

Yakult

Yakult
Social & Environmental Report
2013



About This Report

Editorial policy

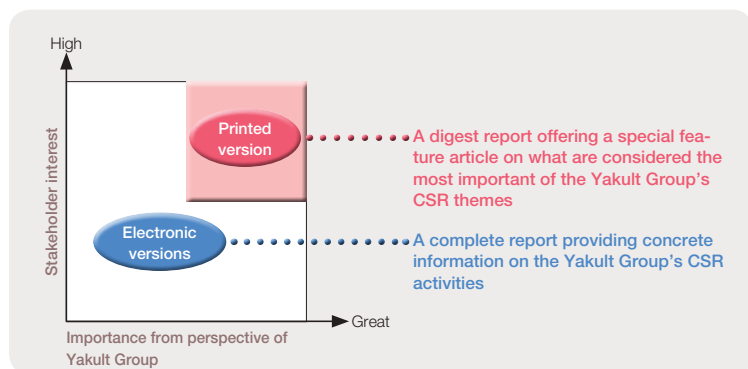
Designed to help readers learn about Yakult Honsha's corporate social responsibility (CSR) performance, this report presents information centered on the environmental activity performance and social contribution activities of Yakult Honsha and the other Yakult Group companies during fiscal 2012.

Beginning from Yakult Social & Environmental Report 2010, the scope of the report was expanded to encompass all of the Yakult Group's social and environmental activities, including those associated with business sites both in Japan and overseas.

Aiming to encourage as many people as possible to read this report and gain a familiarity with the CSR activities of Yakult Honsha and the other Group companies, the editors have done their utmost to make the report easy to read and understand. The printed version includes contents that have been made as concise as possible, while additional quantitative data and other supplemental information can be obtained by visiting the Company's website to obtain an e-book or PDF version of the report.

An English edition of this report has been prepared since fiscal 2011.

Relationship of printed report and website features



Boundary

Period

April 1, 2012 through March 31, 2013

Scope of data (Environmental data)

The scope of data in the report includes the Company's Head Office, five branches, 10 plants,* the Yakult Central Institute for Microbiological Research, and two logistics subsidiaries in Japan as well as 26 business sites overseas.

With respect to social activities, the report covers the above-mentioned facilities as well as the activities of domestic Group companies.

* The Kyoto and Fukuyama plants were closed as of the end of August and September 2012, respectively, while the new Hyogo Miki Plant began full-scale operations in December 2012.

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Overview of Yakult's Operations

Corporate profile

Profile of Yakult Honsha (as of March 31, 2013)

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 dairy products, foodstuffs, pharmaceuticals, cosmetics, and others

Paid-in capital: ¥31,117 million

Net sales: (nonconsolidated) ¥174,888 million
(consolidated ¥319,193 million)
(as of fiscal year ended March 31, 2013)

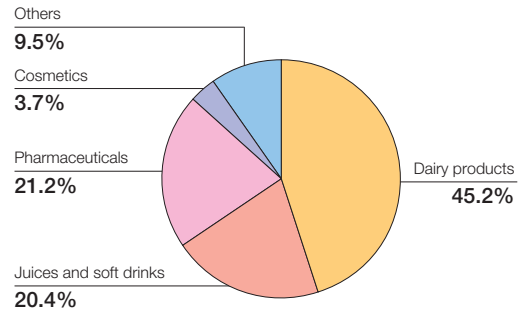
Business sites: Five branches, eight plants, one research laboratory, 10 medical branches, 13 logistics centers

Number of employees: 2,978 (including 282 seconded employees and 159 commissioned employees)

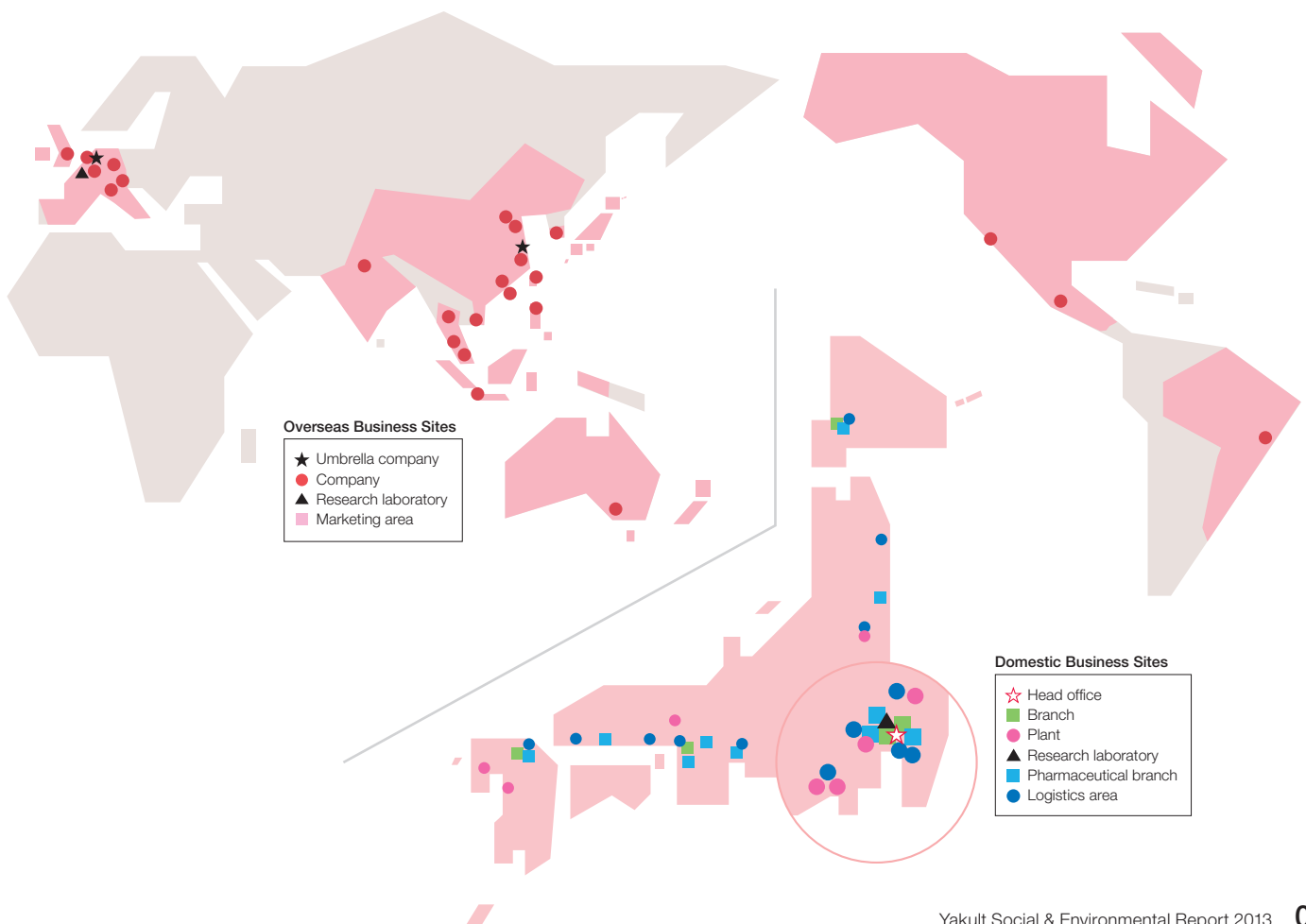
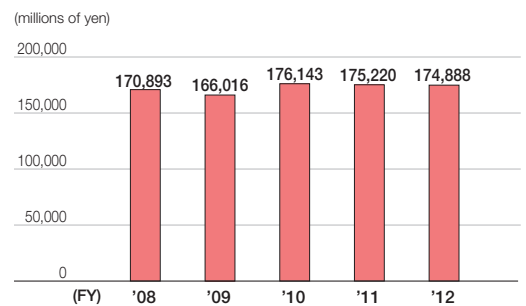
Profile of Yakult Group (as of March 31, 2013)

- Japan**
- Marketing companies:** 107 companies
 - Bottling plants:** 6 companies
 - Affiliated companies, etc.:** 15 companies and 4 associations
 - Number of employees:** 14,037
 - Number of Yakult Ladies:** 39,924
- Overseas**
- Business sites:** 26 companies and 1 research laboratory
 - Marketing regions:** 30 countries and regions
 - Number of employees:** 15,445
 - Number of Yakult Ladies:** 41,752

Sales Structure by Type of Product (Nonconsolidated)



Five-Year Overview of Net Sales (Nonconsolidated)



To Our Stakeholders



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

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

By implementing its corporate philosophy, the Yakult Group will continue living up to its responsibilities to society going forward.

Thanks to the support of all our stakeholders, the Yakult Group sustained the smooth expansion of its operations during fiscal 2012, with particularly strong growth achieved in operations outside of Japan. Since Yakult initiated its overseas expansion in 1964 by establishing operations in Taiwan, it has greatly expanded the geographic scope of Yakult drinkers to include people in numerous countries in Asia, Europe, and the Americas. Including Japan, the Group is now operating in 32 countries and regions. Our average daily sales of dairy products in fiscal 2012 were approximately 30.7 million bottles, the first time since our founding that this figure has surpassed the 30 million bottle mark.

We are making steady progress in our efforts to realize the dream of Yakult's founder, Dr. Minoru Shirota, to "deliver good health to people around the world," and we are extremely pleased to be increasing our value as a corporate citizen that has been entrusted with responsibilities to society.

While we are steadily expanding the Yakult Group's business operations, we believe it to be highly important to lay a solid foundation for sustained corporate growth going forward by further increasing the attention we devote to our stakeholders as well as by attaining still-higher levels of performance with respect to our responsibilities to society as a corporate citizen. Recognizing our responsibilities to society in these ways, we are doing our utmost to consistently carry out those responsibilities throughout our unique and diverse business operations.

It can be said that the Yakult Group's corporate social responsibility (CSR) activities are based on its corporate philosophy—"We contribute to the health and happiness of people around the world through the pursuit of excellence in life science in general and our research and experience in microorganisms in particular." More

specifically, as a global pioneer of R&D in the fields of lactobacilli and bifidobacteria, we are developing and employing business models (such as our home delivery system) that include "diverse social contribution activities." We are committed to implementing our corporate philosophy in ways that enable us to continue effectively carrying out our responsibilities to society. Accordingly, we are tirelessly implementing initiatives concerning such issues as "thorough compliance management," "risk management," "quality assurance," and "social and environmental activities." Particularly regarding "social activities," Group units centered on marketing companies are engaged in distinctive social contribution initiatives that only Yakult is positioned to undertake—such as "Courtesy Visit Activities" and regional crime prevention activities—and the Group is also reinforcing its ties with society by providing support for technology, sports, and culture. Given the Yakult Group's strong performance at this time, we are planning to realize dynamic growth in our business as well as CSR activities. We are maintaining a strong and unflagging dedication to Yakult's unique corporate philosophy and to the Company's roots in the ideas of Dr. Shirota, which we refer to as "Shirota-ism," as we strive to fully carry out our responsibilities to society going forward.

September 2013

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

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

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 lactobacilli were effective in suppressing harmful bacteria within the intestines. He

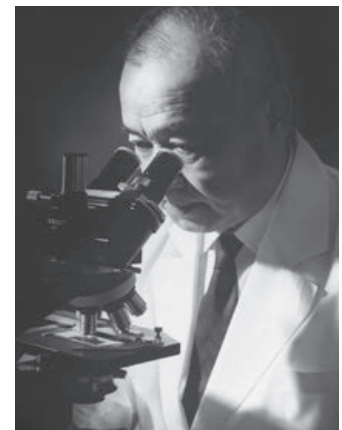
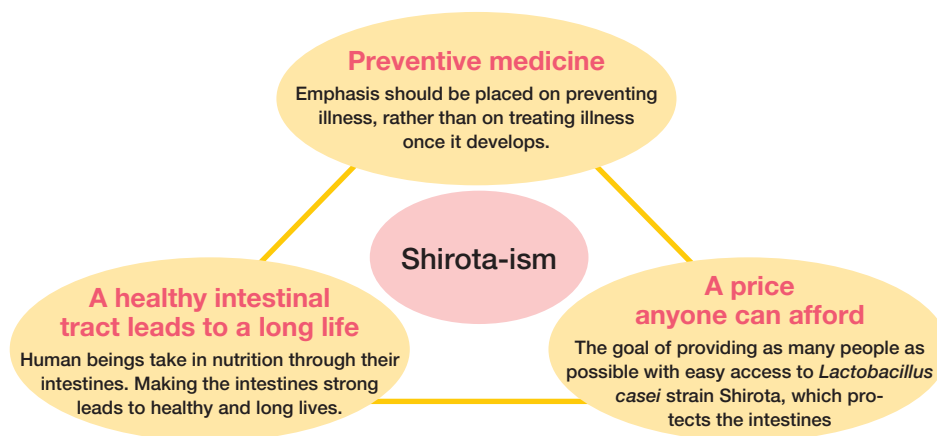
later became the first to successfully strengthen and culture a strain of lactobacilli, which is now known as *Lactobacillus casei* strain Shirota.

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.

Shirota-ism—The root of our business

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. (1899-1982)

Shirota-ism, in addition to the above, also includes ideas like “caring enough to broaden acceptance,” “caring enough to make home deliveries,” “harmony among people,” “sincerity,” and “honesty and kindness” as timeless and fundamental aspects of our business activities.

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 propagation of the preventive medicine approach and the idea that a healthy intestinal tract leads to a healthy, long life,

and stress sincerity and harmony among people. These concepts—“caring enough to broaden acceptance,” “caring enough to make home deliveries,” “harmony among people,” “sincerity” and “honesty and kindness”—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 concept 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.

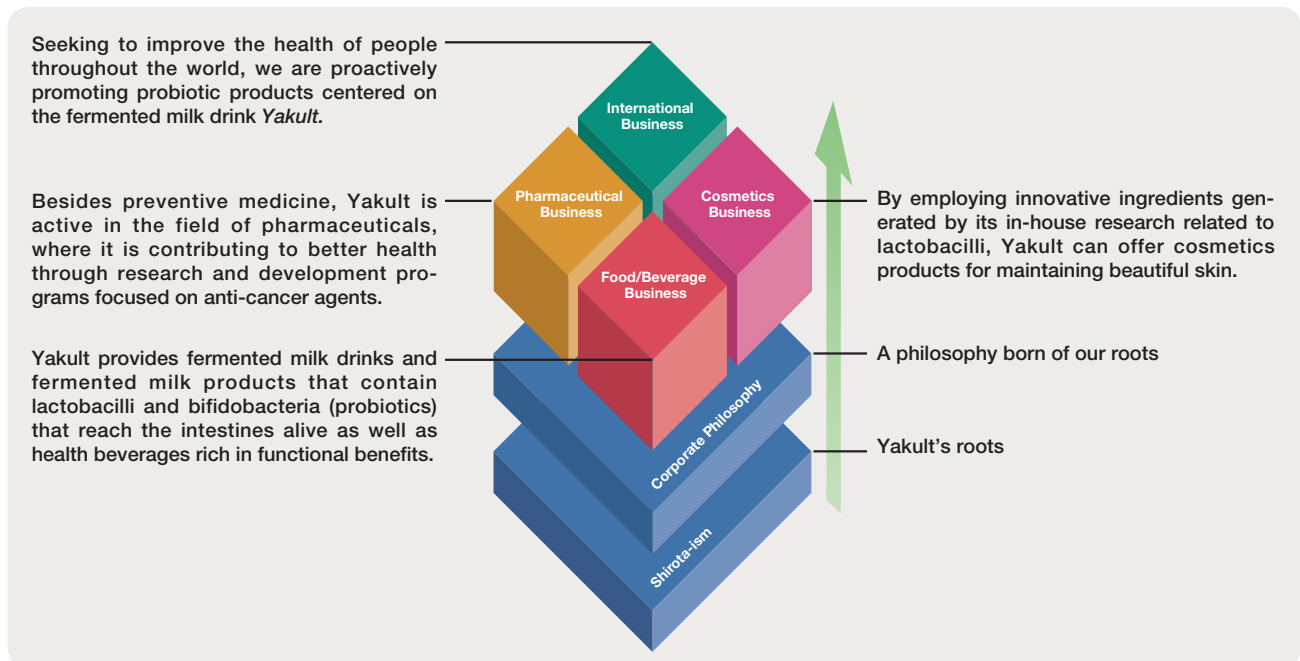
Moving forward, in order to maintain the trust we have earned throughout the world, we at Yakult will continue to honor Shirota-ism and the ideas it encompasses.

Corporate Philosophy

Corporate philosophy

We contribute to the health and happiness of people around the world through the pursuit of excellence in life science in general and our research and experience in microorganisms in particular.

Business development



Product lineup

Foods and Beverages

- Fermented milk drinks
- Fermented milk products



Yakult dairy products based on the concepts of "preventive medicine" and "a healthy intestinal tract lead to a long life." *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain *Yakult* reach the intestines alive and promote a healthier intestinal tract.

- Fruit and vegetable juice products
- Soft drinks
- Coffee and tea beverages
- Other beverages, noodles
- Health foods



Yakult beverages that help create healthy life scenes. High-quality raw materials are used to create functional beverages with various health benefits.

Cosmetics

- Cosmetics products for women (basic skin-care products, other cosmetics)
- Hair-care products
- Body-care products



Yakult cosmetics products generated by bioscience. These products help maintain beautiful and healthy skin.

Pharmaceuticals

- Pharmaceutical products
 - Ethical therapeutic drugs (anti-cancer agents, *Lactobacilli*-based drugs, etc.)
 - OTC drugs
- Medical devices
- Quasi-drug products



Yakult pharmaceuticals making contributions in the field of medicine. These products are providing people with benefits in both medical facilities and homes.

Management of the Yakult Group

Fundamental corporate governance policy

Yakult's fundamental corporate governance policy is to "devote thorough efforts to steady business development centered on core business operations and strive to maintain a sound financial position by promoting highly transparent management functions." Based on this policy, we are endeavoring to increase the level of

society's trust in us and our brand value while earning outstanding evaluations from customers as well as shareholders, investors, those working throughout the Yakult Group, and other stakeholders, and thereby seeking to realize sustained corporate development and growth.

Corporate governance system

On June 22, 2011, we introduced the executive officer system. This 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 one Audit & Supervisory Board Member, and the Executive Officers Committee, which includes Executive Officers and Audit & Supervisory Board Members. The Board of Directors is composed of 15 Directors, and the Audit & Supervisory Board is composed of seven members.

Japan and overseas. The Auditing Department is responsible for risk avoidance and other internal audit functions. It conducts internal audits spanning the operations of all internal departments and Group companies, and it provides concrete advice and recommendations with respect to operational improvements.

Audit & Supervisory Board Member Audits

Based on the audit policies and audit plans determined by the Audit & Supervisory Board, the seven Audit & Supervisory Board Members audit the operational execution situation of Directors by attending meetings of the Board of Directors and other important meetings of the Company and examining documents related to decision making and other matters.

Auditing entities

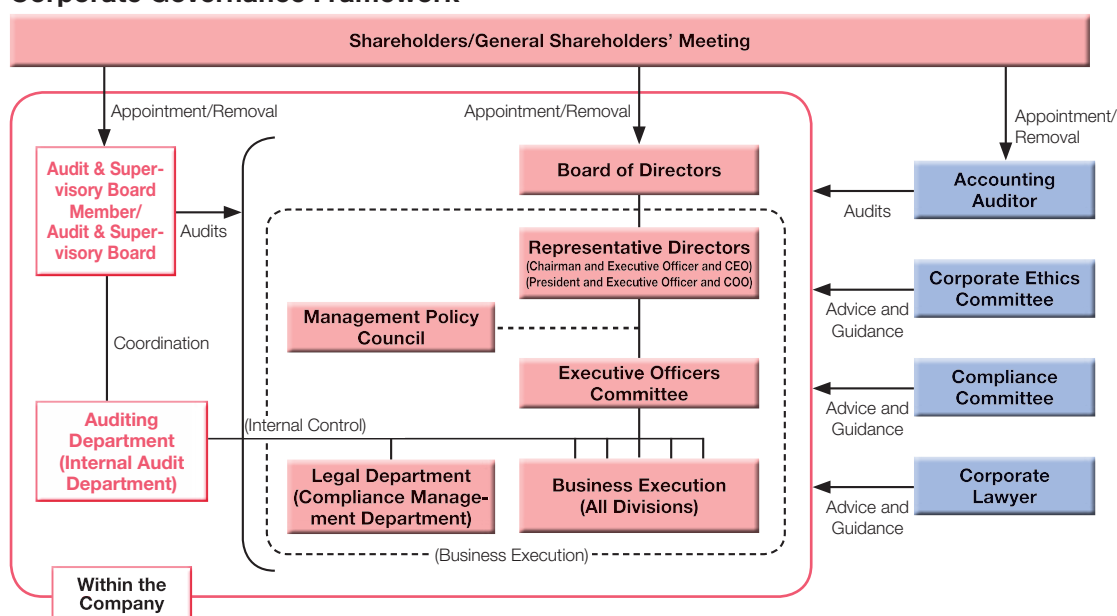
Internal Audits

The Auditing Department, which reports directly to the Company president, performs financial audits, operational audits, and internal control system audits, including those of Group companies in

Accounting Audits

The Company has appointed Deloitte Touche Tohmatsu to serve as the accounting auditor for the audit of its business accounts as required by law.

Corporate Governance Framework



Basic policy on CSR

We will implement 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 implemented in April 2012. This basic policy specifies the direction of CSR activities throughout the Yakult Group.

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.

By arranging for all the Yakult Group units to undertake increasingly systematic social/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.

Compliance programs

Recognizing that realizing sound compliance performance—maintaining rigorous legal compliance and firmly establishing rigorous corporate ethics—is one of the most-important tasks of a corporation, Yakult proactively works to promote its own compliance management while also endeavoring to ensure that Group companies give similar emphasis to compliance performance and implement the concrete measures required to attain such performance.

Yakult Code of Ethics and Code of Practice

In 2000, Yakult instituted the Yakult Code of Ethics and Code of Practice to serve as guidelines for proper corporate activities. In 2005, we revised these codes, aiming to increase their effectiveness through such measures as those to append more-specific conduct standards and concrete examples of such standards, and the application scope of the codes was concurrently expanded to include Yakult Honsha subsidiaries.

Moreover, in view of the many actual cases in which the compliance infractions of a single member of a corporate group ramifies into problems affecting the entire Group, Yakult moved in 2007 to further expand the codes' application scope, which now encompasses not only Yakult Honsha subsidiaries, but all companies in the Yakult Group.

A pocketbook including the Yakult Code of Ethics and Code of Practice has been distributed to employees so that they can easily refer to the codes at any time during their day-to-day work when they need to confirm that a particular decision-making process conforms to the Group's compliance standards. The Yakult Code of Ethics and Code of Practice are also posted on the Company's website.



Latest version of Yakult Code of Ethics, revised in July 2013

Compliance Committee

In 2000, Yakult established its Compliance Committee, which is composed of independent experts (attorneys and certified public accountants) from outside the Company.

The Compliance Committee regularly meets with directors of Yakult Honsha and provides them with wide-ranging opinions and

recommendations related to all kinds of corporate activities from the perspective of compliance.

In fiscal 2012, the committee engaged in discussions of Yakult's management and financial situation as well as such other themes as the Company's internal auditing situation and international business development promotion situation.

Members provided significant opinions on each of these themes, and it was confirmed that there were no situations that were problematic from a compliance perspective.

Compliance promotion system

To create an organization for proactively and flexibly promoting internal compliance within Yakult Honsha, the Company has established its Compliance Promotion Team, which is composed of staff from four units—the Legal Department, the General Affairs Department, the Personnel Department, and the Auditing Department. As an additional measure to strengthen the compliance promotion system, compliance managers have been appointed within each unit of Yakult Honsha and each Group company and given responsibility for checking to ensure that day-to-day operations are being properly implemented.

Training and learning activities

Yakult regularly organizes position-specific compliance training programs for groups of employees ranging from managers to newly hired employees as well as training programs for such specialists as compliance managers. The Company also endeavors to promote more-comprehensive understanding of compliance issues by preparing and distributing compliance handbooks.

In addition, we employ our internal LAN to provide all employees with e-learning courses related to compliance on an ongoing basis and organize compliance training meetings at subsidiaries.

Corporate Ethics Committee

In 2002, Yakult established its Corporate Ethics Committee, which is primarily composed of independent experts from outside the Company. This committee is engaged in activities designed to ensure the Company is able to avoid relationships with anti-social elements.

Yakult Vision 2020

We have recently drafted “Yakult Vision 2020,” a long-term corporate management vision covering the 10-year period from fiscal 2011 through fiscal 2020.

Background of Yakult Vision 2020’s formulation

In light of projections that the corporate management environment will be characterized by dramatic changes going forward, Yakult now requires a new framework for guiding its corporate development path.

Approach to the environment

Yakult established organizational units focused on environmental protection measures in November 1991 and instituted its Groupwide Yakult Basic Policy on the Environment in June 1997. In accordance with the Environmental Philosophy and Guidelines for Activities within the Basic Policy on the Environment, we are promoting environmental protection activities throughout all our business fields.

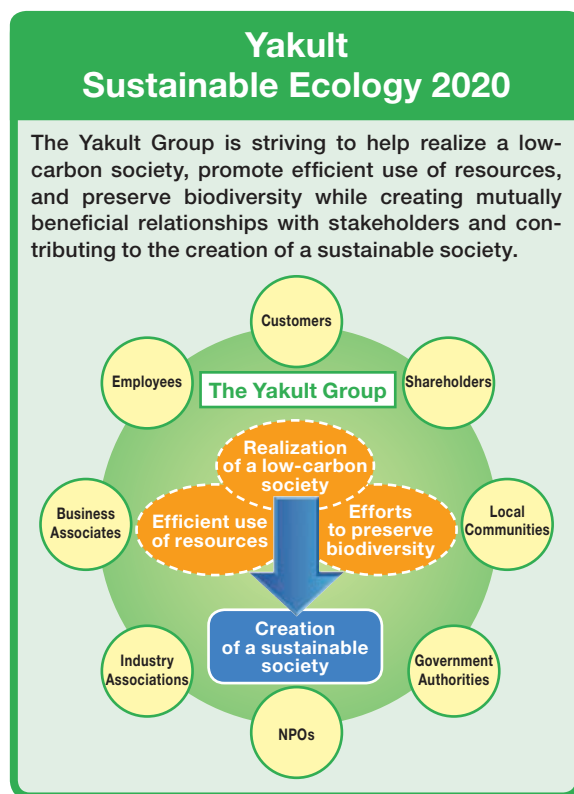
Environmental Philosophy

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.

In accordance with the Basic Policy on the Environment, we have drafted new versions of the “Yakult Environmental Action Plan” at three-year intervals since fiscal 2001. Based on these plans, all the Yakult Group’s development, manufacturing, marketing, and office units have been moving ahead with environmental measures designed to reduce the Group’s environmental impact. The fourth environmental action plan was completed in fiscal 2012, and the fifth environmental action plan was begun in fiscal 2013.

Because of the fundamental nature of environmental measures, however, 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 “Yakult Eco Vision 2010” in 2004. In 2012, we drafted “Yakult Sustainable Ecology 2020,” which focuses on continued environmental initiatives related to the sustainability of the overall global environment.

The new long-term corporate management vision sets targets to be attained by 2020 in each of the three core business fields—food and beverages (both in Japan and overseas), pharmaceuticals, and cosmetics—and Yakult will be striving to achieve dynamic growth as a global enterprise by making concerted Companywide efforts to attain these targets.



Realization of a low-carbon society

Proactively reduce greenhouse gas emissions
Strive 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 biodiversity

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

Responding to
Expectations
Regarding Safety
and Peace of Mind

With the goals of providing customers with even greater safety and peace of mind than in the past, Yakult is taking measures to further elevate production efficiency and ensure high quality at its dairy product plants in Japan. In line with these objectives, the Company has been proceeding with the implementation of a second-stage capital investment plan covering the period from fiscal 2009 through fiscal 2013. This plan was completed in May 2013.

We have for many years been working to strengthen dairy product plant functions for improving product quality and protecting the environment, and our efforts in these respects have entailed the introduction of HACCP (Hazard Analysis and Critical Control Point) systems and the attainment of ISO9001 and ISO14001 certification.

In recent years, customers have been showing increasingly high levels of interest in safety and peace of mind regarding food. The introduction of production equipment and product inspection equipment that incorporates leading-edge technologies has been a crucial part of our efforts to respond to this trend by ensuring our capabilities for providing stable supplies of even-higher-quality products. As part of its second-stage capital investment plan, Yakult decided to end a 26-year hiatus of new plant construction with the creation of a plant designed to meet five key goals.

Goals of the Hyogo Miki Plant

- (1) Pursue high levels of product quality in response to customers' expectations
- (2) Achieve high-productivity operations that strike an optimal balance between production volumes and production capacities
- (3) Create facilities designed to enable the handling of new products and the installation of new equipment
- (4) Establish a plant that can undertake environmental protection measures and exist in harmony with neighboring communities
- (5) Establish a plant that enables customers to make study tours to view production facilities and quality management systems



Production lines at the Hyogo Miki Plant feature automated inspection devices incorporating leading-edge technologies.

Operating as a key plant for the Western Japan Region

Designed to ensure Yakult's capabilities for living up to its responsibilities as a food product company, the Hyogo Miki Plant (in Miki City, Hyogo Prefecture) began full-scale operations in December 2012. The new plant, which has a two-story steel-frame building with 26,189m² of floor space on a 50,000m² site, has consolidated a portion of operations previously handled by three facilities—the Kyoto, Fukuyama, and Kumamoto plants. Leveraging the distribution efficiency enabled by its location near an interchange of the Sanyo Expressway, the plant is capable of becoming the key facility for supplying concentrated *Yakult*, *Sofuhl*, and *Mil-Mil* products to markets ranging from those of the Kyushu district in the west and to those of the central Japan district in the east.

Food safety systems at the plant

To ensure its capabilities for consistently maintaining outstanding food safety standards on a daily basis, the Hyogo Miki Plant uses an integrated system for all processes, from raw materials procurement, sterilization, and fermentation through to blending, filling and packaging, and shipment processes.

Zoning management methods employed in the plant's production area entail the setting of specific facility conditions and hygiene management methods required for guaranteeing the required hygiene levels in each production room, and the maintenance of those conditions and methods enables the plant to sustain stable hygienic environments. Employees must change into prescribed work uniforms, wash and disinfect their hands, and pass through an air shower before they can enter production rooms. The facility also features dedicated corridors for use by plant study tour participants so that the paths of participants and employees do not intersect.

To make sure that thorough quality assurance processes are implemented for each type of product, automated inspection devices incorporating leading-edge technologies have been installed in a way that enables diverse kinds of rigorous checks during production processes.

Communication with customers and local communities

Aiming to make the Hyogo Miki Plant an open facility, Yakult has taken special measures to enable people ranging from children through seniors to participate safely in plant study tours. In addition to installing elevators, building step-free corridors, and other measures for creating a barrier-free environment, we provide electric vehicles designed specifically to carry seniors and young children along the dedicated study tour corridors. Besides restrooms that meet the needs of physically challenged people, we also cater to the needs of visitors accompanied by children by offering a kids playroom and children's restrooms.

To enable visitors to view production operations with ease, the study tour corridors are situated on the second-floor level and directly overlook the production rooms. Noteworthy points



A dedicated study tour corridor carefully designed to cater to the diverse interests of visitors

in the tour feature video displays that provide detailed explanations. Study tour participants can also view precise small-scale replicas of production facilities and operate small-scale replicas of production equipment, so that they can deepen their understanding of the production systems through hands-on experience. The plant's exhibition room enables participants to enjoy learning about Yakult and lactobacilli while playing games and taking quizzes.

Thorough implementation of diverse environmental protection measures

Diverse environmental protection initiatives were undertaken at the design stage to make the Hyogo Miki Plant an exemplary environment-friendly facility.

To reduce CO₂ emissions, the plant has been equipped with natural gas-fueled boilers as well as a solar cell electric power generating facility. Measures aimed at increasing the entire plant's energy efficiency include the installed inverter-type production equipment capable of optimizing energy use in line with operating loads and the installation of multi-unit equipment control systems. Regarding water conservation, a rain-water tank is used to accumulate water used for such purposes as the watering of plant landscaping.

In addition to an "EcoTown" facility for accumulating recyclable items and reusable waste products with an eye to promoting zero emissions, the plant employs the A&G Environmental Water Purification System incorporating Yakult filter material (*Yakult* drink containers with the bottoms removed) as a means of minimizing the environmental impact of the wastewater it produces.



A solar cell electric power generating facility installed on the plant's roof

Afan Woodland

Support for forest protection

In October 2012, Yakult Honsha signed a contract to become an official sponsor of the C.W. Nicol Afan Woodland Trust and also became a supporting partner in the Forest Foster Parent Program being promoted by Nagano Prefecture. These initiatives represent the beginning of Yakult's forest protection measures.

Nurturing a forest and children's hearts

Since 1986, C.W. Nicol (chairman of the C.W. Nicol Afan Woodland Trust) has moved ahead with his forest creation project by making small land purchases to accumulate mountain forestland and agricultural land at the base of Mt. Iizuna in the town of Shinano, in Nagano Prefecture, that had been abandoned for more than 30 years. This land has been named the "Afan Woodland" after the Afan Argoed Country Park, a reforested area in Mr. Nicol's homeland of Wales that had at one point become a devastated region filled with abandoned coal mines. UNESCO Japan has registered the Afan Woodland as one of its "Heritage for the Future" sites.

The C.W. Nicol Afan Woodland Trust is reviving the Afan Woodland so that wildlife such as insects, birds, and mammals will return while also fostering the development of children's hearts and hopes for the future by enabling children to visit a forest with abundant biodiversity. Viewing these activities as very beneficial, Yakult decided to facilitate them by becoming a sponsor of the trust.

Four-way cooperation

Yakult's participation in the Forest Foster Parent Program calls for it to cooperate with the C.W. Nicol Afan Woodland Trust, the Nagano prefectural government, and the Shinano municipal government. Having decided to participate in the program as a means of contributing to the society of a region desiring to renovate its forestland, we will be cooperating with our three partners in implementing various forest protection activities going forward.



Representatives of the four partners at the Forest Foster Parent Program contract signing ceremony: (from left) Mr. Shuichi Abe, Governor of Nagano Prefecture; Mr. Tetsuya Hoshino, Manager of the Yakult East Japan Branch; Mr. C.W. Nicol; and Mr. Shigehiro Matsuki, Mayor of Shinano

Participation in “Green Wave”

In 2012, Yakult participated in the “Green Wave” program for the first time. This program calls for companies, schools, and individual citizens throughout the world to undertake tree planting activities and similar initiatives from 10:00 a.m. (local time) on the UN-sanctioned International Day for Biological Diversity (May 22). In response to the UN’s Green Wave efforts, Japan’s Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Land, Infrastructure, Transport and Tourism are promoting activities by participants in Japan.

Yakult’s Green Wave initiative in 2012 took the form of participation in a tree-planting program in Kunitachi, Tokyo, which is the site of the Yakult Central Institute for Microbiological Research, as well as proactive participation in similar programs by 17 Yakult plants and Group company facilities in Japan. Highly evaluating Yakult’s Green Wave initiative as an exemplary Companywide total-participation campaign, Japan’s National Land Afforestation Promotion Organization presented a description of the campaign to a meeting of people associated with environmental conservation held in Tokyo in February 2013.



Presenting information on Yakult’s participation in a Green Wave program

Promoting Individual Employees’ Awareness of Greenery Conservation

Support for OISCA’s children’s forest program

Since 2008, the Yakult Group has provided financial support for the Children’s Forest Program of the Organization for Industrial, Spiritual, and Cultural Advancement (OISCA), an international NGO that promotes rural development, human resource development, and greenification campaigns focused primarily on the Asia-Pacific region. Our donations have been used to fund programs on the Republic of Fiji’s Viti Levu Island as well as in other locations. To promote employees’ awareness of greenery conservation issues and foster employees’ affinity for tropical forests, Yakult adjusts the level of its donations in accordance with the number of participants in its Groupwide employee environmental preservation consciousness raising campaign as well as with such other factors as the number of correct answers that employees give in quizzes organized in connection with that campaign.

Soliciting messages from individual employees

Yakult has asked individual employees to submit their own messages regarding the issue of “What I would like to do and what I can do right now to help promote greenification.” More than 18,600 messages were received from employees working at the Group’s bases in Japan and overseas, and some of these messages are excerpted below.

To help promote greenification ...

“Eliminating the waste of paper is the optimal method”

“Green curtains should be grown in ways that facilitate electric power conservation.”

“Tree planting should be undertaken, and it is also important to thin undergrowth and remove weeds from existing forests.”

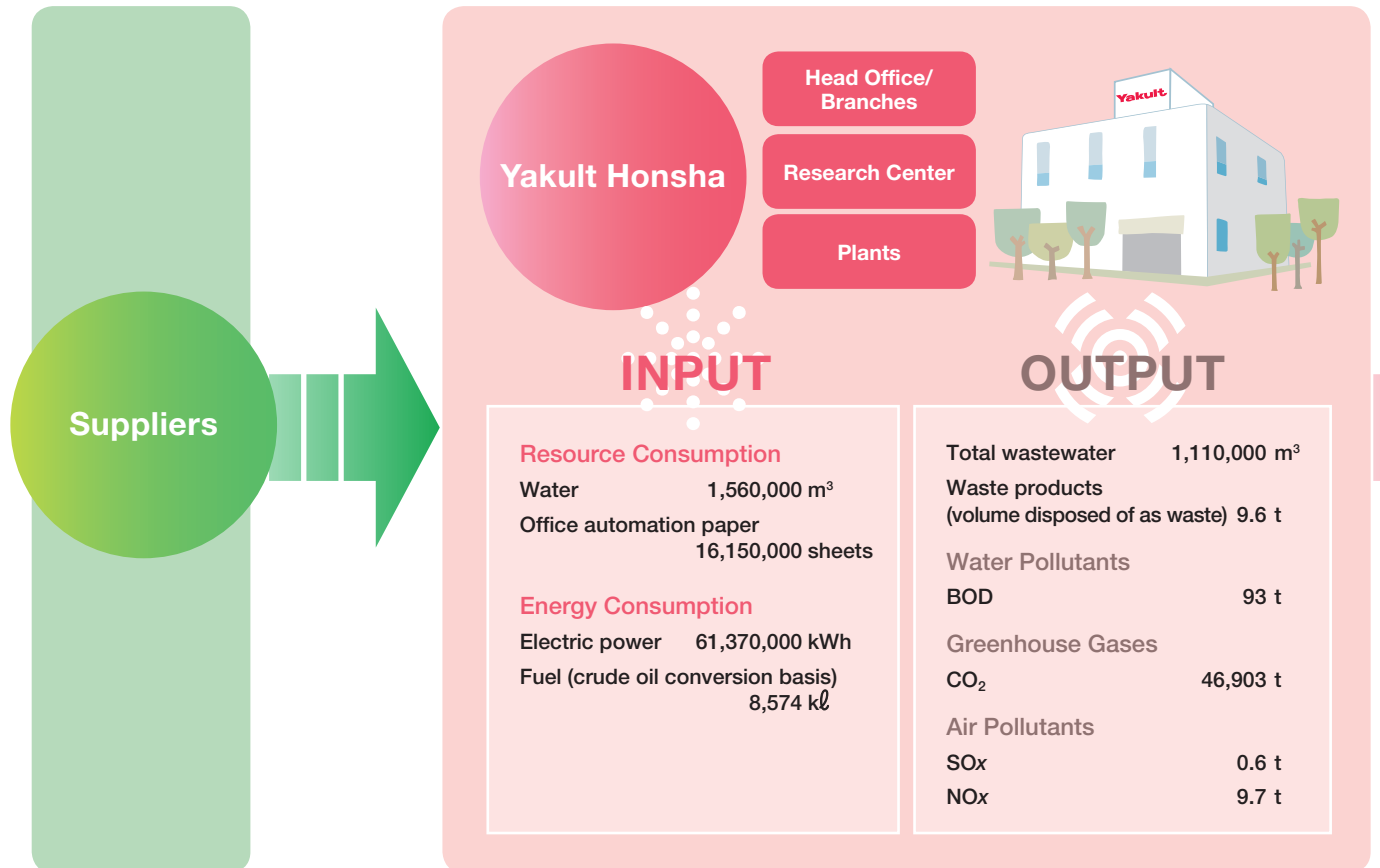
“We should eat locally grown produce as a means of stimulating local agriculture and thereby maintain and increase agricultural greenification.”

The employees who submitted the 96 messages judged to be the most outstanding were presented with “Green Meister” awards.



Environmental Impact of Business Activities

From production through deliveries



Raw materials

There are diverse raw materials used in the production of the fermented milk drink *Yakult* and other products, and each type of raw material is inspected to confirm that it conforms to established standards. This inspection process is also applied to such packaging materials as plastic resin used in plastic containers and paper containers.

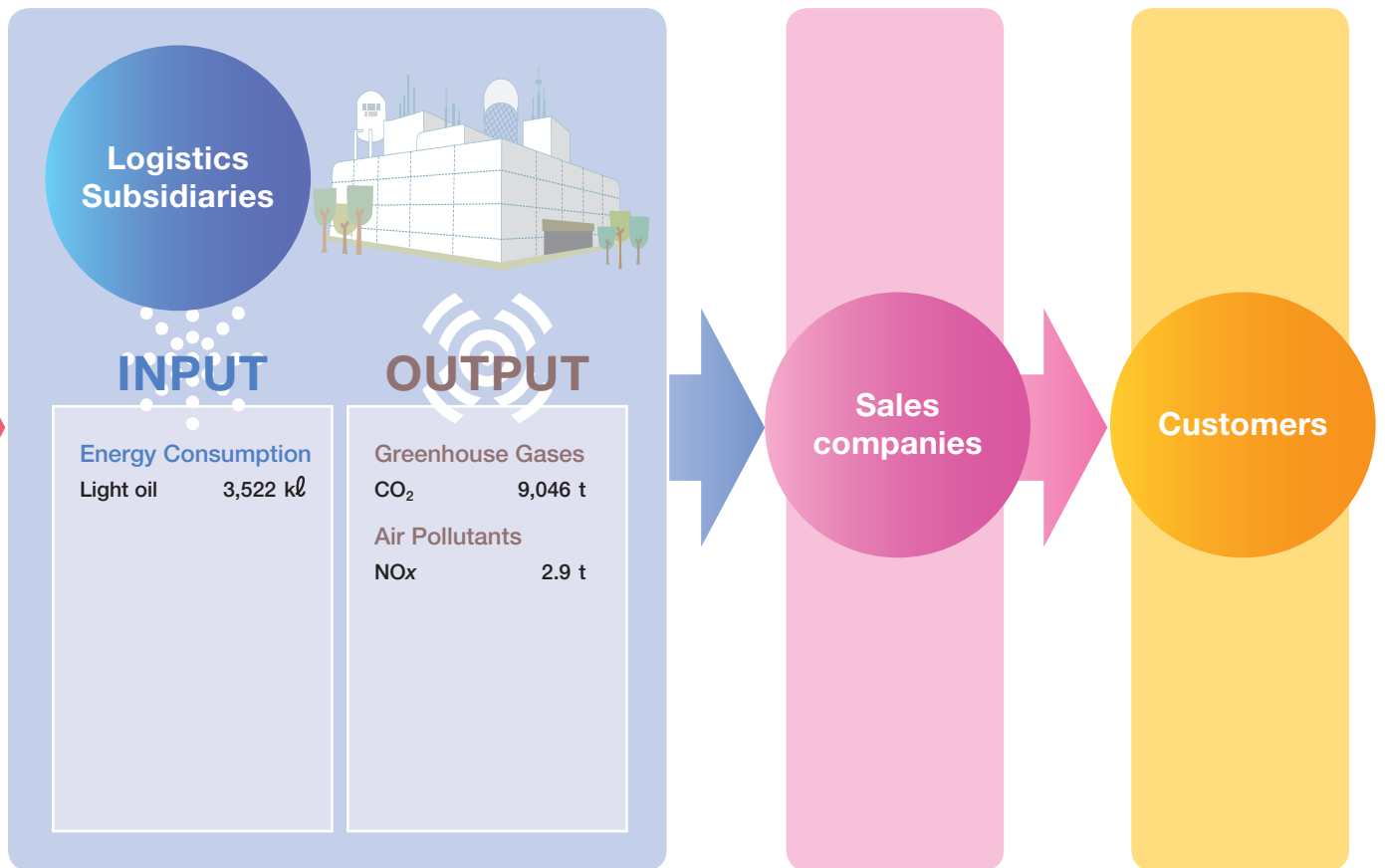
Research and development

The Yakult Central Institute for Microbiological Research engages in research aimed at developing materials for use in food products that are useful for maintaining and promoting improved human health from the preventive medicine perspective as well as for use in pharmaceuticals and cosmetics. In the field of food products, the institute undertakes probiotics research programs centered on programs involving *Lactobacillus casei* strain Shirota as well as research programs aimed at developing functional materials with the potential for maintaining and promoting the human body's higher-order regulatory functions. In the field of pharmaceuticals, the institute implements research programs designed to develop anti-cancer agents and related drugs. In the field of cosmetics, the institute's research seeks to develop highly safe and effective ingredients based on skin science.

Production

The fermented milk drink *Yakult* and other dairy products are produced at eight Yakult Honsha plants* and six bottling plants. Each plant has introduced HACCP (Hazard Analysis and Critical Control Point) systems to ensure their capabilities for producing products that are safe and offer peace of mind, and each plant has complied with the objectives and targets of the ISO14001 standard so that operations can be implemented with a reduced level of environmental impact. Through plant festivals and other events, each dairy product plant as well as Yakult's two plants engaged in the production of pharmaceutical and cosmetics offerings seek to deepen their relationships with people in local communities, and plant employees participate in periodic local cleanup campaigns that help beautify areas in the vicinity of plants.

* The Kyoto and Fukuyama plants were closed as of the end of August and September 2012, respectively, while the new Hyogo Miki Plant began full-scale operations in December 2012.



Logistics

The transport of products manufactured in plants is handled by logistics subsidiaries. As Yakult has “designated shipper” status in accordance with Japan’s revised Act on the Rational Use of Energy (Energy Conservation Act), it is required to annually reduce its energy consumption per unit of freight by an average of 1% or more during a five-year period. This requirement has been incorporated within Yakult’s Environmental Action Plan, and we are seeking to ensure the requirement is met. In addition, each logistics subsidiary has created and renewed its environmental management, and they promote “eco-driving” methods as a means of reducing greenhouse gas emissions.

Marketing

Yakult products are sold through two channels—home delivery by Yakult Ladies and direct sales via stores and other outlets. In the home delivery channel, Yakult Ladies convey the value of our products directly to customers and make deliveries with sincerity. Yakult Ladies also play the role of assisting people in their regions with respect to health management objectives. To offer another opportunity for customers to obtain Yakult products anytime and anywhere, we market products via stores and vending machines.

Recycling

The containers of *Yakult* and other products delivered to customers’ homes and offices are subject to Japan’s Containers and Packaging Recycling Act, so we have the responsibility to recycle them. Yakult 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. When consumers separately dispose of containers of consumed products in accordance with local governments’ waste-sorting regulations, those containers are also ultimately recycled by the association, so we encourage consumers to conscientiously sort their trash.



Environmental Action Plan

To generate concrete results in efforts to realize the objectives of the Yakult Basic Policy on the Environment and to strengthen the foundations of environmental management, Yakult has been implementing its Environmental Action Plan since April 2001. The fourth phase of the plan was completed in fiscal 2012.

Yakult Environmental Action Plan—Attainment of Phase 4 Plan action targets

As shown below, the Phase 4 Plan includes such targets as those calling for the reduction of greenhouse gas emissions, waste emissions, and office automation paper usage, and we have been working since April 2010 to attain those targets. The chart below is

a compilation of information on the Phase 4 targets and on the level of target attainment.

Overall, Phase 4 targets were attained as planned, although such events as the Great East Japan Earthquake disaster prevented the full attainment of certain targets.

Yakult Environmental Action Plan—Phase 4 Plan Action Targets

(Period: April 1, 2010 through March 31, 2013)

Action Item	Action Target	Evaluation of Target Attainment
1. Reduction of greenhouse gas emissions	(1) Reduce annual CO ₂ emissions of Yakult Honsha plants (including pharmaceuticals and cosmetics plants) to 3% below the average annual level in the three years through fiscal 2008	
	(2) Reduce annual CO ₂ emissions of subsidiaries' plants to 0.5% below the level in fiscal 2008	
	(3) Reduce annual CO ₂ emissions of the Yakult Central Institute for Microbiological Research by 8% compared to the average annual level in the three-year period through fiscal 2004	
	(4) Meet requirements as a "designated shipper" based on Japan's revised Act on the Rational Use of Energy (Energy Conservation Act) by reducing its annual energy consumption per unit of freight (including outsourced transport operations) by an average of 1% or more each year	
2. Reduction of waste emissions	Reduce waste emissions from the Head Office building (including food product waste) each year to 2% below the level in the previous fiscal year and maintain a 100% recycling rate (Cigarette butts and food scraps are excluded from the scope of recycling.)	
3. Resource protection	(1) Reduce the volume of office automation paper used Annually reduce the volume of office automation paper used per employee at the Head Office building, etc., to 1% below the level in the previous fiscal year	
	(2) Reduce electric power consumption at the Head Office building Annually reduce the level to 2% below the level in the previous fiscal year	
4. Continuation of green purchasing promotion	Increase the green purchasing ratio for environmental products (those covered by the Yakult Green Purchasing Guidelines) at the Head Office building to 95% by fiscal 2012 (The target figure is calculated in terms of the green purchasing rate, excluding publications, for the three-year period through fiscal 2012.)	
5. Vending machine policies	(1) Promote vending machine recycling Install 1,100 overhauled units, a number representing approximately 36% of all newly installed vending machines in the three-year period through fiscal 2012	
	(2) Strengthen the energy conservation performance of vending machines Increase the share of installed vending machines that incorporate heat pumps (Such vending machines have relatively small global warming impact.) to 80% by fiscal 2012	
6. Support for biodiversity	(1) Assess the relationship between business activities and biodiversity	
	(2) Implement environmental education programs, etc., that address biodiversity	
	(3) Promote procurement of biodiversity-friendly goods (such products as office automation paper with forest certification marks (the FSC logo, etc.))	

Evaluation of Target Attainment Key

- Full attainment
- General attainment
- Insufficient efforts

Yakult Environmental Action Plan—Overview of Phase 5 Plan action targets

As shown below, the Phase 5 Plan continues to center on such targets as those calling for the reduction of greenhouse gas emissions, waste emissions, and office automation paper usage, and we have been working since April 2013 to attain those targets.

In the drafting of the Phase 5 Plan, efforts were made to further consolidate the results of the Phase 4 Plan.

Yakult Environmental Action Plan—Overview of Phase 5 Plan Action Targets

(Period: April 1, 2013 through March 31, 2016)

Action Item	Action Target
1. Reduction of greenhouse gas (CO₂) emissions	(1) Reduce annual CO ₂ emissions of Yakult Honsha plants (including pharmaceuticals and cosmetics plants) and bottling plants to 1% below the average annual level in the three years through fiscal 2011
	(2) Reduce annual CO ₂ emissions of Yakult Central Institute for Microbiological Research facilities covered by the Tokyo Metropolitan Ordinance on Environmental Preservation by 8% each year compared to the base year targets for the two-year period through fiscal 2014 (fiscal 2015 target not yet determined)
	(3) Meet requirements as a “designated shipper” based on Japan’s revised Act on the Rational Use of Energy (Energy Conservation Act) by reducing annual energy consumption per unit of freight (including outsourced transport operations) by an average of 1% or more each year compared to the level in fiscal 2012
2. Reduction of waste emissions	(1) Reduce waste emissions from the Head Office building (including food product waste) to 6% below the level in fiscal 2012 by fiscal 2015
	(2) Reduce waste emissions from the Yakult Central Institute for Microbiological Research (including food product waste) by 5% each year compared with the base year (fiscal 2012) and maintain a 95% recycling rate
	(3) Promote the material recycling of waste emissions of Yakult Honsha plants (including pharmaceuticals and cosmetics plants) and bottling plants
3. Resource protection	(1) Reduce the volume of office automation paper used at the Head Office* to 6% below the level in fiscal 2012 by fiscal 2015
	(2) Reduce electric power consumption at the Head Office building to 3% below the level in fiscal 2012 by fiscal 2015
4. Continuation of green purchasing promotion	Keep the green purchasing ratio at the Head Office* to 95% or higher each year (including office automation paper, office supplies, and sanitary supplies)
5. Vending machine policies	(1) Install a number of overhauled units representing approximately 33% of all newly installed vending machines in fiscal 2015
	(2) Increase the share of newly installed vending machines that incorporate heat pumps to 90% in fiscal 2015
6. Support for biodiversity	(1) Consider countermeasures regarding the relationship between business activities and biodiversity
	(2) Implement environmental education programs, etc. related to biodiversity

* The Head Office: Includes all Head Office units in the Head Office building, Hatagaya, the Ginza-Kobiki Building, and the Ginza MTR Building.



Environmental Accounting—Costs and Benefits of Environmental Protection

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 drafted the Yakult Environmental Accounting Guidelines and began collecting environmental accounting information from fiscal 2001. This information is annually disclosed.

Purpose of the system

1. Clarify the cost-effectiveness of environmental conservation expenses and employ cost-effectiveness information to optimize environmental management programs
2. Carry out responsibility 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, 2012 through March 31, 2013

Noteworthy Features

- (1) Data is compiled only for activities that are exclusively for the purpose of environmental protection.
- (2) Investment values for depreciable assets are stated at the original acquisition prices.
- (3) Depreciation expenses on depreciable assets and environmental business-related costs are not recorded.
- (4) Only economic benefits that are demonstrable based on solid evidence are recorded.

Fiscal 2011 Economic Accounting Performance

(millions of yen)

Item		Main Activities (blue indicates investments and black indicates expenses)	Investment value	Expense value	Total
Costs within business areas	① Pollution prevention costs	Wastewater treatment facility maintenance and management, sewerage connection and effluent costs, introduction of hybrid vehicles, boiler maintenance, drive recorder introduction expense, Legionella bacilli dispersal prevention, septic tank maintenance and administration expense.	64.1	218.0	282.1
	② Global environment preservation costs	High-efficiency refrigerator/freezer unit introduction expense, energy-conservation and environment-friendly materials and equipment introduction subsidy expense for direct sales, high-speed freezer and coolant purchasing subsidy expense, installation of replacement LED lighting fixtures in production room expense, Green Power purchasing certificate expense, two- and three-wheeled delivery-use motorcycle purchasing subsidy expense, chilled water pump inverter control introduction expense, roof heat-barrier construction expense, ventilation and air-conditioning system maintenance and inspection expense	196.8	30.1	226.9
	③ Resource recycling costs	Empty container collection vehicle introduction subsidy expense, materials and equipment development/introduction subsidy expense, industrial waste recycling expense, industrial waste processing/disposal expense, recycled plastic product manufacturing expense, ordinary waste recycling expense, vending machine sorted-waste processing expense	61.2	100.8	162.0
(2) Upstream/downstream costs		Containers and Packaging Recycling Act commissioned recycling fees, vending machine overhaul and re-use expense	0.0	304.1	304.1
(3) Management activity costs		Plant grounds green area management expense, environmental management system renovation and maintenance expense, Yakult Social & Environmental Report production expense, environmental impact monitoring expense, PRTR Act response measure expense, Internet-based information compilation expense, employee environmental education program expense, environmental protection campaign expense	0.7	124.3	125.0
(4) R&D costs		Consideration of improvements to containers and secondary materials	0.0	10.0	10.0
(5) Social activity costs		Plant vicinity cleanup campaign expense, donations to organizations engaged in environmental protection activities	0.0	6.1	6.1
(6) Environmental damage costs*		Pollution load levy	0.0	0.1	0.1
Total			322.8	793.5	1,116.3

* Environmental damage 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.

Economic Benefits Associated with Environmental Protection Measures (millions of yen)

Type of Benefit	Value
Reduction of waste disposal costs associated with recycling	0.0
Income from recycling	10.3
Cost reductions resulting from resource conservation	0.2
Cost reductions resulting from energy conservation	13.2
Cost reductions resulting from packaging weight reductions	54.8
Cost reductions resulting from the overhaul and reuse of vending machines	369.4
Gains resulting from green purchasing	0.0
Other	0.0
Total	447.9

Looking at environmental accounting results, Yakult's total environmental investments and costs were approximately ¥367 million lower than in the previous fiscal year. The decline in investments was approximately ¥363 million, and the increase in expense was

approximately ¥4 million. Factors causing the decrease in investments within "② Global environment preservation costs" included the completion during fiscal 2011 of a large-scale boiler fuel conversion project aimed at reducing CO₂ emissions and of a solar power equipment installation and expansion project, which were associated with only a small amount of additional investments during fiscal 2012. Projects implemented during fiscal 2012 included a high-efficiency refrigerator/freezer unit introduction project (Fuji Susono Pharmaceutical Plant) and a project to install replacement LED lighting fixtures in production rooms (Fuji Susono Plant).

The level of economic benefits was up approximately ¥12 million compared to the previous fiscal year. Factors causing this increase included a decrease in dairy product container and containerboard usage volume and associated expenses, which offset a decrease in cost reductions resulting from the overhaul and reuse of vending machines that reflected a decrease in the number of vending machines overhauled.



Responding to Environmental Laws and Regulations

Energy Conservation Act

The enforcement of the revised Act on the Rational Use of Energy (Energy Conservation Act) has shifted the focus of regulation from individual business sites to individual enterprises.

In response to this change, for all of Yakult Honsha's business sites, the Company submitted a "periodic report" for fiscal 2012 and a "medium- to long-term plan" for the period beginning from fiscal 2013.

Based on the Energy Conservation Act, the Fuji Susono Plant, the Fukushima Plant, and the Yakult Central Institute for

Microbiological Research have been categorized as Type 1 facilities with annual energy usage of 3,000kl or more on a crude oil conversion basis, while the Ibaraki Plant, Kyoto Plant, and Saga Plant have been categorized as Type 2 facilities with annual energy usage of 1,500kl or more on a crude oil conversion basis.

Yakult Honsha's total energy use during fiscal 2012 amounted to 24,010kl on a crude oil conversion basis (up 2,164kl from the previous fiscal year).

Food Recycling Act

All Yakult Honsha business sites are striving to reduce the volume of their food waste products and promote the recycling of such waste products. In fiscal 2012, the volume of food waste products was 544.6 tons, and recycling, etc. measures were undertaken for 68.1% of this waste.

In accordance with Japan's Food Recycling Act, revised in December 2007, enterprises that generate large volumes of food waste products (annual volume of 100t or more) have been

required to submit regular reports on their waste reduction performance beginning from performance in fiscal 2008.

Food Waste Product Reuse Performance (Fiscal 2012)

Volume Generated (t)	Volume Reused (t)	Reuse, Etc. Ratio (%)	Reuse Applications
544.6	350.8	68.1	Fertilizer, animal feeds, etc.

* Since fiscal 2008, food waste generated during logistics processes has been included in the scope of data compilation.

The Container Recycling Act

The Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Act) was instituted in 1995 and revised in June 2006, with the revised law taking full effect in April 2008. Among the provisions of the revised law are those that require retailers to reduce their use of plastic bags and other kinds of containers and packaging items. As a manufacturer, Yakult has previously been obligated to undertake product recycling processes, and the Company has initiated additional measures regarding "3R" (reduce, reuse, and recycle) promotion and the start of the system for making payments to the municipal governments handling sorted waste processing.*

The amount of commissioned recycling fees paid by Yakult in fiscal 2012 is shown in the table on the right. These fees and the

payments to municipal governments amounted to approximately ¥260 million.

* The system of payments to municipal governments began with calculations made based on data for fiscal 2008 and the start of payments was begun from fiscal 2009.

Container and Packaging Obligatory Recycling Volume and Commissioned Recycling Fees (Fiscal 2012)

Container and Packaging Type	Obligatory Recycling Volume (t)	Commissioned Recycling Fees (thousands of yen)
Glass bottles	335	1,403
PET bottles	189	497
Plastic containers and packaging	6,683	249,126
Paper containers and packaging	154	1,270
Total	7,361	252,296

The PRTR Act*

Japan's Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Act) took full effect in April 2003. It requires that companies measure the volume of their emissions of specified substances, their transfers of such substance from their business sites, and other data. It also requires the submission of reports on the volume of substances handled in the case of specified substances that are handled in volumes of one ton or more in the course of a year. The scope of Yakult's reporting

obligation, determined based on data for the amount of substances handled during fiscal 2012, includes only chloroform. The Tokyo Metropolitan Ordinance on Environmental Preservation, which took effect in October 2001, requires that reports be submitted with respect to chemical substances handled in annual volumes of 100kg or more. In fiscal 2012, the scope of Yakult's mandatory reporting based on that ordinance included methanol and six other substances.

* PRTR Act: Pollutant Release and Transfer Registration Act

Substances Used by Yakult Central Institute for Microbiological Research (Kunitachi City, Tokyo) Subject to Reporting Requirements Based on the PRTR Act and the Tokyo Metropolitan Ordinance on Environmental Preservation (Fiscal 2012)

Chemical	Amount Handled (kg/year)	Amount Released (kg/year)	Amount Transferred (kg/year)	PRTR Act	Tokyo Ordinance
Chloroform	1,400	(air) 24	(waste product) 1,400 (wastewater) 0.1	○	○
Methanol	1,000	(air) 31	(waste product) 970		○
Hexane	650	(air) 10	(waste product) 640		○
Ethyl acetate	670	(air) 4	(waste product) 670		○
Acetone	150	0	(waste product) 150		○
Xylene	130	(air) 1	(waste product) 130		○
Sulfuric acid	280	0	(waste product) 280		○



Restraining Greenhouse Gas Emissions

Measures were taken to restrain greenhouse gas emissions in accordance with the Phase 4 Plan Action Targets of the Yakult Environmental Action Plan.

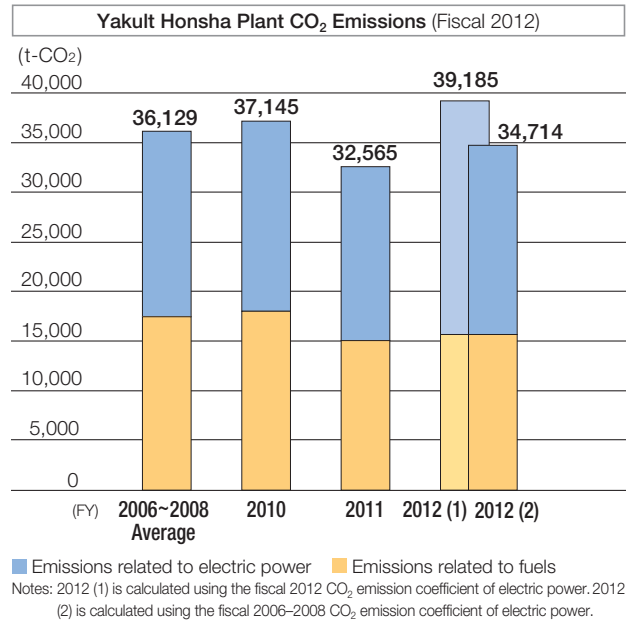
Measures at Yakult Honsha plants

At Yakult Honsha's 10 plants, proactive measures have been taken to restrain greenhouse gas emissions, and energy and resource conservation activities have been stepped up with the goal of attaining objectives and targets based on the ISO14001 system.

Measures aimed at restraining CO₂ emissions and conserving energy implemented during fiscal 2012 included the introduction of a city gas-fueled boiler at the Hyogo Miki Plant, solar power equipment installation and expansion projects implemented at the Hyogo Miki and Saga plants, and a high-efficiency refrigerator/freezer unit introduction project at the Fuji Susono Pharmaceutical Plant. In addition, 51 other new projects were implemented, primarily projects focused on fuel, electric power, and water usage.

Looking at CO₂ emissions during fiscal 2012, the volume of emissions was 8.5% higher than the annual average level during the three-year period from fiscal 2006 through fiscal 2008 (emissions associated with fuels were down 10.2%, and emissions associated with electric power were up 25.9%). This reflects the impact of the Great East Japan Earthquake disaster, which caused an increase in the CO₂ emission coefficient of electric power. If the CO₂ emission coefficient of electric power for the period from fiscal 2006 through 2008 is employed, the fiscal 2012 emissions associated with electric power were down 3.9% compared to the fiscal

2006–2008 period, reflecting the steady progress of Yakult's emissions-restraint measures.



Measures at offices

Measures designed to reduce the environmental impact of office operations include those to promote waste generation reduction and waste recycling as well as such measures as those aimed at reducing electric power consumption through the optimal operation of lighting and air-conditioning systems and at reducing the amount of office automation paper used.

Energy conservation measures have reduced electric power consumption to 2,840,000kWh, a 15.3% reduction from the fiscal 2010 level.

Measures at the Yakult Central Institute for Microbiological Research

Energy conservation measures included the introduction of highly efficient LED lighting fixtures and the revision of air-conditioning system operating times and settings. CO₂ emission volume was

reduced to 11.4% below the base level established in cooperation with the Tokyo Metropolitan Government in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation.

Logistics-related measures

The Yakult Group's shipping of dairy products and other food products as well as cosmetics products and other products to marketing companies throughout Japan is primarily handled by logistics subsidiaries.

These logistics subsidiaries have obtained Green Management certification* for each of their marketing offices and are striving to continuously reduce the environmental impact of their 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 Yakult to annually reduce its energy consumption per unit of freight by an average of 1% or more, and Yakult achieved a 1.3% average annual reduction during the five-year period through fiscal 2012 with a base year of fiscal 2008.

* The 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.



Restraining Waste Product Volume

Yakult Honsha Plants' waste product countermeasures and sustained zero emissions performance

Each Yakult Honsha plant is sustaining measures to restrain the generation of waste products and promote recycling, thereby seeking to attain and maintain zero emissions of waste materials performance.*

As a result, the total volume of waste emissions at the 10 plants during fiscal 2012 was approximately 2,189t, a year-on-year decrease of approximately 413t, or 15.9%. Because the Company has revised its waste-sorting processes and further increased the detail of its waste-sorting categories, however, the recycling rate for those waste emissions was 100%, and all of the plants have sustained zero emissions of waste materials performance for five or more years. Zero emissions of waste materials performance has been maintained for nine consecutive years at the Fukushima, Ibaraki, Saga, and Kumamoto plants; eight consecutive years at the Fuji Susono Plant; and seven consecutive years at the Shonan Cosmetics Plant.

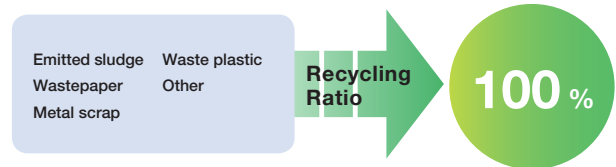
We have also progressed with efforts to promote the reuse and returnability of packaging and other secondary materials used at the plants, and are advancing with a revised approach to utilizing the services of an outside specialist company to increase the use

of thermal recycling methods as a means of material recycling. Consequently, we are continuing to make qualitative improvements to our recycling programs while concurrently reducing processing expenses.

With respect to the Group's bottling plants, which are considered a part of the Group's manufacturing division, we are providing technical support and guidance to enable them to progressively increase their recycling ratios. In fiscal 2012, the average recycling rate for the 10 companies in question rose 0.6 percentage point, to 99.7%.

* Yakult's definition of zero emissions of waste materials performance is when the final disposal (landfill disposal) volume for plant waste products (excluding specified management industrial waste products) is less than 1%. (Specified management industrial waste products: ink, solvents, etc.)

Recycling of Plant Waste Products by Type (Fiscal 2012)



Waste product sorting at the Head Office building

As numerous employees work at the Tokyo Head Office building, the main objectives of waste product reduction programs at that building are reducing the waste product emission volume and increasing the recycling ratio with respect to the waste products of the building, which are primarily wastepaper. To attain these objectives, wastepaper-sorting boxes have been placed on each floor, and measures are being taken to promote the effective use of these boxes. At the same time, regarding other kinds of waste products, efforts have been maintained to ensure a thorough understanding of waste-sorting methods, and efforts are being

made to increase consciousness of waste-sorting and collection processes.

Emission volume and recycling ratio for waste products

In fiscal 2012, the volume of the Head Office building's office automation paper and other ordinary waste products was 73.1 tons, down 7.4% from the previous year. The recycling ratio has been maintained at 100% since fiscal 2005, and the objective is to sustain this zero emissions level of waste materials performance.

Appropriate management and recycling of waste products at the Yakult Central Institute for Microbiological Research

Because the institute is engaged in diverse kinds of research, it generates a wide variety of waste products. Outside specialist companies are commissioned to recycle approximately 94% of this waste, but the remaining 6% includes such products as used reagents and other products that are difficult to recycle. Currently, the institute has contracts with 23 commissioned waste-processing companies, and members of the institute's Waste Product Specialist Committee made on-site inspections of the facilities of 11 of those companies during fiscal 2012, aiming to confirm that waste processing was being carried out appropriately. When necessary, we revise the contract provisions of our contracts with these waste-processing companies.

With respect to food product waste that is primarily generated by the institute's dining room, a composting facility installed on the grounds of the institute is used to transform that waste into fertilizer.

The resulting fertilizer product is presented free of charge to people visiting the institute as well as to employees of the institute.

Appropriate management of chemicals

Employing many kinds of chemical substances, the institute pays special attention to the storage, usage, disposal, etc. of those substances. The institute has established its own Handbook on Procedures for the Safe Handling of Chemical Substances, Etc., and chemicals are managed appropriately in accordance with the procedures stipulated in that handbook. Regarding potentially harmful chemical substances, reports on the use of the substances are prepared in accordance with the PRTR Act and the Tokyo Metropolitan Ordinance on Environmental Preservation (see page 17).



Environment-Friendly Design and Logistics

Eco-Friendly packaging and other measures

In January 1995, Yakult drafted its “Basic Policy on Environment-Friendly Containers and Packaging,” which has the fundamental goals of ensuring the safety of containers and packaging, restraining 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 in accordance with the basic policy to design containers and packaging with low levels of environmental impact for Yakult products, beginning with dairy products and also including other food products and cosmetics products. We have continually considered

means of improving and increasing the sophistication of these evaluation standards in light of changes in laws and regulations, progress in recycling technologies, and other factors. In fiscal 2007, we drafted container and packaging evaluation standards for pharmaceutical products and conducted an evaluation of the containers and packaging of each individual item in our pharmaceutical product lineup.

During fiscal 2012, we considered means of promoting the 3Rs (reduce, reuse, and recycle) regarding containers and packaging items, including the crating methods used for products and secondary materials.

Improving container/packaging configurations and promoting the reduction and recycling of related materials

Development of environment-friendly packages

In fiscal 2012, newly introduced *Joie (Yogurt Cup)* products were launched in packages that have non-aluminum caps that are more environment-friendly than the aluminum caps of previously launched *Purela* yogurt containers.



New non-aluminum caps (right) that are more environment-friendly than previously used aluminum caps (left)

Improvements regarding cosmetics containers and packaging

In fiscal 2012, the single-box packaging for *PARABIO ac cream saj* was simplified, the product explanation information was printed on the bottom panel of the box, and the separate product explanation information sheet was eliminated. In addition, the adoption of an integral-top-panel-type box has enhanced the ease of folding up and disposal.

Reducing packaging/waste material volume

As a result of packaging material rationalization promotion measures implemented during fiscal 2012, decreases were achieved in food product packaging material usage including a 32,063kg reduction of craft ball paper used for *Mil-Mil* products, a 25,728kg reduction of paper used in *Sofuhl* containers, a 91,995kg reduction of *Joie (Yogurt Cup)* materials, and a 3,286kg reduction of *Joie (Yogurt Cup)* materials. In addition, we were able to decrease the amount of containerboard, craft ball paper, and plastic resins used in cosmetics product containers and packaging by 39kg, 33kg, and 525kg, respectively.

Promoting the use of recycled resources

Recycled paper is used for single-box packaging and assortment packaging of cosmetics, and use was expanded to include 43 new products (including renewed products).

Various initiatives at marketing stages

During fiscal 2012, we worked to promote the recycling of used containers collected in connection with direct sales routes and vending machines by continuing to introduce route delivery trucks with special container collection spaces designed based on consideration of hygienic and efficiency factors as well as by continuing to retrofit route delivery trucks with container collection spaces attached to their roofs. We also maintained programs to install empty-container-recovery boxes next to vending machines and to introduce thermally insulated cold boxes and freezer storage units.

As a new initiative begun in fiscal 2007, we have been introducing non-fluoron-refrigerant vending machines that employ natural refrigerant (CO₂) that has a very low global warming potential. Since fiscal 2008, we have been introducing heat-pump-type vending machines that have the potential for generating even greater energy-conservation benefits than the non-fluoron-refrigerant vending machines, and we are now emphasizing measures to increase the installation of heat-pump models.

Regarding the automobiles used by marketing representatives in our pharmaceutical business, we have begun introducing hybrid models, and 27 hybrid cars were procured during fiscal 2012.



Route delivery truck with a container collection space attached to the roof



A hybrid car model used by pharmaceutical marketing representatives

Introduction of Environment-Friendly Equipment (Fiscal 2012)

Item	Introduced Number
Route delivery trucks with internal container collection spaces	89
Route delivery trucks with roof-mounted container collection spaces	20
Empty container collection boxes for vending machines	554
Heat-pump-type vending machines	1,649
Overhauled vending machines	719
Thermally insulated boxes and freezer storage units	95

Recycling of product containers/packaging

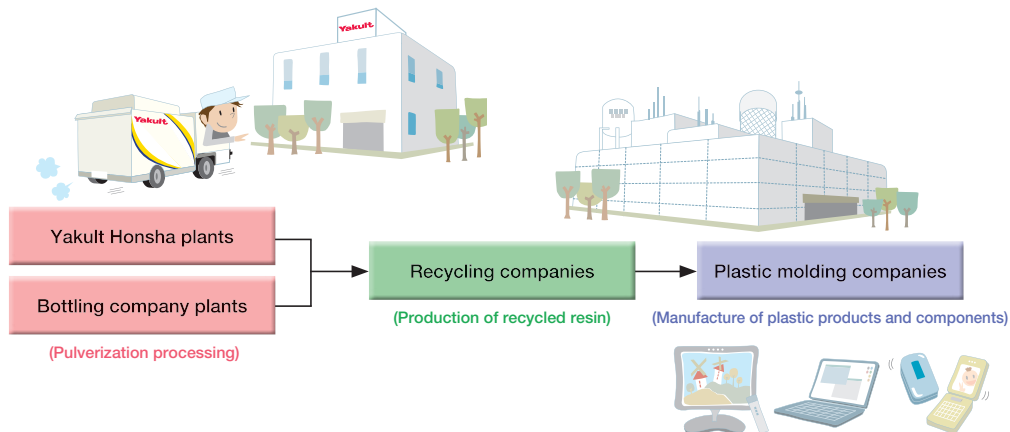
Because Yakult manufactures and markets containers for such products as *Yakult* fermented milk drink and *Joie* yogurt and a diverse range of containers and packaging for its dairy products and other products, the Company is considered a specified container and packaging producer and user in accordance with Japan's Containers and Packaging Recycling Act, and it, therefore, has a responsibility to handle the recycling of its containers and packaging (see page 17).

Containers and packaging disposed of as sorted trash by households are recycled by municipalities.

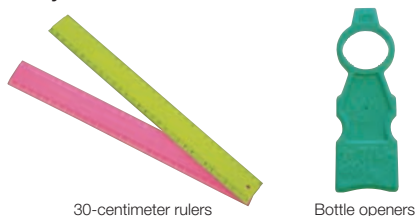
In addition, container and packaging-related waste generated at Yakult plants and bottling plants is sorted by material, and measures are taken to recycle the materials in that waste. In the case of plastic bottles, polystyrene resin is recovered and used to manufacture such products as personal computers and audio equipment.

To promote greater consciousness of recycling, a portion of the polystyrene resin is used to manufacture special recycled goods, such as rulers and bottle openers, that are distributed free of charge to people participating in plant study tours and environmental events.

Recycling of Waste Plastic from Plants



Recycled Plastic Products



30-centimeter rulers

Bottle openers

Recycled Plastic Products (Fiscal 2012)

Item	Production volume (items)
30-centimeter rulers	128,500
Bottle openers	77,000
Yakkun card stands	39,000
Mil-Mil magnets	39,500
Mil-Mil S magnets	15,500



Responding to Environmental Pollution Risks

Efforts to prevent water pollution from plant wastewater—A&G Environmental Water Purification Systems

In fiscal 2012, Yakult Honsha's plants used approximately 1,490,000t of water (down 3% from the previous year) and generated approximately 1,060,000t (up 10%) of wastewater. For the purpose of purifying wastewater, the dairy product plants of Yakult Honsha and other Group companies are introducing A&G Environmental Water Purification Systems.

A&G Environmental Water Purification Systems have already been installed at three of Yakult Honsha's domestic dairy product plants—the Fukushima, Fuji Susono, and Hyogo Miki plants—as well as at the Sukabumi Plant of P.T. Yakult Indonesia Persada. Regarding Group bottling plants, the Yakult Aichi Plant constructed the A&G Environmental Water Purification System in 2002, and the Yakult Iwate Plant, which was renovated in 2007, is now using a similar system. As the Yakult Aichi Plant has been expanding its production facilities, it moved to expand its A&G Environmental Water Purification System in 2008.

One of the most-noteworthy characteristics of the A&G Environmental Water Purification System is that it reduces the excess sludge generation volume to a level approximately 1/12 of

the level typically seen with conventional activated sludge processing systems. Because of this, the running cost of the A&G Environmental Water Purification System can be reduced to approximately half the level of conventional activated sludge processing systems, and superior maintenance ease is another merit of this system.

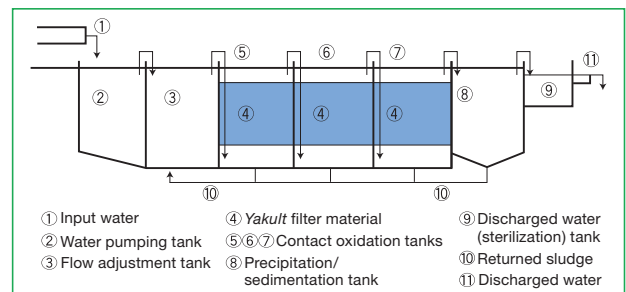
Introduction of the A&G Environmental Water Purification System at Yakult Honsha Plants and Other Yakult Group Plants

Plants	Date of introduction
Fukushima Plant	September 1997
Yakult Aichi Plant*	December 2002
Fuji Susono Plant	March 2005
Yakult Iwate Plant*	March 2007
Yakult Aichi Plant* (expansion)	January 2008
Hyogo Miki Plant	March 2012
Sukabumi Plant (P.T. Yakult Indonesia Persada)	December 2010

* Bottling company plants

Structure of the A&G Environmental Water Purification System

The A&G Environmental Water Purification System uses 65ml *Yakult* containers with the bottoms removed (*Yakult* filter material) as tools for culturing microorganisms that break down contaminants, and it is able to achieve high levels of purification of industrial wastewater as well as ordinary wastewater. The *Yakult* filter material is randomly placed within contact oxidation tanks and diverse types of microorganisms take up residence on both the insides and outsides of the *Yakult* containers. These microorganisms thoroughly break down and digest the organic substances that contribute to water pollution, achieving very high treatment performance compared to conventional activated sludge processing systems.



Efforts to promote biodiversity

Reflecting Yakult's objective of promoting biodiversity, the Phase 4 Plan Action Targets of the Yakult Environmental Action Plan call for implementing environmental education programs related to biodiversity and "assessing the relationship between business activities and biodiversity." In fiscal 2012, we hired a consulting company to produce the "Report on the Assessment of the Relationship between Business Activities and Biodiversity."

Many companies in Japan and overseas are implementing initiatives related to biodiversity, and Yakult intends to sustain its biodiversity promotion efforts going forward by taking such measures as those to promote the Groupwide sharing of related information, educate employees regarding biodiversity, and undertake biodiversity-related social contribution activities.



Promoting CSR/ Environmental Education

Environmental management seminars

We have implemented Environmental Management Seminars for managers since fiscal 2002. In fiscal 2012, C.W. Nicol Afan Woodland Trust Chairman C.W. Nicol was invited to lead a seminar on the theme of “Corporate CSR Activities” that was attended by 51 managers, including 12 directors and 19 organizational unit managers.

While comparing the situations of forests in the United Kingdom and forests in Japan, Mr. Nicol discussed his ideas on such environmental protection-related topics as the richness of Japan’s natural environment and the beneficial tranquility-inspiring effects of forests on human hearts and minds.

In addition, Mr. Nicol made an oral presentation, including short video clips designed to offer suggestions regarding CSR programs that make use of forests, giving the example of his organization’s

“Forest of the Heart” program, which enables children facing psychological and physical challenges to benefit from spending time in forest environments.



Mr. C.W. Nicol leading an Environmental Management Seminar

Promotion of CSR/environment-related education

Since April 2000, Yakult has been implementing Environmental Education Programs designed to increase employees’ consciousness of environmental issues.

We have supplemented those programs by employing our internal LAN to provide employees with e-learning courses on environmental issues, and this has greatly increased employees’ opportunities for obtaining environmental information.

In fiscal 2012, environmental education programs on diverse themes—including ISO standards, energy conservation, and waste-product processing—were implemented at Yakult Honsha plants, and these programs helped achieve further progress regarding employees’ consciousness of environmental issues.

CSR/Environmental Education Programs

Training Program	Number of Participants
Newly Hired Employee Training	148
Employing training courses by management level	125
Environmental Education (e-Learning Courses)	219
Total	492

Environmental Education Programs at Yakult Honsha Plants

	Number of Sessions	Number of Participants
ISO standards-related education	15	70
Energy conservation and waste product processing	4	5
Total	19	75

Groupwide unified environmental protection campaign

Each year since 1994 during Japan’s Environment Month, the Yakult Group has implemented unified Yakult Environmental Protection Campaigns. In fiscal 2012, the Group implemented a campaign with the theme “Let’s Increase Greenery Starting Nearby” and participated in numerous tree-planting campaigns at plants throughout Japan in connection with the “Green Wave 2012” program promoted by Japan’s Ministry of the Environment and other government units.

The cumulative total number of employees participating in the annual Yakult Environmental Protection Campaigns reached 130,000 in fiscal 2012, and it is believed that the campaigns have had a considerable effect in steadily increasing environment consciousness among Yakult Group employees.

Yakult Environmental Protection Campaign Themes

Fiscal Year	Theme	Number of Participants
2007	Challenging goal of eliminating disposable shopping bags	8,026
2008	Do you know what Team Minus 6% is?	14,563
2009	Transform unneeded things into green—Smile/Eco Fund Raising!	7,072
2010	What Is Biodiversity?—Let’s Sustain the Life of the Earth.	15,766
2012	Let’s Increase Greenery Starting Nearby	18,644

* The campaign was suspended in fiscal 2011 owing to the impact of the Great East Japan Earthquake disaster.



Pursuing Progress in Life Science

History of the Yakult Central Institute for Microbiological Research—Sustained efforts to realize the potentials of Shirota-ism

The Yakult Central Institute for Microbiological Research traces its roots back to a facility established by Dr. Minoru Shirota—the Company's founder and a medical doctor—at a site in Kyoto in 1955. At that time, the facility each day dynamically carried out and expanded the scope of research designed to realize progress regarding Dr. Shirota's key objectives: "preventive medicine" and "a healthy intestinal tract leads to a long life." Firmly believing that it is better to emphasize measures to prevent sickness rather than measures to cure sickness and that healthy intestines are the most-important basis for lengthy life spans, Dr. Shirota passionately discussed those concepts with researchers as he sought to guide Yakult's research programs along the most-potentially productive paths. The ideas actively propounded by Dr. Shirota—

known as Shirota-ism—are an invaluable heritage that the Tokyo-based Yakult Central Institute for Microbiological Research remains committed to building on.

Aiming to realize diverse important objectives in accordance with its corporate philosophy—"We contribute to the health and happiness of people around the world through the pursuit of excellence in life science in general and our research and experience in microorganisms in particular."—Yakult has continued to be a pioneer on the leading edge of progress in preventive medicine. Based on the foundation of our research regarding intestinal microorganisms, we are working to broaden the scope of our research related to beneficial microorganisms, discover highly functional lactobacilli, and make the most of the potentials of such microorganisms.

Pursuing health science research focused primarily on intestinal flora

The Central Institute's research programs are focused primarily on elucidating ways that intestinal microorganisms (intestinal flora) can contribute to preventive medicine. The institute has developed a molecular biology-based intestinal flora analysis system (YIF-SCAN®) that it employs to investigate healthy and pathological intestinal flora structures and undertake research into the relationship between intestinal flora and human health. The institute is also seeking to discover hitherto-unknown intestinal microorganisms and gain a deeper understanding of the structures and functions of intestinal flora.

Research into the relationship between intestinal flora and health has been attracting increasing attention in recent years, and many scientists throughout the world have begun focusing on this

theme. Against this backdrop, Yakult is striving to further broaden the dissemination of its leading-edge research results. By organizing the Symposium on Intestinal Flora, which announces academic research results, as well as health promotion conferences aimed at the general public, lectures, and other events, we are doing our utmost to increase recognition of the importance of intestinal flora, and contribute to the promotion of better health.



The YIF-SCAN® intestinal flora analysis system

Researching and applying probiotics—Providing innovative products based on research results

The mainstream of Yakult's R&D related to its core food product business involves probiotics research that builds on the Shirota-ism concepts of "preventive medicine" and "a healthy intestinal tract leads to a long life."

The word "probiotics" is derived from the word "probiosis," which refers to symbiotic relationships among organisms, and are defined as live microorganisms that exert a beneficial effect on host organisms, including people. Probiotics research is largely aimed at leveraging the power of beneficial bacteria to help maintain and improve human health, and *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult are among the most-prominent types of such beneficial bacteria. Research related to such "carefully selected and fortified bacteria strains" has

enabled us to maintain a position on the leading edge of global progress in the field of probiotics.

Based on the results of our microorganism research programs with a dual focus on intestinal flora and probiotics, we are developing innovative products with special benefits for human health. By providing people with unique functional food products, we are making an important contribution to the betterment of human health worldwide.



Bacteria-culturing work performed on a "clean bench"

Aiming for additional progress through the expansion and strengthening of research facilities

Yakult is currently constructing an additional four research buildings featuring the most-sophisticated research equipment currently available, and these buildings are expected to be completed at the end of October 2015. Besides further bolstering the Central Institute's position as a global top-level R&D facility with superior

capabilities for overcoming challenges associated with the intensification of global R&D competition, the new buildings are designed to enable us to augment our contribution to scientific, technological, and societal progress throughout the world.



Efforts to Ensure Safety and Peace of Mind

Efforts to obtain ISO certifications

To ensure that customers can enjoy products manufactured by Yakult Honsha with peace of mind, the Yakult Group places strong emphasis on promoting customer satisfaction during logistics operations while concurrently reducing the environmental impact of those operations. As a part of associated efforts, Yakult Honsha

has, since 2005, provided support to enable all Yakult Marketing Group member companies to obtain combined certifications of their compliance with the two international standards—the ISO14001 environmental management system standards and the ISO9001 quality management system standards.

Yakult Honsha's support for obtaining ISO certifications

The acquisition of ISO certifications began when a customer of a Yakult marketing company in Hiroshima Prefecture that had already obtained an ISO14001 certification requested that the Yakult marketing company follow suit.

The operations of Yakult marketing companies center on the provision of products manufactured by Yakult Honsha to customers via the Yakult Lady home delivery system as well as via direct sales involving stores and vending machines. Given the nature of those operations, we concluded that it is important to supplement environmental impact reduction measures by making concurrent efforts to move ahead with initiatives for comprehensively reevaluating quality factors regarding both products and services.

The ISO14001 environmental management system standards and the ISO9001 quality management system standards have many features in common, and efforts centered on Yakult Honsha's Marketing Company Modernization Department were begun to obtain combined certifications for numerous business sites. Proceeding this way has facilitated the effective use of funds while increasing the management quality of marketing companies in a manner that has promoted a rise in the level of the entire Group's management quality as well as the greater sharing of information among Group companies. In view of all these factors, the campaign to obtain combined certifications for the Yakult Marketing Group was initiated.

Management system building measures are moving ahead with the objective of obtaining combined certification for an additional company in the Yakult Marketing Group during fiscal 2013. ISO-related activities are being carried out on a day-to-day basis with the goal of further improving the Group's related performance going forward.

Marketing companies that have not yet obtained ISO certification are also emphasizing environment friendliness and measures to ensure customer satisfaction.

ISO14001 and ISO9001 Certifications Obtained with Yakult Honsha's Support

Year of Receipt	Marketing Company
2005	Yakult Shin Hiroshima Sales Co., Ltd.
2005	Yakult Hiroshima Chuo Sales Co., Ltd.
2006	Yakult Miyazaki Sales Co., Ltd.
2006	Yakult Miyakonojo Sales Co., Ltd.
2006	Yakult Kagoshima Sales Co., Ltd.
2006	Yakult Sendai Sales Co., Ltd.
2006	Yakult Kagoshima Tobu Sales Co., Ltd.
2007	Yakult Iwate Sales Co., Ltd.
2007	Yakult Niigata Sales Co., Ltd.
2007	Yakult Tokyo Sales Co., Ltd.
2008	Yakult Kanagawa Tobu Sales Co., Ltd.
2008	Yakult Kinki Chuo Sales Co., Ltd.*
2008	Yakult Saga Ken Sales Co., Ltd.
2009	Yakult Yamaguchi Sales Co., Ltd.
2010	Yakult Miyagi Chuo Sales Co., Ltd.
2011	Yakult Sasebo Co., Ltd.
2012	Yakult Odate Sales Co., Ltd.
2012	Yakult Chiba Ken Sales Co., Ltd.

* Certification obtained for a portion of branches.

Marketing companies' independent initiatives to obtain ISO certifications

On their own initiatives, numerous Group marketing companies not included within the scope of the Yakult Marketing Group have been working to obtain ISO9001, ISO22000 (for food safety management systems), and ISO14001 certifications. The results, so far, are shown in the table on the right.

ISO Certifications Obtained on Marketing Companies' Own Initiatives

Year of Receipt	Marketing Company	ISO 9001	ISO 22000	ISO 14001
2004	Yakult Yonezawa Sales Co., Ltd.	○		
2005	Yakult Saitama-Nishi Sales Co., Ltd.			○
2007	Yakult Mito Sales Co., Ltd.	○		
2008	Yakult Hyogo Sales Co., Ltd.		○	
2009	Yakult Gunma Sales Co., Ltd.		○	

Receipt of ISO certifications by Yakult Honsha, bottling plants, and other group units*

All Yakult Honsha dairy product plants and all Group bottling companies have obtained ISO9001 certification. Each year, these business sites and companies implement activities related to the goals of the ISO9001 standards, and thereby work to further upgrade their quality performance.

All Yakult Honsha plants, all Group bottling companies, and the Yakult Central Institute for Microbiological Research Analytical Center have obtained ISO14001 certification.

* The Hyogo Miki Plant, which began full-scale operations in December 2012, is currently preparing to obtain ISO certifications.

Ensuring the safety of raw materials

When selecting raw materials (including raw materials for packaging, etc.), Yakult selects suppliers based on thorough investigations and analyses conducted at the product design stage that enable the full confirmation of safety issues, and it takes measures to ensure rigorous compliance with quality standards. With respect to raw materials used at Yakult plants both in Japan and overseas, the Company confirms the inspection performance of raw materials suppliers before selecting raw materials and then undertakes additional inspections upon the receipt of raw materials to ensure that only materials that are in compliance with relevant standards

are used. Regarding raw materials suppliers both in Japan and overseas, we conduct investigations of relevant manufacturing plants and processes to confirm local hygiene situations, inspection systems, and quality management systems as well as, when necessary, request that improvements be implemented.



Ensuring the safety of products

Yakult establishes internal product quality standards that are much more rigorous than standards set by relevant laws and regulations and employs HACCP (Hazard Analysis and Critical Control Point) systems, ISO9001-certified quality management systems, and other quality management systems in connection with its efforts to provide products that are safe and of dependably high quality.

These systems are not limited to spot checks and other kinds of inspections to confirm product quality. We have developed and installed diverse kinds of inspection equipment that enable us to undertake continuous quality monitoring processes and inspect entire production batches. Our highly sophisticated quality management systems are ensuring the safety of all our products.

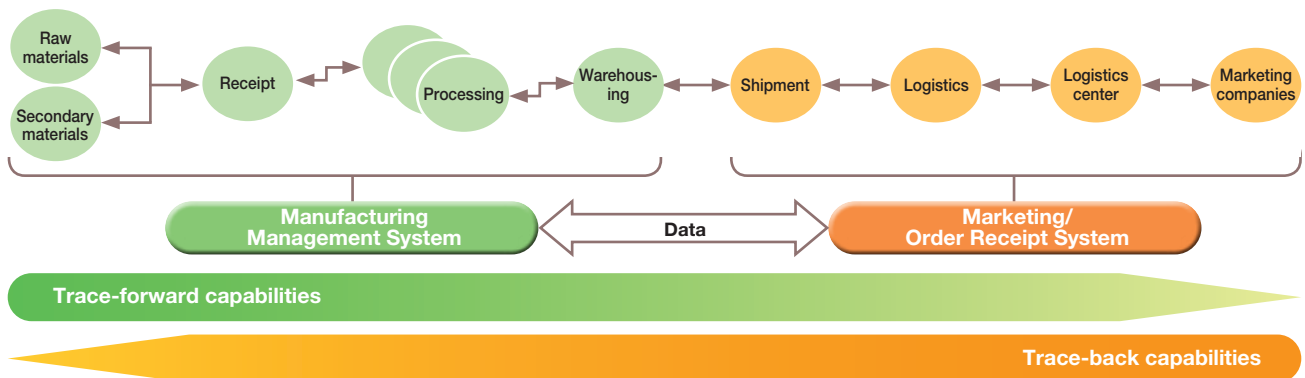
To verify that our plant employee technical education programs, facility management systems, food hygiene management systems, and other systems are functioning effectively, we autonomously implement audits on inter-unit, inter-plant, intra-company, and other bases as part of our efforts to discover and respond to problems as quickly as possible.

Yakult Honsha operates one of Japan's most-rigorous product safety systems focused on the detection of radioactive substances, which it uses to assess each blending tank or each production lot for each type of product during each day of production operations.

Traceability system

Each individual Yakult product package bears a recommended use-by date and a production lot number printed with an ink-jet printer. The Yakult Group's traceability system enables "trace-back" capabilities so that we can access the manufacturing history

(raw materials, secondary materials, production situations, etc.) of specified products and "trace-forward" capabilities so that we can determine primary shipment destinations of specified products.



Product quality issues

Just as in fiscal 2011, Yakult had no product quality issues requiring autonomous product recalls or similar measures during fiscal 2012.



Procurement Policies

Promoting fair and sound transactions

Yakult believes it to be important to develop its operations through fairly and transparently implemented independent corporate activities. With respect to transactions with raw material suppliers and companies that market its products, we are naturally determined to avoid illegal transactions, and we are also committed to refraining from using improper methods to pursue profits and from discriminatory actions. To maintain thoroughly sound relationships with its transactional partners and promote fair purchasing and sales transactions, we have instituted action standards with specific provisions.

Aiming to further upgrade performance with respect to raw material quality, stable supplies, and other issues, we have since January 2005 undertaken with the understanding and cooperation of our transactional partners to fairly and equitably review the characteristics of transactions in single-year periods. Our transactional partners are given feedback on the results of those reviews, and the results are employed as a basis for proactive efforts to enhance and reform the characteristics of transactions.

Green procurement

In March 2001, we instituted the Yakult Basic Policy on Green Procurement (see below), which covers raw materials, secondary materials and equipment, facilities, and packaging materials related to manufacturing, sales and marketing promotion, office, and R&D activities at all of the Company's business sites.

Since fiscal 2001, all of the Company's business sites have worked based on the basic policy and in cooperation with transactional partners to engage in procurement activities in a manner that promotes the protection of the global environment, the reduction of environmental impact, contributions to the creation of a recycling-oriented society, and other environmental objectives.

Green purchasing

Yakult instituted its Green Purchasing Guidelines in April 2000, prior to the 2001 implementation of Japan's Act Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Act on Promoting Green Purchasing). In accordance with the guidelines, we have taken measures to promote the purchasing and use of environment-friendly products with respect to office-automation paper, printed materials, stationery and other office-use products, and sanitation-related products. These measures have been sustained based on provisions in

each phase of the Yakult Environmental Action Plan since the first phase was begun in April 2001.

In fiscal 2012, the last year of the plan's fourth phase, the Head Office and Central Research Institute's green purchasing ratios rose, but declines in the ratios of plants caused the Company's overall green purchasing ratio to decline 2.0 percentage points, to 93.5%. Plans call for sustaining efforts to promote further progress in augmenting green purchasing going forward.

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, contributions to the creation of a recycling-oriented society, and other environmental objectives. In accordance with these goals, we have established the basic policies 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



Communication with Customers

Role and systems of the Customer Support Center

Day-to-day consultations with customers are a precious resource that facilitates Yakult's efforts to ensure it can provide products and services that help customers lead healthy and enjoyable lives. We are extremely pleased to have opportunities to consult with our customers, and we do our utmost to respond to customer consultations rapidly, accurately, and conscientiously.

The Customer Support Center has the fundamental roles of gaining a good grasp of the full significance of each individual customer consultation; communicating information on consultations to employees, 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 such follow-up measures as investigations of product situations, the center keeps in close contact with marketing companies throughout Japan to arrange visits to and discussions with customers.

Customer Feedback

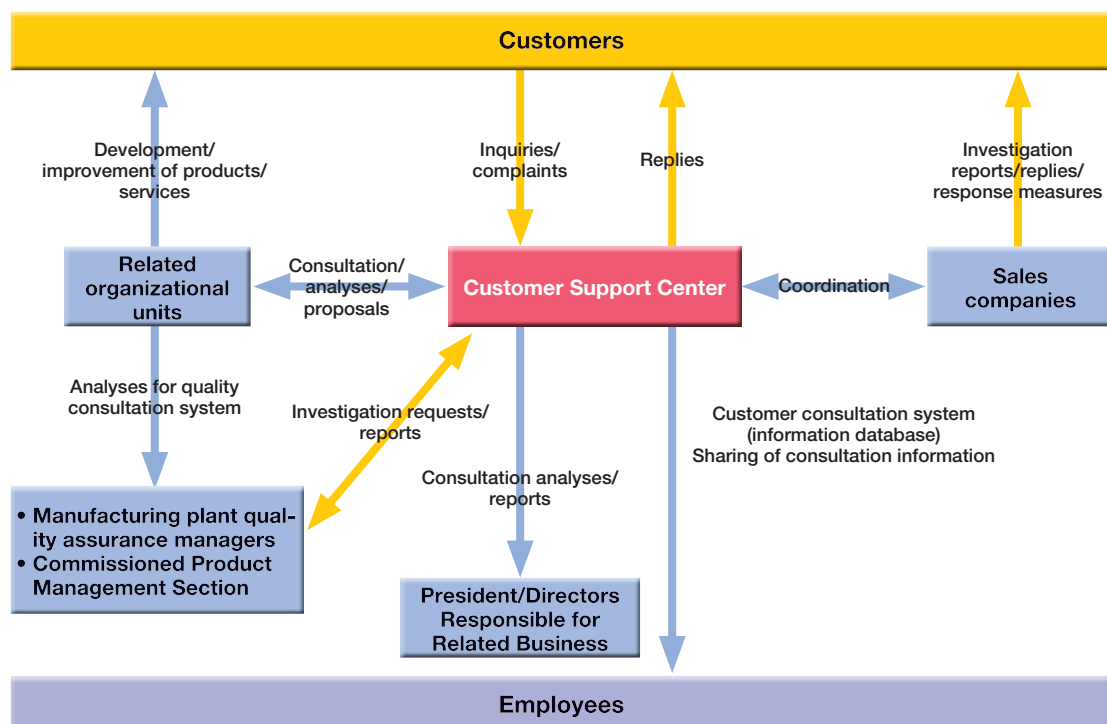
We organize our customer consultations into the categories of inquiries, applications, complaints, discontinuations/suspensions, changes, and others.

In fiscal 2012, the Customer Support Center received 53,572 consultations, down slightly from 61,716 in the previous year.

Customer Consultations in Fiscal 2012

Topic	Number
Inquiries	39,414
Applications	5,120
Complaints	5,002
Discontinuations/suspensions	1,641
Changes	604
Others	1,791
Total	53,572

Customer response flows



Customer Support Center	Toll-Free: 0120-11-8960 (In Japan only) (9:00 to 17:30, except Saturdays, holidays, and year-end and New Year holidays)
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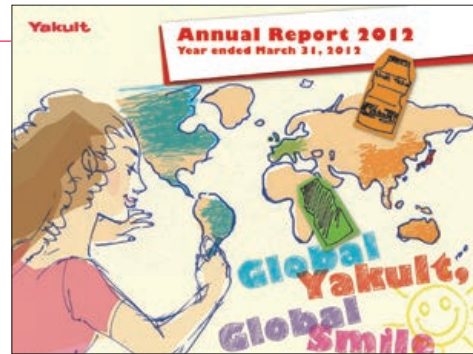
IR Activities

Relationship with shareholders

Yakult's IR activities are focused primarily on securities analysts and institutional investors. Specifically, we hold business results briefings and business explanation meetings and collaborate with securities companies to organize small meetings and business site tours for institutional investors. We also produce annual reports and other materials for overseas institutional investors and undertake various other kinds of IR activities.

Regarding individual investors, our main objective is to "cultivate Yakult fans through the provision of products and services, thereby promoting long-term investments in Yakult stock by individual investors." In April 2005, we reduced the size of our shareholding unit from 1,000 shares to 100 shares as a means of facilitating the acquisition of our stock by a greater number of individual investors, and we have also worked to strengthen and expand our systems for providing shareholders with special benefits.

With respect to our dividend policies, we give top priority to providing shareholders with dividends at a higher and stable level, and we have, therefore, adopted the policy of setting the fundamental level of annual dividends per share at ¥20.0. Actual dividend levels are determined by adjusting the fundamental level based on the



Yakult's Annual Report for fiscal 2012

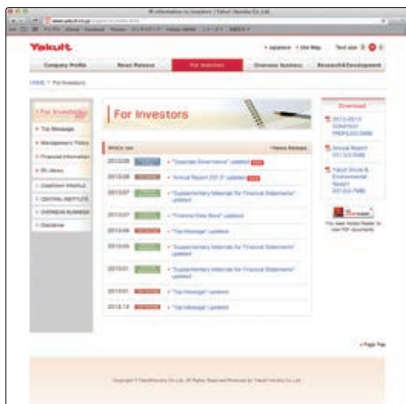
comprehensive consideration of funding requirements related to strategies for future business expansion and profitability increases, the current financial position, recent corporate performance, and other relevant factors.

With respect to fiscal 2012, ended March 31, 2013, the level of total dividends applicable to the fiscal year was ¥23.0 per share.

We had approximately 23,000 shareholders as of March 31, 2013.

IR information disclosure

Yakult endeavors to disclose IR information in a manner that is fair, timely, and rapid. As a part of our strategies for realizing this objective, we have created a "For Investors" section within our website, and we strive to ensure that IR information is disclosed in a timely manner via that website section, which offers important basic corporate information as well as diverse kinds of other information that may facilitate investment decisions.



The top page of the "For Investors" section of Yakult's website

Principal kinds of information in the "For Investors" website section*

Yakult's management policies

Top message from the president, management policy, corporate governance, etc.

Financial/performance information

Flash reports, long-term financial and performance data, performance highlights, and segment information

IR explanation meetings

Materials presented at periodic business results explanation meetings, pharmaceutical business explanation meetings, international business explanation meetings, and shareholders' meetings

IR calendar

A schedule of IR-related events

Stock information

Basic stock-related information

IR library

Securities reports (*Yuka Shoken Hokoku-sho*), reports to shareholders, annual reports, etc.

To individual investors

Yakult's history timeline, overview of businesses, performance summary, etc.

* Not all of these features are included in the "For Investors" section of the English-language version of the Company's website, although some of those features are found in other sections of the English-language website.



Relationships with Local Communities

Courtesy visit activities

For 40 years, Yakult Ladies have been visiting single elderly people as they make their deliveries, to confirm that they are safe and spend some time chatting with them.

This activity began when a Yakult Lady in Kohriyama, Fukushima Prefecture, took it upon herself to provide Yakult products to elderly people living alone, at her own expense, after hearing the sad news of one such person whose death went unnoticed. Her initiative resonated with both the local Yakult marketing company and social workers in the region and 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 2013, approximately 3,400 Yakult Ladies are paying regular visits to more than 46,500 elderly people in response to requests from 144 local governments in Japan.

As part of activities organized to celebrate the 70th anniversary of Yakult's founding, we have since September 2005 presented flowers to elderly people on Respect for the Aged Day. In 2012, we



A Yakult Lady delivers special presents on Respect-for-the-Aged Day

delivered attractive flowers and a message card to more than 47,500 people. As this program has been highly evaluated, we are continuing it for the ninth consecutive year in 2013.

Providing communities with "safety and peace of mind"—Yakult Ladies' community safety watch and crime prevention activities

Being well positioned to observe every corner of their sales areas during daily delivery rounds, Yakult Ladies contribute to communities' "safety and peace of mind" by participating in crime watch and other activities undertaken in cooperation with local governments and police units as well as other local organizations.

In March 2013, five Kanagawa Prefecture-based marketing companies (Yakult Kanagawa Chuo Sales Co., Ltd., Yakult Kanagawa Tobu Sales Co., Ltd., Yakult Shonan Sales Co., Ltd., Yakult Odawara Sales Co., Ltd., and Yakult Atsugi Sales Co., Ltd.) collaborated with Kanagawa Prefecture to establish the "Agreement on Regional Safety Watch Activities." This agreement

calls for Yakult Ladies—who during their visits to customers' homes notice unusual changes suggestive of an incipient life crisis—to give due consideration to the protection of personal information but provide information to local government units as a means of preventing unattended and solitary deaths.

We are carrying out such safety watch and crime prevention programs in all of Japan's regions, and these programs are earning growing support and recognition from people in each region.

As of March 2013, 97 marketing companies throughout Japan have created organizations to carry out such activities.

Implementing social activities with vending machines

By the end of March 2013, the Yakult Group had installed approximately 56,000 vending machines throughout Japan. In addition to their original function of enabling customers to purchase products, some vending machines offer additional functions that can offer important assistance to people in local communities.

One example of such vending machines are models installed together with automated external defibrillators (AEDs) that can save the lives of people with cardiac arrhythmias that can lead to cardiac arrest. As approximately 30,000 Japanese lose their lives each year owing to sudden heart attacks, it is hoped that the scope of AED installations will be quickly expanded. In fiscal 2012, Yakult installed 290 vending machines with AED units, and there already have been cases in which people have used the Yakult AEDs to save the lives of people—people



A vending machine installed together with an AED unit

who have recovered from their heart problems and are currently back at their workplaces.

In cooperation with Kirin Beverage Co., Ltd., which is a partner in Yakult's vending machine operations, we are moving ahead with the installation of "Pink Ribbon" vending machines that contribute a portion of their proceeds to the Japan Cancer Society. In fiscal 2012, 88 "Pink Ribbon" vending machines were installed throughout Japan.



A "Pink Ribbon" vending machine

Yakult is installing numerous types of vending machines with special social contribution functions, including 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 activities.

Cooperation with health promotion conferences

Each April 7—the World Health Organization (WHO)'s World Health Day—Yakult cooperates with a health maintenance advocacy conference program organized by the Japan Dietetic Association (JDA). In 2012, the 33rd year of the program, the conference featured lectures and symposia on the theme “Nutrition and Meals during Natural Disasters—Eating Is Living.” Held in Yakult Hall in Tokyo's Higashi Shimbashi district, the lively event was attended by 370 nutritionists and others with a strong interest in health issues.

Yakult also cooperated with the local conventions of nutritionist associations in each Japanese prefecture. In fiscal 2012, we coordinated a June meeting in Omihachiman, Shiga Prefecture, followed by 12 other meetings throughout Japan.



The 33rd Health Maintenance Advocacy Meeting

21st Century Food and Health Forum cosponsorship

The 12th Annual Session of the 21st Century Food and Health Forum, sponsored by Asahi Shimbun, was held on April 23, 2012 in the Tokyo International Forum facility. Open to the general public, the annual forum events focus on the key role of probiotics with respect to food and health in the 21st century, and they feature lectures that are designed to explain this central theme in easily understood ways to people with a strong interest in health issues as well as people associated with the health care industry. The 12th session had the theme of “Healthy Lives Begin with Intestines—Preventing Disease by Strengthening Intestinal Tracts”

and featured highly interesting lectures on this theme as well as a panel discussion on the theme of “Proven Performance! Healthy Living through Intestinal Flora Enhancement.” An audience of approximately 1,200 people listened intently to the forum participants.



The 12th Annual Session of the 21st Century Food and Health Forum

Intestinal Flora Symposium cosponsorship

Coordinated by the Foundation for Yakult Bioscience Research and supported by the Ministry of Education, Culture, Sports, Science and Technology, the Symposium on Intestinal Flora has been organized to promote greater public awareness and understanding of bioscience issues centered on those related to intestinal flora. Yakult Honsha has been cooperating with respect to this Symposium program since its inauguration. Held on November 2, 2012, at Yakult Hall, the 21st session of the Symposium focused on the main theme of “Intestinal Flora and Ecology—Meals,

Nutrition, and Environmental Factors.” Those attending the event included approximately 80 Yakult Group employees from facilities in 19 countries and regions as well as 511 other people, including researchers working in Japan- and overseas-based universities, government research institutions, and companies.

The Symposium began with highly detailed lectures by seven top-class researchers based in Japan and abroad and was followed by a lively general discussion as well as enthusiastic exchanges of questions and answers.

Implementation of plant festivals and study visits

Aiming to deepen friendly relations between plants and local communities, we annually organize festivals at each plant and invite the members of local communities and employees' families to participate. Besides food and refreshment vending booths, the festivals feature performances by actors portraying animated characters popular with children, bands, and Japanese drum ensembles as well as diverse other attractions. While enjoying those features, people attending festivals also have the opportunity to participate in plant study tours and product tasting events. The festivals have proven to be an effective means of fostering a deeper understanding of plant operations among people from local communities.

During fiscal 2012, the Saga Plant suspended its plant festival implementation owing to the construction of new buildings and other factors. As a result, four Yakult Honsha plants and six bottling plants held festivals in fiscal 2012, and a total of approximately 20,000 people attended those festivals.

In addition, with the objective of deepening understanding of Yakult's products and the Group's commitment to environmental awareness and products that are safe and offer peace of mind, we proactively offer study tours of the plants of Yakult Honsha and



Plant festival at the Fuji Susono Plant/Fuji Susono Pharmaceutical Plant



Plant festival at the Ibaraki Plant

other Yakult Group companies. We offer plant tours to members of the general public ranging from children through the elderly as well as such programs as sociology and environmental education programs for primary school students, and we also seek to use such tours to obtain feedback information from opinion leaders and people with a particularly strong interest in health issues.

During fiscal 2012, plant renovation projects temporarily limited the ability of some Yakult Group plants to accept visitors, but seven Yakult Honsha plants and five bottling plants hosted approximately 200,000 people.

Cleanup campaigns

Yakult believes that, as a good corporate citizen, it naturally has a responsibility to work to protect the environment in cooperation with local communities.

To carry out this responsibility, we have, for many years, proactively implemented cleanup campaigns aimed at tidying up roads, rivers, shorelines, and other areas, primarily in the vicinity of Yakult Group plants.

In fiscal 2012, 10 business sites helped beautify nearby areas by implementing 145 cleanup campaigns in which a total of 986 employees participated.



Saga Plant



Fukushima Plant

Promoting sports activities

The Yakult Group's professional baseball team, the Tokyo Yakult Swallows, entertains a great many fans during the baseball season and, during the offseason, the team cooperates with marketing companies throughout Japan to organize baseball clinics. Focused on primary and junior high school baseball teams, the clinics help children learn about the enjoyability of sports and the preciousness of good health by interacting with professional baseball players. In fiscal 2012, 966 children participated in clinics held in nine locations.

Yakult also cooperates in efforts to promote "bound tennis," a sport created in Japan that combines the rules of ordinary tennis with certain elements of racquetball and other sports. The Japan

Bound Tennis Association held its 30th national bound tennis championship tournament at the Tokyo Metropolitan Gymnasium in May 2012, and this event featured relentlessly heated competition among more than 700 contestants from throughout Japan.

In addition, since 2005, Yakult has cosponsored international swimming competition events as an official partner of the Federation Internationale de Natation (FINA), as FINA's efforts to promote good health by means of participation in aquatic sports resonate harmoniously with Yakult's corporate philosophy of "We contribute to the health and happiness of people around the world."

Dispatching instructors

Besides supplying products that promote good health, Yakult is seeking to realize the benefits of Shirota-ism concepts by providing health-related information to people in local communities.

Yakult Honsha branches and marketing companies in each region of Japan dispatch guest lecturers to kindergartens, primary 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.



A scene from a guest lecture

Donating kimchi to seniors living alone (South Korea)

Yakult is also proactively implementing programs designed to contribute to local communities outside Japan.

We initiated our annual "Love *Kimjan* (kimchi making) Campaign" in the Korean city of Busan in 2001, and since 2005 its scope has been broadened to include six cities throughout South Korea. The campaign involves the making of kimchi by groups of Yakult Ladies and the nationwide presentation of that kimchi to seniors living alone.

On November 15, 2012, some 2,250 Yakult Ladies and other volunteers gathered to pickle over 60,000 heads of Chinese

cabbage, weighing approximately 140 tons. This was recognized by the National Archives of Korea as setting a new South Korean record for the greatest number of people in a kimchi-making group and the greatest amount of kimchi to be produced at a single kimchi-making event. The previous records were also set at a similar event organized by Korea Yakult Co., Ltd. in 2008.

The kimchi produced at the event was donated in 10-kilogram portions to more than 25,000 seniors living throughout South Korea.



Employees' Missions and Motivation

Employee education

To sustain the Yakult Group's development and expansion, it is crucial to improve employees' skills and capabilities as well as increase employees' consciousness of important environmental and societal issues. In view of this, we are endeavoring to foster

the development of the next generation of Yakult managers and workers by establishing and implementing the following basic policies and education/training programs.

Basic policies

1. Promote the dynamic perpetuation of our founder's philosophy 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 while working to augment and strengthen programs that are based on understanding of frontline operations and involve visits to business sites.
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.

Overview of training programs

We implement education and training programs for all the employees of Yakult Honsha and other Group companies, including marketing companies, affiliates, and bottling plants. Excluding distance learning courses and performance explanation meetings for employees, education and training programs for Yakult Honsha

employees during fiscal 2012 were held on an aggregate total of 389 days and attended by 663 employees. Programs for Group company employees were held on an aggregate total of 289 days and attended by 3,764 employees.

Programs for Yakult Honsha employees

1. Level-specific training linked to the personnel system
 - New employee training, new employee follow-up training
 - Training prior to promotion to higher management levels, training prior to promotion to higher supervisory posts, training prior to promotion to higher core managerial posts, training prior to promotion to higher general managerial posts
 - Training for newly appointed organizational unit managers
 - Training for mid-career hires, training for dispatched employees
2. Theme-centered training that complements level-specific training (open-application system)
 - Writing skills, team-building skills, finance, planning and ideas, marketing
 - Presentation preparation skills, coaching, mental-care management, stress management
3. Training for cultivating global employees (open-application system)
 - International Prep School (training for personnel to be stationed overseas)
4. Participation in external training programs (extension courses of external educational institutions)
5. Distance learning
 - 200 courses (begun twice each year)

6. Other

- Support for receipt of official certifications
- Discounted subscriptions to business publications
- Performance explanation meetings for employees

Programs for group company employees

1. Level-specific training
 - Yakult introductory course (training for new employees)
 - Skill improvement course for mid-level employees (time management, presentation preparation skills)
 - Management and supervision strengthening course (leadership development, mental-care management)
 - Manager-development course (Management Prep School)
2. Training by dispatched instructors
 - Business manners, strengthening implementation capabilities, upgrading managerial skills, etc. (9 courses)
3. Distance learning
 - 200 courses (begun twice each year)

Direction of employee education going forward

The Yakult Group positions its basic policy of "Promote the dynamic perpetuation of our founder's philosophy" as a central pillar of all its employee education and training programs.

Accordingly, all of the level-specific training programs within programs provided to employees of Yakult Honsha and other Group companies include training related to Yakult's corporate philosophy. Using a pamphlet entitled Shirota-ism on the ideas and philosophy of Yakult's founder, Minoru Shirota, along with videos on this subject, employees learn about the source of the Yakult Group's business development.

Going forward, we will continue to provide all Group employees with opportunities to learn about Shirota-ism.

In addition, rather than restricting ourselves to training programs, we will be emphasizing programs designed to support the operations of marketing companies, including programs related to total quality management (TQM) activities and activities that help increase organizational vitality.



The pamphlet Shirota-ism

Personnel systems for promoting employees' missions and motivation

In light of differences among the size of the roles the Company expects individual employees to play, methods of contributing to performance, and job types, Yakult undertakes human resource management processes by classifying employees into different role groups (levels), job groups, and career courses.

Newly hired employees are assigned to a specific career course (occupational category) and given opportunities to develop the skills they require and contribute to corporate performance as they seek to expand and raise the level of their own roles in the Company.

Career Course Switch System

The Career Course Switch System is designed to enable employees to create paths toward selecting the career courses they desire, help employees already with the Company to realize personal growth based on numerous opportunities to leverage their own career development consciousness, and heighten the levels of employees' missions and motivation while also creating dynamic workplaces filled with vitality.

The system enables employees to shift from the so-called "general course" to the "comprehensive course" and other career courses, and we believe that this system's functions play a crucial role in creating an environment in which employees can fully utilize their own motivation and abilities.

Instituted eight years ago, the system has been used by a total of 89 employees who choose to proactively make the requisite efforts and address the challenges of a new career development path.

Self-Reporting/Qualification Assessment System

The Self-Reporting/Qualification Assessment System helps Yakult learn about individual employees' opinions, desires, and specific

capabilities with respect to job characteristics, skill development, postings, and transfers. By promoting two-way communications and mutual understanding between employees and the Company, the system is designed to further increase the effectiveness of personnel management processes. One noteworthy feature of this system is the In-House FA (Free Agent) system, which enables employees to announce their desire to shift to a new position and effectively helps those employees move to new workplaces where they can make the most of their individual capabilities and potentials. This and other features of the Self-Reporting/Qualification Assessment System are helping individual employees grow while increasing the organizational dynamism.

Job Rotation System

Another system designed to help assess employees' capabilities and facilitate employees' long-term career development is the Job Rotation System. Employees hired for the "comprehensive course" (office section) initially undergo basic training about the Company and business manners before being assigned to a post. During their first approximately 10 years with Yakult, they are transferred to new posts at roughly three- to four-year intervals, thereby experiencing work within three organizational units. By experiencing work both in the capital and outlying regions, both in marketing departments as well as administrative departments and other kinds of departments, employees expand the horizons of their experience in a balanced manner and increase the level of their skills. Concurrently, they gain a better understanding of what kind of post is most appropriate for them and can take measures to make the most of their abilities.

A cafeteria plan for increasing employee satisfaction

Since fiscal 1998, Yakult has been utilizing a Cafeteria Plan System to promote greater employee satisfaction with employee welfare programs.

The system assigns all employees a certain number of points applicable to individual years. Employees can freely choose the way they apply those points to obtain various benefits available on the menu. Unused points can be carried over to subsequent years, further increasing the flexibility of the system.

Principal menu items include travel and leisure activity subsidies, shinkansen (bullet train) commuting subsidies, self-development subsidies, and subsidies for making use of sports clubs and engaging in other recreational activities. Other items designed to facilitate employees' work-life plans and increase job satisfaction include subsidies for child raising and medical expenses. Currently, employees are consuming approximately 90% of their annual allocation of points, and this suggests that the cafeteria menu of benefits has been well tailored to meet employee needs.

Hiring of persons with disabilities

Recognizing that it has an important social responsibility to hire persons with disabilities, Yakult engages in such hiring in a stable manner while rigorously complying with legally mandated hiring levels.

Having proactively engaged in recruitment activities aimed at attaining the legally mandated percentage of persons with disabilities in its workforce, we increased the rate to above the stipulated

1.8% rate in fiscal 1999 and subsequently maintained our rate at above the legally stipulated rate through fiscal 2008. Employee retirements and other factors caused our rate to slip slightly below the stipulated level in fiscal 2009, but proactive recruitment has kept our rate above the stipulated level since fiscal 2010 (the stipulated level has been raised to 2.0% since April 1, 2013).

Workshops for mental health

Yakult considers initiatives for promoting good mental health to be extremely important. In fiscal 2012, aiming to increase the awareness of mental-health-related problems and countermeasures, we organized on-site workshops for mental health for all employees at

all Group facilities. A total of 37 workshop sessions were held at 23 facilities, at which lectures were presented to more than 2,000 participants.

Helping realize optimal work-life balances

Yakult's objective regarding work-life balances is "to create pleasant working environments that enable each employee to maintain good health, maintain optimal balances between their work and the rest of their lives, make the most of their abilities, and live active lives with high energy levels." In accordance with the fundamental objective of providing environments in which all employees share appropriate consciousness of the importance of good work-life balances, Yakult's Personnel Department is moving ahead with efforts to prevent excessive work hours and create pleasant work environments that facilitate work activities.

Acquisition of Kurumin Mark Certification

In July 2012, Yakult was certified by Japan's Ministry of Health, Labour and Welfare as an "enterprise that supports child rearing" and received the "Kurumin" next-generation accreditation mark from the Tokyo Labor Bureau.

The Kurumin Mark was created based on the Act for Measures to Support the Development of the Next Generation, which has the objective of helping create environments that facilitate the healthy birth and appropriate rearing of Japan's next generation. Companies that institute action plans to support the development of the next generation and that implement action plan measures that meet specified standards are deemed qualified to receive the Kurumin Mark.

The Kurumin Mark logo portrays a happy infant that is gently wrapped in swaddling clothes (referred to as "o-kurumi" in Japanese) as a warmly emotive graphic symbol of good care. It is designed to encourage corporate and workplace-based efforts to support good balances of work and child-raising activities.



Work-life balance workshop

In July 2012, approximately 800 employees participated in Yakult's two-day Work-Life Balance Training Workshop, held at Yakult Hall. We invited Yoshie Komuro, CEO of Work Life Balance Co., Ltd., and a leader in the work-life balance field, to give a speech at the workshop, during which she discussed the importance of maintaining a healthy work-life balance and illustrated her points by presenting real-life examples.

Parental child-rearing leave for men

Until recently, almost all the Yakult employees taking child-rearing leaves have been women, but a growing number of people have pointed out that it was difficult for men to take such leaves. In response, we revised our employment regulations in April 2010 to enable our "conservation leave" system—previously only available to people recovering from injuries, etc.—to be used for child-rearing leaves.

As of March 2013, nine male employees had obtained child-rearing leaves. We are continuing to take measures to create workplaces that help employees maintain a good balance between work and child rearing, including measures to promote greater awareness of the child-rearing leave systems we offer.

Round-table meetings for child-raising leave takers prior to returning to workplaces

As part of its efforts to provide pleasant workplace environments, Yakult is providing diverse kinds of information and support to employees who are completing their child-raising leaves so that they can return to their workplaces with peace of mind and subsequently maintain good balances between work and child-raising tasks. In fiscal 2012, we took the additional initiative of organizing two round-table meetings for child-raising leave takers preparing to return to their workplaces.

The round-table meetings include a first stage, during which the Personnel Department provides diverse kinds of information, and a second stage, during which leave takers can exchange ideas with employees who have already accumulated experience and know-how regarding the achievement of good balances between work and child-raising.

Participants reported that "it was encouraging to be able to exchange information with other employees who have been in our positions and have a clear understanding of our situation" and "I have gained helpful reference information that enables me to anticipate how I will be approaching my work after returning to my workplace."



Round-table conference

Promoting the use of annual allotments of paid holidays

To promote employees' use of their annual allotments of paid holidays, in April 2010, Yakult Honsha has created a system that encourages use of a paid holiday by each employee on his or her birthday. This initiative was supplemented in April 2012 with the establishment of an anniversary leave system and a volunteer activity leave system.

Promoting group employees' work motivation and job satisfaction

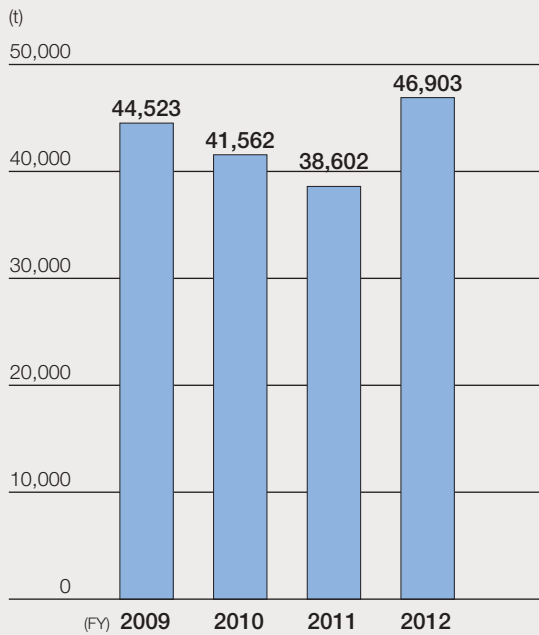
Aiming to help develop Group employees' abilities and skills and promote their consciousness of important issues, Yakult organizes training programs for individual employees, dispatches instructors, and offers guidance regarding distance-learning programs. In addition, to enable Yakult Ladies who are raising young children to perform their work duties with peace of mind, Group companies operate childcare facilities in more than 1,000 locations that are taking care of approximately 11,000 children.



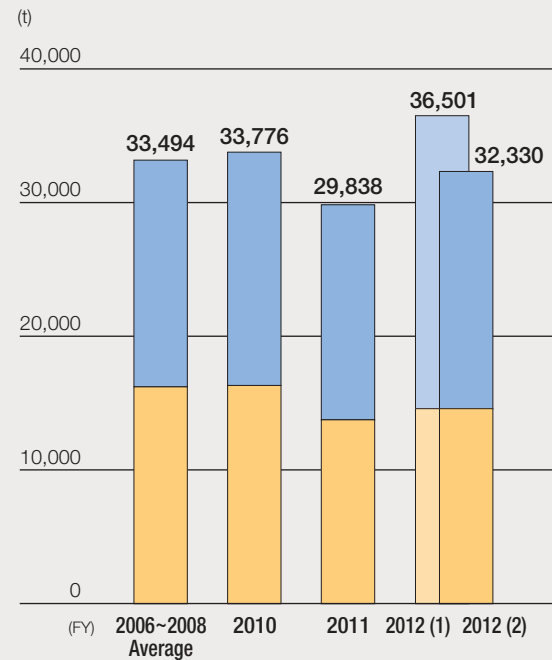
Environmental Impact Data

Greenhouse gas emissions

Yakult Honsha total CO₂ emissions

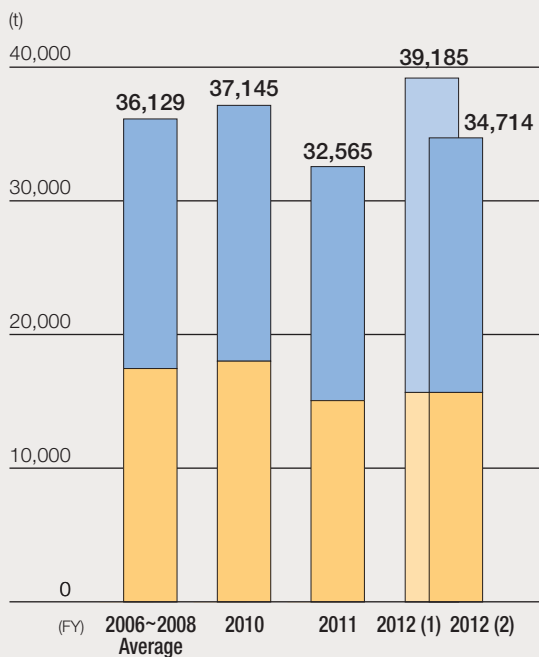


Yakult Honsha dairy product plant CO₂ emissions



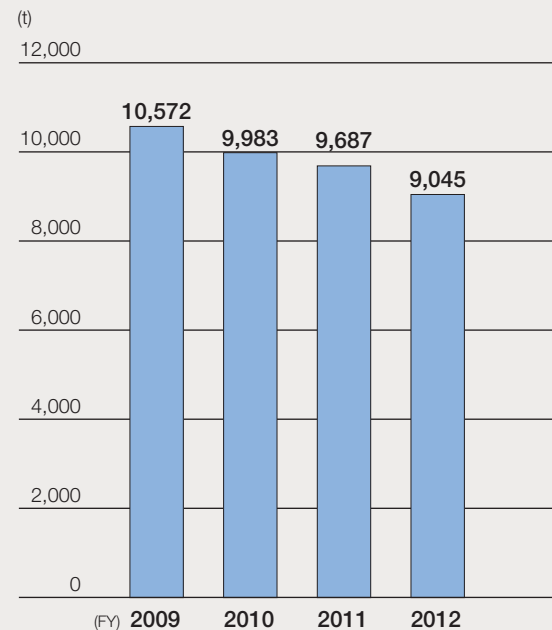
■ Emissions related to fuels ■ Emissions related to electric power
 Notes: 2012 (1) is calculated using the fiscal 2012 CO₂ emission coefficient of electric power.
 2012 (2) is calculated using the fiscal 2006-2008 CO₂ emission coefficient of electric power.

Yakult Honsha Plant CO₂ emissions

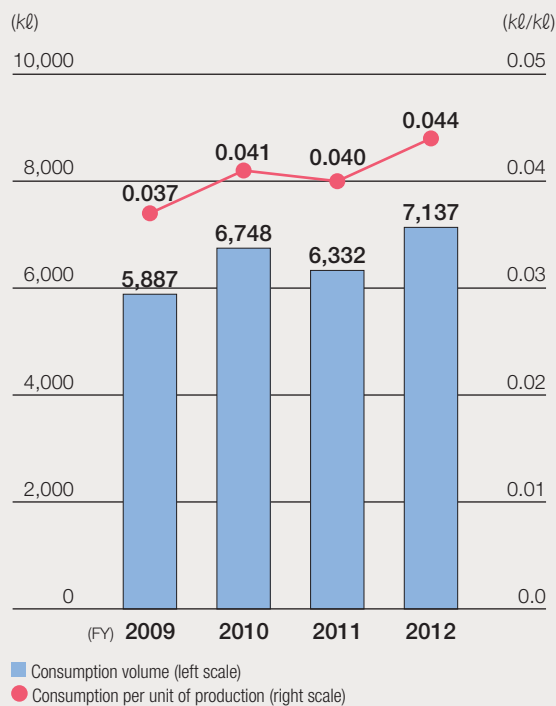


■ Emissions related to fuels ■ Emissions related to electric power
 Notes: 2012 (1) is calculated using the fiscal 2012 CO₂ emission coefficient of electric power.
 2012 (2) is calculated using the fiscal 2006-2008 CO₂ emission coefficient of electric power.

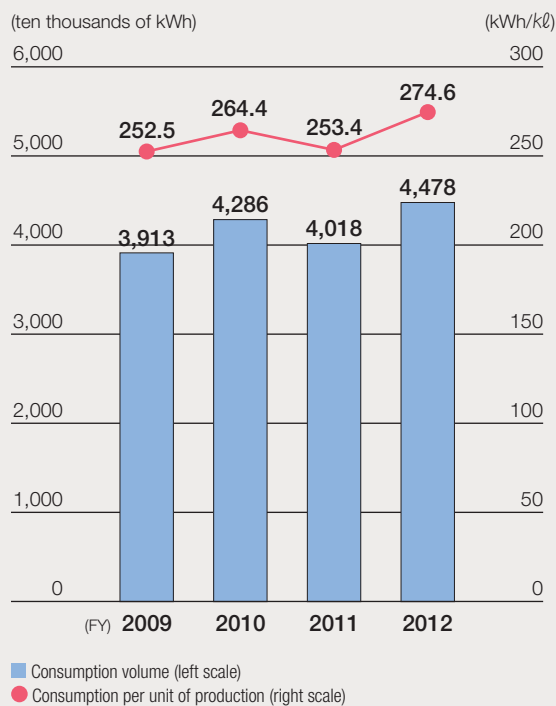
Logistics-related CO₂ emissions



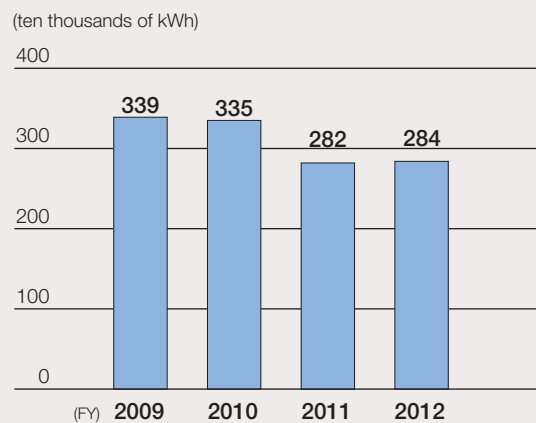
Yakult Honsha dairy product plant fuel consumption (Heavy fuel oil conversion basis)



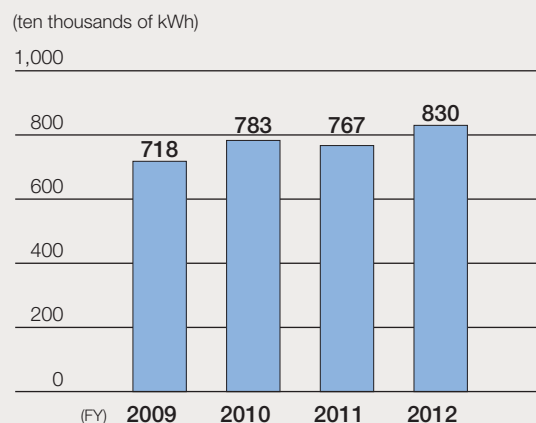
Yakult Honsha dairy product plant electric power consumption



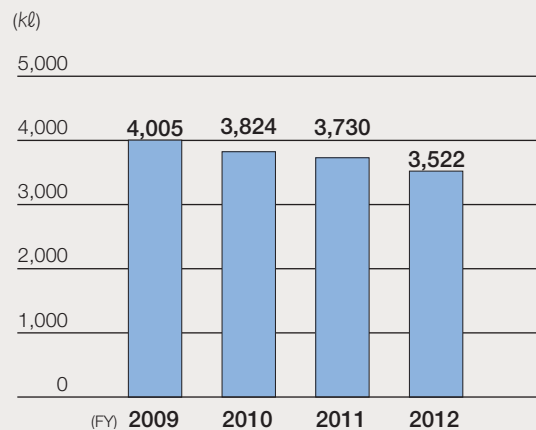
Office electric power consumption (Head Office Building)



Central institute electric power consumption

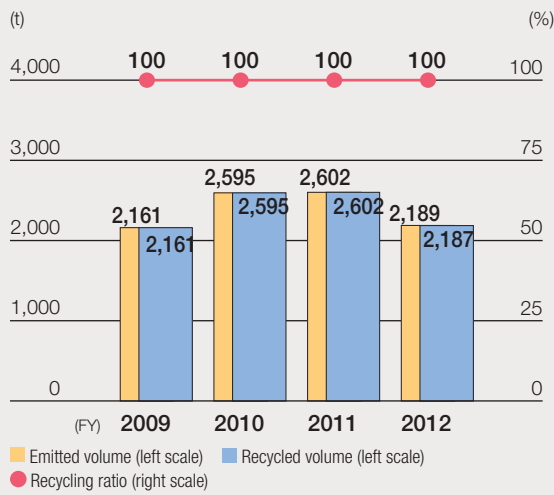


Logistics-related fuel consumption (Diesel fuel)

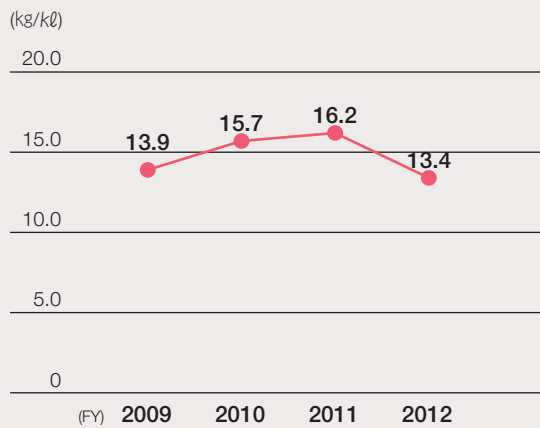


Restraining volume of waste products

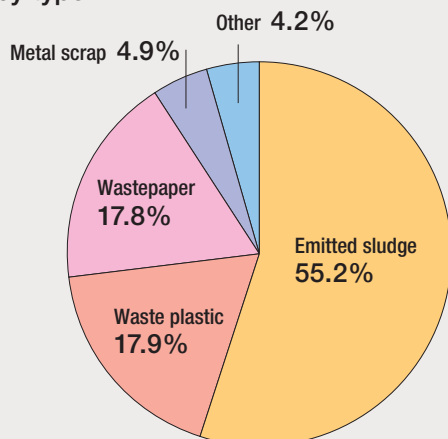
Yakult Honsha Plant waste product emissions and recycling situation



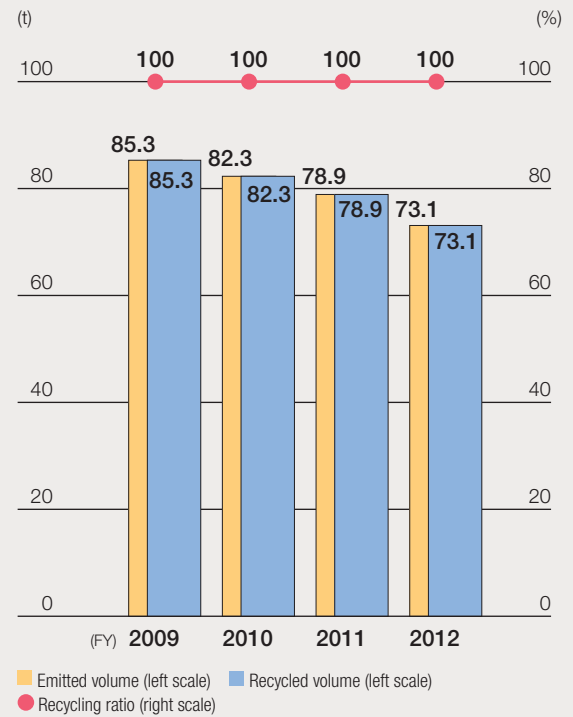
Yakult Honsha dairy product plant waste product emission volume per production unit



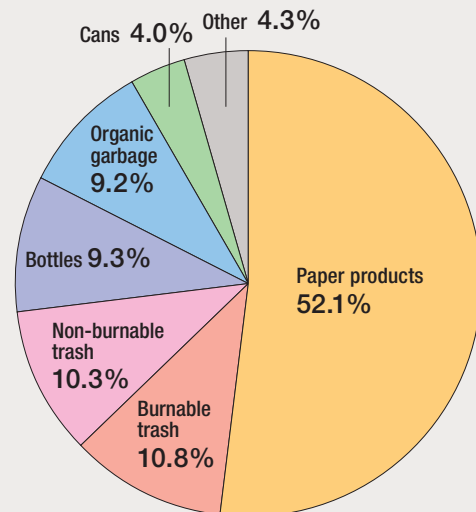
Yakult Honsha Plant waste products by type



Office waste product emissions and recycling situation (Head Office Building)

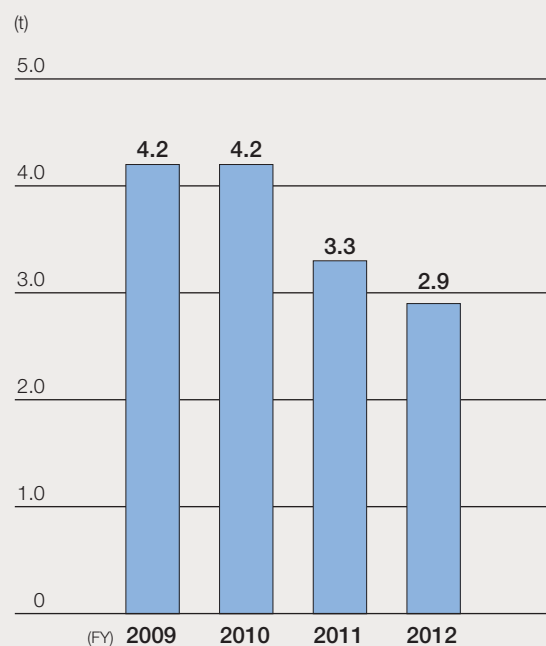


Office waste products by type (Head Office Building)

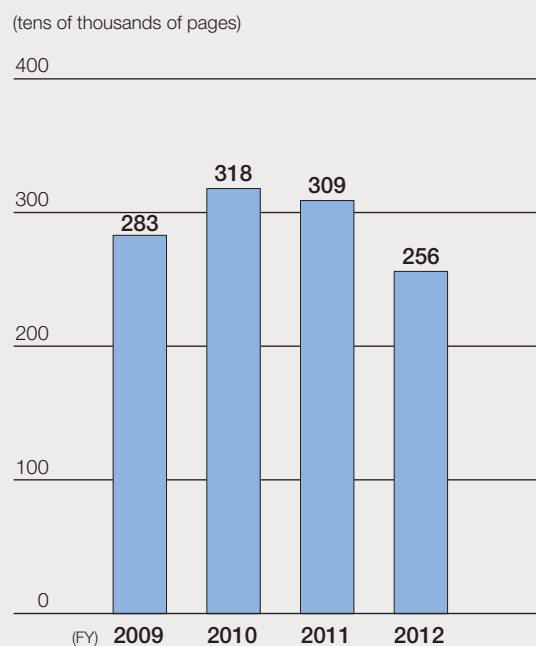


Other environmental impact

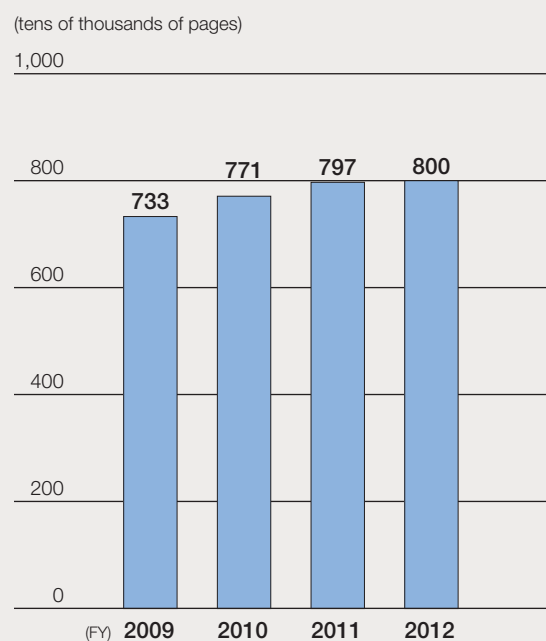
Logistics-related NOx emissions



Office automation paper usage volume (Yakult Honsha Plants)



Office automation paper usage volume (Head Office Building)





Business Site Reports

[Note regarding fuels]

Plants make use of heavy fuel oil, city gas, LPG, light oil, and others. However, fuel usage figures are stated in terms of the amount of the main fuel used at each facility, with usage of secondary types of fuels converted into the corresponding volume of that main fuel.

For information on the “Green Wave 2012” program, please see page 11.

Fukushima Plant



(ISO14001 certification obtained on May 31, 2002)

Location: 10-1, Aza Tooki, Kuroiwa, Fukushima-shi, Fukushima 960-8520

General manager: Masaru Kurihara

Products produced: Concentrated *Yakult*, concentrated *Yakult Calorie Half*, concentrated *Yakult 400*, *Mil-Mil*, *Mil-Mil S*, *Sofuhl*

Plant grounds area: 28,059m² **Building floor space:** 13,617m²

Number of employees: 157



Trees planted in commemoration of “Green Wave 2012”



Ryoji Gono
Manager, Facilities Management Section

Fiscal 2012 review—As we entered our first summer season following the inauguration of full-scale operations at our new plant building, we anticipated a rise in our power consumption. All units throughout the plant are concertedly implementing diverse electric power conservation measures, however, and we have been able to restrain our peak power consumption level. Going forward, we will continue working to increase our staff’s consciousness of electric power consumption issues and do our utmost to undertake the concrete implementation of effective measures to restrain our electric power consumption.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SO _x (t)	NO _x (t)
2012	178,697	7,618,510	1,070,668	469.1	48.555	6,633	0	2.996

Ibaraki Plant



(ISO14001 certification obtained on August 9, 2002)

Location: 1232-2, Oaza Kawatsuma, Goka-machi, Sashima-gun, Ibaraki 306-0314

General manager: Teiji Nakamura

Products produced: Concentrated *Yakult*, concentrated *Yakult Ace*, concentrated *Yakult 400LT*, concentrated *Yakult SHEs*, *BF-1*

Plant grounds area: 44,800m² **Building floor space:** 16,028m²

Number of employees: 93



Trees planted in commemoration of “Green Wave 2012”



Takahito Muranushi
Manager, Facilities Management Section

Fiscal 2012 review—Our production volume decreased slightly during fiscal 2012. Besides our summer electric power conservation measures, our environmental countermeasures included participation in the “Ibaraki Eco Challenge” program, in connection with which we planted bitter melon vines to create heat-insulating “green curtains” on the walls of our plant building. In addition, we positioned nets to shield our rooftop air-conditioning units from sunlight and worked to increase our staff’s consciousness of environmental issues.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SO _x (t)	NO _x (t)
2012	185,114	5,123,679	844,474	246.2	0.572	4,272	0	1.465

Fuji Susono Plant/Fuji Susono Pharmaceutical Plant



(ISO14001 certification was obtained for the Fuji Susono Plant on October 13, 2000, and for the Fuji Susono Pharmaceutical Plant on January 10, 2003.)

Fuji Susono Plant

Location: 653-1, Aza Juzaburo, Shimowada, Susono-shi, Shizuoka 410-1105

General manager: Naoki Tomomatsu

Products produced: Concentrated *Yakult 400*, concentrated *Yakult 400LT*, *Joie (Drinkable Yogurt)*, *Pretio*, *Sofuhl*, *Joie (Yogurt Cup)*, *Mil-Mil*



Trees planted in commemoration of "Green Wave 2012"

Fuji Susono Pharmaceutical Plant

Location: 653-1, Aza Juzaburo, Shimowada, Susono-shi, Shizuoka 410-1105

General manager: Masayoshi Tajima

Products produced: Prescription drugs, OTC drugs, enzymes

Plant grounds area: 208,497m² **Building floor space:** 28,944m²

Number of employees: 226



Takuma Arai
Manager,
Products Section II

Fiscal 2012 review—The Fuji Susono Plant has been implementing environmental management programs focused primarily on the "effective use of resources," "pollution prevention," and "core business operations." As a result, we achieved our targets regarding "reducing electric power consumption per kilogram of production by 1%," "reducing substandard product output per 100,000 product units by 2%," and "maintaining a green purchasing ratio of 95% or higher."

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SO _x (t)	NO _x (t)
2012	524,263	17,752,666	2,078,862	848.0	0.585	12,972	0.014	2.415

* Note: The Fuji Susono Pharmaceutical Plant is situated on the grounds of the Fuji Susono Plant.

Hyogo Miki Plant



Location: 1838-266, Aza Nakao, Shijimi-cho Toda, Miki-shi, Hyogo 673-0514

General manager: Akifumi Doi

Products produced: Concentrated *Yakult*, concentrated *Yakult 400*, concentrated *Yakult 400LT*, *Sofuhl*, *Mil-Mil*, *Mil-Mil S*



Trees planted in commemoration of "Green Wave 2012"

Plant grounds area: 50,864m² **Building floor space:** 26,190m²

Number of employees: 134



Toshihiro Chitoku
Section Manager,
Facilities Management
Section

Fiscal 2012 review—In fiscal 2012, we gave top priority to getting the new plant up and running, and we were, therefore, unable to launch major environmental protection campaigns. Having established smooth production operations, however, we are planning to implement measures going forward with such objectives as "conserving resources, conserving energy, recycling waste products, and proactively undertaking projects that contribute to local communities." In these ways, we intend to deepen our roots in local communities and make our plant a highly dependable and trusted facility.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SO _x (t)	NO _x (t)
2012	166,626	7,423,373	1,234,546	192.6	1.245	6,106	0	0

Saga Plant

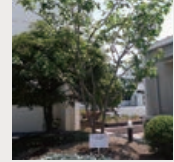


(ISO14001 certification obtained on December 21, 2001)

Location: 2300, Tamichigari, Kanzaki-machi, Kanzaki-shi, Saga 842-0002

General manager: Megumi Tagomori

Products produced: Concentrated *Yakult*,* concentrated *Yakult 400*,* concentrated *Yakult 400LT*,* *Joie (Drinkable Yogurt)*, *Pretio*, *Mil-Mil S*
*Production began from April 2013



Trees planted in commemoration of "Green Wave 2012"

Plant grounds area: 20,936m² **Building floor space:** 12,111m²

Number of employees: 122



Takashi Kotsubo
Manager, Facilities
Management Section

Fiscal 2012 review—We began construction of a new building from April 2011, and all our staff members have been concertedly doing their utmost to ensure that production in the new building gets off to a good start. Regarding environmental protection activities implemented during fiscal 2012, we were able to reduce our CO₂ emissions by 639,092kg, a figure that represents 132% of our reduction target. Going forward, we will proactively promote environment-friendly production activities while also striving to engage in environmental protection activities in close cooperation with nearby communities.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	LPG Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	185,344	5,358,208	251,629	184.7	25.860	4,235	0	0.802

Kumamoto Plant



(ISO14001 certification obtained on February 8, 2002)

Location: 3-24-1, Kamikumamoto, Kumamoto-shi, Kumamoto 860-0079

General manager: Arata Watashima

Products produced: Concentrated *Yakult*, concentrated *Yakult 400*

Plant grounds area: 15,234m² **Building floor space:** 6,581m²

Number of employees: 39



Trees planted in commemoration of "Green Wave 2012"

Fiscal 2012 review—While moving ahead with the implementation of our plant reorganization plan, we were able to reduce energy consumption through the reevaluation of production processes and through such initiatives as those to turn off the lighting of our advertising tower during certain time periods and promote reductions in plant staff members' use of private cars for commuting, and we were thereby able to attain our CO₂ emissions reduction target. We also implemented environmental protection campaigns, including a weeding campaign on the banks of the Iseri River and a cleanup campaign in areas nearby our plant.



Masaharu Miyabe
Section Manager,
Facilities Management
Section

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	Heavy Fuel Oil Usage (kl)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	87,861	1,447,000	364	90.5	12.432	1,745	0.370	0.911

Shonan Cosmetics Plant



(ISO14001 certification obtained on July 12, 2002)

Location: 2-5-10, Kugenumashinmei, Fujisawa-shi, Kanagawa 251-0021

General manager: Toshiya Yanagisawa

Products produced: Cosmetics products

Plant grounds area: 4,455m² **Building floor space:** 3,200m²

Number of employees: 43



Trees planted in commemoration of "Green Wave 2012"

Fiscal 2012 review—At the Shonan Cosmetics Plant, we moved ahead with measures to install LED lighting fixtures and thereby reduced our electric power consumption. As part of our social contribution activities, we proactively participated in such cleanup campaigns as the Enoshima Clean Campaign and thereby deepened our ties with local communities. Going forward, we will continue to increase the share of our lighting provided by LED fixtures and aim to achieve additional reductions in our electric power consumption.



Takato Suguri
Manager, General
Affairs Section

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	15,309	580,317	26,074	18.9	0.681	329	0	0.044

Kyoto Plant*



(ISO14001 certification obtained on October 29, 1999)



Yoshiharu Wada
Manager, Facilities
Management Section

Location: 38, Tohachi, Makishima-cho, Uji-shi, Kyoto 611-0041
General manager: Akifumi Doi
Products produced: Concentrated *Yakult*, concentrated *Yakult 400LT*, *Mil-Mil*, *Mil-Mil S*

Plant grounds area: 19,180m² **Building floor space:** 7,440m²
Number of employees: 87



Trees planted in commemoration of "Green Wave 2012"

Fiscal 2012 review—At the end of August 2012, the Kyoto Plant discontinued the production operations it had carried out for 49 years. We sustained our efforts to reduce energy consumption and waste product volume and other environmental protection measures right up to the halt of production operations, which was completed without any associated problems. We greatly appreciate the support and cooperation we have received over many years.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	89,559	1,793,705	331,156	74.0	0.057	1,559	0	0.223

* The Kyoto Plant was closed at the end of August 2012. Data regarding the plant's location, general manager, products produced, plant grounds area, building floor space, and number of employees are figures as of April 1, 2012.

Fukuyama Plant*



(ISO14001 certification obtained on February 22, 2002)



Mikio Kinoshita
Section Manager,
Facilities Management
Section

Location: 5253, Kamura-cho, Fukuyama-shi, Hiroshima 729-0112
General manager: Megumi Tagomori
Products produced: Concentrated *Yakult 400*, concentrated *Yakult 400LT*, *Sofuhl*

Plant grounds area: 18,638m² **Building floor space:** 4,121m²
Number of employees: 45



Trees planted in commemoration of "Green Wave 2012"

Fiscal 2012 review—The Fukuyama Plant was closed at the end of September 2012, but we sustained our environmental activities to the last and were thereby able to achieve an additional reduction in our energy consumption and our waste product generation. We would like to express our heartfelt thanks for the support and cooperation the Fukuyama Plant's environmental activities received over many years, and right up to the time of the plant's closing.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	Heavy Fuel Oil Usage (kℓ)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	54,581	1,126,296	219	65.2	0.204	1,334	0.231	0.658

* The Fukuyama Plant was closed at the end of September 2012. Data regarding the plant's location, general manager, products produced, plant grounds area, building floor space, and number of employees are figures as of April 1, 2012.

Yakult Central Institute for Microbiological Research



(ISO14001 certification obtained for Central Institute Analytical Center on January 11, 2001)



Hiroshi Yamada
Section Manager,
Facilities Management
Section

Location: 1796, Yaho, Kunitachi-shi, Tokyo 186-8650
General manager: Fumiyasu Ishikawa
Research fields: Development research for foodstuffs, pharmaceuticals, and cosmetics; research related to intestinal bacteria; bioactive substance discovery research; biotechnology research; product and material safety testing and research; analytical testing

Plant grounds area: 21,257m² **Building floor space:** 23,670m²
Number of employees: 279



Trees planted in commemoration of "Green Wave 2012"

Fiscal 2012 review—The Central Institute for Microbiological Research is currently constructing three new buildings, with 22,100m² of total floor space, which are scheduled to be completed during fiscal 2013. While our total energy consumption is expected to rise going forward, we plan to operate as an environment-friendly research facility by making use of natural energy and by efficiently making use of highly energy-efficient equipment. At the same time, we will be building sound networks of communication with local communities and promoting the implementation of activities based on close cooperation with relevant government authorities.

Fiscal Year	Water Usage (m ³)	Electric Power Usage (kWh)	City Gas Usage (m ³)	Waste Product Emissions (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
2012	46,907	8,301,727	702,204	120.2	3.100	5,427	0	0.160

Activities of Principal Overseas Business Sites (*Figures for numbers of employees are as of December 31, 2012.)

Yakult Co., Ltd. (Taiwan)

Location: Taipei

Start of operations: March 1964

Number of employees: 325

Business scope: Manufacture and marketing of *Yakult*, *Yakult 300*, *Yakult 300 Light*, etc.

Environmental activities

To facilitate the reuse and sale of waste products generated at the company's plant, the waste products are separated into seven categories. Based on an agreement with the government, the company provides NT\$8-9 million each year to cover the cost of collecting and disposing of empty containers of such products as *Yakult*.

Since 2006, the company has had an energy conservation committee at its plant that is considering the installation of energy-saving equipment and working to increase employee consciousness of energy conservation issues.

Hong Kong Yakult Co., Ltd.

Location: Hong Kong Special Administrative Region

Start of operations: June 1969

Number of employees: 179

Business scope: Manufacture and marketing of *Yakult* and *Yakult Light*

HACCP certification: 2013

ISO9001 certification: 2001

ISO22000 certification: 2013

Environmental activities

Paper, empty containers, aluminum, OPP film, petri dishes, and other waste products are separated from waste generated by the plant and are collected and recycled by a specialist company. The company has introduced an immersed membrane filter at its wastewater treatment facility and has taken measures to simplify treatment processes and improve the quality of wastewater emissions.

Because sunlight entering the plant building through windows led to sharp temperature increases, all windows have been covered with light-blocking film as a means of preventing such temperature rises.

Social activities

To foster a positive corporate image and increase exchanges with local communities, the company has promoted plant tours, and the number of people annually participating in such tours has surpassed 30,000. In addition, the company organized cleanup campaigns with respect to sidewalks and roads near its production plant.

In addition, the company is co-sponsoring diverse health-related and charity events in the Hong Kong-Macau region.

Yakult (Thailand) Co., Ltd.

Location: Bangkok

Start of operations: June 1971

Number of employees: 1,314

Business scope: Manufacture and marketing of *Yakult*

HACCP certification: 2012



Environmental activities

By introducing GPS operations management systems for logistics trucks, monitoring vehicle speeds, engine speed, vehicle locations, and other factors, and checking if drivers are speeding or idling their vehicles for long periods of time, the company is working to reduce its fuel consumption and CO₂ emissions. In addition, the company has introduced systems for monitoring its consumption of electric power and water, and it is

employing those systems in connection with its efforts to reduce energy consumption.

Regarding industrial waste products, the company separates recyclable items for sale to specialized companies, and it has achieved zero emissions performance with respect to trash incineration.

Korea Yakult Co., Ltd.

Location: Seoul

Start of operations: August 1971

Number of employees: 1,137

Business scope: Manufacture and marketing of *Yakult*, *Yakult Ace*, *Yakult 400*, etc.

HACCP certification: 1998

ISO9001 certification: 1998

Environmental activities

As a part of its environmental protection measures, the company has further stepped up its previous programs for collecting used product containers. The company is also using the A&G Environmental Water Purification System for plant wastewater treatment, and its Nonsan Plant undertakes such environmental conservation measures as those to provide funding for the nature conservation campaigns of local schools.

Social activities

The company has organized a "Love Help Campaign" that calls for donating 1% of all employees' salaries to such charitable organizations as those that care for underprivileged children. The company is also implementing the "Love *Kimjan* (kimchi-making) Campaign," in which the Yakult Ladies make kimchi each autumn and provide it free of charge to needy elderly people throughout South Korea.

Yakult Philippines, Inc.

Location: Manila

Start of operations: October 1978

Number of employees: 797

Business scope: Manufacture and marketing of *Yakult*

Environmental activities

The company sorts its waste materials into the categories of aluminum, plastics, metal cans, waste oil, and general trash and commissions their processing by government-approved specialist companies.

Social activities

Aiming to promote sports, the company annually organizes the "Yakult 10-mile marathon" event.

It cooperates with doctors who perform checkups in health clinics and helps them provide patients with explanations regarding gastrointestinal functions and guidance regarding the maintenance of a balanced diet. In addition, it provides the fermented milk drink *Yakult* free of charge to people cooperating with Red Cross blood donation drives.



Yakult (Singapore) Pte., Ltd.

Location: Singapore

Start of operations: July 1979

Number of employees: 146

Business scope: Manufacture and marketing of *Yakult* and *Yakult Ace Light*

HACCP certification: 2002

ISO9001 certification: 2003

Environmental activities

The company thoroughly sorts its waste products and arranges for the sale of such valuable resources as waste paper, cardboard, waste plastic, and scrap iron to specialized recycling companies. It also arranges for the collection and reuse of such resources as waste aluminum foil and waste oil by specialized recycling companies. To reduce its water consumption, the company has continued to position restrictive orifices within water pipes to reduce flow rates.

Social activities

The company provides funds and products to support the symposia, regional health lecture meetings, and other activities organized by the Singapore Cancer Society, and it has been a sponsor of symposia organized by the National Foundation for Digestive Diseases (NFDD) for more than 20 years.

Aiming to increase its exchanges with local communities, the company proactively organizes plant study tours. More than 15,000 people visit the company's plants each year, and the company takes the opportunity to explain to those visitors about the development of Yakult's operations outside Japan.

P.T. Yakult Indonesia Persada

Location: Jakarta

Start of operations: January 1991

Number of employees: 3,135

Business scope: Manufacture and marketing of *Yakult*

ISO22000 certification: 2011

Environmental activities

Since December 2010, the Sukabumi Plant has operated the A&G Environmental Water Purification System. In light of the delayed development of local infrastructure, the company is using its new water purification system as a demonstration facility as it works to promote the construction of additional such facilities and thereby increase the effective use of used *Yakult* containers.

Social activities

Among other social contribution programs, the company works to increase the understanding of Yakult and increase exchanges with local communities by organizing plant tours and film showings. Besides cosponsoring various kinds of symposia, the company organizes booths at local food product exhibitions and participates in Indonesia-Japan friendship promotion programs and other events to promote a better understanding of the benefits of *Yakult* fermented milk drinks.

Yakult Australia Pty. Ltd.

Location: Dandenong

Start of operations: February 1994

Number of employees: 96

Business scope: Manufacture and marketing of *Yakult* and *Yakult Light*

HACCP certification: 2009

ISO9001 certification: 2004

Environmental activities

By reevaluating plant facilities' operating time periods and settings, the company has reduced its consumption of electric power and natural gas used as fuel. South Australia is implementing a container recycling law, and the company and other beverage makers are paying an A\$0.10 tax to the authorities for each container of beverage marketed.

Social activities

The company is cosponsoring the social contribution activities of the AFL Essendon Australian football club and the Melbourne Rebels Super Rugby club.

Yakult (Malaysia) Sdn. Bhd.

Location: Shah Alam

Start of operations: February 2004

Number of employees: 194

Business scope: Manufacture and marketing of *Yakult Ace* and *Yakult Ace Light*

HACCP certification: 2006

Environmental activities

Trash generated at the plant is separated into three categories and consigned to a contractor for processing. The plant's wastewater is purified with an activated sludge-type wastewater treatment facility. The quality of discharged water by that facility is analyzed by a contractor monthly and reported to the government's environmental agency.

Social activities

To alleviate the suffering of a youth who has undergone an artificial anus operation to treat imperforate anus conditions and can therefore not control his bowel functions, the company provides gratis supplies of *Yakult* fermented milk drinks, diapers, study supplies, and other products. In addition, the company distributes the Yakult Newsletter three times each year as a means of providing ordinary consumers with health-related information.

Yakult (China) Corporation

Location: Shanghai

Start of operations: April 2005

Number of employees: 785

Business scope: Supervision of Group companies in China and marketing of *Yakult*

Environmental activities

The company collects the used containers and caps from the fermented milk drink *Yakult* that it distributes daily along with empty PET bottles and provides those items to recycling companies to enable resource reuse.

Social activities

The company engages in social contribution programs aimed at popularizing probiotics health maintenance methods. It strives to (1) popularize and promote Intestinal Health Day, (2) cosponsor symposia related to lactic acid bacteria, and (3) collaborate with hospitals, universities, and research institutions, and hold health classes, sampling activities, and plant study tour programs to disseminate information to ordinary customers.

In addition, the company participates in the Seven Star Food Product Safety Contest organized by the leading Chinese business media outlet, China Business News. Yakult was named one of the 100 most-trusted food product brands, and the company received the Food Product Safety Grand Prize.



Guangzhou Yakult Co., Ltd.

Location: Guangzhou

Start of operations: June 2002

Number of employees: 666

Business scope: Manufacture and marketing of *Yakult*

HACCP certification: 2004

ISO14001 certification: 2003

ISO9001 certification: 2003

Environmental activities

By using recycled water, the company has reduced its water consumption by approximately 800t/month, and this achievement was highly evaluated by the city of Guangzhou and its development zone. By equipping four air compressors with inverter controls as well as a system for controlling the number of units in operation, the company was able to realize a 40% reduction in electric power consumption. Similarly, the company achieved a 9% reduction in its diesel fuel consumption through the installation of a system for controlling the number of its four boilers in operation.

Social activities

Aiming to increase exchanges with local communities, the company is promoting plant study tours. During fiscal 2012, 419 study tour sessions were implemented, and approximately 26,000 people participated in the tours. In addition, the company is cooperatively organizing diverse volunteer activities based on a tie-up with Shenzhen University.

Shanghai Yakult Co., Ltd.

Location: Shanghai

Start of operations: May 2005

Number of employees: 318

Business scope: Manufacture and marketing of *Yakult*

HACCP certification: 2008

ISO9001 certification: 2008

Environmental activities

By shifting to the use of LED lighting fixtures in its plant, the company has reduced its electric power consumption by approximately 395,148kW. In addition, the company has decreased the volume of trash bags it uses by reevaluating its container processing method and purchasing a pulverizing unit that has lowered waste product volume levels.

Social activities

Each year prior to the Lunar New Year, the company donates funds for community activities through the Jiading District Government.

Tianjin Yakult Co., Ltd.

Location: Tianjin

Start of operations: August 2011

Number of employees: 86

Business scope: Manufacture of *Yakult*

Environmental activities

By changing the type of stretch film it employs, the company has been able to reduce the number of cardboard tubes it discards to one-third the previous level. In addition, as a part of its energy conservation strategies, the company has worked to reduce the amount of energy it uses for heating and air conditioning by employing energy-loss-free ventilation equipment that recovers heat or coolness from exhaust air, and its employment of high-efficiency fluorescent lighting fixtures has resulted in a 20% reduction of lighting-related power consumption. The company employs natural gas as its boiler fuel, so that its soot emissions are insignificant.

Social activities

Aiming to create a "plant that is open to society," the company arranges plant study tours for groups of all sizes as well as individuals. When requested, the company arranges for its managers to provide explanations of corporate policies and food hygiene maintenance efforts. In February 2012, the company's plant was certified by the city of Tianjin's commercial tourism exposition assessment committee as a model factory, thereby increasing opportunities for hosting tourists coming from distant locations. This certification has greatly expanded the plant's interactions with society—250 study tour sessions were implemented, and approximately 14,539 people participated in the tours.



Yakult Vietnam Co., Ltd.

Location: Ho Chi Minh City

Start of operations: September 2007

Number of employees: 220

Business scope: Manufacture and marketing of *Yakult*

HACCP certification: 2010

ISO22000 certification: 2010

ISO14001 certification: 2011

Environmental activities

Based on its 2013 plant management policy, the company is emphasizing measures to make its plant a "green factory." The company is implementing activities designed to reduce energy consumption and attain other objectives.

Social activities

The company is arranging study tours of its wastewater-processing facility.

As a part of its social contribution programs, the company is striving to maintain management processes in accordance with the green factory program of Binh Duong Province. In addition, the company proactively cosponsored and participated in local events held on World Environment Day.

Yakult Danone India Pvt. Ltd.

Location: New Delhi

Start of operations: January 2008

Number of employees: 150

Business scope: Manufacture and marketing of *Yakult*

HACCP certification: 2010

ISO9001 certification: 2011

Environmental activities

The company collects waste from its plants and arranges for the recycling of resources from that waste. In addition, the company is maintaining wastewater and ventilation processes in accordance with national environmental standards.

Social activities

In November 2011, the company established the Yakult India Microbiota and Probiotic Science Foundation.

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

Location: Sao Paulo

Start of operations: October 1968

Number of employees: 2,499

Business scope: Manufacture and marketing of *Yakult*, *Yakult 400*, *Sofyl*, etc.

HACCP certification: 2004

Environmental activities

The company uses a pulverizing unit to process all its cap-related aluminum waste materials and plant-use container waste materials before selling those materials to recycling companies. The company employs natural gas as its boiler fuel, so that its soot emissions are insignificant.

Because the San Bernardo Plant is situated within the municipal water supply region of Sao Paulo, a decision was made based on environmental risk assessments to shift operations to the Lorena Plant.

Social activities

The company provides plant tours and cosponsors various Brazilian baseball activities as well as provides donations and otherwise supports the activities of Japanese cultural organizations. It also is cosponsoring occupational training programs for people with physical disabilities.

Yakult S.A. de C.V. (Mexico)

Location: Mexico City

Start of operations: October 1981

Number of employees: 2,951

Business scope: Manufacture and marketing of *Yakult*, *Yakult 40LT*, *Sofúl LT*, *Sofúl (drink)*, etc.

HACCP certification: 2002

Environmental activities

The company sorts its waste products and sells them to a certified waste processor, and it also arranges to dispose of old manufacturing facilities and similar equipment through sales to recycling processors. To reduce the amount of electricity it uses, the company takes advantage of late-night power for ice bank and water tower operations and intermittently operates the wastewater treatment facility blowers during specified late-night periods. In accordance with relevant laws and regulations, the company plans and implements inspections within its plants for the purpose of promoting environmental protection.

Social activities

In cooperation with Mexico's Ministry of Health, the company is promoting activities designed to increase Mexicans' consciousness of health issues, including campaigns to disseminate information about how to improve diets, maintain good food hygiene standards, and improve exercise habits.

During the period from March 1 through April 30, 2012, Distribuidora Yakult Guadalajara S.A. de C.V. implemented a program that accumulated donations for Guadalajara's Hospital Civiles hospital at a rate of one centavo (approximately ¥0.06) per bottle of the fermented milk drink *Yakult* sold. The accumulated donations are being used to fund health care for infants.

Yakult U.S.A. Inc.

Location: Los Angeles

Start of operations: October 1999

Number of employees: 59

Business scope: Manufacture and marketing of *Yakult* and *Yakult Light*

Environmental activities

The company separates waste paper, containers, and other kinds of waste materials generated at its facilities and arranges for their collection and recycling by specialized companies.

Social activities

The company cosponsors symposia organized by the American Academy of Family Physicians. In addition, the company donates Yakult products for distribution at events organized by Japanese schools as well as other local schools.

Yakult Europe B.V.

Location: Almere

Start of operations: March 1996

Number of employees: 127

Business scope: Supervision of Group companies in Europe and manufacture of *Yakult* and *Yakult Light*

HACCP certification: 2003

ISO14001 certification: 2000

ISO9001 certification: 2005

Environmental activities

Having obtained ISO14001 certification of its environmental management system, the company uses that system to move forward with a full range of measures to reduce its environmental impact in a sustained manner. The company registered with the energy conservation plan introduced by European environmental authorities and has set itself energy consumption targets for the period from 2009 through 2012 as well as the period from 2013 through 2016. It is moving ahead with measures designed to achieve those targets in accordance with suggestions from the relevant authorities.

Social activities

Yakult Europe B.V.: The company organized the Yakult International Symposium for participation by people working in connection with medical care and science. In addition, the company implemented plant study tours for consumers, people involved with medical care, nutritionists, and others.

Netherlands: The company distributed samples of Yakult products to athletes and others associated with Olympic and Paralympic games, thereby contributing to the health and health management of athletes. In addition, the company co-sponsored a bicycle touring event organized by the Dutch Stomach-Intestine-Liver Foundation (Maag Lever Darm Stichting (MLDS)).

Belgium: The company organized mini-seminars that included health-related lectures and cooking sessions for nutritionists, other medical care professionals, and others. The company also provided the fermented milk drink *Yakult* to hockey and volleyball clubs as a means of contributing to athletes' health and health management.

United Kingdom: The company co-sponsors the Bowel Cancer UK organization and participates in the running events organized by that organization. In addition, it has become a sponsor of the IBS Network, the Royal Opera House, and other organizations.

Germany: The company makes a cultural contribution as a sponsor of a children's opera program in Cologne that is designed to promote young people's aesthetic education. As an official sponsor of the training center of Germany's Olympic team, the company provides *Yakult* fermented milk drink products to the training center as a means of contributing to the health and health management of promising Olympic athletes.

Austria: The company works as a sponsor of the local Red Cross chapter to provide blood donors with *Yakult* fermented milk drink products and also helps contribute to athletes' health and health management by donating *Yakult* fermented milk drink products to such organizations as soccer clubs and running clubs.

Italy: The company sponsors academic conferences focused on medical care professionals and researchers. In addition, the company is a sponsor of marathons, swimming competitions, consumer fairs, fitness associations, and other organizations and events.

Third-Party Perspective

The Yakult Group has proactively expanded its operations in global markets since 1964 and currently has a presence in 32 countries and regions around the world. During fiscal 2012, the Group's global sales of dairy products surpassed the level of 30 million units per day for the first time. One gets the strong impression that the Group has a resolute ambition to achieve business growth through sales in global markets. In view of the Yakult Group's powerful dynamism, I recommend that the Group aim to further consolidate the respect of stakeholders throughout the world and promote an additional surge of business growth by undertaking activities going forward, with emphasis on the following three themes.

- **Disclose information on existing activities related to value chains**

As evidenced by a lack of product quality problems requiring voluntary recalls or similar countermeasures, it is clear that the Group has successfully maintained highly rigorous product quality standards, and I think this should be given special emphasis in the CSR report. I believe that this sustained success regarding high product safety standards reflects not only the raw materials-related systems and procedures instituted on a Groupwide basis, but also thorough measures taken with respect to suppliers. The Group has taken concrete steps to update and expand the scope of its action standards, and I would recommend that the Yakult Code of Ethics and Code of Practice items disclosed via the Group's website also be included in the CSR report. Corporate responses to human rights, bribery, and corruption issues have attracted increasing attention worldwide since the creation of the ISO26000 standard for CSR activities, and Yakult is engaged in procurement and manufacturing activities on a global scale. Disclosing information about the Group's autonomously adopted rigorous ethical standards is something that I believe will foster a further increase in the confidence people have in the Group. In addition, while the safety assurance information in this report relates only to operations in Japan, I would suggest that it may be beneficial to begin including, to the extent that is feasible, a certain amount of information about measures being taken to ensure product safety overseas.

As Yakult was early in boldly venturing into overseas markets from 1964, when Japan was still sustaining rapid economic growth, the number of Yakult Ladies overseas has grown to more than 40,000, a number greater than the number of Yakult Ladies in Japan. Yakult's efforts to build marketing systems, including the value-chain element represented by Yakult Ladies, have been an important part of the foundation for the Group's dynamic power. Going forward, I would like to see more information about the activities of Yakult Ladies throughout the world—how they are recruited and trained, how they perceive themselves as members of the Yakult Ladies network, how they respond to special local needs, and how they disseminate and promote Yakult's Shirota-ism philosophy in their respective regions.

- **Measuring corporate resource input volumes and associated output or benefit volumes**

Yakult's activities for contributing to local communities and protecting the natural environment are being carried out on a Companywide basis. Since numerous kinds of activities for contributing to local communities are being implemented worldwide in line with regional needs, I get the feeling that Yakult has created an environment permeated by the corporate philosophy in which due attention is being given to the identification of local needs. However, it is also true that activities for contributing to local communities and protecting the natural environment require the investment of various



Makiko Akabane
Director of CSR Asia Japan office

Profile

Ms. Akabane has over ten years' of CSR management experience in multi-sector and multi-national companies. Her initiatives to create corporate units focused on environmental responsibilities and contributions to society and her efforts to organize employee volunteer programs have been highly evaluated. Besides her work in Japan, she has experience launching CSR projects in Singapore, Thailand, South Korea, and China. She has bachelor degrees in political science and biology from Waseda University (Japan) and has pursued graduate studies at the University of California at Riverside (U.S.), Tufts University (U.S.), and Keio University (Japan). She has presented lectures at diverse venues, including Japan's Ministry of the Environment, Keio University, the World Bank, the British Council, and Toyo Keizai Inc., and she has written third-party evaluations of CSR reports issued by numerous companies. Recognized as a leading expert in the CSR field, she is frequently consulted by companies asking for her views on CSR issues.

kinds of corporate resources, such as personnel, employees' time, know-how, and funds. In line with the expanding scope of the information and explanations companies are believed to have a responsibility to provide, it would be useful to begin measuring the amount of resources invested in these activities and comparing the associated quantitative and qualitative benefits provided to local communities as well as to society at large.

I would also like to recommend that Yakult measure the benefits of its employee training programs. Currently, the explanations of these programs are limited to descriptions of training themes and the numbers of participants. It may be possible to provide some quantitative information on the corporate resources invested in training programs and some qualitative information about the benefits of the programs, such as information about changes in the situations of employees before and after the programs. I recommend that Yakult begin considering the possibility of providing explanations about whether its training and human resource development programs are producing results.

- **Water-Related Efforts among Environmental Action Plan Targets**

Yakult has achieved some excellent results from its water-related environmental protection efforts, such as the water conservation benefits of the rain-water harvesting capabilities of the new Hyogo-Miki plant and the benefits from the use of A&G Environmental Water Purification Systems, which incorporate empty *Yakult* drink containers with the bottoms removed, at several locations including overseas plants. However, there is no water-related item in the list of Yakult Environmental Action Plan targets. The report does provide data on water usage, wastewater volume, and water quality with respect to the environmental impact of business operations, but there is no water-related item in the explanation of the attainment of the Yakult Environmental Action Plan Phase 4 Plan Action Targets or the explanation of Phase 5 Plan Action Targets. From a global perspective, water-related issues are among the most-important environmental issues. There are innumerable water-related issues, such as those associated with excessive water leading to flooding, insufficient water leading to shortages, and water quality problems leading to insufficient access to safe water supplies. Given that Yakult's core operations include the production of beverages and cosmetics offerings, I believe that water-related efforts have a particularly close relationship to the Group's business. Going forward, I hope to see water-related items included in the environmental action targets, and I expect that such an inclusion will provide convincing evidence of the comprehensive scope of Yakult's environmental protection efforts.

Response to the third-party opinion

We are very pleased that Ms. Akabane has been able to provide us with her objective third-party appraisal of the Yakult Social & Environmental Report this year based on her considerable specialist knowledge of the CSR field.

Yakult is maintaining its commitment to carrying out its responsibilities to society through activities based on its corporate philosophy—"We contribute to the health and happiness of people around the world through the pursuit of excellence in life science." In accordance with this commitment, we are aiming to be a company that contributes to the creation of a sustainable society and operates in harmony with its stakeholders in Japan and throughout the world. In our various CSR activities, we are seeking to maximize the benefits attainable through the use of our unique home-delivery systems and by leveraging other special characteristics of our business models, and this report provides information on the way we have developed those diverse CSR activities.

Having read Ms. Akabane's suggestions with respect to increasing our emphasis on the abovementioned three themes, I would like to say that I wholeheartedly agree that each of those themes is worthy of increased

emphasis in the context of our efforts going forward to appropriately carry out our responsibilities to society and realize an additional surge of corporate development in harmony with society at large both in Japan and overseas. We will be giving a great deal of consideration to Ms. Akabane's suggestions as we endeavor to further improve the quality of our CSR programs and make steady progress in the implementation of those programs, while also responding to changes in society and associated changes in the nature of CSR objectives. We will continue to do our utmost to implement social contribution and environmental protection activities that are highly beneficial.

We greatly appreciate Ms. Akabane's guidance in these regards, and we will be striving to make the most of her suggestions.



Hiroshi Narita
Director and Managing Executive Officer
CSR/Environmental Management
Committee Chairman
Yakult Honsha Co., Ltd.

History of Environmental and Social Activities

(Fiscal Years)	
1971	■ Began collecting plastic containers of <i>Yakult</i> fermented milk drink products, etc.
1972	■ Began "Courtesy Visit Activities" by Yakult Ladies
1976	■ Established Plastic Recycling Committee
1991	■ Began using A&G Environmental Water Purification Systems incorporating Yakult filter material to purify wastewater from Yakult Group plants, etc. ■ Established the Environmental Countermeasures Committee and other environmental countermeasure units in Yakult Honsha to promote environmental management
1994	■ Received the Minister of Health and Welfare Award for "Courtesy Visit Activities" ■ Began overhauling and reusing vending machines
1995	■ Drafted Basic Policy on Environment-Friendly Containers and Packaging and Container and Packaging Environment-Friendliness Evaluation Standards
1996	■ Fukushima Plant selected for FY1996 MITI Minister's Award for Factory Energy Management Excellence
1997	■ Drafted the Yakult Basic Policy on the Environment (including the Environmental Philosophy and Action Directives)
1999	■ Established Green Purchasing Guidelines ■ Acquired ISO14001 certification for the Kyoto Plant and subsequently obtained this certification for all of Yakult Honsha's plants
2000	■ Began annually publishing and distributing the <i>Yakult Environmental Report</i>
2001	■ Drafted Environmental Accounting Guidelines and began annually disclosing environmental accounting data
2002	■ Drafted Environmental Pollution Risk Management Directive and Waste Product Management Directive
2003	■ Revised the Action Directives of the Yakult Basic Policy on the Environment ■ Drafted Eco Vision 2010
2004	■ Created the Yakult Environment Symbol
2005	■ Began presenting flowers to elderly people on Respect for the Aged Day to commemorate the 70th anniversary of Yakult's founding ■ Began sponsoring the FINA World Swimming Championships ■ Organized Symposium "Leaving Behind a Better Water Environment" ■ Acquired ISO14001 certification for the Okayama Plant and completed the receipt of this certification for all 24 Group plants
2006	■ Central Institute selected for FY2006 Tokyo Metropolitan Environment Award (Governor's Award) ■ Central Institute selected for FY2006 Japan Society on Water Environment Technology Award ■ Began introducing non-fluorocarbon vending machines that use a natural refrigerant ■ Began third phase of Yakult Environmental Action Plan
2008	■ Participated in the Team Minus 6% program of the Ministry of the Environment
2010	■ Revised the Action Directives of the Yakult Basic Policy on the Environment ■ Renamed the Environmental Countermeasures Office as the CSR and Environmental Promotion Department ■ Began the fourth phase of Yakult Environmental Action Plan ■ Central Institute earns AA+ evaluation for outstanding greenhouse gas reduction performance based on the Tokyo Metropolitan Government's Prevention of Urban Global Warming system
2011	■ Donated combined-treatment septic tanks incorporating Yakult filter material to temporary medical care facilities built in earthquake-impacted regions of Iwate Prefecture
2012	■ Instituted "Basic Policy on CSR" and "Yakult Sustainable Ecology 2020" ■ Drafted "Yakult Environmental Action Plan" Phase 5 Plan Action Targets ■ Participated in the "Green Wave 2012" program promoted by Japan's Ministry of the Environment

Yakult

YAKULT HONSHA CO., LTD.

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

Inquiries: CSR and Environmental Promotion Department, Public Relations Department

Telephone: +81-3-3574-8920 (Direct) Fax: +81-3-3575-1636

URL: <http://www.yakult.co.jp>

<http://www.yakult.co.jp/english/>

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