmaceuticals

CAMPTO 40mg for I.V. infusion

ELPLAT I.V. INFUSION SOLUTION 100mg

Gemcitabine for I.V. infusion 200mg「Yakult」

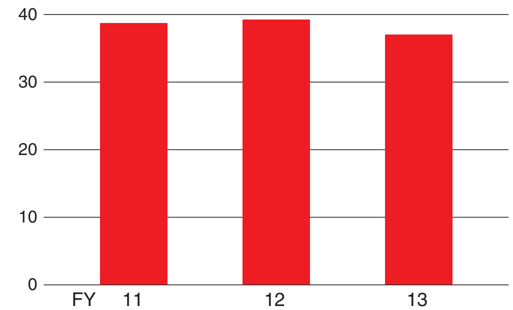
In Japan, we focused on promoting the proper use of the cancer chemotherapeutic agent *Elplat*, actively sponsoring lectures and presentations targeting healthcare professionals in this area. We also stepped up efforts to expand the awareness and use of XELOX regimen for postsurgical adjuvant chemotherapy. We sought higher sales and market share by specializing in oncology treatments and through active marketing and sales channel expansion of the cancer chemotherapeutic agent *Campto*, which received approval for efficacy to pediatric malignant solid tumors and its dosage and administration in March 2013; antineoplastic antimetabolite *Gemcitabine* Yakult, whose additional effect for relapsed or refractory malignant lymphoma was approved in February; activated folic acid drug *Levofolinate* Yakult; and recombinant G-CSF preparation *Neu-up*.

In R&D, we are conducting clinical trials of *Campto* and *Elplat* to submit supplemental new drug applications for pancreatic cancer with FOLFIRINOX regimen and for gastric cancer with *Elplat* containing regimen. We also stepped up the development pipeline of hypoxia activated prodrug *PR610* in cooperation with Proacta Inc., PI3K/Akt inhibitor *Perifosine* by Æterna Zentaris Inc., oral HDAC inhibitor *Resminostat* by 4SC AG, and humanized monoclonal anticancer antibodies program *LIV-2008* in cooperation with LivTech Inc. In addition, we reached an agreement with UMN Pharma Inc. and API Co., Ltd. in March 2013 to conduct R&D as well as commercialize several antibody biosimilars, to further bolster our position in the cancer treatment area.

Outside Japan, sales of the active pharmaceutical ingredient of *Campto* slowed, as importers switched increasingly to generic drugs.

Despite a higher sales volume, sales in Japan declined from the previous fiscal year, due to the revised pharmaceutical prices in April 2012. Overseas sales also fell. As a result, net sales in the Pharmaceuticals segment dropped 5.8%, to ¥37.1 billion.

Net Sales of Pharmaceuticals
(Billions of yen)



Others

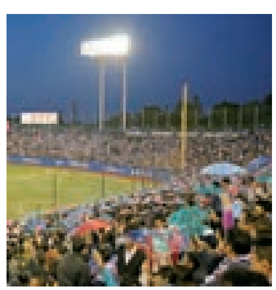
In our cosmetics operations, we continued to promote the value and appeal of basic skin care products, namely, our core brands *Parabio*, *Revecy* and *Revecy White* based on home visits to counsel customers on cosmetics.

We worked to attract new customers by focusing on particular products and particular themes each quarter. The measures included promotion of the value of superior anti-aging effect of the *Parabio* series and advocating whitening properties of the *Revecy White* series. In December 2012, we introduced *Parabio AC Cream Sai*, the top-of-the-range cream in our *Parabio* series, drawing on our research expertise on lactic acid bacteria that has been developed since the Company's foundation, to enhance customer satisfaction and sales. As a result, overall sales and profit in our cosmetics operations were virtually unchanged from the prior fiscal year.

In professional baseball, the Tokyo Yakult Swallows finished the regular season in third place, advancing to the Climax Series for the second consecutive year. We organized a variety of events at Jingu Stadium, held fan appreciation programs and actively disseminated team information to boost attendance.

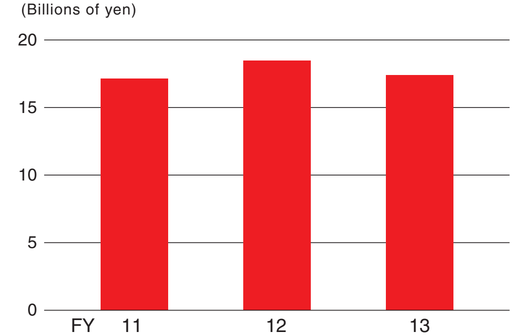
As a result, the Others segment saw net sales fall to ¥17.4 billion, or 6.2%, from the previous fiscal year.

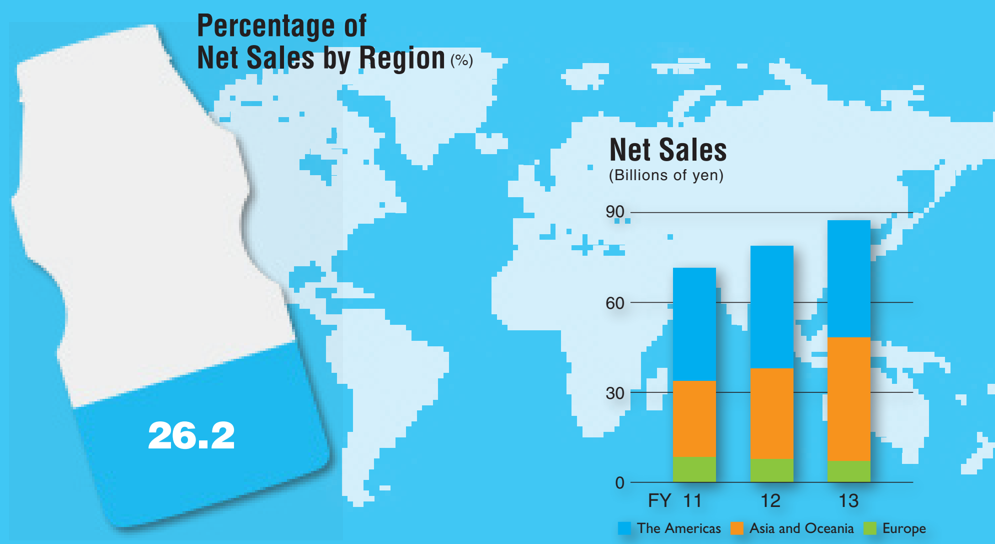
Cosmetic *Parabio*



The home baseball stadium filled with the Yakult Swallows fans

Net Sales of Others
(Billions of yen)





INTERNATIONAL BUSINESS

Outside Japan, we are developing the Company's Probiotics operations in three regions—the Americas, Asia and Oceania, and Europe—with the goal of establishing *Yakult* as a truly global brand. As of March 31, 2013, *Yakult* Probiotic drinks and other products are sold in 31 countries and regions outside of Japan, with an average of 21.82 million sold per day during the year under review. For the fiscal year ended March 31, 2013, the International Business recorded net sales of ¥87.5 billion.

The Americas

Brazil, Uruguay, Mexico, Belize, the United States, Canada

Brazil

Mexico

United States

Mexico

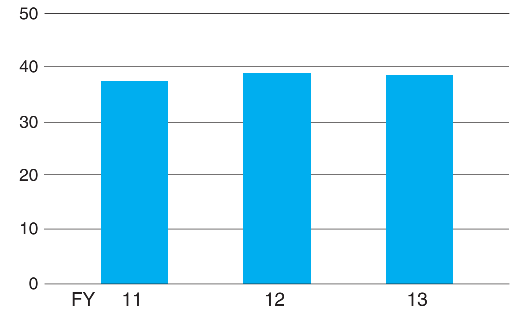
In the United States, *Yakult Light* with fewer calories was introduced in July 2012. In addition, the U.S. Food and Drug Administration approved *Lactobacillus casei* strain Shirota as generally recognized as safe (GRAS). We will strive to further disseminate the value of *Yakult* in the United States by capitalizing on this approval. Although sales in the Americas increased steadily on a local currency basis, sales in terms of yen amount were affected adversely by exchange rate fluctuations due to the yen's appreciation against other currencies.

Net sales in the Americas decreased to ¥38.8 billion, or 0.6%, from the prior fiscal year.


United States

Net Sales in the Americas

(Billions of yen)



Asia and Oceania

Taiwan, Hong Kong, Thailand, South Korea, the Philippines, Singapore, Brunei, Indonesia, Australia, New Zealand, Malaysia, Vietnam, India, China


Indonesia


Australia


China


India


Vietnam

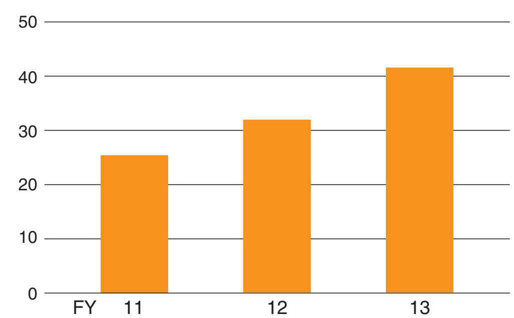

Malaysia

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, where sales volume of *Yakult* is expected to rise, we are gradually expanding production capacity at Tianjin Plant (Tianjin Yakult Co., Ltd.), while building a second manufacturing facility at Guangzhou Yakult Co., Ltd. in Guangdong Province with production scheduled to start in spring 2014. We also opened branches in Chengdu and Chongqing, Sichuan Province and Zhengzhou City, Henan Province, to boost sales in the inland regions of China, and began to sell *Yakult* through the retail store channel there. Sales of *Yakult* also commenced in Shijiazhuang, Hebei Province, Nanchang, Jiangxi Province and Changchun, Jilin Province, as part of efforts to expand the sales area.

Net Sales in Asia and Oceania

(Billions of yen)



In Vietnam, we started to sell *Yakult* in that nation's third-largest city of Haiphong through the retail store channel in September 2012, after Ho Chi Minh City and Hanoi.

In Indonesia, we are constructing a second manufacturing facility in East Java to meet strong sales growth, with production expected to begin in December 2013. Net sales in Asia and Oceania increased to ¥41.3 billion, or 29.1%, from the prior fiscal year.

China (Shanghai)

Europe

The Netherlands, Belgium, Luxembourg, the United Kingdom, Ireland, Germany, Austria, Italy, France, Spain, Malta

The Netherlands

Belgium

United Kingdom

Austria

Italy

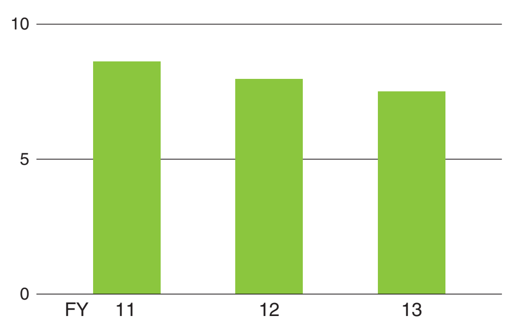
Belgium

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.

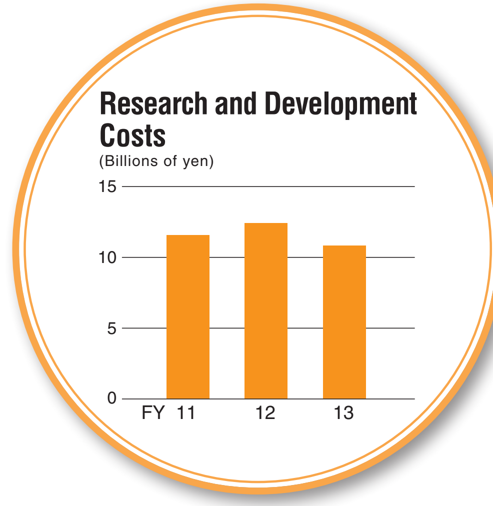
Overall European sales in yen amounts were affected by the yen's strength, but sales in Italy and the United Kingdom showed solid growth. Net sales in Europe decreased to ¥7.5 billion, or 6.6%, from the prior fiscal year.

Net Sales in Europe

(Billions of yen)



Since its 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.



The Yakult Central Institute for Microbiological Research and the 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 to benefit human health.

The study of useful microorganisms, particularly intestinal microflora, is the guiding theme of research, and the institute has recorded numerous achievements, including the discovery and use of lactic acid bacteria with high levels of functionality. The Yakult Central Institute has undergone building renovation and additions, as well as the construction of new buildings, including a new food research building equipped with the latest in laboratory facilities that was completed in June 2009. We plan to construct four additional new research buildings (for research management, pharmaceuticals and cosmetics, basic studies, and quality and technological development), slated for completion in 2015. Based on a concept of "laboratory surrounding forest and water designed to blend in perfectly with its surroundings of lush green fields," the Yakult Central Institute will be enhanced with more cutting-edge facilities, which will allow researchers to efficiently carry out developmental projects and joint research.

The Yakult Honsha European Research Center for Microbiology, ESV (YHER) was established in Ghent, Belgium, in May 2005. The YHER is working to accumulate scientific evidence on the benefits of drinking our Probiotic products. By establishing a research base in Europe, the advanced region for study of microorganisms, our goal is to support global business expansion encompassing not only Europe, but also the Americas and Asia.

Organization of the Yakult Central Institute for Microbiological Research

Research and 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**

Recent R&D Accomplishments

Development of a system for sensitive quantification of a bacterium known to cause nosocomial antibiotic-associated diarrhea in human intestines: Confirmation of the habitual presence of *C. difficile* in the intestine of healthy Japanese adults

Using the YIF-SCAN® Yakult Intestinal Flora Scan, a system we developed to analyze intestinal flora, we established sensitive and accurate quantification system for *Clostridium difficile* (referred to hereafter as *C. difficile*) in human intestines that has been identified as the major cause of nosocomial antibiotic-associated diarrhea.

This system uses the rRNA-targeted real-time-quantitative polymerase chain reaction (RT-qPCR) method and enables the detection and quantification of not only *C. difficile* spores but also vegetative cells*, which have not been measured simultaneously by the conventional official method of selective cultivation. Analysis of feces using this method has revealed that *C. difficile* is found widely in the intestines of healthy Japanese adults. The results of this research were published in the academic journal *Applied and Environmental Microbiology*.

* A spore is a highly resistant spherical structure produced by some types of bacteria. It is formed under adverse conditions for bacterial growth such as high temperature and malnutrition. Even when a bacterium dies, a spore remains and germinates when circumstances are in place, regenerating into a bacterium. In contrast to a spore, a normal state of a bacterium is called a vegetative cell.

Fermented milk that contains bifidobacteria to help treat rough dry skin: Scientific clarification of the relationship between the intestinal environment and skin irritation

Targeting adult women, Yakult conducted a drinking test for the "*Bifidobacterium breve* strain Yakult (bifidobacteria)" and fermented milk containing galacto-oligosaccharides (referred to hereafter as fermented milk containing bifidobacteria) in autumn and winter, the season when skin is prone to dryness.

The test results confirmed that fermented milk containing bifidobacteria had an effect of reducing skin dryness. We also observed a decrease in phenol levels in the serum. Based on this, we gained the insight that drinking fermented milk containing bifidobacteria improved the intestinal environment and thus helped decrease the concentration of phenol, which has a negative influence on epidermal keratinization, both in the serum and in the skin and normalized keratinization, leading to maintained hydration (level) of the stratum corneum. The outcome has scientifically clarified part of the relationship between the intestinal environment and skin dryness, showing that fermented milk containing bifidobacteria can be used effectively to improve the quality of life of women suffering from constipation and skin dryness as well as women who are healthy. The results of the research were published in the electronic edition of the academic journal *Bioscience of Microbiota, Food and Health*.

Exterior view of bio-incubator facility located in the Technologiepark
* The YHER is located on the first floor of this building.

Yakult Central Institute for Microbiological Research

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. Furthermore, considering the critical situation that the global environment is in, we recognize that it is an extremely important issue for us to create a resource-recycling, sustainable society and that this is 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 make these guidelines more specific. Furthermore, to contribute to the conservation of biodiversity, we revised the directives in January 2010. For Yakult, a company that thrives on the bounty of nature represented by the *lactobacillus* in our products, we have spelled out our stance that being mindful of the global environment and biodiversity is indispensable to conducting sustainable corporate activities.

In March 2001, the Company drafted the first stage plan of the "Yakult Environmental Action Plan," and starting from the fiscal year ended March 31, 2002 we have implemented environmental protection measures across all business areas, including R&D, production, sales and administration, to reduce the environmental burden caused by our business activities. Since the fiscal year ended March 31, 2011, we have implemented the fourth stage of our plan, which includes measures for reducing greenhouse gas emissions and waste, and cutting the volume of printer paper the Company uses.

In recognition of the need to continuously implement such activities in tandem with business operations, in March 2004 we attempted to transform all of our Group companies in Japan into "green companies" by 2010. In this way, we established the "Yakult Eco Vision 2010," which aims to contribute to the preservation of the global environment and the formation of a sustainable society and has produced successful results. This was followed by the start of "Yakult Sustainable Ecology 2020" from the fiscal year ended March 31, 2013 to the target year of 2020. While describing the future of the Company in specific terms according to the three aspects of "realization of a low-carbon society," "promotion of efficient use of resources" and "preservation of biodiversity," this aims to form a sustainable society in harmony with our stakeholders.

In the fiscal year ended March 31, 2013, Yakult carried on its initiatives from the previous year, continuing to introduce renewable energy with solar power generation and other forms, implementing greenhouse gas reduction efforts at dairy product plants and in logistics operations, striving to achieve zero waste emissions, and promoting fuel conversion. All these initiatives produced successful results. Every year since the fiscal year ended March 31, 1995, the entire Yakult Group has conducted the Yakult Environmental Protection Campaign as part of environmental education. More than 130,000 people have participated since the inception of the program, and it is believed that the Company has had a considerable effect in steadily increasing environmental consciousness and social contributions among the Yakult Group employees.

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 living alone and chatting with them while delivering Yakult products. In September 2012, as part of this initiative, the Yakult Ladies presented elderly people living on their own with flowers and a message card. It is the eighth instance of this program, and 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

To deepen people's 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 the fiscal year ended March 31, 2013, tours were held at all domestic plants, except at those where tours were temporarily suspended due to equipment work, and approximately 190,000 people from the general public participated. Plant tours also take place at nearly all overseas plants. In addition, each year we hold plant festivals, and invite the local community and the families of our employees to participate, with the aim of improving relations with local communities. In the fiscal year ended March 31, 2013, a total of about 20,000 people participated in these festivals.

Welcome festival at the plant

Conservation Activities

Yakult has embarked on a new mission to support conservation activities by signing an official sponsorship contract with the C. W. NICOL AFAN WOODLAND TRUST.

The C. W. NICOL AFAN WOODLAND TRUST owns the Afan Woodland in Shinano-machi in Nagano Prefecture. While implementing activities to regenerate the devastated rural village-vicinity landscapes into a woodland inhabited by a rich diversity of local wildlife, the trust also implements activities in this biodiversity-rich woodland to cultivate the human spirit—to nourish the spirit of children for a better future. We are engaged in conservation activities through supporting these activities of the trust and by cooperating with Shinano-machi and Nagano Prefecture through the Forest Foster Parent Program.

In addition, as one of our conservation activities, we participated in the Green Wave 2012 in which we planted trees at 18 locations across the country including our group's domestic plants. Initiated in 2009, the Green Wave is a campaign promoted by the Secretariat of the Convention on Biological Diversity. The campaign calls for participants around the world to plant trees or implement other green activities on May 22 at 10:00 (local time). These activities starting in East Asia and traveling west around the world are described as the "green wave."

Environmental Protection Campaign

Since 1994, Yakult has been implementing the Environmental Protection Campaign to promote awareness on environmental protection among our employees. This is an on-going campaign implemented each June—the Environment Month advocated by the Japanese Ministry of Environment—with timely themes such as the 3Rs, Reduction in Shopping Bags, and Biodiversity. For our 18th campaign, this fiscal year we collected Messages for Increasing Greenery from our employees and donated funds to The OISCA Children's Forest Park project to be implemented at Viti Levu in Fiji.

Up until now, a cumulative total of more than 130,000 Yakult Group employees have participated in this campaign. We will continue to engage in activities to boost awareness of the need for environmental protection by providing thorough environmental education to each and every employee.

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.

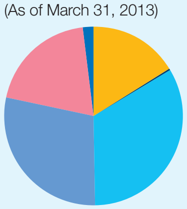
Our corporate philosophy is "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." In pursuing this philosophy, we believe it is important to implement transparent management with an emphasis on well-developed internal control functions. This includes efforts to ensure an appropriate management organization and decision-making processes. Corporate governance at the Company is also underpinned by the "company with Audit & Supervisory Board Members" system.

2. Capital Composition

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

Distribution of Ownership Among Shareholders

(As of March 31, 2013)



Japanese financial institutions	16.25%
Japanese securities companies	0.35%
Other Japanese corporations	33.15%
Foreign institutions and others	28.75%
Japanese individuals and others	19.61%
Treasury stock	1.89%

Major Shareholders

(As of March 31, 2013)

	Percentage of total shares issued
Barclays Bank PLC, Singapore Nominee/Danone Probiotics Private Ltd.	17.01%
Matsusho Co., Ltd.	6.55
Fuji Media Holdings, Inc.	3.69
MLPFS Nominee/Danone Asia Holdings Private Ltd.	3.00
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Mizuho Bank Account))	2.82
Kyoshinkai	2.48
State Street Bank and Trust Company 505041	2.36
Japan Trustee Services Bank, Ltd. (Trust account)	1.46
Kirin Beverage Corporation	1.40
Mizuho Bank, Ltd.	1.24

Note: In addition to the above, the Company holds 1.89% of its own shares.

3. Governing Bodies, Organizational Operations and Operational Execution

Board of Directors

The Board of Directors is composed of 15 directors, including four outside directors, and holds meetings in principle seven times each year, in addition to convening special meetings as needed. The seven Audit & Supervisory Board Members 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.

The Company introduced the Executive Officer System in June 2011. This system strengthens the decision making of the Board of Directors and business supervision functions, and clarifies responsibilities for business execution, thereby increasing the efficiency of these functions.

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 25, 2013)

Name	Outside Positions as Representative	Reason for Appointment as Outside Director
Ryuji Yasuda	Professor, International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University; Outside Director, Daiwa Securities Group Inc.; Outside Director, Fukuoka Financial Group, Inc.; Outside Director, The Bank of Fukuoka, Ltd.; Outside Director, Sony Corp.; Director, Sony Financial Holdings Inc.; Outside Auditor, the Asahi Shimbun Company	Mr. Yasuda was appointed on the expectation that he would offer pertinent advice regarding the overall management of the Company that would further strengthen and enrich its management structure based on the expertise in business strategy he has accumulated over the years in wide-ranging positions including those of university professor, consultant and business manager.
Masayuki Fukuoka	Professor of Hakuoh University Faculty of Law; specially approved visiting Professor of Tohoku Fukushi University; Assist (Japan) Secretary General	Mr. Fukuoka was appointed on the expectation that he would offer objective views to the Company's management that would lead to further reinforcement and enhancement of the management structure based on his expertise and experience as a university professor of political science studies. While he has no experience of direct involvement in management of a company except as an outside officer, the Company believes that he will be able to perform the duty of outside director appropriately for the above reason.
Christian Neu	Strategic Advisor, Danone S.A.; Member of strategic council of Groupe ARC International	Mr. Neu was appointed on the expectation that he would offer pertinent advice from a broad perspective regarding overall management, including future business development, which would lead to further strengthening of the management structure based on the high rating of his abundant overseas management experience.
Bertrand Austruy	Danone S.A. Group General Counsel	Same as above.

Management Policy Council and the Executive Officers Committee

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

Audit & Supervisory Board Members

The Company has seven Audit & Supervisory Board Members, including four outside Audit & Supervisory Board Members. All Audit & Supervisory Board Members 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

Audit & Supervisory Board Members 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 Audit & Supervisory Board consists of a staff assigned exclusively to the Audit & Supervisory Board Members that functions as the secretariat for the board. Furthermore, the Audit & Supervisory Board 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 Audit & Supervisory Board Members, the full-time Audit & Supervisory Board Members issue progress reports on a regular basis, and provide the outside Audit & Supervisory Board Members with a range of materials, including those from important company meetings and decision making and audit-related materials.

The four outside Audit & Supervisory Board Members are listed in the chart on the right.

Internal Audits

Internal audits are conducted by the Audit Office, an organization that reports directly to the Company's President and that performs financial and operational audits, including those of Group companies in Japan and overseas. The head of the Audit Office currently oversees a 14-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.

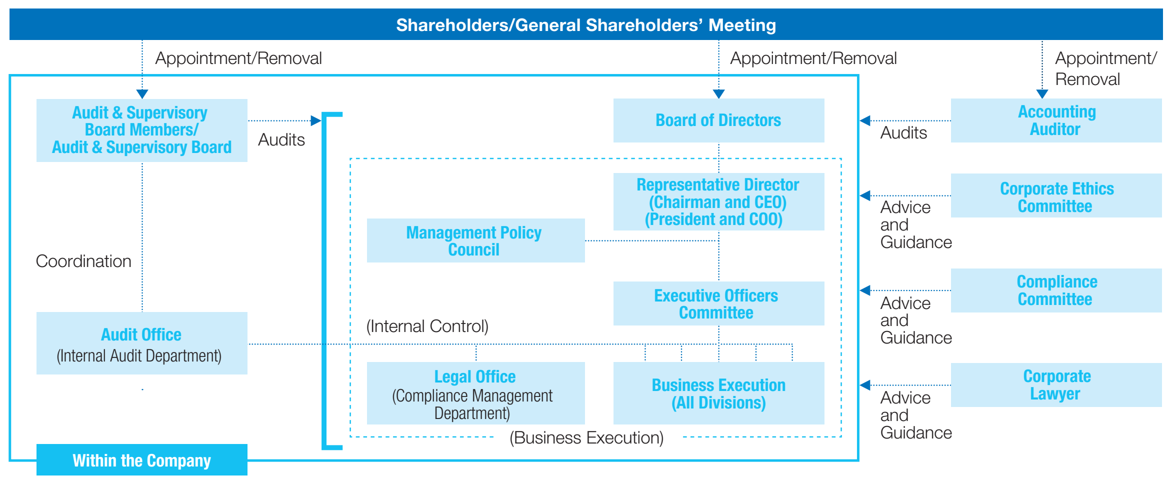
Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC 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.

(As of June 25, 2013)

Name	Outside Positions as Representative	Reason for Appointment as Outside Audit & Supervisory Board Member
Akihiko Okudaira	Lawyer	Mr. Okudaira was appointed on the expectation that his expertise as a lawyer and abundant experience would be reflected on auditing of the Company that would lead to further reinforcement and enhancement of the Company's management structure. While he has no experience of being directly involved in the management of a company except as an outside officer, the Company believes that he will be able to continue to perform the duty as an outside Audit & Supervisory Board Member appropriately for the above reason.
Ryohei Sumiya	Certified Public Accountant	Mr. Sumiya was appointed on the expectation that his expertise as an accountant and abundant experience in corporate accounting would be reflected on auditing of the Company that would lead to further reinforcement and enhancement of the Company's management structure. While he has no experience of being directly involved in the management of a company except as an outside officer, the Company believes that he will be able to continue to perform the duty as an outside Audit & Supervisory Board Member appropriately for the above reason.
Seijuro Tanigawa	President of Yakult Kobe Sales Co., Ltd.	Mr. Tanigawa was appointed on the expectation that his long record of managing a Yakult sales company would be an advantage when performing audit operations primarily on the legality of the directors' execution of duties, thus contributing significantly to the development of the entire Yakult Group.
Setsuko Kobayashi	President of Yakult Joetsu Sales Co., Ltd.	Same as above.

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:

The Company 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 following resolutions on basic policies regarding building internal control systems after reconfirming the current situation at the Company in relation to the 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, the 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, the 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 the Company's compliance system.

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

In addition, the Company will resolutely block and repudiate anti-social forces that pose a threat to business activities. We will also maintain a close relationship with the police under normal circumstances. At the same time, we will endeavor to supervise transactions through the Corporate Ethics Committee, which consists of external experts as the main committee members, and will 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 Audit & Supervisory Board Members 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 and 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, to respond to crises that appear suddenly, there are the Risk Management Rules, which include a rule to have the Company's President or general managers serve as the head of various task forces set up in accordance with the details of crisis situations.

Furthermore, 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

The Company has introduced the Executive Officer System to strengthen the functions of the Board of Directors to make decisions and supervise as well as to define the responsibilities in executing operations, and ultimately to improve the efficiency of these functions.

In addition, the 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 the Executive Officers Committee are held every week in principle, aiming to speed up decision making.

Moreover, to carry out business operations efficiently, the organizational structure of the 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

The 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, the 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 the Company's internal auditing department, carries out audits.

vi) Matters regarding employees who support the duties of Audit & Supervisory Board Members in cases in which Audit & Supervisory Board Members make a request to assign such employees

Employees who have a thorough knowledge of the Company's business operations and can properly support the duties of Audit & Supervisory Board Members serve as full-time staff members who support Audit & Supervisory Board Members. 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 Audit & Supervisory Board Members.

vii) Matters regarding the independence of employees who support the duties of Audit & Supervisory Board Members, who are mentioned in the previous item, from directors

To secure the independence of full-time employees who support the duties of Audit & Supervisory Board Members 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 Audit & Supervisory Board Members directly evaluate the performance of such employees to respect their independence.

viii) Systems for directors and employees to provide reports to Audit & Supervisory Board Members and other systems regarding reports provided to Audit & Supervisory Board Members

Audit & Supervisory Board Members attend Board of Directors meetings and other important meetings and read minutes of such meetings on an as-needed basis. In addition, Audit & Supervisory Board Members confirm the details of important requests. There is a system in which Audit & Supervisory Board Members can be apprised of the details of such requests.

Furthermore, reports regarding the results of internal audits are provided to Audit & Supervisory Board Members on a regular basis. The Rules for Audits by Audit & Supervisory Board Members also stipulate that Audit & Supervisory Board Members 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 Audit & Supervisory Board Members are carried out effectively

The Rules for Audits by Audit & Supervisory Board Members ensure that Audit & Supervisory Board Members effectively exercise the authority 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," and "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.

5. Other Corporate Governance Systems

(1) Basic approach regarding timely disclosure

With respect to information disclosure, especially in a timely manner, in the Yakult Code of Ethics and Code of Practice, the Company makes the following commitment: "The Company will actively disclose all relevant information to our customers, shareholders, employees and business partners and increase the transparency of management, to gain the full trust of society through our corporate activities." Based on this approach, the Company is disclosing information in a timely manner.

(2) Internal structure related to timely disclosure

- Facts and data appropriate for public disclosure from each department within the Company (including subsidiaries) are compiled by the Public Relations Department. In parallel, each department within the Company, pursuant to the Rules for Decision-Making, decides items for disclosure based on prescribed decision-making procedures. Facts and data not vetted in this manner are not publicly disclosed. When making final decisions, the disclosing department liaises with the General Affairs Department, the body responsible for coordinating timely disclosure, as it moves decision-making procedures forward, during which time a determination is made of the necessity for timely disclosure. The General Affairs Department refers to two standards in making this determination: the Rules for Timely Disclosure and the status of other finalized disclosure decisions within the Company. The decision is then made to officially conduct the timely disclosure of facts and data meeting these criteria.

- The Company is listed on the Tokyo Stock Exchange (TSE). Any information from the Company marked for timely disclosure is registered on TDnet, a system for timely disclosure provided by TSE. The registration of information for timely disclosure and responses to inquiries from TSE personnel are conducted by the General Affairs Department, the body responsible for coordinating timely disclosure. Following registration, information targeted for timely disclosure is quickly transmitted simultaneously to all relevant media outlets, with related materials disclosed at the same time on the Company's website.

(3) Check functions to mitigate risks associated with the improper execution of timely disclosure

- The Company has considered a variety of risk scenarios, including those in which information marked for timely disclosure is inadvertently overlooked; information is prematurely disclosed; and data pertaining to sudden crises are not promptly disclosed. A single department, the General Affairs Department, which is responsible for coordinating timely disclosure, acquires and shares information about the criteria for determining the necessity of timely disclosure, and checks information pertaining to final decisions made internally, as well as primary information when sudden crises and incidents arise. This configuration allows check functions to work and enables timely disclosure without any omissions.

Board of Directors and Audit & Supervisory Board Members (As of June 25, 2013)

Chairman and Representative Director
Chief Executive Officer

Sumiya Hori

President and Representative Director
Chief Operating Officer

Takashige Negishi

Directors

Yoshihiro Kawabata
Divisional General Manager of Administrative Division, and International Business Division

Chizuka Kai
Divisional General Manager of Research & Development Division, and Production Division

Masahiro Negishi
Divisional General Manager of Food and Beverages Business Division, and Cosmetics Business Division

Shigeyoshi Sakamoto
Divisional General Manager of Pharmaceuticals Business Division

Hiroshi Narita
Divisional General Manager of Management Support Division

Richard Hall

Chairman and Representative Director
Chief Executive Officer
Sumiya Hori

President and Representative Director
Chief Operating Officer
Takashige Negishi

Directors
Yoshihiro Kawabata
Chizuka Kai
Masahiro Negishi
Shigeyoshi Sakamoto
Hiroshi Narita
Richard Hall

Directors (Part-Time)
Ryuji Yasuda
Masayuki Fukuoka
Christian Neu
Bertrand Austruy
Yasuo Ozeki
Koso Yamamoto
Takashi Matsuzono

Senior Audit & Supervisory Board Members
Akinori Abe
Hiroshi Yamakami

Audit & Supervisory Board Members
Akihiko Okudaira
Ryohei Sumiya
Seijuro Tanigawa
Setsuko Kobayashi
Koichi Yoshida

Consolidated Five-Year Summary

YAKULT HONSHA CO., LTD. and its subsidiaries
Years ended March 31, 2013, 2012, 2011, 2010 and 2009

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2009	2010	2011	2012	**2013**	**2013**
For the year:						
Net sales	¥ 293,490	¥ 290,678	¥ 305,944	¥312,553	**¥319,193**	**$3,432,184**
Selling, general and administrative expenses	138,113	138,584	147,139	149,214	**148,581**	**1,597,642**
Operating income	16,744	18,991	20,401	20,817	**23,068**	**248,045**
Net income	11,325	13,249	13,169	13,292	**16,379**	**176,120**
Research and development costs	9,248	9,622	11,480	12,414	**10,761**	**115,708**
Capital investments	27,967	19,980	23,970	25,007	**33,587**	**361,155**
Depreciation and amortization	18,571	18,913	19,628	18,337	**19,435**	**208,973**
At the year-end:						
Total assets	¥ 361,902	¥ 389,892	¥ 392,828	¥397,214	**¥438,176**	**$4,711,568**
Net property, plant and equipment	131,321	130,391	133,717	136,963	**150,612**	**1,619,486**
Total liabilities	134,936	140,970	141,857	144,971	**151,077**	**1,624,486**
Total equity	226,966	248,922	250,971	252,243	**287,099**	**3,087,082**
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 65.75	¥ 77.11	¥ 76.55	¥ 77.32	**¥ 95.03**	**$ 1.02**
Total equity (Note 3)	1,195.60	1,300.21	1,313.37	1,328.61	**1,517.88**	**16.32**
Cash dividends applicable to the year	20.00	20.00	22.00	22.00	**23.00**	**0.25**
Financial ratios:						
Return on equity (ROE) (%)	5.1	6.2	5.9	5.8	**6.7**	
Equity ratio (%)	56.8	57.4	57.5	57.6	**59.8**	

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, 2013.
3. Minority interests are not included in equity for the calculation.

Financial Section

Contents

Management's Discussion and Analysis

OVERVIEW

In the fiscal year ended March 31, 2013, the Japanese economy appeared to move toward recovery. The improved outlook for exports and the effects of economic and fiscal measures to stimulate the economy more than offset the downside risk resulting from a slowdown in the global economy and heightened uncertainty surrounding overseas economies such as Europe.

In 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 our operations, while striving to communicate the superiority of our products. In addition, the Group sought 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.

In the fiscal year under review, total global sales of *Yakult* and other fermented milk products grew to 30.7 million bottles per day, marking a historical record of more than 30.0 million bottles sold per day for the first time since YAKULT HONSHA CO., LTD.'s (the "Company") foundation.

As a result of these efforts, on a consolidated basis, net sales advanced 2.1% from the previous fiscal year, to ¥319.2 billion. Operating income climbed 10.8%, to ¥23.1 billion, while the operating margin rose to 7.2%, or 0.5 percentage point higher than the previous year. Consequently, net income jumped 23.2%, to ¥16.4 billion, and the return on sales increased to 5.1%, or 0.8 percentage point higher than in the previous year.

SALES, COSTS, EXPENSES AND EARNINGS

SALES

Net sales rose 2.1%, to ¥319.2 billion, despite the impact of negative ¥4.1 billion from foreign currency fluctuations.

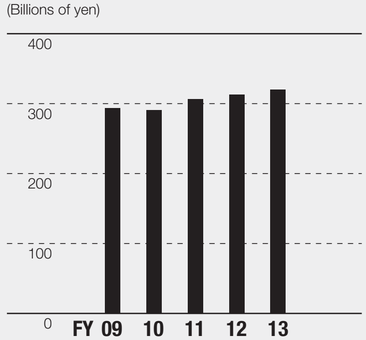
Looking at net sales by reporting segment (before reconciliation), Food and Beverages (Japan) accounted for 57.5% of sales, or 0.4 percentage point lower than in the previous fiscal year. Food and Beverages (Overseas) accounted for 26.2% of sales, or 1.9 percentage points higher than in the previous fiscal year. Pharmaceuticals generated 11.1%, down 1.0 percentage point from the previous fiscal year, and Others contributed 5.2%, down 0.5 percentage point from the previous fiscal year.

COSTS, EXPENSES AND EARNINGS

Consolidated cost of sales increased 3.5%, to ¥147.5 billion. As a result, the cost of sales ratio rose 0.6 percentage point, to 46.2%. Gross profit increased 1.0%, to ¥171.6 billion, and the gross profit margin decreased 0.6 percentage point, to 53.8%.

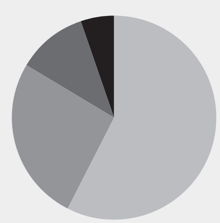
Net Sales

(Billions of yen)



Breakdown of Net Sales (before eliminations) (FY2013)

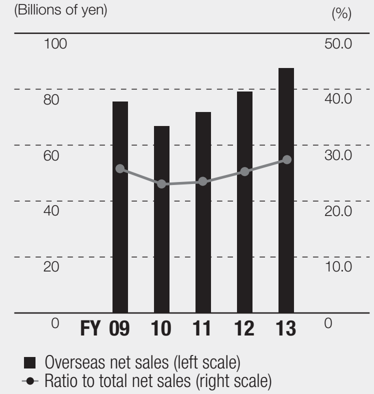
(%)



Food and Beverages (Japan)	**57.5%**
Food and Beverages (Overseas)	**26.2%**
Pharmaceuticals	**11.1%**
Others	**5.2%**

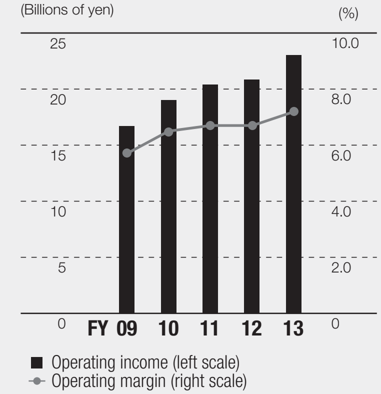
Overseas Net Sales/ Ratio to Total Net Sales

(Billions of yen) (%)



Operating Income and Operating Margin

(Billions of yen) (%)



Selling, general and administrative (SG&A) expenses decreased 0.4%, to ¥148.6 billion. This decline resulted mainly from lower research and development (R&D) expenses for new drug development. The SG&A expense ratio decreased 1.2 percentage points, to 46.5%. R&D expenses declined ¥1.7 billion year on year, to ¥10.8 billion. As a percentage of net sales, R&D expenses fell 0.6 percentage point, to 3.4%.

As a result, operating income rose 10.8%, to ¥23.1 billion, and the operating margin increased 0.5 percentage point, to 7.2%.

Other income—net amounted to ¥4.9 billion, down ¥0.3 billion from a year earlier, mainly due to a decrease in foreign exchange gain and the absence of a refund of the social insurance premium in the fiscal year under review, in contrast to the previous fiscal year.

Income taxes amounted to ¥8.5 billion.

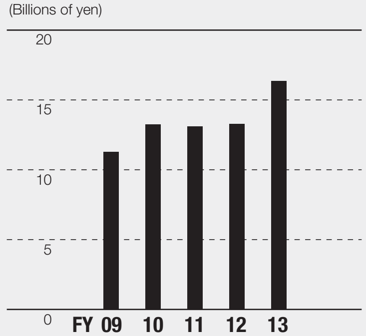
Consequently, net income increased 23.2%, to ¥16.4 billion, and the return on sales rose 0.8 percentage point, to 5.1%.

OVERVIEW BY SEGMENT

FOOD AND BEVERAGES (JAPAN): In Probiotic products, Yakult expanded activities aimed at promoting the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult.

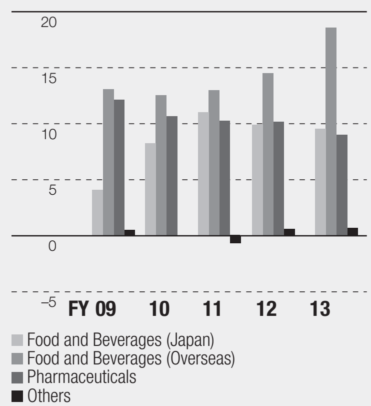
Net Income

(Billions of yen)



Operating Income (loss) by Business Segment

(Billions of yen)



In our home delivery channel, we promoted to develop more long-term 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*. In addition, we worked to promote continuous use of *Pretio*, which was renewed in January 2012, and carried out activities aimed at promoting the value of *Lactobacillus casei* strain Shirota by emphasizing the scientific evidence for its effects.

In our retail store channel, marketing staff organized activities aimed at promoting the value and appeal of *Lactobacillus casei* strain Shirota by stressing the scientific evidence and carried out retail store sales promotion for each season to expand sales of fermented milk drink *Yakult* and *Yakult Calorie Half*.

By product, we focused on our long-selling drinkable yogurt brand *Joie* and adopted measures throughout the year to revitalize the brand and boost sales. These included the renewal of package design in June 2012, the introduction of products offered for a limited period only, such as *Joie tropical mix flavor*, the launch of a spoonable version of *Joie (Yogurt Cup)* for the first time for the series, and an advertising campaign featuring actress Ayame Goriki.

For the *Sofúl* set yogurt series, we introduced *Sofúl Genki Yogurt* in June 2012 and *Sofúl chestnut flavor* in September for a limited period only as part of efforts to bolster the product lineup.

These measures helped achieve higher sales and profit in dairy products.

Meanwhile, in juices and other beverages, we carried out marketing campaign of our mainstay *Toughman* and *Bansoreicha* to shore up the brands. To attract new customers, we introduced beauty drink *CHOBI* in Tokyo, Kanagawa, Saitama and Chiba prefectures in May 2012 as the first product of the *Mitsuboshi Factory* brand targeted at women in their 20s and 30s. In addition, we started to sell the 125ml version of *Tangerine Orange Mix Juice* to boost the line-up of products in small quantities to expand sales mainly through school and hospital meal channels. Despite these measures to bolster sales, however, sales in the juices and other beverages segment did not increase and sales actually declined from the previous fiscal year.

Net sales increased to ¥191.8 billion, or 2.0%, from the previous fiscal year, and segment profit fell 3.2%, to ¥9.5 billion.

FOOD AND BEVERAGES (OVERSEAS): Yakult's overseas operations commenced in March 1964 with the establishment of Yakult Co., Ltd. (Taiwan). They now extend to 30 countries and regions outside Japan, and are centered on 26 business bases and 1 research center. These operations focus primarily on the production and sale of the fermented milk drink *Yakult*. Average daily sales of all *Yakult* products overseas were approximately 22.53 million bottles in March 2013.

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 the United States, and other countries.

In the United States, *Yakult Light* with lower calorie was introduced in July 2012. In addition, the U.S. Food and Drug Administration approved *Lactobacillus casei* strain Shirota as generally recognized as safe (GRAS). We will strive to boost sales of *Yakult* in the United States by capitalizing on this approval.

Although sales in the Americas increased steadily on a local currency basis, sales in terms of yen amount were affected adversely by exchange rate fluctuations due to the yen's appreciation against other currencies.

Net sales in the Americas decreased to ¥38.8 billion, or 0.6%, from the prior fiscal year, and segment profit declined 1.5%, to ¥8.7 billion.

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, where sales volume of *Yakult* is expected to rise, we are gradually expanding production capacity at Tianjin Yakult Co., Ltd., while building a second manufacturing facility at Guangzhou Yakult Co., Ltd. with production scheduled to start in spring 2014. We also opened sales bases in Chengdu and Chongqing, Sichuan Province and Zhengzhou, Henan Province, to boost sales in the inland regions of China, and began to sell *Yakult* through the retail store channel there. Sales of *Yakult* also commenced in Shijiazhuang, Hebei Province, Nanchang, Jiangxi Province and Changchun, Jilin Province, as part of efforts to expand the sales area.

In Vietnam, we started to sell *Yakult* in that nation's third largest city of Haiphong through the retail store channel in September 2012, after Ho Chi Minh City and Hanoi.

In Indonesia, we are constructing a second manufacturing facility in East Java to meet strong sales growth, with production expected to begin in December 2013.

Net sales in Asia and Oceania increased to ¥41.3 billion, or 29.1%, from the prior fiscal year, and segment profit jumped 73.6%, to ¥9.6 billion.

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.

Overall European sales in yen amounts were affected by the yen's strength, but sales in Italy and the United Kingdom showed solid growth.

Net sales in Europe decreased to ¥7.5 billion, or 6.6%, from the prior fiscal year, and segment profit rose 86.9%, to ¥0.3 billion.

PHARMACEUTICALS: In Japan, we focused on promoting the proper use of the cancer chemotherapeutic agent *Elplat*, actively sponsoring lectures and presentations targeting healthcare professionals in this area. We also stepped up efforts to expand the awareness and use of XELOX regimen for postsurgical adjuvant chemotherapy. We sought higher sales and market share by specializing in oncology treatments and through active marketing and sales channel expansion of the cancer chemotherapeutic agent *Campto*, which received approval for efficacy to pediatric malignant solid tumors and its dosage and administration in March 2013; antineoplastic antimetabolite *Gemcitabine* Yakult, whose additional effect for relapsed or refractory malignant lymphoma was approved in February; activated folic acid drug *Levofolinate* Yakult; and recombinant DNA G-CSF chemotherapy treatment *Neu-up*.

In R&D, we are conducting clinical trials of *Campto* and *Elplat* for pancreatic cancer to increase indications of FOLFIRINOX regimen and to prove *Elplat*'s additional efficacy for gastric cancer. We also stepped up the development pipeline of hypoxia activated prodrug *PR610* in cooperation with Proacta Inc., PI3K/Akt inhibitor *Perifosine* by Æterna Zentaris Inc., oral HDAC inhibitor *Resminostat* by 4SC AG, and humanized monoclonal anticancer antibodies program *LIV-2008* in cooperation with LivTech Inc. In addition, we reached an agreement with UMN Pharma Inc. and API Co., Ltd. in March 2013 to conduct R&D as well as commercialize several antibody biosimilars, to further bolster our position in the cancer treatment area.

Outside Japan, sales of active pharmaceutical ingredient of *Campto* slowed, as importers switched increasingly to generic drugs.

Despite a higher sales volume, sales in Japan declined from the previous fiscal year, due to the revised pharmaceutical prices amount in April 2012. Overseas sales also fell. As a result, consolidated sales in the Pharmaceuticals segment dropped 5.8%, to ¥37.1 billion, while segment profit was down 11.5%, to ¥9.0 billion.

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

In our cosmetics operations, we continued to promote the value and appeal of basic skin care products, namely, our core brands *Parabio*, *Revecy* and *Revecy White* based on home visits to counsel customers on cosmetics.

We worked to attract new customers by focusing on particular products and particular themes each quarter. The measures included promotion of the value of superior antiaging effect of the *Parabio* series and advocating whitening properties of the *Revecy White* series. In December 2012, we introduced *Parabio AC Cream Sai*, the top-of-the-range cream in our *Parabio* series, drawing on our research expertise on lactic acid bacterium that has been developed since the Company's foundation, to enhance customer satisfaction and sales. As a result, overall sales and profit in our cosmetics operations were virtually unchanged from the prior fiscal year.

In professional baseball, the Tokyo Yakult Swallows finished the regular season in the third place, advancing to the Climax Series for the second consecutive year. We organized a variety of fan appreciation events and active information dissemination.

As a result, the Others segment saw net sales fell 6.2%, to ¥17.4 billion, and segment profit rose 12.7%, to ¥0.7 billion.

FINANCIAL POSITION

Total assets at year-end amounted to ¥438.2 billion, climbing 10.3% year on year.

Current assets increased ¥7.5 billion, or 4.2%, from the prior fiscal year-end, to ¥185.1 billion, principally due to a rise in cash and cash equivalents, despite a decrease in inventories.

Net property, plant and equipment advanced ¥13.6 billion, to ¥150.6 billion. This was primarily due to increases in buildings and structures as well as machinery, equipment and vehicles related to the start of the Hyogo Miki Plant operation.

Investments and other assets rose ¥19.8 billion, or 23.9%, to ¥102.4 billion, mainly because of increases in investment securities.

In the fiscal year under review, capital investments expanded 34.3%, to ¥33.6 billion.

Total liabilities grew 4.2%, to ¥151.1 billion. The major component of this increase was a rise in short-term borrowings of ¥11.8 billion. As a result, interest-bearing debt climbed ¥9.2 billion from the prior fiscal year-end, to ¥65.6 billion, while the debt-to-equity ratio increased 0.4 percentage point, to 25.1%.

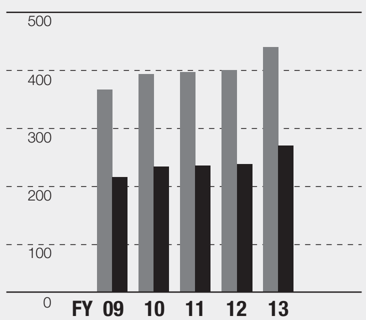
Equity increased 14.5%, to ¥261.8 billion, from ¥228.6 billion a year earlier. This rise was primarily due to an increase in retained earnings from net income, an increase in unrealized gain on available-for-sale securities reflecting the recovery in the Japanese stock market, and an increase in foreign currency translation adjustments as the result of depreciation of yen.

As a result, the equity ratio improved 2.2 percentage points, to 59.8%. Return on equity (ROE) rose 0.9 percentage point, to 6.7%. Return on assets (ROA) increased 0.2 percentage point, to 5.5%.

CASH FLOWS

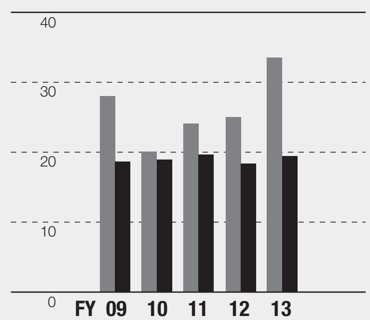
Net cash provided by operating activities was up ¥9.4 billion from the previous year, to ¥42.9 billion. This primarily reflected ¥27.9 billion in income before income taxes and

Total Assets and Equity (Excluding Minority Interests)
(Billions of yen)



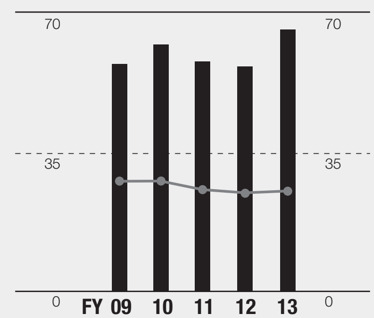
■ Total assets
■ Equity (excluding minority interests)

Capital Investments and Depreciation and Amortization
(Billions of yen)



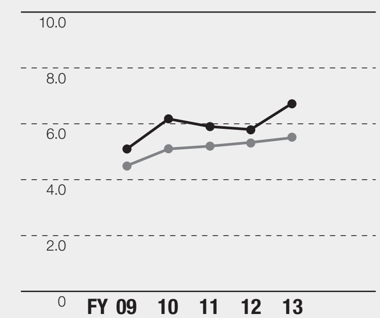
■ Capital investments
■ Depreciation and amortization

Interest-Bearing Debt and Debt-to-Equity Ratio
(Billions of yen) (%)



■ Interest-bearing debt (left scale)
-●- Debt-to-equity ratio (right scale)

ROE and ROA
(%)



-●- ROE
-●- ROA

Note: ROA is calculated based on operating income.

minority interests and ¥19.4 billion in depreciation and amortization.

Net cash used in investing activities increased ¥15.3 billion, to ¥43.6 billion. Cash was mainly used for purchases of property, plant and equipment, specifically for the new establishment and expansion of production facilities.

Net cash provided by financing activities was ¥0.4 billion, an increase of ¥9.7 billion from the previous fiscal year. This payment was mainly attributable to the repayment of lease obligations and the payment of dividends, despite a net increase in short-term loans.

In addition, foreign currency translation adjustments amounted to ¥7.5 billion due to foreign exchange fluctuations.

As a result, cash and cash equivalents at year-end amounted to ¥82.8 billion, a net increase of ¥7.2 billion from the previous fiscal year-end.

DIVIDENDS

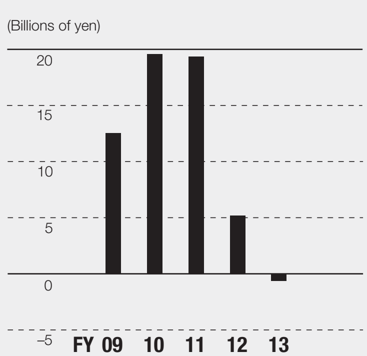
We give top priority to the payment of a higher and stable dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend is decided based on business performance for the year, after comprehensively taking into account the need for funds for future business expansion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

Based on the policy described above, we decided to pay a total dividend of ¥23 per share, up ¥1 from the prior fiscal year to boost the return to shareholders. We have already declared and paid an interim dividend of ¥11.5 per share, and the balance of ¥11.5 per share will be distributed to our shareholders as the year-end dividend.

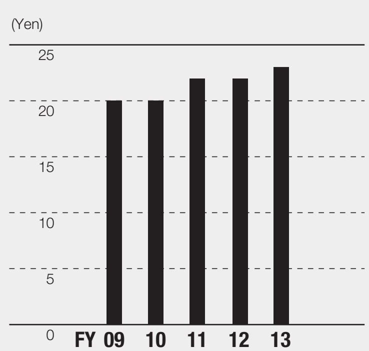
For the fiscal year ending March 31, 2014, we plan to continue to increase the annual dividend by ¥1.0 to ¥24.0 in an effort to offer higher returns to shareholders.

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

Free Cash Flow



Dividends



FORWARD LOOKING STATEMENT

FOOD AND BEVERAGES

In our domestic Probiotics business, we will continue to develop more robust activities in both home delivery and retail store channels that underscore the value of the *Lactobacillus casei* strain Shirota and the enhanced *Bifidobacterium breve* strain Yakult.

We will strive to generate higher sales for our home delivery channel by building sales strategies around *Yakult 400*, *Yakult 400LT* and *Mil-MilS*, while centering sales efforts for the retail store channel on *Yakult Ace* targeting adults with greater awareness of good health and *Yakult* products whose designs were renewed, such as *Yakult*, *Yakult Calorie Half* and *Yakult SHEs*.

In juices and other beverages, we will aim to increase sales of products, namely, our core brands *Toughman*, *Bansoreicha*, *Kurozu Drink* and *Milouge*, as well as nourish a growing awareness and acceptance of the brand of our beauty health drink *CHOBI*.

Overseas, we will develop operations with “Yakult Vision 2020,” our medium- to long-term plan as a guiding framework.

For existing business bases that have already established a local presence, we will work to achieve further business growth, establish solid financial bases and generate higher profits.

In countries where we are gaining a foothold, such as Vietnam, India, China and the United States, we will seek to strengthen our business base and drive 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 encourage the proper use of *Elplat* and advocate the XELOX therapy through lectures and seminars for medical professionals to achieve further business growth. Parallel to this, we will step up efforts to defend the market share of cancer chemotherapeutic agent *Campto* and expand sales channels for antineoplastic antimetabolite

Gemcitabine Yakult, in a drive to establish ourselves as a specialist in cancer treatments.

Overseas, we will remain committed to further differentiating *Campto* from generic products to maintain and expand market share.

OTHERS

In our cosmetics operations, we will continue to revitalize marketing activities, underscoring the value of basic skin care products, namely, our core brands *Parabio*, *Revecy* and *Revecy White* with a focus on home visits to counsel customers on cosmetics. Following the end of the fiscal year under review, other measures aimed at increasing contacts with prospective customers and to drive sales growth will continue to include the selection of a featured product and a special topic every quarter and activities to steadily enhance the existing product brands.

BUSINESS RISKS

This section includes an explanation of business risks associated with business conditions, accounting, and other factors stated in our securities report. This discussion will focus on factors that may have a material impact on investor decisions.

Forward-looking statements contained herein are based on the Group's judgment as of the date of filing of our securities report.

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 a stronger footing, the proportion of overseas business results grows each year.

This trend notwithstanding, consolidated business results as reported in the financial statements are affected 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, price increases in the crude oil market, especially those sustained over extended periods, could adversely affect transportation costs related to our products. In the event that we are unable to cover the effects of higher raw material 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 avoid their occurrence.

Consolidated Balance Sheet

YAKULT HONSHA CO., LTD. and its subsidiaries
March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
ASSETS			
Current assets:			
Cash and cash equivalents (Note 11)	¥ 82,773	¥ 75,559	$ 890,038
Time deposits (Note 11)	7,803	3,561	83,903
Receivables (Note 11):			
Notes and accounts receivable	49,386	48,587	531,030
Associated companies	4,170	4,281	44,842
Other	2,052	3,335	22,065
Inventories (Note 3)	27,435	31,205	295,001
Deferred tax assets (Note 8)	7,008	7,470	75,353
Other current assets	4,829	3,897	51,924
Allowance for doubtful accounts (Note 11)	(323)	(301)	(3,478)
Total current assets	185,133	177,594	1,990,678
Property, plant and equipment:			
Land (Note 5)	38,148	34,003	410,195
Buildings and structures (Note 5)	108,597	101,594	1,167,712
Machinery, equipment and vehicles	109,119	98,802	1,173,326
Furniture and fixtures	19,546	18,957	210,171
Lease assets (Note 9)	19,281	22,410	207,324
Construction in progress	11,955	14,314	128,543
Total	306,646	290,080	3,297,271
Accumulated depreciation (Note 5)	(156,034)	(153,117)	(1,677,785)
Net property, plant and equipment	150,612	136,963	1,619,486
Investments and other assets:			
Investment securities (Notes 4 and 11)	50,613	34,063	544,226
Investments in and advances to associated companies (Note 11)	36,899	31,216	396,770
Long-term loans	504	584	5,415
Goodwill	82	131	879
Deferred tax assets (Note 8)	2,066	5,314	22,212
Other assets	12,267	11,349	131,902
Total investments and other assets	102,431	82,657	1,101,404
Total	¥ 438,176	¥ 397,214	$ 4,711,568

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	¥ 16,321	¥ 4,571	$ 175,496
Current portion of long-term debt (Notes 5, 9 and 11)	43,121	4,061	463,667
Payables (Note 11):			
Notes and accounts payable	24,371	24,638	262,056
Associated companies	92	127	993
Other	8,189	9,136	88,059
Income taxes payable (Note 8)	2,730	1,440	29,355
Accrued expenses	17,128	17,514	184,176
Allowance for loss on plants reorganization	602	1,530	6,468
Deferred tax liabilities (Note 8)	148	250	1,586
Other current liabilities	8,516	8,715	91,568
Total current liabilities	121,218	71,982	1,303,424
Long-term liabilities:			
Long-term debt (Notes 5, 9 and 11)	6,174	47,796	66,388
Liability for retirement benefits (Note 6)	17,359	18,219	186,657
Allowance for loss on plants reorganization		638	
Asset retirement obligations	856	807	9,205
Deferred tax liabilities (Note 8)	1,781	1,791	19,144
Other long-term liabilities	3,689	3,738	39,668
Total long-term liabilities	29,859	72,989	321,062
Commitments and contingent liabilities (Note 9)			
Equity (Notes 7 and 15):			
Common stock—			
authorized, 700,000,000 shares;			
issued, 175,910,218 shares in 2013 and 2012	31,118	31,118	334,599
Capital surplus	41,507	41,291	446,312
Retained earnings	223,040	210,536	2,398,280
Treasury stock—at cost			
3,404,340 shares in 2013 and 3,831,586 shares in 2012	(7,659)	(8,697)	(82,352)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,472	511	69,585
Foreign currency translation adjustments	(32,635)	(46,132)	(350,909)
Total	261,843	228,627	2,815,515
Minority interests	25,256	23,616	271,567
Total equity	287,099	252,243	3,087,082
Total	¥ 438,176	¥397,214	$4,711,568

Consolidated Statement of Income

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales	**¥319,193**	¥312,553	**$3,432,184**
Cost of sales (Notes 6, 9 and 14)	**147,544**	142,522	**1,586,497**
Gross profit	**171,649**	170,031	**1,845,687**
Selling, general and administrative expenses (Notes 6, 9, 13 and 14)	**148,581**	149,214	**1,597,642**
Operating income	**23,068**	20,817	**248,045**
Other income (expenses):			
Interest and dividend income	**3,107**	3,092	**33,413**
Interest expense	**(720)**	(696)	**(7,743)**
Foreign exchange gain	**654**	1,513	**7,035**
Equity in earnings of associated companies	**2,130**	2,529	**22,900**
Valuation loss on investment securities (Note 4)	**(1,087)**	(1,187)	**(11,685)**
Provision for loss on plants reorganization		(69)	
Losses from a natural disaster		(1,056)	
Reversal of allowance for loss on disasters		335	
Refund of social insurance premium		1,437	
Loss on impairment	**(450)**	(370)	**(4,839)**
Other—net (Note 4)	**1,235**	(397)	**13,275**
Other income—net	**4,869**	5,131	**52,356**
Income before income taxes and minority interests	**27,937**	25,948	**300,401**
Income taxes (Note 8):			
Current	**8,019**	6,928	**86,223**
Deferred	**490**	1,640	**5,276**
Total income taxes	**8,509**	8,568	**91,499**
Net income before minority interests	**19,428**	17,380	**208,902**
Minority interests in net income	**3,049**	4,088	**32,782**
Net income	**¥ 16,379**	¥ 13,292	**$ 176,120**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2 (Q) and 16):			
Basic net income	**¥ 95.03**	¥ 77.32	**$ 1.02**
Cash dividends applicable to the year	**23.00**	22.00	**0.25**

Diluted net income per share of common stock for 2013 and 2012 was not calculated due to the absence of dilutive securities.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net income before minority interests	**¥ 19,428**	¥ 17,380	**$ 208,902**
Other comprehensive income (Note 12):			
Unrealized gain on available-for-sale securities	**5,886**	1,522	**63,296**
Foreign currency translation adjustments	**16,147**	(12,557)	**173,621**
Share of other comprehensive income in associates	**(41)**	(114)	**(443)**
Total other comprehensive income	**21,992**	(11,149)	**236,474**
Comprehensive income	**¥ 41,420**	¥ 6,231	**$ 445,376**
Total comprehensive income attributed to:			
Owners of the parent	**¥ 35,837**	¥ 6,041	**$ 385,347**
Minority interests	**5,583**	190	**60,029**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2013

	Thousands	Millions of yen								
						Accumulated other comprehensive (loss) income				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized (loss) gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2011	171,990	¥31,118	¥41,192	¥200,997	¥(9,051)	¥ (935)	¥(37,435)	¥225,886	¥25,085	¥250,971
Net income				13,292				13,292		13,292
Surplus from disposal of treasury stock			99					99		99
Cash dividends, ¥22.0 per share				(3,953)				(3,953)		(3,953)
Increase due to change in scope of consolidation				200				200		200
Repurchase of treasury stock	(138)				(205)			(205)		(205)
Other increase in treasury stock	227				559			559		559
Net change in the year						1,446	(8,697)	(7,251)	(1,469)	(8,720)
Balance, March 31, 2012	172,079	31,118	41,291	210,536	¥(8,697)	511	(46,132)	228,627	23,616	252,243
Net income				**16,379**				**16,379**		**16,379**
Surplus from disposal of treasury stock			**216**					**216**		**216**
Cash dividends, ¥23.0 per share				**(3,875)**				**(3,875)**		**(3,875)**
Repurchase of treasury stock	**(27)**				**(80)**			**(80)**		**(80)**
Other increase in treasury stock	**454**				**1,118**			**1,118**		**1,118**
Net change in the year						**5,961**	**13,497**	**19,458**	**1,640**	**21,098**
Balance, March 31, 2013	**172,506**	**¥31,118**	**¥41,507**	**¥223,040**	**¥(7,659)**	**¥6,472**	**¥(32,635)**	**¥261,843**	**¥25,256**	**¥287,099**

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive (loss) income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized (loss) gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 31, 2012	$334,599	$443,986	$2,263,831	$(93,520)	$ 5,497	$(496,047)	$2,458,346	$253,944	$2,712,290
Net income			**176,120**				**176,120**		**176,120**
Surplus from disposal of treasury stock		**2,326**					**2,326**		**2,326**
Cash dividends, $0.25 per share			**(41,671)**				**(41,671)**		**(41,671)**
Repurchase of treasury stock				**(855)**			**(855)**		**(855)**
Other increase in treasury stock				**12,023**			**12,023**		**12,023**
Net change in the year					**64,088**	**145,138**	**209,226**	**17,623**	**226,849**
Balance, March 31, 2013	**$334,599**	**$446,312**	**$2,398,280**	**$(82,352)**	**$69,585**	**$(350,909)**	**$2,815,515**	**$271,567**	**$3,087,082**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Operating activities:			
Income before income taxes and minority interests	**¥ 27,937**	¥ 25,948	**$ 300,401**
Adjustments for:			
Income taxes—paid	**(6,527)**	(9,159)	**(70,180)**
Depreciation and amortization	**19,435**	18,337	**208,973**
Loss on disposals and sales of property, plant and equipment	**67**	1,166	**717**
Equity in earnings of associated companies	**(2,130)**	(2,529)	**(22,900)**
Loss on valuation of investment securities	**1,087**	1,187	**11,685**
Changes in operating assets and liabilities:			
Decrease (Increase) in receivables	**607**	(4,181)	**6,528**
Decrease (Increase) in inventories	**4,479**	(4,170)	**48,159**
(Decrease) Increase in payables	**(823)**	2,704	**(8,845)**
Decrease in liability for retirement benefits	**(909)**	(920)	**(9,775)**
Other—net	**(336)**	5,062	**(3,609)**
Total adjustments	**14,950**	7,497	**160,753**
Net cash provided by operating activities	**42,887**	33,445	**461,154**
Investing activities:			
Transfers to time deposits	**(18,393)**	(9,690)	**(197,779)**
Proceeds from withdrawing time deposits	**14,749**	8,446	**158,598**
Purchases of property, plant and equipment	**(34,333)**	(20,705)	**(369,169)**
Proceeds from sales of property, plant and equipment	**3,060**	718	**32,902**
Purchases of investment securities	**(8,677)**	(6,526)	**(93,303)**
Acquisition of controlling interest in companies	**(23)**	(83)	**(242)**
Increase in loans receivable	**(56)**	(126)	**(605)**
Collection of loans receivable	**200**	155	**2,151**
Other—net (Note 4)	**(78)**	(485)	**(842)**
Net cash used in investing activities	**(43,551)**	(28,296)	**(468,289)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Financing activities:			
Net increase in short-term loans	**11,465**	1,928	**123,277**
Payments for settlement of long-term debt	**(4,384)**	(5,288)	**(47,139)**
Repurchase of treasury stock	**(7)**	(1)	**(71)**
Sales of treasury stock	**1,413**	581	**15,196**
Dividends paid	**(3,874)**	(3,945)	**(41,653)**
Dividends paid to minority shareholders	**(4,229)**	(2,557)	**(45,481)**
Net cash provided by (used in) financing activities	**384**	(9,282)	**4,129**
Foreign currency translation adjustments on cash and cash equivalents	**7,494**	(6,723)	**80,580**
Net increase (decrease) in cash and cash equivalents	**7,214**	(10,856)	**77,574**
Cash and cash equivalents resulting from changing scope of consolidation		(172)	
Cash and cash equivalents, increased by merger		36	
Cash and cash equivalents, beginning of year	**75,559**	86,551	**812,464**
Cash and cash equivalents, end of year	**¥ 82,773**	¥ 75,559	**$ 890,038**

See notes to consolidated financial statements.

NOTE 1 BASIS OF PRESENTATION OF 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 accordance 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. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

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, 2013. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CONSOLIDATION

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 79 (79 in 2012) subsidiaries (together, the "Group").

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 associated companies (4 in 2012) are accounted for by the equity method.

Investments in the remaining 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 subsidiaries at the date of acquisition is being amortized on a straight-line basis over 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 that 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. However, 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, except for the following items which 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 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; and 5) exclusion of minority interests from net income, if contained in net income.

(C) UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN ASSOCIATED COMPANIES FOR THE EQUITY METHOD

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The accounting 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 of America 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 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; and 5) exclusion of minority interests from net income, if contained in net income.

(D) BUSINESS COMBINATION

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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR & D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(E) 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.

(F) INVENTORIES

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

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is mainly computed by the declining-balance method based on the estimated useful lives of assets. On the other hand, the straight-line method is principally applied to the property, plant and equipment of foreign subsidiaries.

Estimated useful lives are as follows:

- The Company and its domestic subsidiaries

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	4 to 17 years

- Foreign subsidiaries

Buildings and structures	3 to 40 years
Machinery, equipment and vehicles	3 to 21 years

The useful lives for leased assets are the terms of the respective leases.

As for property, plant and equipment which were acquired on or after April 1, 2012, the Company and its domestic subsidiaries have changed the depreciation method to the method based on the Japanese renewed corporate income tax law.

Due to the change mentioned above, compared to the previous method, operating income and income before income taxes and minority interests for the year ended on March 31, 2013, increased by ¥498 million ($5,358 thousand) and ¥500 million ($5,373 thousand), respectively.

(H) 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.

(I) 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.

Nonmarketable 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.

(J) RETIREMENT AND PENSION PLANS

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

Retirement benefits to Directors and Audit & Supervisory Board Members of certain subsidiaries are provided at the amount which would be required if all Directors and Audit & Supervisory Board Members retired at each balance sheet date.

(K) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(L) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred.

(M) 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.

(N) INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

(O) 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 statement of income to the extent that they are not hedged by forward exchange contracts.

(P) FOREIGN CURRENCY FINANCIAL STATEMENTS

The balance sheet accounts of the 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 are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

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

(Q) 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, 2013 and 2012, is not disclosed due to the absence of dilutive securities.

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

(R) 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

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.

(S) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidances, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(1) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2005, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required. The Company expects to apply the revised accounting standard for (1) and (2) above from the end of the annual period beginning on April 1, 2013, and for (3) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

NOTE 3 INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Merchandise and finished products	**¥ 7,523**	¥ 9,822	**$ 80,890**
Work in process	**2,235**	5,117	**24,035**
Raw materials and supplies	**17,677**	16,266	**190,076**
Total	**¥27,435**	¥31,205	**$295,001**

NOTE 4 INVESTMENT SECURITIES

Investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Investment securities:			
Marketable equity securities	**¥48,806**	¥33,145	**$524,800**
Government and corporate bonds		5	
Trust fund investments and other	**1,807**	913	**19,426**
Total	**¥50,613**	¥34,063	**$544,226**

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥40,412**	**¥11,059**	**¥2,665**	**¥48,806**
Other	**1**			**1**
March 31, 2012				
Securities classified as—				
Available-for-sale:				
Equity securities	¥33,970	¥ 3,146	¥3,971	¥33,145
Debt securities	5			5
Other	7			7

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as—				
Available-for-sale:				
Equity securities	**$434,542**	**$118,917**	**$28,659**	**$524,800**
Other	**3**			**3**

Available-for-sale securities whose fair value cannot be reliably determined at March 31, 2013 and 2012, were ¥1,806 million ($19,423 thousand) and ¥906 million, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥366 million ($3,934 thousand) and ¥14 million, respectively. Gross realized gain on these sales for the years ended March 31, 2013 and 2012, computed on the moving average cost basis, were ¥129 million ($1,390 thousand) and ¥0 million, respectively. Gross realized losses on these sales for the years ended March 31, 2013 and 2012, were ¥4 million ($40 thousand) and ¥8 million, respectively.

The valuation loss on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥1,087 million ($11,685 thousand) and ¥1,187 million, respectively.

NOTE 5 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, 2013 and 2012, were ¥16,321 million ($175,496 thousand) and ¥4,571 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2013 and 2012, ranged from 0.01% to 8.65% and 0.01% to 15.91%, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans from banks and other financial institutions, 0.65% to 2.45% (0.42% to 2.45% in 2012), due serially to 2025:			
Collateralized	**¥ 578**	¥ 898	**$ 6,211**
Unsecured	**41,658**	41,992	**447,940**
Obligations under finance leases (Note 9)	**7,059**	8,967	**75,904**
Total	**49,295**	51,857	**530,055**
Less current portion	**(43,121)**	(4,061)	**(463,667)**
Long-term debt, less current portion	**¥ 6,174**	¥47,796	**$ 66,388**

Annual maturities of long-term debt as of March 31, 2013, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥43,121	$463,667
2015	2,368	25,465
2016	1,697	18,247
2017	1,058	11,377
2018	380	4,085
2019 and thereafter	671	7,214
Total	¥49,295	$530,055

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2013, were as follows:

March 31, 2013	Millions of yen	Thousands of U.S. dollars
Land	**¥4,205**	**$45,212**
Buildings and structures—net of accumulated depreciation	**1,491**	**16,035**
Total	**¥5,696**	**$61,247**

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.

NOTE 6 RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have severance payment plans for employees. Certain subsidiaries have severance payment plans for Directors and Audit & Supervisory Board Members.

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 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 at March 31, 2013 and 2012, included the amounts of ¥348 million ($3,744 thousand) and ¥356 million, respectively, for Directors and Audit & Supervisory Board Members. The retirement benefits for Directors and Audit & Supervisory Board Members are paid subject to the approval of the shareholders.

The Company and certain subsidiaries have various noncontributory and contributory plans and other retirement benefit plans.

The liability (asset) for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 64,821**	¥ 61,310	**$ 697,004**
Fair value of plan assets	**(41,489)**	(34,968)	**(446,131)**
Unrecognized actuarial loss	**(6,365)**	(8,502)	**(68,437)**
Net liability	**16,967**	17,840	**182,436**
Prepaid pension cost	**44**	23	**477**
Liability for employees' retirement benefits	**¥ 17,011**	¥ 17,863	**$ 182,913**

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥2,363**	¥2,515	**$25,406**
Interest cost	**1,053**	1,121	**11,320**
Expected return on plan assets	**(842)**	(793)	**(9,052)**
Recognized actuarial loss	**1,500**	1,249	**16,134**
Net periodic retirement benefit costs	**¥4,074**	¥4,092	**$43,808**

Assumptions used for the years ended March 31, 2013 and 2012, were as follows:

	2013	2012
Discount rate	**1.4%**	1.8%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**10 years**	10 years

NOTE 7 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 Audit & Supervisory Board, 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 that was 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.

NOTE 8 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal statutory tax rate of approximately 38.01% and 40.69% for the years ended March 31, 2013 and 2012, respectively. 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, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Pension and severance costs	**¥ 6,071**	¥ 6,414	**$ 65,277**
Tax loss carryforwards	**4,923**	4,761	**52,938**
Other	**13,178**	16,122	**141,701**
Less valuation allowance	**(6,414)**	(9,627)	**(68,967)**
Total	**¥17,758**	¥17,670	**$190,949**
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries and associated companies	**¥ 3,130**	¥ 2,503	**$ 33,653**
Unrealized gain on land held by subsidiaries	**1,715**	1,855	**18,439**
Other	**5,768**	2,569	**62,022**
Total	**¥10,613**	¥ 6,927	**$114,114**
Net deferred tax assets	**¥ 7,145**	¥10,743	**$ 76,835**

A reconciliation between the normal statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2013 and 2012, was as follows:

	2013	2012
Normal statutory tax rate	**38.01%**	40.69%
Equity in earnings of associated companies	**(2.90)**	(2.85)
Tax exemption	**(1.52)**	(2.00)
Social expenses not deductible for income tax purposes	**2.31**	1.48
Tax rate differences in foreign subsidiaries	**(9.08)**	(9.99)
Effect of revised corporate tax rate		3.42
Other—net	**3.64**	2.27
Effective tax rate	**30.46%**	33.02%

At March 31, 2013, certain subsidiaries had tax loss carryforwards aggregating to approximately ¥16,849 million ($181,172 thousand), which were available to be offset against taxable income of such 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
2014	¥ 688	$ 7,394
2015	156	1,677
2016	644	6,921
2017	99	1,070
2018	971	10,439
2019 and thereafter	14,291	153,671
Total	¥16,849	$181,172

NOTE 9 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	
	2013		**2013**	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	**¥2,688**	**¥ 719**	**$28,902**	**$ 7,736**
Due after one year	**4,371**	**1,140**	**47,002**	**12,254**
Total	**¥7,059**	**¥1,859**	**$75,904**	**$19,990**

	Millions of yen	
	2012	
	Finance leases	Operating leases
Due within one year	¥3,513	¥ 606
Due after one year	5,454	990
Total	¥8,967	¥1,596

NOTE 10 RELATED PARTY DISCLOSURES

Transactions of the Company with related parties which are owned by Directors, Audit & Supervisory Board Members and their close relatives for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Sales	**¥4,296**	¥9,997	**$46,195**
Sales discount and rebate	**31**	132	**328**
Purchases		43	
Collection of loans		37	
Rent of vending machines	**11**	60	**117**
Temporary receipt	**898**	1,551	**9,660**
Subsidy of sales expenses	**10**	98	**110**
Sale of fixed assets	**20**		**215**
Rent of leased assets	**23**		**243**

The balances due to or from these related parties at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Notes and accounts receivable	**¥955**	¥1,936	**$10,265**
Other receivables	**3**	13	**31**
Long-term loans	**35**	81	**376**
Notes and accounts payable		10	
Other payables	**9**	46	**96**
Accrued expenses	**1**	19	**7**
Other current liabilities	**0**	2	**4**

Transactions of the Company with a member of Audit & Supervisory Board and his close relatives for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Acquisition of shares owned		¥151	

NOTE 11 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The Group uses bank loans based on its capital investment plan mainly for the 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, 2013			
Cash and cash equivalents	**¥ 82,773**	**¥ 82,773**	
Time deposits	**7,803**	**7,803**	
Receivables	**55,608**		
Allowance for doubtful accounts	**(323)**		
Receivables—net	**55,285**	**55,285**	
Investment securities	**48,807**	**48,807**	
Total	**¥194,668**	**¥194,668**	
Short-term borrowings	**¥ 16,321**	**¥ 16,321**	
Payables	**32,652**	**32,652**	
Long-term debt (exclude obligations under finance leases)	**42,236**	**42,357**	**¥121**
Total	**¥ 91,209**	**¥ 91,330**	**¥121**

	Millions of yen		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2012			
Cash and cash equivalents	¥ 75,559	¥ 75,559	
Time deposits	3,561	3,561	
Receivables	56,203		
Allowance for doubtful accounts	(301)		
Receivables—net	55,902	55,902	
Investment securities	33,157	33,157	
Total	¥168,179	¥168,179	
Short-term borrowings	¥ 4,571	¥ 4,571	
Payables	33,901	33,901	
Long-term debt (exclude obligations under finance leases)	42,890	43,020	¥130
Total	¥ 81,362	¥ 81,492	¥130

	Thousands of U.S. dollars		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2013			
Cash and cash equivalents	**$ 890,038**	**$ 890,038**	
Time deposits	**83,903**	**83,903**	
Receivables	**597,937**		
Allowance for doubtful accounts	**(3,478)**		
Receivables—net	**594,459**	**594,459**	
Investment securities	**524,803**	**524,803**	
Total	**$2,093,203**	**$2,093,203**	
Short-term borrowings	**$ 175,496**	**$ 175,496**	
Payables	**351,108**	**351,108**	
Long-term debt (exclude obligations under finance leases)	**454,151**	**455,454**	**$1,303**
Total	**$ 980,755**	**$ 982,058**	**$1,303**

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 on the fair value for the investment securities by classification is included in Note 4.

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
	2013	2012	**2013**
Investments in equity instruments that do not have a quoted market price in an active market and investments in associated companies	**¥38,705**	¥32,122	**$416,193**

(5) MATURITY ANALYSIS FOR FINANCIAL ASSETS

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31, 2013				
Cash and cash equivalents	**¥ 82,773**			
Time deposits	**7,803**			
Receivables	**55,608**			
Total	**¥146,184**			

	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31, 2012				
Cash and cash equivalents	¥ 75,559			
Time deposits	3,561			
Receivables	56,203			
Total	¥135,323			

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31, 2013				
Cash and cash equivalents	**$ 890,038**			
Time deposits	**83,903**			
Receivables	**597,937**			
Total	**$1,571,878**			

NOTE 12 COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gain on available-for-sale securities:			
Gain arising during the year	**¥ 8,156**	¥ 1,276	**$ 87,704**
Reclassification adjustments to profit or loss	**988**	1,171	**10,623**
Amount before income tax effect	**9,144**	2,447	**98,327**
Income tax effect	**(3,258)**	(925)	**(35,031)**
Total	**¥ 5,886**	¥ 1,522	**$ 63,296**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Foreign currency translation adjustments:			
Gain arising during the year	**¥ 16,039**	¥(12,557)	**$172,461**
Income tax effect	**108**		**1,160**
Total	**¥ 16,147**	¥(12,557)	**$173,621**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Share of other comprehensive income in associates:			
Gain arising during the year	**¥ 103**	¥ 36	**$ 1,105**
Reclassification adjustments to profit or loss	**(144)**	(150)	**(1,548)**
Total	**¥ (41)**	¥ (114)	**$ (443)**
Total other comprehensive income	**¥ 21,992**	¥(11,149)	**$236,474**

NOTE 13 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of selling general and administrative expenses for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Advertising	**¥10,843**	¥11,679	**$116,588**
Salaries	**29,943**	29,284	**321,963**

NOTE 14 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,761 million ($115,708 thousand) and ¥12,414 million for the years ended March 31, 2013 and 2012, respectively.

NOTE 15 SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's Board of Directors' meeting held on May 10, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥11.5 ($0.12) per share	**¥1,985**	**$21,341**

NOTE 16 NET INCOME PER SHARE

Basic net income per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share for the years ended March 31, 2013 and 2012, is not disclosed due to the absence of dilutive securities.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2013				
Basic EPS:				
Net income available to common shareholders	**¥16,379**	**172,366**	**¥95.03**	**$1.02**

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2012			
Basic EPS:			
Net income available to common shareholders	¥13,292	171,904	¥77.32

NOTE 17 SEGMENT INFORMATION

Under the ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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.

(1) DESCRIPTION OF REPORTABLE SEGMENTS

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the Food and Beverages (Japan), Food and Beverages (The Americas), Food and Beverages (Asia and Oceania), Food and Beverages (Europe), Pharmaceuticals and Others.

Food and Beverages (Japan) consists of fermented milk drinks, juice and noodles, etc.

Food and Beverages (The Americas) consists of fermented milk drinks, etc.

Food and Beverages (Asia and Oceania) consists of fermented milk drinks, etc.

Food and Beverages (Europe) consists of fermented milk drinks, etc.

Pharmaceuticals consists of anticancer drugs and other pharmaceuticals.

Others consist of cosmetics and professional baseball team operation.

(2) METHODS OF MEASUREMENT FOR THE AMOUNTS OF SALES, PROFIT (LOSS), ASSETS, AND OTHER ITEMS FOR EACH REPORTABLE SEGMENT

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) INFORMATION ABOUT SALES, PROFIT (LOSS), ASSETS AND OTHER ITEMS IS AS FOLLOWS

	Millions of yen							
	2013							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	**¥179,601**	**¥38,823**	**¥41,251**	**¥7,473**	**¥37,072**	**¥14,973**		**¥319,193**
Intersegment sales or transfers	**12,248**					**2,463**	**¥(14,711)**	
Total	**191,849**	**38,823**	**41,251**	**7,473**	**37,072**	**17,436**	**(14,711)**	**319,193**
Segment profit (loss)	**9,547**	**8,667**	**9,596**	**281**	**8,982**	**707**	**(14,712)**	**23,068**
Segment assets	**174,138**	**56,247**	**82,648**	**7,937**	**30,323**	**9,563**	**77,320**	**438,176**
Other:								
Depreciation and amortization	**12,805**	**1,580**	**2,243**	**323**	**745**	**378**	**1,361**	**19,435**
Amortization of goodwill	**49**	**10**						**59**
Investment in associates			**35,435**					**35,435**
Increase in property, plant and equipment and intangible assets	**19,971**	**4,714**	**6,716**	**191**	**1,512**	**391**	**2,829**	**36,324**

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥12,409 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥81,283 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,361 million of depreciation of head office.
4. Reconciliation in capital expenditure consists of ¥2,829 million of capital expenditure of head office.

	Millions of yen							
	2012							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	¥178,010	¥39,040	¥31,953	¥8,003	¥39,373	¥16,174		¥312,553
Intersegment sales or transfers	10,031					2,407	¥(12,438)	
Total	188,041	39,040	31,953	8,003	39,373	18,581	(12,438)	312,553
Segment profit (loss)	9,864	8,798	5,527	150	10,145	627	(14,294)	20,817
Segment assets	166,606	49,665	62,582	6,764	36,005	9,955	65,637	397,214
Other:								
Depreciation and amortization	11,871	1,597	2,101	346	708	366	1,348	18,337
Amortization of goodwill	121	3	92					216
Investment in associates			29,871					29,871
Increase in property, plant and equipment and intangible assets	18,823	1,422	3,148	249	839	555	1,679	26,715

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥12,433 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥66,773 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,348 million of depreciation of head office.
4. Reconciliation in capital expenditure consists of ¥1,679 million of capital expenditure of head office.

	Thousands of U.S. dollars							
	2013							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers	**$1,931,199**	**$417,447**	**$443,556**	**$80,351**	**$398,628**	**$161,003**		**$3,432,184**
Intersegment sales or transfers	**131,697**					**26,489**	**$(158,186)**	
Total	**2,062,896**	**417,447**	**443,556**	**80,351**	**398,628**	**187,492**	**(158,186)**	**3,432,184**
Segment profit (loss)	**102,658**	**93,196**	**103,182**	**3,022**	**96,582**	**7,602**	**(158,197)**	**248,045**
Segment assets	**1,872,447**	**604,806**	**888,687**	**85,340**	**326,055**	**102,830**	**831,403**	**4,711,568**
Other:								
Depreciation and amortization	**137,687**	**16,984**	**24,116**	**3,477**	**8,014**	**4,061**	**14,634**	**208,973**
Amortization of goodwill	**527**	**107**						**634**
Investment in associates			**381,021**					**381,021**
Increase in property, plant and equipment and intangible assets	**214,738**	**50,687**	**72,211**	**2,052**	**16,262**	**4,207**	**30,418**	**390,575**

Notes: 1. Reconciliation in segment profit (loss) mainly consists of $133,434 thousand of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of $874,012 thousand of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of $14,634 thousand of depreciation of head office.
4. Reconciliation in capital expenditure consists of $30,418 thousand of capital expenditure of head office.

(4) Related information

1. Information about geographical areas

a. Sales

	Millions of yen				
	2013				
	Japan	The Americas	Asia and Oceania	Europe	Total
	¥229,920	**¥38,823**	**¥42,522**	**¥7,928**	**¥319,193**

	Millions of yen				
	2012				
	Japan	The Americas	Asia and Oceania	Europe	Total
	¥229,417	¥39,040	¥34,340	¥9,756	¥312,553

	Thousands of U.S. dollars				
	2013				
	Japan	The Americas	Asia and Oceania	Europe	Total
	$2,472,263	**$417,447**	**$457,222**	**$85,252**	**$3,432,184**

Note: Sales are classified in countries or regions based on location of customers.

b. Property, plant and equipment

	Millions of yen				
	2013				
	Japan	The Americas	Asia and Oceania	Europe	Total
	¥111,180	**¥12,610**	**¥24,319**	**¥2,503**	**¥150,612**

	Millions of yen				
	2012				
	Japan	The Americas	Asia and Oceania	Europe	Total
	¥107,235	¥8,606	¥18,763	¥2,359	¥136,963

	Thousands of U.S. dollars				
	2013				
	Japan	The Americas	Asia and Oceania	Europe	Total
	$1,195,484	**$135,588**	**$261,499**	**$26,915**	**$1,619,486**

Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Yakult Honsha Co., Ltd. and its subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2013

Member of
Deloitte Touche Tohmatsu Limited

Global Network (As of April 1, 2013)

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) Co., Ltd.
14. Guangzhou Yakult Co., Ltd.
15. Shanghai Yakult Co., Ltd.
16. Beijing Yakult Co., Ltd.
17. Tianjin Yakult Co., Ltd.
18. Yakult S/A Ind. E. Com. (Brazil)
19. Yakult S.A. de C.V. (Mexico)
20. Yakult U.S.A. Inc.
21. Yakult Europe B.V.
22. Yakult Nederland B.V.
23. Yakult Belgium S.A./N.V.
24. Yakult UK Ltd.
    • Ireland Branch
25. Yakult Deutschland GmbH
26. Yakult Oesterreich GmbH
27. Yakult Italia S.R.L.

★ Yakult Honsha European Research Center for Microbiology, ESV

Corporate Data (As of March 31, 2013)

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	19,435 (Consolidated)
NUMBER OF ISSUED AND OUTSTANDING SHARES	175,910,218
NUMBER OF SHAREHOLDERS	23,342*

* Including shareholders who own shares of less than one unit

OFFICES

1 head office, 1 institute, 5 branches, 8 plants

- ● Head Office
- ★ Yakult Central Institute for Microbiological Research

Branches

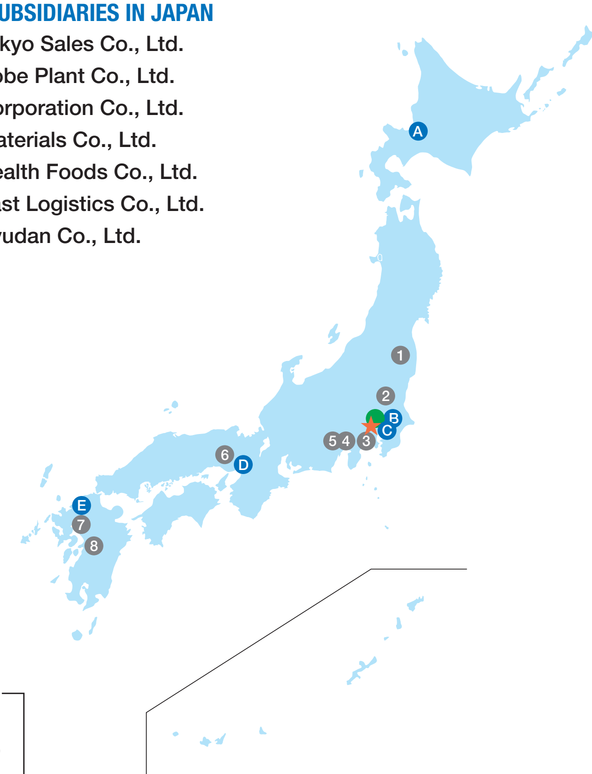
- Ⓐ Hokkaido Branch
- Ⓑ East Japan Branch
- Ⓒ Metropolitan Branch
- Ⓓ Central Japan Branch
- Ⓔ West Japan Branch

Plants

- ❶ Fukushima Plant
- ❷ Ibaraki Plant
- ❸ Shonan Cosmetics Plant
- ❹ Fuji Susono Plant
- ❺ Fuji Susono Pharmaceuticals Plant
- ❻ Hyogo Miki Plant
- ❼ Saga Plant
- ❽ Kumamoto Plant

MAJOR SUBSIDIARIES IN JAPAN

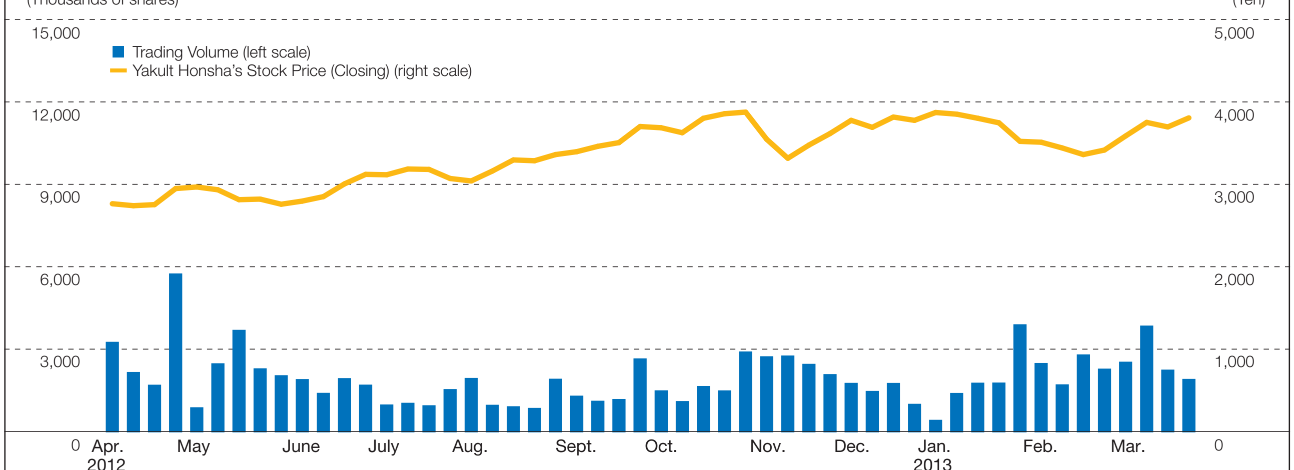
- Yakult Tokyo Sales Co., Ltd.
- Yakult Kobe Plant Co., Ltd.
- Yakult Corporation Co., Ltd.
- Yakult Materials Co., Ltd.
- Yakult Health Foods Co., Ltd.
- Yakult East Logistics Co., Ltd.
- Yakult Kyudan Co., Ltd.



SHARE PRICE MOVEMENT

Trading Volume
(Thousands of shares)

Yakult Honsha's Stock Price (Closing)
(Yen)



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