

Yakult CSR Report 2019

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Yakult's corporate communications tools

- CSR information site
<https://www.yakult.co.jp/english/csr/>
- CSR Report (this report)
- CSR Communication Book (to be published November 2019)
- IR information site
(management policy, financial and stock information)
<https://www.yakult.co.jp/english/ir/>
- Annual Report (English)
<https://www.yakult.co.jp/english/ir/management/library.html>

How to use this PDF

This PDF contains link buttons that direct to related pages and external sites. Clicking on the left or right arrows ◀ ▶ at the bottom of each page navigates to the previous or next page. Clicking on the return arrow ↶ at the bottom of each page returns you to the page viewed directly beforehand.

Editorial policy

The *Yakult CSR Report 2019* was prepared based on the following key concepts, on the Yakult Group's CSR activities in fiscal 2018.

■ Comprehensively disclosing CSR activities

Through dialogue and sincere communications with stakeholders, the Yakult Group aims to further develop its CSR activities and respond to the expectations of society. We have prepared this report as a communications tool aimed at investors and experts, using a structured presentation of our CSR activities that allows us to verify the results of our own activities while also to be evaluated by society.

We will additionally publish the *CSR Communication Book* as a communications tool aimed at general consumers (to be published November 2019).

■ Presenting the Yakult CSR Action Plan in an easy-to-understand manner

Organizing our CSR activities in line with the seven core subjects of ISO 26000, the Yakult Group formulated the Yakult CSR Action Plan in fiscal 2016 and has been working on achieving specific annual action targets starting in fiscal 2017. This report describes in detail the main achievements based on action targets for fiscal 2018, and targets for fiscal 2019, using as much quantitative information as possible.

■ Clearly describing SDGs and ESG initiatives

The Sustainable Development Goals (SDGs) are shared global goals to create a sustainable society, while environmental, social and governance (ESG) topics are core aspects of CSR. Both are key global trends in the area of CSR. We have integrated both into our CSR activities, and this report shows the relationship between them and the Yakult CSR Action Plan.

Publishing date

Japanese edition: September 2019

(Previous edition: September 2018, next edition: September 2020)

English edition: October 2019

(Previous edition: October 2018, next edition: October 2020)

Publishing format

Published online only (in both Japanese and English)

Period covered

Fiscal 2018 (April 1, 2018 through March 31, 2019)

Note that some information in this report covers periods before or after fiscal year 2018.

Scope of data

The report covers all business sites of Yakult Honsha Co., Ltd. and the Yakult Group.

References to the "Yakult Group" contained in this report include Yakult Honsha, marketing companies, logistics companies and affiliated companies in Japan as well as business sites outside Japan.

Third-party assurance and opinions

We have yet to receive third-party assurance. This report publishes expert third-party opinions on CSR and ESG, and uses the PDCA cycle in reporting.

Disclaimer

Except for statements of historical fact, information contained herein may constitute forward-looking statements that involve future uncertainty.

"Workers" referred to in this report are persons working for the Yakult Group, including independent contractors such as Yakult Ladies and Yakult Beauty Advisors.

Where "employees" are mentioned in this report, the term includes regular employees, full-time contract employees, contract employees, and temporary staff, and excludes the independent contractors.

Overview of Yakult's Operations

Profile of Yakult Honsha (as of March 31, 2019)

Name:	Yakult Honsha Co., Ltd.
Address:	1-19 Higashi-Shimbashi 1-chome, Minato-ku, Tokyo 105-8660, Japan*
Founded:	April 9, 1955
Businesses:	Manufacturing and marketing of foods and beverages, pharmaceuticals, and cosmetics and other operations
Paid-in capital:	¥31.118 billion
Net sales:	(April 1, 2018 to March 31, 2019) ¥179.43 billion (non-consolidated) ¥407.02 billion (consolidated)
Total assets (consolidated):	¥618.53 billion
Net assets (consolidated):	¥392.28 billion
Business sites:	1 research institute, 5 branches, 7 plants, 10 pharmaceutical branches, 13 logistics centers
Number of employees:	2,876 (including 302 seconded employees and 132 contract employees)

*We have moved into the new office in April 2020. New address is as below:
1-10-30, Kaigan, Minato-ku, Tokyo, 105-8660 Japan

Profile of Yakult Group (as of March 31, 2019)

Japan

Marketing companies: 103 companies
Number of employees: 13,856
Number of Yakult Ladies: 33,848
Number of Yakult Beauty Advisors: 4,598
Bottling companies: 5 companies
Affiliated companies, etc.: 13 companies and 4 associations

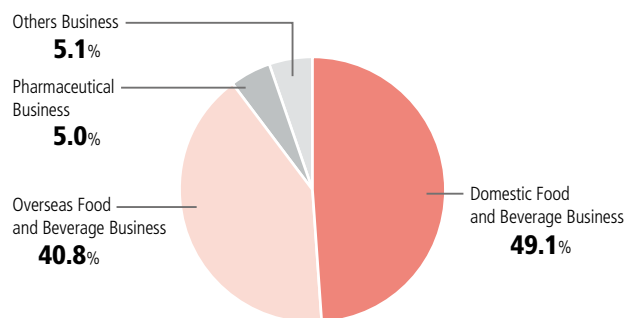
Overseas

Companies: 29*¹
Number of employees: 23,582*²
Number of Yakult Ladies: 47,269*²
Marketing regions: 39 countries and regions*¹

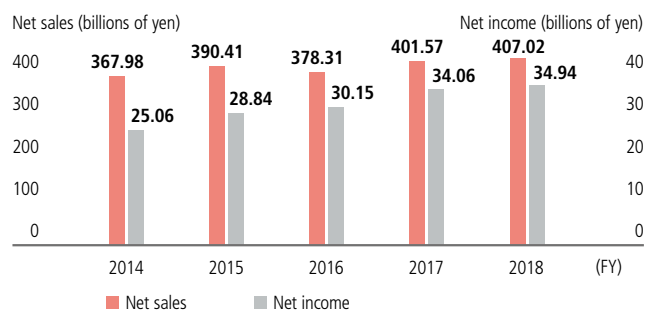
*1. As of September 2019

*2. As of December 2018

Sales by segment (consolidated)



Five-year overview of net sales and net income (consolidated)



Overseas operations (as of September 2019)

29 branch offices

- | | | | |
|---------------------------------|----------------------------------|------------------------------------|-----------------------------|
| 1 Yakult Taiwan Co., Ltd. | 8 Yakult Australia Pty. Ltd. | 16 Shanghai Yakult Co., Ltd. | 24 Yakult Nederland B.V. |
| 2 Hong Kong Yakult Co., Ltd. | 9 Yakult (Malaysia) Sdn. Bhd. | 17 Beijing Yakult Co., Ltd. | 25 Yakult Belgium N.V./S.A. |
| 3 Yakult (Thailand) Co., Ltd. | 10 Yakult Vietnam Co., Ltd. | 18 Tianjin Yakult Co., Ltd. | 26 Yakult UK Ltd. |
| 4 Korea Yakult Co., Ltd. | 11 Yakult Danone India Pvt. Ltd. | 19 Wuxi Yakult Co., Ltd. | 27 Yakult Deutschland GmbH |
| 5 Yakult Philippines, Inc. | 12 Yakult Middle East FZCO | 20 Yakult S/A Ind. E Com. (Brazil) | 28 Yakult Oesterreich GmbH |
| 6 Yakult (Singapore) Pte., Ltd. | 13 Yakult Myanmar Co., Ltd. | 21 Yakult S.A. de C.V. (Mexico) | 29 Yakult Italia S.R.L. |
| 7 P.T. Yakult Indonesia Persada | 14 Yakult (China) Corporation | 22 Yakult U.S.A. Inc. | |
| | 15 Guangzhou Yakult Co., Ltd. | 23 Yakult Europe B.V. | |

39 countries and regions

Asia and Oceania

Taiwan, Hong Kong, Thailand, South Korea, Philippines, Singapore, Brunei, Indonesia, Australia, China, Malaysia, New Zealand, Vietnam, India, United Arab Emirates, Oman, Bahrain, Qatar, Kuwait, Myanmar

Americas

Brazil, Mexico, Uruguay, United States of America, Canada, Belize

Europe

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

* Basically each group company produces and sells products locally, but some group companies sell products that are supplied from others in their neighboring countries.

Yakult's Business Operations

Our operations have expanded to include food and beverages such as fermented milk drinks, as well as cosmetics, pharmaceutical products and an international business, with life science as our foundation.

Food and Beverage Business

In 1930, Dr. Minoru Shirota, the founder of Yakult, successfully strengthened and cultured a strain of lactic acid bacteria, and in 1935, *Yakult*, a beverage containing *Lactobacillus casei* strain Shirota, was born. In 1963, the Yakult Lady home delivery system was launched throughout Japan to disseminate the value of *Yakult*. Products in the Food and Beverage Business have been expanded from *Yakult* fermented milk drinks to *Joie* and other fermented milk products, and other beverages.



- Fermented milk drinks
- Fermented milk products
- Other beverages

International Business

The expansion of Yakult's business to overseas countries flowed naturally from a desire to fulfill Dr. Shirota's wish to "help protect the health of people throughout the world." In 1964, Yakult Taiwan Co., Ltd. commenced operations, marking the start of Yakult's overseas business. *Yakult* is presently sold in 40 countries and regions (including Japan) spanning Asia and Oceania, the Americas, and Europe. *Yakult* and our other popular dairy products are now consumed at a rate of 40 million bottles per day throughout the world (as of fiscal 2018).



Life Science

Life science serves as the foundation of Yakult's business. The passionate desire of our founder Dr. Minoru Shirota in pursuing the potentials of lactic acid bacteria is being carried on today in the form of Shirota-ism (see p. 6).



- Pharmaceutical products
Anticancer agents, lactobacilli-based drugs, and other ethical drugs/ OTC drugs
- Medical devices
- Quasi-drug products

- Cosmetics products (basic skin-care products, makeup products)
- Hair-care products
- Body-care products



Since the founding of Yakult, Dr. Shirota focused not only on preventive medicine but also on therapeutic medicine. In 1956, the company commenced the development of pharmaceutical products that utilize the characteristics of lactobacilli and also began research on enzymes. In 1961, the company commenced the manufacture and sale of enzymes for pharmaceutical ingredients. Presently, we have expanded our business to the fields of ethical drugs such as anti-cancer agents and quasi-drug products.

Pharmaceutical Business

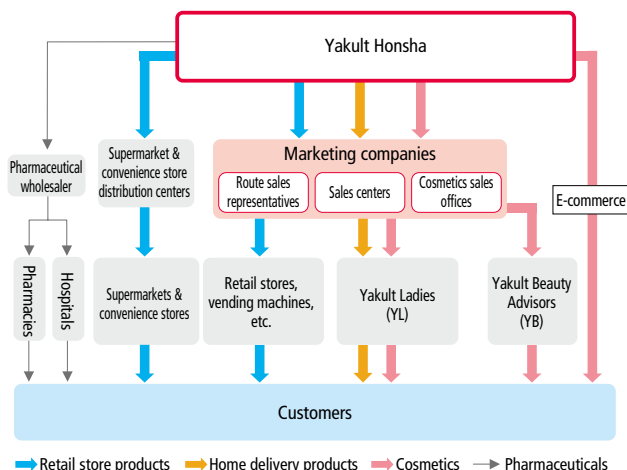
Yakult's Cosmetics Business began with the discovery of the cosmetic efficacy of a fermented lactic acid bacteria extract by Dr. Shirota. In 1955, Yakult launched a skin lotion and a moisturizing cream and introduced the Yakult Beauty Advisor delivery system in 1970. Based on the concept of preserving the health of the skin through life science, Yakult provides a variety of cosmetic products under the *Yakult Beautiens* brand centering on basic skin-care products.

Cosmetics Business

Yakult's Business Structure

Headed by Yakult Honsha, the Yakult Group is made up of 103 marketing companies* that sell Yakult products, five subsidiary bottling companies that turn the concentrated *Yakult* into bottled products, and other related companies, for a total of approximately 140 companies in Japan (170 when including overseas companies).

* As of March 2019. Including marketing companies under holding companies



Route sales representatives

These representatives deliver products to diverse sales routes including retail stores, vending machines, and for school meals.

They carefully deliver our products, ensuring the delivery at an appropriate temperature and date so that customers fully enjoy our products. They also work on making sales floors more attractive so that customers continuously support our products and services.

Yakult Ladies (YL)

Since 1963, we have operated our unique home delivery system with Yakult Ladies, who deliver *Yakult 400* series products and other foods and beverages, as well as cosmetic products to customers. Many Yakult Ladies are independent entrepreneurs, and they receive thorough training on food product hygiene and basic product knowledge to deliver and sell products. **Sales centers** are local facilities established by marketing companies as places to stock and store products, and where Yakult Ladies can share information. They serve as the "face of Yakult" in the community and are a valuable point of contact with customers.

Yakult Beauty Advisors (YB)

Yakult Beauty Advisors are women with specialized knowledge in beauty and cosmetics, who sell cosmetic products to customers at their homes and perform home beauty treatments. They are based at **cosmetics sales offices** established by marketing companies as places to stock and store products, and where Beauty Advisors can share information. Some are set up with beauty salons.

Top Commitment

**Striving to both grow sustainably
and contribute to a sustainable society
to further improve corporate value**

Takashige Negishi

Takashige Negishi

President and Representative Director



Yakult's corporate activities are centered on the development, manufacture and sale of food and beverages, pharmaceuticals and cosmetics. With our corporate philosophy of "we contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular," we conduct these activities based on the Shirota-ism principles of "preventive medicine," "a healthy intestinal tract leads to a long life" and "a price anyone can afford." We are actively tackling a number of issues in building a sustainable society based on the belief that our corporate activities themselves are a social responsibility, as we believe that in order for people to be healthy, everything around them must also be healthy.

see p. 6
Yakult's Roots:
Shirota-ism

Welcoming 2019 with record achievements in both sales and profits

The Yakult Group achieved both record sales and operating profits in fiscal 2018, the second year of Phase III of our long-term vision, Yakult Vision 2020. We are delighted to see these kinds of results in the 120th anniversary year of the birth of Minoru Shirota, our founder and Doctor of Medicine. Growth has been particularly steady in Asia, with Yakult having a 60% share of the fermented milk drink market in the areas of China where our products are available, and we have also made significant expansions in relatively new countries for us, such as Vietnam, India, and the United States.

Yakult Vision 2020

Formulating and promoting a long-term management strategy

In January 2011, we instituted Yakult Vision 2020, a long-term business management vision covering the 10-year period from fiscal 2011 through fiscal 2020. Serving as a road map to maintain the growth of the Yakult Group and respond to the changing environment, Yakult formulated the long-term vision to share with its employees the company's aspired shape in 10 years and the directions it will pursue in the future.

Long-term vision (Fiscal 2011 – 2020)

Qualitative goals

- Let's promote the idea that a healthy intestinal tract leads to a long life to as many people as possible on earth!
- Let's apply our unique combination of preventive medicine and therapeutic medicine to realize a healthy society!
- Let's offer satisfaction and happiness to our customers and ourselves by delivering the best technology with sincerity and gratitude!

Strategy to achieve goals

We are aiming to achieve continuous growth for the Yakult Group by developing optimal strategies for each of our global markets, which we define in terms of Introductory, Growth, Mature, and Rebuilding stages. In the Japanese market, which is at the mature stage, we are building the platform to drive the next generation of our global business and will link it to sustained growth.

We are working to achieve our goals in three phases over a ten-year period.



Mid-term management plan (Phase III)

In May 2017, we instituted Phase III of the plan, which covers the four years from fiscal 2017 to 2020. The details are as follows.

Phase III plan

- Number of bottles of dairy products sold worldwide: 43.50 million bottles per day
- Consolidated net sales: 454.0 billion yen
- Consolidated operating income: 57.0 billion yen

The number of countries where we do business has also grown. In January 2019 we launched sales in Denmark, and in August 2019 we began manufacturing and sales in Myanmar, meaning we have now expanded into 40 countries and regions, including Japan.

It goes without saying that it is the strength of our people that supports our growing business. In October 2018 in Kyoto — a place closely connected to our founder — we held the Yakult World Convention with approximately 2,700 participants, including employees and Yakult Ladies from each country and region who have achieved remarkable results. I was overwhelmed by the enthusiasm at the event, and when calling the participants up one-by-one to commemorate them, their high spirits and power were truly palpable.

Responding to ESG issues through our corporate activities

In addition to continuous improvement in our performance, we believe that tackling various issues to realize a sustainable society is essential in corporate management.

The Government Pension Investment Fund (GPIF), the world's largest institutional investor, makes large-scale investments in companies working to improve the overall sustainability of society — that is, those that actively incorporate environmental, social and governance (ESG) factors, the pillars of CSR, into corporate management. Yakult Honsha is included in one GPIF ESG index, and moving forward we will respond to the expectations of investors who value ESG initiatives by promoting and actively disclosing our CSR activities.

We promote our corporate activities according to the Yakult CSR Action Plan, which was formulated in line with the seven core subjects of the global CSR standard ISO 26000 to clarify our responses to ESG factors and SDGs. Here I will introduce some of our wide-ranging initiatives that address these seven core subjects.

Building safer communities and establishing healthy living habits

I Consumer Issues Contributing to the health and happiness of our customers

II Community Involvement and Development Towards development together with local communities

In addition to providing products that contribute to the health of customers, primarily through our Yakult Lady home delivery system, the Yakult Group also conducts activities that raise awareness of healthy living habits and support local communities.

One of our greatest strengths is, of course, our unique home delivery system by Yakult Ladies. Yakult Ladies play an active role both in Japan and worldwide, with their numbers reaching over 80,000 globally. Our Yakult Lady home delivery system was awarded the METI Minister's Prize at the Second Nihon Service Award in June 2018 for the contribution it makes to raising health awareness and women's empowerment. We are delighted to see this system, which has been operating continuously since 1963, once again acknowledged.

In fiscal 2018 approximately 3.45 million participants worldwide joined our guest lectures on intestinal health at elementary schools and other locations. We also welcomed approximately 6.93 million participants worldwide at our health-related lectures for local communities, which are held at centers (Yakult Lady sales hubs), community facilities, and elderly care facilities. From a long-term perspective, We believe that these kinds of initiatives raise health awareness in local communities and foster correct understanding of how *Yakult's* lactic acid bacteria works, leading to a larger foundation for our business.

Furthermore, along with partnering with local governments to make Courtesy Visits to around 38,000 older people living alone, we also team up with 878 local governments, police and fire departments nationwide to run community safety watch and crime prevention activities, helping build safer and more comfortable local communities.

The pursuit of excellence in life science forms the foundation of the Yakult Group. To drive innovation, we not only promote research and development at the Yakult Central Institute, but also collaborate with external organizations. One example is our joint research with the Japan Aerospace Exploration Agency (JAXA) that began in fiscal 2014. In fiscal 2018 they confirmed that *Lactobacillus casei* strain Shirota maintains its probiotic properties even when stored long-term in a space environment.

Using climate change response as an opportunity

Converting to easily-recyclable containers and packaging

III The Environment For environmental conservation

We incorporate environmental activities at each stage of our operations under the three major themes of the Yakult Sustainable Ecology 2020 initiative: "realization of a low-carbon society" (in response to climate change), "efficient use of resources," and "efforts to preserve and utilize biodiversity."

Climate change-related business risks that have been identified include the interruption to operations or raw material procurement due to natural disasters caused by climate change. We are responding to these risks using risk management manuals, and by decentralizing our production bases. On the other hand, we also believe that responding to climate change can become an opportunity for positive evaluation from our stakeholders. We will make this possible by building energy- and resource-saving production and distribution systems, promoting

see p. 25

Dispatching guest lecturers / Health-related lectures

see p. 26

Courtesy Visit Activities

see p. 26

Community safety watch and crime prevention activities

see p. 9

Joint research with JAXA

see p. 29

Yakult Sustainable Ecology 2020

see p. 33-34

Realize a low-carbon society (responding to climate change)

see p. 57

Risk management



initiatives such as environmentally conscious packaging, as well as by publishing this report and appropriately disclosing information in response to investor demands.

At the June 2019 G20 summit in Osaka, a new goal was set to completely eliminate plastic waste inflow to the ocean by 2050. Yet before that, we had already announced our Declaration of Action on Plastic Recycling, setting the major goal of maximum conversion to easily-recyclable materials by 2030. A worldwide movement has now emerged to regulate the use of plastic. Moving forward, we will plan specific actions while monitoring regulations in each country and region.

In addition, we will also investigate various new issues, such as the move to reduce food loss and waste that has recently gained momentum.

Supporting healthy workers to foster healthy communities

IV Labour Practices Improving the health and motivation of our employees

Our Statement on Health details our recognition that the health of our employees is both our social responsibility, and essential to realizing our corporate philosophy of “contributing to the health and happiness of people around the world.” Specifically, along with promoting the streamlining of duties, we maintain thorough labor management, and are working to reduce long working hours and improve the rate of paid holidays taken. As a result, in February 2019 we were once again certified as a “White 500” company for outstanding health and productivity management.

We are also improving the working environment for Yakult Ladies. In fiscal 2018 we invested 640 million yen in updating equipment used by Yakult Ladies. This has both lightened their workload and improved motivation, while at the same time enabling them to spend more time with customers.

Working with business partners for fair and equitable procurement throughout the supply chain

V Human Rights Respect for human rights

VI Fair Operating Practices Ensuring fairness in our business

VII Organizational Governance Promoting transparent management

The procurement of various raw materials, such as packaging materials and skim milk powder for dairy products, is essential to our business, and we are promoting environmentally and socially conscious CSR procurement initiatives. In line with our CSR Procurement Policy established in March 2018, we took a large first step by conducting CSR procurement surveys of our main business partners between March and May 2019. Moving forward, we will work together with business partners to promote fair and equitable procurement activities throughout the supply chain.

As a company widely trusted by stakeholders, we also practice governance based on the objective of the Corporate Governance Code, as well as thorough compliance, and promote transparent management by actively disclosing information. We are also aiming to build a governance structure with greater emphasis on diversity, and appointed a female outside director in June 2019.

Contributing to achieving SDGs through our business

Our corporate philosophy of “contributing to the health and happiness of people around the world” is directly related to how our business itself contributes to achieving each SDG. At the second Japan SDGs Award held in December 2018, we received a Special Award (SDGs Partnership Award) for contributing to achieving Goal 3 (Ensure healthy lives and promote well-being for all at all ages) in our daily business activities. We also placed first in the food category at the Brand Finance Awards 2019, presented in May 2019 by the UK company Brand Finance. These external honors further fuel the momentum for our future business activities.

As a company operating worldwide, we will continue responding to various challenges while maintaining a keen awareness of our social responsibility, and work towards increased corporate value. We ask for your continued support going forward.

September 2019

see p. 38
Environment-conscious packaging

see p. 41
Health-focused management

see p. 46
Promoting work-life balance

see p. 43
Initiatives for Yakult Ladies

see p. 52
Promoting sustainable procurement

see p. 55-57
Corporate governance

see p. 12
Topic:
Awarded the SDGs Partnership Award at the second Japan SDGs Award



Yakult's Roots: Shirota-ism

Yakult's beginnings

Yakult's founder, Minoru Shirota, a Doctor of Medicine, began his medical studies in 1921 at Kyoto Imperial University (now Kyoto University). At the time, Japan had yet to achieve economic prosperity, and unsanitary conditions caused large numbers of children to die of infectious diseases.

Disturbed by that reality, Dr. Shirota, while still a medical student, set his sights on the field of preventive medicine, which aims to help people avoid sickness rather than treating diseases after they occur, and started down the path of microorganism research.

In his research, Dr. Shirota discovered that lactic acid bacteria were effective in suppressing harmful bacteria within the

intestines. He later became the first in the world to successfully strengthen and culture a strain of lactic acid bacteria, which is now known as *Lactobacillus casei* strain Shirota.

Dr. Shirota, together with volunteers, then developed an inexpensive, good-tasting beverage, so that as many people as possible could benefit from *Lactobacillus casei* strain Shirota, which reaches the intestines alive and promotes intestinal health. That is how the *Yakult* fermented milk drink was born in 1935.

Dr. Shirota dedicated himself to helping protect the health of people throughout the world. His passion, ideas and relentless spirit of inquiry live on today.

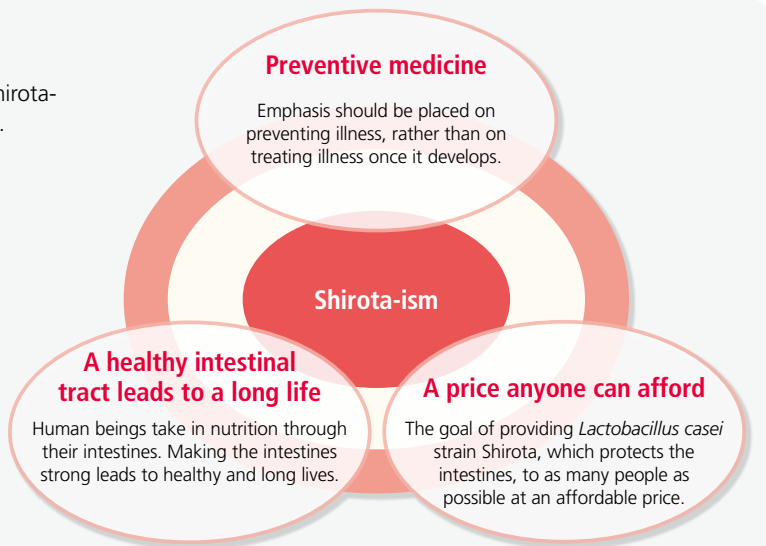
The root of our business

Shirota-ism

At Yakult, these ideas of Dr. Shirota are referred to as Shirota-ism and serve as the root of all of our business activities.



Yakult's founder
Minoru Shirota,
M.D., Ph.D.
(1899-1982)



Shirota Memorial Museum

Located on the grounds of the Yakult Central Institute, the Shirota Memorial Museum is open to the public. The museum welcomes visitors to follow the path of our founder Minoru Shirota, from his first ideas about preventive medicine to his success in strengthening and culturing a strain of lactic acid bacteria beneficial to health (now called *Lactobacillus casei* strain Shirota), and from the birth of the *Yakult* fermented milk drink to the research, product development and dissemination activities that have made the Group what it is today.

This is also a place for visitors to deepen their interest in science, learning directly from Institute researchers and observing *Lactobacillus casei* strain Shirota under a microscope.



The History of Yakult

1930s

1930 Dr. Minoru Shirota succeeds in strengthening and culturing a strain of lactic acid bacteria beneficial to health (*Lactobacillus casei* strain Shirota)

1935 Start of production and sale of *Yakult*

1940s

1940 **Shirota Association for Promotion of Protective Bacteria offices** established in each region, specializing in sales, later becoming marketing companies

1950s

1955 **Yakult Honsha Co., Ltd.** and **Shirota Institute** established

1960s

1963 Yakult's unique **Yakult Lady home delivery system** introduced

1964 **Yakult Taiwan** starts operations as the first overseas office

1968 Plastic bottle introduced

1970s

1970 Launch of *Joie* fermented milk

1971 Start of **full-scale sales of cosmetics products**

1972 Start of **Courtesy Visit Activities** by Yakult Ladies

1975 Launch of Biolactis Capsules medical drug, **marking Yakult's entry into the pharmaceutical business**

Legacies

We deliver our products personally to people at their homes and other locations. That approach, which puts our products directly into people's hands, is rooted in Dr. Shirota's principles, which emphasize dissemination of the preventive medicine approach and the idea that a healthy intestinal tract leads to a long life, and stress sincerity and harmony among people. These concepts — "sincerity," "harmony among people," "honesty and kindness," "caring enough to broaden acceptance" and "caring enough to make home deliveries" — have remained constant over the years and are still a touchstone for Yakult today.

With Shirota-ism at its heart, Yakult is gaining recognition throughout the world

Yakult is developing its business based on its corporate philosophy. Expressed as, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular," this philosophy is based on Shirota-ism.

Our corporate philosophy addresses everything from R&D to production, the delivery of good health to people throughout the world and contributions to the health of the planet and society.

Working in close cooperation with each other, our individual businesses have all fully inherited the concepts of Shirota-ism and are infused with the passionate desire to contribute to the health and happiness of people around the world. That desire has reached around the world, making Yakult a familiar name across the globe.

Moving forward, to continue to be trusted by customers across borders and generations, we at Yakult will continue to honor Shirota-ism and the ideas it encompasses.

Shirota-ism Workshops

To pass on and disseminate the principles of Shirota-ism, the Yakult Group holds "Shirota-ism Workshops" in and outside Japan during all group training sessions, including new employee induction courses. Workers recognize the importance of learning, communicating, and practicing Shirota-ism.

Furthermore, at Yakult Honsha the workshops are also a part of yearly job-level-specific employee training, with around 435 participants taking part in fiscal 2018.

Yakult Honsha develops and distributes training materials that cover Shirota-ism and uses them when workers start working for the Yakult Group and learn about Yakult products.



Training on Shirota-ism
Yakult S/A Ind. E Com. (Brazil)

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.

1980s

- 1980 Launch of *Toughman*
- 1981 **Company stocks listed on the First Section of the Tokyo Stock Exchange**
- 1989 Launch of *REVECY S.E.* Series

1990s

- 1994 Anticancer chemotherapy drug Irinotecan approved for pharmaceutical production and launched under the **brand name Campto**
- 1998 *Yakult* is **approved for labeling as a Food for Specified Health Uses**

2000s

- 2005 **Yakult Honsha European Research Center for Microbiology, ESV (YHER)** starts operations

2010s

- 2012 Start of **Yakult Space Discovery Project**
- 2013 *Lactobacillus casei* strain Shirota obtains **GRAS Certification** from the US Food and Drug Administration (FDA)
- 2016 Completion of the **new Yakult Central Institute**

Research and Development Led by Shirota-ism

In order to carry on and put into practice Shirota-ism, we conduct research and development that contributes to the realization of the concepts of “preventive medicine” and “a healthy intestinal tract leads to long life.”

The Yakult Central Institute

The Yakult Central Institute is engaged in a variety of research activities based on Shirota-ism and the results of this research have been applied to foods and beverages, cosmetics and pharmaceuticals for the purposes of preventive medicine and health maintenance. In April 2016, the new Yakult Central Institute was completed with the facilities, organization and environment to drive evolution in core technologies and strengthen collaboration. We will further deploy core technologies related to intestinal microbiota and probiotics to a wide range of fields aimed at enhancing the health of people around the world.



The Yakult Central Institute

Established: April 1955 (as the Shirota Institute)
Location: 5-11 Izumi, Kunitachi-shi, Tokyo
Employees: Around 300

Key research subjects and fields

The Institute works on the development of materials for food and beverages, cosmetics, and pharmaceuticals that aid in the maintenance and improvement of health, and research into their applications. The fields of microbiology, nutritional science, physiological science, immunology, biochemistry, bioengineering, organic chemistry, fermentation engineering, natural products chemistry, pharmaceutical science, and analytical chemistry — all form a part of the research.

Preventive medicine

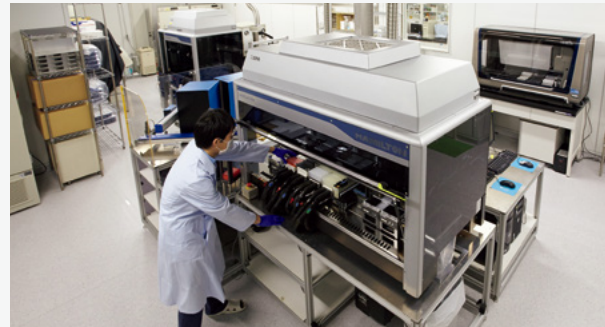
Researching intestinal microbiota

The human intestinal tract is colonized by some 100 trillion bacteria, of which there are around 1,000 different types. In particular, a diverse array of intestinal bacteria inhabits the area from the lower section of the small intestine to the large intestine and is called intestinal microbiota since the clusters resemble bunches of plants. It has been discovered that intestinal microbiota is related to lifestyle-related diseases and stress in addition to the health of the intestines and the development and maintenance of immunity.

Research into intestinal microbiota from the standpoint of preventive medicine is a major pillar of activities at the Yakult Central Institute. The institute has created an integrated database of the groups of intestinal bacteria for over 2,000 Japanese people using our proprietary intestinal microbiota analysis system known as YIF-SCAN® (Yakult Intestinal Flora SCAN). Research is also being conducted into the differences in the intestinal microbiota of people living in

various cities in Asia and abnormalities in intestinal microbiota when ill.

Going forward, we will focus on functional analysis of intestinal bacteria and contribute to the maintenance and enhancement of people’s health the world over.



Intestinal flora analysis system YIF-SCAN®

A healthy intestinal tract leads to a long life

Probiotics research

Probiotics* refer to live microorganisms that exert a beneficial effect on people by improving the balance of intestinal microbiota. The Yakult Central Institute has produced a great number of research achievements using strains such as *Lactobacillus casei* strain Shirota, discovered by Dr. Minoru Shirota, and *Bifidobacterium breve* strain Yakult.

* “Probiotics” is derived from the word “probiosis,” which refers to symbiotic relationships between organisms.



Collection of microorganisms such as lactic acid bacteria and bifidobacteria

Product development in response to increased health consciousness

As people have become more health conscious in recent years, more consumers around the world are concerned about their sugar intake, and there is a growing demand for less sweet-tasting and low-sugar products. In particular outside Japan, with the rise of lifestyle-related diseases and obesity, many countries are placing "sugar taxes" on foods containing more than a certain amount of sugar, to control the consumption of sugary foods and drinks. In Malaysia and Singapore, the Healthier Choice Symbol (HCS) appears on foods that contain less than the specified level of sugar. In India, foods that contain more than the specified amount of sugar must be labeled, and companies are required to take action in product development

and packaging, such as restricting the sale of these products in schools. The Yakult Group is developing and introducing low-sugar products in response to the consumer demand and food regulations in different countries and regions.

In Japan, a growing number of consumers are limiting their carbohydrate and fat intake, and there is a growing demand for products fortified with iron, calcium, and vitamins, which people tend to be deficient in. We are developing and introducing products fortified with minerals and vitamins, following the nutrient standard values in the food labeling standards published by Japan's Ministry of Health, Labour and Welfare.

Research and development activities outside Japan

Yakult Honsha established the non-profit Yakult Honsha European Research Center for Microbiology ESV (YHER), the Group's first overseas research base, in Ghent, Belgium, in 2005. A human study by the Center involving Europeans who had consumed locally-produced commercial products (Yakult) confirmed that *Lactobacillus casei* strain Shirota reaches the intestines alive and improves fecal properties. In terms of basic research outcomes, the Center has proved that intestinal bifidobacteria is passed on from mothers to newborns, and that certain bifidobacteria stay for long periods in the intestines from infancy to early childhood.

Expansion of joint research

Joint research with JAXA

In joint research with the Japan Aerospace Exploration Agency (JAXA) we have scientifically verified the effects of the regular intake of probiotics (*Lactobacillus casei* strain Shirota) on the immune functions and intestinal environment of astronauts on long-term stays aboard the International Space Station (ISS).

Before carrying out this research in space, we confirmed that *Lactobacillus casei* strain Shirota maintains its probiotic properties after long-term storage in a space environment.



International Space Station (ISS)

Joint research with Tohoku Medical Megabank Organization

In joint research with Tohoku University's Tohoku Medical Megabank Organization (ToMMo) involving a cohort study* of residents in Miyagi Prefecture, we took part in an examination of the intake situation of fermented milk drinks and fermented milk products and an analysis of their intestinal microbiota, and

verified correlations with various health indicators.

* Studies that track a specific group of people for a certain period to elucidate the relationships between environmental (e.g., lifestyle habits), genetic, and other factors and the onset of disease

Funded course at Nagoya University

We established the "surgical perioperative management (Yakult) funded course" at Nagoya University Graduate School of Medicine to investigate the importance of improving the intestinal environment and maintaining motor function during the perioperative period*¹ of highly invasive*² surgery.

*1 Perioperative period: The whole time period of a surgical procedure, including the pre-operative, per-operative and post-operative periods, from admission, anesthesia and surgery to recovery.

*2 Invasive: Surgery (incision or cutting out part of the body) or medication that causes physical or mental damage or strain on the body.

Research grant program with Nature Research

We launched the Global Grants for Gut Health program jointly with Nature Research, the publisher of the science journal *Nature*, to advance basic and clinical research into the influence of intestinal microbiota on human health.

Ethical compliance

The Yakult Central Institute has departments that specialize in research and assurance related to product safety and reliability. The department collects highly reliable research data following Yakult's strict proprietary standards and criteria.

The Safety Research Department evaluates the safety of materials and products according to government standards. Independent from other organizations, the Quality Assurance Unit audits research data and activities from a third-party perspective.

We also actively run research ethics training (information security, legal compliance, etc.) for our researchers.

From the viewpoint of animal welfare, we perform the minimum necessary number of tests on animals during our research and development, based on internal regulations and certifications from public organizations.

Except where there are legal requirements or guidelines from the relevant authorities in each country, our food and cosmetics research does not involve testing on animals.



Corporate Social Responsibility

We will implement our initiatives under our corporate slogan “In order for people to be healthy, everything around them must also be healthy,” and fulfill our social responsibility as a company based on the Yakult CSR Action Plan, guided by our Basic Policy on CSR and our three key areas of CSR.

Basic Policy on CSR

We at the Yakult Group will implement corporate social responsibility (CSR) activities by generating tangible benefits in accordance with our corporate philosophy and realizing sustainable corporate growth. Specific CSR activities in accordance with this objective are articulated in our Basic Policy on CSR, which was formulated in April 2012.

By supporting efforts for all the Yakult Group units to undertake increasingly systematic social and environmental activities going forward, we will increase the clarity of Yakult’s CSR management policies, and we will also appropriately disclose related information to stakeholders.

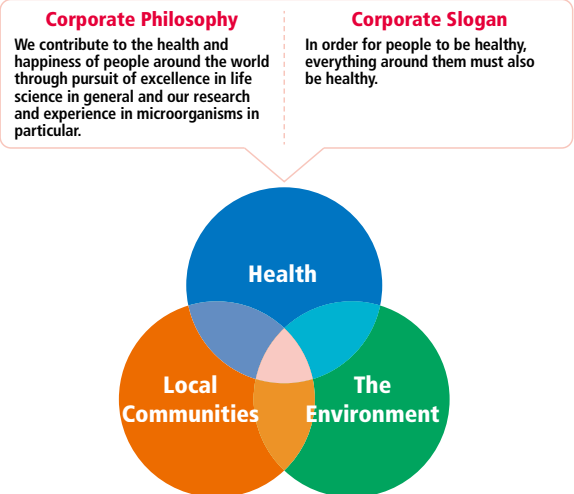
Basic Policy on CSR

All of us in the Yakult Group will strive through corporate activities based on our corporate philosophy to earn the trust of all the Group’s stakeholders and promote mutually beneficial relationships with all stakeholders.

Three key areas of CSR

The Yakult Group conducts business activities based on its corporate philosophy of “We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular.” Furthermore, believing that everything on the Earth must be healthy, from water, soil and air to plants and animals including people, we established our corporate slogan — “In order for people to be healthy, everything around them must also be healthy.” We have also operated our business based on our convictions to support solving local issues and establish trust with local communities.

Against this backdrop, we have defined our three key areas of CSR: health, local communities, and the environment. The specific themes and targets for each area are set forth in the Yakult CSR Action Plan (see p. 14-15) and Yakult Environmental Action Plan (see p. 28).



CSR management structure

CSR promotion system

We have established a CSR Promotion Committee that is chaired by the Divisional General Manager of the Management Support Division (Senior Managing Executive Officer and Director) and made up of executive officers from each division. We have additionally established five subcommittees aiming to further promote our CSR activities throughout the Group.

CSR Promotion Committee

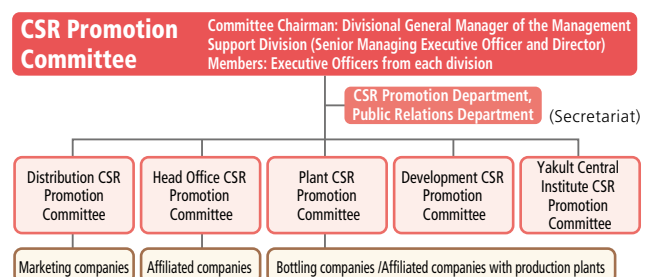
Meeting twice per year (every half term), the CSR Promotion Committee discusses policies and measures for promoting CSR and monitors the progress of each activity. Decisions of the CSR Promotion Committee are reported to the President for guidance. Of the matters discussed by the committee, there is a procedure to consult with the Board of Directors about important matters relating to management policy. Matters considered by the committee are also brought up for discussion at the Executive Officers Committee when necessary.

Verifying CSR activities / Issuing CSR Report

When setting targets for our CSR activities, we consult experts in addition to consideration by the CSR Promotion Committee.

Our CSR Report is prepared with the approval of the CSR Promotion Committee and includes a commitment from the President. We conduct an internal survey, and verify our CSR activities based on the opinions received through this survey.

CSR Promotion Organization



Revised: April 2015

Group-wide CSR awareness

The Yakult Group sees its business itself as CSR. To encourage everyone who is involved in our business operations to be a promoter of our CSR activities, we pursue CSR-conscious conduct in all daily business. Towards this goal, we aim to promote understanding of CSR through various approaches.

Promoting CSR-related training

We provide opportunities to learn and think about CSR by way of new employee training and level-specific training. These training courses introduce the Yakult Group's CSR activities, the significance of CSR, and recent trends in CSR.

We also provide a CSR training session as an e-learning program to employees who get promoted to higher levels. In fiscal 2018, all of 168 qualified employees received the training.

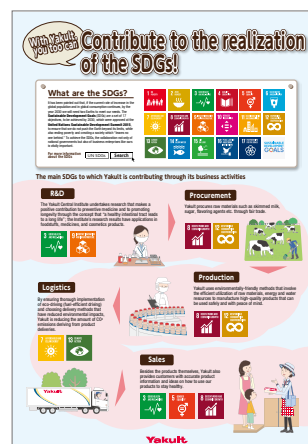
Yakult CSR campaigns

The Yakult Group has implemented Yakult CSR campaigns for all workers since fiscal 1994 in line with Japan's Environment Month set forth by the Ministry of the Environment. The theme for fiscal 2018 was the SDGs and 17,855 people took part in the initiative, which involved selecting which of the 17 goals were most relevant to them, and declaring what action they could take themselves towards achieving those goals.

As part of the campaign, we also made donations to OISCA's Children's Forest Program and participated in the Green Wave 2018 biodiversity activity.

We reported to the Ministry of Foreign Affairs (MOFA) on our initiatives toward achieving the SDGs including this campaign, and were featured as a company working to achieve the SDGs on MOFA's Japan SDGs Action Platform website (in Japanese).

The theme for our fiscal 2019 CSR campaign is the issue of plastic.



English version of the poster

CSR management seminars

We have implemented CSR management seminars for managers since fiscal 2002.

In fiscal 2018 we invited Mizuki Kurauchi of Socotec Certification Japan to talk about "The latest trends in ESG (especially climate change)." The seminar was attended by 57 people including executive officers and department heads.

Mr. Kurauchi talked about international trends and attitudes towards the environment, particularly climate change, which has become an increasingly important issue in recent years, and explained that proper disclosure of information has become a social requirement for businesses.

He also highlighted the importance of responding to the CDP* climate change questionnaire used for ESG assessment, and explained some ideas for disclosure of information.

It was an incredibly valuable opportunity for the continued promotion of the Yakult Group's CSR activities as a global company.

* CDP: A UK-based international NGO which collects information about greenhouse gases and promotes ways of reducing emissions



Poster for applicants



Poster for outcome reporting

Raising awareness of CSR trends

Every year we implement the campaign to further raise awareness of CSR trends within the Group. In fiscal 2018 we created the poster on how we can contribute to the realization of the SDGs and disseminated it to all of our business sites in and outside Japan.

We created the poster in nine languages (Japanese, English, traditional Chinese, simplified Chinese, Korean, Thai, Indonesian, Spanish, Portuguese).



CSR management seminar

Yakult CSR Action Plan and the SDGs

Yakult CSR Action Plan

In order for the Yakult Group to take effective actions in the three key areas of CSR, from fiscal 2015 we have been systemizing our CSR activities in accordance with ISO 26000, the international standard for social responsibility.

Specifically, in fiscal 2016 we formulated the Yakult CSR Action Plan, which clarifies the focus of our three key CSR areas in accordance with the seven core subjects of ISO 26000. In fiscal 2018 too, relevant departments set concrete action targets and implemented activities accordingly.

Contributing to the SDGs

We believe the Sustainable Development Goals (SDGs) should be addressed as shared global challenges to achieve a sustainable society, and have included our approach to contributing to the achievement of SDGs in the CSR Action Plan. Of the 17 goals, we have identified those that are highly relevant to the Group, and after clarifying their relationship with the seven core

subjects and key themes in the Yakult CSR Action Plan, we are implementing initiatives at each stage of operations.



Related information see p.14-15 Yakult CSR Action Plan: Targets and Achievements

Yakult Corporate Activities and SDGs

The Yakult Group's corporate activities are widely influenced by all 17 SDGs, but we place the strongest focus on the following five particularly relevant goals.

Goals highly relevant to the Yakult Group



Contributing to the health of as many people as possible through the sale and delivery of products that contribute to people's health



Aiming to improve Yakult Ladies' working environments and realize a society where women are empowered



Continue being a company where workers feel motivated while improving our business productivity



Implementing initiatives that consider human rights, labor, the environment, and anti-corruption throughout our supply chain, from raw material procurement to production, logistics and sales



Topic

Lecture about the SDGs for Japan-ASEAN Students Conference

A group from the Japan-ASEAN Students Conference, part of the JENESYS2018 Programme run by the Ministry of Foreign Affairs, visited Yakult Honsha on February 22, 2019.

This programme aims to promote understanding of Japan through personal exchange, and strengthen Japan's diplomatic foundations. This year's theme was the SDGs, and Yakult Honsha organized a lecture related to health, which is the subject of Goal 3.

We gave a lecture about Yakult's business activities and how they are contributing to the SDGs to around 30 students from 11 countries. After the lecture, we held a discussion with the participants and answered questions about our products and global business. This was an extremely valuable chance to work with the students to deepen understanding of global health issues and think about solutions.









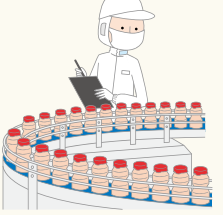













Awarded the SDGs Partnership Award at the second Japan SDGs Award

In December 2018, Yakult Honsha received a Special Award (SDGs Partnership Award) at the second Japan SDGs Award.

This award was presented in recognition of Yakult's longstanding contribution towards healthy lifestyles around the world through the production and sale of fermented milk drinks, as well as extending the Yakult Lady home delivery system, allowing health-related information to be disseminated with the delivery of products, from its inception in Japan to other countries where it contributes to people's health and happiness, while also raising health awareness and contributing to employment and the empowerment of women.



The SDGs to which Yakult is contributing to through its business activities

Business activity	SDGs which this contributes to	Specific initiatives	Main risks and opportunities
<p>R&D</p> <p>We undertake research to realize the concepts of preventive medicine and the idea that a healthy intestinal tract leads to a long life, and are applying research results in the development of food and beverages, pharmaceuticals, and cosmetics.</p> 	 	<ul style="list-style-type: none"> • Disclosure of research results • Communication with consumers by opening the Shirota Memorial Museum to the public • Product safety evaluation at the product development and post-marketing stages • Product safety assurance by analysis and testing • Reliability assurance by auditing of research data • Joint research with universities, hospitals, and research institutes • Promotion of research grant programs • Sponsorship of academic conferences and symposiums • Thorough management of chemical substances by research institute internal committee activities, etc. • Strengthening of measures to prevent leakage of information by building a robust system and collaborating with external service providers 	<p>Risks</p> <ul style="list-style-type: none"> • Inadequate safety evaluation could cause an interruption in business • Insufficient response to diversifying consumer needs could affect business performance • Infringement of intellectual property or leakage of research data could delay development <p>Opportunities</p> <ul style="list-style-type: none"> • Development of highly safe products could lead to greater competitiveness • Development of products responding to growing health consciousness could lead to greater competitiveness • Promotion of joint research could lead to innovations
<p>Procurement</p> <p>We procure raw materials such as skimmed milk, sugar, flavoring agents through fair trade.</p> 	   	<p>Selection of sound business partners</p> <ul style="list-style-type: none"> • Prior consultation and credit checks for new business partners • Conclusion of contracts (including clauses regarding excluding anticompetitive forces) <p>Promotion of fair trade</p> <ul style="list-style-type: none"> • Implementation of an evaluation system for business partners <p>Stable procurement of raw materials</p> <ul style="list-style-type: none"> • Purchasing from multiple business partners (suppliers) and appropriate stock management • Promotion of BCP measures 	<p>Risks</p> <ul style="list-style-type: none"> • Human rights violations (i.e.: forced labor, child labor) at business partners (suppliers) could lead to less trust in the Group • Discrimination or corruption could lead to less trust in the Group • Inadequate business continuity planning (BCP) could cause an interruption in business in the event of a disaster <p>Opportunities</p> <ul style="list-style-type: none"> • Promotion of CSR procurement could lead to improved trust in the Group • Cooperation with business partners (suppliers) could lead to stable supply and improved productivity
<p>Production</p> <p>We use finite resources efficiently and employ environmentally conscious methods to manufacture high-quality products that are safe and offer peace of mind to customers.</p> 	    	<p>Reduction in occupational accidents</p> <ul style="list-style-type: none"> • Safety and health education and safety and health inspection tours • Continuous capital investment to create a working environment where everyone can work in a healthy and safe manner <p>Promotion of energy saving, waste reduction and recycling</p> <ul style="list-style-type: none"> • Reduction in CO₂ emissions and energy consumption by introducing highly efficient facilities and equipment, improved workflows, LEDs and solar power • Waste reduction and appropriate disposal • Proper management of waste water and reduced water usage <p>Establishment of a risk management system</p> <ul style="list-style-type: none"> • Establishment of a system to enable production to continue and a fast recovery in the event of a disaster • Establishment and occasional review of a business continuity plan (BCP) and disaster preparedness manual • Installation of earthquake early warning systems to achieve fast initial response 	<p>Risks</p> <ul style="list-style-type: none"> • A disaster or incident that interferes with production could cause an interruption in business • Stricter environmental regulations, depletion of water resources, and destruction of biodiversity could cause an interruption in business <p>Opportunities</p> <ul style="list-style-type: none"> • Safe and pleasant working environments could lead to increased productivity • Saving energy, using water more efficiently and reducing waste could lead to improved cost competitiveness
<p>Logistics</p> <p>By ensuring eco-driving (fuel-efficient driving) and choosing delivery methods that have reduced environmental impacts, we are reducing the amount of CO₂ emissions deriving from product shipments.</p> 	 	<p>Promotion of collaboration with other companies in the same industry</p> <ul style="list-style-type: none"> • Promotion of collaboration with other companies at distribution centers and in transportation to mass retailers, to reduce energy consumption and costs <p>Promotion of day-to-day efficiency</p> <ul style="list-style-type: none"> • Introduction of a system to visualize vehicle load factor and achieve a higher load factor by allocating vehicles appropriately, using two-temperature-zone transportation • Promotion of eco-driving by using terminals in logistics company trucks • Switch to eco-friendly vehicles and reduction in empty transportation zones 	<p>Risks</p> <ul style="list-style-type: none"> • Labor shortages or working environments with insufficient safety levels could cause an interruption in business • Stricter environmental regulations, air pollution, destruction of biodiversity could cause an interruption in business <p>Opportunities</p> <ul style="list-style-type: none"> • Safe and rewarding working environments could lead to increased productivity and a stable workforce • Introducing eco-friendly vehicles could lead to increased environmental friendliness
<p>Sales</p> <p>Besides the products themselves, we also provide customers with accurate product information as well as information useful for maintaining health.</p> 	    	<ul style="list-style-type: none"> • Dispatch of guest lecturers for children • Health-related lectures for customers and businesses • Disclosure of information on our website • Health-related campaigns • Value dissemination activities at stores • Assisting support facilities for persons with disabilities • Diversification of ordering methods using Yakult Delivery Net • Increased efficiency by introducing an online payment system and mobile information terminals • Increased productivity by introducing cashless payment • Creation of a pleasant working environment by setting up Yakult Lady Health Hotline service, nursing care consultation system and FP consultation desk • Eco-friendly center operations and home delivery activities • Introduction of heat pump vending machines 	<p>Risks</p> <ul style="list-style-type: none"> • Product safety/health damage could cause an interruption in business • Insufficient disclosure of product information could lead to less trust in the Group • Labor shortages or working environments with insufficient safety levels could cause an interruption in business • Stricter environmental regulations, air pollution, and destruction of biodiversity could cause an interruption in business <p>Opportunities</p> <ul style="list-style-type: none"> • Providing safe, healthy products could lead to greater competitiveness • Providing full product information could lead to improved trust in the Group • Promoting diversity and creating a rewarding working environment could lead to a stable workforce • Introducing eco-friendly vehicles and vending machines could lead to increased environmental friendliness

Yakult CSR Action Plan: Targets and Achievements

Three key areas of CSR	ISO 26000 Core Subjects	Key Themes	Fiscal 2018 Action Targets
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;"> Health </div> <div style="margin-bottom: 10px;"> Local Communities </div> <div> The Environment </div> </div>	I. Consumer issues	<p>Contributing to the health and happiness of our customers See p. 18</p> <ul style="list-style-type: none"> • Provide safe and reliable products • Customer-first principle • Protect customer personal information 	<ol style="list-style-type: none"> 1. Hold customer satisfaction workshops See p. 23 2. Promote certification of various international standards See p. 20 3. Promote universal design See p. 20 4. Accept visitors to plants and research institute See p. 22
	II. Community involvement and development	<p>Towards development together with local communities See p. 24</p> <ul style="list-style-type: none"> • Promote social contribution activities • Respect for local cultures and customs • Activities for solving local issues • Strengthen relations with local communities 	<ol style="list-style-type: none"> 1. Promote the dispatch of guest lecturers and health-related lectures See p. 25 2. Promote Courtesy Visit Activities, community safety watch and crime prevention activities See p. 26 3. Further sports promotion See p. 27 4. Implement cooperative activities between business sites and local municipalities See p. 24-27 5. Deepen exchanges with local residents through plant festivals See p. 22
	III. The environment	<p>For environmental conservation See p. 28</p> <ul style="list-style-type: none"> • Realize a low-carbon society • Effectively use resources • Preserve and utilize biodiversity 	<ol style="list-style-type: none"> 1. Reduce CO₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2018 See p. 33-34 2. Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 as well as promote a recycling rate for food waste of at least 85% See p. 35 3. Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 See p. 36-37 4. Promote education related to biodiversity, as well as support and involvement with nature conservation activities See p. 39 5. Reduce material consumption in containers and packaging: Minimize environmental impact by substituting materials used for containers and packaging / Utilize eco-friendly plant-derived materials used for containers and packaging See p. 38
	IV. Labour practices	<p>Improving the health and motivation of our employees See p. 40</p> <ul style="list-style-type: none"> • Promote workplace safety and health • Promote work-life balance • Promote active roles for women • Promote diversity 	<ol style="list-style-type: none"> 1. Health-focused management See p. 41 2. Conduct health and safety inspections in production See p. 45 3. Increase the number of paid leave days used See p. 46 4. Run work-life balance workshops See p. 46 5. Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by 2020 See p. 47 6. Maintain the legally mandated ratio of employees with disabilities See p. 47
	V. Human rights	<p>Respect for human rights See p. 48</p> <ul style="list-style-type: none"> • Promote diversity • Respect for personalities and human rights 	<ol style="list-style-type: none"> 1. Periodically run human rights awareness training See p. 48 2. Run anti-harassment workshops See p. 48-49
	VI. Fair operating practices	<p>Ensuring fairness in our business See p. 50</p> <ul style="list-style-type: none"> • Ensuring fair and sound transactions • Promote CSR procurement 	<ol style="list-style-type: none"> 1. Ensure complete adherence to compliance See p. 50-52 2. Implement CSR procurement See p. 52-53
	VII. Organizational governance	<p>Promoting transparent management See p. 54</p> <ul style="list-style-type: none"> • Implement corporate governance • Promote business in accordance with compliance • Ensure confidentiality • Disclosure of corporate information and communication with society 	<ol style="list-style-type: none"> 1. Deepen understanding of our founder's philosophy (Shirota-ism) See p. 6-7 2. Strengthen support of the Corporate Governance Code See p. 55 3. Promote disclosure of information to stakeholders (shareholders, etc.) See p. 16 4. Enhance understanding of the Yakult Ethical Principles and Code of Conduct See p. 50 5. Ensure complete adherence to compliance See p. 50-52

We organized the seven core subjects of ISO 26000 in order of relevance to our business activities. Then we decide the key themes for each subject, and set action targets for each fiscal year.

* ✓: Target achieved (100 points (%) or more) ✓: Target almost achieved (80 points (%) or more)

Fiscal 2018 Results	Level of achievement*	Fiscal 2019 Action Targets	SDGs	ESG
<ul style="list-style-type: none"> Conducted guidance to ensure thorough understanding of rules and manners regarding customer visits for Yakult Ladies and Yakult Beauty Advisors by providing training and distributing handbooks Implemented recurrence prevention measures for product-related claims 	✓	1. Improve customer satisfaction		
<ul style="list-style-type: none"> Acquired HACCP, GMP, ISO 9001, ISO 14001, ISO 22000, FSSC 22000, OHSAS 18001 and SQF for plants in and outside Japan 	✓	2. Promote certification of various international standards		
<ul style="list-style-type: none"> Utilized universal design fonts for packages of newly introduced products, or existing products when updating their package design 	✓	3. Promote universal design		
<ul style="list-style-type: none"> Participants in plant tours In Japan: 276,632 (13 plants in Japan) Overseas: 556,649 (16 countries & regions) Participants in tours of the Shirota Memorial Museum at Yakult Central Institute: 2,798 	✓	4. Accept more visitors to plants and research institute		
<ul style="list-style-type: none"> In Japan: Dispatch of guest lecturers: 4,032 lectures, 286,290 participants Health-related lectures: 12,493 lectures, 366,494 participants Beauty workshops: 2,020 workshops, 22,727 participants Overseas: Dispatch of guest lecturers: 41,008 lectures, 3,161,170 participants Health-related lectures: 120,668 lectures, 6,559,002 participants 	✓	1. Promote dispatch of guest lecturers and health-related lectures		
<ul style="list-style-type: none"> Courtesy Visit Activities: 37,985 older people visited by 2,827 Yakult Ladies from 53 marketing companies in response to requests from 127 local governments in Japan Community safety watch and crime prevention activities: Conducted by 26,081 Yakult Ladies from 1,990 centers of 103 marketing companies in cooperation with 878 local governments and other groups 	✓	2. Promote Courtesy Visit Activities, community safety watch and crime prevention activities		
<ul style="list-style-type: none"> Baseball clinics by current players: 10 venues, 1,014 participants Tsubame baseball clinics by retired players: 24 venues, 4,201 participants Other community activities by the track and field club, rugby club and the Japan Bound Tennis Association 	✓	3. Further sports promotion		
<ul style="list-style-type: none"> Promoted cleanup activities in cooperation with local governments: 89 times at plants, 9 times at the Yakult Central Institute Backing support facilities for persons with disabilities in cooperation with pachinko and pachislot cooperative associations: asked 79 facilities in 18 prefectures to attach stickers that include New Year greetings to our products, totaling around 1.06 million bottles Operated Bowel Cancer Information website: 10 million page views since launch Indonesia: Donated Yakult and other support to disaster victims Mexico: Relayed health information to local communities as a support activity for UNICEF: around 255,000 households Yakult China Group: Tied in with the media and operated plant tours for children in the region Guangzhou: Donated educational equipment and daily supplies to improve the environment of schools and welfare facilities 	✓	4. Implement cooperative activities with local municipalities and other organizations		
<ul style="list-style-type: none"> Held festivals at plants: 23,574 people attended (11 plants in Japan) 	✓	5. Deepen exchanges with local communities through plant festivals		
<ul style="list-style-type: none"> CO₂ emissions reduced by 8.1% (compared to fiscal 2010) *Yakult Central Institute: reduced by 12.4% per production unit (compared to fiscal 2010) Reduction achieved by taking measures such as introducing electric molding machines and reducing energy use required for logistics 	✓	1. Reduce CO ₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2020		
<ul style="list-style-type: none"> Waste emissions reduced by 21.6% (compared to fiscal 2010) Reduced waste by changing working methods and how equipment is used at production plants Food waste recycling rate: 95.0% (conforming to Food Recycling Act) Promoted reduction of food waste and recycling of such waste at each business site 	✓	2. Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2020 as well as promote a recycling rate for food waste of at least 95%		
<ul style="list-style-type: none"> Water consumption reduced by 19.8% (compared to fiscal 2010) Reduction achieved by updating equipment and changing working methods 	✓	3. Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2020		
<ul style="list-style-type: none"> Participated in Green Wave 2018 (tree-planting in 14 locations in Japan) Co-sponsored 69th National Tree-Planting Festival 2018 in Fukushima Supported OISCA Children's Forest Program, and the 10-year Coastal Forest Restoration Project for reconstruction after the 2011 Tohoku earthquake 	✓	4. Promote education related to biodiversity, as well as support and involvement with nature conservation activities		
<ul style="list-style-type: none"> Adopted thinner 20 µm shrink-wrap film for Yakult V (Five) Adopted PET containers produced with 10% less resin for Milouage and other products Switched to cardboard boxes with shortened flaps on both sides for Quick Charge, reducing cardboard consumption by about 5% Created the Yakult Group Declaration of Action on Plastic Recycling (January 2019) and submitted it to MAFF, and registered with the MOE's Plastics Smart Campaign (February 2019) 	✓	5. Reduce material consumption in containers and packaging: Minimize environmental impact by substituting materials used for containers and packaging / Utilize eco-friendly plant-derived materials used for containers and packaging		
<ul style="list-style-type: none"> Held workshops on health-focused management for all employees to ensure that long work hours are reduced and that the number of paid leave days used is increased Quantified work hours and the number of leave days by utilizing the new attendance management system to raise awareness of working styles 	✓	1. Promote health-focused management		
<ul style="list-style-type: none"> Conducted safety and health inspection tours at each of our plants and responded to any findings for improvement: 390 inspection tours, 1,745 findings, 100% improved (15 plants in total) 	✓	2. Conduct health and safety inspection tours in plants		
<ul style="list-style-type: none"> Annual paid leave acquisition rate: 70.9% 	✓	3. Increase the number of paid leave days used (target acquisition rate: 75%)		
<ul style="list-style-type: none"> Improved working environment for Yakult Ladies: Invested 640 million yen Yakult daycare centers certified: 39 centers in Japan 	✓	4. Promote work-life balance		
<ul style="list-style-type: none"> Ratio of women at the assistant manager level: 27.1% Ratio of female managers: 6.3% in Japan, 23.4% outside Japan 	✓	5. Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by fiscal 2020		
<ul style="list-style-type: none"> Ratio of employees with disabilities: 2.15% (2.20% for March 2019) 	✓	6. Maintain the legally mandated ratio of employees with disabilities		
<ul style="list-style-type: none"> Held human rights training as part of training for new employees and diversity training for newly appointed managers Provided compliance information to offices in each country and region while considering laws, customs and religions of each country, shared information about harassment prevention, and supported the offices to create their own Ethical Principles 	✓	1. Periodically run human rights awareness training		
<ul style="list-style-type: none"> Discussed harassment during level-specific training (pre-promotion training for General Managers and training for newly appointed managers) Discussed harassment during compliance training Marketing companies and plants: 7 sessions, Yakult Honsha offices and Group companies: 51 sessions Published compliance newsletters Vols. 10-13 on harassment 	✓	2. Run anti-harassment workshops		
<ul style="list-style-type: none"> Maintained and improved sound business relationships in compliance with the basic transaction agreement between Yakult Honsha and marketing companies Improved compliance awareness by holding a conference for personnel in departments that deal with subcontractors Revised and adopted the Code of Practice of Yakult Honsha Pharmaceutical Business Division Signed contracts in response to the EU General Data Protection Regulation (GDPR) 	✓	1. Ensure complete adherence to compliance		
<ul style="list-style-type: none"> Started CSR procurement surveys of business partners in March 2019 	✓	2. Implement CSR procurement		
<ul style="list-style-type: none"> Held Shirota-ism Workshops in and outside Japan during group training sessions, and training for new employees 	✓	1. Deepen understanding of our founder's philosophy (Shirota-ism)		
<ul style="list-style-type: none"> Held various management meetings regularly (the Board of Directors: 7 times, the Executive Officers Committee: 27 times, etc.) Report submitted in November 2018 in response to the revised Corporate Governance Code Held discussions prior to important meetings (2 times) 	✓	2. Strengthen support of the Corporate Governance Code		
<ul style="list-style-type: none"> Continued to appropriately disclose information by using convocation notices with a revised format to be easily understood 	✓	3. Promote disclosure of information to stakeholders (shareholders, etc.)		
<ul style="list-style-type: none"> Explained the Yakult Ethical Principles and Code of Conduct at compliance training and level-specific training 	✓	4. Enhance understanding of the Yakult Ethical Principles and Code of Conduct		
<ul style="list-style-type: none"> Distributed various educational materials including a Compliance Guidebook Held meetings for personnel in charge of compliance for each region (8 meetings in total) to provide useful legal information and share information between personnel Designated February 2019 as Compliance Month and conducted various activities to raise compliance awareness among all Group employees Continued to operate the Compliance Hotline for quickly discovering and correcting any violations of laws Continuous auditing (internal audits, audits by Audit & Supervisory Board Members, etc.) to ensure sound compliance at offices outside Japan 	✓	5. Ensure complete adherence to compliance		

Dialogue with Stakeholders

To continually grow as a corporation and fulfill our social responsibility, we believe it is essential to actively disclose our corporate activities and engage in two-way communication with stakeholders. The Yakult Group therefore promotes regular dialogue with various stakeholders, such as customers, local communities, shareholders and investors, workers, business partners, and civil society organizations.

Customers

We provide high-quality products and services upon accurately understanding customer needs and considering the customer's perspective.

- Number of inquiries to Customer Support Center: 39,510 (fiscal 2018)
 - Issues of *Healthist* journal: 6 in Japanese and 1 in English per year
 - Participants in plant tours:
Around 280,000 in Japan (fiscal 2018)*
Around 560,000 overseas (January-December 2018)
 - Participants in tours of the Shirota Memorial Museum at the Yakult Central Institute: Around 3,000 (fiscal 2018)
- * 6 Yakult Honsha plants including the Shonan Cosmetics Plant, 5 bottling company plants and 2 affiliated company plants

See p. 18-23

Local Communities

As a member of the local community, we respect regional cultures and customs and promote corporate activities in cooperation with local communities.

- Dispatch of guest lecturers:
In Japan: 4,032 lectures, 286,290 participants (fiscal 2018)
Overseas: 41,008 lectures, 3,161,170 participants
- Health-related lectures:
In Japan: 12,493 lectures, 366,494 participants (fiscal 2018)
Overseas: 120,668 lectures, 6,559,002 participants
- Courtesy Visit Activities: Around 38,000 elderly people visited (fiscal 2018)
- Community safety watch and crime prevention activities: 878 local governments and organizations (fiscal 2018)
- Cleanup campaigns: 98 venues (fiscal 2018)
- Social activities with vending machines

See p. 24-27

Shareholders and Investors

We promote fair and transparent corporate activities by disclosing accurate information to shareholders and investors in a timely and appropriate manner.

- General shareholder's meeting
- Business results briefings: twice a year (year-end settlement, second quarter settlement)
- Conference calls: twice a year (first quarter settlement, third quarter settlement)
- Individual interviews, telephone interviews, etc.: as needed
- Office and other tours: as needed
- Business site tours: as needed
- Communication tools: shareholder newsletters, annual report, company profile, CSR report, Yakult overviews, etc.

IR information <https://www.yakult.co.jp/english/ir/index.html>

Workers

Along with striving to create a comfortable working environment for our workers, we respect personal individuality through various types of interaction.

- Individual interviews
- Worker questionnaires
- Sharing information via the company intranet
- Internal newsletter
- Training programs
- Employee consultation desk

See p. 40-48

Business Partners

We are committed to fair, transparent and free competition, and conducting appropriate transactions, while aiming to grow together with our business partners.

- Study session on logistics quality (training for business partners)*
 - Communication through purchasing activities
 - CSR procurement questionnaire (103 companies responded)
- * Implemented through Yakult Logistics Co., Ltd

See p. 52-53

Civil Society Organizations

We are working to further advance our business and CSR activities based on our policy of cooperating with civil society organizations that specialize in resolving various issues.

- Social contribution activities
- Internal and external seminars
- Support projects (Japan: OISCA's Children's Forest Program; Overseas: China's Million Tree Project, etc.)

See p. 24-27

Topic IR communication

In the "For Investors" section of our website, as well as providing up-to-date information such as monthly sales results for dairy products in Japan, we disclose a wide range of information including financial results.

We are strengthening communication with stock market investors (securities analysts and institutional investors) by holding business results briefings and individual interviews. For institutional investors based outside Japan, we provide opportunities for dialogue by taking part in international roadshows and conferences.

The views and requests we obtain through dialogue on a wide range of topics including financial results, management strategies and governance help us to promote transparency in management, based on the Japan's Corporate Governance Code.

External evaluation

SRI Index

Yakult Honsha is included in the MSCI Japan ESG Select Leaders Index by MSCI Inc., the world's largest provider of environmental, social and governance (ESG) indexes.



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Evaluations/certifications



External awards

Date	Award	Details
April 2018	REVECY awarded Asia Star Award	Design strongly conveys the product message and takes universal design into consideration.
June 2018	Yakult Lady home delivery service awarded the METI (Ministry of Economy, Trade and Industry) Minister's Prize at the Second Nihon Service Award	Recognized for increasing health awareness and contributing to the empowerment of women.
August 2018	ikitel series awarded Package Design Award and Yakult Skin Clear Liquid awarded Accessible Design Packaging Award in the 2018 Japan Packaging Contest	Recognized for having environmentally conscious packaging which balances aesthetic design with usability.
November 2018	ikitel series and Yakult Skin Clear Liquid awarded Asia Star Award	Recognized for having environmentally conscious packaging which balances aesthetic design with usability.
November 2018	Awarded Brand of the Year (Global Award) for second consecutive year in the World Branding Awards (WBA) run by the World Branding Forum	Recognized as a global brand, selected by WBA's unique judging method combining brand valuation, consumer market research and public online voting.
December 2018	Yakult Lady home delivery service awarded Special Award (SDGs Partnership Award) in the second Japan SDGs Award	Recognized for increasing health awareness and contributing to the empowerment of women.
January 2019	Top rating in the Equities category of the Nikkei Veritas Deal of the Year 2018	Recognized for stock buying and selling package taking both new and existing investors into consideration, and stock prices remaining firm as a result of strong business results and PR/IR activities.
February 2019	The Yakult CSR Report 2018 awarded Prize for Excellence in the Environmental Reporting category in the 22nd Environmental Communication Awards	Praised for detailed reporting on labor practices and conveying the company's philosophy towards people.

Industry groups and academic societies

The Yakult Group is involved with the industry groups and academic societies listed on the right. We cooperate with each group to advance the entire industry through information sharing, while striving to improve our corporate activities.

- Japanese Association of Fermented Milks and Fermented Milk Drinks
- Japan Soft Drink Association
- Japan Society for Dietary Education
- Japan Food Safety Management Association
- Japanese Society for Bacteriology
- Japan Society for Lactic Acid Bacteria
- The Japan Dietetic Association

Contributing to the health and happiness of our customers

Our approach

From selection of raw materials to delivery of the finished product, we guarantee a high level of quality and safety at each step. The opinions and feedback of our customers are highly important to us, and we reflect them in new product development and the revision of existing product labels. We have also established strict rules for the handling of customer personal information in our unique home delivery system.



Providing safe and reliable products: see p. 19

Policies / Guidelines / Targets

- Raw material management
 - Quality standard specifications

- Production
 - Quality management system
 - Inspections for radioactive substances

- Marketing
 - Quality and Hygiene Management Standards
 - Food Quality and Hygiene Management Guidelines
 - Food quality audits (marketing companies)

Structures / Systems

- Quality Assurance Committee

Customer-first principle: see p. 21

Structures / Systems

- Customer Support Center

Protecting customer personal information: see p. 23

Policies / Guidelines / Targets

- Basic Policy for Protection and Management of Personal Information
- Personal Information Protection and Use Manual
- Privacy Policy

- Policies / Guidelines / Targets
 - Yakult Ethical Principles and Code of Conduct (1. Placing Customers First, 4. Information Security)

Fiscal 2018 Targets and Achievements

Target	Achievement
1. Hold customer satisfaction workshops	<ul style="list-style-type: none"> • Revised the Yakult Lady handbook • Recurrence prevention for product-related claims against plants: 100%
2. Promote certification of various international standards	<ul style="list-style-type: none"> • Yakult S/A Ind. E Com. (Brazil) acquired ISO 22000 certification • Yakult S.A. de C.V. (Mexico) acquired FSSC 22000 certification
3. Promote universal design	<ul style="list-style-type: none"> • Universal fonts used on all new products and existing products having their designs updated
4. Accept visitors to plants and research institute	<ul style="list-style-type: none"> • Number of plant visitors: 833,281 (Total for Japan and overseas) • Visitors to Yakult Central Institute's Shirota Memorial Museum: 2,798

Fiscal 2018 legal compliance

In fiscal 2018 there were no incidents leading to voluntary product recall, or major violations of laws relating to quality or safety.



Providing safe and reliable products

Quality management systems

We strive to ensure high quality and safety by complying with laws and maintaining our own strict standards in every stage of our operations, from research, development and production, to transport, shipment and delivery. The Quality Assurance Committee ensures that everyone in the Yakult Group works together to provide products and services that are trusted by and satisfy customers.

Raw material management

When selecting our main raw materials for ingredients and packaging, including powdered skim milk, paper and plastic, at the product design stage, we investigate and analyze the types of raw materials, additives, and processing aids used during the manufacturing process of the raw materials, and decide to utilize them only if they conform to the Food Sanitation Act and related laws, and after rigorously confirming their safety. Investigation results are consolidated in our raw material database.

We have set strict quality standards for raw materials, and at all of our plants both in and outside Japan, we confirm in advance the inspection reports of raw material suppliers and undertake inspections when raw materials are received to ensure that only materials that are in compliance with relevant standards are used. We also place importance on communication with suppliers, and conduct investigations of the country of origin of the raw materials, manufacturing plants and processes to confirm hygiene conditions, inspection systems and quality control systems, and request improvements when necessary.

Production

We have established provisions for the special manufacturing technology, cleaning, disinfection, and other conditions required for the cultivation of lactic acid bacteria according to our internal manufacturing management standards, which are based on scientific evidence of the positive effects of lactic acid bacteria on health.

We have also established an internal quality control system that integrates ISO 9001-certified quality management systems with Hazard Analysis and Critical Control Point (HACCP) systems and food defense programs, and maintain a high standard of quality management. As each employee's awareness, knowledge and technical skills with regards to product quality are essential in achieving this, we have defined the abilities required in production and quality control at Yakult Honsha dairy product plants and bottling companies, education, training and assessment in a systematic manner, and routinely review this system. In Japan we have also developed and installed a variety of inspection equipment that has made a 100% inspection level possible with continuous quality monitoring.

Regarding food safety related to radioactive substances in Japan, we operate one of the country's most rigorous product safety checks, including continued inspection of radioactive substances by lot for all types of products, along with continuous monitoring using a monitoring post at the Fukushima Plant.

Outside Japan, we conduct strict quality control based on our own internal standards while complying with local laws and regulations, and adapting to the culture of each country. Some of our sites outside Japan have obtained Halal certification.

Furthermore, we have developed systems that allow us to, if product-related incidents occur, establish a task force to handle the incident based on our Risk Management Rules and carry out a prompt product recall.

Related information see p. 57 Risk management - Business Continuity Plan (BCP)

Distribution

Yakult Logistics Co., Ltd. makes logistics quality the foundation of their mission to deliver fresh products at their peak of quality. The company runs annual study sessions on logistics quality for workers and contractors, as part of efforts to thoroughly train them about the special loading and handling of Yakult products. In fiscal 2018, 105 companies participated.



Study session on logistics quality

Marketing

We implement quality control according to our own proprietary Quality and Hygiene Management Standards and Food Quality and Hygiene Management Guidelines. We also carry out food quality audits at marketing companies with teams composed primarily of employees that have experience working at production plants.

Furthermore, marketing companies perform their own internal audits to check process control up until products are delivered to customers. We hold on-the-job training and workshops to improve audit expertise.

Initiatives in cosmetic and pharmaceutical production

To maintain safe and standardized product quality during all processes at our pharmaceutical plant, from receipt of raw materials to product manufacturing, quality testing, and storage, we follow the pharmaceutical Good Manufacturing Practice (GMP – quality control and manufacturing standards for pharmaceuticals and quasi-drugs). Furthermore, because some raw ingredients for pharmaceuticals are exported overseas, we also conform to the GMP management standards in the recipient's country.

For cosmetics, we utilize a Quality Control Work Procedure Manual and Post-manufacturing and Sales Safety Control Work Procedure Manual for quality control. We also perform regular audits to ensure that the cosmetic GMP (technology guidelines for cosmetics manufacturing and quality control) is being followed to always make products with a uniform high quality at both our plant and contractor plants, and give guidance to improve them if necessary.



Product quality certifications

We are promoting acquisition of ISO 9001, HACCP, FSSC 22000, Safe Quality Food (SQF) and other certifications for Yakult Honsha plants, bottling companies, marketing companies and Group companies outside Japan. The Zhongli Plant of Yakult Taiwan Co., Ltd. has acquired SQF level-3 certification, the highest level of the SQF program.

At the Yakult Group, we consider dialogue with stakeholders important to further improve the quality of our products and services. At the request of a major business partner, Yakult S/A Ind. E Com. (Brazil) is currently working to have their certification program acquire GFSI recognition*. As the first step, in January 2019 they acquired ISO 22000 certification. Yakult S.A. de C.V. (Mexico) has received the same request, and in September 2018 acquired FSSC 22000 certification.

* GFSI-Recognized Certification Programs: Food safety certification standards that meet the GFSI Benchmarking Requirements set by the Global Food Safety Initiative food industry network, which was launched in 2000.

Certifications acquired for product quality

(Number of certified locations)

	HACCP	ISO 9001	ISO 22000	FSSC 22000	GMP	SQF	Halal
Yakult Honsha plants, bottling companies in Japan (10 dairy product plants)	10	10					
Marketing companies in Japan (103 in total)		19* ¹	1				
Plants outside Japan (27 locations in total) * ²	21	10* ³	6	3	9	2	7

*1 Includes branches that have acquired the certification. *2 As of March 2019 *3 Includes one marketing company.

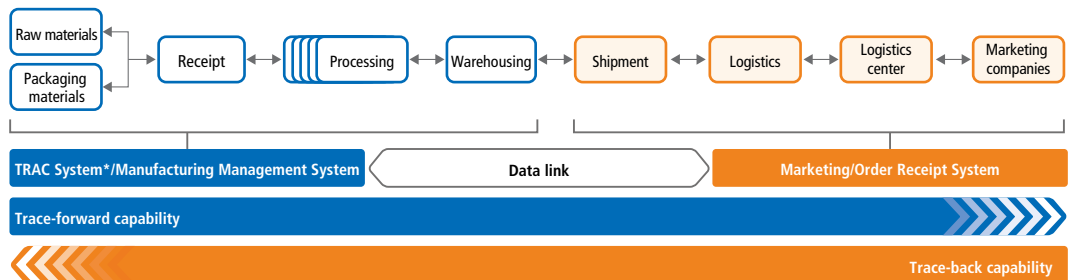
- HACCP: A system for assuring safety by implementing thorough hygiene management across the entire manufacturing process
- ISO 9001: An international standard for quality management systems
- ISO 22000: An international standard for food safety management systems based on the hygiene management methods of HACCP
- FSSC 22000: An international standard for food safety management systems based on ISO 22000 that incorporates food defense and other matters
- GMP (Good Manufacturing Practice): An international standard for pharmaceuticals and food manufacturing management and quality control
- SQF: An international standard for management systems that ensure the safety and quality of food products
- Halal: A standard for food quality management systems based on Islamic Law

WEB For details about certification acquired by each company, please visit: <https://www.yakult.co.jp/english/csr/governance/index.html>

Traceability system

Each individual Yakult product package in Japan bears a recommended use-by date and a production lot code printed with an ink-jet printer. The Yakult Group's traceability system enables trace-back capability so that the manufacturing history (raw materials, packaging materials, production situations, etc.) of specified products can be identified, and trace-forward capability so that primary shipment destinations of specified products can be identified.

Traceability system



* The TRAC system refers to a system that enables a search of manufacturing history and is connected with other mission-critical systems.

Implementing the first tracing system at a plant outside of Japan: Yakult China Group

In 2018, Yakult China Group implemented a proprietary tracing system at their Tianjin Yakult plant, Wuxi Yakult plant, and Shanghai Yakult plants. At the Tianjin Plant they began using WeChat, a smartphone app widely used in China, to allow consumers to view information on raw ingredients and product quality.

Product information is easily accessible via smartphone



Active disclosure of product information

Universal design fonts for product labeling

When changing the design or labeling of existing food and beverage products, and when new products are introduced, we utilize easy-to-read universal design fonts for packages. We will employ the fonts on all of our products to make them easier to read by around April 2020, when we will change the address on the label due to the relocation of the company head office.

Easy-to-understand allergen information

For many years our food products have displayed the allergens they contain in the ingredients list as stipulated by law, and we have also displayed in a voluntary format the government-specified seven mandatory and 20 recommended ingredients for allergy labeling to make it easier for customers to be informed. This was sequentially implemented in March 2016 for our dairy products and was also implemented for other beverages starting with those launched or updated after March 2016. Since April 2017 we have been sequentially changing labels to comply with the Japanese Food Labeling Act. *Menkyokaiden* instant noodles have also been unified in the same style as other products.

Our website also provides product information to customers so that they easily understand both the ingredients used and the ingredients specified as allergens.



An example list of allergens

WEB Product Information > Food Ingredients and Allergens
<https://www.yakult.co.jp/products/component.html> (Japanese)

Customer-first principle

Role and systems of the Customer Support Center

Day-to-day consultations with customers are an important resource that facilitates our efforts to ensure we can provide products and services that contribute to the health and happiness of our customers. We are extremely pleased to have opportunities to consult with our customers via emails and toll-free telephone lines, and we do our utmost to respond to customer consultations swiftly, accurately and conscientiously.

The Customer Support Center has an important role of gaining a good grasp of the full significance of each individual customer consultation; communicating information on consultations to related organizational units and top executives; and promoting concrete measures to improve products and services. Regarding inquiries, the Center strives to politely provide each customer with easy-to-understand answers that meet the individual customer's needs. With respect to customer complaints and comments that require investigations of products, the center keeps in close contact with marketing companies throughout Japan to arrange visits to and discussions with customers.

Customer feedback

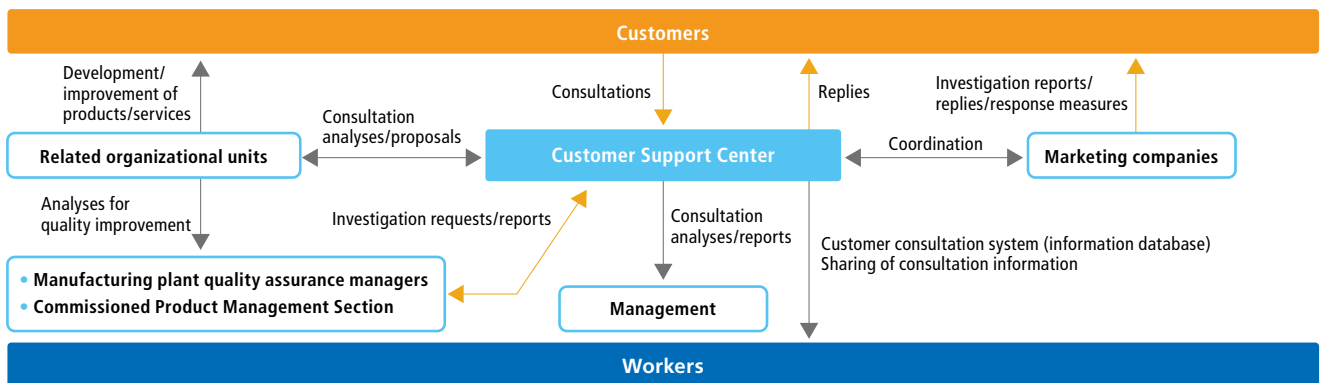
We organize our customer consultations into the categories of inquiries, applications, complaints, discontinuations / suspensions, changes and others.

In fiscal 2018, the Center received 39,510 consultations (FY2017: 43,944).

Customer consultations in fiscal 2018

Type	Number
Inquiries	29,682
Applications	2,499
Complaints	3,858
Discontinuations / suspensions	1,211
Changes	210
Others	2,050
Total	39,510

Customer response flow



Customer Support Center

Toll-Free: **0120-11-8960** (In Japan only)
 (9:00 to 17:30, except Saturdays, Sundays, holidays, summer holidays, year-end and New Year holidays, and so on.)

Using customer feedback in products

Launching the low-sugar *Yakult Light*: Yakult (Thailand) Co., Ltd.

In Thailand modern diets tend to include large amounts of sugar, and it has become a cause of obesity and other lifestyle diseases. There have been initiatives in recent years to reduce sugar consumption, such as the sugar tax introduced by the government, and an increasing number of customers say they pay attention to the amount of sugar in products. In light of this, in June 2018 Yakult (Thailand) Co., Ltd. launched the low-sugar *Yakult Light*.



Yakult Light

Clear labeling for products without straws: Japan

We received many inquiries from customers asking if the lack of straws in the *New Yakult* 10-pack was a manufacturing error, so when redesigning the package in 2019, we added “Straws not included” to the 10-pack packaging.

Changing the best-by date and lot number display: Yakult Australia Pty. Ltd.

After customers reported that they mistook the fill time for the year, Yakult Australia Pty. Ltd. changed the way they are displayed.

Example

Before	After
USE BY 27DEC O15	O15 USE BY 27DEC 2019

* “O15” is the fill time (14:15).

Hours in the 24-hour clock are assigned consecutive letters in the alphabet (A=00:00, B=01:00, etc.), so O=14:00.

Expanding Yakult Delivery Net online ordering service

As the e-commerce market grows, many customers have begun requesting the ability to order online or pay with credit cards.

To thus improve customer satisfaction by offering more ordering and payment options, in fiscal 2017 we launched our online ordering service Yakult Delivery Net. In September 2018 we expanded the service nationwide.

As of March 2019, the number of members had increased to about 40,000 (a four-fold increase from 2018), and we are aiming for 90,000 members by the end of fiscal 2019.

Communication with customers and providing health information

Plant and institute tours

For a deeper understanding of our products and the Group’s commitment to environmental consciousness and producing safe products that offer peace of mind, we proactively offer tours of our plants to the general public ranging from children to the elderly. The tours are used for educational visits and environmental programs mainly for elementary school students, and held for opinion leaders and people with a particularly strong interest in health issues as an opportunity to obtain information.

To simplify the way customers can make reservations for plant tours, in September 2018 we introduced an online plant tour reservation system. Additionally, to make it easier for the elderly and customers with disabilities to comfortably tour our plants, we are introducing elevators, ramps, and handrails in plant tour areas to make each plant more accessible to all. During fiscal 2018, five Yakult Honsha dairy product plants, the Shonan Cosmetics Plant, five bottling companies, Yakult Foods Industry Co., Ltd. and Yakult Health Foods Co., Ltd. (13 in total) welcomed about 280,000 people in Japan.

Aiming to deepen friendly relations with local communities, we annually organize festivals at our plants and invite the members of local communities to participate. During fiscal 2018, five Yakult Honsha dairy product plants, five bottling companies, and Yakult Foods Industry Co., Ltd. (11 in total) held festivals, which a total of about 24,000 people attended.

The Shirota Memorial Museum (see p. 6) at the Yakult Central Institute is open to the general public, and welcomed about 2,800 visitors in fiscal 2018.



Plant tour

Official YouTube channel

In June 2018 we launched our official YouTube channel where we actively transmit information on health, with the goal of improving recognition and understanding of the company and our brands. In addition to posting TV commercials, we also post web-exclusive content that explains synbiotics.

Healthist journal

Healthist is a journal published in Japanese six times per year with the objective of providing easy-to-understand information to the general public, from the newest discoveries in life science and cutting-edge research, to health-related topics and useful information for daily life. The 250th edition of the journal was published in fiscal 2018 with a commemorative feature that followed up on developments in research that the journal had covered in the past.



Understanding and compliance with marketing rules

Training for Yakult Ladies and Yakult Beauty Advisors

Aiming to unify the service quality our customers receive, we provide training for Yakult Ladies on topics such as product temperature control, personal appearance, and basic manners.

To facilitate continuous training and information sharing, we also publish a magazine for Yakult Ladies four times per year and create educational posters and training DVDs on traffic safety and product management.

In fiscal 2018 we set two manner enhancement periods, and added programs on proper speaking and personal appearance to help in contributing to customer health and wellbeing. We additionally held study sessions at each center with the goal of delivering products with sincerity and exceeding customer expectations. We also revised procedural handbooks and created DVDs for training on manners during delivery.

For Yakult Beauty Advisors, we distribute a textbook for beauty care advice (for internal training), and provide training on business manners and the rules for door-to-door sales. Additionally, we update the *Yakult Beautiens* handbook annually to continuously disseminate rules. We also provide various kinds of information through a monthly magazine for Yakult Beauty Advisors.



"Delivering products with sincerity" study session (Yakult Nagoya Sales Co., Ltd. Kiyosu Center)

Demo Lady training

In regions like Europe, where home delivery sales are prohibited by law, we place promotional staff called Demo Ladies at retail stores to introduce and sell products to customers.

We hold training sessions for Demo Ladies to understand the unique aspects of our products so they may provide information correctly to customers.

In 2018, Yakult Deutschland GmbH trained 10 new Demo Ladies over two sessions in January and September, teaching them about our corporate philosophy, and how to convey information correctly through Q&A practice sessions and roleplaying.



Demo Lady in Germany

Honest and responsible advertising

We believe that advertising activities for our products, services and business aimed widely at customers are an important part of our social responsibilities.

Our most important consideration when creating advertisements is to make them easy for customers to understand, and we strive to deliver our message honestly and fairly in compliance with relevant laws and the various checks for each type of media.

For our advertising employees, we hold workshops twice per year to educate and share the latest information about advertising.

Protecting customer personal information

Following the Act on the Protection of Personal Information fully enacted in April 2005, we have established our Basic Policy for Protection and Management of Personal Information. Following the revision of the act in May 2017, we revised the basic policy, setting guidelines that employees must adhere to in order to protect personal information.

Further promoting our efforts to protect personal information, we also created a Personal Information Protection and Use Manual to establish practical procedures for the acquisition, use and storage of personal information, and post our Privacy Policy on our website.

Yakult Ladies often have the opportunity to handle customer personal information in their line of work, and we enforce rules for the handling of this information through training and handbooks. As other companies have faced scandals stemming from social media posts in recent years, our handbook clearly stipulates that any information received during duty is not to be posted on social media, and we further promote awareness using specific examples.

WEB Privacy Policy <https://www.yakult.co.jp/privacypolicy/> (Japanese)

II Community Involvement and Development

Towards development together with local communities

Our approach

As a company that supports the health of people around the world, we support community development in line with our business activities. We also aim to build safer communities and establish healthy living habits using our unique regional network of Yakult Ladies who deliver products to customers.

Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (7. Contribution to Society)
- The Yakult Group's Policy on Community Development Activities



Fiscal 2018 Targets and Achievements

Target	Achievement
1. Promote the dispatch of guest lecturers and health-related lectures	<ul style="list-style-type: none"> • Guest lecturers dispatched for 45,040 lectures to 3,447,460 participants (total for Japan and overseas) • Health-related lectures given 133,161 times to 6,925,496 participants (total for Japan and overseas)
2. Promote Courtesy Visit Activities, community safety watch and crime prevention activities	<ul style="list-style-type: none"> • Courtesy Visit Activities conducted by 53 marketing companies visiting 37,985 older people • Community safety watch and crime prevention activities carried out by 103 marketing companies in cooperation with 878 local municipalities
3. Further sports promotion	<ul style="list-style-type: none"> • Baseball clinics with active players given 10 times to 1,014 participants
4. Implement cooperative activities between business sites and local municipalities	<ul style="list-style-type: none"> • Bowel Cancer Information website run by the Pharmaceutical Business Division reached over 10 million views • Provided Yakult and made donations to emergency shelters and disaster victims (Indonesia)
5. Deepen exchanges with local residents through plant festivals	<ul style="list-style-type: none"> • Plant festivals held at 11 plants for 23,574 visitors

Promoting social contribution activities

Fundamental philosophy

As a member of the local community, we respect regional cultures and customs and promote corporate activities in cooperation with local communities. We believe that contributing to society as a good corporate citizen is the responsibility of the Company and each employee proactively conducts social contribution activities. These activities lead to the resolution of social issues such as building safe and secure communities and establishing healthy living habits.

In March 2018 we established our Policy on Community Development Activities, and are using it as a foundation to further our activities moving forward.

The Yakult Group's Policy on Community Development Activities

As a good corporate citizen, the Yakult Group actively promotes community development activities in cooperation with local communities.

1. Our activities are based on our mission of contributing to the health and happiness of people.
2. We utilize the Group's strength of being firmly rooted in local communities to engage in resolving social issues, and promoting sports and culture.
3. We value our dialogue with stakeholders, and cooperate and coordinate with them.

Established March 20, 2018



Preventive medicine and a healthy intestinal tract leads to a long life

Providing information on health

The Yakult Group not only delivers products to customers, but also contributes to local communities through the active provision of health-related information to people living in the area via guest lectures and health-related lectures. In April 2019, these activities were recognized as a form of food and nutrition education and we were certified as a Company or Organization Promoting Food and Nutrition Education by the Japanese Society of Shokuiku.

• Dispatching guest lecturers

Our branches and marketing companies in each region of Japan dispatch guest lecturers to elementary schools and other locations, where they use scale models and other instructional tools to provide easy-to-understand information about the important role of the intestines and the importance of healthy eating habits conducive to good bowel functions. This program has been held in high esteem and reported as a good example to model in the Journal of Japanese Society of Shokuiku. In 2015 our program received an Honorable Mention from the Judging Committee of the Awards for Companies Promoting Experience-based Learning Activities for Youth sponsored by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).

In fiscal 2018, we conducted about 4,000 guest lectures for more than 290,000 participants nationwide. Guest lectures are also being held outside Japan, particularly in countries such as Indonesia, the Philippines, China, and Mexico. In fiscal 2018, there were a total of about 41,000 lectures given to around 3.16 million participants.



Guest lecture held in Japan

• Health-related lectures

Health-related lectures are given mainly by marketing company employees in each region at Yakult centers (Yakult Ladies sales hubs) and community facilities, and address a broad range of topics including the importance of the intestines, probiotics and seasonal ailments. Recently the scope of these activities has extended to our business partners (such as chain stores and school lunch contractors), and nutrition consultations are now being offered in addition to health-related lectures.

In fiscal 2018, there were about 12,500 health-related lectures conducted for about 370,000 participants nationwide and about 120,700 lectures for about 6,560,000 participants outside Japan.



Health-related lecture
 (Yakult S/A Ind. E Com. (Brazil))



Health-related lecture
 (P.T. Yakult Indonesia Persada)

Providing information about bowel cancer

We provide the opportunity to deepen knowledge of bowel cancer through pamphlets and a website that offer simple explanations of the disease and treatment for people suffering from bowel cancer and their families as a social contribution activity in the pharmaceutical business.

The website features basic information on bowel cancer as well as interviews with health care professionals, Q&As about bowel cancer, and other topics, all published under the editorial supervision of a cancer specialist.

In fiscal 2018 the site featured interviews with healthcare providers and patients under the theme of how people suffering from cancer can balance work with medical treatment. It also provided information to the general public from a preventive medicine standpoint, aiming to increase the rate of bowel cancer screenings. Since going live in March 2012, the website has been viewed by a total of over 10 million people.

WEB Bowel Cancer Information website: <https://www.daichougan.info/> (Japanese)

Beauty workshops

Beauty is closely connected to health, and Yakult also produces cosmetics in addition to our beverages, food, and pharmaceutical products that contribute to health.

We thus run regular beauty workshops where customers, local community residents, and companies can receive beauty-related information from marketing company employees and Yakult Beauty Advisors, as well as consultations about skin problems, and hand massages.

Providing accurate knowledge of probiotics: Yakult (Malaysia) Sdn. Bhd.

In April 2018, Yakult (Malaysia) Sdn. Bhd. teamed up with another company to establish the Probiotics Expert Committee under direct control of the Malaysian Dietitians' Association. The committee is organizing a Probiotics Education Programme to provide consumers with accurate knowledge about probiotics.



Probiotics Expert Committee

Holding the Yakult International Symposium: Yakult Europe B.V.

The symposium is a biannual science event held by the Yakult Europe B.V. science department together with operating companies. In fiscal 2018, 170 participants from 15 countries took part in the symposium held in Gent, Belgium, under the theme "The Role of Probiotics on the Roadmap to a Healthy Microbiota."



Supporting the safety and peace of mind of communities

Courtesy Visit Activities

Since 1972, Yakult Ladies have been visiting elderly people living alone as they make their deliveries to confirm that they are safe and to spend some time chatting with them. This activity began when a Yakult Lady in Koriyama, Fukushima, Japan, took it upon herself to provide Yakult products to elderly people living alone, at her own expense, after hearing the sad news that one such person had died unnoticed. Her consideration resonated with both the local Yakult marketing company and social workers in the region, and further moved many local governments to take action. As a result, these visits by Yakult Ladies, known as Courtesy Visit Activities, have spread throughout Japan.

As of March 2019, about 2,800 Yakult Ladies are paying regular visits to about 38,000 elderly people in response to requests from 127 local governments and other institutions in Japan.

Outside Japan, Korea Yakult Co., Ltd. continuously undertakes activities to verify the safety of about 30,000 elderly persons living alone. In fiscal 2018 they were recognized by the Ministry of Health and Welfare of the Republic of Korea for their many years of service to the community.

Community safety watch and crime prevention activities

Being well positioned to observe every corner of their sales areas during their daily deliveries, Yakult Ladies contribute to communities' safety and peace of mind by participating in crime watch and other activities undertaken in cooperation with 878 local governments and police units as well as other local organizations around Japan. As a result of these activities, there have been cases where Yakult Ladies have felt something was not normal at a customer's residence and reported it to the police, who have found and rescued the person.

As of March 2019, 103 marketing companies* throughout Japan have created organizations to contribute to communities' safety and peace of mind.

* Including marketing companies under holding companies

Examples of cases of lifesaving, and crime-prevention in fiscal 2018 (excerpt)

Marketing company/center	Case
Johoku Center, Yakult Osaka Tobu Sales Co., Ltd. (Osaka City, Osaka)	Letter of commendation from Asahi Police Station for helping save lives by reporting a customer collapsed near their home entrance
Northern Branch, Yakult Tokyo Sales Co., Ltd. (Suginami, Tokyo)	Letter of commendation from Suginami Police Station for assisting in the arrest of a suspect committing fraud
Kusumi Service Center, Yakult Wakayama Sales Co., Ltd. (Wakayama City, Wakayama)	Letter of commendation from Wakayama Prefecture for helping save a life by reporting something wrong with an elderly customer living alone

The Yakult Central Institute also cooperates with the Pipokun's House emergency shelter as a regional measure to protect children from crimes.

Backing support facilities for persons with disabilities

In cooperation with pachinko and pachislot cooperative associations in respective prefectures, we provide work opportunities to persons with disabilities staying at or visiting welfare facilities to support their participation in society. We ask them to attach stickers that include New Year and summer

greetings to our products distributed to customers at pachinko and pachislot parlors. In fiscal 2018, we had the stickers attached to a total of around 1.06 million bottles at 79 facilities in 18 prefectures.

Implementing social activities with vending machines

As of the end of March 2019, the Yakult Group has installed about 46,000 vending machines throughout Japan.

Some of these vending machines have special social contribution functions that can offer important assistance to people in local communities. In addition, we are installing universal design models that are easy to use for everyone, disaster-relief models that will distribute their merchandise free of charge following major earthquakes and other disasters, and crime-prevention models that incorporate security cameras that can play useful roles in crime prevention.

In cooperation with Kirin Beverage Company, Limited, we are moving ahead with the installation of "Pink Ribbon" vending machines that contribute a portion of their proceeds to the Japan Cancer Society. Our group is working to install more such vending machines, and in fiscal 2018, we installed another five "Pink Ribbon" vending machines throughout Japan (total: 309 in operation).



"Pink Ribbon" vending machine

Support during disasters

To contribute to the safety and peace of mind of local communities, Yakult actively provides support during disasters.

The Ibaraki, Fuji Susono, and Hyogo Miki plants have entered into agreements to supply emergency water during disasters.

Outside Japan we also have production bases in regions prone to natural disasters like earthquakes and typhoons, and have formulated systems that facilitate rapid support in times of disaster.

After the July 2018 Lombok earthquake in Indonesia, we provided support by distributing over 15,000 Yakult products to evacuation sites, hospitals, and disaster victims. To the 204 Yakult Ladies and employees who had their homes damaged, we also donated 2.84 million yen to help the victims and 5.5 million yen to rebuild housing, as well as physical goods.



Distributing Yakult products: P.T. Yakult Indonesia Persada

Providing free water when public water services are down: Yakult Philippines, Inc.

Water facilities in areas around the plant of Yakult Philippines, Inc. still have many problems, and outages and contamination occur frequently. When this happens, the plant supports local communities by providing its own water free of charge.



Promoting health through sports

The Yakult Group strives to contribute to people's health by actively promoting various sports as well as undertaking regional and social contribution activities.

Baseball clinics

Yakult holds baseball clinics throughout Japan that are run by current players from the Tokyo Yakult Swallows in the professional baseball off-season. In fiscal 2018, more than 1,000 children took part in the clinics at 10 different venues.

The NPO Tsubame Sports Promotion Association was established in 2005, and holds baseball clinics by retired players from the Tokyo Yakult Swallows. In fiscal 2018, clinics and training were conducted at 24 venues and a total of more than 4,200 people participated.



Baseball clinic

• Ball-throwing clinics

In recent years the physical capacity of elementary school students has diminished, and the decline in throwing ability is of particular concern. At the request of elementary schools, the Tokyo Yakult Swallows baseball team runs ball-throwing and other clinics. In fiscal 2018, clinics were held at 40 elementary schools and 11 kindergartens in the Tokyo area, with 6,392 participants.



Ball-throwing clinic

Track and field club and rugby club

The track and field club, founded in 1972, participates in different sporting events such as various ekiden (road relay races) including the New Year Ekiden as well as marathon races including the Tokyo Marathon. Yakult running clinics have been staged annually since 1988 as a place for athletes and local citizens to come together. In fiscal 2018 a total of 156 people participated in four events held in Hokkaido, Kagoshima and other locations.

The Yakult Levins rugby club was founded in 1980 and takes part in Japan Rugby's Top East Division 1 League. It also plays an active role in helping spread the game of rugby and improve children's health through rugby events and programs, taking part in the Toda Rugby Festival every year in Toda, Saitama Prefecture, and a tag rugby clinic at elementary schools in Tokyo and Chiba Prefecture.



Yakult running clinic



Tag rugby clinic

Environmental conservation

Cleanup activities

The Yakult Central Institute conducts staff-run cleanup activities on the second Thursday of every month. In fiscal 2018 activities were held nine times with 220 participants. We also actively participate in initiatives that foster the next generation, like the Tama River Expedition for children where they can experience the joy of being in nature.

Additionally, in fiscal 2018, Yakult Group plants held 89 local cleanup and tree planting activities joined by 939 participants.

Recycling fair

A recycling fair is held yearly at the head office building to raise employee awareness of resource conservation and environmental protection. Each department receives books donated by employees to use for fundraising from those who want to take books home, and any leftover books are then sold. All donations and profits are given to OISCA's Children's Forest Program. In 2018, the Company matched the money raised, and donated it to OISCA's Coastal Forest Regeneration Project to support communities affected by the 2011 Tohoku earthquake and tsunami.

Addressing poverty issues

Providing Yakult to food banks: Yakult Europe B.V.

Yakult Europe B.V. provides products that are reaching their best-by date to VLA, an organization that operates food banks in Almere, the Netherlands. In 2018 the company donated a total of 21,840 bottles.

Support for regions in poverty: Guangzhou Yakult Co., Ltd.

There are many impoverished regions in China where it is difficult for government support to reach, such as mountainous areas and rural agricultural communities, as well as there are children who are left alone at home while their parents work away from home in urban areas of the country. In cooperation with Shenzhen University, since 2008 Guangzhou Yakult has been holding activities to support children at elementary and junior high schools in underprivileged regions. In fiscal 2018, the company employees participated in activities held at three schools in the Shenzhen region and three in Guangzhou.



For environmental conservation

Our approach

Recognizing that environmental preservation and harmony with society are among the most important corporate management objectives, we give due consideration to environmental preservation with regard to all types and aspects of our corporate activities.



Promoting environmental management: see p. 29

Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (8. Consideration for the Global Environment)
- Yakult Basic Policy on the Environment / Sustainable Ecology 2020
- Phase 6 of the Yakult Environmental Action Plan

Realize a low-carbon society (responding to climate change): see p. 33

Policies / Guidelines / Targets

- Declaration of Action on Plastic Recycling

Effectively use resources: see p. 35

Preserve and utilize biodiversity: see p. 39

Structures / Systems

- Quality Control and Environmental Committee
- Planning managers meetings

Fiscal 2018 Targets and Achievements (Yakult Environmental Action Plan: Overview of Phase 6 Plan action targets)

In the Phase 6 Plan, we formulated the following plan for which we implemented activities from April 2016, adding the material issues of water resource conservation and ensuring environmentally conscious containers and packaging. We met our targets in all items in fiscal 2018.

Action item	Action target	Fiscal 2018 achievement
1. Reduction of greenhouse gas (CO ₂) emissions	Reduce CO ₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2018*	<ul style="list-style-type: none"> • CO₂ emissions reduced by 8.1% (compared to fiscal 2010) * Yakult Central Institute: reduced by 12.4% per production unit (compared to fiscal 2010)
2. Reduction of waste emissions and promotion of recycling	(1) Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2018	<ul style="list-style-type: none"> • Waste emissions reduced by 21.6% (compared to fiscal 2010)
	(2) Promote a recycling rate for food waste of at least 85%	<ul style="list-style-type: none"> • Food waste recycling rate 95.0% (conforming to Food Recycling Act)
3. Conservation of water resources	Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018	<ul style="list-style-type: none"> • Water consumption reduced by 19.8% (compared to fiscal 2010)
4. Preservation of biodiversity	(1) Support and involvement with nature conservation activities	<ul style="list-style-type: none"> • Participated in Green Wave 2018 (tree-planting in 14 locations in Japan) • Co-sponsored 69th National Tree-Planting Festival 2018 in Fukushima • Supported OISCA Children's Forest Program, and the 10-year Coastal Forest Restoration Project for reconstruction after the 2011 Tohoku earthquake
	(2) Promote education related to biodiversity	<ul style="list-style-type: none"> • Implemented CSR education through e-learning
5. Environmental consideration for containers and packaging	(1) Reduce material consumption in containers and packaging	<ul style="list-style-type: none"> • Adopted thinner 20 μm shrink-wrap film for Yakult V (five) • Adopted PET containers produced with 10% less resin for Milouge and other products
	(2) Minimize environmental impact by substituting materials used for containers and packaging	<ul style="list-style-type: none"> • Switched to cardboard boxes with shortened flaps on both sides for Quick Charge, reducing cardboard consumption by about 5% • Created the Yakult Group Declaration of Action on Plastic Recycling and submitted it to MAFF, and registered with the MOE's Plastics Smart Campaign
	(3) Utilize eco-friendly plant-derived materials used for containers and packaging	

Scope: Yakult Honsha, bottling companies and a logistics company (designated shipper)

* The Yakult Central Institute will aim to reduce CO₂ emissions per floor area to at least 5% below the level in fiscal 2010 due to facility expansion.

Fiscal 2018 legal compliance

In fiscal 2018 there were no major violations of laws or internal regulations.



Promoting environmental management

Yakult Basic Policy on the Environment

We established organizational units focused on environmental conservation measures in November 1991 and instituted the group-wide Yakult Basic Policy on the Environment in June 1997. In accordance with our Environmental Philosophy and Guidelines for Activities, we are promoting environmental conservation activities throughout all our business fields. In addition, we have established the Yakult Environmental Action Plan at three-year intervals since fiscal 2001. All the Yakult Group's research and development, manufacturing, marketing and office units have been moving ahead with environmental measures designed to reduce the Group's environmental impacts.

Yakult Basic Policy on the Environment

Environmental Philosophy

Recognizing that environmental preservation and harmony with society are among the most important corporate management objectives, Yakult Honsha and all the Yakult Group business units will give due consideration to environmental preservation with regard to all types and aspects of its corporate activities.

Action Directives

1. To realize the measures determined by the CSR Promotion Committee within Yakult Honsha, all Yakult Group business units will work concertedly, proactively, and in a sustained manner to address environmental issues associated with business activities.
2. Each business unit will build environmental management systems and systematically work with the participation of all employees to realize the objective of reducing environmental impacts and will also seek to realize sustained improvement in environmental performance by periodically checking the implementation of associated measures, auditing such measures, and reevaluating environmental activities.
3. Besides maintaining rigorous compliance with environment-related laws, regulations, and agreements, each business unit will autonomously set its own environmental standards, strive to further improve the level of its environmental management, and strive to eliminate environmental pollution risk factors before they become problematic.
4. In all business activities, business units will give due consideration to the environment as well as biodiversity by promoting the reduction of environmental impacts.

- (1) Efforts will be made to design containers and packaging based on due consideration of such objectives as reducing the volume of resource usage and waste products associated with containers and packaging, optimizing disposal, and promoting resource recycling.
- (2) Regarding product manufacturing, efforts will be made to thoroughly prevent environmental pollution as well as to reduce emissions of waste products, greenhouse gases, and other problematic substances through resource and energy conservation measures. In addition, to promote the creation of a recycling-oriented society, efforts will be made to recycle waste products and utilize green purchasing methods.
- (3) Regarding product distribution and marketing, efforts will be made to reduce environmental impacts stemming from motor vehicles and other transportation equipment, recycle resources associated with product containers and packaging, and reuse marketing-related equipment and materials.
- (4) All Yakult Group offices will strive to conserve resources and energy and thereby reduce their generation and emission of waste products, greenhouse gases, and other problematic substances. In addition, they will strive to recycle waste products and utilize green purchasing methods.
- (5) Regarding research activities, efforts will be made to reduce environmental impacts and to thoroughly manage substances with the potential for causing environmental pollution or safety hazards.
5. All employees will be thoroughly provided with environmental education, and efforts will be made to increase consciousness of environmental issues.
6. Information related to environmental activities will be appropriately disclosed, and efforts will be made to communicate effectively with society at large.
7. The Group will act as an exemplary corporate citizen by proactively supporting and cooperating with activities aimed at protecting the global environment.

Established: June 24, 1997. Revised: March 8, 2004 / January 25, 2010

Yakult Sustainable Ecology 2020

Because of the fundamental nature of environmental measures, we believe that such initiatives must be implemented in a sustained manner along with our business activities. To focus on the realization of longer-term environmental objectives, we instituted in fiscal 2012 Yakult Sustainable Ecology 2020, which focuses on our continued environmental initiatives toward a sustainable global environment.

Realization of a low-carbon society

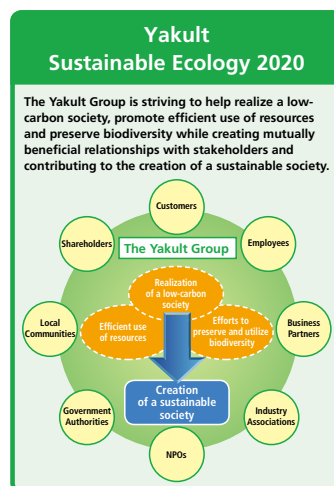
Proactively reduce greenhouse gas emissions to realize a low-carbon society

Efficient use of resources

Promote efficient use of resources by applying the "3Rs" (reduce, reuse and recycle) in ways that increase resource recycling

Efforts to preserve and utilize biodiversity

Gain a comprehensive understanding of the relationship between business activities and biodiversity, and work to preserve biodiversity



Environmental management structure

The CSR Promotion Committee is responsible for formulating the Yakult Environmental Action Plan and for monitoring and evaluating the progress of environmental activities. Every half year, the secretariat of the CSR Promotion Committee conducts a review of the results and performance of our corporate environmental activities, and uses the findings in developing plans for the following fiscal year. A committee has been established at each of Yakult Honsha's plants and bottling companies, chaired by either the plant manager or bottling company president. The committees oversee environmental activities, including formulating annual plans, promoting environmental management programs based on ISO 14001 standards and other guidelines. Instead of each of our facilities working on their own, each year a general meeting brings together representatives of all production facilities to share good practices within the Group and to promote such good measures at all the facilities.



Status of environmental certifications

As part of our efforts to reduce environmental impacts associated with our production and distribution activities, the Yakult Group is promoting initiatives to acquire ISO 14001 certification at Yakult Honsha plants, the Yakult Central Institute, bottling companies, marketing companies, and group companies outside Japan. All Yakult Honsha plants and bottling companies in Japan have already acquired certification.

WEB Details about certification acquired by each company
<https://www.yakult.co.jp/english/csr/governance/index.html>

Status of ISO 14001 Environmental Certification (number of certified sites)

	ISO 14001
Yakult Honsha plants, bottling companies in Japan, and Yakult Central Institute* ¹ (13 sites in total)	13
Marketing companies in Japan (103 in total)	17* ²
Plants outside Japan (27 sites in total)* ³	5* ⁴

*1 Analytical Science Laboratory III of the Analytical Science Department at Yakult Central Institute acquired the certification.

*2 Includes branches that have acquired the certification.

*3 As of March 2019

*4 Includes one marketing company.

Compliance with environmental laws and regulations

Energy Conservation Act

For all of Yakult Honsha's business sites, the Company submitted a periodic report for fiscal 2018 and a medium- to long-term plan for the period beginning from fiscal 2019.

The Company's total energy use during fiscal 2018 amounted to 25,967 kiloliters (crude oil equivalent), down 960 kiloliters from the previous fiscal year (96.4% compared with the previous fiscal year). The five-year average energy use value per production unit was 98.8%, which means we achieved the Energy Conservation Act's objective of reducing the five-year average energy use per production unit by 1% or more, making us an S-class business for superior energy conservation as determined by the Agency for Natural Resources and Energy. Furthermore, the level of greenhouse gas emissions generated as a result of energy use was 49,821 tons, which was 3,298 tons lower than the previous year.

Act for Rationalized Use and Proper Management of Fluorocarbons

The Act for Rationalized Use and Proper Management of Fluorocarbons went into effect in April 2015. The Company conducts the appropriate management of equipment subject to this requirement at all business sites and departments based on this law. The amount of fluorocarbon leakage in fiscal 2018 was 475.7 t-CO₂.

Food Recycling Act

All Yakult Honsha business sites are striving to reduce the volume of their food waste and promote recycling of such waste. In fiscal 2018, the volume of food waste generated was 650.8 tons, and recycling and other measures were undertaken for 95.0% of this waste. The Company also submitted a periodic report for fiscal 2018.

Food waste recycling results (fiscal 2018)

Volume generated (t)	Volume recycled (t)	Recycling, etc. rate (%)	Recycling applications
650.8	618.2	95.0	Fertilizer, animal feeds, etc.

Related information see p. 36 Initiatives to reduce food loss

Containers and Packaging Recycling Act

According to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Act), the Company has been obligated as a manufacturer to undertake product recycling processes, and to take additional measures regarding 3Rs (reduce, reuse and recycle) promotion and the system for making payments to the

municipal governments handling sorted waste processing.

The Company complies with this law, and in fiscal 2018 established the following obligatory recycling volumes for containers and packaging.

The amount of commissioned recycling fees and payments by the Company in fiscal 2018 amounted to approximately 250 million yen.

Container and packaging obligatory recycling volume (fiscal 2018)

Container and packaging type	Obligatory recycling volume (t)
Glass bottles	281
PET plastic bottles	52
Plastic containers and packaging	5,795
Paper containers and packaging	90
Total	6,218

PRTR Act

Japan's Act Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Act) requires that companies measure the volume of their emissions of specified substances, transfers of such substances from their business sites and other data. It also requires the submission of reports on the volume of specified substances that are handled in volumes of one ton or more in the course of a year. The Tokyo Metropolitan Ordinance on Environmental Preservation, which took effect in 2001, requires that reports be submitted with respect to chemical substances handled in annual volumes of 100 kilograms or more.

In fiscal 2018, the scope of the Company's mandatory reporting based on that ordinance included six substances.

Substances used by the Yakult Central Institute (Kunitachi City, Tokyo) (fiscal 2018)

Chemical	Amount handled (kg/year)	Amount released (kg/year)	Amount transferred (kg/year)	PRTR Act	Tokyo Metropolitan Ordinance
Chloroform	1,100	0	1,100	○	○
Ethyl acetate	270	13	260		
Hexane	390	9.7	380	○	
Methanol	830	59	770		
Acetone	110	0.9	110		
Sulfuric acid	310	0	0		

* Subject to reporting requirements based on the PRTR Act and the Tokyo Metropolitan Ordinance on Environmental Preservation.

* The chemicals are primarily used as reaction solvents and extraction solvents. Sulfuric acid is used to adjust pH, etc.

The figures stated above were reported to the government and Tokyo officials.

Environmental accounting

Yakult's environmental accounting system

Based on the Environmental Accounting Guidelines issued by Japan's Ministry of the Environment in May 2001, Yakult Honsha defined the Yakult Environmental Accounting Guidelines and began collecting environmental accounting information starting fiscal 2001. This information is disclosed annually.

Purpose of the system

1. Clarify the cost-effectiveness of environmental conservation expenses and use this information to optimize environmental management programs.
2. Carry out our responsibilities to society by working to disclose environmental information to stakeholders.

Main features of the system

Scope of data: Yakult Honsha, on a non-consolidated basis

Time period: From April 1, 2018 through March 31, 2019

Noteworthy features:

- (1) Data is compiled only for activities that are exclusively for the purpose of environmental protection.
- (2) Investment amounts are equal to depreciable assets recorded during the period under financial accounting standards.
- (3) Depreciation expenses on depreciable assets and environmental business-related costs are not recorded.
- (4) Only actual economic benefits calculated based on confirmed data are recorded.

Economic accounting results

(millions of yen)

Item	Main activities	FY2017			FY2018		
		Investment	Expense	Total	Investment	Expense	Total
(1) Business area costs	1. Pollution prevention costs	60.5	289.8	350.3	264.0	293.0	557.0
	2. Global environment preservation costs	629.6	28.3	658.0	126.0	26.7	152.8
	3. Resource recycling costs	55.4	76.9	132.3	67.9	97.1	165.0
(2) Upstream/downstream costs	Containers and Packaging Recycling Act commissioned recycling fees, vending machine overhaul	0	208.8	208.8	0	253.5	253.5
(3) Administration costs	Plant grounds green area management, environmental management system renovation and maintenance, CSR Report, environmental impacts monitoring expenses, employee environmental education program expenses	6.6	108.2	114.8	0	115.6	115.6
(4) R&D costs	Consideration of improvements to containers and packaging	0	2.5	2.5	0	4.0	4.0
(5) Social activity costs	Plant vicinity cleanup campaign, donations to organizations engaged in environmental protection activities	0	6.3	6.3	0	4.6	4.6
(6) Environmental remediation costs*	Pollution load levy	0	0.2	0.2	0	0.2	0.2
Total		752.1	721.1	1,473.2	457.9	794.8	1,252.6

* Environmental remediation costs = pollution load levy

This is a special charge levied on operators of facilities that generate soot, etc., and other specified facilities as a means of gathering a portion of the funds required for the distribution of compensation based on Japan's pollution-related health damage compensation system.

* Because the figures are rounded off, the sum of the breakdown figures and the total may not match.

Economic benefits associated

with environmental conservation measures

(millions of yen)

Type of benefit	FY2017	FY2018
Reduction of waste disposal costs associated with recycling	0	0
Income from recycling	16.7	4.3
Cost reductions resulting from resource conservation	0.2	2.2
Cost reductions resulting from energy conservation	50.7	38.6
Cost reductions resulting from packaging weight reductions	2.1	4.1
Cost reductions resulting from the overhaul and reuse of vending machines	62.7	49.9
Gains resulting from green purchasing	0	0
Others	0	2.3
Total	132.4	101.6

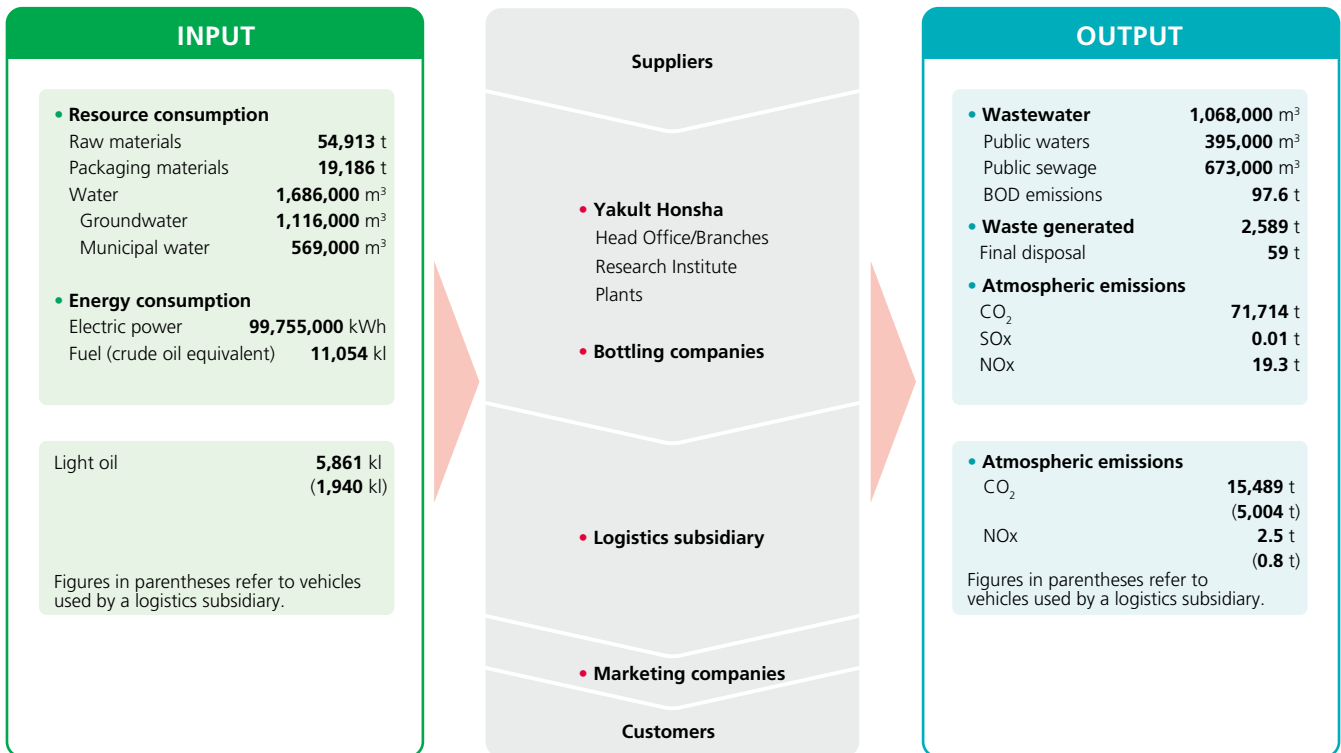
Looking at environmental accounting results, the Company's total environmental investments and costs were approximately 220 million yen lower than the previous fiscal year. The reason for this was that we focused on updating molding equipment at plants to energy-saving machinery in fiscal 2018.

The level of economic benefits was down by approximately 30 million yen compared with the previous fiscal year. This was because, although cost reductions were achieved as a result of energy-saving measures, there was a decrease in the number of vending machines overhauled, resulting from an increase in the number of shared vending machines operated by our business partner, Kirin Beverage Value Vendor, Ltd.



Environmental impacts of business activities

From production through delivery (fiscal 2018)



Scope of calculations: Yakult Honsha Co., Ltd. (including Fukushima Plant, Ibaraki Plant, Fuji Susono Plant, Hyogo Miki Plant, Saga Plant and designated shippers), bottling companies, Yakult Iwate Plant Co., Ltd., Yakult Chiba Plant Co., Ltd., Yakult Aichi Plant Co., Ltd., Yakult Okayama Wake Plant Co., Ltd., Yakult Fukuoka Plant Co., Ltd.

* CO₂ emission levels use the actual emission coefficient stipulated by the Energy Conservation Act.

Identifying and reducing environmental impacts

The Yakult Group has identified its environmental impacts in the lifecycle of its products, from production, logistics, marketing to recycling, and is working to effectively reduce the impacts based on the Yakult Environmental Action Plan and other means.

• Production

The *Yakult* fermented milk drink and other dairy products are produced at five Yakult Honsha plants and five bottling companies. We are pushing ahead with effective utilization of raw materials (skim milk powder, etc.), electricity, fuel, water and packaging materials (paper, plastic) used in production at respective plants and bottling companies in line with ISO 14001 objectives and targets.

• Logistics

The transport of products manufactured in plants and bottling companies is primarily handled by a logistics subsidiary. As the Company has designated shipper status in accordance with Japan's revised Act on the Rational Use of Energy (Energy Conservation Act), we are encouraged to annually reduce energy use per unit of freight by an average of 1% or more during the last five-fiscal-year period. Our logistics subsidiary has obtained and renewed its Green Management Certification, and is promoting eco-driving methods and introducing fuel-efficient trucks to further reduce its CO₂ emissions.

• Marketing

We strive to reduce energy use of vending machines and promote the use of overhauled vending machines.

To reduce CO₂ emissions associated with home deliveries, we are replacing the current delivery vehicles used by Yakult Ladies with COMS super-compact electric vehicles.

We are also taking various measures to promote recycling of used containers collected from our suppliers, including route delivery trucks that are equipped with a dedicated space to facilitate the separated collection of waste.

• Recycling

The containers of Yakult and other products delivered to customers' homes and offices are subject to Japan's Containers and Packaging Recycling Act, thus we are responsible for recycling them. The Company has commissioned the Japan Containers and Packaging Recycling Association, which is specified by the national government as a qualified recycling organization, to handle this recycling process and pays the association a commission for this service.

Environmental education

We promote environmental education at each plant based on ISO 14001. Specifically, we are training internal auditors and having the auditors share information within each department. An overview of ISO 14001 and its organizational structure are provided at new employee training sessions to foster awareness among all employees of working towards shared targets and goals.



Realize a low-carbon society (responding to climate change)

Using the electricity, fuel and other energy sources necessary to carry out our business activities releases greenhouse gases (GHG) that cause climate change and have a negative impact on the environment. To make our business activities sustainable, the Yakult Group engages in various initiatives aimed at achieving a low-carbon society.

Initiatives at Yakult Honsha plants and bottling companies

At Yakult Honsha plants and bottling companies, we have stepped up energy and resource conservation activities with the goal of attaining objectives and targets based on the ISO 14001 standard.

In fiscal 2018, we implemented diverse efforts, including updating eight molding machines to energy efficient models for manufacturing *Yakult* and *Joie* containers at a total of five plants including the Fuji Susono Plant, and replacing mercury vapor lamps and fluorescent lights with LED lighting.

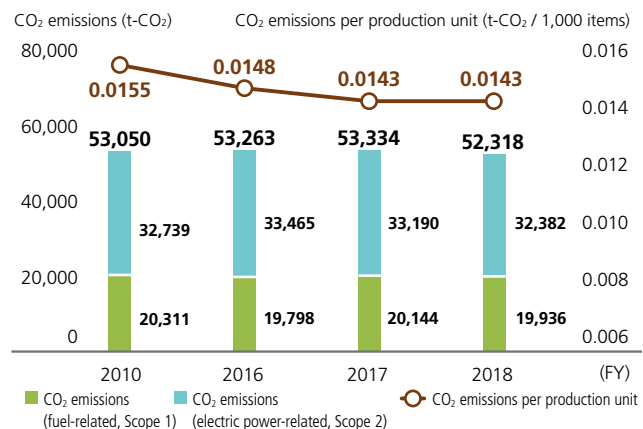
As a result of these efforts, we achieved a 1.4% reduction in CO₂ emissions compared to fiscal 2010 (the base year of the Phase 6 Plan action targets of the Yakult Environmental Action Plan),

surpassing our goal reduction level of 1.0% or more. We were also able to reduce emissions per production unit by 7.7% compared to fiscal 2010.

At the Yakult Central Institute we have installed equipment that sprays purified water (with scale components removed) onto external air conditioning units to reduce their summer electricity consumption.

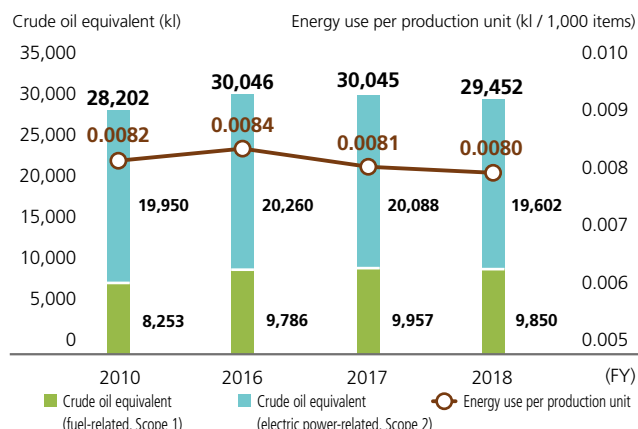
* For emissions factors associated with electric power, data is calculated using end-user CO₂ emission intensity for the end of fiscal 2010 as reported by the Federation of Electric Power Companies of Japan.

CO₂ emissions and CO₂ emissions per production unit by Yakult Honsha plants and bottling companies (Scope 1 + Scope 2)



* CO₂ emissions per production unit are calculated using data from bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Trends in energy use by Yakult Honsha Plants and bottling companies (Scope 1 + Scope 2)



* When doing calculations per production unit, crude oil equivalents are calculated using data from five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

LCA of Yakult products

In considering the environmental impacts of our products, it is important to look at the entire product lifecycle to identify those impacts in all phases, from raw material procurement to product consumption and disposal, in addition to the impacts produced at our own plants. With this in mind, the Company made preliminary calculations based on a lifecycle assessment (LCA) for CO₂ emissions and water use. We use the results for educational purposes within the Company to help promote understanding of the concept of LCA. Based on these results, we will continue calculating GHG emissions through the supply chain.

Utilization of renewable energy (solar power energy)

We have installed solar power generation equipment (power generation capacity of approximately 1,124 kilowatts) at a total of 11 business sites (6 Yakult Honsha plants, 4 bottling companies, and the Yakult Central Institute). By using solar power as part of the electricity supply at our business sites, we were able to reduce CO₂ emissions by approximately 615 tons in fiscal 2018 compared to having made electricity purchases from power utilities.

Initiatives outside Japan

We are working on environmentally responsible production not only at our plants in Japan, but also at our plants overseas. To reduce CO₂ emissions, we have been promoting energy conservation activities at each of our plants, and have taken measures to introduce energy-saving natural gas boilers that have superior energy efficiency and equipment that can have their operations fine-tuned to the volume of steam demand for our production lines.

CO₂ emissions in fiscal 2018 were approximately 173,000 tons, almost equal to the previous year, and emissions per production unit were 0.191 tons per kiloliter, a decrease of 1% from the previous year. (Values for some plants are estimated based on overall results for other plants.)

Yakult (Thailand) Co., Ltd.

In July 2017, older molding equipment at the Bangkok Plant was replaced with two energy-saving electric machines, resulting in a 42% reduction in annual environmental impact from CO₂ emissions and energy use in bottle molding.

Guangzhou Yakult Co., Ltd.

Stricter driving restrictions have been placed on diesel-powered trucks in Shenzhen, China, and the vehicles that may be used are limited. In response, the company is currently testing six fully-electric trucks.

Yakult Danone India Pvt. Ltd.

The company has begun work on a solar panel project that will cover the entire plant area, a first for a plant outside Japan. The installation will be able to generate approximately 750 kWp per day, or about a quarter of the plant's daily electricity needs. The system is scheduled to be launched by the end of 2019.

Yakult Europe B.V. / Yakult Danone India Pvt. Ltd.

Both companies are promoting local procurement of raw ingredients to reduce CO₂ emissions in transport.

Since the beginning of their operations, Yakult Danone India Pvt. Ltd. has domestically sourced all main raw ingredients, like sugar, fat-free milk powder, and glucose. In fiscal 2018 they undertook planning to also source all packaging materials locally. Moving forward, they will deepen their understanding of India's laws, culture, and customs to source ingredients that meet the needs of the local area.

Yakult Europe B.V. has achieved both reduced CO₂ emissions and shorter delivery times by moving some packaging film production from plants in Japan to Poland. This resulted in a 1,932 TJ reduction in energy usage between January and December 2018.

Initiatives with our logistics

The Yakult Group's shipping of dairy products and other food products as well as cosmetics and other products to marketing companies in Japan is primarily handled by a logistics subsidiary. Our logistics subsidiary has obtained Green Management Certification* for each of its marketing offices and is striving to continuously reduce the environmental impacts of its operations by rigorously practicing such eco-driving methods as those involving the operation of vehicles at speeds that maximize fuel economy and making efforts to minimize the time periods in which vehicle engines are allowed to idle. Japan's revised Energy

Conservation Act has required companies to annually reduce its energy use per unit of freight by an average of 1% or more, and we achieved a 1.0% average annual reduction during the five-year period through fiscal 2018 with a base year of fiscal 2014.

Eco-Rail Mark and Eco-Ship Mark Certification

We are promoting a modal shift as one of our efforts to reduce environmental impact. In 2015, we received company-wide and product-based certification* under the Eco-Rail Mark system, gaining recognition as a company that introduces environment-conscious rail freight transport at a level exceeding the Eco-Rail Mark's standard.

Further, for our initiative to promote ocean freight transport, we were certified under the Eco-Ship Mark system in April 2016.

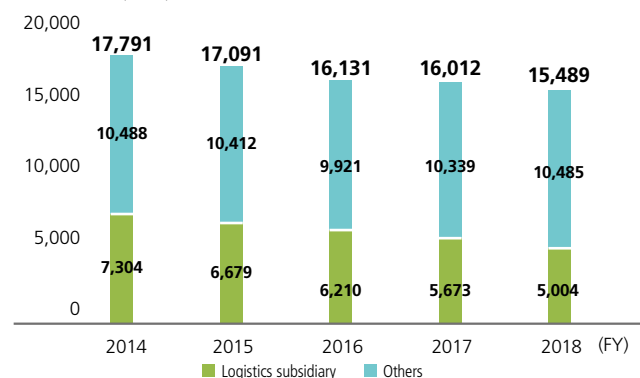
CO₂ emissions from the use of rail freight transport are one-eleventh the levels of emissions from transportation by truck, and those from ocean freight are one-fifth those from trucks. We will continue to deliver products to our customers while utilizing these more energy-efficient modes.

* Green Management Certification is obtained from the Foundation for Promoting Personal Mobility and Ecological Transportation, which evaluates business units' implementation of measures based on the Foundation's Green Management Promotion Manual and certifies that the business units have achieved a specified level of performance regarding those measures.



CO₂ emissions from logistics

CO₂ emissions (t-CO₂)



* Products certified: Toughman, Bansoreicha, Coffee Time, Kininaruyasai, Menkyokaiden, 100% Fruit Juice, Lemoria, and Café au lait

* Each certification is valid for two years, and is thus renewed every two years.



Effectively use resources

Reducing waste

Waste produced in our business activities has both direct and indirect negative impacts on the environment. The Yakult Group is committed to reducing our environmental impacts through reduction of waste and emissions, appropriate waste disposal, and resource recycling.

Initiatives at Yakult Honsha plants and bottling companies

Yakult Honsha plants and bottling companies are implementing measures to curb waste generation as well as promote recycling.

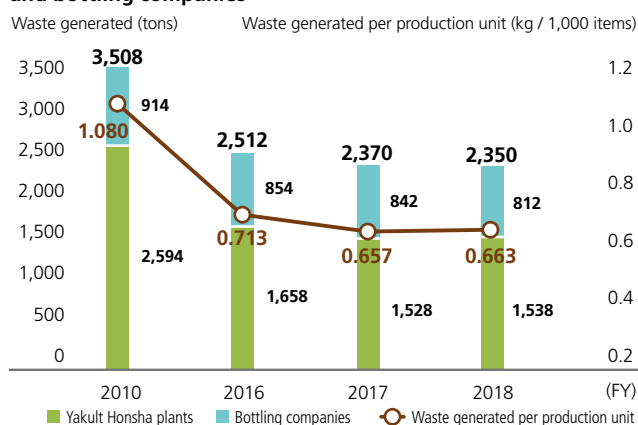
Waste generated by Yakult Honsha plants and bottling companies in fiscal 2018 totaled approximately 2,350 tons (approx. 1,538 tons for Yakult Honsha plants and approx. 812 tons for bottling companies). As a result of the reorganization and consolidation of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as diverse efforts made to reduce waste, we successfully met the target for waste reduction by 20% or more, with a decrease in total waste volumes of 33.0% compared to fiscal 2010, the base year for the Phase 6 Plan action target of the Yakult Environmental Action Plan.

We also strive to further promote the reuse of packing materials and the introduction of returnable packing materials. In addition, we are changing our waste recycling programs from thermal recycling at waste disposal contractor facilities to material recycling. We will continue to make improvements in our recycling programs while reducing processing expenses.



Eco station at Fukushima Plant

Trend in waste generated at Yakult Honsha plants and bottling companies



* The amount of waste generated per production unit is calculated using data of bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Waste generated and recycling rates by waste type at Yakult Honsha plants and bottling companies

Waste Type	Waste Amount (t)	Recycled Amount (t)	Recycling Rate (%)
Sludge	671	668	99.6
Paper waste	436	436	100.0
Waste plastic	848	848	100.0
Scrap metal	261	261	100.0
Vegetable residues	22	19	86.4
Glass fragments	4	4	100.0
Cinders	68	50	73.5
Oil	36	36	100.0
Wood chips	2	2	100.0
Rubber waste	2	2	100.0
Others	0	0	-
Total	2,350	2,326	99.0

Initiatives at the Head Office building

We have introduced wastepaper recycle boxes on each floor and waste sorting bins and are working to properly separate each kind of waste.

We are working to promote resource recycling by supplying company washrooms with toilet paper and paper towels made from recycled paper.

To raise employees' awareness of these efforts, we post the actual waste disposal amounts and recycling rates on our company intranet, and on an ongoing basis engage in awareness raising through e-learning and other means.

Initiatives outside Japan

• Yakult S.A. de C.V. (Mexico)

The Guadalajara Plant separates their waste and either sells or offers reusable materials. Waste is separated into paper, plastic, food residue, hazardous items, and empty *Yakult* containers, and the company either sells them to contractors or has them collected for a fee. In 2018 they sold 1,294 kg of paper, 1,550 kg of cardboard boxes, and 4,942 kg of plastic, including film.

• Yakult (Thailand) Co., Ltd.

The company has placed 24 waste separation containers throughout the plant area, and promotes cleanup and beautification within the company. The containers are to be emptied every morning to improve each employee's awareness of and attitude towards beautification.

Initiatives at the Yakult Central Institute

The Institute generates a wide variety of waste in its research. The waste is separated and collected properly at the Institute, and the final disposal of waste is conducted by licensed waste disposal contractors. The fiscal 2018 recycling rate for the Institute was 92.7%.

With the aim of further improving our recycling rates, we have also renewed contracts with the waste disposal contractors, and we are making efforts to verify that waste disposal and recycling are being done properly, including through visits to facilities of waste management companies (8 companies). We also work actively to collect information, such as by regularly holding on-site tours of waste disposal facilities of other contractors.



On-site tour of Clean Center Tamagawa, a waste disposal facility

Initiatives to reduce food loss

In May 2019, the Japanese government enacted legislation aimed at reducing food waste and loss. Yakult Honsha has long promoted recycling and reduction of cafeteria food waste at each business site. At plants, products that do not meet standards during the manufacturing and production process are disposed of as a loss, but we strive foremost to prevent machinery malfunction and other problems that result in non-standard products. When losses occur, the contents are properly disposed of during the wastewater treatment process, and packaging is recycled whenever possible.

We also strive to reduce food waste and loss by extending the best-by dates of our chilled beverages in paper and plastic packaging while giving due consideration to product quality and safety.

Water resource conservation

Water is essential to our group’s business operations. The world’s water resources are increasingly under pressure, with rising challenges related to population growth, increased water consumption resulting from economic development, and changes in regional rainfall distribution due to climate change. We are actively working on effective use of water, proper wastewater management, and water resource conservation.

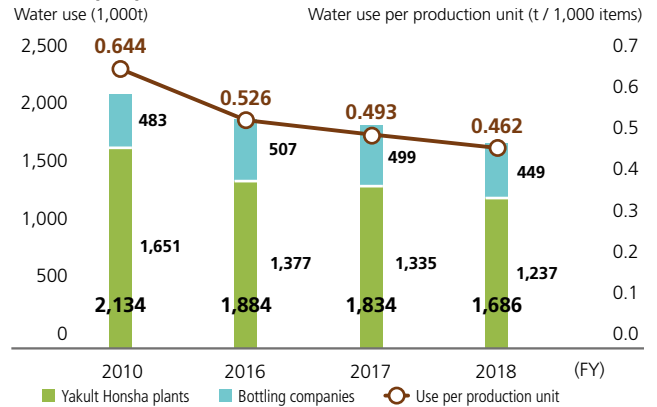
Effective use of water resources

We use water in our various operations at Yakult Group plants, not only as a raw material in products but also to clean production equipment and cool products and machinery.

In fiscal 2018, Yakult Honsha plants and bottling companies used approximately 1.69 million tons of water in total (Yakult Honsha plants: approx. 1.24 million tons, bottling companies: approx. 0.45 million tons). As a result of the reorganization and consolidation of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to save water at each plant, we have reduced water use by 21.0%, thereby successfully achieving the Phase 6 Plan action target of the Yakult Environmental Action Plan: at least 10% below the level in fiscal 2010. As key measures are undertaken at each plant to save water, rainwater is stored in tanks and used to water vegetation, and water that can be reused from the amount emitted from the facilities is employed to cool machinery.

To make more effective use of limited water resources, the Yakult Group will continue to pursue water conservation, including through introducing technologies for water reuse and recycling.

Water used at Yakult Honsha plants and bottling companies and use per production unit



* Water use per production unit is calculated using data from bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

• Reusing water generated by the water purification process: Fukushima Plant

Products at the Fukushima Plant are manufactured using tap and purified water. For purified water, the purity is raised by removing impurities from tap water using special-purpose equipment. A large amount of water with concentrated impurities is generated in the process, and after the water was treated at the wastewater treatment facility within the plant it was being discharged to the sewers.

Although this concentrated impure water is not suitable for drinking or use in the production process, it meets quality standards for industrial water and is now reused for cooling products and machinery, which dramatically reduced tap water consumption and water discharged to the sewer.



• **Ice packs used for temperature control during home delivery**

Home deliveries by Yakult Ladies once used ice to keep products cold, but at present we have introduced ice packs as a substitute for ice, which has improved hygiene, reduced water use, and reduced the workload of Yakult Ladies.

Yakult A&G Water Purification System

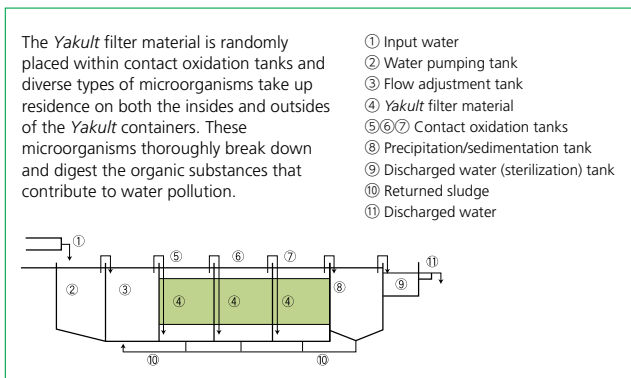
At every plant in the Yakult Group, regardless of treatment method, we implement wastewater management based on our own voluntary standards that are more stringent than the wastewater standards stipulated by law and local government ordinances.

The dairy product plants of the Yakult Group have introduced the Yakult A&G Water Purification System. This system uses *Yakult* containers with the bottoms removed (*Yakult* filter material) where microorganisms take up residence and break down contaminants in the water. One of its most noteworthy characteristics is that the system reduces the amount of excess sludge generated to a level about one-twelfth of the level typically seen with conventional activated sludge processing systems. Also, the running cost can be reduced to about half the level of conventional activated sludge processing systems, and superior maintenance ease is another merit of this system.

This system has been installed at four Yakult Honsha plants (Fukushima, Ibaraki, Fuji Susono and Hyogo Miki Plants) as well as at plants of bottling companies (Yakult Iwate Plant, Yakult Aichi Plant and Yakult Okayama Wake Plant). Outside Japan, the system was introduced at the Sukabumi Plant of P.T. Yakult Indonesia Persada in 2010.

Because the Yakult A&G Water Purification System requires a large space for installation, we use the activated sludge treatment method and other wastewater treatment methods at plants where adequate space is not available.

Structure of the Yakult A&G Water Purification System



WEB Water Purification using *Yakult* containers at plants
<https://www.yakult.co.jp/english/csr/environment/water/>

Initiatives outside Japan

• **Hong Kong Yakult Co., Ltd.**

Tower cooling water used as a coolant in various plant processes is recirculated back into the tower water tank after use. However, tower water used in syrup sterilization in HTS equipment becomes very hot due to heat exchange, and was previously drained because it couldn't be recirculated. This water is now mixed with comparatively cooler recovered water from other systems to lower the temperature, and this has helped prevent drops in water levels in the tower tank while reducing the need for water to be supplied.

• **Wuxi Yakult Co., Ltd.**

The plant has improved their wastewater treatment, making it possible to dispose of boiler drain coolant water, reverse osmosis concentrate water, sand filtration backwash and activated charcoal backwash in the same way as rainwater, instead of as production wastewater. This has reduced production wastewater by approximately 200 tons per day, keeping levels within limits and contributing to environmental improvement.

• **Yakult S.A. de C.V. (Mexico)**

The Guadalajara Plant improved their method of supplying coolant water to dairy product homogenizer equipment. This reduced fiscal 2018 water usage by 1,464 m³ compared with fiscal 2017, a drastic reduction in water usage of more than 50%.

Implementation of water risk surveys

To confirm the sustainability of our water use, we believe that we are required to recognize our water risks, including water supply and demand outlook in the river basins where the plants are located, the potential risk of water-related disasters, and impacts on public health and ecosystems. We have thus performed water risk evaluation in Japan through an external organization at five Yakult Honsha plants that manufacture dairy products, and plants of bottling companies.

Risk for water supply and demand is slightly higher in the regions where the Fukushima and Hyogo Miki plants are located, but this is expected to decrease in the future, and otherwise there are currently no confirmed high risks.

To address water pollution, we are implementing wastewater management at every plant in the Yakult Group based on our own voluntary standards that are more stringent than the waste water standards stipulated by law and local government ordinances, and making efforts to conserve biodiversity. We have also confirmed that the Abukuma River coast downstream from the Fukushima Plant is a designated Key Biodiversity Area as a landing zone for northern pintail ducks.

Preventing water pollution

At Yakult Honsha dairy product plants and bottling companies, wastewater such as cleaning water generated during production processes is properly treated at plant wastewater treatment facilities, and then discharged into sewers or rivers. To enhance environmental preservation systems and awareness, once per year each plant runs educational training on dealing with emergencies, such as unforeseen situations in the wastewater treatment facility, or oil leaking from a transport vehicle on plant premises.



The Okayama Wake Plant, located in an area rich in nature



Environment-conscious packaging

Policy on eco-friendly packaging

In 1995, we instituted our Basic Policy on Environment-Friendly Containers and Packaging, which stipulated the fundamental goals of ensuring the safety of containers and packaging, reducing the amount of packaging used, optimizing processing/disposal processes and promoting resource recycling. At the same time, we instituted our Container and Packaging Environment-Friendliness Evaluation Standards to more concretely guide efforts made to design containers and packaging with low levels of environmental impact for our products. In light of global issues such as plastic pollution in oceans, global warming, and natural resource depletion, we also promote initiatives to recycle plastic containers and packaging. In January 2019 we announced our Declaration of Action on Plastic Recycling.

Declaration of Action on Plastic Recycling

For a better future in the face of global issues such as plastic pollution in the oceans, global warming, and natural resource depletion, the Yakult Group is engaged in initiatives that promote recycling of plastic containers and packaging.

By 2025, we will establish the foundation for environmentally-conscious container and packaging technology, and begin conversion to easily-recyclable materials such as biomass, recycled, and biodegradable materials. We will work to convert as much as possible by 2030 keeping up with developments in recycling markets, environmental infrastructure, and other external environmental facilities.

We will further implement initiatives beyond these to reduce the amount of plastic used in containers and packaging, and reuse plastic packaging materials in our production processes.

Moving forward, we will actively promote resource recycling initiatives in tandem with stakeholders such as national and local governments, industry groups, business partners, and local communities, and while raising awareness amongst consumers of initiatives such as separated waste collection.

Biomass shrink labels

Starting in fiscal 2014, we have worked with manufacturers to develop and test new technologies for using biomass shrink labels for PET plastic bottles. These labels are made with biomass-derived plastic, of which at least 50% is comprised of plant-derived raw material, a renewable resource, and which boasts exceptional environmental suitability, particularly in terms

of curbing CO₂ emissions and reducing consumption of petroleum and other resources.

Products currently utilizing biomass shrink labels:

- *Bansoreicha* (500 ml, 2,000 ml PET bottle)
- *Milouge* (280 ml PET bottle) • *Quick Charge* (500 ml PET bottle)

Initiatives in each country and region

• Japan

In fiscal 2018 we reduced weight in the following products.

• *Milouge* and *Milouge White Water*

Adopted a 280 ml PET container that is 10% lighter (2.6 g per bottle), reducing plastic resin consumption by 6.6 tons per year (a reduction in CO₂ emissions of 10.5 tons)

• *Sofuhl* products

Adopted a cup that is 5% lighter (0.3 g per cup), reducing paper consumption by 6.4 tons per year (a reduction in CO₂ emissions of 21.4 tons)

• *Yakult V (five)*

Made the label 20% thinner than existing *Yakult 400* and other product labels, reducing CO₂ emissions from labels by approximately 24%. It is the world's thinnest cylindrical sleeve-type polystyrene shrink label

• *Quick Charge* (500 ml PET container)

Switched to cardboard boxes with shortened flaps (from 105 to 80 millimeters) on both sides, reducing cardboard consumption



• Yakult Europe B.V.

The company has switched to paper carton packaging in some countries instead of plastic shrink film. This was first introduced in the Netherlands in April 2018, then in June 2018 in Germany and Austria. Currently all products in these three countries are sold in paper carton packaging, which cuts down on 1,024 rolls of OPP film per year (a reduction of approximately 12,441 kg).



• Yakult Australia Pty. Ltd.

Cardboard is used as padding between products and pallets when loading and unloading. To save on resources, the company has reduced the thickness of the sheets from four to three millimeters, which reduces paper consumption by 1,635 kg per year.



Environmental initiatives at sales stages

During fiscal 2018, we worked to promote the recycling of used containers collected from suppliers. Our efforts include further promoting the introduction of route delivery trucks that are equipped with a dedicated space to facilitate the separated collection of waste and container collection kits attached to their roofs.

Since fiscal 2007 we have been introducing nonfluorocarbon vending machines that have a very low global warming potential and hybrid heat-pump-type vending machines that have significant energy conservation benefits. We have continued to promote energy conservation in fiscal 2018 by expanding the installation of vending machines incorporating greater power-saving functions. In addition, we overhaul and reuse old vending machines in an effort to effectively utilize equipment and reduce waste.

Also, we introduced electric vehicles (COMS) in our home delivery service by Yakult Ladies to reduce CO₂ emissions. As of March 2019,

1,569 vehicles have been introduced in total. In our pharmaceutical business, marketing representatives are using fuel-efficient hybrid vehicles (excluding certain areas).

Introduction of environment-friendly sales equipment (fiscal 2018)

Item	Number introduced
Route delivery trucks with internal container collection spaces	96
Route delivery trucks with roof-mounted container collection kits	4
Empty container collection boxes for vending machines	329
Heat-pump-type vending machines (incl. hybrid heat-pump-type ones)	825
Overhauled vending machines	96
Electric vehicles (COMS)	142



Preserve and utilize biodiversity

Our business and biodiversity

Yakult clearly stipulates in one of the Action Directives in the Yakult Basic Policy on the Environment that “In all business activities, business units will give due consideration to the environment as well as biodiversity by promoting the reduction of environmental impacts.” We believe it is essential to give consideration to the global environment and biodiversity in our corporate activities that aim to benefit the health of our customers. We will strive to conserve biodiversity going forward by making good use of the technology we have built up in research and development over the years.

At each step of our business activities, from material procurement to disposal and recycling, we review our dependency and our impact on the environment, and then clarify the relationship between business activities and biodiversity as below:

Map of relationship between business activities and biodiversity

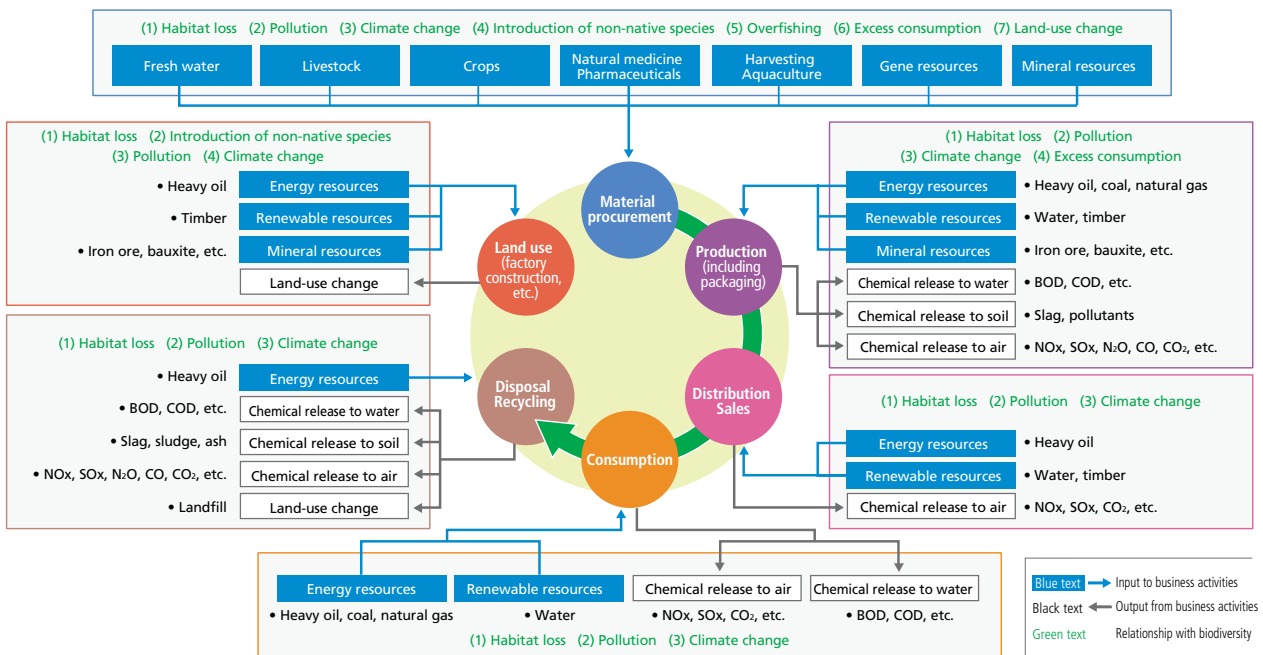
Material procurement

The main ingredients used for Yakult products include skim milk powder, whole milk powder, and cream. Dairy farming is supported by water and grain for raising cattle, as well as pasture lands. Also, besides being an ingredient for our products themselves, water is also indispensable for grain feed and a variety of other crops that support the production of various Yakult products. Maize and sugarcane are used for the sugars.

Production

Production involves many essential inputs, such as electricity (from heavy oil, coal, natural gas, etc., for power generation) and water, as well as pulp (wood), plastic (petroleum), and aluminum (bauxite), and other inputs required for packaging. There are possible concerns such as habitat loss and pollution at large-scale mining or extraction sites that provide the raw materials for containers and packaging, such as plastics (petroleum) and aluminum (bauxite). It is also important to consider the timber being used for pulp. For example, as the world’s natural forests decrease, there are growing concerns about sustainable forestry and illegally logged timber.

WEB The above text is an excerpt from the explanation for ‘Map of relationship between business activities and biodiversity.’ For the full text, please see the following link.
 Biodiversity Conservation
<https://www.yakult.co.jp/english/csr/environment/biodiversity/index.html>



Participating in Green Wave 2018: Japan

As part of our CSR campaign, we participated in the Ministry of the Environment’s Green Wave 2018 biodiversity activity, planting 32 trees at 14 locations throughout Japan on May 22nd, International Day for Biological Diversity.



A Yoshino cherry tree planted at the Yakult Okayama Wake Plant

“Million Trees Project”: Yakult China Group

Since 2015, the group has participated in a public afforestation initiative to combat desertification in the Inner Mongolia Autonomous Region. During these four years, 8,000 trees have been planted, with a survival rate above 67.85%, according to an NGO study.



Returning desert to forest

Improving the health and motivation of our employees

Our approach

As a company advocating health, we strive to create a workplace where employees can stay healthy and work with peace of mind, where there is respect for individuality, and where independent and creative people come together to cultivate a corporate culture that is open and free.

We promote optimal personnel assignment based on abilities, aspirations, and aptitude, and regardless of age, gender, or educational background.



Health-focused management: see p. 41

- Policies / Guidelines / Targets • Statement on Health
- Structures / Systems • Mental health consultation desk • Stress checks

Creating a dynamic workplace: see p. 42

- Structures / Systems • Personnel system that motivates employees

Human resources development: see p. 44

- Policies / Guidelines / Targets • Basic policies on human resources development
- Structures / Systems • Educational programs • Global internship system

Occupational safety and health: see p. 45

- Structures / Systems • Occupational Safety and Health Committee
- Safety and health inspection tours

Promoting work-life balance: see p. 46

- Policies • Work style reform initiatives • Balancing work and childcare/nursing care
- Structures / Systems • Round-table meetings for parental leave takers prior to returning to workplaces

Promoting diversity: see p. 47

- Policies / Guidelines / Targets
- Fundamental philosophy for empowerment of female employees, employment of persons with disabilities, and re-employment of retirees

- Policies / Guidelines / Targets • Yakult Ethical Principles and Code of Conduct (6. Respect for Personality and Human Rights)

Fiscal 2018 Targets and Achievements

Target	Achievement
1. Promote health-focused management	• "White 500" certification for two consecutive years for outstanding health and productivity management
2. Conduct health and safety inspections in production	• 390 plant inspection tours, 1,745 findings, 100% improved
3. Increase the number of paid leave days used	• Annual paid leave acquisition rate: 70.9%
4. Run work-life balance workshops	• Improved working environment for Yakult Ladies: Invested 640 million yen
5. Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by fiscal 2020	• Ratio of women at the assistant manager level: 27.1% • Ratio of female managers: 6.3% • Ratio of female managers outside Japan: 23.4%
6. Maintain the legally mandated ratio of employees with disabilities	• Ratio of employees with disabilities: 2.15%

Fiscal 2018 legal compliance

In fiscal 2018 our ratio of employees with disabilities was 2.15% (the legally mandated rate: 2.2%). At the end of March 2019 our rate was 2.20%. There were no other major violations of laws and internal regulations related to labor.



Health-focused management

Improving employees' health

Initiatives based on our Statement on Health

The Yakult Group sees employee health maintenance and improvement as an investment in future profitability, and from a company standpoint we promote strategic health-focused management. While encouraging employees to manage health, the Group also shows proactive engagement in health maintenance and improvement to further boost their awareness. By keeping everyone in good health, we aim for continuous and stable business development.

In September 2017 we published our Statement on Health based on the above idea.

Statement on Health

We recognize that the health of our employees is essential to realizing the Yakult philosophy of "contributing to the health and happiness of people", and therefore strive to create safe work environments that offer peace of mind, as well as promote good physical and mental health in our employees.

White 500 certification for two consecutive years

In February 2019 we received "White 500" certification for the second year in a row. This is awarded to companies that meet the standards set by the Ministry of Economy, Trade and Industry to proactively promote employee health and productivity management.



Health Yakult 21

Health Yakult 21 is a health activity promoted by Yakult Health Insurance Association. Every year, we set a priority period to promote lifestyle improvements, such as healthy meals, exercise and stopping smoking.

Cancer screenings for women: Japan

At some business sites we offer mobile cancer screenings for women that may be done during working hours, aiming for early-stage detection of breast and uterine cancer.

To further increase screening rates, since fiscal 2019 employees may use company time for any cancer screenings with their own doctor.



Cancer screenings for women

Periodic health consultations: Japan

Yakult Honsha plants and bottling companies run initiatives such as periodic consultations with health outreach workers, and consultations with industrial physicians for employees who have exceeded a specified amount of overtime. Management and employees also regularly exchange views on workplace issues and discuss improvements.

Detailed health checks: Yakult Europe B.V.

The company's regular health checkup examines employees' health in detail, and maps their future health risks (such as obesity, high cholesterol, or diabetes) with high precision to promote lifestyle improvements. The company is currently considering providing opportunities for exercise and diet guidance based on examination results.

Mental health measures

We promote motivation at work by reducing stress that comes from the pressure of workload and in relationships and also endeavor to create bright and welcoming workplaces through various measures and training sessions.

Consultation desk

The mental health consultation desk has been set up to provide health consultations and counseling through resident health outreach workers and company-designated industrial physicians. We also established an external consultation service where not only employees but also members of their families can have consultations with experts about their problems including personal matters privately and anonymously.

Health advisors

Health advisors with knowledge of ways to deal with persons who are mentally unwell have been assigned to 13 business sites in Japan. They endeavor to find those with mental health issues early and undertake the appropriate response.

Stress checks and organizational analysis

We conduct stress checks in accordance with the law, and compile the results for each organization to provide feedback to supervisors. This has proven useful in improving workplace environments.



Creating a dynamic workplace

Personnel system that motivates employees

Based on the conviction that our company has to reward hard work, Yakult is dedicated to providing a personnel system that is fair, impartial, and satisfactory to all, with the aim of bringing out employees' desire to work and motivating them to the utmost. Specifically, the company classifies employees into different role groups (job levels) and career courses (job types), according to the size of roles expected and the nature of their work. Thus, we provide the right person with the right job, which helps employees assume their responsibilities according to their abilities and offers them a clear career vision.

Major personnel systems (Yakult Honsha)

• Self-reporting system

Employees state their personal opinions and desires concerning job details, skills development, placement and transfer once a year, with the aim being to increase each employee's job satisfaction.

• In-house FA (Free Agent) system

Employees can voluntarily announce their desire to shift to a new position. This system helps those employees move to new workplaces where they can make the most of their individual capabilities at a higher level with greater motivation, which leads to organizational dynamism.

• Career course switch system

Employees can use this system to switch to the career course they desire such as changing from the general track to the career track. This system enhances the levels of employees' missions

and motivation by encouraging them to select the course based on their individual career vision after joining the company, and creates dynamic workplaces full of vitality. Since it was introduced in 2005, about 20 employees every year change their career courses of their own volition and set about meeting the challenges of new career development paths.

• Job rotation system

This system is designed to help assess employees' aptitudes and facilitate employees' long-term career development. Employees hired for the career track work mainly in administrative roles and are transferred to new positions at roughly 3-to-4-year intervals, thereby experiencing work in three organizational units within 10 years. By working in different locations at marketing, administrative departments and overseas offices, employees broaden their work experience in a balanced manner and gain an understanding of their own aptitude, which enable them to build their careers.

Providing an enjoyable working environment

Improving employee satisfaction

Recognizing that our employees have diverse working styles, abilities and values, and that diversity is the seed of innovation, the Yakult Group strives to create an enjoyable working environment where each employee can make the most of their individual strengths. As part of our efforts to provide a better work environment, Yakult Honsha promotes the health of our employees from the perspective of health-focused management, and has interviews with employees at each business site in Japan.

Local hiring for upper management positions: Yakult Europe B.V.

Yakult Europe and other companies of the Yakult Group in Europe actively recruit locally for upper management positions to continuously bolster the growth of regional communities. Local managing directors have been appointed for Yakult Group companies in Europe. At Yakult Europe B.V., four out of six of the executive officers are local appointments, and approximately 80% of managerial staff is from the local area.

Personnel system that supports life events: Yakult Honsha

From fiscal 2019 we offer a temporary leave system for employees who wish to accompany their partners on job relocation. Regardless of whether the partner's new position is in Japan or overseas, leave may be taken up to a maximum of five years.

• Roleplaying competition: Yakult Australia Pty. Ltd.

To improve motivation in Sales Department employees, the company held a roleplaying competition in June 2018. Primaries were held in each state, and the five winning candidates competed in the finals at the company headquarters in Melbourne. The competition winner participated in the Yakult World Convention, while runners-up received shopping vouchers. The event has had a large positive impact on employee motivation, and the company plans to continue the initiative in fiscal 2019.

• Special plant tours for families: Wuxi Yakult Co., Ltd.

The plant has started operation at the second production facility. To help the families of employees better understand the nature of the work and feel more comfortable, the plant operates special tours for families (Family Day Activity), and runs sports activities in cooperation with the employee union.

As the number of employees increases, in the future they plan to expand the cafeteria and provide space for relaxation during breaks to help create a comfortable working environment for employees.



Initiatives for Yakult Ladies



The Yakult Group boasts a unique home delivery system in which Yakult Ladies play an active role. Here we introduce various initiatives to support the health and improve the working environment of Yakult Ladies, who in turn support the health of local communities by delivering our products.

Improving the working environment for Yakult Ladies

Since 2016 we have been striving to improve the working environment for Yakult Ladies. Specific measures include the introduction of a customer online payment system and portable terminals to make tasks more efficient, as well as COMS electric vehicles to both reduce CO₂ emissions and make working more efficient. In fiscal 2018 we at Yakult Honsha invested 640 million yen in the above equipment.

Of these measures, the online payment system has reduced time spent on calculating sales and making deposits, and the 193 terminals introduced throughout Japan have greatly contributed to work efficiency. Yakult Ladies who work at the centers with these devices say it has eliminated time spent travelling and waiting to make deposits at banks, allowing them to spend more time with customers.



COMS electric vehicles



Online payment system

Supporting the health of Yakult Ladies

We provide a subsidy for breast cancer screening expenses for Yakult Ladies over 40 years of age, and in fiscal 2018, 1,557 Yakult Ladies received this screening. Since fiscal 2016, 4,898 in total have received the screening.

To further create an environment where Yakult Ladies can continue working with peace of mind, in May 2017 we also launched the Yakult Lady Health Hotline service, through which Yakult Ladies and their families can consult with outside experts regarding their health concerns free of charge.

This service is available to respond to urgent consultations 24 hours a day, seven days a week, and also provides consultations concerning illnesses specific to women. In fiscal 2018 the hotline received a total of 187 consultations, for a total of 488 since fiscal 2017, with many inquiries related to symptoms and childcare.

To promote comfortable working environments for Yakult Ladies during all stages of their lives, from fiscal 2019 we also launched a Nursing Care Consultation Service that offers consultations with qualified social welfare and nursing care professionals free-of-charge over the phone, and a Financial Planning Consultation Desk that offers advice on savings methods and insurance from financial planners.



Yakult daycare centers for children

The Yakult Group has been running its own in-house daycare centers for employees' children since the 1970s, and now operates 1,114 centers in Japan (as of March 2019). We promote the operation of safe and secure daycare centers that meet national standards and offer quality childcare by providing our original childcare magazine, as well as training for teachers throughout the country.

To counter the recent severe lack of daycare centers, the Japanese government created the Comprehensive Support System for Children and Child-rearing that aims to provide more childcare support. As of April 2019, 39 Yakult Group daycare centers have received certification through this system and they are all modern and well-equipped. With the certification, we are able to offer improved services like daily meals and the ability to accept children from age zero, leading to a higher level of parent satisfaction. We also contribute to local communities by accepting children that live in vicinities of Yakult daycare centers.

Moving forward, we will continue striving to create daycare centers for children that keep pace with the needs of society and working women.



Safe and secure childcare centers

Yakult Ladies in Indonesia

Yakult Ladies are active in countries across the world including Japan. In Indonesia where our sales are steadily growing, the number of Yakult Ladies has reached approximately 9,000, growing six fold in the past 10 years. Particularly in rural areas, women have difficulties to engage in jobs outside home. In order to support Yakult Ladies to balance their work and private life with family, we assign them areas that are in the immediate vicinity of their homes, and female employees are continuously present at the offices and home delivery centers to closely follow up on them regarding any questions or concerns they have about sales, as well as their worries at home.



Human resources development

Fundamental philosophy

We emphasize Shirota-ism, the root of our business, in human resources development as well. This means respecting and valuing others based on sincerity, harmony among people, and honesty and kindness, and fully reflecting our corporate philosophy in operations. We believe that disreputable behavior must be avoided, that rules and manners are to be observed and that operations should always be conducted with respect for others and their dignity, with these ideals being integral components of our business. We aim to have individual employees fully understand and embrace the idea that they are representatives of the company while acknowledging this responsibility and being conscious of it in their actions.

Basic policies

1. Promote the dynamic perpetuation of the spirit of our founding by including material on Shirota-ism within training programs for all levels of employees.
2. Create training programs that generate results in actual business operations by avoiding isolated, one-shot programs and by consistently organizing programs that involve prior preparation, actual training and subsequent follow-up processes.
3. Emphasize the expansion of educational opportunities and the actual use of education at business sites, and visit business sites to take part in programs that are being implemented.
4. In addition to developing and upgrading the personal skills of individual employees, undertake management support activities that help increase the vitality of marketing company organizations.

Educational programs to encourage employee growth

We provide all employees with educational opportunities that promote their growth and are tailored to their respective job levels, including through group-based training sessions and correspondence courses, allowing them to take up and put into practice Yakult's founding spirit, thereby contributing to the continual dynamism of the corporation and its improved performance. We have a five-job-level system established for employees, with defined roles for each assigned job level. We conduct training for employees which allows them to develop the capabilities to fulfill the roles expected of them.

We also offer theme-specific group training, correspondence courses, and e-learning programs that enable them to voluntarily

pursue further capacity development.

Additionally, we offer incentive payment systems for employees to acquire official skills certifications, as well as subsidies for attending external training courses.

Related information see p. 47 Career design training for women

Hours of training time and cost per person (Yakult Honsha)

Fiscal Year	2016	2017	2018
Training time	15.09 hours	13.88 hours	12.21 hours
Training costs	22,560 yen	18,702 yen	19,035 yen

* In fiscal 2018, the amount of time and money spent on training has been reduced from fiscal 2017 due to changes in some training programs.

Training programs overview chart (Yakult Honsha, fiscal 2018)

	Job-level-specific training	Theme-specific training	Fostering global human resources	Promoting women's workplace advancement	Correspondence course training, external training, e-learning	Others
General Managers						
Managers	Pre-promotion training for General Managers					
Assistant Managers	Pre-promotion training for Managers			Career design training for women		
Senior Staff	Pre-promotion training for Assistant Managers	Presentation skills Work procedures	Global Internship			
General Staff	Pre-promotion training for Senior Staff New employee training, follow-up training				Correspondence courses External training courses E-learning courses	Incentives for acquisition of certifications/ Business magazine subscriptions

Fostering global human resources

We place special priority on fostering personnel who can excel in our growing international business and other global capacities. Our global internship system provides work experience at overseas offices to help employees deepen their understanding of the Group's international business, and to foster a global company culture.

In fiscal 2018 this system was used by 20 employees, who completed internships in Mexico and China.



At a Yakult S.A. de C.V. (Mexico) sales office

Career design support

For employees at the age of 55, we offer a Life Plan Seminar that provides an opportunity to consider work styles and motivations in life, while also promoting understanding of the continuous employment system, to help them enjoy an enriching life after retirement age.

Occupational safety and health

Reducing occupational accidents

Under the Occupational Health and Safety Committee, we are committed to safety management and strive to create safe and comfortable work environments so that employees can work with peace of mind. As a result of these efforts, the rate of accidents at work is at an extremely low level.

Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018	Whole industry average *3
Work accident frequency rate *1	0.71	0.87	0.35	0.53	1.05	1.66
Work accident severity rate *2	0.0066	0.0059	0.0081	0.0219	0.0109	0.09

*1 Work accident frequency rate: Injuries and deaths caused by work accidents / Total work hours x 1,000,000

*2 Work accident severity rate: Number of work days lost / Total work hours x 1,000

*3 Whole industry average: Partial extract from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents (2018)

Safety and health inspection tours and environmental improvement measures at plants

We conduct safety and health inspection tours at each of our plants and actively respond to any findings for improvement.

As examples of improvement to address problems identified by the tours, in order to reduce stress on operators, we have recently installed spot-type air conditioning units in areas where steam is used to sterilize equipment, as well as lift assist equipment in areas where heavy loads are transported by hand.

We are also improving working environments by choosing low-noise models when replacing older machinery.

Safety and health education at plants

To improve safety and health awareness at each plant, we utilize external agencies and internal and external lecturers in safety education for operations that involve dangerous materials, in training for forklifts and other machinery and for education on risk assessment.

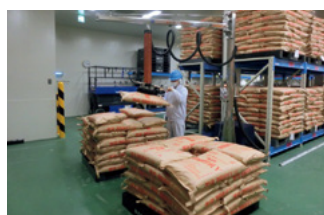
In cooperation with manufacturers of production and energy supply equipment, we also hold training sessions that cover the operation and function as well as the maintenance method of each type of equipment. This improves employee skill level and safety awareness, helping prevent work-related accidents.

Additionally, as many employees commute by car, we hold courses on traffic safety to raise awareness of safe driving while commuting as members of local communities.

Equipment to reduce workload and prevent workplace injury

Plant equipment is washed automatically at the end of production, but to prepare for this, detergent previously needed to be transported and inserted by workers. Out of concern that falls or chemical splashback may result in workplace injuries, we introduced automatic supply equipment for detergent.

To make it possible for anyone to perform duties easily, we are also introducing equipment that reduces workload and improves safety, such as lift assist equipment for transporting heavy loads and automatic bag openers for raw ingredients, as well as air conditioning in production workplaces.



Vacuum lifter assisting in transporting heavy loads

Initiatives outside Japan

• Safety workshops and 5S activities: Yakult Taiwan Co., Ltd.

The company has created a committee to manage 5S activities, health and safety, and food safety, and has them perform monthly inspections. Twice per year the company also holds workshops with outside lecturers on health and safety, labor health and safety, and fire prevention.

• 5S Contest: Tianjin Yakult Co., Ltd.

The plant implements 5S (sort, set in order, shine, standardize, sustain) activities throughout the year for all plant duties, and during the three months between October and December, they hold a 5S contest to encourage understanding and practice by all employees. During this period, at monthly meetings each team reports on achievements and challenges in 5S improvement, and a winning team is chosen to raise awareness of and motivation for 5S management.

• Management plant inspections: Shanghai Yakult Co., Ltd.

To strengthen safety and health management, managers of all departments conduct patrol inspections of the plant twice a year in addition to daily occupational safety and health management tasks.

Measure taken for sales activities

To raise awareness of safe driving, we periodically conduct in-house information sessions as well as trainings at driving school sites for medical representatives who use corporate vehicles. In order to help prevent rear-end accidents we actively introduce vehicles equipped with automatic brake assist systems.

Promoting work-life balance

Fundamental philosophy

The Group defines work-life balance as to create pleasant working environments that enable each employee to maintain good health, maintain an optimal balance between their work and private lives, make the most of their abilities and live energetic lives. We are moving ahead with efforts to prevent excessive work hours and create pleasant work environments by raising awareness of the need for an optimal work-life balance among all employees. We provide training and e-learning to generate awareness of work-life balance.

Initiatives for work style reform

Promoting healthy workstyles

To promote employees' use of their annual allotments of paid holidays, Yakult Honsha has created a system that encourages the use of a paid holiday by each employee on his or her birthday and anniversary, as well as for volunteer activities.

From fiscal 2019 annual leave may be taken in hourly increments, and we will push ahead with the creation of work environments in which it is even easier to take annual allotments of paid holidays.

Rate of using annual allotment of paid holidays and average overtime hours per month (per person) (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Rate of using annual allotment of paid holidays (%)	53.0	55.5	58.9	58.8	70.9
Average overtime hours (per month)	8.7	8.9	8.9	8.5	10.5

In order to reduce long work hours, the Group has established regular "no overtime days." We strive to improve employee awareness of working more efficiently and avoiding unnecessary overtime. Managers are encouraging employees to leave work as soon as possible after the end of regular work hours, and we remind managers themselves not to work long hours.

• Initiatives outside Japan: Yakult China Group

In order to reduce unnecessary and non-urgent overtime, company regulations require overtime to be applied for in advance, and it cannot be performed without supervisor approval. Managers are responsible for periodically confirming if employees are using their compensated holidays if they work on a non-business day and ensuring days are being taken off, and this is referenced in the manager's own performance evaluation.

Workers on assignment (who were transferred from Japan) are encouraged to use paid leave for a nine-day vacation once per year, giving them the chance to refresh and use up their paid leave.

Balancing work and childcare / nursing care

Acquisition of Kurumin Mark certification

Yakult Honsha has been certified by Japan's Ministry of Health, Labour and Welfare as an "enterprise that supports childcare" and received the Kurumin Mark.



Parental leave for fathers

Yakult Honsha has established a saved leave system in which employees can make use of the portion of paid leave that exceeds the limit allowed to carry forward for other purposes. Such saved leave can be used for parental leave or nursing care leave, which has led to an increase in the number of male employees taking parental leave. Furthermore, for both male and female employees, the rate of returning to work after parental leave has been 100%.

Number of employees taking parental leave (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Male employees (number of people/ utilization rate*)	3 2.7%	5 5.4%	12 10.7%	8 8.7%	9 9.3%
Female employees (number of people)	20 100%	21 100%	36 100%	40 100%	36 100%

* Rate of male employees taking parental leave: Number of male employees taking parental leave divided by the number of male employees whose spouse has given birth

Building a good work environment for parental leave takers

As part of its efforts to provide pleasant workplace environments, Yakult Honsha organizes round-table meetings for parental leave takers prior to return to their workplaces. At the meetings we provide diverse kinds of information and support them so that they can return to their workplaces with peace of mind and subsequently maintain a good balance between work and childcare. The meetings serve as a platform for the Human Resources Department to provide information and to exchange ideas with employees who have already achieved a good work-childcare balance. Encouraging a smooth return to work for participants helps realize an efficient way of working in their limited time, and a dynamic work environment. Further, because ensuring the understanding and cooperation of coworkers is essential for providing a supportive environment for those returning to work, related training sessions have been conducted for supervisors of returning employees.



Participants in a round-table meeting

Nursing care support system

We support employees in balancing work and nursing care by making saved leave available for nursing care, as well as through a reduced working hours system.



Promoting diversity

Fundamental philosophy

We recognize that promoting diversity is an integral component of corporate management in the current remarkably changing market. The Yakult Group has long been working to foster a corporate culture where diverse human resources can thrive. We strive to maximize their individuality and capabilities in all activities such as hiring, job placement, staff reassignment, and employee trainings.

Empowerment of female employees

A material issue in our human resource strategy concerns the empowerment of female employees, since the home delivery of our products, our core business, is supported by female employees. We formulated an action plan in line with the Act on Promotion of Women's Participation and Advancement in the Workplace that was enforced in April 2016 as our fundamental philosophy. We have been implementing various supportive measures and the percentage of women in managerial positions continues on an upward trend.

Number and ratio of female managers (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Number of female managers	40	44	44	45	47
Ratio of female managers (%)	5.3	6.1	6.0	6.2	6.3

Going forward, we will expand support for a balance between work and home life to increase the number of not only female managers but also women at the assistant manager level who are candidates for managerial positions. We will also promote use of the Career Course Switch System and enhanced career training to achieve this goal.

Additionally, employee evaluations and the treatment of employees are both fair and impartial, and there is no gender gap in basic pay or bonuses for employees.

Fundamental philosophy

1. Promote optimal employee placement in light of abilities, aspiration and aptitude, regardless of gender.
2. Enhance the workplace environment so that women aspiring to have a career are able to balance both work and private life with family.
3. Set precise target figures and formulate an action plan.

Numerical targets

1. Career-track female employees serving at the assistant manager level as of fiscal 2020: 100
2. Portion of female employees serving at the assistant manager level as of fiscal 2020: 30%

Career design training for women

To continue being a company where everyone can succeed regardless of gender, we offer career design training for women who have concerns about their future career, to help them work confidently towards advancement. Participants surveyed say the course has been a useful reference for their personal career plan, that they were happy to speak with other women who had similar concerns, and that they felt the company supports female employees.

Employment of persons with disabilities

Yakult Honsha hires and assigns employees taking into account their personal abilities, ambitions, and aptitude, while giving sufficient consideration to the nature of their disability. So that everyone may succeed in their careers despite any disabilities, we strive to create comfortable workplaces and operate a personnel system that motivates employees. We are currently actively engaged in more robust hiring of persons with disabilities.

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Rate of employees with disabilities (%) (annual average)	1.99	2.20	2.11	2.01	2.15
Statutory target employment rate (%)	2.0				2.2

Re-employment of retirees

We believe it is essential for employees to make the most of the abilities they have cultivated, guiding and mentoring younger generations, even after reaching retirement. We operate a system for the re-employment of any personnel who desire to continue working until age 65. Around 80% of employees who reach retirement age each year utilize this system.

Related information see p. 44 Career design support

Rate of continuous employment at retirement age (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Number of persons at mandatory retirement age	69	61	33	52	57
Number of persons in continuous employment at Yakult Honsha	40	43	21	34	38
Number of continuous workers who transfer to another company	14	11	6	9	9
Number of persons who choose to retire	15	7	6	9	10
Rate of continuous employment* (%)	78.3	88.5	81.8	82.7	82.5

* Including those persons who have transferred to another company

Respect for human rights

Our approach

We maintain a workplace free of discrimination based on race, religion, nationality, place of birth, educational background, gender, ability, and other factors. We respect the individuality and human rights of everyone throughout every aspect of our corporate activities.

Moreover, we carry out our work with the awareness that each of our workers is a full member of society deserving of respect and dignity.



Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (6. Respect for Personality and Human Rights)

Structures / Systems

- Employee consultation desk

Fiscal 2018 Targets and Achievements

Target	Achievements
1. Periodically run human rights awareness training	<ul style="list-style-type: none"> • Human rights awareness training: Part of training for new employees. 1 session, 117 participants (50-minute training session) Diversity training for newly appointed managers. 3 sessions, 70 participants (60-minute training session) • Confirmed that overseas offices have created their own Ethical Principles
2. Run anti-harassment workshops	<ul style="list-style-type: none"> • Compliance training: 51 sessions • Issued a compliance newsletter on the topic of preventing harassment

Fiscal 2018 legal compliance

In Fiscal 2018, there were no major violations of laws or internal regulations related to human rights.

Protecting employees' human rights and raising awareness

Employee consultation desk

We have established both an internal consultation desk (health management office) and an external consultation desk as a means to enhance and expand our consultation system for employees concerning mental health, harassment and related issues. In particular, our external consultation desk has enabled us to further improve our consultation system by providing face-to-face counseling in addition to email and phone consultations.

We have broadened the scope of the system so that not only employees but also their family members can receive consultations. This makes it possible to address concerns in their personal lives as well as issues at work.

Training on human rights

Training on human rights is given as needed, such as when a new recruit joins the company. The training includes a lecture on basic knowledge concerning human rights and harassment, and seeks to deepen understanding of the risks involved in violating a person's human rights unconsciously, which includes discrimination and prejudice born from common assumptions. We pay particular attention to ensure that individuals become neither perpetrator nor victim.

In fiscal 2018, we held a total of 51 anti-harassment trainings nationwide so that all of our employees have better knowledge and awareness of workplace harassment and work to prevent it.



Preventing harassment

To further raise awareness among management and supervisory personnel, we hold trainings about harassment for personnel who have recently been promoted to the management level. We also hold anti-harassment workshops for other employees.

Adopting a Sexual Harassment Prevention Policy: Yakult Danone India Pvt. Ltd.

Senior personnel from the company have been raising awareness of ethical standards using Yakult Honsha's standards. The company has also established the Internal Complaints Committee based on governmental standards, and has adopted a sexual harassment prevention policy.

The company is also holding presentations and workshops regularly to prevent problems in the workplace. In 2018, it held separate interviews with a total of 300 company employees and contract staff.

Respecting human rights and cultural diversity around the world

The Yakult Group operates globally, complying with the laws and regulations in each country/region, and respecting human rights, and cultural and religious diversity.

Compliance and respect for human rights in employment interviews: Yakult U.S.A., Inc.

Yakult U.S.A., which is in a multi-ethnic country, has developed a manual for employment interviews with guidelines on questions to use and avoid. The company conducts interviews with extreme caution in order to ensure that applicants do not feel discrimination by avoiding questions which are not relevant to the job, such as questions about religion or place of birth.

Questions to use and avoid during a job interview (sample)

Use	Topic	Avoid
"Do you have proof that you can work legally in the US?"	Place of birth; citizenship	Questions about the place of birth of the applicant, applicants' parents, relatives or spouse "Are you an American citizen?"
Questions about working hours, dates, and shifts "Will you be able to work on Sundays?"	Religion	Questions about religion / Inquiring about the timing of religious observances
Statement of company policy restricting family / relatives from working together	Gender, marital status, family status	Questions about gender, marital status, children and spouse / Questions about pregnancy, childbirth, possibility of future pregnancy "Do you intend to get married?"

Reduced working hours during Ramadan: Yakult Middle East

In the United Arab Emirates (UAE), the government requires companies to reduce working hours for Muslims during the month of Ramadan. Based on this, Yakult Middle East has reduced working time by two hours for Muslim employees and by one hour for other employees. Non-Muslim employees have deepened their respect and understanding of local culture and customs by trying their hand at fasting.

Halal awareness training: Yakult (Thailand) Co., Ltd.

The Muslim population in Thailand is not that large as it is a Buddhist country, but the company has acquired Thailand halal food certification, which has a high degree of credibility worldwide. Yakult products produced under stringently controlled conditions in compliance with this certification are highly trusted by Muslim consumers and are growing in popularity.

To promote greater awareness about halal, instructors from the Thailand Halal Assembly, an external organization, continuously provide halal training for all employees at the Bangkok and Ayutthaya Plants. Participants learn about the culture and history of Islam, as well as the basics of halal food training.

Response to Modern Slavery legislation

UK Modern Slavery Act: Yakult UK Ltd.

The UK's Modern Slavery Act is a law to prevent human rights violations in business. Companies with an annual turnover of over 36 million pounds must report annually on measures to prevent forced labor in their operations and supply chains.

Yakult UK publishes a statement on its website in accordance with the Act, and has conducted internal risk assessments based on the statement since fiscal 2017.

WEB Yakult UK Statement on the Modern Slavery Act
https://www.yakult.co.uk/files/3715/5972/2405/Modern_Slavery_Act_2015.pdf

Response to Australian Modern Slavery Act: Yakult Australia Pty. Ltd.

Australia's Modern Slavery Act was enacted in January 2019. Companies with an annual turnover of over 100 million Australian dollars must report annually on measures to prevent forced labor in their operations and supply chains.

Yakult Australia is currently not subject to this Act, but agrees with its intentions, and is working proactively to promote protection of human rights in the entire supply chain, including suppliers and business partners.



Ensuring fairness in our business

Our approach

We put a priority on compliance and recognize that the active promotion of compliance is the basis of our business. Based on the Yakult Group CSR Procurement Policy, we consider human rights, labor practices, the environment and anti-corruption throughout the supply chain.



Initiatives for business compliance: see p. 50

Ensuring fair and sound transactions: see p. 52

Promoting sustainable procurement: see p. 52

Structures / Systems

- Compliance Committee • Corporate Ethics Committee
- Internal reporting system

- Code of Practice of Yakult Honsha Pharmaceutical Business Division

Policies / Guidelines / Targets

- CSR Procurement Policy
- Yakult Basic Policy on Green Procurement

Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (2. Compliance with Social Norms, 5. Resolute Stand against Anti-social Forces)

Fiscal 2018 Targets and Achievements

Target	Achievement
1. Ensure complete adherence to compliance	• Improved compliance awareness by holding a conference for personnel in departments that deal with subcontractors
2. Implement CSR procurement	• CSR procurement survey of business partners , starting from March 2019 (Invited external consultants to give workshops on CSR procurement: 7 sessions)

Fiscal 2018 legal compliance

In Fiscal 2018 there were no violations of laws or internal regulations relating to bribery or anti-monopoly laws.

Initiatives for business compliance

Yakult Ethical Principles and Code of Conduct

We have instituted the Yakult Ethical Principles and Code of Conduct to serve as guidelines for proper corporate activities. We have appended more specific conduct standards and concrete examples of such standards while making revisions as needed over time.

A pocketbook including the Yakult Ethical Principles and Code of Conduct has been distributed to employees so that they can easily refer to them at any time when they need to confirm a particular decision-making process.

WEB For details, see the Yakult Ethical Principles and Code of Conduct: <https://www.yakult.co.jp/english/csr/company/ethics.html>



Compliance promotion system

Compliance Promotion Team and compliance personnel

As the contact points for compliance-related initiatives, we created the Compliance Promotion Team, which is made up of personnel from four departments (the Legal, General Affairs, Human Resources and Auditing Departments). We have also designated compliance personnel within each department, business site and Group company and given them responsibility for checking to ensure that business operations and actions are compliant with regulations and internal standards. When specific concerns arise, compliance personnel make the required responses in communication with the relevant department or business site.

To further promote compliance in each department, business site and Group company, we hold an annual meeting with compliance personnel to provide and share important information on compliance activities.

Compliance Committee

Our Compliance Committee, established in 2000, is composed of independent outside experts. This committee regularly meets

with directors of Yakult Honsha to discuss such themes as the financial situation and compliance promotion situation of each department. Members provide wide-ranging opinions and recommendations related to overall corporate activities from the perspective of compliance, as well as practical advice regarding the theme of each meeting.

In fiscal 2018, this committee met in September to discuss the status of compliance in accounting, finance and information systems divisions, and in February to discuss compliance in R&D and procurement divisions.

Corporate Ethics Committee

Our Corporate Ethics Committee, established in 2002, is primarily composed of independent outside experts. This committee convenes regularly for checking on the implementation status of our corporate ethics activities (such as refusing to engage with organized crime groups). Through oversight by committee members, we work on ensuring our sound management.

In fiscal 2018, this committee held a meeting in November.

Internal reporting system

We set up the Yakult Compliance Hotline in 2006 as an internal reporting system for quickly discovering and correcting any violations of laws during the execution of business. The system is intended for directors and employees at Yakult Honsha, Group companies and associations. In operating this hotline, we have established internal and external (consulting law office) contacts and ensure the protection of whistleblowers through Internal Reporting Regulations that assure the confidentiality of reported information and prohibit the adverse treatment of whistleblowers.

In the event of information being received, the facts are investigated, and if an issue is identified, appropriate actions are taken to make improvements, which are then reported to senior management (including the President) and to the whistleblower.

Employees are informed about this system during training for new employees and level-specific training. We gather opinions from workers by regularly conducting a compliance survey.

Compliance awareness activities

Through various activities including compliance training and distribution of a Compliance Guidebook, we are working to raise compliance awareness.

Compliance awareness activities

Compliance training	We regularly organize level-specific compliance training programs for groups of employees from directors and managers to newly hired employees, such as legal workshops for directors (including the President). In fiscal 2018, compliance training was also held at plants and marketing companies (8 sessions).
Compliance handbooks	We distribute the group-wide Compliance Guidebook which covers compliance fundamentals to directors and employees. We also publish a quarterly compliance newsletter to boost awareness. In fiscal 2018, we focused on raising awareness of power harassment in particular. We have distributed to all companies in the Group educational materials to raise awareness on refusing to engage with organized crime groups
Compliance Month	In fiscal 2018, we designated February as Compliance Month and conducted various activities to raise compliance awareness among Group employees. Specifically, every group worker set action targets for what he or she wanted to do or should do in daily life for creating a harassment-free work environment, and worked on them.
Compliance surveys	We implement a compliance survey once every three years. In the latest survey in August 2017 we received 9,763 responses from directors and workers (including contract employees, temporary staff, and part-time workers) of Yakult Honsha and 48 Group companies in Japan. The results of this survey were reported to the directors including the President, and to representatives of the Group companies. In the first half of Fiscal 2018, we presented a summary report of the survey results and held compliance workshops based on these results at Yakult business sites and relevant Group companies. We have also analyzed the survey results and are using this in planning our compliance program.



Protection of intellectual property

We work actively to acquire intellectual property rights (patents, designs, trademarks, etc.) in and outside Japan on new products and technologies, and by using these rights appropriately, we work to maintain and improve our brand value.

In addition, by training employees about intellectual property, we ensure that everyone in the Group maintains awareness about respecting third party intellectual property rights. When introducing new products and new services, we conduct a careful prior review of third-party intellectual property rights and take appropriate measures to avoid any infringements.

Compliance within the pharmaceutical business

We actively participate in compliance promotion activities including those of the Japan Pharmaceutical Manufacturers Association (JPMA). We have created the Code of Practice of Yakult Honsha Pharmaceutical Business Division as a concrete compliance code, and promote ethically sound and transparent business practices between our directors or employees and researchers, medical professionals and patient organizations. As part of this initiative, we publish information about our funding to medical institutions according to the guidelines set by the JPMA.

WEB Initiatives for transparency in our business activities and relationships with medical institutions: <https://www.yakult.co.jp/company/transparency.html> (Japanese)

Ensuring fair and sound transactions

Fundamental philosophy

We are determined to avoid illegal actions and the use of improper methods to pursue profits as well as placing undue burden on suppliers. We are also committed to ensuring fair, transparent and free competition and conducting appropriate transactions. Our purchasing transactions are decided based on appropriate procedures.

Mutual prosperity with marketing companies

The Yakult Group has 103 marketing companies,* and they play a key role in our point of contact with customers. After confirming and mutually agreeing upon the roles and responsibilities that shall be fulfilled by Yakult Honsha and the marketing companies, we execute business activities based on a contract.

We at the Yakult Group work together towards realizing both a healthy society and mutual prosperity: Yakult Honsha provides highly functional products for health improvement and handles public relations and advertising, while marketing

companies engage in activities that are useful in resolving the health issues of customers and local communities.

* As of March 2019. Including marketing companies under holding companies

Compliance with the Subcontract Act

Aiming for even further compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act), we created a Subcontract Act Compliance Manual in 1997 for operational personnel in departments that deal with subcontractors (revised in 2016). We hold training sessions for them as appropriate.

Promoting sustainable procurement

Yakult Group CSR Procurement Policy

In March 2018 we adopted the Yakult Group CSR Procurement Policy. In line with this policy we will promote sustainable procurement throughout the supply chain, in cooperation with our business partners, taking into consideration issues such as human rights, labor, the environment, and anti-corruption.

Yakult Group CSR Procurement Policy

Recognizing the importance of sustainable procurement that takes into consideration issues such as human rights, labor, the environment, and anti-corruption, the Yakult Group will promote sustainable procurement throughout the supply chain, in cooperation with our business partners.

1. Respect regulatory compliance and international codes of conduct

We will comply with national and local laws and regulations, respect international codes of conduct, and promote fair and equitable procurement activities.

2. Consider human rights, labor, safety and health

We will support the elimination of child labor and forced labor, respect fundamental human rights, and promote procurement activities that take into consideration the work environment, safety and health.

3. Ensure safety and quality

We will promote procurement activities, giving attention to cost and stable supplies, and aim to ensure high quality and safety.

4. Consider the global environment

We will promote procurement activities that comply with the Yakult Basic Policy on the Environment and take into consideration the global environment.

5. Maintain information security

We will strictly control confidential information on procurement transactions and use it only for legitimate purposes.

6. Coexist with society

We will promote procurement activities that take into consideration social contributions towards coexistence with society.

Established: March 20, 2018



CSR procurement survey of 103 business partners

Based on our CSR Procurement Policy, we carried out a CSR procurement survey of 103 business partners (top 90% of total procurement amount in target departments) from March to May 2019. This survey enabled us to ask our business partners to support the Yakult Group's policy of "promoting sustainable procurement throughout the supply chain, in cooperation with

our business partners" and it also enabled us to see what CSR procurement initiatives our suppliers are taking.

We sent feedback about the survey results to the companies which responded, to raise awareness of CSR and encourage voluntary initiatives.

Going forward, we will conduct this survey annually.

CSR procurement survey (March-May 2019)

Target: 103 companies, in principle, primary business partners of Yakult Honsha's dairy products, soft drinks, cosmetics and pharmaceutical divisions
 Responses: 103 (100% response rate)

Item	Number of questions	Main questions (examples)	Average score*
1. Corporate governance related to CSR	6	Do you have a CSR promotion structure?	91%
2. Human rights	4	Have you had any human rights issues in the last year?	94%
3. Labor practices	11	Are you taking action relating to fairness for working hours, holidays, paid leave, etc.?	98%
4. Environment	9	Are you taking action to reduce emissions of greenhouse gases such as CO ₂ ?	96%
5. Fair business	11	Are you taking action relating to external complaints and consultation?	96%
6. Quality and safety	5	Are you taking action based on promotion structure or policies / guidelines relating to quality and safety of products and services?	99%
7. Information security	6	Are you taking action relating to protecting personal data and privacy?	98%
8. Supply chain	5	Are you taking action to promote CSR activities in the supply chain, such as investigating business partners?	93%
9. Coexisting with the local community	2	Do you perform social contribution activities as a company or organization?	95%
Total	59		96%

* Score for each item calculated based on a score of 3 points if action is being taken; 2 points if action is not being taken but is planned; and 1 point if no action is being taken

• Workshop for promoting CSR procurement

In fiscal 2018 we held seven workshops for effectively promoting CSR procurement based on the Yakult CSR Procurement Policy.

Participants including relevant general managers acquired knowledge and know-how from an external consultant, and collected practical examples from within and outside the Group to prepare for the implementation of the CSR procurement survey conducted from March to May 2019.

• Evaluation of business partners: Yakult Europe B.V.

The company evaluates business partners every year and ceases trading with business partners which do not meet the company's own CSR criteria, depending on the situation. There are three criteria: (1) Whether the business partner is ISO 14001 certified; (2) Whether any environmental incidents have occurred, and if so, whether these have been reported; and (3) Whether the business partner has a CSR policy. Further criteria will be added in 2019. Criteria being considered include whether the business partner can issue paperless invoices, and for logistics companies, whether they use trucks complying with the Euro 6 emissions standard.

Green procurement

The Yakult Basic Policy on Green Procurement sets our green procurement policy and covers raw materials, packaging materials and equipment, facilities and indirect materials related to our business. All business sites carry out procurement activities in a manner that promotes the protection of the global environment, the reduction of environmental impact, the creation of a circular economy and other environmental objectives in cooperation with business partners based on this Basic Policy.

Fiscal 2018: Green procurement ratio: 87.62%
 (head office, research institute, Honsha plants)

Yakult Basic Policy on Green Procurement

With respect to items used at all of Yakult Honsha's business sites and in all of the Company's business activities, we will strive to procure environment-friendly products that promote the protection of the global environment, the reduction of environmental impact, the creation of a circular economy and other environmental objectives. In accordance with these goals, we have established the basic policies as described below:

Scope of policies

All manufacturing, marketing, office and R&D facilities.

Basic policies

1. Avoid procuring items with a potential for harming the environment or human health.
2. Procure items that give due consideration to resource conservation and energy conservation.
3. Procure items provided with crating and packaging materials that incorporate a high proportion of recycled materials.
4. Procure items provided with crating and packaging materials designed to be reused, particularly when the materials can be reused many times.
5. Procure items provided with crating and packaging materials with minimal portions that must be disposed of as waste and for which those minimal portions that must be disposed of as waste can be easily processed and disposed of.
6. Procure items that are manufactured, marketed and shipped by companies proactively addressing environmental protection objectives by such means as building environmental management systems, disclosing environmental information and cooperating with Yakult's environmental protection activities.

Established: March 5, 2001

Promoting transparent management

Our approach

We devote thorough efforts to steady business development centered on core business operations and promote highly transparent management functions. We undertake management that emphasizes enhanced internal control functions beginning with the optimization of management organizations and decision-making. We believe that such management is important in implementing our corporate philosophy.



Corporate governance: see p. 55

Structures / Systems

- Corporate governance framework

Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (2. Compliance with Social Norms, 3. Transparent Management, 5. Resolute Stand against Anti-social Forces)
- Risk Management Rules
- Production Division Business Continuity Plan
- Raw Material Procurement Risk Management Manual
- Information security rules

WEB For details, see Corporate governance Report: <https://www.yakult.co.jp/company/ir/management/governance/pdf/governance.pdf> (Japanese)

Fiscal 2018 Targets and Achievements

Target	Achievement
1. Deepen understanding of our founder's philosophy (Shirota-ism)	• Shirota-ism workshops: 18 sessions at Yakult Honsha, 435 participants
2. Strengthen support of the Corporate Governance Code	• Report submitted in November 2018 in response to the revised Corporate Governance Code
3. Promote disclosure of information to stakeholders (shareholders, etc.)	• Enhanced IR website (monthly data disclosed for dairy products in Japan, added information on English website)
4. Enhance understanding of the Yakult Ethical Principles and Code of Conduct	• Yakult Ethical Principles and Code of Conduct explained at compliance training and level-specific training • Each country/ region has created their own Ethical Principles
5. Ensure complete adherence to compliance	• Meetings for personnel in charge of compliance: 8 meetings held • Continuous auditing (internal audits, audits by Audit & Supervisory Board Members, external audits) to ensure sound compliance at offices outside Japan

Fiscal 2018 legal compliance

In Fiscal 2018 there were no major violations of laws or internal regulations relating to governance.



Corporate governance

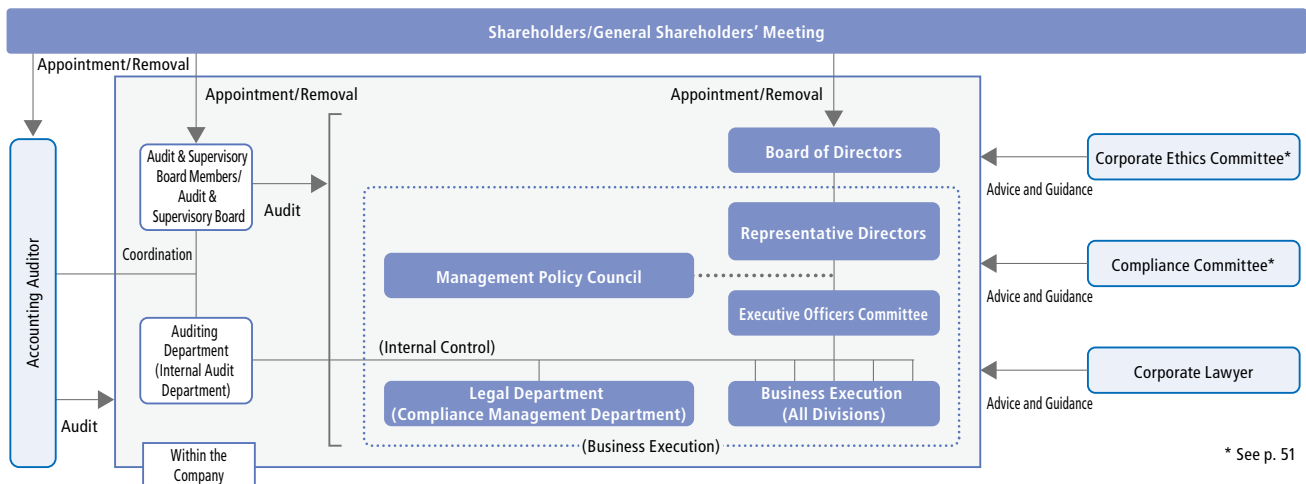
Governance structure

Since its introduction on June 22, 2011, our executive officer system aims to strengthen the Board of Directors' decision-making functions and supervisory functions as well as clarify responsibilities, and it is increasing the efficiency of both kinds of functions. In addition, to promote effective management activities and accelerate decision-making, we have established the Management Policy Council, which includes Representative Directors, Divisional General Managers and Audit & Supervisory

Board Members, and the Executive Officers Committee, which includes Executive Officers and Audit & Supervisory Board Members.

The Board of Directors is composed of 15 Directors (including five Outside Directors, one of whom is a female director), and the Audit & Supervisory Board is composed of seven members (including five outside auditors, one of whom is a female auditor).

Corporate governance framework



Development of internal control systems

As a corporate group widely trusted by society, we believe it is important to emphasize on enhancing internal control functions for our business management. After reviewing existing internal control systems, we have set our fundamental policies for system improvement. These policies will be revised when appropriate to further strengthen and enhance internal control functions in the face of amendments to laws and changes in internal and external business environments.

WEB For details, see Internal Control Systems and Policies: <https://www.yakult.co.jp/english/ir/management/governance.html>

Compliance with Corporate Governance Code

We are actively working to implement each principle specified in the Corporate Governance Code that went into effect in June 2015, and we will continue striving to increase corporate value by improving governance based on the objective of each principle.

WEB For details, see the Corporate Governance Report: <https://www.yakult.co.jp/company/ir/management/governance/pdf/governance.pdf> (Japanese)

Evaluating the effectiveness of the Board of Directors and Audit & Supervisory Board

We analyzed and evaluated the effectiveness of the Board of Directors by conducting a survey of Directors and Auditors. The results indicated that the Board of Directors is functioning properly, and its effectiveness is largely ensured.

In order to enhance the effectiveness of the Board of Directors based on the survey results, we have put systems into

place allowing active and full discussions by the Board of Directors by providing information on specific topics and opportunities for discussion, particularly for Outside Directors. We will continue to improve these functions to ensure the further effectiveness of the Board of Directors.

Outside Directors

Outside Directors Ryuji Yasuda, Masayuki Fukuoka and Naoko Tobe maintain objective standpoints independent from our management team that executes business duties.

Ryuji Yasuda provides opinions regarding the overall management, based on expert knowledge regarding business strategy that he has accumulated over the years in wide-ranging positions, including those of university professor, consultant and business manager.

Masayuki Fukuoka provides objective views to our management, based on his expert knowledge and experience

as a university professor specializing in political science studies.

Naoko Tobe provides opinions to our management from an objective viewpoint, based on her wealth of experience as a lawyer.

Outside Director Norito Maeda offers advice on enhancing customer service in actual market conditions, based on his long record of managing a Yakult marketing company.

Outside Director Pascal Yves De Petrini offers pertinent advice from a broad perspective regarding overall management, based on his abundant overseas management experience.

Auditing entities

We perform various audits to further enforce internal control.

Internal audits

We have set up the Auditing Department as an organization reporting directly to the president to perform accounting audits and operational audits as well as internal control system audits that also cover affiliated companies in and outside Japan. With a 15-person staff under the department general manager, this department currently handles internal auditing functions that include risk avoidance, implements internal audits covering the entire operations of each internal department and each affiliated company and provides specific advice and recommendations for improving operations.

Regarding group companies outside Japan, every fiscal year we select companies and visit them to perform internal audits just as in Japan. For internal control system audits, we also perform paper audits to appropriately evaluate the effectiveness of internal control systems for financial reporting.

Audit & Supervisory Board Member audits

Based on the audit policies and audit plans of the Audit & Supervisory Board, the seven Audit & Supervisory Board Members (including five outside auditors, one of whom is a female auditor) audit the operational execution situation of Directors and Executive Officers by attending meetings of the Board of Directors and other important meetings and examining documents related to decision-making and other matters.

At the same time, they monitor and verify that appropriate auditing is performed by the accounting auditor. We have also secured a system for supporting Audit & Supervisory Board Member audits by deploying two full-time auditors possessing thorough knowledge of company operations and who can appropriately assist the work of the auditors.

External audits

We have appointed Deloitte Touche Tohmatsu to serve as the auditor for accounting and other audits as required by law.

Remuneration of officers

Because the nature of our business is to contribute to the health and happiness of people around the world, rather than focusing on short-term profits, we believe it is important to create an environment for sustainable growth by continuously promoting Shirota-ism inside and outside the company. As part of this approach, we have adopted a fixed remuneration system, rather than a remuneration system linked to temporary profit fluctuations. We have established a limit of 1,000 million

yen per year for remuneration of Directors. Within this limit, we consider internal and external factors including the duties of each Director, business performance in the relevant fiscal year, workers' salary level and social climate. The amount of remuneration is determined by the Board of Directors after consideration by the Representative Director and the officer in charge of the Administrative Division.

Transparency in taxation

Yakult Ethical Principles "2. Compliance with Social Norms" stipulates that, in addition to complying with the laws and regulations of each country and region where we operate, we should also respect their cultures and customs, and conduct ourselves with good sense. In terms of taxation, we strive to maintain and improve tax compliance by paying appropriate taxes, abiding by the tax laws of each country and region and international standards.

Environmental and social governance

CSR Promotion Committee

The CSR Promotion Committee is chaired by a Senior Managing Executive Officer and Director, and is made up of executive officers from each relevant department. The Committee promotes initiatives to tackle environmental and social issues, including climate change. Details are reported to the President for guidance. There is a procedure to consult with the Board of Directors about important matters relating to management policy. Matters considered by the committee are also brought up for discussion at the Executive Officers Committee when necessary.

Related information see p.10 CSR management structure

CSR training for managers

We hold annual CSR management seminars for Directors and Auditors enabling them to obtain the latest information from outside experts, bringing a CSR perspective to management. Related information:

Related information see p.11 CSR management seminars

Risk management

Risk Management Rules

Our top priority is to ensure safety and respect for human life, and we have established our Risk Management Rules.

We have created individual risk management manuals in case of an earthquake, new influenza virus outbreak, and product recall, to provide responses against contingencies.

All employees receive personal disaster supplies, and are loaned emergency food rations and drinking water for three days in preparation for a major earthquake.

These manuals are updated as necessary to reflect changes or expansions in business, or office moves.

• Safety confirmation system

We have introduced a safety confirmation system to efficiently check the safety of our employees when a disaster occurs. Drills are held once a year for all employees to master the system operation and improve awareness of risk management.

• Earthquake early warning system*

At Yakult Honsha dairy product plants and bottling companies, we are working to set up an emergency warning system to enable employees to prepare and respond quickly in case of an earthquake.

* Compared to unspecified warnings sent to large numbers of people (TV, radio, mobile phones, etc.), this system receives forecast information issued for a specific area, providing information more quickly and more accurately.

Business Continuity Plan (BCP)

Our Production Division has established and applies its own Business Continuity Plan. In accordance with the Cabinet Office's Business Continuity Guidelines, it sets forth basic policies, precautions, and emergency coordination and response to continue production operations of our core dairy products in the case of a natural disaster or critical event that would have a

direct and sudden adverse effect on our business operations, as well as our policies on support for communities in an emergency.

We have devised a Raw Material Procurement Risk Management Manual that details appropriate immediate actions to take during emergency situations to secure the raw materials for our dairy products.

For our pharmaceutical business, in addition to securing at least two months' stock, we have two pharmaceutical distribution centers, one in Eastern Japan and one in Western Japan to provide a stable supply and diversify risk.

At the Yakult Central Institute, in addition to ensuring the safety of our workers, one of our top priorities in an emergency is to preserve the probiotic strains which are key to our dairy products, so we have emergency power supplies which can provide power for around one week.

In terms of logistics management, we have transferred some of our information system assets to the cloud. Server equipment which was located at our five core logistics bases has been consolidated at a cloud center. This reduces the risk of system downtime in case of a disaster and shortens the response time for hardware failures.

Information security

We have established information security rules which clarify the policy on security measures and the person in charge of information security. The rules stipulate that relevant departments should discuss and quickly implement response measures if our information assets are threatened. To protect the information assets necessary to execute our business, all data is backed up regularly, and we have installed security software and equipment to prevent unauthorized access, leaks, falsification, loss and damage. When work is outsourced, information is managed appropriately based on our management standards.

Third-Party Opinion



Mika Takaoka
Professor
College of Business
Rikkyo University

Overall, this is a good report which clearly reflects the Yakult Group's 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." It is also an excellent report in terms of CSR communication, disclosing a lot of information including examples of initiatives taken at the Group's sites.

The Yakult Group is working to realize their corporate slogan "in order for people to be healthy, everything around them must also be healthy," and views its corporate activities themselves as CSR. The Group has been working for many years towards making a sustainable society a reality.

In this fiscal year's report, the "Yakult CSR Action Plan: Targets and Achievements" chart (see p. 14-15) shows in detail the extent to which each of the action targets has been achieved. The relationship between the Yakult CSR Action Plan and the Sustainable Development Goals (SDGs) is shown on page 12. Looking at these together, we can see how the CSR Action Plan, ESG factors, the SDGs and ISO 26000 are linked, and this gives an overview of the Yakult Group's CSR activities as a whole in terms of the targets set, achievements, and level of achievement for each fiscal year. I am impressed by how systematically these activities have been organized in a short time. Next year, I would like to see the Yakult Group's CSR activities and the SDGs incorporated into those activities redefined as company-wide management issues. With the increasing global demand for corporate social responsibility, it is important to commit to CSR and the SDGs within the Group's management vision and mid-term management plan, not just as individual initiatives. It is widely known that the Yakult Group

has always tackled health, social and environmental issues since it was founded, but I would like to see Yakult leading the industry as a global player by explicitly placing CSR and the SDGs at the center of the business plan.

Another area I would like to highly commend is the CSR procurement survey of business partners, started in March 2019 (see p. 53). The Group established the Yakult Group CSR Procurement Policy in March 2018 and is creating a system to promote sustainable procurement throughout the whole supply chain, taking human rights, labor, the environment and anti-corruption into consideration. I hope the Yakult Group will continue to work actively on this with its business partners in and outside Japan.

We can also see steady progress towards creating a healthy and dynamic workplace (see p. 40-47). In February 2019, for the second year running, the Yakult Group was recognized by the Ministry of Economy, Trade and Industry as a "White 500" company for outstanding health and productivity management. The number and ratio of females in management positions have both increased from the last fiscal year, indicating that progress is being made in terms of diversity of human resources. The report describes the company's efforts for better working environments and health support for Yakult Ladies, who play an important role for the company. As overseas operations expand, diversity management will become ever more important. It is wonderful that the Yakult Group is developing systems and training programs for working practices based on diverse values and ways of life. The Yakult Group has focused on human resources development, and I hope they will continue to strive to operate at a high level in future.

Lastly, the Yakult Group's business is expected to further expand in the world. The Yakult fermented milk drink went on sale in Denmark in January 2019, and production and sales began in Myanmar in August, meaning the Group now operates in 40 countries and regions, including Japan. As the total population of Japan declines, a growing proportion of the Group's business will be overseas, so it is time to start collecting and analyzing environmental data (CO₂ emissions, waste, water, nature conservation, packaging and so on) for business sites outside Japan. I look forward to seeing information like this from the globally active Yakult Group in the near future.

Response to third-party opinion



Hiroshi Narita
Director and Senior Managing
Executive Officer
Divisional General Manager of
Management Support Division
Yakult Honsha Co., Ltd.

Prof. Takaoka offers a deep insight into CSR, and we are very grateful for her valuable opinion once again this year, as we publish our Yakult CSR Report 2019.

She highly commends our promotion of CSR activities in the context of ESG factors and the SDGs, which are initiatives and goals to make business and society more sustainable. We are delighted that she has also praised our efforts to extend CSR from our own Group to the whole supply chain, by launching our CSR procurement survey.

Regarding her suggestions about promoting CSR initiatives and the SDGs as the Group's management issues, as well as the importance of disclosing environmental information for the whole Group including overseas operations, we will take these suggestions on board as future issues and further examine them.

The Yakult Group will continue to actively promote CSR initiatives, engaging in dialogue with all of our stakeholders.

ESG Data

Environmental data (Japanese business site reports)

Environmental data for the Yakult Group's seven Honsha plants and the Yakult Central Institute is shown below.

*1 As of March 2019

*2 City gas and LPG are the predominantly used fuels.

Fukushima Plant

Location: 10-1 Aza Tooki, Kuroiwa, Fukushima-shi, Fukushima, 960-8520
Site area: 32,528 m²
Products*1: Concentrated *Yakult*, *Sofuhl*, *Mil-Mil*, *Mil-Mil S*

Our top priority is providing safe and reliable products. Through initiatives such as cleanup activities and plant festivals, we aim to coexist in harmony with the local community. We have also worked to reduce environmental impacts and CO₂ emissions by reducing energy usage.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
160	1,414	7,423	203	1.16	6,598	0	4.220

Ibaraki Plant

Location: 1232-2 Oaza Kawatsuma, Goka-machi, Sashimagun, Ibaraki 306-0314
Site area: 56,191 m²
Products*1: Concentrated *Yakult*, *Mainichi Nomu Yakult*, *Synbiotics Yakult W*

In Fiscal 2018, we sponsored and ran a stand at the pre-tournament event for the Ibaraki National Sports Festival to be held in 2019. We also plan to sponsor and run a stand at the main tournament, as a way of contributing to our local community.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
161	944	5,026	164	0.54	4,212	0	1.329

Fuji Susono Plant / Fuji Susono Pharmaceutical Plant

Location: 653-1 Aza Juzaburo, Shimowada, Susono-shi, Shizuoka 410-1105
Site area: 192,738 m²
Products*1: Concentrated *Yakult*, *Pretio*, *Joie*, *Sofuhl*, quasi-drug products, pharmaceutical products, active pharmaceutical ingredients

We have been involved in initiatives to support the local community and protect the environment, by offering plant tours, sponsoring and supporting local events, and taking part in cleanup activities. We have also been working to create a pleasant working environment such as by encouraging employees to take their annual paid leave, and diversifying our human resources through systematic training.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
469	2,412	16,699	758	0.25	12,600	0	1.176

Hyogo Miki Plant

Location: 1838-266 Aza Nakao, Toda, Shijimi-cho, Miki-shi, Hyogo 673-0514
Site area: 80,874 m²
Products*1: Concentrated *Yakult*, *Sofuhl*, *Mil-Mil*, *BF-1*

We have introduced spot-type air conditioning to lower the temperature in the workplace which becomes hot and humid in summer. We have also made the work environment more pleasant for employees by improving work efficiency and safety by automating the transport and insertion of detergents used to clean our production equipment.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
234	2,579	8,373	221	1.72	8,622	0	6.575

Saga Plant

Location: 2300 Tamichigari, Kanzaki-machi, Kanzaki-shi, Saga 842-0002
Site area: 25,238 m²
Products*1: Concentrated *Yakult*, *Joie*, *Mil-Mil S*

We have promoted CSR activities towards the action targets, and achieved almost all the targets, except for the number of days of annual paid leave taken. We have also created a more flexible system for plant tours, which exceeded the 20,000 visitors mark for the second straight year, allowing more people to find out about Yakult's business.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
199	1,052	6,045	173	56.71	5,055	0	2.806

Shonan Cosmetics Plant

Location: 2-5-10 Kugenumashinmei, Fujisawa-shi, Kanagawa 251-0021
Site area: 4,394 m²
Products*1: Basic skin-care products including *PARABIO* and *REVECY*

We are actively contributing to industrial promotion, tourism, and the local community in Fujisawa City through activities such as participating in the Enoshima beach cleanup, providing products and presenting at the Princess and Prince of the Sea Contest, and participating in an annual event to promote the planting of flowers and greenery in Fujisawa City. In total, 70 people took part in our monthly cleanup activities.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
13	36	566	19	13.76	339	0	0.021

Yakult Central Institute

Location: 5-11 Izumi, Kunitachi-shi, Tokyo 186-8650
Site area: 43,412 m²
* For main research areas and fields, see p. 8-9.

We are building a network with the local community by sponsoring various events run by Kunitachi City (part of Tokyo Metropolis) and through cleanup activities by staff on the second Thursday of every month. We have also donated a walkway to Kunitachi City, allowing people to enjoy flowers and greenery through the seasons.

Water used (1,000 t)	Fuel used (kl on a crude oil conversion basis) (Scope 1)*2	Electric power used (1,000 kWh) (Scope 2)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
73	1,025	17,488	59	0.231	10,288	0	0.403

Environmental data (Honsha plants, bottling companies, and logistics companies, etc.)

The environmental data for Honsha plants and bottling companies is as follows.

CO₂ emissions and CO₂ emissions per production unit by Yakult Honsha plants and bottling companies (Scope 1 + Scope 2)

Fiscal year	2010 (Base year)	2016	2017	2018
CO ₂ emissions (fuel-related, Scope 1) (t-CO ₂)	20,311	19,798	20,144	19,936
CO ₂ emissions (electric power-related, Scope 2) (t-CO ₂)	32,739	33,465	33,190	32,382
CO ₂ emissions per production unit (t-CO ₂ / 1,000 items)	0.0155	0.0148	0.0143	0.0143

* CO₂ emissions per production unit are calculated using data from bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Trends in energy use by Yakult Honsha Plants and bottling companies (Scope 1 + Scope 2)

Fiscal year	2010 (Base year)	2016	2017	2018
Crude oil equivalent (fuel-related, Scope 1) (kl)	8,253	9,786	9,957	9,850
Crude oil equivalent (electric power-related, Scope 2) (kl)	19,950	20,260	20,088	19,602
Energy use per production unit (kl / 1,000 items)	0.0082	0.0084	0.0081	0.0080

* When doing calculations per production unit, crude oil equivalents are calculated using data from five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

CO₂ emissions from logistics

Fiscal year	2014	2015	2016	2017	2018
Logistics subsidiary CO ₂ emissions (t-CO ₂)	7,304	6,679	6,210	5,673	5,004
Others CO ₂ emissions (t-CO ₂)	10,488	10,412	9,921	10,339	10,485

Trend in waste generated at Yakult Honsha plants and bottling companies

Fiscal year	2010 (Base year)	2016	2017	2018
Yakult Honsha plants waste generated (t)	2,594	1,658	1,528	1,538
Bottling companies waste generated (t)	914	854	842	812
Waste generated per production unit (kg / 1,000 items)	1.080	0.713	0.657	0.663

* The amount of waste generated per production unit is calculated using data of bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Waste generated and recycling rates by waste type at Yakult Honsha plants and bottling companies

	Waste Amount (t)	Recycled Amount (t)	Recycling Rate (%)
Sludge	671	668	99.6
Paper waste	436	436	100.0
Waste plastic	848	848	100.0
Scrap metal	261	261	100.0
Vegetable residues	22	19	86.4
Glass fragments	4	4	100.0
Cinders	68	50	73.5
Oil	36	36	100.0
Wood chips	2	2	100.0
Rubber waste	2	2	100.0
Others	0	0	-
Total	2,350	2,326	99.0

Water used at Yakult Honsha plants and bottling companies and use per production unit

Fiscal year	2010 (Base year)	2016	2017	2018
Yakult Honsha plants water use (1,000t)	1,651	1,377	1,335	1,237
Bottling companies water use (1,000t)	483	507	499	449
Water use per production unit (t / 1,000 items)	0.644	0.526	0.493	0.462

* Water use per production unit is calculated using data from bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Social data (Human resources data)

Yakult Honsha Co., Ltd.

Fiscal year	2014	2015	2016	2017	2018
Regular employees	2,745	2,705	2,699	2,699	2,714
Male	2,125	2,079	2,071	2,057	2,049
Female	620	626	628	642	665
Full-time contract employees	168	167	161	149	162
Male	143	150	144	132	125
Female	25	17	17	17	37
Female employee ratio (%)	22.1	22.4	22.6	23.1	24.4
Average age (years)	41.2	41.6	41.9	42.1	42.2
Male	42.2	42.6	42.9	43.1	43.2
Female	37.4	38.0	38.3	38.6	38.8
Average length of service (years)	18.0	17.9	18.2	18.3	18.3
Male	19.2	19.0	19.3	19.4	19.5
Female	13.5	14.0	14.4	14.6	14.3
Average wage for 30-year-olds (yen / month)	354,800	359,200	359,200	359,200	359,200
Number of newly hired	41	59	64	74	93
Male	32	38	41	42	53
Female	9	21	23	32	40
New graduates' retention rate after three years (%)	96.0	93.9	92.3	95.1	97.6
Overall turnover rate (%)	3.9	3.5	2.5	1.6	1.4

Yakult Group companies outside Japan (as of December 2018)*1

	Total	Female ratio (%)**2	Ratio of female managers (%)**2
Total	23,582	31.7	25.4
Asia / Oceania	17,321	29.4	22.6
The Americas	6,079	37.3	36.9
Europe	182	49.7	55.6

*1. Excluding seconded Japanese employees

*2. Ratio when provisional data were collected

Hours of training time and cost per person (Yakult Honsha)

Fiscal Year	2016	2017	2018
Training time	15.09 hours	13.88 hours	12.21 hours
Training costs	22,560 yen	18,702 yen	19,035 yen

Shirota-ism Workshops: Numbers of workshops and participants (fiscal 2018, Yakult Honsha)

Numbers of workshops and participants	18 times, 435 participants
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Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018	Whole industry average *3
Work accident frequency rate *1	0.71	0.87	0.35	0.53	1.05	1.66
Work accident severity rate *2	0.0066	0.0059	0.0081	0.0219	0.0109	0.09

*1 Work accident frequency rate: Injuries and deaths caused by work accidents / Total work hours x 1,000,000

*2 Work accident severity rate: Number of work days lost / Total work hours x 1,000

*3 Whole industry average: Partial extract from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents (2018)

Rate of using annual allotment of paid holidays and average overtime hours per month (per person) (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Rate of using annual allotment of paid holidays (%)	53.0	55.5	58.9	58.8	70.9
Average overtime hours (per month)	8.7	8.9	8.9	8.5	10.5

Number of employees taking parental leave (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Male employees (number of people/ utilization rate*)	3 2.7%	5 5.4%	12 10.7%	8 8.7%	9 9.3%
Female employees (number of people)	20 100%	21 100%	36 100%	40 100%	36 100%

* Rate of male employees taking parental leave: Number of male employees taking parental leave divided by the number of male employees whose spouse has given birth

Number and ratio of female managers (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Number of female managers	40	44	44	45	47
Ratio of female managers (%)	5.3	6.1	6.0	6.2	6.3

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Rate of employees with disabilities (%) (annual average)	1.99	2.20	2.11	2.01	2.15
Statutory target employment rate (%)	2.0				2.2

Rate of continuous employment at retirement age (Yakult Honsha)

Fiscal year	2014	2015	2016	2017	2018
Number of persons at mandatory retirement age	69	61	33	52	57
Number of persons in continuous employment at Yakult Honsha	40	43	21	34	38
Number of continuous workers who transfer to another company	14	11	6	9	9
Number of persons who choose to retire	15	7	6	9	10
Rate of continuous employment* (%)	78.3	88.5	81.8	82.7	82.5

* Including those persons who have transferred to another company

Governance data

Organization

Type of organization	Company with Audit & Supervisory Board
Directors	15
Including: Outside Directors	5
Including: Independent Directors	2
Including: Female Directors	1
Directors' term of office (years)	1
Chair of Board of Directors	President
Auditors	7
Including: Outside Auditors	5
Including: Independent Auditors	2
Including: Female Auditors	1
Auditors' term of office (years)	4

Remuneration of officers*

Remuneration of Directors	654 million yen to 17 Directors (Including 41 million yen to 6 Outside Directors)
Remuneration of Auditors	118 million yen to 7 Auditors (Including 36 million yen to 5 Outside Auditors)

*Amount of remuneration of Directors and Auditors in the 67th business report

Frequency of meetings

Board of Directors (meetings)	7
Outside Directors' attendance rate at Board of Directors (%)	100
Audit & Supervisory Board (meetings)	7
Outside Directors' attendance rate at Audit & Supervisory Board (%)	100
Compliance Committee (meetings)	2
Corporate Ethics Committee (meetings)	1
CSR Promotion Committee (meetings)	2

Training

Compliance workshops	68 sessions
Human rights awareness training (Training for new employees)	1 session, 117 participants
Human rights awareness training (Diversity training for newly appointed managers)	3 sessions, 70 participants
Information security training (e-learning programs)	2,436 participants, 91%

BCP

Participation in BCP safety confirmation system drills (response to email)	98.4%
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Yakult

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