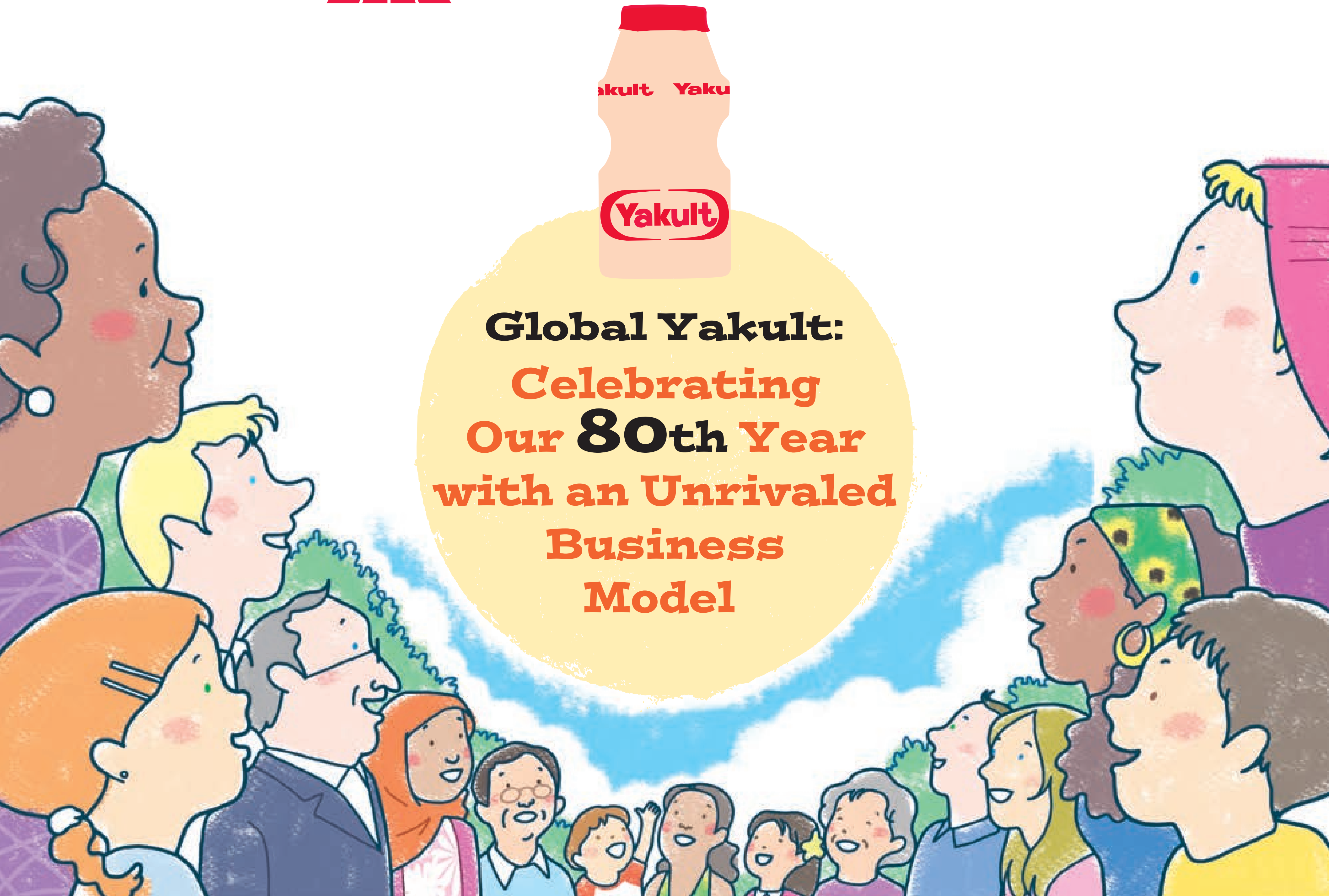
Yakult 80th

ANNUAL REPORT 2015

Year ended March 31, 2015

Global Yakult: Celebrating Our 80th Year with an Unrivaled Business Model



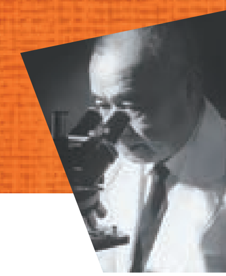
Celebrating Our 80th Anniversary

The History of

Contents

Forward-Looking Statements
Statements contained in the Annual Report 2015 regarding business results for fiscal 2015 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.

Unchanged for the Past 80 Years



Our founder,

Dr. Minoru Shirota, successfully strengthened and cultivated *Lactobacillus casei* strain Shirota while 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 80 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 idea that a healthy intestinal tract leads to a long life, and offering products at a price anyone can afford)—as explained on the next page.

As a Probiotics* pioneer,

we help to protect people's health in 33 countries and regions, including Japan, as of March 31, 2015. In addition to fermented milk drinks, Yakult operations in Japan today include a pharmaceuticals business, in which we handle anticancer drugs, as well as a cosmetics business.

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

Yakult

The Sources of Yakult's Strength

1 2 3

Yakult has three unique sources of strength:

1 Product Power:

80 Years as a Probiotics Pioneer

Since its founding 80 years ago, Yakult has been a pioneer in the field of Probiotics, providing 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.

2 The Yakult Lady System:

Everywhere Is Local

Yakult's products are offered through two channels, direct sales and home delivery sales. Our Yakult Ladies are an essential part of our home delivery sales. The strength of Yakult Ladies lies in their ability to communicate directly, which allows them to promote the value and appeal of our proprietary living *Lactobacillus casei* strain Shirota and recommend continued consumption of one bottle of *Yakult* per day. Our unique Yakult Lady home-delivery system has been highly successful in many countries and regions in the world, including Japan.

Shirota-ism

Preventive medicine

A price anyone can afford

A healthy intestinal tract leads to a long life

3 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

Celebrating Our 80th Anniversary

The History of Yakult

Changes over the Past 80 Years

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—as of March 31, 2015, we have operations in 33 countries and regions with an annual average sales volume of dairy products exceeding 30 million bottles per day.

1930
Dr. Minoru Shirota succeeds in strengthening and culturing lactic acid bacteria, *Lactobacillus casei* strain Shirota.

1935 Yakult is manufactured and introduced to the market in Japan.

1963
Yakult launches its unique Yakult Lady home delivery system.

The first overseas operation base

1968
Yakult is introduced to the market in a new plastic container.

1964 Taiwan
1968 Brazil
1969 Hong Kong
1971 Thailand, South Korea

1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974

Embodiment of the Founding Philosophy → Overseas Operation: Phase I

Yakult's Dramatic Growth as a Global Brand

Embodiment of the Founding Philosophy
1930–
- Development of the business model for Shirota-ism
- Building of the domestic business foundation
- Launch of the Yakult Lady system

Overseas Operation: Phase I 1964–1990

Entry into overseas markets where Yakult was needed

- Enter markets in nine countries with a focus on Asia and Latin America, where the hygienic environment is poor and preventive medicine is needed
- Transplant the domestic business model into overseas markets

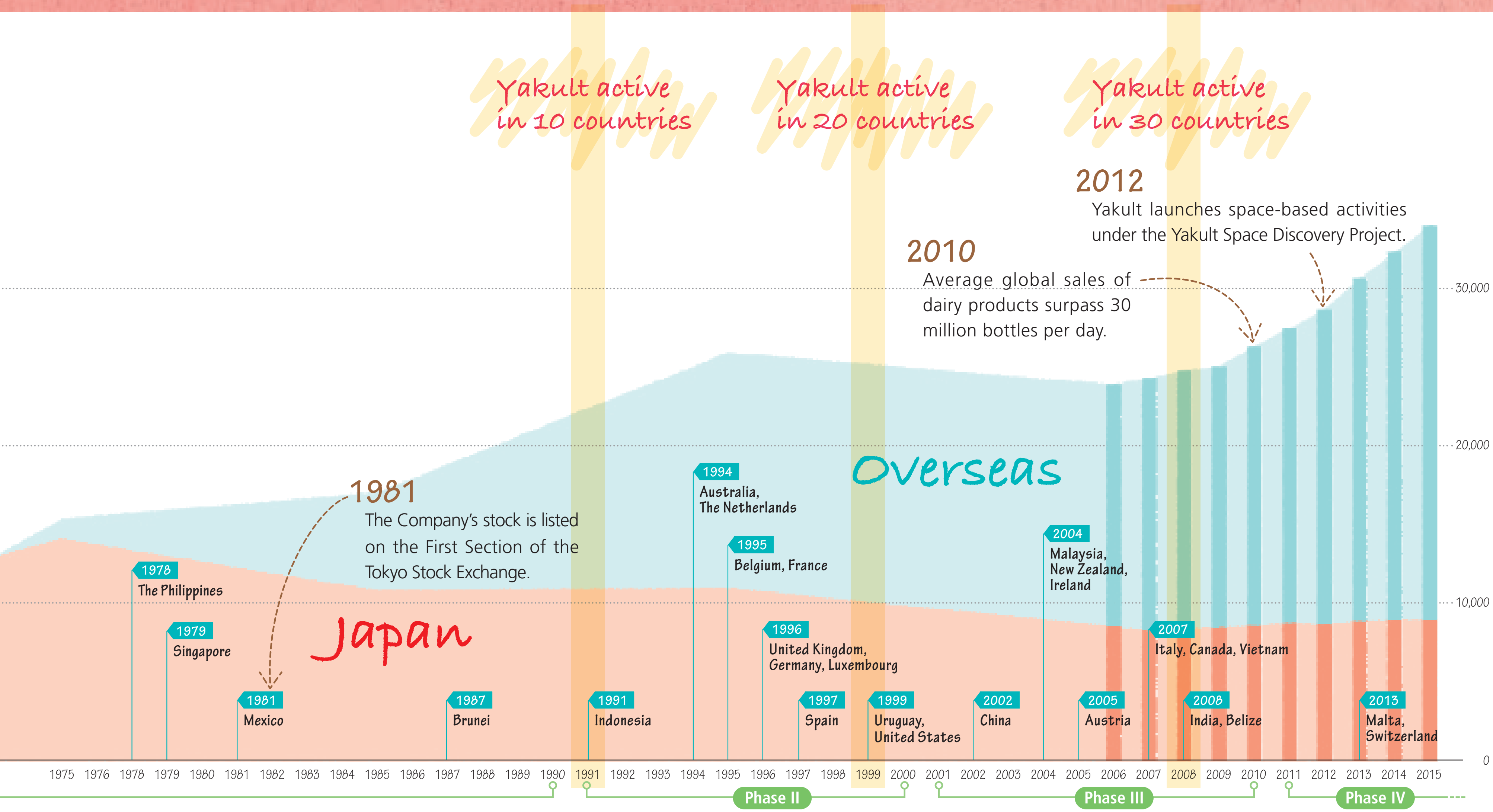

Brazil

Phase II 1991–2000

Full-fledged entry into the global market

- Enter the European market to gain more international recognition
- Establish a global business model


The Netherlands

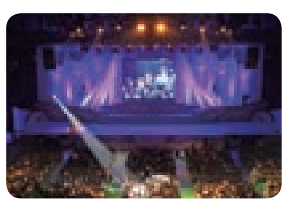


(Thousands of bottles/day)

Phase III 2001–2010

Make Yakult a word known throughout the world

- Penetrate the four regions and nine blocks of the world
- Expand the global business model



2010 Yakult International Convention

Phase IV 2011–2016

Culmination of global business

- Establish a business foundation in China, India and the United States, the three countries with the world's highest populations
- Further advance the global business model

Countries where *Yakult* is sold (33 countries and regions)

Yakult Consumption around the World

Taking Good Health Global

THE AMERICAS

United States* **198** (Thousands of bottles/day)

Mexico* **3,392**

Brazil* **2,073**

EUROPE

The Netherlands* **173**

Germany **78**

United Kingdom* **185**

(Thousands of bottles/day)

Belgium* **66**

Italy **81**

Austria **13**

Financial Highlights

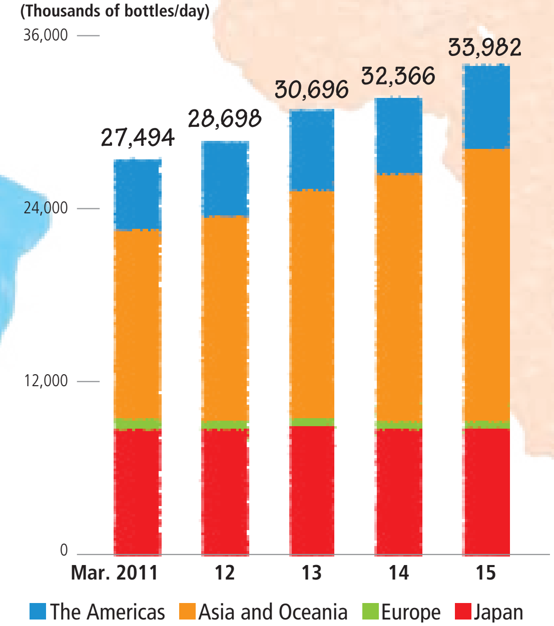
YAKULT HONSHA CO., LTD. and its consolidated subsidiaries
March 31, 2015, 2014, 2013, 2012 and 2011

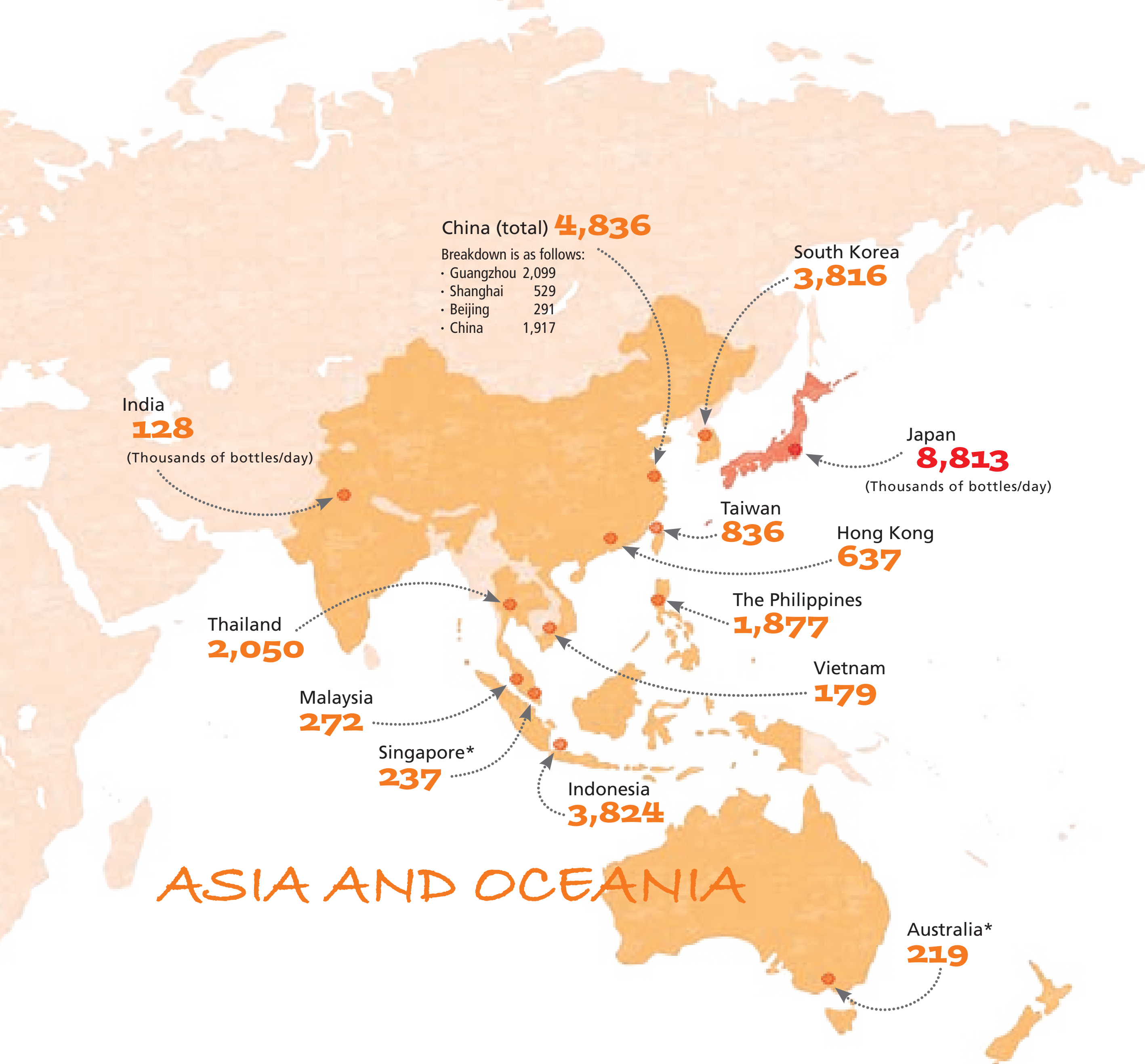
	Millions of yen					Thousands of U.S. dollars (Note 2)
	2011	2012	2013	2014	**2015**	**2015**
For the year:						
Net sales	¥305,944	¥312,553	¥319,193	¥350,322	**¥367,980**	**$3,066,503**
Operating income	20,401	20,817	23,068	32,026	**34,898**	**290,817**
Net income	13,169	13,292	16,379	22,544	**25,056**	**208,801**
At the year-end:						
Total assets	¥392,828	¥397,214	¥438,176	¥519,571	**¥579,345**	**$4,827,874**
Total liabilities	141,857	144,971	151,077	211,538	**217,132**	**1,809,433**
Total equity	250,971	252,243	287,099	308,033	**362,213**	**3,018,441**
Financial ratio:						
Return on equity (ROE) (%)	5.9	5.8	6.7	8.4	**8.4**	
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 76.55	¥ 77.32	¥ 95.03	¥ 134.44	**¥ 151.58**	**$ 1.26**
Total equity (Note 3)	1,313.37	1,328.61	1,517.88	1,662.37	**1,966.13**	**16.38**
Cash dividends applicable to the year	22.00	22.00	23.00	24.00	**25.00**	**0.21**

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 ¥120 to U.S.$1, the approximate rate of exchange at March 31, 2015.
3. Minority interests are not included in equity on process of calculation.

Sales Volume by Region

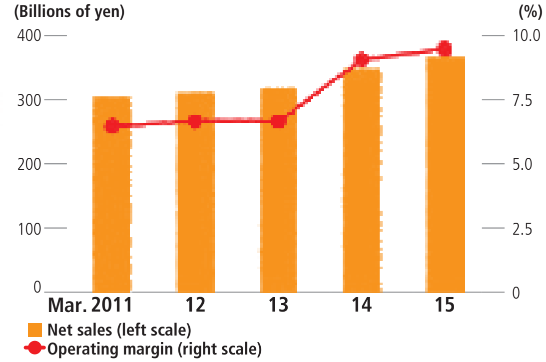
(Thousands of bottles/day)



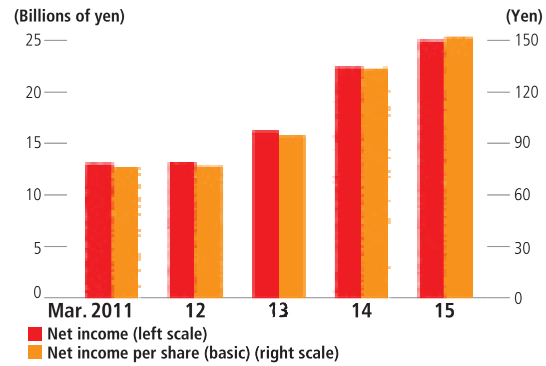


Countries where test and other sales are conducted: Luxembourg, France, Spain, Brunei, Uruguay, Canada, Belize, Malta and Switzerland

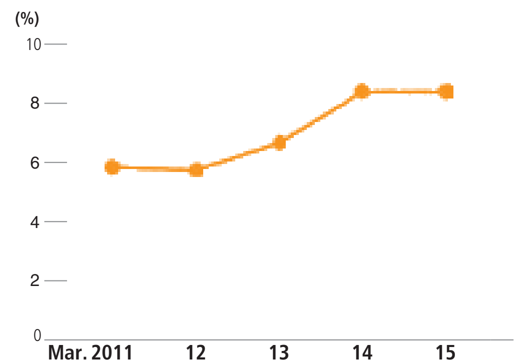
Net Sales and Operating Margin



Net Income and Net Income per Share (Basic)



ROE



Our 80th Anniversary: A Springboard toward

Sumiya Hori
Chairman and Representative Director
Chief Executive Officer

Takashige Negishi
President and Representative Director
Chief Operating Officer

This fiscal year is a major milestone, as we are commemorating the 80th anniversary of our founding. While we are cautious of not getting overly excited on this occasion, we are very much aware of the weight of the Company's history. We believe that rather than considering "what to do on the 80th anniversary of our founding," it is important to consider "what is our stance in commemorating the milestone year of our 80th anniversary." With this view in mind, we have been making **three major preparations**.

The first is building a new and improved research institute. We started construction of the new and improved research institute in 2006 and completed the Food Research Building, the Research Management Building, the Pharmaceutical and Cosmetic Research Building, and the Quality and Technological Development Building in 2014. Although the Basic Research Building is the only building that is still under construction, it will be completed in the autumn of 2015. The Research Administration Building, which has already been

Further Growth

completed, contains the International Conference Hall and Shirota Memorial Museum. Together with the improvement of facilities, we intend to spur the education of researchers and development of human resources and dramatically step up more than ever the development of new products and new materials, among other things.

The second is the building and reorganizing of domestic plants. The Okayama Wake Plant, our newest production facility, went into operation in November 2014, while the outdated Osaka Plant and Kobe Plant terminated production, with their functions being integrated into the new plant. As a result, the number of dairy product plants is now 10. The purpose of the plant reorganization was not only to make production and distribution more efficient, but also to be able to stably deliver products of even higher quality by installing production equipment and product inspection equipment using the latest technology. Since the Company produces products that people consume, we are aiming for an ever-higher level of safety and peace of mind.

The third is investing in plants overseas. Our sales numbers in the Asia and Oceania region have been increasing dramatically, and robust demand is expected to continue. Specifically, we began operating a plant in Mojokerto, Indonesia (on the outskirts of Surabaya) in January 2014, while the second plant in Guangzhou, China, and a plant in California, the United States, opened in March and May of the same year, respectively. Finally, a new plant began operating in Wuxi, Jiangsu in China in June 2015. We aim to establish an optimal supply system to propel the Company to further growth.

As illustrated by the examples above, we believe that we have succeeded in establishing a fitting structure to commemorate our 80th anniversary, which buoys hopes for future growth.

We at Yakult keep close to our hearts the mission statement by our founder, Dr. Minoru Shirota—"protecting the health of people around the world"—as we continue to promote our business through steady, thorough efforts to deliver good health and smiles to as many people as possible.

Sumiya Hori

Chairman and Representative Director
Chief Executive Officer

Takashige Negishi

President and Representative Director
Chief Operating Officer

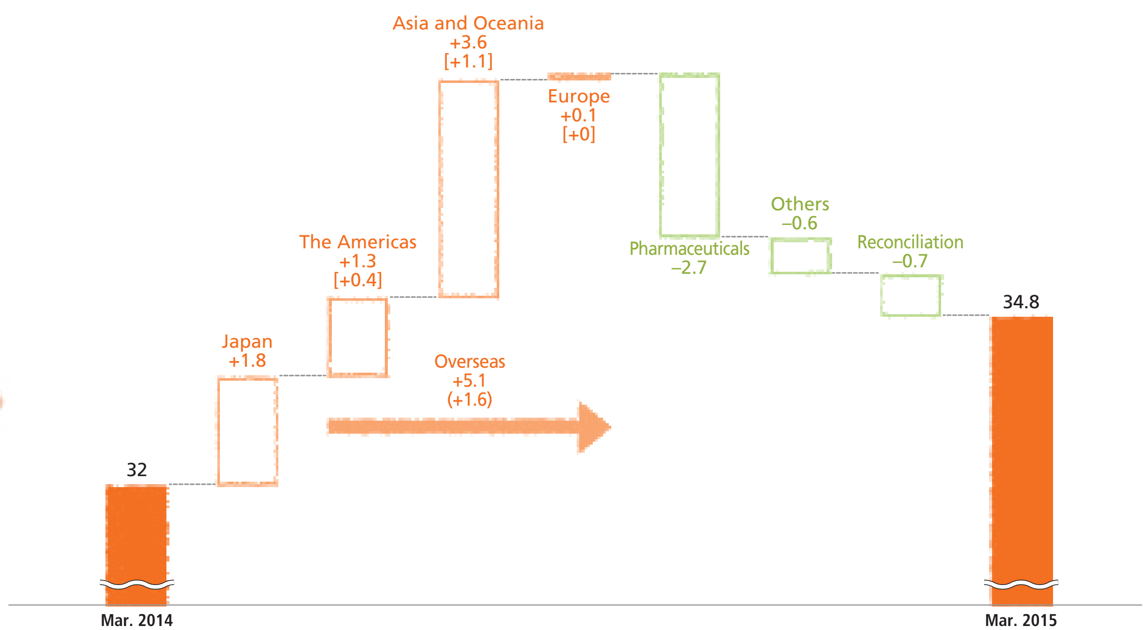
Results for Fiscal Year Ended March 31, 2015

We achieved record-breaking results in sales as well as all stages of profit.

Phase II of our long-term management plan, "Yakult Vision 2020," which covers the years through 2020, began this fiscal year by achieving record-breaking numbers in sales as well as all stages of profit.

The overseas food and beverages business experienced a significant increase in bottle sales specifically in Asia, which drove operations as a whole. Domestically, overall profit rose mainly due to the price adjustment on our dairy products, which improved the profit ratio despite a drop in sales of juice and other beverages. In the pharmaceuticals business, reflecting a backlash from the rush demand for our mainstay *Elplat* ahead of the consumption tax hike in April 2014, sales and income declined during the fiscal year under review.

Operating income: Factor analysis (YoY change)
(Billions of yen)



Notes: 1. Japan, the Americas, Asia and Oceania, and Europe belong to the Food and Beverages business.
2. The amounts in brackets are the increase/decrease in foreign currency translation adjustments.

Looking Ahead and Key Strategies

1 Long-Term Vision "Yakult Vision 2020"

In Phase II, our objective is to generate dramatic growth.

Yakult formulated and is implementing "Yakult Vision 2020," a long-term vision covering fiscal 2011 to 2020. The goal of this vision is to achieve sustainable growth as a global company while maintaining consistency in our conventional business management, and responding to changes flexibly in the business environment.

Phase I, which covered the three-year period from fiscal 2011 to fiscal 2013 (ended March 31, 2014), was positioned as a "run-up period before a leap forward," and we established a business foundation for the next 10 years. During this phase, we were able to surpass all our objectives.

In Phase II (covering the three-year period from fiscal 2014 to fiscal 2016), which we envision as a "period of dramatic growth," we are targeting global sales of 37.1 million bottles of dairy products per day, ¥420.0 billion in consolidated net sales, and ¥43.0 billion in operating income. During this phase, we plan to reach the global target for bottle sales originally planned for fiscal 2020.

The fiscal year under review, which was the first year of Phase II, saw an excellent start, as overseas beverages sales drove our entire operations. Since we also succeeded in establishing a sound R&D and production structure to prepare for future growth, we are poised to tackle any issues stemming from all our businesses to realize dramatic growth.

2 Domestic Food and Beverages

The profit ratio, which has been at times a source of concern, improved. We are aiming to boost the number of bottles sold by revitalizing our sales channels.

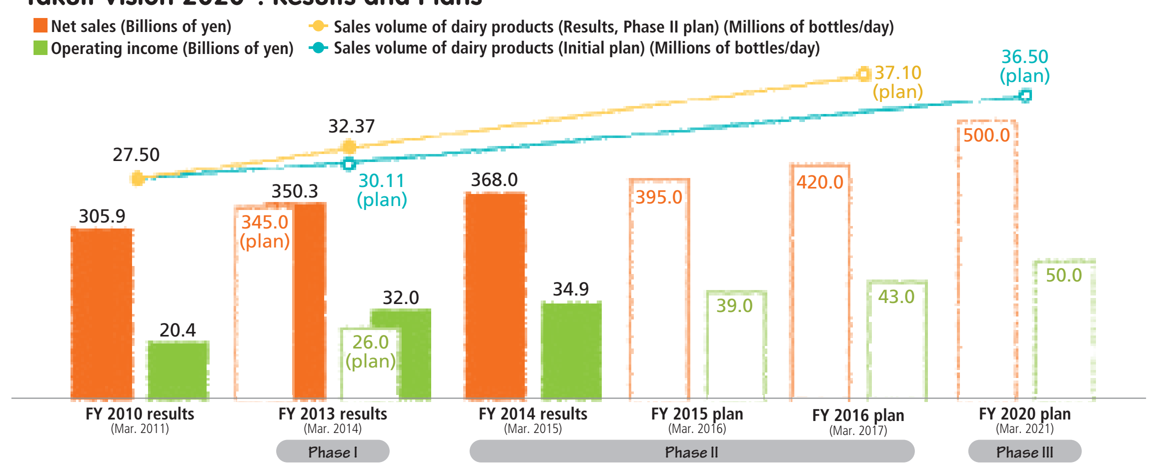
Our plan for Phase II in our domestic food and beverage business is to achieve ¥216.0 billion in net sales and 9.6 million in bottles sold per day. Although the fiscal year under review saw a significant improvement in the profit ratio due to the price adjustment on dairy products, the number of bottles sold decreased 1.6% compared to the previous year, which is an issue to be addressed going forward.

As we have completed the review of our domestic production system with a view toward the future and we will soon finish strengthening our R&D system, we now plan to focus on reinforcing sales.

Specifically, we will be looking to revitalize both of our domestic sales channels: our home delivery sales and retail store sales. To this end, as part of our advertising communication strategy, we will concentrate on increasing the value of our corporate brand as well as clarifying the positioning of our product brand and making it "fresher," and aim to create a synergy effect by strengthening brand loyalty of both our corporate and product brands.

One of our strategies for increasing the value of our corporate brand is to promote our R&D capabilities as

"Yakult Vision 2020": Results and Plans



well as convey the appeal of the Yakult Ladies to support the strengthening of the home delivery organization.

To clarify the positioning of our product brand and make it "fresher," we will launch a targeted campaign using the *Yakult 400* series, *New Yakult,* and *Joie* with specifically determined targets and benefits. With *Joie*, we will promote our collaboration with The Walt Disney Company (Japan) Ltd. and make optimal use of their brand image to support the revitalization of the *Joie* brand. We will continue to pursue the establishment of other "win-win" relationships with global corporations exemplified by our project with The Walt Disney Company (Japan) Ltd. with the aim of continuing to generate significant publicity.

3 Overseas Food and Beverages

We will further accelerate the expansion and cultivation of the high growth potential overseas market.

Our plan for Phase II in our overseas food and beverage business category is to achieve ¥150.0 billion in net sales and 27.5 million in bottles sold per day. The results for the fiscal year under review were favorable, as net sales reached ¥142.7 billion (up 20.1% from the previous fiscal year), while the number of bottles sold per day reached 25.17 million (up 7.5%). We therefore aim to achieve ¥160 billion in net sales for Phase II, surpassing our initial target.

The world market, as Yakult sees it, still has much room for growth. There are more than 190 nations in the world, with a total population of some 7.16 billion. At the same time, Yakult sells its products in only 32 countries and regions, excluding Japan. Furthermore, approximately 4.34 billion people live in the 32 countries and regions where we operate. Of the total, Yakult's marketing population is only 1.71 billion people. Accordingly, we see sufficient growth potential even in existing markets.

The Asia and Oceania region, especially, has shown an astonishing level of growth thus far. In China, we now have 31 sales bases in total, including four new ones established in spring 2015. As a result, we have increased our marketing population in China by 100 million compared to the same period last year, reaching 600 million people in all. As part of our medium- to long-term objectives, since China is a highly populous country with a population of 1.3 billion, we plan to continue to add a few sales bases each year to take on all opportunities for growth. Indonesia, where we plan to boost our production by 600,000 bottles, continues to show much promise in terms of continued growth.

In the Americas and Europe, we plan to make optimal use of our expertise as well as the trust we have gained thus far to steadily win customers one step at a time.

Preparing to Establish Local Companies to Enter the Middle East and Myanmar Markets

We will establish a local company in Dubai, the United Arab Emirates, as well as in Yangon, Myanmar, before the end of the year. The Middle East, where the United Arab Emirates is located, has seen considerable economic growth in recent years. The region also possesses a great deal of market potential, considering their dietary practices and history of food culture. The Republic of the Union of Myanmar, on the other hand, is the most populous of the countries in the Southeast Asia that we have not yet entered. In addition to our continued dissemination activities in countries where our business has already taken root, adding new countries to the list will help us to expand our customer base even further.

Dubai

Preparing for sales in the Middle East

Yangon

Preparing for production and sales in Myanmar

4 Pharmaceuticals

Centered on *Elplat*, we will further strengthen our strong presence in the field of anticancer drugs.

In this business category, our plan for Phase II is to expand our business specifically in the field of cancer treatment. Although we saw a decrease in both income and profit during the fiscal year under review, our plan going ahead is to put more focus on our cancer chemotherapeutic agent, *Elplat,* which accounts for approximately 70% of our sales in this category, by implementing more vigorous sales strategies.

Specifically, we will promote the advanced or recurrent colorectal cancer standard treatment to further penetrate the market, expand the market share of the postoperative adjuvant chemotherapy for colorectal cancer, and promote the FOLFIRINOX regimen for pancreatic cancer. Furthermore, since official approval was granted for advanced and recurrent gastric cancer, we will host lectures and conferences targeting medical professionals, to actively provide information and penetrate the market. We also applied for approval for adjuvant chemotherapy for gastric cancer in December 2014. Our effort to penetrate this market will start as soon as approval is granted.

In the pharmaceuticals business specifically targeting cancer, we are showing significant presence in the generic products market as well as new drugs and secured the largest market share with products such as *Gemcitabine Yakult* and *Zoledronic Acid Yakult*.

Our plan going forward is to continue to specialize in the field of cancer treatment not only focusing on new drugs but also generic products to attain stable sales and profit.

Business Forecast and Return to Shareholders

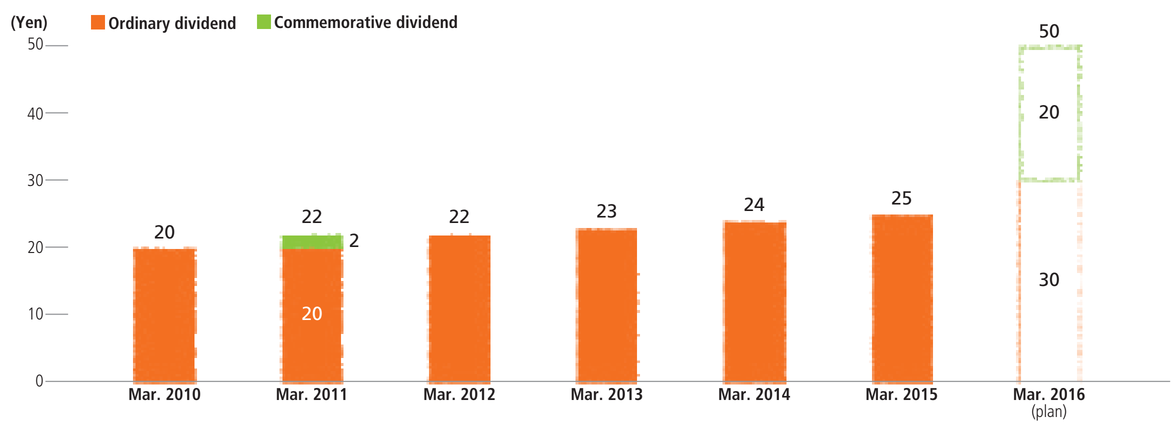
In addition to an increased base dividend reflecting our record-breaking profit, we will add a commemorative dividend to express our gratitude toward our shareholders.

For the fiscal year ending March 31, 2016, we aim to post record results. We project consolidated net sales of ¥395.0 billion (up 7.3%), operating income of ¥39.0 billion (up 11.8%), and net income of ¥27.5 billion (up 9.8%). We aim to increase the annual dividend by ¥5.0 per share compared with the previous year to ¥30.0. Furthermore, we intend to add a commemorative dividend of ¥20.0 to the base annual dividend of ¥30.0, for a total dividend of ¥50.0 per share, which is double the amount of the annual dividend for the fiscal year ended March 31, 2015. This increased dividend is intended to celebrate the 80th anniversary of Yakult's founding during the year, and is an expression of gratitude to shareholders for their steadfast support.

We hope that we will meet the expectations of our shareholders and investors by continuing to steadily grow our business.

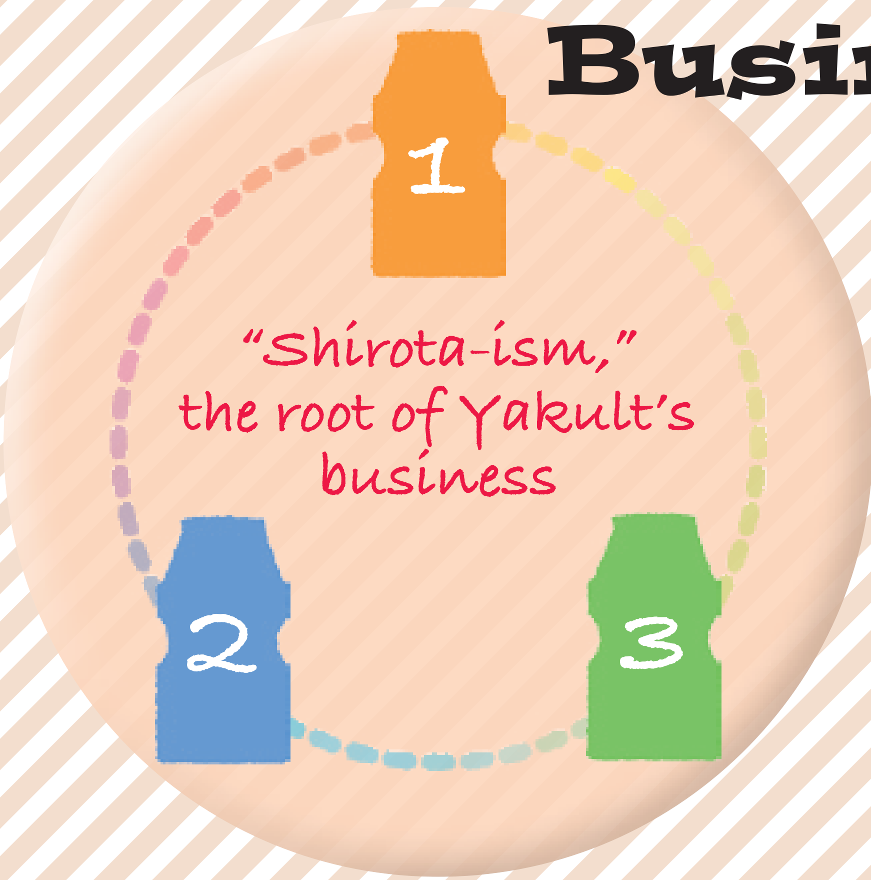
The Company's aggregate market value has now surpassed ¥1 trillion. We intend to maintain our efforts to operate and manage our business in a way befitting the high expectations placed on us by shareholders. We look forward to reporting to our shareholders the outcome of the Group's persistent efforts toward dramatic growth.

Dividends



Global Yakult: Celebrating Our 80th Year with an Unrivaled Business Model

Celebrating the 80th anniversary of its founding, Yakult continues to post dramatic growth, with all of its business activities originating from the desire of our founder, Dr. Minoru Shirota. This special feature describes the Company's business model, which forms the basis of its dramatic growth.



1 A business model led by our philosophy P13

2 Development of an integrated business model since our founding P14

3 Expansion to overseas markets P15

1 A Business Model Led by Our Philosophy

The source of Yakult's competitive advantage is its value chain based on "Shirota-ism"

Nearly 100 years ago, Japan had yet to achieve economic prosperity, and unsanitary conditions caused large numbers of children to die from infectious diseases. Deeply concerned about these conditions, while still a medical student, Dr. Minoru Shirota—Yakult's founder—set his sights on the field of preventive medicine. In his research, he discovered that lactobacilli were effective in improving the intestinal environment. He later became the first person to succeed in strengthening and culturing a strain of lactobacilli that reached the intestines alive. This strain is now known as *Lactobacillus casei* strain Shirota. In 1935, a fermented milk drink using this strain was introduced commercially under the brand name *Yakult*, which embraces his desire. The desire of Dr. Shirota is referred to as "Shirota-ism" (preventive medicine, the idea that a healthy intestinal tract leads to a long life and offering products at a price anyone can afford), which is the root of our business.

In a word, Yakult's business model is characterized by its value chain based on "Shirota-ism."

Laying its business foundation in lactobacillus research and development, Yakult works continually to refine its value chain in its business activities from the procurement of ingredients to manufacturing, sales and marketing. Yakult's value chain consists of strong capabilities based on "Shirota-ism." For example, Yakult's R&D capabilities originated from research on intestinal microbiota and now extend to a range of fields, from foods and beverages to specialty pharmaceuticals that are concentrated in the field of oncology in particular. In sales and marketing, the Yakult Lady home delivery system, an embodiment of "Shirota-ism," operates around the world. Through synergy created among the different elements of the value chain, we have established a business model that realizes our mission to deliver good health and smiles to people around the world. This value chain is the source of Yakult's real competitive advantage.

Value Chain Based on Shirota-ism

Philosophy
Shirota-ism
Preventive medicine, a healthy intestinal tract leads to a long life, and a price anyone can afford

→

Procurement and Manufacturing
Safety and Peace of Mind
The same strict quality control throughout domestic and overseas plants

→

Sales and Marketing
Channel Mix Strategy (Yakult Lady home delivery system and retail stores)
Thorough value dissemination activities emphasizing scientific evidence

Research and Development
Cutting-edge research on lactic acid bacteria

Delivering Good Health and Smiles to as Many People as Possible

Development of an Integrated Business Model since Our Founding

Sales and Marketing

Concentrated efforts to perform value dissemination activities by fully utilizing marketing channels

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. Accordingly, the top priority of Yakult's strategy is to spread the knowledge that *Lactobacillus casei* strain Shirota is a live microorganism that promotes health.

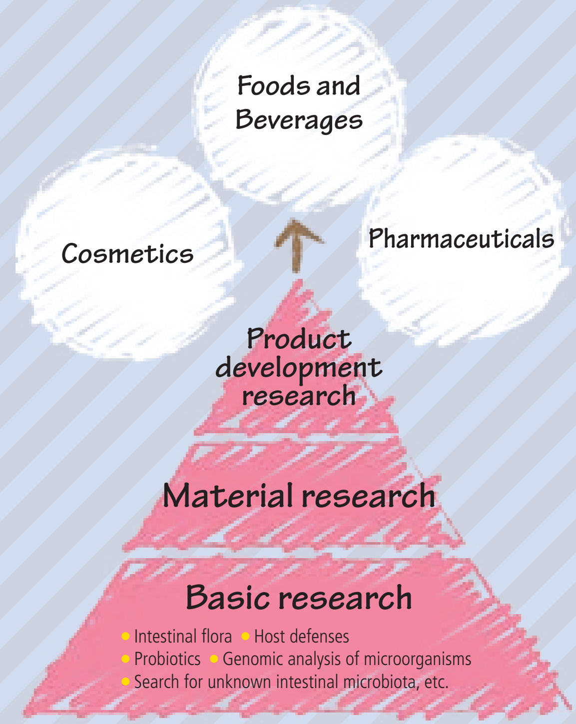
To explain this, it is necessary to make steady grassroots efforts to not only explain the products and scientific facts concerning the microorganism by visiting individual homes and demonstrating products at stores, but also implement public relations activities at elementary schools, kindergartens and community centers and give presentations to hospital staff such as nutritionists.

Yakult calls these efforts value dissemination activities. Unlike the "hunting" approach to marketing, which pursues short-term results through major advertising campaigns, Yakult's value dissemination activities take an "agricultural" approach to marketing, which requires repeated steady and thorough efforts as if cultivating a field. Since its founding, Yakult has consistently implemented the latter.

Research and Development

A pioneer in the field of lactobacillus research since our founding

Since its founding, Yakult has been accumulating a vast store of knowledge and achievements as the front-runner in the field of lactobacillus research. The Yakult Central Institute is the nerve center of Yakult's R&D operations. As a leading-edge research facility in the field of probiotics, the institute conducts research concerning beneficial microorganisms that can support and improve human health and aid in recovery. Such research is focused on intestinal microbiota and grounded in "Shirota-ism." Furthermore, a research institute was established in Europe (Ghent, Belgium), where research on intestinal microbiota flourishes, with the aim of developing a global research structure. A number of research projects are being conducted on a global scale in collaboration with universities. The research findings accumulated as scientific evidence by these institutes are not only utilized to promote value dissemination activities but also bear fruit in the development of new products for beverages and foods, cosmetics, and pharmaceuticals.



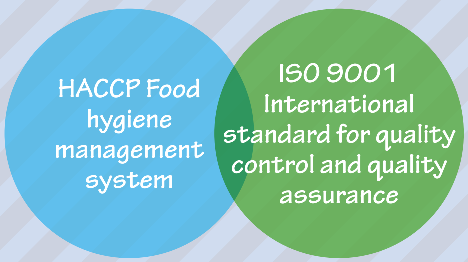
Procurement and Manufacturing

Strict performance of universal quality control that ensures safety and peace of mind, and a manufacturing process that sets us apart

Because *Yakult*—which contains live *Lactobacillus casei* strain Shirota—is difficult to preserve for a long period, local production is essential. Local plants regularly receive a supply of *Lactobacillus casei* strain Shirota, the key ingredient, from the Yakult Central Institute in Japan. Using raw materials that have cleared a strict quality check, they manufacture products under our

Children at a Malaysia plant tour

Yakult's unique quality control standards



unique quality control standards that integrate both HACCP and ISO 9001.

Nearly all of Yakult's plants overseas are open to the public and more than 300,000 visitors participate in plant tours each year to view Yakult's manufacturing process. The plant tours are a fun-filled opportunity for people in local communities to gain a real sense of safety and peace of mind towards Yakult's products.

The Yakult plant in Mojokerto, Indonesia (on the outskirts of Surabaya), is a factory built with the concept of providing a fascinating and fun-filled experience. The plant began operating in 2014 and offers visitors a number of attractive experiences. When a *Yakult* bottle is filled with the product liquid—the highlighted attraction—it is not uncommon to hear cheers from the visitors. Because news of this thrilling experience has spread through word of mouth, the plant tour currently is fully booked for the next 1–2 months. The tour is considered to be a new and effective sales promotion strategy as well as an opportunity to promote safety and peace of mind.

Growth Potential of Overseas Markets

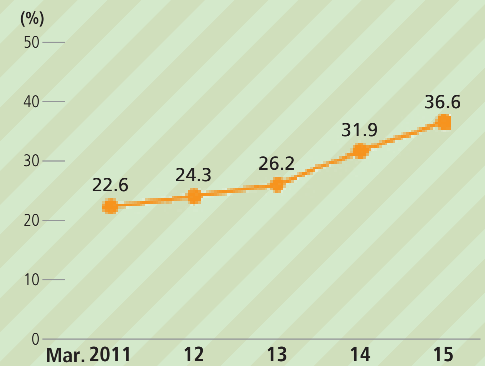
Establishing a global position that other competitors cannot match

Yakult's business model, in which the value chain is based on "Shirota-ism," has also been implemented overseas. The Company built an overseas market from the ground up using the "agricultural" approach, which requires repeated steady and thorough efforts as if cultivating a field. Through such efforts, the Company has succeeded in establishing a superior position in the fermented milk drink category that other competitors cannot match in global competition.

As shown in the charts on the right, Yakult is accelerating overseas operations. Over the last five years, overseas business as a percentage of net sales rose from 22.6% to 36.6%, and overseas business as a percentage of operating income rose from 38.7% to 64.5%.

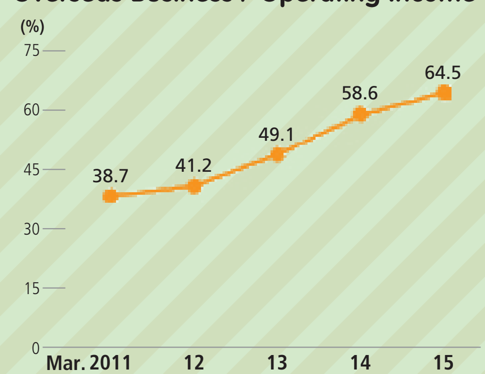
Recognizing the considerable growth potential of the global market, the Company intends to accelerate this trend. For details on the growth potential of the global market, please refer to "Overseas Food and Beverages Business" on page 10. Embracing the desire of its founder, Dr. Minoru Shirota, Yakult will continue to create markets around the world by exerting steady and thorough efforts to deliver good health and smiles to as many people as possible.

Overseas Business / Net Sales



Note: The above figures include intersegment transactions.

Overseas Business / Operating Income



Note: The above figures include intersegment transactions.

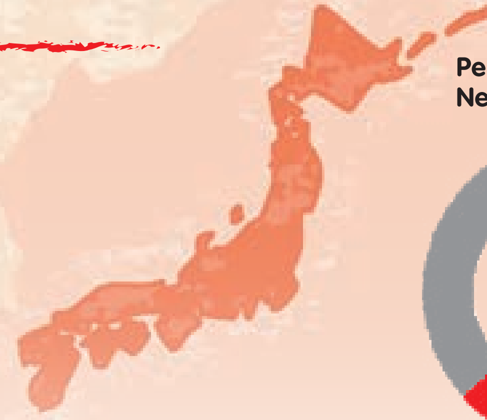
3 Expansion in Overseas Markets

Review of Operations

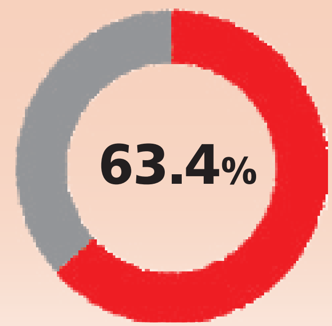
Note: Sales by business segment and percentage of net sales by region include intersegment transactions.

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, 2015, net sales in Japan came to ¥247.6 billion.



Percentage of Net Sales by Region (%)



Net Sales

FOOD AND BEVERAGES

New Yakult *Yakult 400* *Joie* *Mil-Mil* *Sofuhl*

In Probiotic products in Japan, Yakult actively expanded value dissemination activities using evidence-based approaches to broaden recognition of scientific attributes and value focused on our proprietary living *Lactobacillus casei* strain Shirota.

Through our home delivery channel, we promoted activities that encouraged people to try our products through samples or trial use, centered on our mainstay fermented milk drinks *Yakult 400* and *Yakult 400LT*. In addition, we aggressively carried out advertising campaigns, including the broadcast of a TV commercial featuring Yakult Ladies beginning in August 2014, the first such TV commercial in eight years. This highlighted and promoted recognition of the attractiveness of being a Yakult Lady, as part of our efforts to bolster our home delivery organization.

Through our retail store channel, we updated the package designs of *New Yakult*, *New Yakult Calorie Half* and *Yakult Ace* in April 2014 and conducted activities to explain the value of these products to customers, using our promotion staff. In June 2014, we introduced *Yakult*

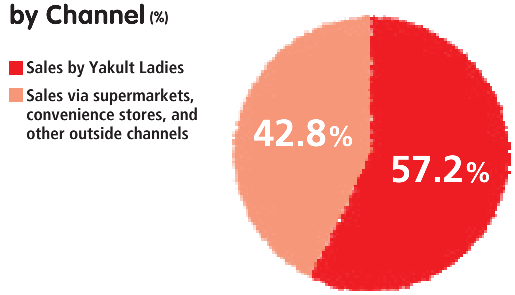
Gold, a high value-added fermented milk drink, which was designed for elderly customers, to revitalize our product lineup for the retail store channel.

By product, we introduced new package designs for fermented milks *Mil-Mil* and *Mil-Mil S* in September 2014 and explained the scientific attributes and value of our proprietary *Bifidobacterium breve* strain Yakult using both our home delivery and retail store channels. For the drinkable yogurt *Joie* series and the hard-type yogurt *Sofuhl* series, we launched time-limited items to refresh both brands. We also introduced *Cup de Yakult*, a spoonable version of *Yakult* using fresh cream, as a time-limited item in October 2014 under the *Mitsuboshi Factory* brand targeting female customers. As a result of these marketing efforts to bolster sales, overall sales of dairy products were virtually unchanged from the previous fiscal year.

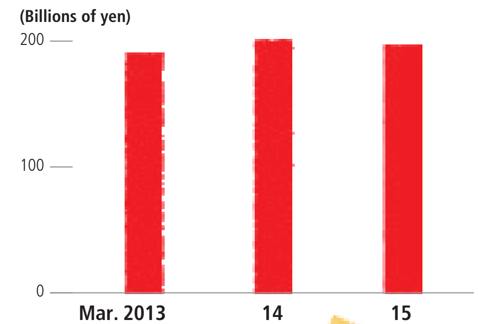
In juices and other beverages, we updated the lactic drink *Milouge* series in May 2014 and introduced TV commercials in an effort to revitalize the brand. We also updated three items of our functional drink *Gyutto Kenko* series featuring concentrated functional ingredients in August 2014 and launched *Gyutto Kenko Astaxanthin*, as part of our efforts to establish the brand. Despite these measures, sales in the juices and other beverages segment did not increase and sales actually declined from the previous fiscal year, partly due to the consumption tax hike and the unseasonable weather during the summer months.

Net sales in the Food and Beverages business decreased to ¥197.3 billion, or 1.6%, from the previous fiscal year.

Breakdown of Probiotic Products Sales by Channel (%)



Net Sales of Food and Beverages



PHARMACEUTICALS


CAMPTO 40mg for I.V. infusion


ELPLAT I.V. INFUSION SOLUTION 100mg


Gemcitabine for I.V. infusion 200mg Yakult

In Japan, we actively held lectures and medical office briefings targeting medical professionals. Through these, we aimed to promote further dissemination of the standard treatment for advanced or recurrent colorectal cancer that uses the cancer chemotherapeutic agent *Elplat*, and to educate attendees about FOLFOX and XELOX regimens for adjuvant chemotherapy. We also promoted activities recommending the proper use of a FOLFIRINOX regimen for the treatment of metastatic pancreatic cancer, which employs the cancer chemotherapeutic agents *Campto* and *Elplat* and the activated folinic acid drug *Levofolinate Yakult*. We received official approval for the additional indication of our chemotherapeutic agent *Elplat* to treat advanced and recurrent gastric cancer based on the public knowledge-based application in September 2014 and began providing information on its proper use, as requested by medical institutions. In addition, we worked to expand the market share and sales channels for antineoplastic antimetabolite *Gemcitabine Yakult*, generic antineoplastic drug *Imatinib Yakult*, and *Zoledronic Acid Yakult*, a generic drug for bone lesions caused by bone metastasis that was included in Japan's National Health drug price standard in June 2014.

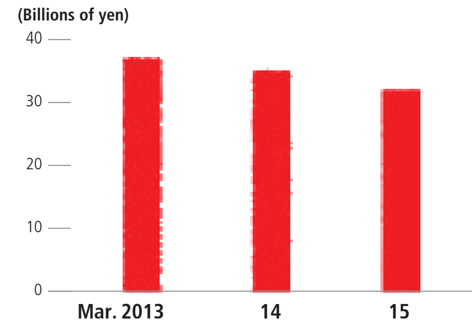
However, sales in Japan declined from the previous fiscal year, affected mainly by a large drop in sales of the mainstay *Elplat* during April–May 2014 due to a reaction to the rush demand prior to the consumption tax hike and a delay in approval for an additional indication of *Elplat* for gastric cancer.

In R&D, we expanded the indication of *Elplat*. An additional indication of advanced or recurrent gastric cancer was approved at the end of March 2015. We also applied for approval for an additional indication of adjuvant chemotherapy for gastric cancer in December 2014. Moreover, we obtained marketing authorization of *Docetaxel Yakult*, a generic antineoplastic drug, in February 2015. Lastly, we expedited the development pipeline of PI3K/Akt inhibitor *Perifosine* by Aterna Zentaris Inc. and oral HDAC inhibitor *Resminostat* by 4SC AG. Through these efforts, we aim to strengthen our position in the cancer-related field.

Outside Japan, with the progress of the shift to generic drugs, exports of the active pharmaceutical ingredient *Campto* stagnated due to tough price competition.

As a result, net sales in the Pharmaceuticals segment dropped 7.8%, to ¥32.6 billion.

Net Sales of Pharmaceuticals

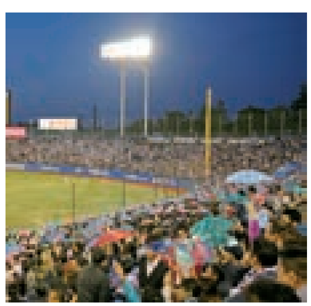


OTHERS

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

In our cosmetics operations, we continued to expand sales 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, placing emphasis on underscoring the value of our original moisturizing agent, *S.E. (Shirota Essence)*, derived from our research on lactic acid bacteria that has been accumulated since the Company's foundation.


Parabio


The home baseball stadium filled with Yakult Swallows fans

Specifically, we worked to attract new customers by implementing sales measures for which themes and key products were set each quarter.

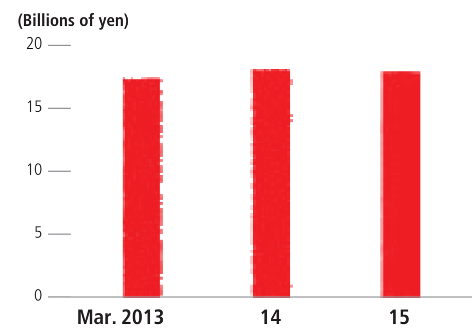
We launched *Bellefin Moisture Essence*, a moisturizing serum, and the *Yakult Sunscreen S.E.* series in April 2014 and *Crystance White Repair Essence*, a whitening serum, and *Yakult Treatment Repair Mask*, a face mask containing a plentiful amount of serum in November 2014 to expand sales of our cosmetics products.

However, earnings of cosmetics operations overall declined slightly due mainly to the consumption tax hike compared to the previous fiscal year.

In our professional baseball team operations, we strived to expand sales and the number of spectators at Meiji Jingu Stadium, the home ground of the Tokyo Yakult Swallows, mainly by enhancing fan services through a range of events in the stadium and opening an official merchandise shop.

As a result, the Others segment saw a net sales decrease of 1.4%, to ¥17.8 billion.

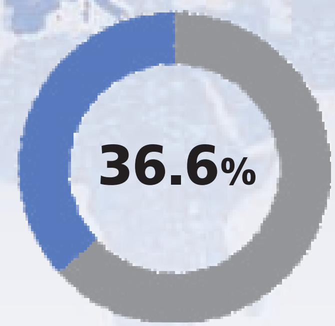
Net Sales of Others



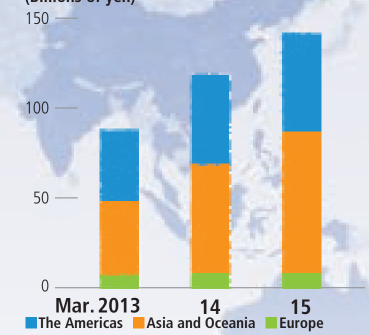
INTERNATIONAL BUSINESS

Overseas, 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, 2015, *Yakult* Probiotic drinks and other products are sold in 32 countries and regions, excluding Japan, with an average of 25.17 million bottles sold per day during the year under review. For the fiscal year ended March 31, 2015, the International Business recorded net sales of ¥142.7 billion.

Percentage of Net Sales by Region (%)



Net Sales



THE AMERICAS

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

Brazil

Mexico

United States

Mexico

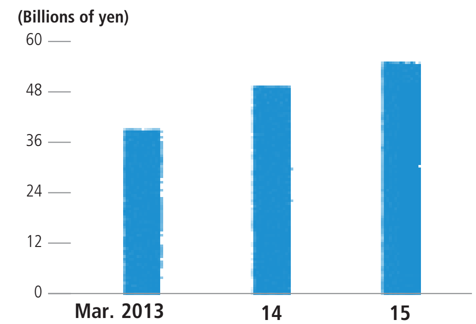
In the Americas, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil, Mexico and the United States.

In the United States, Yakult began production at its California plant in May 2014. With this effort, we aim to strengthen the stability of the supply system and further expand and cultivate our business.

Net sales in the Americas increased to ¥54.6 billion, up 11.0%, from the prior fiscal year.

Brazil

Net Sales in the Americas



ASIA AND OCEANIA

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

Indonesia

Singapore

China

India

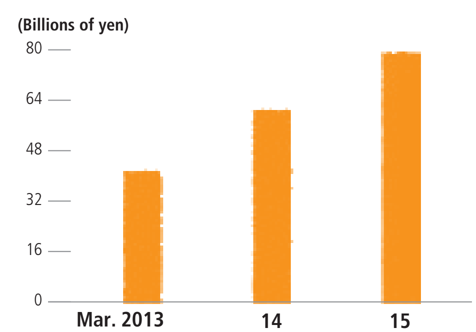
Vietnam

Indonesia

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, in line with the increase in sales volume of *Yakult*, we started production of Yakult at the second plant building of Tianjin Yakult Co., Ltd. (the Tianjin Plant) in June 2014. In addition, we established Wuxi Yakult Co., Ltd. (as a new plant) in Wuxi, Jiangsu Province, with production scheduled to start in June 2015. In September 2014, we also established new branches in Hohhot in the Inner Mongolia Autonomous Region, Jinhua in Zhejiang Province, and Huaian in Jiangsu Province. Furthermore, we

Net Sales in Asia and Oceania



expanded sales in Taiyuan, Shanxi Province from August 2014 and in Harbin, Heilongjiang Province starting from October 2014. As of March 2015, the average daily sales of *Yakult* totaled about 4.63 million bottles in China.

Net sales in Asia and Oceania increased to ¥79.2 billion, up 29.8%.

China (Beijing)

EUROPE

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

The Netherlands

Belgium

United Kingdom

Germany

Italy

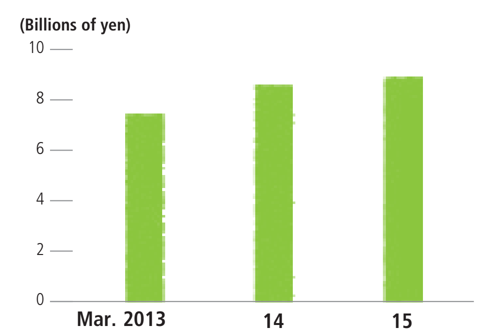
United Kingdom

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.

In May 2014 we launched sales of *Yakult Plus*, a high value-added fermented milk drink with dietary fiber, in Belgium, the fourth country where the product is sold following Germany, Austria and the Netherlands.

Net sales in Europe increased to ¥8.9 billion, up 3.0%, from the prior fiscal year.

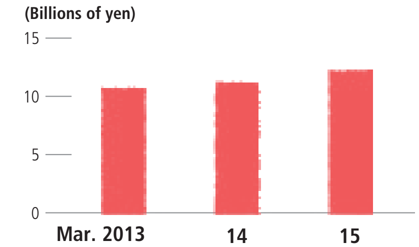
Net Sales in Europe



Research and Development

Since the Company's foundation, its 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.

Research and Development Costs



The Yakult Central Institute and the Yakult Honsha European Research Center

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

The study of useful microorganisms, particularly intestinal microbiota, 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 started construction of new research facilities in 2006, with the aim of maintaining its leadership in this field and raising the level of its groundbreaking research even higher. Four additional research buildings (the Research Management Building, Pharmaceutical and Cosmetic Research Building, Quality and Technical Development Building, and Basic Research Building) are slated for completion in 2015. Based on the concept of a "laboratory surrounded by forests and water" and designed to blend perfectly with the surrounding lush green fields, the Yakult Central Institute will be enhanced with other cutting-edge facilities. This will enable researchers to more efficiently carry out development projects and joint research.

The Yakult Honsha European Research Center for Microbiology, ESV (YHER) was established in Ghent, Belgium, in May 2005. The YHER gathers scientific evidence on the benefits of drinking our Probiotics products. By establishing a research base in Europe, an 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

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

Reduction in the occurrence of constipation-related symptoms and Hemorrhoids after childbirth achieved by consuming *Lactobacillus casei* strain Shirota on a continuous basis: Study by the Yakult Honsha European Research Center for Microbiology, ESV (YHER)

The researchers of YHER found that continuous consumption of a fermented milk drink containing *Lactobacillus casei* strain Shirota may alleviate constipation-related symptoms and reduce the incidence of hemorrhoids after childbirth in an intervention study targeting women during puerperium. These results suggest that continuous consumption of *Lactobacillus casei* strain Shirota could be an effective method of postnatal care for women. The results of this study have been published in the scientific journal *Beneficial Microbes*.

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

Analysis of the intestinal environment of patients with type 2 diabetes using the Yakult Intestinal Flora Scan system: Collaborative study with Juntendo University

In a collaborative study with Juntendo University, Yakult compared the intestinal flora of Japanese patients with type 2 diabetes to that of patients without the disease, using YIF-SCAN®: the Yakult Intestinal Flora Scan system. We demonstrated that Japanese patients with the disease suffered from a disturbance in the balance of intestinal flora and were prone to translocation of intestinal bacteria from the gut to the bloodstream. Not only are these results important in elucidating the mechanism of chronic inflammation associated with this disease, but also they suggest that improvement in the intestinal environment can lead to the development of a novel therapy for type 2 diabetes. The results of the research were published in the academic journal *Diabetes Care.*

Yakult Central Institute

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.

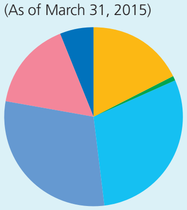
Our corporate philosophy is "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." In pursuing this philosophy, we believe it is important to implement transparent 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, 2015)



Japanese financial institutions	17.76%
Japanese securities companies	0.61%
Other Japanese corporations	29.78%
Foreign institutions and others	29.79%
Japanese individuals and others	16.06%
Treasury stock	6.00%

Major Shareholders

(As of March 31, 2015)

	Percentage of total shares issued
Barclays Bank PLC, Singapore Nominee/Danone Probiotics Private Ltd.	20.02%
Fuji Media Holdings, Inc.	3.69
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Mizuho Bank Account))	2.82
Matsusho Co., Ltd.	2.80
Kyoshinkai	2.54
The Master Trust Bank of Japan, Ltd. (Trust account)	1.68
Japan Trustee Services Bank, Ltd. (Trust account)	1.62
Kirin Beverage Corporation	1.40
Mizuho Bank, Ltd.	1.24
Teruo Nakamura	1.15

Note: In addition to the above, the Company holds 6.00% 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 24, 2015)

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, ORIX Corporation; 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, Faculty of Law, Hakuoh University; specially approved visiting Professor, Tohoku Fukushi University; Secretary General, Assist (Japan)	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.; Director, China Mengniu Dairy Co., Ltd.	Mr. Neu was appointed on the expectation that he would offer pertinent advice from a broad perspective regarding overall management, which would lead to further strengthening and enhancement of the management structure based on his abundant overseas management experience.
Bertrand Austruy	General Secretary and member of Executive Committee, Danone S.A.	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 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 Auditing Department, 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 Auditing Department 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.

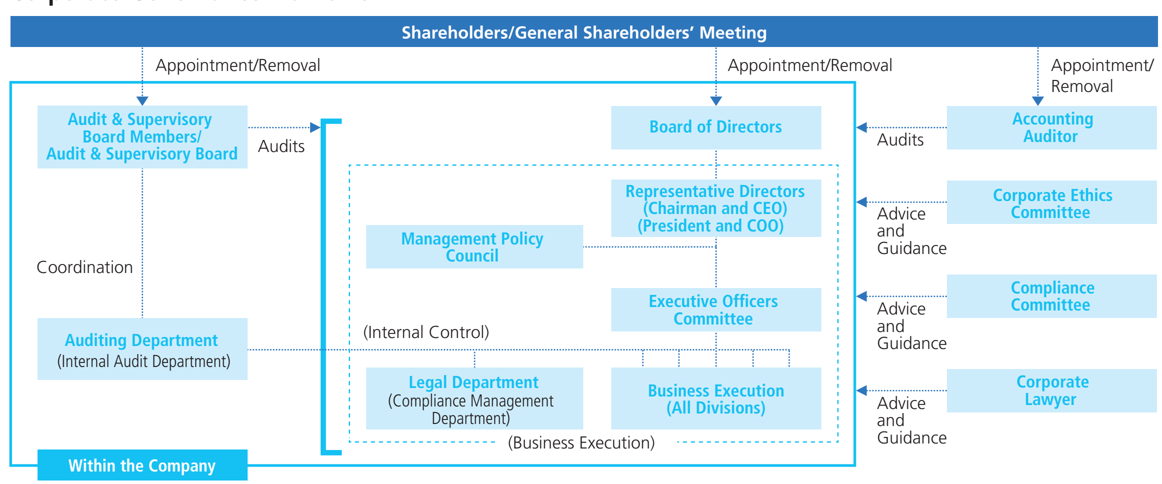
Accounting Auditor

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 24, 2015)

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 in 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 in 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.

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 all stakeholders, including our customers, shareholders, employees, business partners, local communities, industry groups, government, and non-profit organizations, 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

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 divisional 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 corporate group consisting of the Company and subsidiaries are appropriate

The Company seeks to ensure that operations at its subsidiaries are appropriate and efficiently executed 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 and the Rules for the Management of Overseas Operations include provisions to require the subsidiaries and affiliates to obtain advance approval and provide reports. At the same time, the Auditing Department, which is the Company's internal auditing department, carries out audits.

Furthermore, the Company has secured the appropriate operations throughout the Group by drawing up the Group's strategies and targets in the medium-term management plan as well as establishing an internal support system by setting up a department in charge of the management of the subsidiaries, in addition to implementing training and education programs for its subsidiaries. At the same time, the Rules for the Risk Management include provisions to respond to any crisis that develops suddenly occur throughout the Group.

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, and systems to ensure the effectiveness of instructions given to these employees by Audit & Supervisory Board Members

To secure the independence and effectiveness of instructions 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 of the Company and subsidiaries 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) Systems to ensure that reporting parties do not receive unfair treatment as a result of such reports

The Company prohibits any retaliation against the directors and employees who provide reports to Audit & Supervisory Board Members as a result of such reports. At the same time, the Rules for the Internal Reporting System include provisions to prohibit any other actions or behavior that infringe the whistleblower's rights.

x) 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. Expenses related to hearing such opinions from these outside experts and other audits are the responsibility of the Company.

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 the 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

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

Hiroshi Narita
Divisional General Manager of Food and Beverages Division

Kenichi Shiino
Divisional General Manager of Research & Development Division, and Production Division

Masanori Ito
Divisional General Manager of Pharmaceuticals Business Division

Hiroshi Wakabayashi
Divisional General Manager of Management Support Division

Fumiyasu Ishikawa

Richard Hall

Chairman and Representative Director
Chief Executive Officer
Sumiya Hori

President and Representative Director
Chief Operating Officer
Takashige Negishi

Directors
Yoshihiro Kawabata
Hiroshi Narita
Kenichi Shiino
Masanori Ito
Hiroshi Wakabayashi
Fumiyasu Ishikawa
Richard Hall

Directors (Part-Time)
Ryuji Yasuda
Masayuki Fukuoka
Christian Neu
Bertrand Austruy
Takashi Matsuzono
Norihito Maeda

Senior Audit & Supervisory Board Members
Akinori Abe
Hiroshi Yamakami

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

(As of June 25, 2015)

Financial Section

Consolidated Five-Year Summary

YAKULT HONSHA CO., LTD. and its subsidiaries
Years ended March 31, 2015, 2014, 2013, 2012, and 2011

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2011	2012	2013	2014	**2015**	**2015**
For the year:						
Net sales	¥ 305,944	¥ 312,553	¥ 319,193	¥ 350,322	**¥ 367,980**	**$3,066,503**
Selling, general and administrative expenses	147,139	149,214	148,581	161,965	**168,092**	**1,400,768**
Operating income	20,401	20,817	23,068	32,026	**34,898**	**290,817**
Net income	13,169	13,292	16,379	22,544	**25,056**	**208,801**
Research and development costs	11,480	12,414	10,761	11,166	**12,135**	**101,122**
Capital investments	23,970	25,007	33,587	50,163	**40,371**	**336,424**
Depreciation and amortization	19,628	18,337	19,435	20,078	**22,793**	**189,942**
At the year-end:						
Total assets	¥ 392,828	¥ 397,214	¥ 438,176	¥ 519,571	**¥ 579,345**	**$4,827,874**
Net property, plant and equipment	133,717	136,963	150,612	184,208	**205,595**	**1,713,292**
Total liabilities	141,857	144,971	151,077	211,538	**217,132**	**1,809,433**
Total equity	250,971	252,243	287,099	308,033	**362,213**	**3,018,441**
	Yen					U.S. dollars (Note 2)
Per share of common stock:						
Basic net income	¥ 76.55	¥ 77.32	¥ 95.03	¥ 134.44	**¥ 151.58**	**$ 1.26**
Total equity (Note 3)	1,313.37	1,328.61	1,517.88	1,662.37	**1,966.13**	**16.38**
Cash dividends applicable to the year	22.00	22.00	23.00	24.00	**25.00**	**0.21**
Financial ratios:						
Return on equity (ROE) (%)	5.9	5.8	6.7	8.4	**8.4**	
Equity ratio (%)	57.5	57.6	59.8	52.9	**56.1**	

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 ¥120 to U.S.$1, the approximate rate of exchange on March 31, 2015.
3. Minority interests are not included in equity for the calculation.

Financial Section

Contents

OVERVIEW

During the fiscal year ended March 31, 2015, the Japanese economy showed a gradual recovery trend. The improvement in corporate earnings and employment conditions more than offset weakness in private consumption due to reaction to the rush in demand prior to the consumption tax hike in April 2014.

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.

As a result of these efforts, on a consolidated basis, net sales advanced 5.0% from the previous fiscal year, to ¥368.0 billion. Operating income climbed 9.0%, to ¥34.9 billion, while the operating margin rose to 9.5%, up 0.4 percentage points from the previous year. Consequently, net income jumped 11.1%, to ¥25.1 billion, and the return on sales increased to 6.8%, up 0.4 percentage points from the previous year's results.

SALES, COSTS, EXPENSES, AND EARNINGS

SALES

Net sales rose 5.0%, to ¥368.0 billion.

Looking at net sales by reporting segment (before reconciliation), Food and Beverages (Japan) accounted for 50.5% of sales, down 3.3 percentage points from the previous fiscal year. Food and Beverages (Overseas) accounted for 36.6% of sales, up 4.7 percentage points from the previous fiscal year. Pharmaceuticals generated 8.3%, down 1.2 percentage points from the previous fiscal year, and Others contributed 4.6%, down 0.2 percentage points from the previous fiscal year.

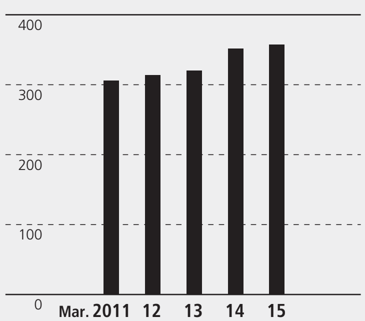
COSTS, EXPENSES, AND EARNINGS

Consolidated cost of sales increased by 5.5%, to ¥165.0 billion. As a result, the cost of sales ratio rose 0.2 percentage point, to 44.8%. Gross profit increased by 4.6%, to ¥203.0 billion, and the gross profit margin decreased 0.2 percentage points, to 55.2%.

Selling, general and administrative (SG&A) expenses increased by 3.8%, to ¥168.1 billion. This rise resulted mainly from higher personnel expenses accompanying the expansion of the Group's operations and an increase in advertising. The SG&A expense ratio decreased by 0.5 percentage points, to 45.7%. R&D expenses expanded by ¥1.0

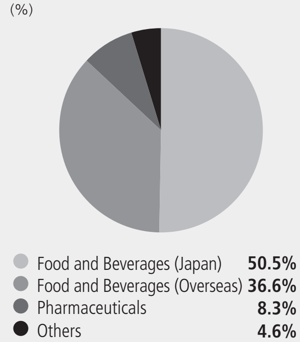
Net Sales

(Billions of yen)



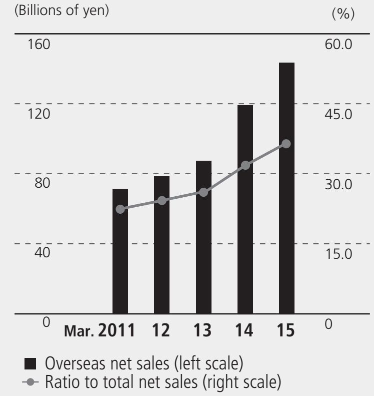
Breakdown of Net Sales (before eliminations) (Mar. 2015)

(%)



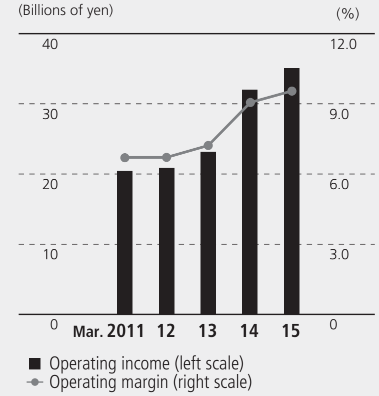
Overseas Net Sales/ Ratio to Total Net Sales

(Billions of yen) (%)



Operating Income and Operating Margin

(Billions of yen) (%)



billion year on year, to ¥12.1 billion. As a percentage of net sales, R&D expenses rose 0.1 percentage points, to 3.3%.

As a result, operating income increased 9.0%, to ¥34.9 billion, and the operating margin rose 0.4 percentage points, to 9.5%.

Other income—net amounted to ¥10.2 billion, up ¥2.8 billion from a year earlier, mainly due to an increase in foreign exchange gain and a rise in equity in earnings of associated companies.

Income taxes amounted to ¥14.6 billion.

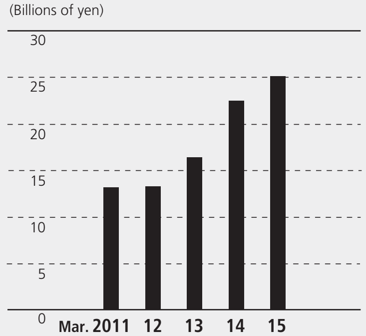
Consequently, net income increased by 11.1%, to ¥25.1 billion, and the return on sales rose 0.4 percentage points, to 6.8%.

OVERVIEW BY SEGMENT

FOOD AND BEVERAGES (JAPAN): In Probiotic products, Yakult actively expanded value dissemination activities using evidence-based approaches to broaden recognition of the scientific attributes and value focused on the proprietary living *Lactobacillus casei* strain Shirota.

Through our home delivery channel, we promoted sales activities that encouraged people to try our products through samples or trial use, centered on our mainstay fermented milk drinks *Yakult 400* and *Yakult 400LT*. In addition, we aggressively carried out advertising campaigns, including the broadcast of a TV commercial featuring the Yakult Ladies since August 2014, the first such TV commercial in eight years. This highlighted what the Yakult Ladies do in their work and promoted their recognition among the general public, as part of our efforts to bolster our home delivery scheme.

Net Income



Operating Income (loss) by Business Segment

Through our retail store channel, we renewed the package designs of *New Yakult*, *New Yakult Calorie Half,* and *Yakult Ace* in April 2014 and conducted activities to explain the value of these products to customers, using our promotion staff. In June 2014, we introduced *Yakult Gold*, a fermented milk drink with higher added value, which was specially designed for elderly customers, to revive our product lineup for the retail store channel.

By product, we introduced new package designs for fermented milk drinks *Mil-Mil* and *Mil-Mil S* in September 2014 and explained the scientific attributes and value of our proprietary *Bifidobacterium breve strain* Yakult using both our home delivery and retail store channels. For the drinkable yogurt *Joie* series and the hard-type yogurt *Sofuhl* series, we launched time-limited items to refresh both brands. We also introduced *Cup de Yakult*, an spoonable version of *Yakult* using fresh cream, as a time-limited item in October 2014 under the *Mitsuboshi Factory* brand targeting female customers. As a result of these marketing efforts to bolster sales, overall sales of dairy products were virtually unchanged from the previous fiscal year.

In juices and other beverages, we renewed the lactic drink *Milouge* series in May 2014 and introduced TV commercials in an effort to revitalize the brand. We also renewed three items of our functional drink *Gyutto Kenko* series featuring condensed functional materials in August 2014 and launched *Gyutto Kenko Astaxanthin* as part of our efforts to establish the brand. Despite these measures, sales in the juices and other beverages segment did not increase and sales actually declined from the previous fiscal year, partly due to the consumption tax hike and the unseasonable weather during the summer months.

Net sales decreased to ¥197.3 billion, down 1.6%, from the previous fiscal year, while segment profit increased 18.8%, to ¥11.6 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 32 countries and regions outside Japan, and are centered on 27 business bases and one 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 25.22 million bottles in March 2015.

In the Americas, Yakult manufactures and sells the fermented milk drink *Yakult* and other products in Brazil, Mexico, and the United States.

In the United States, Yakult began production at its California plant in May 2014. With this effort, we aim to strengthen the stability of the supply system and further expand and cultivate our market.

Net sales in the Americas increased to ¥54.6 billion, up 11.0%, from the prior fiscal year, and segment profit climbed 11.7%, to ¥12.8 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, in line with the increase in sales volume of *Yakult*, we started production of *Yakult* at the second factory building of Tianjin Yakult Co., Ltd. (the Tianjin Plant) in June 2014. In addition, we established Wuxi Yakult Co., Ltd. (as a new plant) in Wuxi, Jiangsu Province, with production scheduled to start in June 2015. In September 2014, we also established new branches in Hohhot in the Inner Mongolia Autonomous Region, Jinhua in Zhejiang Province, and Huaian in Jiangsu Province. Furthermore, we expanded sales in Taiyuan, Shanxi Province from August 2014 and in Harbin, Heilongjiang Province starting from October 2014. As of March 2015, the average daily sales of *Yakult* totaled about 4.63 million bottles in China.

Net sales in Asia and Oceania increased to ¥79.2 billion, up 29.8%, from the prior fiscal year, and segment profit jumped 21.7%, to ¥20.4 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 elsewhere.

In May 2014 we launched sales of *Yakult Plus*, a high value-added fermented milk drink with dietary fiber, in Belgium, the fourth country where the product is sold following Germany, Austria and the Netherlands.

Net sales in Europe increased to ¥8.9 billion, up 3.0% from the prior fiscal year, and the segment loss was ¥0.2 billion (versus segment loss of ¥0.3 billion in the previous fiscal year).

PHARMACEUTICALS: In Japan, we actively held lectures and medical office briefings targeting medical professionals. Through these, we aimed to promote further dissemination of the standard treatment for advanced or recurrent colorectal cancer that uses the cancer chemotherapeutic agent *Elplat*, and to educate attendees about FOLFOX and XELOX regimens for adjuvant chemotherapy. We also promoted activities recommending the proper use of a FOLFIRINOX regimen, which employs the cancer chemotherapeutic agents *Campto* and *Elplat* and the activated folinic acid drug *Levofolinate Yakult*. We received official approval for the additional indication of our chemotherapeutic agent *Elplat* to treat advanced and recurrent gastric cancer based on the public knowledge-based application in September 2014 and began providing information on its proper use, as requested by medical institutions. In addition, we worked to expand the market share and sales channels for antineoplastic antimetabolite *Gemcitabine Yakult*, generic antineoplastic drug *Imatinib Yakult*, and *Zoledronic Acid Yakult*, a generic drug for bone lesions caused by bone metastasis that was included in Japan's National Health drug price standard in June 2014.

However, sales in Japan declined from the previous fiscal year, affected mainly by a large drop in sales of the mainstay *Elplat* during April–May 2014 due to a reaction to the rush demand prior to the consumption tax hike and a delay in acquisition of approval for an additional indication of *Elplat* for gastric cancer.

In R&D, we expanded the indication of *Elplat*. An additional indication of advanced or recurrent gastric cancer was approved at the end of March 2015. We also applied for approval for an additional indication of adjuvant chemotherapy for gastric cancer in December 2014. Moreover, we obtained approval of production and sales of *Docetaxel Yakult*, a generic antineoplastic drug, in February 2014. Lastly, we stepped up the development pipeline of PI3K/Akt inhibitor *Perifosine* by Aterna Zentaris Inc. and oral HDAC inhibitor *Resminostat* by 4SC AG. Through these efforts, we aim to solidify our position in the cancer-related field.

Outside Japan, with the progress of the shift to generic drugs, exports of the active pharmaceutical ingredient *Campto* stagnated due to tough price competition.

As a result, net sales in the Pharmaceuticals segment dropped 7.8%, to ¥32.6 billion, while segment profit was ¥5.8 billion, down 31.7% from the prior fiscal year.

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

In our cosmetics operations, we continued to expand sales 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, placing emphasis on underscoring the value of our original moisturizing agents, *S.E. (Shirota Essence)*, derived from our research expertise on lactic acid bacteria that has been developed since the Company's foundation.

Specifically, we worked to attract new customers by implementing sales measures for which themes and key products were set each quarter.

We launched *Bellefin Moisture Essence*, a moisturizing serum, and the *Yakult Sunscreen S.E.* series in April 2014 and *Crystance White Repair Essence*, a whitening serum, and Y*akult Treatment Repair Mask*, a face mask containing abundant serum in November 2014 to expand sales of our cosmetics products.

However, earnings of cosmetics operations overall declined slightly due mainly to the consumption tax hike compared to the previous fiscal year.

In our professional baseball team operations, we strived to expand sales and the number of spectators at Meiji Jingu Stadium, the home ground of the Tokyo Yakult Swallows, mainly by enhancing fan services through a range of events in the stadium and opening an official merchandise shop.

As a result, the Others segment saw a net sales decrease of 1.4%, to ¥17.8 billion, and segment profit fell 49.5%, to ¥0.7 billion.

FINANCIAL POSITION

Total assets at year-end amounted to ¥579.3 billion, climbing 11.5% year on year.

Current assets increased by ¥14.7 billion, or 7.0%, from the prior fiscal year-end, to ¥226.0 billion, principally due to a rise of ¥7.8 billion in cash and cash equivalents and an increase in inventories of ¥2.2 billion.

Net property, plant and equipment advanced ¥21.4 billion, to ¥205.6 billion. This was primarily due to an increase in buildings and structures and an increase in machinery, equipment and vehicles, reflecting the construction and expansion of plants in China.

Investments and other assets rose ¥23.3 billion, or 19.1%, to ¥147.8 billion, mainly reflecting increases in investment securities due to fair value adjustments.

In the fiscal year under review, capital investment decreased by 19.5%, to ¥40.4 billion.

Total liabilities grew 2.6%, to ¥217.1 billion. The major component of this increase was a rise in short-term borrowings of ¥6.1 billion. As a result, interest-bearing debt climbed ¥9.5 billion from the prior fiscal year-end, to ¥119.7 billion, while the debt-to-equity ratio decreased by 3.3 percentage points, to 36.8%.

Equity increased by 18.3%, to ¥325.0 billion, from ¥274.8 billion a year earlier. This rise was primarily due to increases in retained earnings and foreign currency translation adjustments.

As a result, the equity ratio improved 3.2 percentage points, to 56.1%. ROE was essentially flat, at 8.4%. Return on assets (ROA) decreased by 0.3 percentage point, to 6.4%.

CASH FLOWS

Net cash provided by operating activities was up ¥6.8 billion from the previous year, to ¥55.4 billion. This primarily reflected ¥45.1 billion in income before income taxes and minority interests and ¥22.8 billion in depreciation and amortization.

Net cash used in investing activities increased by ¥0.1 billion, to ¥50.1 billion. Cash was mainly used for purchases of property, plant and equipment, specifically for the establishment of new production facilities and research equipment.

Net cash used in financing activities was ¥1.6 billion, a decrease of ¥5.1 billion from the previous fiscal year. This outlay was mainly attributable to the payment of dividends, despite a net increase in short-term loans and a proceeds from long-term debt.

In addition, foreign currency translation adjustments amounted to ¥4.3 billion due to foreign exchange fluctuations.

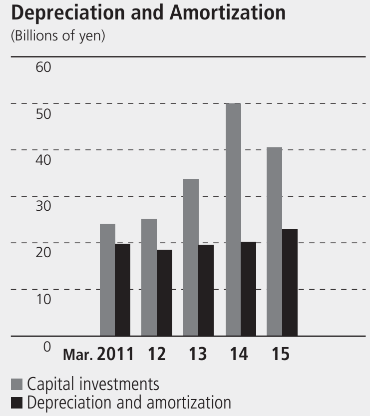
As a result, cash and cash equivalents at year-end amounted to ¥103.4 billion, a net increase of ¥7.8 billion from the previous fiscal year-end.

DIVIDENDS

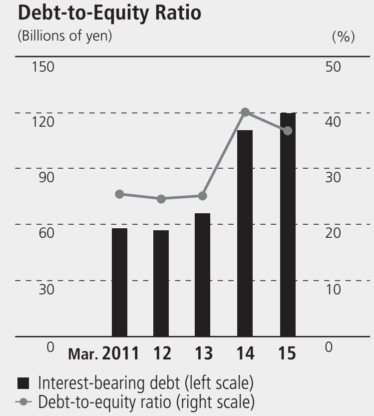
We give top priority to the payment of a stable and continuous dividend to shareholders by setting the annual dividend at a base of ¥20.0 per share. The total dividend is decided based on business performance for the year, after comprehensively taking into account the need

Total Assets and Equity (Excluding Minority Interests)

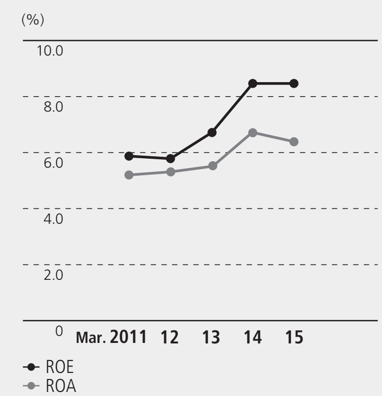
Capital Investments and Depreciation and Amortization



Interest-Bearing Debt and Debt-to-Equity Ratio



ROE and ROA



Note: ROA is calculated based on operating income.

for funds for future business expansion and increasing earnings, as well as the Company's financial position.

Based on the policy described above, we decided to pay a total dividend of ¥25.0 per share, up ¥1.0 from the prior fiscal year to continuously increase the return to shareholders. We have already declared and paid an interim dividend of ¥12.5 per share, and the balance of ¥12.5 per share will be distributed to our shareholders as the year-end dividend.

For the fiscal year ending March 31, 2016, we plan to continue to increase the annual dividend by ¥5.0 to ¥30.0 in an effort to offer higher returns to shareholders. Furthermore, we intend to add a commemorative dividend of ¥20.0 to the base annual dividend of ¥30.0, for a total dividend of ¥50.0 per share, which is double the amount of the annual dividend for the fiscal year ended March 31, 2015. This increased dividend is intended to celebrate the 80th anniversary of the Yakult Group during the year and is an expression of gratitude to shareholders for their steadfast support.

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

FORWARD LOOKING STATEMENT

FOOD AND BEVERAGES

In our domestic Probiotics business, we will continue to further strengthen brands as the pioneer in fermented milk products, such as *Yakult 400* and *Yakult 400LT* for our home delivery channel, as well as New *Yakult* and *New Yakult Calorie Half* for the retail store channel.

By product, we will seek to shore up the *Joie* brand by introducing creative *Joie* packages featuring Disney characters under a license agreement with Walt Disney Japan.

In juices and other beverages, we plan to strengthen our core brands and expand the lineup of high-value-added products with health functionality.

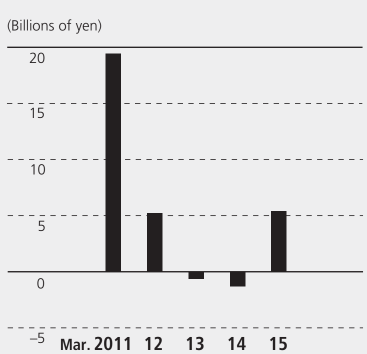
In addition, we aim to bolster the home delivery system by disseminating what Yakult Ladies do to the general public and boosting the attractiveness of their work. We also plan to tailor our marketing approach to individual markets with growth potential in a bid to expand sales.

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

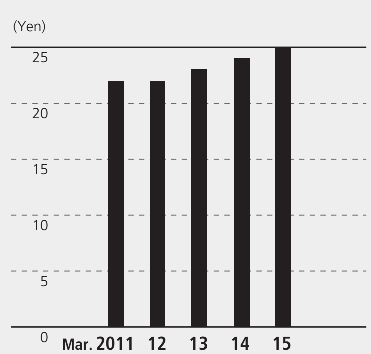
For existing business bases that have already established a local presence, we will work to achieve further business growth, establish solid financial bases, and generate higher profits.

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

Free Cash Flow



Dividends



PHARMACEUTICALS

In Japan, following the approval of the additional indication of our chemotherapeutic agent *Elplat* to treat advanced and recurrent gastric cancer, we aim to boost sales by actively providing information through lectures and medical office briefings that target medical professionals. We will also seek to maintain the market share of our cancer chemotherapeutic agent *Campto* and expand sales channels of newly introduced *Zoledronic Acid Yakult*, a generic drug for bone lesions, and an upcoming generic antineoplastic drug, *Docetaxel Yakult*.

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

OTHERS

In our cosmetics operations, we will continue to expand sales 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, placing emphasis on underscoring the value of our original moisturizing agents, *S.E. (Shirota Essence)*, derived from our research expertise on lactic acid bacteria that has been developed since the Company's foundation.

In addition, other measures aimed at gaining new customers and to drive sales growth will continue to include the revitalization of sales by launching new products and employing marketing measures that encourage people to regularly use our cosmetic series through trial use of basic cosmetic and select featured products arranged with the season.

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 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 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 affect 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 affect 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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 11)	**¥ 103,402**	¥ 95,624	**$ 861,687**
Time deposits (Notes 5 and 11)	**16,947**	14,457	**141,226**
Receivables (Note 11):			
Notes and accounts receivable	**51,722**	52,543	**431,015**
Associated companies	**4,717**	4,977	**39,306**
Other	**4,871**	3,274	**40,592**
Inventories (Note 3)	**31,630**	29,384	**263,588**
Deferred tax assets (Note 8)	**5,172**	5,800	**43,097**
Other current assets	**7,753**	5,545	**64,608**
Allowance for doubtful accounts (Note 11)	**(254)**	(328)	**(2,119)**
Total current assets	**225,960**	211,276	**1,883,000**
Property, plant and equipment:			
Land (Note 5)	**37,670**	37,833	**313,919**
Buildings and structures (Note 5)	**151,622**	129,687	**1,263,515**
Machinery, equipment and vehicles	**140,259**	118,943	**1,168,822**
Furniture and fixtures	**23,476**	22,314	**195,632**
Lease assets (Note 9)	**18,833**	18,328	**156,943**
Construction in progress	**13,232**	23,662	**110,267**
Total	**385,092**	350,767	**3,209,098**
Accumulated depreciation (Note 5)	**(179,497)**	(166,559)	**(1,495,806)**
Net property, plant and equipment	**205,595**	184,208	**1,713,292**
Investments and other assets:			
Investment securities (Notes 4 and 11)	**78,688**	61,063	**655,734**
Investments in and advances to associated companies (Note 11)	**52,870**	47,641	**440,587**
Long-term loans	**98**	446	**813**
Goodwill	**22**	32	**182**
Deferred tax assets (Note 8)	**2,637**	2,757	**21,975**
Other assets (Note 6)	**13,475**	12,148	**112,291**
Total investments and other assets	**147,790**	124,087	**1,231,582**
Total (Note 17)	**¥ 579,345**	¥ 519,571	**$ 4,827,874**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	**¥ 36,626**	¥ 30,526	**$ 305,214**
Current portion of long-term debt (Notes 5, 9, and 11)	**8,232**	5,437	**68,598**
Payables (Note 11):			
Notes and accounts payable	**23,718**	24,992	**197,653**
Associated companies	**78**	118	**647**
Other	**13,608**	13,327	**113,405**
Income taxes payable	**3,201**	3,289	**26,676**
Accrued expenses	**19,674**	19,538	**163,946**
Deferred tax liabilities (Note 8)	**96**	162	**799**
Other current liabilities	**10,489**	11,534	**87,410**
Total current liabilities	**115,722**	108,923	**964,348**
Long-term liabilities:			
Long-term debt (Notes 5, 9, and 11)	**74,835**	74,280	**623,624**
Liability for retirement benefits (Note 6)	**7,947**	18,979	**66,222**
Asset retirement obligations	**911**	887	**7,594**
Deferred tax liabilities (Note 8)	**14,893**	5,059	**124,113**
Other long-term liabilities	**2,824**	3,410	**23,532**
Total long-term liabilities	**101,410**	102,615	**845,085**
Commitments and contingent liabilities (Note 9)			
Equity (Notes 7 and 15):			
Common stock— authorized, 700,000,000 shares; issued, 175,910,218 shares in 2015 and 2014	**31,118**	31,118	**259,314**
Capital surplus	**41,537**	41,584	**346,138**
Retained earnings	**268,077**	241,617	**2,233,973**
Treasury stock—at cost 10,604,397 shares in 2015 and 10,586,487 shares in 2014	**(40,732)**	(40,550)	**(339,430)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**20,751**	11,141	**172,923**
Foreign currency translation adjustments	**5,096**	(8,167)	**42,470**
Defined retirement benefit plans	**(833)**	(1,914)	**(6,942)**
Total	**325,014**	274,829	**2,708,446**
Minority interests	**37,199**	33,204	**309,995**
Total equity	**362,213**	308,033	**3,018,441**
Total	**¥579,345**	¥519,571	**$4,827,874**

Consolidated Statement of Income

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales (Note 17)	**¥367,980**	¥350,322	**$3,066,503**
Cost of sales (Notes 6, 9, and 14)	**164,990**	156,331	**1,374,918**
Gross profit	**202,990**	193,991	**1,691,585**
Selling, general and administrative expenses (Notes 6, 9, 13, and 14)	**168,092**	161,965	**1,400,768**
Operating income (Note 17)	**34,898**	32,026	**290,817**
Other income (expenses):			
Interest and dividend income	**4,004**	3,444	**33,370**
Interest expense	**(808)**	(756)	**(6,736)**
Foreign exchange gain	**2,841**	1,042	**23,673**
Equity in earnings of associated companies	**3,306**	2,839	**27,547**
Valuation loss on investment securities (Note 4)		(2)	
Loss on impairment	**(176)**	(446)	**(1,462)**
Other—net (Note 4)	**1,053**	1,311	**8,772**
Other income—net	**10,220**	7,432	**85,164**
Income before income taxes and minority interests	**45,118**	39,458	**375,981**
Income taxes (Note 8):			
Current	**11,470**	9,634	**95,583**
Deferred	**3,121**	2,754	**26,010**
Total income taxes	**14,591**	12,388	**121,593**
Net income before minority interests	**30,527**	27,070	**254,388**
Minority interests in net income	**5,471**	4,526	**45,587**
Net income	**¥ 25,056**	¥ 22,544	**$ 208,801**

Per share of common stock (Note 16):	Yen		U.S. dollars (Note 1)
Basic net income	**¥ 151.58**	¥ 134.44	**$ 1.26**
Cash dividends applicable to the year	**25.00**	24.00	**0.21**

Diluted net income per share of common stock for 2015 and 2014 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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net income before minority interests	**¥30,527**	¥27,070	**$254,388**
Other comprehensive income (Note 12):			
Unrealized gain on available-for-sale securities	**9,805**	4,638	**81,714**
Foreign currency translation adjustments	**14,712**	28,638	**122,604**
Defined retirement benefit plans	**1,080**		**8,998**
Share of other comprehensive income in associates	**(847)**	(71)	**(7,062)**
Total other comprehensive income	**24,750**	33,205	**206,254**
Comprehensive income	**¥55,277**	¥60,275	**$460,642**
Total comprehensive income attributed to:			
Owners of the parent	**¥49,012**	¥51,681	**$408,435**
Minority interests	**6,265**	8,594	**52,207**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2015

	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 gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, April 1, 2013	172,506	¥31,118	¥41,507	¥223,040	¥ (7,659)	¥ 6,472	¥(32,635)		¥261,843	¥25,256	¥287,099
Net income				22,544					22,544		22,544
Surplus from disposal of treasury stock			77						77		77
Cash dividends, ¥24.0 per share				(3,967)					(3,967)		(3,967)
Repurchase of treasury stock	(7,253)				(33,162)				(33,162)		(33,162)
Other decrease in treasury stock	71				271				271		271
Net change in the year						4,669	24,468	(1,914)	27,223	7,948	35,171
Balance, March 31, 2014 (April 1, 2014, as previously reported)	165,324	31,118	41,584	241,617	(40,550)	11,141	(8,167)	(1,914)	274,829	33,204	308,033
Cumulative effect of accounting change				**5,295**					**5,295**		**5,295**
Balance, April 1, 2014 (as restated)				**246,912**					**246,912**		**246,912**
Net income				**25,056**					**25,056**		**25,056**
Surplus from disposal of treasury stock			**48**						**48**		**48**
Increase due to change in scope of consolidation			**(95)**	**159**					**64**		**64**
Cash dividends, ¥25.0 per share				**(4,050)**					**(4,050)**		**(4,050)**
Repurchase of treasury stock	**(58)**				**(302)**				**(302)**		**(302)**
Other decrease in treasury stock	**40**				**120**				**120**		**120**
Net change in the year						**9,610**	**13,263**	**1,081**	**23,954**	**3,995**	**27,949**
Balance, March 31, 2015	**165,306**	**¥31,118**	**¥41,537**	**¥268,077**	**¥(40,732)**	**¥20,751**	**¥ 5,096**	**¥ (833)**	**¥325,014**	**¥37,199**	**¥362,213**

	Thousands of U.S. dollars (Note 1)									
					Accumulated other comprehensive (loss) income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, March 31, 2014 (April 1, 2014, as previously reported)	$259,314	$346,536	$2,013,476	$(337,916)	$ 92,843	$(68,059)	$(15,947)	$2,290,247	$276,696	$2,566,943
Cumulative effect of accounting change			**44,123**					**44,123**		**44,123**
Balance, April 1, 2014 (as restated)			**2,057,599**					**2,057,599**		**2,057,599**
Net income			**208,801**					**208,801**		**208,801**
Surplus from disposal of treasury stock		**394**						**394**		**394**
Increase due to change in scope of consolidation		**(792)**	**1,323**					**531**		**531**
Cash dividends, $0.21 per share			**(33,750)**					**(33,750)**		**(33,750)**
Repurchase of treasury stock				**(2,514)**				**(2,514)**		**(2,514)**
Other decrease in treasury stock				**1,000**				**1,000**		**1,000**
Net change in the year					**80,080**	**110,529**	**9,005**	**199,614**	**33,299**	**232,913**
Balance, March 31, 2015	**$259,314**	**$346,138**	**$2,233,973**	**$(339,430)**	**$172,923**	**$ 42,470**	**$ (6,942)**	**$2,708,446**	**$309,995**	**$3,018,441**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YAKULT HONSHA CO., LTD. and its subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Operating activities:			
Income before income taxes and minority interests	**¥ 45,118**	¥ 39,458	**$ 375,981**
Adjustments for:			
Income taxes—paid	**(11,848)**	(9,620)	**(98,733)**
Income taxes—refund	**644**		**5,365**
Depreciation and amortization (Note 17)	**22,793**	20,078	**189,942**
Loss (gain) on disposals and sales of property, plant and equipment	**280**	(353)	**2,330**
Equity in earnings of associated companies	**(3,306)**	(2,839)	**(27,547)**
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	**2,438**	(1,273)	**20,316**
Increase in inventories	**(1,576)**	(890)	**(13,134)**
Decrease in payables	**(1,983)**	(651)	**(16,524)**
Decrease in liability for retirement benefits	**(1,091)**	(1,426)	**(9,086)**
Other—net	**3,938**	6,096	**32,815**
Total adjustments	**10,289**	9,122	**85,744**
Net cash provided by operating activities	**55,407**	48,580	**461,725**
Investing activities:			
Transfers to time deposits	**(23,037)**	(24,928)	**(191,977)**
Proceeds from withdrawing time deposits	**21,947**	19,689	**182,897**
Purchases of property, plant and equipment	**(45,146)**	(43,199)	**(376,218)**
Proceeds from sales of property, plant and equipment	**1,217**	2,386	**10,142**
Purchases of investment securities	**(4,107)**	(3,773)	**(34,226)**
Acquisition of controlling interest in companies	**(214)**	(80)	**(1,781)**
Payments of loans receivable	**(2)**	(13)	**(18)**
Collection of loans receivable	**90**	112	**751**
Other—net (Note 4)	**(815)**	(140)	**(6,793)**
Net cash used in investing activities	**(50,067)**	(49,946)	**(417,223)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Financing activities:			
Net increase in short-term loans	**5,596**	14,321	**46,638**
Proceeds from long-term debt	**4,610**	71,500	**38,416**
Payments for settlement of long-term debt	**(5,743)**	(43,639)	**(47,860)**
Repurchase of treasury stock	**(8)**	(33,002)	**(68)**
Sales of treasury stock	**195**	356	**1,626**
Dividends paid	**(4,042)**	(3,960)	**(33,685)**
Dividends paid to minority shareholders	**(2,243)**	(2,070)	**(18,691)**
Net cash (used in) provided by financing activities	**(1,635)**	3,506	**(13,624)**
Foreign currency translation adjustments on cash and cash equivalents	**4,278**	10,711	**35,650**
Net increase in cash and cash equivalents	**7,983**	12,851	**66,528**
Cash and cash equivalents resulting from changing scope of consolidation, beginning of year	**(205)**		**(1,708)**
Cash and cash equivalents, beginning of year	**95,624**	82,773	**796,867**
Cash and cash equivalents, end of year	**¥ 103,402**	¥ 95,624	**$ 861,687**

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 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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120 to U.S.$1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 74 (78 in 2014) subsidiaries (together, the "Group").

Under the control and influence concepts, 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 2014) 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.

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 also 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 generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that 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 recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 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 new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or 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 recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

(D) BUSINESS COMBINATIONS

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The 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.

(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.

The Company accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 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 guidance, and were followed by partial amendments from time to time through 2009.

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

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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 (see Note 2(s)).

(3) 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, 2015, 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 applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014, and for (3) above, effective April 1, 2014. With respect to (3) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single-weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (3) above as of April 1, 2014, in retained earnings. As a result, the beginning balance of retirement benefit obligation decreased by ¥8,225 million ($68,549 thousand) and retained earnings increased by ¥5,294 million ($44,123 thousand).

Also, total equity per share increased by ¥32.03 ($0.27).

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

(K) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ issued 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 consolidated 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 income tax rates 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, 2015 and 2014, 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 fiscal years, including dividends to be paid after the end of the year.

(R) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the 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 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 consolidated financial statements is changed, prior-period consolidated 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 consolidated financial statements is discovered, those statements are restated.

(S) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards for Business Combinations and Consolidated Financial Statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.”

Major accounting changes are as follows:

(1) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss are recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "(1) transactions with noncontrolling interest", "(5) acquisition-related costs", "(2) presentation of the consolidated balance sheet", and "(3) presentation of the consolidated statement of income" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "(1) transactions with noncontrolling interest" and "(5) acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "(1) transactions with noncontrolling interest" and "(5) acquisition-related costs", accumulated effects of retrospective adjustments for all "(1) transactions with noncontrolling interest" and "(5) acquisition-related costs", which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "(1) transactions with noncontrolling interest" and "(5) acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "(4) provisional accounting treatments for a business combination"are effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination, which will occur on or after the beginning of the annual period beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

NOTE 3 INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Merchandise and finished products	**¥ 8,426**	¥ 7,999	**$ 70,217**
Work in process	**2,787**	2,587	**23,227**
Raw materials and supplies	**20,417**	18,798	**170,144**
Total	**¥31,630**	¥29,384	**$263,588**

NOTE 4 INVESTMENT SECURITIES

Investment securities at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Investment securities:			
Marketable equity securities	**¥76,082**	¥58,907	**$634,019**
Trust fund investments and other	**2,606**	2,156	**21,715**
Total	**¥78,688**	¥61,063	**$655,734**

The costs and aggregate fair values of investment securities at March 31, 2015 and 2014, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as—				
Available-for-sale:				
Equity securities	**¥46,315**	**¥30,028**	**¥ 261**	**¥76,082**
March 31, 2014				
Securities classified as—				
Available-for-sale:				
Equity securities	¥42,560	¥16,966	¥ 619	¥58,907

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as—				
Available-for-sale:				
Equity securities	**$385,957**	**$250,232**	**$2,170**	**$634,019**

Available-for-sale securities whose fair value cannot be reliably determined at March 31, 2015 and 2014, were ¥2,606 million ($21,715 thousand) and ¥2,156 million, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015 and 2014, were ¥12 million ($100 thousand) and ¥1 million, respectively. Gross realized gain on these sales for the years ended March 31, 2015 and 2014, computed on the moving average cost basis, were ¥2 million ($19 thousand) and ¥1 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, 2015 and 2014, were ¥36,626 million ($305,214 thousand) and ¥30,526 million, respectively. The annual interest rates applicable to short-term bank loans outstanding at March 31, 2015 and 2014, ranged from 0.43% to 1.91% and 0.45% to 2.98%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans from banks and other financial institutions, 0.52% to 5.70% (0.56% to 4.90% in 2014), due serially to 2030:			
Collateralized	**¥ 4,066**	¥ 422	**$ 33,884**
Unsecured	**70,827**	72,700	**590,227**
Obligations under finance leases (Note 9)	**8,174**	6,595	**68,111**
Total	**83,067**	79,717	**692,222**
Less current portion	**(8,232)**	(5,437)	**(68,598)**
Long-term debt, less current portion	**¥74,835**	¥74,280	**$623,624**

Annual maturities of long-term debt as of March 31, 2015, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 8,232	$ 68,598
2017	8,095	67,453
2018	7,315	60,960
2019	46,433	386,943
2020	6,119	50,990
2021 and thereafter	6,873	57,278
Total	¥83,067	$692,222

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2015, were as follows:

March 31, 2015	Millions of yen	Thousands of U.S. dollars
Land	**¥4,287**	**$35,728**
Buildings and structures—net of accumulated depreciation	**3,136**	**26,134**
Total	**¥7,423**	**$61,862**

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, 2015 and 2014, included the amounts of ¥466 million ($3,884 thousand) and ¥328 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.

1. The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥64,956**	¥64,821	**$541,304**
Cumulative effect of accounting change	**(8,225)**		**(68,549)**
Balance at beginning of year (as restarted)	**56,731**	64,821	**472,755**
Current service cost	**2,877**	2,795	**23,976**
Interest cost	**789**	885	**6,577**
Actuarial losses	**3,116**	164	**25,970**
Benefits paid	**(3,392)**	(4,091)	**(28,271)**
Others	**94**	382	**788**
Balance at end of year	**¥60,215**	¥64,956	**$501,795**

2. The changes in plan assets for the years ended March 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥46,392**	¥41,490	**$386,603**
Expected return on plan assets	**1,223**	1,079	**10,194**
Actuarial gains	**3,882**	2,540	**32,352**
Contributions from the employer	**4,647**	4,654	**38,729**
Benefits paid	**(3,114)**	(3,767)	**(25,953)**
Others	**(42)**	396	**(358)**
Balance at end of year	**¥52,988**	¥46,392	**$441,567**

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Defined benefit obligation	**¥57,571**	¥ 62,540	**$479,760**
Plan assets	**(52,988)**	(46,392)	**(441,567)**
	4,583	16,148	**38,193**
Unfunded defined benefit obligation	**2,644**	2,416	**22,035**
Net liability arising from defined benefit obligation	**¥ 7,227**	¥18,564	**$ 60,228**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥7,480**	¥18,651	**$62,338**
Asset for the retirement benefits	**(253)**	(87)	**(2,110)**
Net liability arising from defined benefit obligation	**¥7,227**	¥18,564	**$60,228**

4. The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥2,877**	¥ 2,795	**$23,976**
Interest cost	**789**	885	**6,577**
Expected return on plan assets	**(1,223)**	(1,078)	**(10,194)**
Recognized actuarial losses	**950**	1,012	**7,918**
Others	**(10)**	2	**(87)**
Net periodic benefit costs	**¥3,383**	¥ 3,616	**$28,190**

5. The amount recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial gains	**¥1,741**		**$14,511**
Total	**1,741**		**14,511**

6. The amount recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized actuarial losses	**¥1,242**	¥2,983	**$10,351**
Total	**1,242**	2,983	**10,351**

7. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2015 and 2014 consisted of the following:

	2015	2014
Bonds	**13%**	12%
Stocks	**26**	26
Cash and Deposits	**26**	25
General accounts	**24**	30
Others	**11**	7
Total	**100%**	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	**1.1%**	1.4%
Expected rate of return on plan assets	**2.5**	2.5

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 a Board of Directors, (2) having independent auditors, (3) having an 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 aggregate amount of 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 35.64% and 38.01% for the years ended March 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Pension and severance costs	**¥ 2,340**	¥ 6,593	**$ 19,503**
Tax loss carryforwards	**6,409**	4,501	**53,410**
Accrued bonuses	**1,986**	1,893	**16,553**
Others	**9,449**	10,736	**78,737**
Less valuation allowance	**(7,407)**	(5,849)	**(61,724)**
Total	**¥12,777**	¥17,874	**$106,479**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 9,388**	¥ 5,650	**$ 78,231**
Undistributed earnings of foreign subsidiaries and associated companies	**6,663**	4,893	**55,526**
Unrealized gain on land held by subsidiaries	**1,297**	1,493	**10,816**
Others	**2,609**	2,502	**21,746**
Total	**¥19,957**	¥14,538	**$166,319**
Net deferred tax (liabilities) assets	**¥ (7,180)**	¥ 3,336	**$ (59,840)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**35.64%**	38.01%
Equity in earnings of associated companies	**(2.61)**	(2.74)
Tax exemption	**(1.17)**	(0.81)
Undistributed earnings of foreign consolidated subsidiaries and associated companies	**3.84**	4.47
Social expenses not deductible for income tax purposes	**1.13**	1.68
Tax rate differences in foreign subsidiaries	**(7.73)**	(10.64)
Effect of tax rate reduction	**0.26**	0.89
Others—net	**2.98**	0.54
Actual effective tax rate	**32.34%**	31.40%

On March 31, 2015, a tax reform law was enacted in Japan, which changed the normal effective statutory rate from approximately 35.64% to 33.10%, effective for years beginning on or after April 1, 2015, and to 32.34%, effective for years beginning on or after April 1, 2016. The effect of this change was to decrease deferred tax liabilities, net of deferred tax assets, by ¥713 million ($5,942 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥939 million ($7,825 thousand), with a decrease of ¥939 million ($7,825 thousand) in related deferred tax liability, in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥119 million ($992 thousand). The effect of this change of foreign currency translation adjustments and defined retirement benefit plans is not material.

On March 31, 2015, certain subsidiaries had tax loss carryforwards aggregating approximately ¥13,920 million ($116,002 thousand), which are 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
2016	¥ 893	$ 7,440
2017	509	4,242
2018	260	2,170
2019	168	1,402
2020	315	2,627
2021 and thereafter	11,775	98,121
Total	¥13,920	$116,002

NOTE 9 LEASES

The Group leases certain machinery, research equipment, 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	
	2015		2015	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	**¥2,560**	**¥ 845**	**$21,327**	**$ 7,044**
Due after one year	**5,614**	**1,233**	**46,784**	**10,276**
Total	**¥8,174**	**¥2,078**	**$68,111**	**$17,320**

	Millions of yen	
	2014	
	Finance leases	Operating leases
Due within one year	¥2,473	¥ 807
Due after one year	4,122	1,235
Total	¥6,595	¥2,042

NOTE 10 RELATED PARTY DISCLOSURES

Transactions of the Company with related parties that are owned by Directors, Audit & Supervisory Board Members, and their close relatives for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales	**¥4,121**	¥4,247	**$34,343**
Sales discount and rebate	**26**	34	**220**
Collection of loans	**7**	3	**58**
Rent of vending machines	**22**	25	**182**
Temporary receipt	**1,036**	893	**8,631**
Subsidy of sales expenses	**30**	30	**252**
Rent of leased assets	**21**	22	**176**

The balances due to or from these related parties at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Notes and accounts receivable	**¥892**	¥899	**$7,431**
Other receivables	**4**	5	**35**
Long-term loans	**25**	31	**204**
Other payables	**8**	11	**70**
Accrued expenses	**8**	6	**67**
Other current liabilities	**0**	1	**3**

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 used.

	Millions of yen		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2015			
Cash and cash equivalents	**¥103,402**	**¥103,402**	
Time deposits	**16,947**	**16,947**	
Receivables	**61,310**		
Allowance for doubtful accounts	**(254)**		
Receivables—net	**61,056**	**61,056**	
Investment securities	**76,082**	**76,082**	
Total	**¥257,487**	**¥257,487**	
Short-term borrowings	**¥ 36,626**	**¥ 36,626**	
Payables	**37,404**	**37,404**	
Long-term debt (exclude obligations under finance leases)	**74,894**	**75,044**	**¥150**
Total	**¥148,924**	**¥149,074**	**¥150**

	Millions of yen		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2014			
Cash and cash equivalents	¥ 95,624	¥ 95,624	
Time deposits	14,457	14,457	
Receivables	60,794		
Allowance for doubtful accounts	(328)		
Receivables—net	60,466	60,466	
Investment securities	58,907	58,907	
Total	¥229,454	¥229,454	
Short-term borrowings	¥ 30,526	¥ 30,526	
Payables	38,437	38,437	
Long-term debt (exclude obligations under finance leases)	73,122	73,196	¥74
Total	¥142,085	¥142,159	¥74

	Thousands of U.S. dollars		
	Carrying amount	Fair Value	Unrealized gain/loss
March 31, 2015			
Cash and cash equivalents	**$ 861,687**	**$ 861,687**	
Time deposits	**141,226**	**141,226**	
Receivables	**510,913**		
Allowance for doubtful accounts	**(2,119)**		
Receivables—net	**508,794**	**508,794**	
Investment securities	**634,019**	**634,019**	
Total	**$2,145,726**	**$2,145,726**	
Short-term borrowings	**$ 305,214**	**$ 305,214**	
Payables	**311,705**	**311,705**	
Long-term debt (exclude obligations under finance leases)	**624,111**	**625,368**	**$1,257**
Total	**$1,241,030**	**$1,242,287**	**$1,257**

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. Fair value information for 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 the 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 is 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
	2015	2014	**2015**
Investments in equity instruments that do not have a quoted market price in an active market and investments in associated companies	**¥55,476**	¥49,797	**$462,302**

(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, 2015				
Cash and cash equivalents	**¥103,402**			
Time deposits	**16,947**			
Receivables	**61,310**			
Total	**¥181,659**			

	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, 2014				
Cash and cash equivalents	¥ 95,624			
Time deposits	14,457			
Receivables	60,794			
Total	¥170,875			

	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, 2015				
Cash and cash equivalents	**$ 861,687**			
Time deposits	**141,226**			
Receivables	**510,913**			
Total	**$1,513,826**			

NOTE 12 COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥14,492	¥ 7,206	$120,791
Reclassification adjustments to profit or loss	(3)		(19)
Amount before income tax effect	14,492	7,206	120,772
Income tax effect	(4,687)	(2,568)	(39,058)
Total	¥ 9,805	¥ 4,638	$ 81,714

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Foreign currency translation adjustments:			
Gain arising during the year	¥14,716	¥28,638	$122,637
Income tax effect	(4)		(33)
Total	¥14,712	¥28,638	$122,604

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Defined retirement benefit plans:			
Gain arising during the year	¥ 791		$ 6,592
Reclassification adjustments to profit or loss	950		7,919
Amount before income tax effect	1,741		14,511
Income tax effect	(661)		(5,513)
Total	¥ 1,080		$ 8,998

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Share of other comprehensive income in associates:			
Gain arising during the year	¥ (776)	¥ (71)	$ (6,466)
Reclassification adjustments to profit or loss	(71)		(596)
Total	¥ (847)	¥ (71)	$ (7,062)
Total other comprehensive income	¥24,750	¥33,205	$206,254

NOTE 13 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Advertising	¥12,805	¥12,341	$106,712
Salaries	35,208	33,036	293,398
Net periodic benefit costs	2,783	2,769	23,189
Depreciation and amortization	5,303	5,205	44,190
Research and development	12,098	11,127	100,816

NOTE 14 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥12,135 million ($101,122 thousand) and ¥11,166 million for the years ended March 31, 2015 and 2014, respectively.

NOTE 15 SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors' meeting held on May 12, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥12.50 ($0.10) per share	¥2,067	$17,225

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, 2015 and 2014, 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, 2015				
Basic EPS:				
Net income available to common shareholders	**¥25,056**	**165,303**	**¥151.58**	**$1.26**

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2014			
Basic EPS:			
Net income available to common shareholders	¥22,544	167,687	¥134.44

NOTE 17 SEGMENT INFORMATION

Under 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 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

	Millions of yen							
	2015							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers..................	**¥177,383**	**¥54,644**	**¥79,176**	**¥8,892**	**¥32,560**	**¥15,325**		**¥367,980**
Intersegment sales or transfers................	**19,868**					**2,464**	**¥(22,332)**	
Total	**197,251**	**54,644**	**79,176**	**8,892**	**32,560**	**17,789**	**(22,332)**	**367,980**
Segment profit (loss)	**11,622**	**12,799**	**20,396**	**(183)**	**5,843**	**670**	**(16,249)**	**34,898**
Segment assets	**180,819**	**84,812**	**156,196**	**9,863**	**37,121**	**12,364**	**98,170**	**579,345**
Other:								
Depreciation and amortization..............	**12,236**	**2,157**	**4,098**	**457**	**1,928**	**624**	**1,293**	**22,793**
Amortization of goodwill....................	**11**							**11**
Investment in associates..................								
Increase in property, plant and equipment and intangible assets ...	**22,207**	**1,707**	**18,340**	**292**	**351**	**436**	**1,184**	**44,517**

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥11,985 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥102,314 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,293 million of depreciation of the head office.
4. Reconciliation in capital expenditure consists of ¥1,184 million of capital expenditure of the head office.

	Millions of yen							
	2014							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers..................	¥180,510	¥49,247	¥60,986	¥8,632	¥35,325	¥15,622		¥350,322
Intersegment sales or transfers................	19,962					2,420	¥(22,382)	
Total	200,472	49,247	60,986	8,632	35,325	18,042	(22,382)	350,322
Segment profit (loss)	9,783	11,454	16,754	(339)	8,550	1,327	(15,503)	32,026
Segment assets	180,347	75,198	120,536	9,722	38,093	12,348	83,327	519,571
Other:								
Depreciation and amortization..............	12,200	1,801	3,080	420	836	357	1,384	20,078
Amortization of goodwill....................	102							102
Investment in associates..................								
Increase in property, plant and equipment and intangible assets ...	19,010	7,198	14,101	151	7,505	1,960	1,650	51,575

Notes: 1. Reconciliation in segment profit (loss) mainly consists of ¥12,355 million of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of ¥89,170 million of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of ¥1,384 million of depreciation of the head office.
4. Reconciliation in capital expenditure consists of ¥1,650 million of capital expenditure of the head office.

	Thousands of U.S. dollars							
	2015							
	Food and Beverages							
	Japan	The Americas	Asia and Oceania	Europe	Pharmaceuticals	Others	Reconciliation	Consolidated
Sales								
Sales to external customers..................	**$1,478,192**	**$455,365**	**$659,802**	**$74,096**	**$271,338**	**$127,710**		**$3,066,503**
Intersegment sales or transfers................	**165,566**					**20,534**	**$(186,100)**	
Total	**1,643,758**	**455,365**	**659,802**	**74,096**	**271,338**	**148,244**	**(186,100)**	**3,066,503**
Segment profit (loss)	**96,855**	**106,652**	**169,969**	**(1,524)**	**48,692**	**5,581**	**(135,408)**	**290,817**
Segment assets	**1,506,823**	**706,766**	**1,301,633**	**82,195**	**309,340**	**103,032**	**818,085**	**4,827,874**
Other:								
Depreciation and amortization..............	**101,966**	**17,977**	**34,146**	**3,808**	**16,071**	**5,196**	**10,778**	**189,942**
Amortization of goodwill....................	**91**							**91**
Investment in associates..................								
Increase in property, plant and equipment and intangible assets ...	**185,056**	**14,223**	**152,837**	**2,430**	**2,923**	**3,632**	**9,871**	**370,972**

Notes: 1. Reconciliation in segment profit (loss) mainly consists of $99,871 thousand of corporate expense that is not allocated to each segment.
2. Reconciliation in segment assets mainly consists of $852,615 thousand of corporate assets that is not allocated to each segment.
3. Reconciliation in depreciation consists of $10,778 thousand of depreciation of the head office.
4. Reconciliation in capital expenditure consists of $9,871 thousand of capital expenditure of the head office.

(4) Related information

1. Information about geographical areas

a. Sales

	Japan	The Americas	Asia and Oceania	Europe	Total
	Millions of yen				
	2015				
	¥222,074	**¥54,675**	**¥82,033**	**¥9,198**	**¥367,980**
	Millions of yen				
	2014				
	¥229,484	¥49,247	¥62,595	¥8,996	¥350,322
	Thousands of U.S. dollars				
	2015				
	$1,850,619	**$455,622**	**$683,609**	**$76,654**	**$3,066,504**

Note: Sales are classified by country or region based on the location of customers.

b. Property, plant and equipment

	Japan	The Americas	Asia and Oceania	Europe	Total
	Millions of yen				
	2015				
	¥126,314	**¥20,736**	**¥55,903**	**¥2,642**	**¥205,595**
	Millions of yen				
	2014				
	¥122,373	¥20,098	¥38,908	¥2,829	¥184,208
	Thousands of U.S. dollars				
	2015				
	$1,052,617	**$172,799**	**$465,856**	**$22,020**	**$1,713,292**

Independent Auditors’ Report

Deloitte.

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, 2015, 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, 2015, 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 24, 2015

Member of
Deloitte Touche Tohmatsu Limited

Global Network

(As of April 1, 2015)

PRINCIPAL INTERNATIONAL SUBSIDIARIES AND AFFILIATES

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

Countries where test and other sales are conducted: Luxembourg, France, Spain, Brunei, Uruguay, Canada, Belize, Malta and Switzerland

Corporate Data

(As of March 31, 2015)

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	20,492 (Consolidated)
NUMBER OF ISSUED AND OUTSTANDING SHARES	175,910,218
NUMBER OF SHAREHOLDERS	18,528*

* Including shareholders who own shares of less than one unit

OFFICES

1 head office, 1 institute, 5 branches, 7 plants

- ● **Head Office**
- ★ **Yakult Central Institute**

Branches

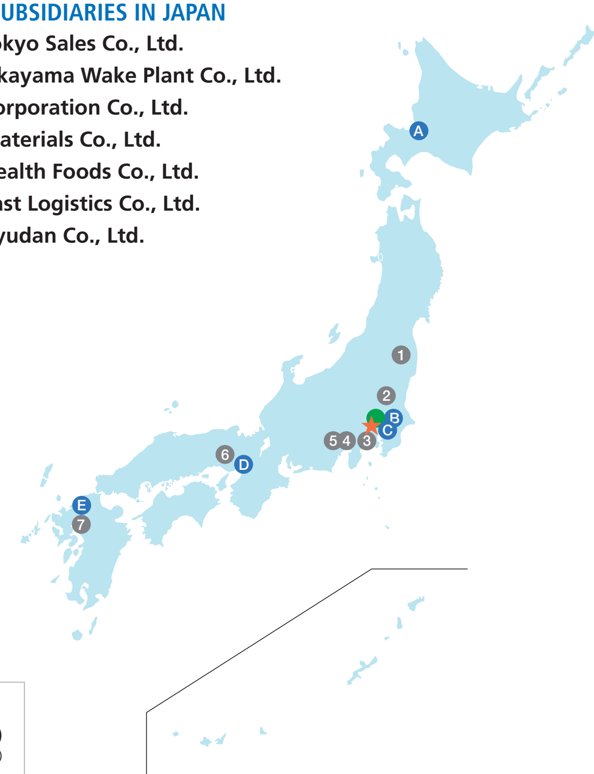
- A **Hokkaido Branch**
- B **East Japan Branch**
- C **Metropolitan Branch**
- D **Central Japan Branch**
- E **West Japan Branch**

Plants

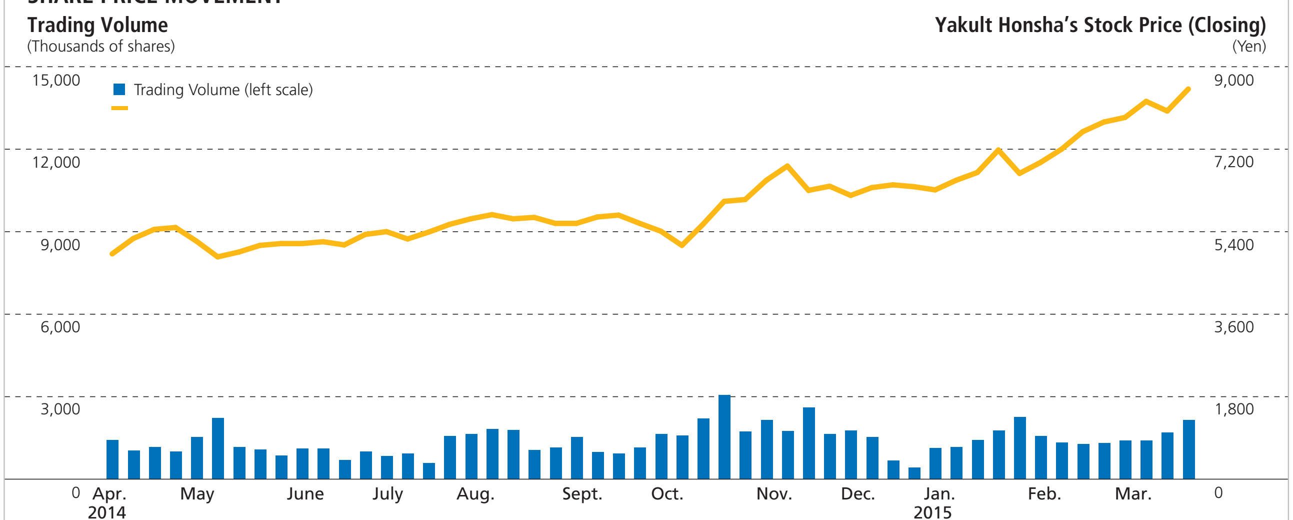
1. **Fukushima Plant**
2. **Ibaraki Plant**
3. **Shonan Cosmetics Plant**
4. **Fuji Susono Plant**
5. **Fuji Susono Pharmaceuticals Plant**
6. **Hyogo Miki Plant**
7. **Saga Plant**

MAJOR SUBSIDIARIES IN JAPAN

Yakult Tokyo Sales Co., Ltd.
Yakult Okayama Wake 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



Yakult

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