



Climate change



Innovation



Plastic containers
and packaging



Value co-creation with
communities



Water



Supply chain
management

Sustainability Report 2023

Yakult

About the Sustainability Report 2023

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On the terms used in this report

In this report "workers" refers to persons working for the Yakult Group, including independent contractors such as Yakult Ladies and Yakult Beauty Advisors. The term "employees" includes regular employees, full-time contract employees, contract employees and temporary staff, and excludes the independent contractors.

Yakult's corporate communications tools

- Company profile
<https://www.yakult.co.jp/english/company/index.html>
- Sustainability website
<https://www.yakult.co.jp/english/sustainability/>
- *Sustainability Report* (this report)
- *Sustainability Stories**
<https://www.yakult.co.jp/english/sustainability/download/>
- IR information website
(management policy, financial and stock information)
<https://www.yakult.co.jp/english/ir/>
- *Annual Report*
<https://www.yakult.co.jp/english/ir/library/annualreport.html>

*Called the *CSR Communication Book* through fiscal 2021.

Editorial Policy

The *Yakult Sustainability Report 2023* was prepared based on the following key concepts from the Yakult Group's CSR activities in fiscal 2022.

► Comprehensively disclosing sustainability and CSR activities

Through dialogue and sincere communication with stakeholders, the Yakult Group aims to further develop its sustainability and CSR activities and respond to the expectations of society.

We have prepared this report as a communications tool aimed at investors, those working at ESG research organizations and other stakeholders, using a comprehensive and structured presentation of our sustainability and CSR activities that allows us to both verify the results of our own activities and be evaluated by society.

We also publish the *Sustainability Stories* as a communications tool aimed at general consumers.

► Presenting the Yakult CSR Action Plan by ESG area

Organizing our sustainability and CSR activities in line with ESG categories, we use the Yakult CSR Action Plan to identify and work on achieving specific annual action targets. The initiatives detailed in this report are presented under each separate ESG area: environmental, social and governance.

► Greater reporting on materiality

The Yakult Group identified six material themes in March 2021. Accordingly, this report provides greater details about our environmental initiatives—climate change, plastic containers and packaging, and water—and social initiatives—innovation, value co-creation with communities and supply chain management—along with messages from the chief officers in charge of operations closely linked with these issues.

► Timely disclosure of sustainability and CSR activities

We update our sustainability website to provide information about Yakult Group sustainability and CSR activities in a timely manner. Relevant information is disclosed on an ongoing basis.

Publishing date

Japanese edition: September 2023

(Previous edition: September 2022, next edition: September 2024)

English edition: November 2023

(Previous edition: November 2022, next edition: October 2024)

Publishing format

Published online only (in both Japanese and English)

Period covered

Fiscal 2022 (April 1, 2022 through March 31, 2023)

Note that for information considered important, this report covers periods before or after fiscal year 2022.

Scope of data

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

Scope by type of data

Financial data: Yakult Honsha Co., Ltd., 71 subsidiaries and 18 affiliated companies

Environmental and social data: Scope indicated individually

Governance data: Yakult Honsha Co., Ltd.

Guidelines referenced

- GRI Sustainability Reporting Standards 2016 (Core option)
Note: GRI Guidelines Cross-Reference Table published on our website
- Environmental Reporting Guidelines
- Environmental Accounting Guidelines

Third-party assurance and opinions

This report includes expert third-party opinions on ESG, which are incorporated into the PDCA cycle. To enhance the reliability of this report, the data it includes on GHG emissions and environmental and social performance has undergone third-party verification by SOCOTEC Certification Japan.

Disclaimer

If information provided in previous sustainability and CSR reports has been revised or restated, or if significant changes have been made, the details will be included in this report.

Overview of Yakult's Operations

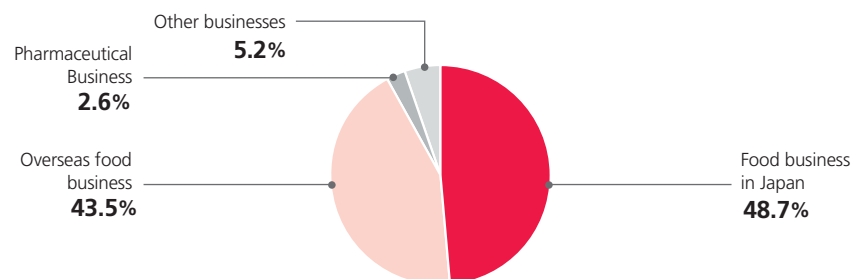
Profile of Yakult Honsha (as of March 31, 2023)

Name:	Yakult Honsha Co., Ltd.
Address:	1-10-30, Kaigan, Minato-ku, Tokyo, Japan
Founded:	April 9, 1955
Businesses:	Manufacturing and marketing of food and beverages, pharmaceuticals, and cosmetics and other operations
Paid-in capital:	31.118 billion yen
Net sales:	(April 1, 2022, to March 31, 2023) 176.79 billion yen (non-consolidated) 483.07 billion yen (consolidated)
Total assets (consolidated):	749.42 billion yen
Net assets (consolidated):	545.50 billion yen
Business sites:	1 research institute, 5 branches, 7 plants, 8 pharmaceutical branches, 12 logistics centers, 2 pharmaceutical distribution centers
Number of employees:	2,765 (including 286 seconded employees and 189 contract employees of which 29 are seconded)

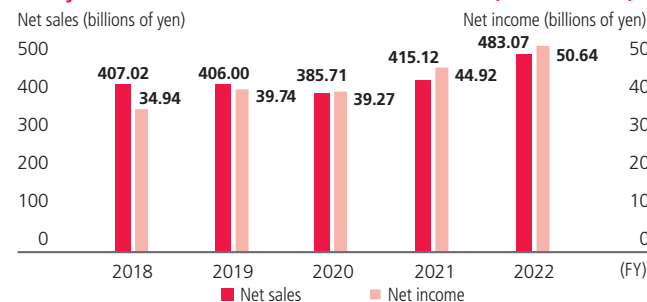
Profile of Yakult Group (as of March 31, 2023)

▶ Japan	▶ Overseas
Marketing companies: 101	Companies: 29
Number of employees: 13,200	Number of employees: 25,751*
Number of Yakult Ladies: 32,709	Number of Yakult Ladies: 50,192*
Number of Yakult Beauty Advisors: 3,575	Marketing regions: 39 countries and regions
Bottling companies: 5	* As of December 2022
Affiliated companies, etc.: 12 companies and 4 associations	

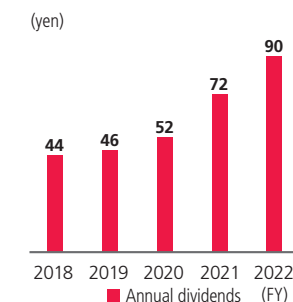
Sales by segment (consolidated)



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



Annual dividends



Overseas operations (as of March 31, 2023)

Yakult is developing its global business with a local focus, based on local production and local sales. We have established sales offices and production plants with deep ties to local communities, and actively hire local employees. We also operate our original Yakult Lady home delivery sales system in 13 countries and regions around the globe.

■ 29 Companies

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

■ 39 countries and regions

Asia and Oceania	Americas	Europe
Taiwan, Hong Kong, Thailand, South Korea, Philippines, Singapore, Brunei, Indonesia, Australia, China, Malaysia, New Zealand, Vietnam, India, the United Arab Emirates, Oman, Bahrain, Qatar, Kuwait, Myanmar	Brazil, Mexico, Uruguay, the United States of America, Canada, Belize	The Netherlands, Belgium, France, the United Kingdom, Germany, Luxembourg, Spain, Ireland, Austria, Italy, Malta, Switzerland, Denmark

Note: As a rule, each Group company produces and sells products locally, but some sell products that are supplied by other Group companies in neighboring countries.

Yakult's Business Operations

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

Food and Beverage Business

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

- Fermented milk drinks • Fermented milk products
- Other beverages

* Reclassified as *Lactocaseibacillus paracasei* strain Shirota in April 2020



Life Science

Life science serves as the foundation of Yakult's business. 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.



- Prescription drugs (anticancer agents) • Quasi-drug products
- Biochemical products, enzyme agents (as reagents and foods and for industrial use)

Since the founding of Yakult, Dr. Shirota focused not only on preventive medicine but also on therapeutic medicine. In 1956, the Company began researching enzymes and developing pharmaceutical products that utilize the characteristics of *lactobacilli*, and marketing enzymes as pharmaceutical ingredients in 1961. We now focus on prescription drugs such as anticancer agents, and have expanded our business into the field of quasi-drug products.

Pharmaceutical Business

International Business

The expansion of Yakult's business to overseas countries flowed naturally from a desire to fulfill Dr. Shirota's wish to "help protect the health of people throughout the world." In 1964, Yakult Taiwan Co., Ltd. commenced operations, marking the start of Yakult's overseas business. *Yakult* is presently sold in 40 countries and regions (including Japan) spanning Asia and Oceania, the Americas and Europe.



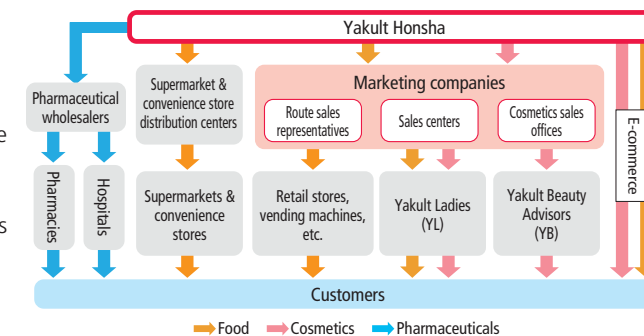
- Basic skin-care products • Makeup products
- Hair-care products • Toiletries

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

Cosmetics Business

Product distribution system

Headed by Yakult Honsha, the Yakult Group consists of marketing companies that sell Yakult products, subsidiary bottling companies that turn the concentrated *Yakult* essence into bottled products, and other related companies. There are approximately 140 Group companies in Japan (approximately 170 when including overseas companies).



▶ Route sales representatives

These representatives deliver products to such destinations as retail stores, vending machines and schools (to be served during meals). They carefully check the temperature and best-before dates so that customers can safely enjoy Yakult products. They also offer information for sales floors and make efforts toward service improvements.

▶ Yakult Ladies

Since 1963, we have operated our unique home delivery system with Yakult Ladies, who now deliver *Yakult 1000* and *Yakult 400* series products and other food and beverages, as well as cosmetic products to customers. Many Yakult Ladies are independent contractors who deliver and sell products after receiving thorough training in food hygiene and Yakult products. Sales centers are important hubs for customer support where products are stored and where Yakult Ladies can share information.

▶ Yakult Beauty Advisors

In addition to conducting door-to-door sales of cosmetics, Yakult Beauty Advisors (YBs) with specialized knowledge of beauty and cosmetics also offer beauty treatments among other services. Cosmetics sales offices are where products are stored and where YBs can share information. Some offices also provide beauty treatments.

▶ Yakult Delivery Net

Yakult has developed a web-based ordering system for home delivery in the light of the growing number of internet users and the diversification of their needs. Payment can be made either in cash to Yakult Ladies or through the web using credit cards.

▶ Yakult Wellness Online

An e-commerce site selling health foods, supplements and other products of the Yakult Group.

Top Commitment

Addressing ESG issues and contributing to the health of people and the planet through our business operations



Hiroshi Narita

President and Representative Director

Shirota-ism: A living tradition at Yakult

Cholera and typhus epidemics were common in Japan when Yakult founder Minoru Shirota was a child. Seeing this, he harbored a strong desire to help those suffering from infectious diseases. While conducting research into microorganisms, he discovered what became known as *Lactobacillus casei* strain Shirota, which could reach the intestines alive and contribute to people's health. Using this "beneficial bacteria," he developed the fermented milk drink *Yakult* as a form of "preventive medicine," which seeks to prevent diseases from occurring, rather than treating them after they occur. He understood that "a healthy intestinal tract leads to a long life." And by providing his product at "a price anyone can afford," Dr. Shirota ensured that as many people as possible would be able to benefit from it. These concepts came to be known collectively as Shirota-ism and are part of a tradition at Yakult that lives on to this day. Shirota-ism is practiced not only in Japan but has spread to our overseas operations as well, with 40 million of our dairy products being enjoyed each day by people in 40 countries and regions around the world. But there are still many markets where *Lactobacillus casei* strain Shirota* is unavailable. Efforts continue to be made so that our products can reach as many people as quickly as possible and contribute to their good health.

The COVID-19 pandemic has served to heighten awareness of the importance of good health. As times change, people's perceptions of health also evolve, with many today seeking not only to remain physically fit but also to achieve a state of emotional and social wellbeing. For example, we believe the popularity of our *Yakult 1000* and *Y1000* drinks is due to our efforts to address emerging health concerns like stress. Today, as in the past, our activities are driven by a sense of mission to resolve social issues.

* Classified as *Lactocaseibacillus paracasei* strain Shirota since April 2020



People are key to sustainable management

This year marks the 60th anniversary of the Yakult Lady home delivery system, a symbol of our links with people in the community. Yakult Ladies are a core component of our business operations, going door-to-door to deliver our message in a heartfelt way. Approximately 80,000 Yakult Ladies are active around the world today, connecting people with people. We will continue in the future to place high value on a system of delivery that gives personal, heart-to-heart attention to all our customers.

At the same time, we give constant thought to how employees can make use of their skills and be motivated in their work. We attach great importance to job stability, employee training, promotion of diversity and employee health, particularly as our mission is to deliver good health to our customers. As a result of career training initiatives for female employees and their supervisors over the past several years, the percentage of women in managerial positions continues on an upward trend. We also provide guidance on exercise and eating habits to encourage lifestyle improvements and promote better health. In addition, we have introduced a system allowing employees to take on side jobs, giving them opportunities to utilize their skills in other fields and encouraging personal growth. The sustained growth of our company rides on the health and development of our employees. They need to take ownership of their own careers—rather than leaving the matter in the company's hands—challenging themselves in their work and striving for self-improvement. I will spare no effort to make our company a more attractive place of employment, where work is satisfying and conducted in a work-friendly environment. I hope to promote good relations between the company and our employees.

Our material themes

Our aim, under Yakult Group Global Vision 2030, is to “evolve into a healthcare company that continues contributing to people's health around the world.” The three qualitative goals of this long-term vision are “delivering good health to as many people as possible around the world,” “offering customers new value that matches their needs,” and “realizing a society in which people and the planet co-exist.” The new vision expresses our determination to build a sustainable future in response to the changing demands of the times while maintaining our founding aspirations.

We believe that in addition to contributing to global and social sustainability, addressing ESG issues is essential to the continued operation of our business and is our responsibility as a member of society. Members of management and relevant departments thus met in fiscal 2020 to identify six material themes to enable the efficient investment of limited management resources. The three relating to the environment are climate change, plastic containers and packaging, and water, and the three concerning ties with society are innovation, value co-creation with communities, and supply chain management.

Yakult Group Global Vision 2030

We have established the long-term Yakult Group Global Vision 2030 as a guide to continuing our growth and responding to change.

Over the 10 years spanning fiscal 2021 to fiscal 2030, we will address social issues through our business activities in order to further exceed customer expectations, striving to improve corporate value by realizing our corporate philosophy and aiming for sustainable growth.

Our vision

- Evolve into a healthcare company that continues contributing to people's health around the world

Qualitative goals

- Delivering good health to as many people as possible around the world
- Offering customers new value that matches their needs
- Realizing a society in which people and the planet co-exist

Quantitative goals (fiscal 2030)^{*1}

- Bottles of dairy products consumed globally^{*2} 52.5 million/day (10.5 million in Japan, 42 million outside Japan)
- Consolidated net sales 550 billion yen
- Consolidated operating profits 80 billion yen (operating profit rate: 14.5%)

^{*1} Announced in June 2021

^{*2} Dairy product sales volume (number of bottles per day)

Medium-term management plan (2021–2024)

Within the Yakult Group Global Vision 2030 we have established a medium-term management plan for the next four years through fiscal 2024. Our basic policy is to innovate and proactively strive to create new value that meets changes in society.

Our quantitative goals were upwardly revised in May 2023.

Key themes

- Expand business in response to diverse customer values
- Achieve sustainable growth through stronger global development
- Expand business areas to become a healthcare company
- Optimize utilization of Group management resources
- Further address environmental issues for sustainable growth
- Promote investment that spurs innovation

Strategies

To achieve these key themes, in addition to further expanding our operations centered on our food and beverage business (in and outside Japan), we will embark on challenges in new domains, such as the creation of plant-based products and the development of a microbiome-research-based business, with the aim of evolving into a healthcare company.

New quantitative goals (fiscal 2024)

- Bottles of dairy products consumed globally 45.7 million/day (12.2 million in Japan, 33.5 million outside Japan)
- Consolidated net sales 575 billion yen
- Consolidated operating profits 86 billion yen (operating profit rate: 15.0%)
- ROE 12% or more



To address environmental themes, in fiscal 2021, we established the Yakult Group Environmental Vision, the medium-term Environmental Targets 2030, and the short-term Environmental Actions (2021–2024).

As for society-related themes, the discovery that bacteria could be consumed as a drink to fight pathogenic microorganisms at a time when the concept of probiotics was yet unknown—and the development of *Yakult* as such a drink—were true innovations. This innovative way of thinking displayed by Dr. Shirota some 90 years ago is still alive and well at Yakult today. And we will endeavor to continue delivering such innovations without fear of failure to ensure the continuity of our operations for generations to come. Our material theme of value co-creation with communities is embodied in our system of going door-to-door to promote and deliver *Yakult* and communicate its benefits, in the ties we develop with colleagues to foster harmony among people, and in the sincerity with which we contribute to the health of local communities. Efforts by the Yakult Group alone are not enough to resolve sustainability issues and achieve a sustainable society. Thus, we have established supply chain management as a material theme and are promoting sustainable procurement, in addition to establishing a Human Rights Policy and advancing human rights due diligence initiatives.

Initiatives to address ESG concerns centered on our material themes are indispensable for the health of people and the planet and will remain in place as long as our business activities continue.

Environment

Our activities are closely linked to the environment, so we are taking steps to improve the raw materials that go into our products in keeping with our belief that “in order for people to be healthy, everything around them must also be healthy.” The procurement of some raw materials carries the risk of deforestation, which could have an adverse impact on our material themes of climate change and water. So in March 2023, we announced our Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing aimed at eliminating deforestation from our supply chain. We have identified pulp and paper, palm oil, soybeans and dairy products as the raw materials for our business activities that are associated with a high risk of deforestation. To promote responsible procurement in the supply chain, we conduct dialogue with our suppliers, with whom we exchange views on approaches to healthy procurement activities. We announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)^{*1} in August 2022 and have launched a project team to advance various initiatives. In addition, our responses to the CDP questionnaires for climate change, water security and forests have allowed us to reflect on the initiatives taken to date and to reference them in considering improvement plans.

As for plastic containers and packaging, in 2019 we announced our target of reducing the use of plastic and enabling recycling in our Declaration of Action on Plastic Recycling. We have shifted to the use of such recyclable materials as biomass plastics for our straws and multi-pack shrink-wraps, and in March 2022, we eliminated straws from *New Yakult* and its series of drinks. In accordance with calls in Japan’s Plastic Resource Circulation Act^{*2} for companies to take concrete measures to reduce the use of plastic, in principle, we no longer provide plastic spoons and straws at the point of sale. Countries around the world are introducing regulations on the use of plastic, so the Yakult Group is switching some packaging materials from plastic to paper in keeping with conditions in each country and region.

^{*1} The TCFD was established by the Financial Stability Board following a request from the G20 to develop more effective climate-related financial disclosures through their existing reporting processes. It released its final report in June 2017, which recommended that companies and other organizations disclose climate-related risks and opportunities in four thematic areas: governance, strategy, risk management, and metrics and targets.

^{*2} Formally known as the Act on Promotion of Resource Circulation for Plastics

Social

Yakult's business operations began as community-based activities, and we intend to maintain our focus on growing with the community now and in the future. In Japan, we undertake Courtesy Visit Activities while delivering our products to elderly people living alone to confirm that they are safe and to spend some time chatting with them. We also conduct community safety watch and crime prevention activities to contribute to communities' safety and peace of mind. Initiatives aimed at value co-creation with communities are carried out outside of Japan as well, where we organize health-related lectures and plant tours and deliver health information along with our products to people in the community.

With regard to issues relating to human rights, in fiscal 2021, we established the Yakult Group Human Rights Policy and are identifying key human rights issues within the Yakult Group through discussions at the Human Rights Due Diligence Promotion Council attended by members of relevant departments. Going forward, we intend to raise employee awareness and eliminate human rights abuses within the Yakult Group and across the value chain.

Governance

With the aim of enabling timely responses to changes in society and enhancing management transparency, we increased the frequency of Board of Directors meetings, established the Nomination & Remuneration Committee, introduced a performance-based remuneration system for directors, and began publishing a skills matrix to visualize the competencies of each director.

We are also working to ensure thorough corporate compliance through meetings of the Compliance Committee and Corporate Ethics Committee, which are attended by outside experts, rigorous enforcement of the Yakult Ethical Principles and Code of Conduct, and establishment of the Yakult Group Anti-Corruption Policy.

We will continue to build lasting and constructive relations with shareholders and institutional investors, who are important stakeholders, through dialogue at general shareholders meetings and financial results briefings and also through proactive communication via a department dedicated to investor relations.

In conclusion

We announced a partial revision of our medium-term management plan (2021–2024) in May 2023. This reflects our strong results in both sales and income as of the end of fiscal 2022, thanks to growth in our domestic food and beverage business, centered on *Yakult 1000* and *Y1000*. Having achieved our fiscal 2024 plan ahead of schedule, we have revised our targets for fiscal 2024 under the medium-term management plan. Going forward, we will strengthen our growth platform and pursue measures to expand business fields with an eye toward achieving further growth. And we will promote environmentally and socially friendly management to contribute to the health of both people and the planet through our business operations. This is our responsibility in achieving a sustainable society and meeting the expectations of our stakeholders. The Yakult Group will continue to act as a responsible member of society and devote ourselves heart and soul to the resolution of social challenges.

September 2023

Yakult's Beginnings

The birth of Yakult

Yakult's founder, Minoru Shirota, a doctor of medicine, began his medical studies in 1921 at Kyoto Imperial University (now Kyoto University). Japan was still a poor country at the time, and unsanitary conditions caused large numbers of children to die of infectious diseases.

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

In his research, Dr. Shirota discovered that lactic acid bacteria were effective in suppressing harmful bacteria within the intestines, and he later succeeded in strengthening and culturing a strain that could reach the intestines alive. This is now known as *Lactobacillus casei* strain Shirota.

In addition to preventive medicine, Dr. Shirota also advocated the idea that "a healthy intestinal tract leads to a long life" (humans absorb nutrients through the intestines, so making them healthy leads to a long life), and looked for ways to offer products at "a price anyone can afford" (in order to make *Lactobacillus casei* strain Shirota, which protects the intestines, available to as many people as possible). These ideas became known collectively as Shirota-ism.

Together with those sharing his vision, Dr. Shirota developed an inexpensive, delicious drink so that many people could benefit from *Lactobacillus casei* strain Shirota. This is how *Yakult* 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.

Enduring legacy

Yakult products are not just sold in stores but are also delivered door-to-door to homes and other locations. This approach of reaching out directly to users is rooted in Dr. Shirota's principles of emphasizing the dissemination of information about preventive medicine and the idea that a healthy intestinal tract leads to a long life, as well as his wish to promote sincerity, gratitude and harmonious human relations. The concepts of "sincerity," "gratitude," "harmonious human relations," "honesty and kindness," "caring enough to broaden acceptance" and "caring enough to make home deliveries" have remained constant over the years and are still touchstones for Yakult today.

Worldwide recognition

Yakult develops its business based on the 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 is a philosophy that is based on Shirota-ism.

Our corporate philosophy is applied to everything from R&D to production, the delivery of health products to people around the world and contributions to the health of the planet and society.

Our various businesses in the Yakult Group work closely together in the spirit of Shirota-ism, infused with a desire to contribute to the health and happiness of people around the world. Yakult's guiding philosophy now reaches people in countries worldwide.

Moving forward, to fulfill the trust placed in us by customers across borders and generations, we at Yakult will continue to honor our corporate philosophy based on the ideals of Shirota-ism.

Corporate Philosophy

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

Corporate Slogan

**In order for people to be healthy,
everything around them must also be healthy.**

The belief embodied in our corporate slogan

Yakult believes that everything on the Earth must be healthy
—from the water, soil, air, plants and animals to humans—
in order for people to be able to live healthily and to build a sound society.

Keeping Shirota-ism alive

To pass on and disseminate the ideals of Shirota-ism, the root of our business, we conduct Shirota-ism workshops on various occasions for all of the approximately 100,000 workers in the Yakult Group.

Particularly for Yakult Honsha employees, providing milestone-level-specific education that is aligned with each employee's position helps to both deepen understanding of Shirota-ism and foster shared values.



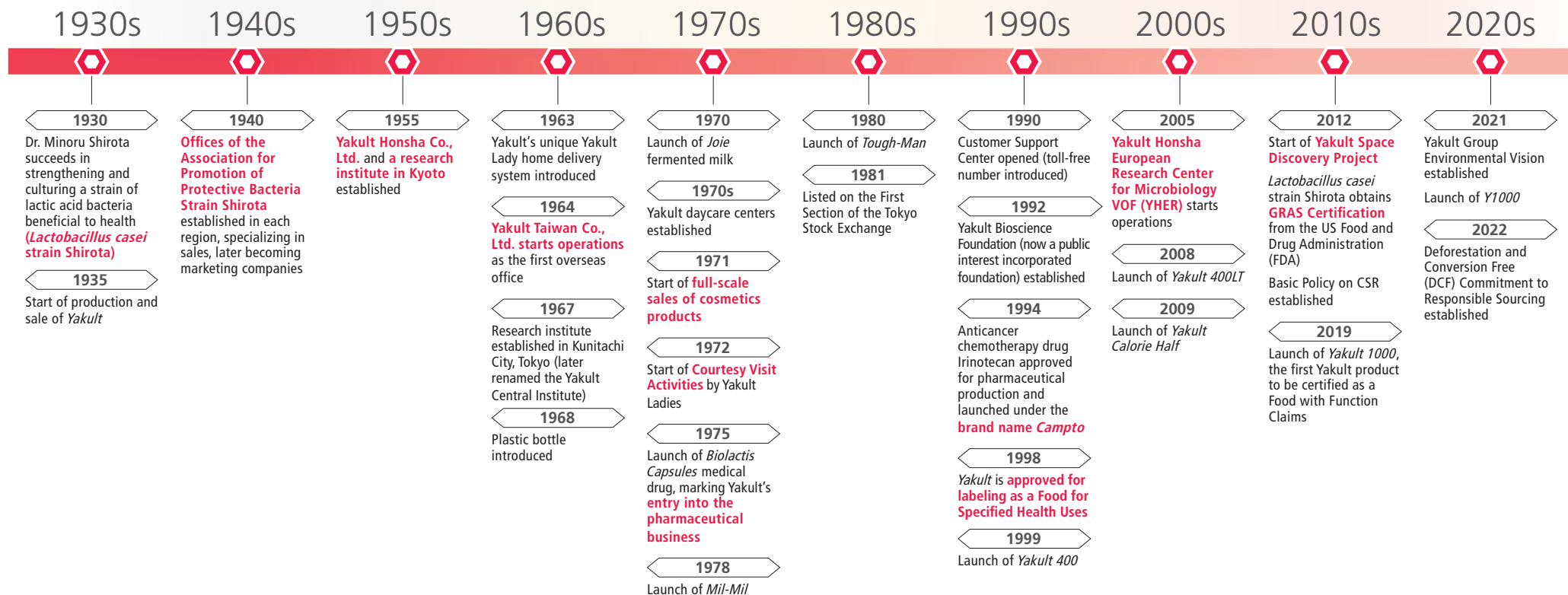
A Shirota-ism workshop at Yakult (Malaysia) Sdn. Bhd.

Shirota Memorial Museum

The Shirota Memorial Museum introduces visitors to the pioneering work of our founder Minoru Shirota, from his initial efforts to advance preventive medicine to his success in strengthening and culturing a strain of lactic acid bacteria beneficial to health (later known as *Lactobacillus casei* strain Shirota), as well as the research and product development activities being undertaken in the spirit of Shirota-ism by the Yakult Central Institute. Visitors can also deepen their interest in science, learning directly from Institute researchers and observing *Lactobacillus casei* strain Shirota under a microscope.

Note: Museum visits were suspended in March 2020 to prevent the spread of COVID-19 but are scheduled to be resumed in stages following COVID's reclassification under the Infectious Diseases Control Law.

Yakult timeline



Sustainability

The Yakult Group Basic Policy on CSR was established based on our corporate philosophy as well as our belief of “in order for people to be healthy, everything around them must also be healthy.” We will also contribute to the achievement of a sustainable society through initiatives based on material themes identified in March 2021.

Basic Policy on CSR

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

By systemizing the CSR initiatives undertaken at Yakult Group units, we increase the clarity of Yakult's CSR management policies and undertake appropriate disclosure of information to stakeholders.

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

Yakult Ethical Principles and Code of Conduct

We established the Yakult Ethical Principles and Code of Conduct to serve as guidelines for proper corporate activities.

Over time, we have appended more specific conduct standards and concrete examples of such standards while making revisions as needed. Most recently, we published the sixth edition in April 2020 to extensively update items and contents and discuss how each item of the Yakult Ethical Principles and Code of Conduct is connected to the SDGs.*

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



WEB

For details, see the [Yakult Ethical Principles and Code of Conduct](https://www.yakult.co.jp/english/company/ethics.html)

<https://www.yakult.co.jp/english/company/ethics.html>

* The Sustainable Development Goals, adopted by the United Nations in 2015, are 17 global goals aimed at achieving a better and more sustainable world for all by 2030.

Signing the UN Global Compact

In May 2021, the Yakult Group signed the United Nations Global Compact (UNGC), the UN's international framework for sustainable growth.

The UNGC calls on companies and organizations to take part in solving global issues and provides a principle-based framework for healthy globalization and a sustainable society.

The Yakult Group's top management is committed to supporting the 10 principles of the UNGC relating to human rights, labor, the environment and anti-corruption, and we will work with the global community to apply these principles in all of our business activities as a good corporate citizen that contributes to society.

WE SUPPORT



The 10 Principles of the UN Global Compact (UNGC10)

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Related information

p. 72 Human rights
p. 73 Labor practices
p. 22 The environment
p. 107 Anti-corruption

The Yakult CSR Action Plan

The Yakult Group has formulated the Yakult CSR Action Plan to take effective action based on the Basic Policy on CSR. We systemized our CSR activities by ESG area in fiscal 2022, and relevant departments have been setting concrete action targets and implementing activities in each ESG area in accordance with our material and other important themes.

WEB Yakult CSR Action Plan (fiscal 2022 achievements)

https://www.yakult.co.jp/english/pdf/sustainability_result_2022_en.pdf

WEB Yakult CSR Action Plan (fiscal 2023 action targets)

https://www.yakult.co.jp/english/pdf/sustainability_target_2023_en.pdf

Group-wide awareness of sustainability and CSR

The Yakult Group sees its business operations themselves as sustainability/CSR activities. To encourage all workers to be a promoter of such activities, we pursue sustainability/CSR-conscious conduct in all daily business operations and promote the permeation of such awareness through various approaches.

Promoting training in sustainability and CSR

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

We also provide training in sustainability as an e-learning program to all employees. In fiscal 2022, 95.4% of employees undertook the training.

Yakult Sustainability Campaign

We have been implementing a Yakult CSR Campaign for all workers since fiscal 1994 in line with Japan's Environment Month set forth by the Ministry of the Environment. These initiatives were renamed the Yakult Sustainability Campaign in fiscal 2022, and two projects were implemented in November 2022.

In the first project, participants were asked to submit a personal SDGs action declaration by choosing from one of the eight SDGs particularly relevant to the Yakult Group and contributing to its achievement through their work. The motivation of seeing one's actions become a donation attracted 34,406 participants, whose activities were awarded achievement points, which were then converted into monetary donations. A total of 845,000 yen was donated to the school feeding and mother-and-child



Campaign poster



Poster detailing outcomes

nutrition programs of the Japan Association for the World Food Programme.

In the second project, we solicited Group-wide sustainability action pledges to further promote sustainability-related initiatives within the Yakult Group. From among the many applications, "Let's act now for people and planet" was selected as the winning pledge.

We also donated to OISCA's Children's Forest Program and implemented an afforestation project as part of the Environmental Actions (2021–2024).

Raising awareness of sustainability/CSR trends

Every year, we conduct activities to raise Group-wide awareness of sustainability/CSR trends, as well as of society's demands and expectations.

In fiscal 2022, we implemented an e-learning program to provide Group employees with basic information about sustainability, informing them of four videos that explained the need for ESG-centered sustainability management. Another original video to promote understanding of the Yakult Group's material themes was created, thereby raising awareness and fostering understanding of sustainability issues.

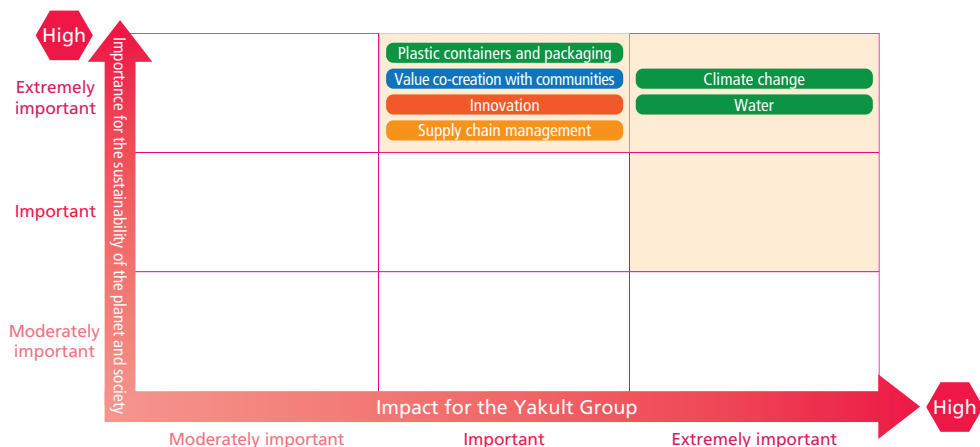
E-learning programs conducted in fiscal 2022

	Theme	Content
1	ESG management	What is ESG? ESG investment
2	Climate change	Greenhouse gases, TCFD, Scope 1, 2 and 3
3	Human rights	UN Guiding Principles on Business and Human Rights, problems of modern slavery
4	Governance	Corporate Governance Code
5	Yakult Group's sustainability	Reasons for identifying materiality, Yakult Group's material themes, future initiatives

Materiality assessment

We have identified six material themes to achieve sustainability as a further step in realizing our mission of contributing to the health and happiness of people around the world based on our belief that "in order for people to be healthy, everything around them must also be healthy."

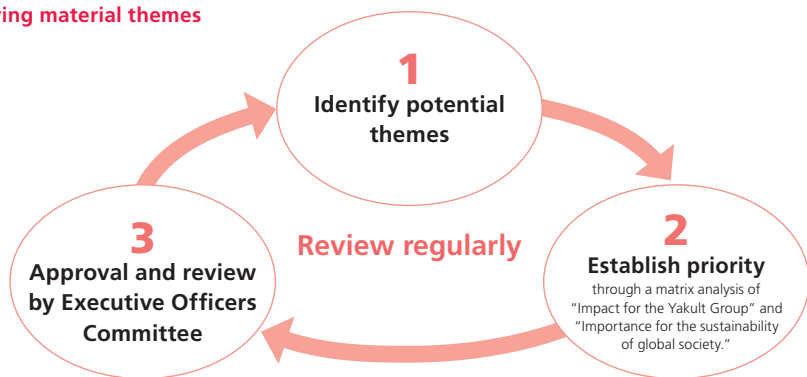
To identify these themes, we established a cross-departmental working group that mapped various issues from environmental, social, governance and operational perspectives along two axes: "Impact for the Yakult Group" and "Importance for the sustainability of the planet and society." Additionally, matrix analysis was conducted by placing items along each axis at positions ranging from "extremely important" through "important" to "moderately important." We also referenced reports from groups like the IPCC* and World Economic Forum (WEF) and worked with NTT Data Management Consulting, Inc., to identify six themes that we believe are extremely important for the Yakult Group and for the sustainability of people and the planet.



Using these six themes, we will establish strategies and plans that work toward improving the sustainability of not only our own Group but also of the planet and society to make our corporate philosophy and goal of uniting “People and Planet as One” a reality. Additionally, to respond to a changing society, we will explore periodically reviewing our materiality while soliciting opinions from stakeholders.

* IPCC: Intergovernmental Panel on Climate Change, which releases an evaluation report on climate change every five to six years. In its 2018 special report, “Global Warming of 1.5°C”, it detailed the ramifications of a 2°C rise in global temperature and pointed to the importance of taking immediate action to limit this rise to below 1.5°C.

Identifying material themes



Six material themes to achieve sustainability

To realize our belief of “in order for people to be healthy, everything around them must also be healthy” and achieve sustainability, we identified three social themes to prioritize within the value chain: innovation, value co-creation with communities, and supply chain management. We also analyzed factors such as climate change scenarios and water risk to identify three environmental themes: climate change, plastic containers and packaging, and water.

Six material themes

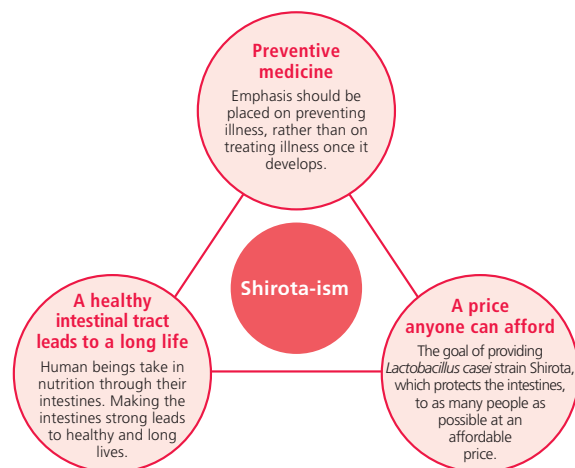
<p>Innovation</p> <p>Evolve into a healthcare company, further pursue the potential of bacteria, provide new products and services, use resources effectively, and others</p> <p>▶ p. 50</p>	<p>Value co-creation with communities</p> <p>Connect closely with local communities, deliver information on health, provide safe and reliable health products and services, and others</p> <p>▶ p. 55</p>	<p>Supply chain management</p> <p>Maintain sound relationships with business partners, promote CSR procurement, ensure stable procurement of raw materials, and others</p> <p>▶ p. 62</p>
<p>Climate change</p> <p>Reduce GHG emissions (decarbonize), proactively shift to renewable energy, introduce energy-saving practices, and others</p> <p>▶ p. 30</p>	<p>Plastic containers and packaging</p> <p>Convert to fully recyclable containers and packaging, reduce environmental impact by changing container materials, and others</p> <p>▶ p. 38</p>	<p>Water</p> <p>Use sustainable water resources, reduce water consumption, and others</p> <p>▶ p. 42</p>

What the SDGs mean to Yakult

Our passion for and approach to health can be traced back to our founder’s wish to protect the health of people around the world. Yakult engages in business activities based on our 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.” We see these activities as contributing to Goal 3, “Ensure healthy lives and promote well-being for all at all ages,” of the Sustainable Development Goals (SDGs).

Yakult’s founder, Minoru Shirota, a doctor of medicine, began his medical studies in 1921. At the time, unsanitary conditions caused large numbers of children to die of infectious diseases in Japan. Under the circumstances, Dr. Shirota set his sights on the field of preventive medicine, which aims to help people avoid sickness rather than treating diseases after they occur. After years of microorganism research, Dr. Shirota strengthened and cultured *Lactobacillus casei* strain Shirota. Together with like-minded individuals, he then developed an inexpensive, delicious drink so that many people could benefit from *Lactobacillus casei* strain Shirota. This is how *Yakult* was born.

Yakult products are not just sold in stores but, since our founding, are also delivered door-to-door to homes and other locations. This approach of reaching out directly to customers is rooted in Dr. Shirota’s principles of emphasizing the dissemination of information about preventive medicine and the idea that a healthy intestinal tract leads to a long life, as well as the value he placed on sincerity, gratitude and harmonious human relations.



In order to make good on the pledge to “leave no one behind,” the SDGs aim to realize a society that does not overburden the planet, and where poverty has been eliminated.



The Yakult Group’s philosophy and corporate activities are aligned with the underlying concept of the SDGs, particularly Goal 3.

The SDGs were established as goals to be achieved by 2030 so that humanity can continue living on Earth. “Ending poverty in all its forms everywhere” is identified as the most important goal, and “leave no one behind” is the central promise of the SDGs.

The foundational philosophy of Yakult and our belief that “in order for people to be healthy, everything around them must also be healthy” are perfectly matched with the aims of the SDGs, so it is a matter of course for us to strive to achieve those goals. Yakult will thus continue working to create a society where humans can live in harmony with the planet, based on our goal of uniting “People and Planet as One.”

The Yakult Group’s contributions to the SDGs

The Yakult Group’s corporate activities are broadly related to all 17 SDGs, but based on our materiality we have identified the following eight goals as being most closely connected to our business. Moving forward, the entire Yakult Group will continue contributing to achieving the SDGs.



How Yakult's material themes relate to the SDGs



Innovation



In keeping with its mission to contribute to the health of people around the world, the Yakult Group will continue to use its research findings and long experience with lactic acid bacteria and other beneficial microorganisms and pursue new possibilities through collaboration with outside resources to provide products and services that lead to solutions for health and social issues.



Value co-creation with communities



We will maintain respect for the cultures and customs in each region where we operate and contribute to the creation of safe, secure and healthy communities, engaging in dialogue with local communities about their own unique issues and proactively working toward solutions.



Supply chain management



A sustainable supply chain is essential in creating high-quality products that are safe and reliable. We will visualize our corporate social responsibilities, taking specific actions in the supply chain in the areas of human rights, labor, the environment and anti-corruption.



Climate change



To address the many issues caused by climate change, such as resource depletion and natural disasters, we will promote energy conservation and proactively utilize renewable energy, as well as reduce our greenhouse gas emissions throughout the supply chain.



Plastic containers and packaging



On issues related to plastic waste and resource recycling, we will reduce the amount of plastic used in containers and packaging, transition to easily recyclable materials, and promote the reuse and recycling of plastic packaging materials used in production processes.



Water



To tackle issues such as water inequality and water-related disasters, we will manage water risks at our production bases, strive to reduce water usage, and promote both conservation and sustainable use of water resources.

Raising awareness of the SDGs

▶ Initiatives inside the Group

We conduct ongoing awareness programs for workers so that they can see the essence of the SDGs and take personal responsibilities themselves.

In 2018, we created posters showing the connection between the activities at each stage of the Yakult Group's business operations and the SDGs in nine languages (Japanese, English, traditional Chinese, simplified Chinese, Korean, Thai, Indonesian, Spanish and Portuguese).

In addition, the Yakult Ethical Principles and Code of Conduct were revised in April 2020 to include the SDGs related to each item of the Code of Conduct, in order to show workers that their thoughts and actions when properly carrying out corporate activities directly lead to the Group's CSR as well as contribute to achieving the SDGs.

And in 2022, as part of the companywide Yakult Sustainability Campaign, we invited workers to choose from one of the eight SDGs that are particularly relevant to the Yakult Group and to submit a personal SDGs action declaration to contribute to the goal's achievement through their own work.

▶ Initiatives outside the Group

In February 2019, out of the 17 SDGs we presented our initiatives related to Goal 3 on health and exchanged views with about 30 students from 11 countries who were delegates of the Japan-ASEAN Students Conference (JENESYS 2018), an exchange program aiming to promote understanding of Japan run by Japan's Ministry of Foreign Affairs.

The SDGs Yakult is contributing to through its business activities

Business activity	Related SDGs	Specific initiatives	
<p>R&D</p> <p>We undertake research to realize the concepts of preventive medicine and the idea that a healthy intestinal tract leads to a long life, and are applying research results in the development of food and beverages, pharmaceuticals and cosmetics.</p> 		<ul style="list-style-type: none"> • Disclosure of research results • Online corporate visit program for junior high and high school students • Product safety evaluation at the product development and post-marketing stages • Product safety assurance by analysis and testing • Reliability assurance by auditing of research data • Joint research with universities, hospitals and research institutes • Sponsorship of academic conferences and symposiums • Thorough management of chemical substances by research institute internal committee activities, etc. • Strengthening of measures to prevent leakage of information by building a robust system and collaborating with external service providers 	
<p>Procurement</p> <p>We procure raw materials such as skim milk powder, sugar and packaging materials through fair trade.</p> 		<p>Selection of sound business partners</p> <ul style="list-style-type: none"> • Prior consultation and credit checks for new business partners • Conclusion of contracts (including clauses regarding excluding antisocial forces) • Verification of financial status of business partners <p>Promotion of fair trade</p> <ul style="list-style-type: none"> • Implementation of an evaluation system for business partners 	<p>Stable procurement of raw materials</p> <ul style="list-style-type: none"> • Purchasing from multiple business partners (suppliers) and appropriate stock management • Promotion of business continuity planning (BCP) measures <p>Promotion of sustainable procurement</p> <ul style="list-style-type: none"> • Risk assessment using CSR procurement survey and Sedex platform, interviews with business partners • Formulation of Supplier CSR Guidelines • Hosting CSR procurement policy briefings for suppliers • Traceability survey of key raw materials
<p>Production</p> <p>We use finite resources efficiently and employ environmentally conscious methods to manufacture high-quality products that are safe and offer peace of mind to customers.</p> 		<p>Reduction in occupational accidents</p> <ul style="list-style-type: none"> • Health and safety education and health and safety inspection tours • Continuous capital investment to create a working environment where everyone can work in a healthy and safe manner <p>Promotion of energy saving, waste reduction and recycling</p> <ul style="list-style-type: none"> • Reduction in CO₂ emissions and energy consumption by introducing highly efficient facilities and equipment, improved workflows, LEDs and solar power • Waste reduction and appropriate disposal • Proper management of wastewater and reduced water usage 	<p>Establishment of a risk management system</p> <ul style="list-style-type: none"> • Establishment of a system to enable production to continue and a fast recovery in the event of a disaster • Establishment and occasional review of BCP and disaster preparedness manual • Installation of earthquake early warning systems to achieve fast initial response <p>Understanding of environmental impacts and risks</p> <ul style="list-style-type: none"> • Implementation of water risk surveys • Implementation of biodiversity risk surveys
<p>Logistics</p> <p>By ensuring eco-driving (fuel-efficient driving) and choosing delivery methods that have reduced environmental impacts, we are reducing the amount of CO₂ emissions deriving from product shipments.</p> 		<p>Promotion of collaboration with other companies in the same industry</p> <ul style="list-style-type: none"> • Promotion of collaboration with other companies at distribution centers and in transportation to mass retailers to reduce energy consumption and costs <p>Promotion of day-to-day efficiency</p> <ul style="list-style-type: none"> • Introduction of a system to visualize vehicle load factor and achieve a higher load factor by allocating vehicles appropriately, using two-temperature-zone transportation • Promotion of eco-driving by using terminals in logistics company trucks • Switch to eco-friendly vehicles and reduction in empty transportation zones 	
<p>Sales</p> <p>We provide customers with not only products but also accurate product information and health tips.</p> 		<ul style="list-style-type: none"> • Dispatch of lecturers for children • Health-related lectures for customers and businesses • Disclosure of information on our website • Health-related campaigns • Value dissemination activities at stores • Assisting support facilities for persons with disabilities • Diversification of ordering methods using Yakult Delivery Net • Increased customer satisfaction by introducing cashless payment • Provision of learning content for a Yakult Ladies online training site • Provision of health information through a website offering useful information for Yakult Ladies • Provision of basic, delivery-related advice regarding such items as traffic safety, product temperature control, and personal appearance through a magazine for Yakult Ladies • Introduction of heat pump vending machines 	

Dialogue with stakeholders

To continually grow as a corporation and fulfill our social responsibility, we believe it is essential to actively disclose our corporate activities and engage in two-way communication with stakeholders. The Yakult Group therefore promotes regular dialogue with various stakeholders, such as customers, local communities, shareholders and investors, workers, business partners and civil society organizations. The insights we gain are then reflected in our business activities. Moving forward, we will continue deepening our relationships with stakeholders and taking action to build trust.

Industry groups and academic societies

The Yakult Group is a member of the industry groups and academic societies listed below. We share information and cooperate with each group to promote the interests of industry as a whole, in addition to striving to implement improvements in our own corporate activities.

- Japan Dairy Industry Association
- Japanese Association of Fermented Milks and Fermented Milk Drinks
- Japan Soft Drink Association
- Japan Society for Dietary Education
- Japan Food Safety Management Association
- FOSHU Fair Trade Council
- Japan Health and Nutrition Food Association
- The Beverage Industry Environment Beautification Association
- The Intestinal Microbiology Society
- Japan Society for Lactic Acid Bacteria
- The Japan Dietetic Association
- Japan Climate Initiative

Customers

We provide high-quality products and services based on an accurate understanding of customer needs and in consideration of the customer's point of view.

- Number of inquiries to the Customer Support Center (received by Yakult Honsha): 37,784 (fiscal 2022)
- Issues of the *Healthist* magazine: 6 per year (in Japanese only)
- Participants in plant tours (online tours only):
Around 32,000 in Japan
Around 530,000 outside Japan (January–December 2022)*¹
- Participants in tours of the Shirota Memorial Museum at the Yakult Central Institute: Tours suspended*²

▶ pp. 82–86

Local communities

We respect regional cultures and customs and promote corporate activities in cooperation with local communities.

- Dispatch of lecturers*³
In Japan: 3,509 lectures, 171,639 participants (fiscal 2022)
Overseas: 25,488 lectures, 1,756,958 participants (January–December 2022)
- Health-related lectures*³
In Japan: 31,477 lectures, 223,136 participants (fiscal 2022)
Overseas: 240,907 lectures, 9,415,776 participants (January–December 2022)
- Courtesy Visit Activities: Around 34,000 elderly people visited (fiscal 2022)*⁴
- Community safety watch and crime prevention activities: 965 local governments (fiscal 2022)
- Cleanup campaigns: 91 venues (fiscal 2022, all plants)
- Social activities with vending machines

▶ pp. 55–61

Shareholders and investors

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

- General shareholders meeting
- Business results briefings: twice a year (year-end settlement, second quarter settlement)
- Conference calls: twice a year (first quarter settlement, third quarter settlement)
- Interviews (in-person, web, phone): as needed
- Conference participation, roadshows, business site tours, etc.: as needed
- Communication tools: shareholder newsletters, annual report, company profile, sustainability report, Yakult overviews

▶ pp. 86–97

Workers

We strive to create worker-friendly environments, while also recognizing and respecting each person's individuality through a variety of interactions.

- Individual interviews
- Worker questionnaires
- Sharing information via the Company intranet
- Internal newsletter
- Training programs
- Employee consultation desk
- Staff social events

▶ pp. 86–97

Business partners

We are committed to fair, transparent and free competition and to conducting appropriate transactions with the aim of growing together with our business partners.

- Communication through purchasing activities
- Global CSR procurement survey (134 companies responded)
- Maintenance of a fair and impartial trading environment via online purchasing system: 87 participating business partners (Yakult Central Institute)
- Health-focused workshops for workers at business partners
- Study session on logistics quality for business partners (approx. 140 logistics partners)

▶ pp. 62–72, 99–105

Civil society organizations

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

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

▶ pp. 48, 55–61

*1 Online tours were conducted in Japan and at some overseas plants.

*2 Suspended again in fiscal 2021 to prevent the spread of COVID-19.

*3 To prevent the spread of COVID-19, we chose to reduce the dispatch of lecturers and health-related lectures in Japan and overseas. When group events are held, we take thorough protective measures. Online lectures have been developed and are being conducted in Japan. Some countries and regions overseas are also running events online.

*4 We hold sessions while taking thorough measures to prevent the spread of COVID-19.

Deepening understanding through dialogue

Pathways to sustainable procurement

The Yakult Group has identified supply chain management as a material theme in advancing CSR procurement. In July 2023, we conducted a dialogue with Fuji Oil Holdings Inc., a sustainable procurement pioneer, to exchange views on the measures needed going forward.



Dialogue participants

Fuji Oil Holdings Inc.

Akiko Izumi
Senior Manager,
Sustainability Development Group

Shigeru Ashida
Deputy Division Head,
PBF Business Division

Yoshiaki Hiramatsu
Division Head, ESG Division

Yakult Honsha Co., Ltd.

Kiyoshi Fujita
General Manager,
Purchasing Department

Hiroyuki Kibe
General Manager,
Development Department

Takayoshi Horiya
General Manager, Development &
Research Department

Atsushi Kaneko
General Manager, CSR Promotion
Section, Public Relations Department

The organization and measures needed to promote CSR procurement



ATSUSHI KANEKO (Yakult): Members of our management team are intent on broadening and deepening our sustainability initiatives, and they're eager to make improvements throughout the supply chain. At the same time, we in the CSR Promotion Section are faced with the challenge of getting all employees to share this enthusiasm and persuading them to incorporate sustainability perspectives into their business operations. So we're very curious about the organization and measures you've adopted at Fuji Oil Holdings* that have enabled you to respond quickly to the needs of society and stakeholders.

* A holding company of the Fuji Oil Group, which offers food ingredients derived from vegetable oils and fats, soy, and other raw materials.

YOSHIAKI HIRAMATSU (Fuji Oil): We adopted our CSR Procurement Guidelines in 2012 and have since been advancing measures to build a responsible supply chain, such as by establishing procurement policies for various raw materials as the need arises. In 2019, we created the position of Chief ESG Management Officer, or C"ESG"O, under the leadership of our CEO to push forward with sustainability initiatives in a top-down manner. By 2022, three years later, we were able to eliminate this position and move on to phase two, as employee awareness had risen to a point where the business divisions could be entrusted to spearhead initiatives on their own.

Looking back, I'd say that the initial top-down phase was effective not only in launching a new initiative but also in allowing it to take root. At the same time, we supplemented our efforts with measures like an e-learning program and employee engagement. A survey taken in the



third year revealed that employees had developed a deeper understanding of sustainability issues; more inquiries were coming from the business divisions, thus giving us a sense of real change in the level of awareness within the company. Soon after launching our efforts, we asked several other companies known for their sustainability initiatives on their approaches to raising in-house awareness. Almost all of them cautioned that there were no shortcuts. I agree completely with that assessment, given that the things we achieved were an accumulation of many small steps.

AKIKO IZUMI (Fuji Oil): The announcement of our new undertaking by top management coincided with the growing recognition of the importance of the SDGs, and many business partners, seeing that we were practicing sustainability management, began asking us about the steps we were taking. This put our employees in a position of having to respond to those inquiries, creating a cycle of positive reinforcement, with workers acquiring greater awareness of sustainability issues and, in turn, putting that awareness into action in their work.

The Sustainability Committee, which advises our Board of Directors, identifies the ESG-related material issues we'll be pursuing the following fiscal year, determines the initiatives to be taken for each issue, and monitors progress. Activities for each material theme are spearheaded by an executive-level administrator and promotion officer. The administrator overseeing CSR procurement, which is the topic of our discussion today, is the chief sustainability officer. Under the CSO's leadership, we've established medium- to long-term targets and key performance indicators for each raw material—namely, palm oil, cacao, soybeans and shea kernel—as part of our ESG materiality and sustainable procurement activities.



Global procurement and material traceability



KIYOSHI FUJITA (Yakult): In terms of bottles sold, the Yakult Group's sales of dairy products outside of Japan now exceed those in the domestic market. This means that we need to promote CSR procurement on a global basis. For our operations outside Japan, we have a choice of (1) sourcing from overseas suppliers in the Japanese market, (2) having our overseas offices source from Japanese suppliers, or (3) having overseas offices source from local suppliers. Fuji Oil Holdings is a key partner for us in material procurement both in and outside of Japan.

Until now, our CSR procurement efforts have centered on conducting questionnaire surveys of Japanese suppliers, but in fiscal

2022, we began asking some overseas manufacturers to take part as well. An issue going forward will be how best to learn about and work with suppliers outside Japan. Because we generally go through trading firms, import agents and other companies in overseas markets, we often don't have direct contact with local suppliers. In pursuing local procurement at our overseas offices, we also need to consider differences in business customs and varying levels of enthusiasm for CSR procurement. That's one reason that we're making use of the Sedex platform to reach out to overseas suppliers with whom we hadn't been able to communicate directly and to promote CSR procurement throughout the supply chain.

HIRAMATSU (Fuji Oil): The main materials we at Fuji Oil Holdings procure include palm oil for our vegetable oils and fats business, cacao for our industrial chocolate business, and soybeans for our plant-based food (PBF) and soy business. The task of procuring these materials is spearheaded by the respective business divisions. They also work closely with the Supply Chain Management Group, which oversees Group-wide procurement activities, and us in the ESG division to draw up the philosophy and policies underlying these activities and to lead the implementation of those policies. This information is shared with our global network of companies to promote sustainable procurement. We, too, need to cope with regional discrepancies in business customs and levels of enthusiasm for CSR procurement, and we've found it very helpful to work with nongovernmental and nonprofit groups that are familiar with local conditions.



SHIGERU ASHIDA (Fuji Oil): For soybeans, of which I'm in charge, genetically modified varieties go through a separate distribution channel in North America, where we source most of the material, and this facilitates its traceability. So we can ascertain where the soybeans came from when they're procured from large suppliers, but this isn't always the case with smaller suppliers. We've also noticed fairly wide discrepancies in the responses to our questionnaire survey, so ideally, we'd like to work directly with suppliers on a regional or company basis. At times when we feel that not enough is being done to ensure traceability, we inform our suppliers that our clients need more information. This can help us obtain the data we need. I'm wondering whether Yakult Honsha plans to include sustainability as a criterion for procurement.

TAKAYOSHI HORIYA (Yakult): At the moment, our development division conducts audits of raw materials for their quality, safety and compliance with laws and regulations, but we haven't yet established evaluation standards for sustainability. We're now working with our suppliers to gather the information needed to enhance the traceability of raw materials. We do believe, though, that sustainability needs to be added as a criterion for the selection of raw materials.

Another key consideration we mustn't overlook is ensuring continuity and stability. When prioritizing traceable materials and certified products in advancing CSR procurement, we'll need

to acquire experience and know-how in procuring the necessary volumes and calculating cost differences. This, I believe, will pave the way for us to achieve sustainable procurement in the future.

IZUMI (Fuji Oil): Material traceability can strengthen risk management, since the effort to learn about a material's origins through contact with suppliers or producers will lead to the accumulation of more information. Having a grievance mechanism and improving traceability will facilitate efforts to identify environmental and human rights risks and monitor the effectiveness of measures to reduce such risks on an ongoing basis. Continuing with these efforts will lead to improvements in the supply chain.



HIROYUKI KIBE (Yakult): In March this year, we in the Yakult Group announced our Deforestation and Conversion Free Commitment to Responsible Sourcing to ensure that our procurement activities do not lead to deforestation or land conversion. Specifically, we committed to ensuring the traceability of such primary raw materials as palm oil and soy, as well as skim milk powder. We use soybeans not only for our soy milk but also for such processed items as dairy products and soft drinks, which contain soy polysaccharides. In the latter case, the list of ingredients on package labels will include soybeans as a raw material. Regarding soy polysaccharides, we can currently ascertain whether they were produced in North America or China, but we'd also like to get a clearer picture of the suppliers and distribution routes further upstream in the supply chain.

In order to avoid the risk of deforestation, we're also considering the utilization of plant proteins and fats that can be extracted from raw materials grown at plant factories.

ASHIDA (Fuji Oil): We're conducting a demonstration experiment in the city of Saga in collaboration with the government and university there to use carbon dioxide generated at a waste incineration plant to cultivate soybeans at a plant factory. Such research, I believe, can also be meaningful from the perspective of food security.

Enhancing consumer understanding

IZUMI (Fuji Oil): The pursuit of sustainability in raw material procurement inevitably leads to



higher costs. We're doing our best to keep such costs down, but I feel greater effort is also needed to enhance understanding among consumers. We hope to collaborate more broadly with such governmental organizations as the Ministry of Agriculture, Forestry and Fisheries and the Consumer Affairs Agency, as well as with various industry groups to increase opportunities to reach out to consumers.

KANEKO (Yakult): Promoting sustainability isn't something that can be undertaken by any one company or industry alone. It requires an effort on a global scale. As for the Yakult Group, we hope to communicate that the raw materials used in our products are being procured in a responsible manner. For this, we can take advantage of our unique sales network of Yakult Ladies and such opportunities for direct communication with customers and local communities as dispatches of guest lecturers, health-related lectures and plant tours. We are committed to the belief that "in order for people to be healthy, everything around them must also be healthy," so we will actively communicate the importance of sustainability not only in enhancing people's health but also the health of the planet.



Environmental Activities Report

Aiming for a society in which “people and the planet co-exist,” we will contribute to the health of the Earth by acting with due consideration to conserving the environment in all aspects of our corporate activities.



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Fiscal 2022 legal compliance

There were no serious violations of laws or internal regulations related to the environment in fiscal 2022. Nor were any fines or penalties paid in relation to the environment.

Message from the chief officer



Masao Imada

Director and Senior
Managing Executive Officer
Divisional General
Manager of Management
Support Division

► Yakult's approach to environmental initiatives

Since its founding, Yakult has engaged in corporate activities that aim to contribute to the health of people. Over 40 million bottles of our dairy products are now consumed every day in 40 countries and regions around the world including Japan. We are aware, however, that this also entails a major impact on the environment. The Yakult Group strongly believes that "in order for people to be healthy, everything around them must also be healthy." We believe that a healthy world is essential for health. Thinking about how we can reduce the growing burden of our business on the planet and pursuing that goal continuously are essential to the world the Yakult Group aims to create.

We formulated the Yakult Basic Policy on the Environment in 1997, and have carried out environmentally responsible business activities ever since. However, in light of the rapid intensification of environmental issues and our own corporate social responsibility, in 2021 we established a new

Yakult Group Environmental Vision with the aim of uniting people and planet as one. This document sets out Environmental Vision 2050: our ideal vision of the future, in which we achieve net zero Scope 1, 2 and 3 carbon emissions by 2050 in order to realize a value chain that has zero environmental impact. To ensure that we pursue effective initiatives based on this vision, we also used backcasting to formulate Environmental Targets 2030 and Environmental Actions (2021–2024).

► Advancing the Yakult Group Environmental Vision

In order to advance our initiatives toward our ideal vision of the future as set out in the Yakult Group Environmental Vision, in April 2022 we established an Environmental Promotion Department. This department plays a central role in strengthening activities within the Group, building cooperative relationships with companies outside the Group, and collaborating with relevant government and municipal bodies.

Here I will offer some specific examples of our initiatives. Within the Group, purchased energy for manufacturing was switched entirely to renewable energy at 12 dairy product and pharmaceutical plants in Japan^{*1} in April 2022, followed by one cosmetic plant in July, helping reduce our greenhouse gas emissions. Our energy-saving activities at the Yakult Central Institute have also been well received, winning the Agency for Natural Resources and Energy Director-General's Prize (CGO/Corporation Field) in the Energy Conservation Best Practices at Workplaces category of the Energy Conservation Grand Prize Award 2022. We indicated our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)^{*2} in August 2022, and we will continue these and other active efforts to address the climate change issue, which has become a pressing matter for the entire world.

To reduce our use of plastics in Japan, we switched to a basic policy of not providing spoons and straws at the time of sale in Japan. In Europe, amid moves to restrict the use of all kinds of plastic

products, we have switched from plastic film to paper packaging for multi-packs of our *Yakult* series and outer packaging for distribution. As an example of our initiatives in collaboration with external parties, we participate in the Ichihara City Polystyrene Chemical Recycling System Promotion Committee, which brings together citizens, local government and private enterprise to collaborate on attempts to experimentally verify methods for chemically recycling^{*3} polystyrene products.

*1 Please refer to p. 34 for a list of applicable plants.

*2 The TCFD was established by the Financial Stability Board following a request from the G20 to develop more effective climate-related financial disclosures through their existing reporting processes. It released its final report in 2017, which recommended that companies and other organizations disclose climate-related risks and opportunities in four thematic areas: governance, strategy, risk management, and metrics and targets.

*3 Chemical recycling is a new recycling technology that involves breaking down used plastic products chemically and reusing the results as raw materials for plastic products.

► For the future of Yakult and the world

We feel it is vital to ensure that all Group workers understand environmental issues as directly relevant to them as individuals and take step-by-step action with a sincere attitude. For this reason, we will continue striving to raise awareness of environmental issues among workers. Additionally, as Yakult alone cannot address every peril our planet currently faces, which range from climate change to pollution, we believe that we must unite with our entire value chain to address these challenging issues.

As I mentioned at the beginning of this message, we believe that "in order to be healthy, everything around them must also be healthy," and continue to work toward this goal to create a better future for both Yakult and the world. In order to realize a society in which people and the planet co-exist, we will continue promoting initiatives to increase the sustainability of society and the world.

Environmental management

▶ Yakult Basic Policy on the Environment

We established organizational units focused on environmental conservation measures in November 1991, and instituted the Group-wide Yakult Basic Policy on the Environment in June 1997. In accordance with our Environmental Philosophy and Guidelines for Activities, we are promoting environmental conservation activities throughout all our business fields. From fiscal 2001 to fiscal 2020, we established the Yakult Environmental Action Plan and conducted environmental activities with the participation of all departments, including research and development, manufacturing, marketing and office units. In fiscal 2021, we established the Yakult Group Environmental Vision, and the entire Yakult Group now works together on initiatives to reduce our burden on the environment.

Yakult Basic Policy on the Environment

Environmental Philosophy

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

Action Guidelines

1. To realize the measures determined by the CSR Promotion Committee within Yakult Honsha, all Yakult Group business units will work concertedly, proactively, and in a sustained manner to address environmental issues associated with business activities.
2. Each business unit will build environmental management systems and systematically work with the participation of all employees to realize the objective of reducing environmental impacts and will also seek to realize sustained improvement in environmental performance by periodically checking the implementation of associated measures, auditing such measures, and reevaluating environmental activities.
3. Besides maintaining rigorous compliance with environment-related laws, regulations, and agreements, each business unit will autonomously set its own environmental standards, and strive to further improve the level of its environmental management and eliminate environmental pollution risk factors before they occur.
4. In all business activities, business units will give due consideration to the environment as well as biodiversity by promoting the reduction of environmental impacts.
5. All employees will be provided with thorough environmental education, and we will make efforts to increase environmental awareness.
6. Information related to environmental activities will be appropriately disclosed, and we will strive to communicate effectively with society at large.
7. The Group will act as an exemplary corporate citizen by proactively supporting and cooperating with activities aimed at protecting the global environment.

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

Please refer to the following URL for the full text of the Yakult Basic Policy on the Environment:

WEB <https://www.yakult.co.jp/english/csr/environment/management/>

▶ Yakult Group Environmental Vision

The world is experiencing climate change and various other environmental issues that are growing more severe with time. The Yakult Group creates products that are available in 40 countries and regions around the world, and we conduct our business on the basis of local production for local sales. We recognize that our corporate activities have not only positive but also negative impacts on local communities and environments in various locations globally.

In March 2021, the Yakult Group created the Yakult Group Environmental Vision to reduce our negative impacts and promote efforts with a positive impact on the global environment with the aim of uniting people and planet as one. We set out our ideal vision for the future in Environmental Vision 2050 and, using backcasting, established short- and medium-term milestones in order to effectively act and make progress toward this vision.



▶ Environmental management structure

The CSR Promotion Committee is responsible for monitoring and evaluating progress on Environmental Targets 2030 and Environmental Actions (2021–2024) as short- and medium-term milestones toward Environmental Vision 2050. Established in 2022 to promote initiatives aimed at achieving this vision, the Environmental Promotion Department works with the secretariat of the CSR Promotion Committee to review and analyze Company environmental activity results and performance. These findings are reported to the CSR Promotion Committee and are used to develop plans for the following fiscal year and beyond.

A committee has been established at each of Yakult Honsha's plants and bottling companies, chaired by either the plant manager or bottling company president. The committees oversee environmental activities, including formulating annual plans, promoting environmental management programs based on ISO 14001 standards and other guidelines.

Instead of each facility working on its own, each year a general meeting brings together representatives of all production facilities to share good practices within the Group and to promote such good measures at all the facilities.

Related information ▶ p. 104 CSR Promotion Committee

Environmental Vision 2050

To realize a society where people and the planet co-exist as one through a value chain that has zero environmental impact

Our goal is to achieve Net Zero Carbon by 2050 (in Scope 1, 2 and 3).

Environmental Targets 2030

For the three material themes related to the environment, we set and currently pursue Environmental Targets 2030 as medium-term milestones to work on achieving Environmental Vision 2050.

Climate change



Reduce GHG emissions (in Japan, Scope 1 and 2)

by **30%** compared to fiscal 2018 levels

- Initiatives**
- Promote energy conservation, adopt renewable energy
 - Promote carbon management

Related information p. 30 Climate change

Plastic containers and packaging



Reduce plastic containers and packaging (in Japan)

by **30%** compared to fiscal 2018 levels, or make them **recyclable**

- Initiatives**
- Convert to easily recyclable containers and packaging
 - Reduce environmental impact by changing container and packaging materials

Related information p. 38 Plastic containers and packaging

Water



Reduce water consumption (at dairy product plants in Japan, per production unit) by 10% compared to fiscal 2018 levels

- Initiatives**
- Establish systems for sustainable use of water resources by formulating a water management plan
 - Reduce water consumption by promoting water-saving measures and through other means

Related information p. 42 Water

Environmental Actions (2021–2024)

We formulated Environmental Actions (2021–2024) as short-term milestones to work on achieving Environmental Targets 2030. In addition to the material themes, we also continue to promote our efforts to reduce waste and conserve biodiversity.

Priority issues	Targets
1. Achieve a zero-carbon society Climate change 	By the end of fiscal 2024, reduce GHG emissions (in Japan, Scope 1 and 2) by 10% compared to fiscal 2018 levels
2. Convert to fully recyclable containers and packaging Plastic containers and packaging 	(1) By the end of fiscal 2024, reduce plastic containers and packaging (in Japan) by 5% compared to fiscal 2018 levels, or make them recyclable (2) Reduce raw material consumption for containers and packaging (3) Reduce environmental impact by changing container and packaging materials (4) Use plant-based, environmentally responsible materials for containers and packaging
3. Reduce water consumption Water 	(1) By the end of fiscal 2024, reduce water consumption (at dairy product plants in Japan, per production unit) by 3% compared to fiscal 2018 levels
4. Reduce waste	(1) By the end of fiscal 2024, reduce amount of waste generated by 20% compared to fiscal 2010 levels (2) Maintain at least a 95% recycling rate for food loss and waste
5. Conserve and utilize biodiversity	(1) Support and participate in conservation activities (2) Promote biodiversity education

Environmental Vision progress status

Climate change

GHG emissions (of Yakult Honsha and Japanese bottling companies, Scope 1 and 2) were reduced by 41.5% in fiscal 2022 compared to fiscal 2018 by introducing effectively renewable energy power at 12 plants, increasing the amount of solar power generation equipment at the Hyogo Miki Plant, implementing energy-saving activities at individual business sites, and other efforts.

Plastic containers and packaging

We strove to reduce the amount of plastic containers and packaging used (in Japan) in fiscal 2022 through measures like discontinuing the provision of straws for the *New Yakult* series of products. However, due to growing sales of new products, the amount of non-recyclable plastic used increased by around 24.1% compared to fiscal 2018.

Water

Water consumption (at dairy product plants in Japan, per production unit) was reduced by 13.9% in fiscal 2022 compared to fiscal 2018. This was achieved by conserving water through such water-saving efforts as reducing the use of water for raw materials by revamping production methods and reviewing automated washing times.

Roadmap for achieving Environmental Vision

The Environmental Promotion Department was established in April 2022 to achieve the goals of Environmental Vision. We will promote various efforts to achieve the targets of Environmental Actions (2021–2024), Environmental Targets 2030 and Environmental Vision 2050.

Climate change

- Expand use of renewable energy (switching to electricity generated from renewable sources, installing renewable energy facilities, etc.)
- Promote low-carbon investment and climate change countermeasures by introducing and using an internal carbon pricing (ICP) scheme
- Convert to energy-saving devices, promote energy-saving activities

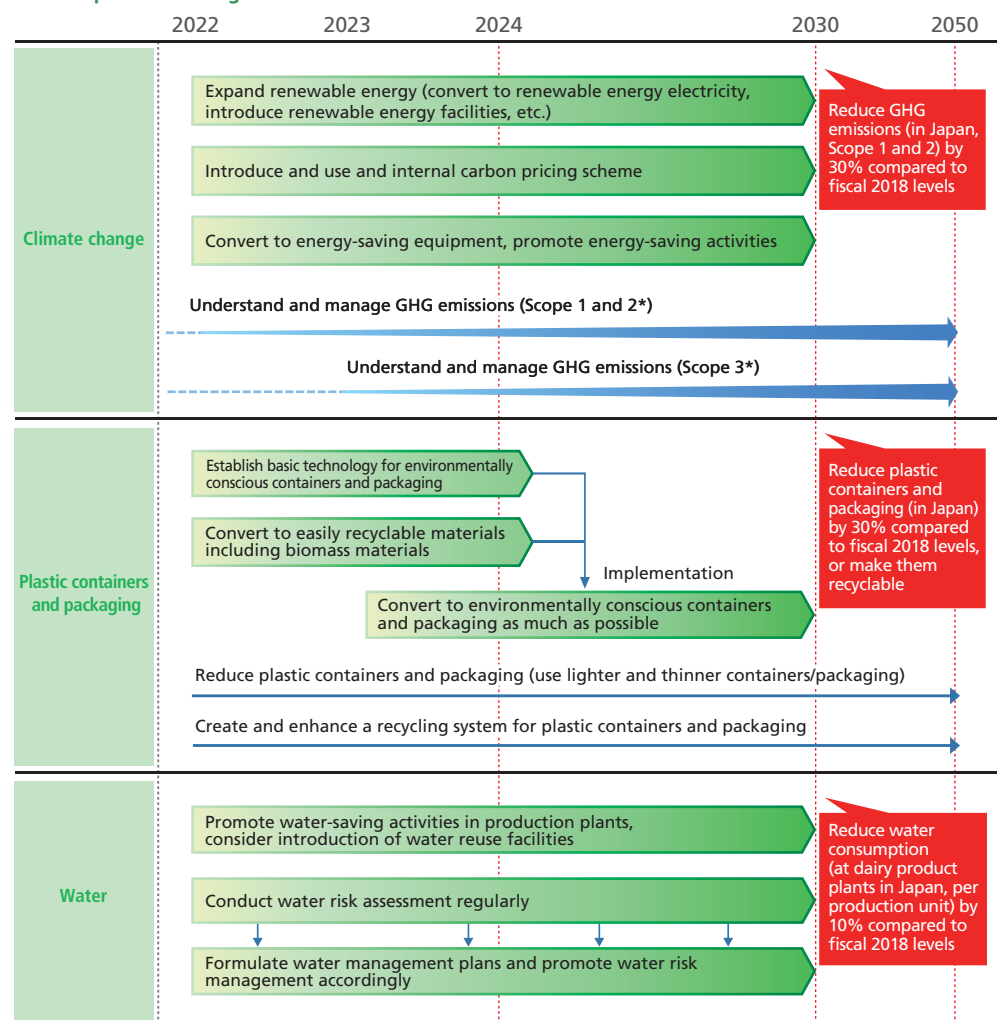
Plastic containers and packaging

- Reduce the amount of plastic used in containers and packaging (lightness, thinness)
- Explore diversification of containers
- Begin switching to more easily recyclable materials in containers and packaging (recycled materials, biomass materials, biodegradable materials, etc.)
- Create and enhance a recycling system for plastic containers and packaging

Water

- Promote water-saving activities, explore the possibility of introducing equipment for reusing water
- Regularly resurvey water risks at production bases
- Formulate a water management plan and promote water risk management based on it

Roadmap for achieving Environmental Vision



* Scope definitions
 Scope 1: Direct emissions from fuel used for company's own business activities
 Scope 2: Indirect emissions from generation of electricity, steam and heat purchased from outside company
 Scope 3: Emissions from across supply chain related to company's business activities

Environmental certification status

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

Status of ISO 14001 environmental certification

	Certified sites	Certification rate
Yakult Honsha plants and bottling companies in Japan (12 sites in total)	12	100%
Yakult Central Institute	1	100%
Marketing companies in Japan (101 in total)	8	7.9%
Plants outside Japan (27 sites in total)	6	22.2%

WEB Details about certifications acquired by each company

https://www.yakult.co.jp/english/sustainability/social/product_safety/certification/

Compliance with environmental laws and regulations

Energy Conservation Act

For all of Yakult Honsha's business sites, the Company submitted a periodic report for fiscal 2022 and a medium- to long-term plan for the period beginning from fiscal 2022.

The Company's total energy use during fiscal 2022 amounted to 25,190 kiloliters (crude oil equivalent), up 177 kiloliters from the previous fiscal year (100.7% compared to the previous fiscal year). The five-year year-on-year average energy use value per production unit was 97.4%, which means we achieved the Energy Conservation Act's objective of reducing the five-year average energy use per production unit by 1% or more, making us an S-class business for superior energy conservation as determined by the Agency for Natural Resources and Energy. Furthermore, the level of greenhouse gas emissions generated as a result of energy use was 45,435 tons, which was 529 tons lower than the previous fiscal year.

Act for Rationalized Use and Proper Management of Fluorocarbons

The Act for Rationalized Use and Proper Management of Fluorocarbons went into effect in April 2015. The Company conducts the appropriate management of equipment subject to this requirement at all business sites and departments based on this law. The amount of fluorocarbon leakage in fiscal 2022 was 377.4 t-CO₂.

In addition, each plant performs periodic inspections, in addition to daily inspections, in order to detect any abnormalities at an early stage.

Food Recycling Act

All Yakult Honsha business sites are striving to reduce the volume of their food loss and waste and promote its recycling. In fiscal 2022, the volume of food loss and waste generated was 400.7 tons, and recycling and other measures were undertaken for 88.9% of this according to the periodic report for fiscal 2022.

Food loss and waste recycling results (fiscal 2022)

Volume generated (t)	Volume recycled (t)	Recycling, etc. rate (%)	Recycling applications
400.7	351.1	88.9	Fertilizer, animal feeds, etc.

Related information p. 45 Initiatives to reduce food loss and waste

PRTR Act

Japan's Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) requires that companies measure the volume of their emissions of specified substances, transfers of such substances from their business sites, and other data. It also requires the submission of reports on the volume of specified substances that are handled in volumes of one ton or more in the course of a year. The Tokyo Metropolitan Ordinance on Environmental Preservation, which took effect in 2001, requires that reports be submitted with respect to chemical substances handled in annual volumes of 100 kilograms or more. In fiscal 2022, the scope of the Company's mandatory reporting based on that ordinance included three substances.

Substances used by the Yakult Central Institute (Kunitachi City, Tokyo) (fiscal 2022)

Chemical	Amount handled (kg/year)	Amount released (kg/year)	Amount transferred (kg/year)	PRTR Act	Tokyo Metropolitan Ordinance
Chloroform	110	0	110	○	○
Methanol	120	16	100		
Sulfuric acid	240	0	0		

Note: The chemicals are primarily used as reaction solvents and extraction solvents. Sulfuric acid is used to adjust pH, etc. The figures stated above were reported to the government and Tokyo officials.

Containers and Packaging Recycling Act

According to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Act), the Company has been obligated as a manufacturer to undertake product recycling processes, and to take additional measures regarding 3Rs (reduce, reuse and recycle) promotion and the system for making payments to the municipal governments handling sorted waste processing. The Company complies with this law, and in fiscal 2022 established the following obligatory recycling volumes for containers and packaging.

The amount of commissioned recycling fees and payments by the Company in fiscal 2022 amounted to approximately 270 million yen.

Container and packaging obligatory recycling volume

Container and packaging type	FY2018	FY2019	FY2020	FY2021	FY2022
Glass bottles (t)	281	266	240	212	197
PET plastic bottles (t)	52	33	26	19	17
Plastic containers and packaging (t)	5,795	5,894	5,288	5,046	5,246
Paper containers and packaging (t)	90	91	90	87	81
Total	6,218	6,284	5,644	5,364	5,541

Environmental accounting

▶ Yakult's environmental accounting system

Yakult Honsha established the Yakult Environmental Accounting Guidelines in May 2001 based on the Environmental Accounting Guidelines issued by Japan's Ministry of the Environment, and has disclosed relevant information annually since fiscal 2001.

▶ Purpose of the system

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

▶ Main features of the system

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

Time period: From April 1, 2022 through March 31, 2023

Noteworthy features:

- (1) Data is compiled only for activities targeting environmental conservation.
- (2) Investment amounts are equal to depreciable assets recorded during the period under financial accounting standards.
- (3) Depreciation expenses on depreciable assets and environmental business-related costs are not recorded.

Environmental accounting results showed an increase in investment and expenses of approximately 540 million yen compared to the previous fiscal year. The implementation of various environmental conservation measures is causing a rise in costs overall.

Economic benefits decreased by approximately 23 million yen compared to the previous fiscal year. Despite cost reductions due to energy conservation and other initiatives, savings seen in past years from overhauling and reusing vending machines were less evident this year.

Environmental accounting results

(millions of yen)

Item	Main activities	FY2021			FY2022		
		Investment	Expense	Total	Investment	Expense	Total
(1) Business area costs	1. Pollution prevention costs	49.0	214.3	263.3	327.2	258.9	586.1
	2. Global environment conservation costs	42.7	67.4	110.1	117.1	66.7	183.9
	3. Resource recycling costs	53.4	82.3	135.7	53.3	81.6	134.9
(2) Upstream/downstream costs	Containers and Packaging Recycling Act commissioned recycling fees, vending machine overhaul	0	224.5	224.5	0	270.0	270.0
(3) Administration costs	Plant grounds green area management, environmental management system renovation and maintenance, CSR report, environmental impacts monitoring expenses, employee environmental education program expenses	0.2	186.5	186.6	0.0	245.5	245.5
(4) R&D costs	Consideration of improvements to containers and packaging	0	23.2	23.2	0	58.3	58.3
(5) Social activity costs	Plant vicinity cleanup campaign, donations to organizations engaged in environmental protection activities	0	5.4	5.4	0	6.4	6.4
(6) Environmental remediation costs*	Pollution load levy	0	0.1	0.1	0	0.1	0.1
Total		145.3	803.6	948.9	497.7	987.6	1,485.3

* Environmental remediation costs = pollution load levy

This is a special charge levied on operators of facilities that generate soot, etc., and other specified facilities as a means of gathering a portion of the funds required for the distribution of compensation based on Japan's pollution-related health damage compensation system. Note: Because the figures are rounded off, the sum of the breakdown figures and the total may not match.

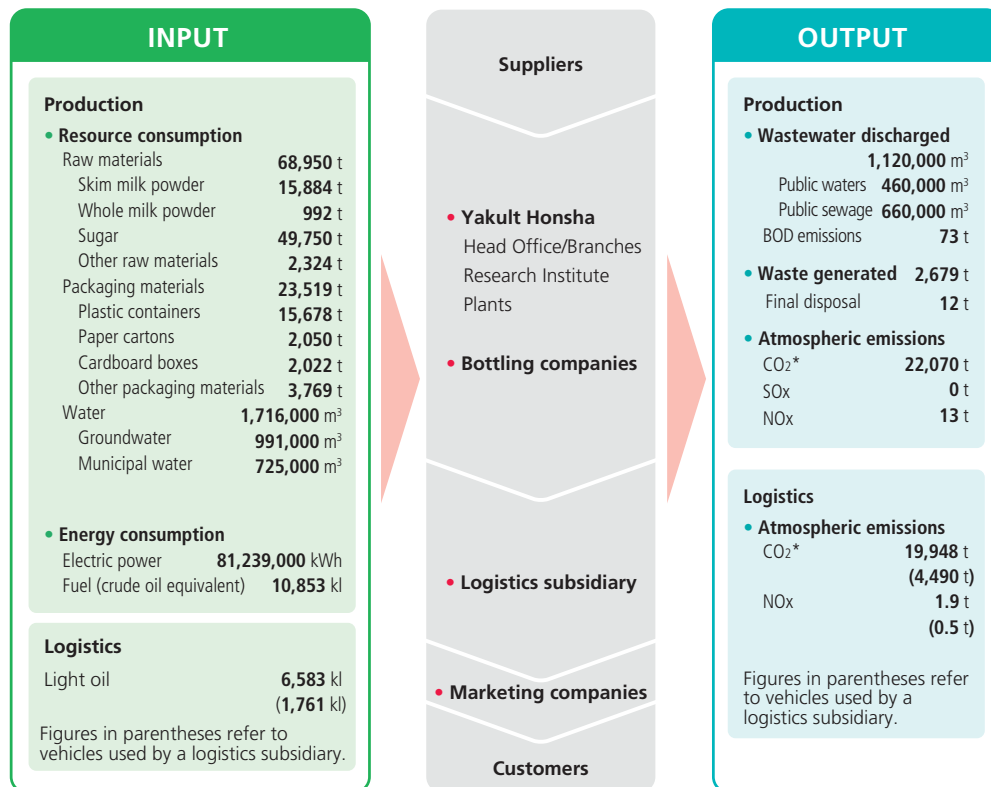
Economic benefits associated with environmental conservation measures

(millions of yen)

Type of benefit	FY2021	FY2022
Reduction of waste disposal costs associated with recycling	0	0
Income from recycling	3.8	2.8
Cost reductions resulting from resource conservation	4.8	6.7
Cost reductions resulting from energy conservation	38.6	40
Cost reductions resulting from packaging weight reductions	7.4	0.2
Cost reductions resulting from the overhaul and reuse of vending machines	26.5	8.6
Gains resulting from green purchasing	0	0
Other	0	0
Total	81.1	58.4

Environmental impacts of business activities

From production through delivery (fiscal 2022)



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

* CO₂ emission levels use the adjusted emission coefficients provided by each power company.

Note 1: See the ESG Data spreadsheet file (<https://www.yakult.co.jp/english/csr/download/>) for data from the previous five years.

Note 2: Itemized figures are rounded up or down, so sums may not match totals.

Identifying and reducing environmental impacts

The Yakult Group has identified its environmental impacts in the lifecycle of its products, from production, logistics, marketing to recycling, and is working to effectively reduce the impacts based on Environmental Actions (2021–2024).

Production

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

Logistics

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

Marketing

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

To reduce CO₂ emissions associated with home deliveries, we are replacing the current delivery vehicles used by Yakult Ladies with COMS super-compact electric vehicles. We are also taking various measures to promote recycling of used containers collected from our suppliers, including route delivery trucks that are equipped with a dedicated space to facilitate the separated collection of waste.

Recycling

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

Environmental education

We promote environmental education at each plant based on ISO 14001. Specifically, we are training internal auditors and having them share information on environmental initiatives within each department. An overview of ISO 14001 and its organizational structure is provided at new employee training sessions to foster awareness among all employees of working toward shared goals and targets. In fiscal 2022, 32 training sessions with a total of 362 participants were held at 15 plants in Japan.

Materiality



Climate change

Our approach

Climate change caused by human economic activity has brought about wide-ranging risks worldwide, from natural disasters to biodiversity loss due to the impacts of global warming, which require urgent global action. We recognize that climate change is a critical issue for the Yakult Group's business continuity. As global society works toward net zero emissions, the Yakult Group will cut GHG emissions by setting quantitative targets, advancing more energy conservation initiatives and actively adopting renewable energy through the installation of solar power generation equipment.

Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● 2°C scenario risks • Difficulty procuring raw materials (skim milk powder, etc.) • Higher costs for compliance with plastic regulations • Higher fuel and electricity costs 	<ul style="list-style-type: none"> ● 2°C scenario opportunities • Development of probiotics and food products to help dairy cows produce more milk • Switching to containers and packaging using biomass-derived plastic materials • Development of energy-efficient production methods for cosmetics, development of non-thermal production methods for particular products
<ul style="list-style-type: none"> ● 4°C scenario risks • Difficulty procuring raw materials (skim milk powder, etc.) • Worsening work environment for Yakult Ladies • Fewer outings by consumers • Infectious disease epidemics • Plant and animal disorders • Suspension of procurement, production, distribution, sales and other operations 	<ul style="list-style-type: none"> ● 4°C scenario opportunities • Shift to use of inexpensive agricultural products with stable supply, such as non-dairy proteins (soybeans, insects, etc.)/safe and secure deliveries that do not rely on people/development of beneficial bacteria that effectively prevent new pathogens • Development of sustainable production and management methods with lower water consumption

Policies/Guidelines/Targets

- Yakult Basic Policy on the Environment
- Environmental Vision 2050
- Environmental Targets 2030
- Environmental Actions (2021–2024)



Targets and achievements

Target	Achievement
<p>By the end of fiscal 2024, reduce GHG emissions (in Japan, Scope 1 and 2) by 10% compared to fiscal 2018 levels</p>	<p>▶ GHG emissions reduced by 41.5% (compared to fiscal 2018) by introducing effectively renewable energy at 12 plants within Japan, increasing the amount of solar power generation equipment at the Hyogo Miki Plant and other efforts</p>

Challenges and solutions

The Yakult Group currently emits approximately 840,000 tons of CO₂ annually through its business activities. We are committed to the belief that “in order for people to be healthy, everything around them must also be healthy.” So, we are keenly aware that climate change countermeasures are urgently needed. We have set a goal to achieve net zero greenhouse gas emissions by 2050, and are promoting efforts to reduce CO₂ emissions throughout our entire value chain, from raw material procurement to production, distribution and sales. As part of these efforts, we have begun using effectively renewable energy at 12 plants within Japan, increased solar power generation equipment at the Hyogo Miki Plant and are promoting low-carbon investment and other climate change countermeasures through the introduction of internal carbon pricing (ICP). Additionally, in August 2022, we indicated our endorsement of the TCFD recommendations. Based on these recommendations, we will analyze the risks and opportunities of climate change for our business, evaluate the relevant financial impacts and continue working to disclose further information through a framework of governance, strategy, risk management, and metrics and targets.

Recognizing and responding to climate-related risks and opportunities

Information disclosure based on TCFD recommendations

In August 2022, we announced our support for the TCFD recommendations.*1 We performed multiple climate change scenario analyses of Yakult's corporate activities using the Representative Concentration Pathway (RCP) scenarios,*2 and are considering responses to climate-related risks and opportunities while promoting specific initiatives to prepare for the future.

*1 TCFD recommendations: TCFD stands for "Task Force on Climate-related Financial Disclosures," an international organization established by the Financial Stability Board in 2015. In its final report published in 2017, the TCFD issued recommendations that companies disclose information on climate-related risks and opportunities through scenario analysis to examine risk strategies under various different conditions.

*2 RCP scenarios: Analyses were carried out using the scenario with the lowest temperature rise (RCP2.6 scenario, with around 2°C rise) and the highest temperature rise (RCP8.5 scenario, with around 4°C rise)

Governance

The CSR Promotion Committee considers a wide range of management issues from the perspectives of the Yakult Group's corporate social responsibility and sustainability, focusing discussion on policies and action plans that address environmental and social issues, and promotes efforts to resolve them. The committee is chaired by the Divisional General Manager of the Management Support Division (a director and senior managing executive officer), and is made up of executive officers from each relevant department. Among the deliberated topics, committee procedure stipulates that the Management Policy Council, which includes directors and Audit & Supervisory Board Members, as well as the Executive Officers Committee and the Board of Directors, must be consulted regarding important CSR matters relating to management policy. Considerations are presented to the Executive Officers Committee as necessary.

The CSR Promotion Committee discusses CSR promotion measures and policies, including climate change issues, and manages progress on these matters. In fiscal 2022, the committee met three times, and plans call for it to meet four times per year from fiscal 2023 onward.

We have also established five specialized committees as subordinate organizations of the CSR Promotion Committee to carry out specific activities within each department as a way to promote sustainability/CSR initiatives throughout the Group.

Strategy

The Yakult Group conducts business in 40 countries and regions around the world on the basis of local production for local sales. For this reason, we recognize that climate change, which has become an urgent global issue, will affect the Group's corporate management and finances over the short, medium and long term, and have identified it as one of our material themes.

Based on this recognition, we conducted scenario analysis of both actual and potential impacts of climate-related risks and opportunities to our business, strategies and financial planning, and considered countermeasures in response to clarified risks and opportunities.

Responding to the important issues clarified by this exercise will allow us to reduce risks and seize opportunities.

Scenario analysis: 2°C scenario

In the 2°C scenario, pastureland is projected to decrease, agricultural land for energy crops to increase, and agricultural land for food and feed crops to decrease. Under these circumstances, it is possible that procurement of skim milk powder, the main raw material for the fermented milk drinks that are our key products, may become difficult in the future. For example, we suspect it may become necessary to use protein sources other than milk (such as soybeans) and inexpensive agricultural products, and are developing products based on various safe and secure raw materials. We are also considering the possibility of commercialization focusing on the health of animals and other non-human subjects, such as the development of products that utilize microorganisms (probiotics) to contribute to animal health.

In addition, with the anticipated tightening of regulations such as carbon taxes and emissions trading, there is a risk that our energy costs will increase and that demands from society for plastic-free options will increase. We must take measures such as reducing our energy usage further and switching our containers and packaging to biomass-derived, renewable plastics. In addition, the ratio of low-carbon energy is expected to increase and the cost of fuel and electricity is at risk of increasing, so we will consider all possible methods, including the development of manufacturing processes that are more energy-efficient than conventional ones and, for specific products such as cosmetics, manufacturing processes that do not use heat.

Risks and opportunities based on climate change scenario (2°C scenario)

Scenario	Risks and opportunities			
	Category	Subcategory	Topic	Details
2°C	Transition risks	Current regulations	Stricter regulations	Increase in costs to the Company due to carbon tax
		New regulations	Low-carbon products	Increase in procurement costs for plastic-alternative raw materials and investment in facilities
		Markets		Increase in transportation costs associated with shift to electric vehicle fleet (capital investment of switching to electric delivery vehicles)
				Price increase for raw materials associated with high risk of deforestation (soybeans, palm oil, paper, etc.) Increase in costs when procuring certified products
	Opportunities	Resource efficiency	New products/ New manufacturing methods	Increase in sales and decrease in costs through the development of new manufacturing methods and new products by promoting the efficient use of water and other resources
		Products and services		Increase in sales from products developed using protein sources other than milk
Increase in sales from non-food products developed using microorganisms				

Scenario analysis: 4°C scenario

In the 4°C scenario, extreme temperature increases are expected to produce severe environmental impacts. As a consequence, not only will it be difficult to procure our main ingredient (skim milk powder), as seen in the 2°C scenario, but we also face other possible risks, including a worsening working environment for our sales staff, consumers going out less frequently, epidemics of infectious diseases, and poor animal and plant health. In response to these risks, we will consider developing products that use protein sources other than milk, while also considering safe and secure delivery methods that do not rely on humans and the development of useful bacteria that are effective in prevention of new pathogens.

Exposure to water risks such as floods, torrential rains and rainfall shortages is also expected to become more frequent, and plants are likely to encounter instances of flooding and being forced to suspend production, distribution and sales activities. We will explore measures such as strengthening business continuity planning (BCP) in order to respond to climate-related risks.

Risks and opportunities based on climate change scenario (4°C scenario)

Scenario	Risks and opportunities			
	Category	Subcategory	Topic	Details
4°C	Transition risks	Markets	Resource scarcity	Increase in fossil fuel costs
	Physical risks	Acute	Climate change	Decrease in sales and increase in costs due to damage to plants and suspension of production and distribution
				Increase in costs due to difficulty procuring sugars
		Chronic		Increase in skim milk powder procurement costs due to reduced milk production as a result of hot weather, decreased pasture size or decreased feed amounts
				Decrease in sales due to lower sales staff activity caused by heat stress
				Decrease in sales as customers refrain from going outside
				Decrease in sales and increase in costs associated with production stoppages due to the spread of infectious diseases
	Opportunities	Climate change	Climate change	Increase in home delivery sales due to more people staying home
		New products/New manufacturing methods	New products/New manufacturing methods	Increase in sales due to expansion of e-commerce marketing
				Increase in sales due to heightened health awareness

Risk management

The physical impacts of rising temperatures due to climate change are undoubtedly a global social issue, and we recognize the many potential impacts of this issue on our business, such as production problems for raw material agricultural products, adverse health effects due to heat stress and a deteriorating work environment. In order to address this issue, our CSR Promotion Committee identifies risks and opportunities associated with climate change, assessing each using companywide unified standards of impact level and likelihood of occurrence. Once we have identified critical issues, we consider their importance in relation to our medium- and long-term strategies before formulating and implementing response plans.

Risk and opportunity identification and assessment process

With respect to the identification of risks, the CSR Promotion Committee consolidates opinions from each department in relation to major risks that management recognizes could have a significant impact on consolidated company financial positions, operating results and cash flow, as well as in relation to TCFD classification.

Identifying opportunities involves the same consolidation process as that used for risks, premised on competitive and external environmental analyses conducted by each department regarding business opportunities that the Yakult Group should address. We then assess these risks and opportunities using companywide unified standards of impact level and likelihood of occurrence, as described above, and formulate response plans.

Risk assessment is not limited to Yakult's direct operations, but rather includes a wide range of both upstream and downstream aspects of the value chain such as raw materials, material suppliers and consumers.

We assume the actual financial impact accompanying each risk assessment to include financial loss due to operations restriction or stoppage, as well as legal fees in the event that such a risk materializes.

Response process for identified risks and opportunities

With regard to formulating and executing response plans, in order to carry out specific activities in each department with regard to risks determined to require addressing, we have established five specialized promotion committees* under the CSR Promotion Committee to promote our climate change response and other CSR activities. The results of these activities are discussed by the CSR Promotion Committee based on reports from the five promotion committees and related departments. The committee also monitors the activities by conducting progress assessments approximately four times per year and setting targets for the next fiscal year at the end of the previous one.

* Distribution CSR Promotion Committee, Head Office CSR Promotion Committee, Plant CSR Promotion Committee, Development CSR Promotion Committee and Yakult Central Institute CSR Promotion Committee

Metrics and targets

The Yakult Group created the Yakult Group Environmental Vision with the aim of uniting people and planet as one. We set out our ideal vision for the future in Environmental Vision 2050, seeking to achieve Net Zero Carbon by 2050 (in Scope 1, 2 and 3) toward a value chain that has zero environmental impact.

Using backcasting, we also established Environmental Targets 2030 and Environmental Actions (2021–2024) in order to effectively act and make progress based on this vision.

Environmental Vision 2050

To realize a society where people and the planet co-exist as one through a value chain that has zero environmental impact
Achieve Net Zero Carbon by 2050 (in Scope 1, 2 and 3)

Environmental Targets 2030

We set Environmental Targets 2030 as medium-term milestones on the path to achieving Environmental Vision 2050.

Material theme	Target
Climate change	Reduce GHG emissions (in Japan, Scope 1 and 2) by 30% compared to fiscal 2018 levels
Plastic containers and packaging	Reduce plastic containers and packaging (in Japan) by 30% compared to fiscal 2018 levels, or make them recyclable
Water	Reduce water consumption (at dairy product plants in Japan, per production unit) by 10% compared to fiscal 2018 levels

Environmental Actions (2021–2024)

Environmental Actions (2021–2024) is an action plan for achieving Environmental Targets 2030. We have set the following goals as short-term milestones to reach by fiscal 2024.

Material theme	Priority issue	Target
Climate change	1. Achieve a zero-carbon society	By the end of fiscal 2024, reduce GHG emissions (in Japan, Scope 1 and 2) by 10% compared to fiscal 2018 levels
Plastic containers and packaging	2. Convert to fully recyclable containers and packaging	(1) By the end of fiscal 2024, reduce plastic containers and packaging (in Japan) by 5% compared to fiscal 2018 levels, or make them recyclable (2) Reduce raw material consumption for containers and packaging (3) Reduce environmental impact by changing container and packaging materials (4) Use plant-based, environmentally responsible materials for containers and packaging
Water	3. Reduce water consumption	(1) By the end of fiscal 2024, reduce water consumption (at dairy product plants in Japan, per production unit) by 3% compared to fiscal 2018 levels
	4. Reduce waste	(1) By the end of fiscal 2024, reduce amount of waste generated by 20% compared to fiscal 2010 levels (2) Maintain at least a 95% recycling rate for food loss and waste
	5. Conserve and utilize biodiversity	(1) Support and participate in conservation activities (2) Promote biodiversity education

Related information p. 26 Environmental Vision progress status

Related information p. 26 Roadmap for achieving Environmental Vision

CO₂ emissions in fiscal 2022

		Scope 1	Scope 2	Scope 3	Total
Yakult Honsha	Plants*	18,223	58	416,697	468,237
	Yakult Central Institute	1,467	7,292		
	Head office/branches	277	372		
	Pharmaceutical branches	8	106		
	Logistics department	19,627	321		
Consolidated subsidiaries (Japan)	Bottling companies	3,790	0		
	Marketing companies	22,632	13,214	—	35,846
	Other	8,402	3,290	—	11,692
Consolidated subsidiaries (overseas)	Plants/business sites	183,686	143,668	—	327,354
Total		426,431		416,697	843,128

Note 1: “—” indicates data that was not collected or is still being collected.

Note 2: Numbers are shown rounded to the nearest whole figure, so actual totals may not match the sum of the numbers shown.

* Including plants that produce cosmetics and pharmaceuticals

Scope 3 emissions by category (fiscal 2022)

Category	Applicable Y/N	Calculation method or reason not applicable	Calculated result (t)
1 Purchased goods and services	Y	Calculated using cost of purchased packaging materials and raw ingredients for Yakult dairy products, pharmaceuticals and cosmetics, purchase price of soft drink, pharmaceutical and cosmetic products, and volume of municipal water use.	338,394
2 Capital goods	Y	Calculated using increase in fixed assets for the year from the annual securities report.	28,455
3 Fuel- and energy-related activities not included in Scope 1 or 2	Y	Calculated using electricity and energy use volume also used in Scope 1 and 2 calculations.	12,878
4 Upstream transportation and distribution	N	Logistics subsidiary is covered in Scope 1 and 2. Emissions from upstream procurement logistics are included in Scope 1 and 2 calculation, and we therefore have no significant emissions to calculate in this category.	—
5 Waste generated in operations	Y	Calculated using weight of waste and volume of wastewater discharged at each business site.	537
6 Business travel	Y	Calculated using number of employees.	450
7 Employee commuting	Y	Calculated using number of employees at each business site.	1,282
8 Upstream leased assets	N	Volumes of energy use by upstream leased assets are all included in Scope 1 and 2, and we therefore have nothing to calculate in this category.	—
9 Downstream transportation and distribution	Y	We have insufficient information on downstream distribution from logistics bases, and distribution to consumers or stores, making it therefore currently difficult to calculate.	—
10 Processing of sold products	N	Our goods are mainly finished food (dairy products, soft drinks), pharmaceutical and cosmetic products that are all consumed, and we have no partially finished products that are later processed. We therefore have no processing-related emissions.	—
11 Use of sold products	N	Our goods are mainly finished food (dairy products, soft drinks), pharmaceutical and cosmetic products that are all consumed, and we therefore have no use-related emissions.	—
12 End-of-life treatment of sold products	Y	Calculated using the weight of packaging materials for food (dairy products, soft drinks), pharmaceutical and cosmetic products.	18,761
13 Downstream leased assets	Y	Calculated using vending machine energy consumption.	15,940
14 Franchises	N	We are a manufacturer of food, pharmaceutical and cosmetic products, and do not offer franchising. We therefore have no emissions related to this category.	—
15 Investments	N	We are a manufacturer of food, pharmaceutical and cosmetic products, and have no business for the purpose of investment. This category is for financial businesses, and we have no emissions related to this category.	—
Total			416,697

Note: Yakult Honsha (including logistics) and five bottling companies calculated in scope.

Initiatives to reduce CO₂ emissions at Yakult Honsha plants and bottling companies

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

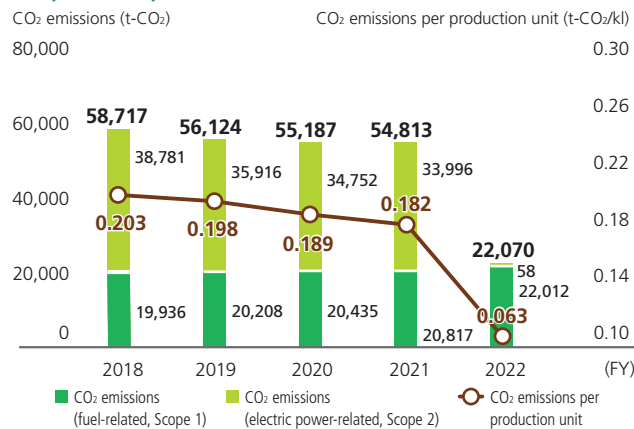
In fiscal 2022, a total of four electric molding machines used to produce *Yakult* and other containers were upgraded to energy-saving machines at two plants, the Yakult Aichi Plant and Yakult Fukuoka Plant, as a way to reduce energy consumption.

Furthermore, to reduce CO₂ emissions at plants throughout Japan, we ran various initiatives focused on ISO 14001 goals and targets, installing LED lighting and determining efficient ways to use production equipment to reduce operating times and energy consumption.

In April 2022, we switched all purchased electricity used in production processes at our 12 domestic plants,* and in July at the Shonan Cosmetics Plant, to electricity almost entirely from effectively renewable energy sources provided by power companies with which we have contracts. We also increased the energy capacity of the solar power generation equipment at the Hyogo Miki Plant from 100 kilowatts to 1,000 kilowatts. As a result, CO₂ emissions at Yakult Honsha plants and bottling companies have decreased by 62.4% compared to fiscal 2018 levels.

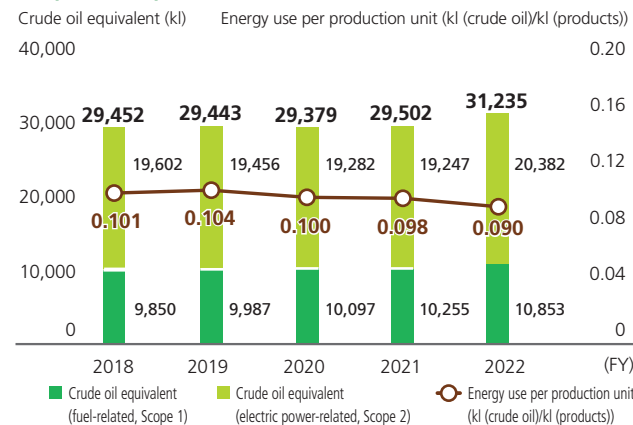
* Fukushima Plant, Ibaraki Plant, Fuji Susono Plant, Hyogo Miki Plant, Saga Plant, Yakult Iwate Plant, Yakult Chiba Plant, Yakult Aichi Plant, Yakult Okayama Wake Plant, Yakult Fukuoka Plant, Fuji Susono Pharmaceutical Plant, Yakult Materials Co., Ltd. Fuji Susono Plant.
Note: Electric power-related CO₂ emission factors are the adjusted emission factors of each electric power company.

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



Note 1: CO₂ emissions per production unit are calculated based solely on energy consumption at the five Yakult Honsha plants, excluding plants that produce cosmetics and pharmaceuticals.
Note 2: Emission factors are the adjusted emission factors of each electric power company for each year.
Note 3: Yakult has no CO₂ emissions from biological sources.

Energy use and energy use per production unit by Yakult Honsha plants and bottling companies (Scope 1 + Scope 2)

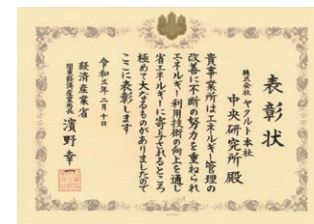


Note: When doing calculations per production unit, crude oil equivalents are calculated using data from bottling companies and five Yakult Honsha plants, excluding plants that produce cosmetics and pharmaceuticals.

Initiatives to reduce CO₂ emissions at the Yakult Central Institute

Since its full-scale renovation in 2016, the Yakult Central Institute has been constantly engaged in initiatives to conserve energy, including installing new equipment, improving the thermal insulation of steam pipes, changing HVAC systems operations and lowering the temperature of air-conditioning systems. This led to a 4.3% annual improvement in energy intensity on average over five fiscal years from fiscal 2017.

In recognition of these initiatives, Yakult received the Kanto Bureau of Economy, Trade and Industry Director-General's Award in Energy Management Excellence for Businesses (Ministry of Economy, Trade and Industry, METI) in fiscal 2020.



Certificate from Kanto Bureau of Economy, Trade and Industry Director-General

Basic agreement on carbon-neutral city gas supply with Tokyo Gas

Since April 2021, we have adopted carbon-neutral city gas as part of our environmental actions that contribute to efforts toward achieving a sustainable society.

This supply agreement is the first of its kind from Tokyo Gas Co., Ltd. to the beverage industry. Switching the total supply of the Yakult Central Institute to carbon-neutral city gas for five years from April 2021 to the end of March 2026 will help reduce CO₂ emissions by approximately 11,500 tons.

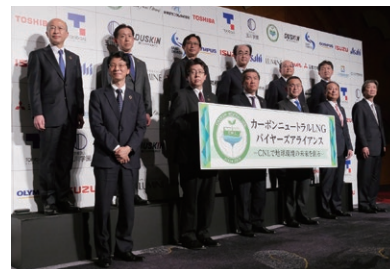


Membership in the Carbon Neutral LNG Buyers Alliance

In March 2021, we established the Carbon Neutral LNG (CNL)* Buyers Alliance with Tokyo Gas Co., Ltd. and 13 other companies.

The Alliance was established through the concerted efforts of Tokyo Gas Co., Ltd., which procures and supplies CNL, and companies that purchase CNL, with the aim of spreading the use of CNL and increasing its utility value. Choosing environmentally responsible energy helps in the efforts toward achieving a sustainable society, and directly contributes to climate change action, the SDGs and ESG corporate management.

* Carbon-neutral LNG (CNL): Liquefied natural gas (LNG) that is deemed to have net zero carbon emissions by offsetting GHGs generated in the process, from extraction to combustion of natural gas, through purchasing carbon credits that support reforestation and other projects



CNL Buyers Alliance

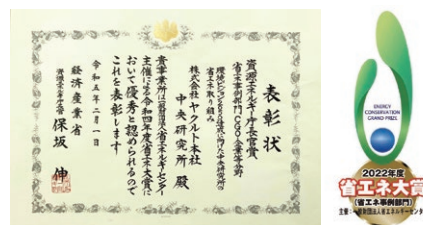
Introducing an internal carbon pricing (ICP) scheme

In October 2022, we introduced an internal carbon pricing (ICP) scheme* as part of our efforts to promote specific initiatives aimed at reducing greenhouse gas emissions and to raise awareness among all Group employees regarding decarbonization. By setting our carbon price at ¥37,000/t-CO₂ and using the ICP system as one of the criteria for new equipment when making capital investments, we will promote low-carbon investment and climate change countermeasures.

* A mechanism for creating economic incentives to reduce CO₂ emissions by assigning an intracompany price for carbon, which is then used to theoretically convert CO₂ emissions into costs, thereby promoting low-carbon investment and climate change countermeasures.

Received the Agency for Natural Resources and Energy Director-General's Prize in the Energy Conservation Best Practices at Workplaces category of the Energy Conservation Grand Prize Award 2022

The Yakult Central Institute received the Agency for Natural Resources and Energy Director-General's Prize as part of the Energy Conservation Grand Prize Award 2022 (sponsored by the Ministry of Economy, Trade and Industry). This award recognizes the efforts the Institute has made toward achieving Environmental Vision 2050 set out by Yakult Honsha. The Yakult Central Institute accounts for approximately 20% of our total energy consumption, and its efforts include adopting groundbreaking external initiatives that



Energy Conservation Grand Prize Award 2022 (Energy Conservation Best Practices at Workplaces category) commendation certificate and award emblem

enhance the Institute's energy conservation activities, support from external energy experts, and using products that have received the Energy Conservation Grand Prize Award.

In particular, we have thoroughly prevented heat loss by reinforcing the insulation materials for the steam pipe system, adjusted air-conditioning operations and temperature settings to make them more energy-conscious, and introduced highly efficient and cutting-edge technologies such as converting lighting to LED fixtures. The award recognized our efforts to reduce energy use by approximately 20% compared to 2016.

LCA of Yakult series

In considering the environmental impacts of our products, it is important to look at the entire product lifecycle to identify those impacts in all phases, from raw material procurement to product consumption and disposal, in addition to the impacts produced at our own plants. With this in mind, the Company made preliminary calculations based on a lifecycle assessment (LCA) for CO₂ emissions, fossil fuel consumption and water use. This allowed us to understand the environmental impact at each stage of a product's lifecycle and use the results for internal education and to gain supplier understanding and cooperation as we promote efforts toward reducing environmental impacts. We also use the results for future product development as we seek to develop products that fully embody our belief that "in order for people to be healthy, everything around them must also be healthy."

Utilization of renewable energy (solar power energy)

We have installed solar power generation equipment with an overall power generation capacity of approximately 1,915 kilowatts at a total of 10 business sites (six Yakult Honsha plants and four bottling companies). By using solar power as part of the electricity supply at our business sites, we were able to reduce CO₂ emissions by approximately 523 tons in fiscal 2022 compared to having made electricity purchases from power utilities.

At the Yakult Central Institute, installation of solar power generators with a capacity of approximately 110 kilowatts reduced CO₂ emissions by approximately 45 tons in fiscal 2022.

Initiatives to reduce CO₂ emissions outside Japan

Introduction of solar power generation

As part of our efforts to reduce CO₂ emissions, we are promoting the introduction of solar power generation in our Group companies outside Japan.

Key initiatives in each country and region

Initiative status	Country/region
Implemented (annual reduction in CO ₂ emissions)	Taiwan (7 tons), Hong Kong (84 tons), India (814 tons), China (Wuxi, 611 tons)
Implementation planning in progress (Installation planned for completion by end of 2023)	Malaysia, Vietnam, China (Tianjin)
Implementation discussions ongoing	South Korea, Philippines, Singapore, Indonesia

▶ Introduction of electric trucks: Guangzhou Yakult Co., Ltd.

Guangzhou Yakult Co., Ltd. is promoting the introduction of electric trucks to comply with China’s diesel truck regulations. The company has reduced its diesel fuel consumption by 45,000 liters per year by switching from leasing to purchasing and putting 15 electric trucks on the road by the end of 2022. This has also brought greater flexibility around vehicle choice and maintenance.



Electric truck in Guangzhou

▶ Switching to electric molding machines: Yakult (Thailand) Co., Ltd.

At our Bangkok Plant, we are switching from hydraulic molding machines to electric molding machines. In 2022, we installed 2 new machines, so that 7 of our 14 machines are now electric. Each electric molding machine saves around 91,000 kWh of electricity per year, reducing annual CO₂ emissions by approximately 55 tons.



* Green Management Certification is obtained from the Foundation for Promoting Personal Mobility and Ecological Transportation, which evaluates business units’ measures and certifies that they have achieved a specified level of performance.

▶ Eco-Rail Mark and Eco-Ship Mark Certification

We are promoting a modal shift to rail and ocean freight transport as one of our efforts to reduce environmental impacts. In 2015, we received companywide and product-based certification under the Eco-Rail Mark system, and were certified under the Eco-Ship Mark system in 2016.

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

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



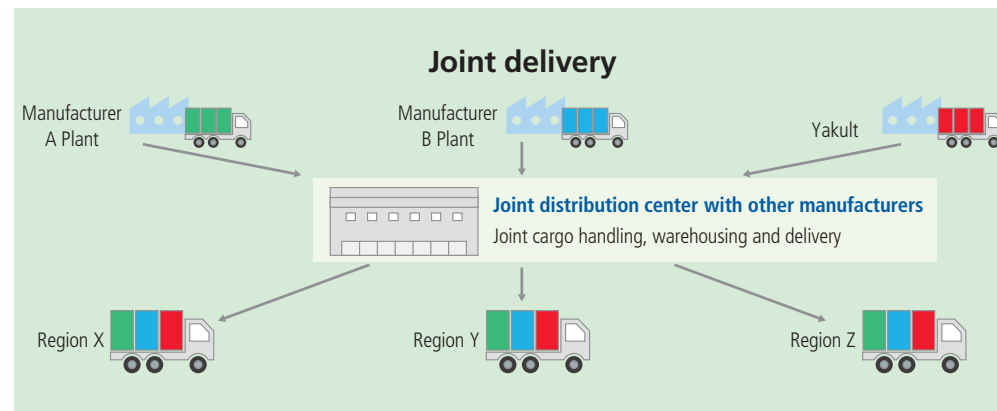
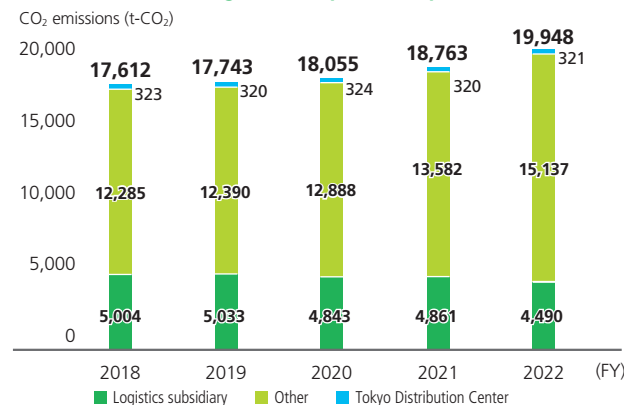
▶ Joint delivery with other manufacturers

Yakult promotes joint delivery with other manufacturers (through joint cargo handling, warehousing and delivery) to reduce CO₂ emissions and make logistics more efficient.

▶ Logistics initiatives

The Yakult Group’s shipping of dairy and other food products, as well as cosmetics, in Japan is primarily handled by a logistics subsidiary. Our logistics subsidiary has obtained Green Management Certification* for each of its marketing offices, and is striving to continuously reduce the environmental impacts of its operations. In fiscal 2022 we again achieved a 1.0% average annual energy reduction over the preceding five-year period, the target set forth in Japan’s revised Energy Conservation Act.

CO₂ emissions from logistics (Scope 1 + Scope 2)



Initiatives at sales

We introduced electric vehicles (COMS) in our home delivery service by Yakult Ladies to reduce CO₂ emissions. As of March 2023, 2,261 vehicles have been introduced in total. In our pharmaceutical business, marketing representatives use fuel-efficient hybrid vehicles (excluding certain areas). Gasoline fuel usage in fiscal 2022 totaled 75,415 liters.

Introduction of environment-friendly sales equipment

Item	Number introduced				
	2018	2019	2020	2021	2022
Route delivery trucks with internal container collection spaces	96	79	72	72	50
Route delivery trucks with roof-mounted container collection kits	4	3	2	2	4
Empty container collection boxes for vending machines	329	303	311	456	210
Heat-pump-type vending machines (incl. hybrid heat-pump-type ones)	825	962	846	954	577
Overhauled vending machines	96	89	34	52	17
Electric vehicles (COMS)*	142	47	87	151	414

* Cumulative total number introduced: 2,261 (as of March 2023)

Materiality



Plastic containers and packaging

Our approach

The Yakult Group is keenly aware of how plastic waste contributes to environmental pollution and affects ecosystems, and pursues initiatives regarding containers and packaging with quantitative targets. Specifically, we are striving to reduce the environmental impact of plastic containers and packaging by, for example, making containers and packaging thinner and lighter to reduce the amount of plastic used and improving plastic container and packaging recycling. By transitioning to more easily recyclable materials such as biomass and recycled plastic, we also aim to establish a foundation for environmentally conscious container and packaging technology.

Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● Cost increases associated with responding to stronger global plastic regulations and expansion of ethical consumption ● Loss of sales opportunities due to increased preference for plastic-free options among business partners and consumers ● Procurement risks due to shrinking plastics market and concentrated demand for environmentally responsible materials 	<ul style="list-style-type: none"> ● Improving corporate value as a result of switching to environmentally responsible materials for containers and packaging ● Generating innovation by promoting joint research ● Creating new customers through the introduction of environmentally responsible products

Policies/Guidelines/Targets

- Yakult Basic Policy on the Environment
- Declaration of Action on Plastic Recycling
- Environmental Vision 2050
- Environmental Targets 2030
- Environmental Actions (2021–2024)



Targets and achievements

Targets	Achievements
<ul style="list-style-type: none"> ● By the end of fiscal 2024, reduce plastic containers and packaging (in Japan) by 5% compared to fiscal 2018 levels, or make the corresponding proportion recyclable ● Reduce material consumption in containers and packaging ● Minimize environmental impact by substituting materials used in containers and packaging ● Utilize environmentally responsible plant-derived materials for containers and packaging 	<ul style="list-style-type: none"> ▶ Use of non-recyclable plastic containers and packaging increased by 24.1% compared to fiscal 2018 ▶ Eliminated straws in 5-packs of the <i>New Yakult</i> series ▶ Use of bio-based ink, recycled PET labels and thinner OPS labels for some soft drink PET container shrink labels ▶ Use of lightweight caps for some soft drink PET container caps ▶ Introduced recycled PET material for some cosmetic products

Challenges and solutions

The Yakult Group currently uses approximately 18,000 tons of plastic containers and packaging annually. From the perspective of environmental pollution caused by plastic waste and resource recycling, replacing our containers and packaging with easily recyclable materials is a pressing issue. Solutions we are pursuing in this area include making plastic containers and packaging thinner and lighter and shifting to biomass and recycled plastic. We are also devising recycling schemes in collaboration with municipalities, deploying biodegradable plastics and exploring options for transitioning to non-plastic containers. As global movement toward plastic product regulation increases, we will follow these developments closely and consider specific strategies to address the regulations in each country and region.

Declaration of Action on Plastic Recycling

As part of our efforts to design containers and packaging with low levels of environmental impact, in 1995 we instituted guidelines for more concrete initiatives with the fundamental goals of ensuring the safety of containers and packaging, reducing the amount of packaging used, optimizing processing/disposal processes and promoting resource recycling. We announced our Declaration of Action on Plastic Recycling in January 2019 to focus attention on issues such as plastic pollution in oceans, global warming and natural resource depletion, and to show our commitment to recycling our plastic containers and packaging.

Declaration of Action on Plastic Recycling (summary)

- The Yakult Group is engaged in initiatives that promote recycling of plastic containers and packaging.

— 2025 target —

We will establish a foundation for environmentally conscious container and packaging technology, and begin conversion to easily recyclable materials such as biomass, recycled and biodegradable materials.

— 2030 target —

We will work to convert to easily recyclable materials as much as possible while keeping up with developments in recycling markets, environmental infrastructure and other external environmental facilities.

- Moving forward, we will actively promote resource recycling initiatives, further implementing initiatives beyond these to reduce the amount of plastic used in containers and packaging, and reutilize plastic packaging materials in our production processes.

Plastic recycling promotion framework

Plastic Recycling Promotion Committee

We have established a Plastic Recycling Promotion Committee composed of directors who head the departments concerned with plastic containers and packaging and chaired by the Divisional General Manager of the Production Division (a director and senior managing executive officer).

As a rule, committee meetings are held twice a year; in fiscal 2022, they were held in October and March. The purpose of these meetings is to share information and discuss the trends in plastic regulations and relevant government policies around the world, as well as the status of initiatives and discussions at each department.

Major agenda items for the Plastic Recycling Promotion Committee (fiscal 2022)

- Our current plastic usage and future initiatives to address this
- Transition roadmap (proposal) for shift to easily recyclable materials for containers and packaging
- Our response to the Act on Promotion of Resource Circulation for Plastics
- Response to plastic regulations at offices outside Japan

Important matters concerning management policy that come up during these meetings are referred to the Management Policy Council for deliberation.

In fiscal 2023, the committee is to be renamed the Committee to Address Plastic Containers and begin meeting more often, with the Divisional General Manager of the Management Support Division (a director and senior managing executive officer) as committee head, in order to develop swifter solutions to plastic container-related challenges across the entire Yakult Group. Initiatives to reduce environmental impact, including solutions related to plastics, must be pursued by all related departments together, and so the Yakult Group is exploring and discussing specific actions from the perspective of environmental investment and unites to pursue initiatives together.

Reducing specified plastic-containing products*

The Yakult Group has worked to reduce single-use plastics through strategies such as partially replacing the plastic spoons it provides to customers with paper ones.

In accordance with the April 2022 Act on Promotion of Resource Circulation for Plastics, we have set targets for fiscal 2023 to further reduce our use of plastic spoons and straws. We have been implementing the following ongoing measures since fiscal 2022:

- (1) As a general rule, Yakult Ladies will no longer provide spoons and straws when selling products (excluding straws affixed to the product as part of its design)
- (2) Using paper spoons wherever possible
- (3) Using plant-derived plastic in straws

* Specified plastic-containing products: As stipulated within the Act on Promotion of Resource Circulation for Plastics, these are "plastic-containing products provided to consumers free of charge along with sales of goods and provision of services." Twelve kinds of products fall under this definition: forks, spoons, knives, muddlers, straws, hair brushes, combs, razors, shower caps, toothbrushes, hangers and garment covers.

Amount of specified plastic-containing products distributed

FY	2019	2020	2021	2022	2023*
Amount distributed (tons) (excluding biomass plastics)	80.1	60.5	52.8	21.8	20.0
	—	—	52.7	21.0	19.2
Compared to previous year (%) (excluding biomass plastics)	89.7	75.5	87.3	41.3	91.7
	—	—	87.1	39.8	91.4
Amount reduced (tons) (excluding biomass plastics)	9.2	19.6	7.7	31.0	1.8
	—	—	7.8	31.7	1.8

* Fiscal 2023 figures are targets.

Disclosing information about industrial waste and byproducts from plastic-using products

In light of the Act on Promotion of Resource Circulation for Plastics coming into effect in April 2022, in fiscal 2022 we began tracking the amount of industrial waste and byproducts from plastic-using products with the goal of reducing waste and recycling as much waste as possible.

Because the Act requires that industrial waste from plastic-using products be addressed, including the waste generated by Group companies, we will track the amount of waste generated across the Group as a whole and engage in initiatives to disclose information and reduce waste.

- We will explore the possibility of switching to more easily recyclable materials for product packaging and other applications.
- We will strive to separate waste at the business site level, and reduce industrial waste and byproducts from plastic-using products.

Industrial waste and byproducts from plastic-using products

	Industrial waste and byproducts from plastic-using products	Compared to previous year	Amount reduced
			Recycling rate
FY2021	8,660 tons	—	—
	Amount of which recycled internally: 322 tons	—	3.7%
FY2022	8,304 tons	95.9%	356 tons
	Amount of which recycled internally: 533 tons	165.5%	6.4%

Note 1: Plans call for targets to be set from fiscal 2024 based on data collected up to fiscal 2023.

Note 2: Scope: Yakult Honsha, all bottling companies, all marketing companies and seven affiliated companies

Increased use of biomass materials

We have been working to increase our use of bio-based ink, and have already adopted it in the shrink labels for eight products sold in PET containers, including *Milouge*. Products using bioplastic and bio-based ink are certified by the Japan Organics Recycling Association as using plant-derived resources (biomass) and conforming to all relevant laws, regulations, and standards for quality and safety, and bear the “Biomass Mark.”

Thinner shrink labels

We have begun reducing the thickness of our shrink labels from 50 μm to 45 μm , and have already adopted the new, thinner labels on four products sold in PET containers, including *Milouge* (500 ml).

Increased use of recycled PET labels

We have increased our use of recycled PET labels, which use reclaimed PET bottles in 25% of the raw materials, on three products sold in PET containers, including *Milouge* (280 ml).

Products using recycled PET labels are certified by the Council for PET Bottle Recycling, and bear the “PET Bottle Recycling Promotion Mark.”



Biomass Mark

This mark certifies that a product uses plant-derived resources (biomass) and conforms to all relevant laws, regulations and standards for quality and safety.

Recycled PET Mark

This mark is shown on products that use recycled PET bottles.

Equity participation in R Plus Japan

Our equity participation in the joint venture R Plus Japan lets us contribute to the resolution of various plastic-related social issues. R Plus Japan promotes technological developments in the efficient recycling of used plastics with reduced environmental impact.

At Yakult, we are investigating and promoting initiatives that reduce the amount of plastic in containers and packaging, and encouraging transitions to more easily recyclable materials.

Going forward we will also work to make used plastics recyclable through R Plus Japan initiatives.

Collaborating with municipal government to create a recycling system

► Membership in Ichihara City Polystyrene Chemical Recycling System Promotion Committee

We are a member of the Ichihara City Polystyrene Chemical Recycling System Promotion Committee, created by Ichihara City in Chiba Prefecture in May 2023. The committee, which seeks to experimentally verify methods for chemically recycling polystyrene products as recommended by the city's Project to Create a Circular Economy from Ichihara, is designed to bring together citizens, local government and private enterprise in cooperation.

Through our participation in the committee, we will continue striving alongside Ichihara City and the other committee members to make used polystyrene recyclable.

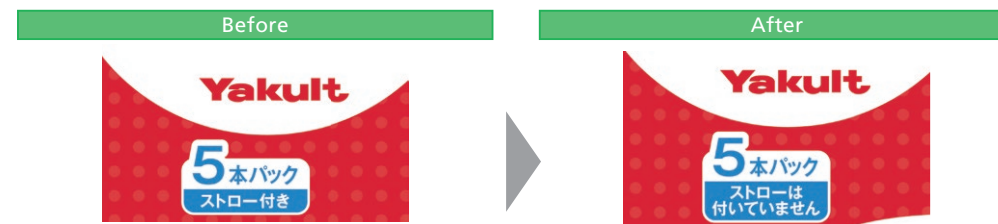
Reducing plastic usage

► Removing pre-attached plastic straws

In Japan, 5-packs of the *New Yakult* series previously came with pre-attached straws while 10-packs did not, allowing customers to choose whether they wanted straws by purchasing packs of different sizes. However, in line with our efforts to achieve the goals of the Yakult Group Environmental Vision formulated in March 2021, we stopped affixing straws to *New Yakult* and *New Yakult Calorie Half* 5-packs as part of a strategy to reduce the plastic used in containers and packaging and transition to easily recyclable materials.

Additionally, plastic straws have not been included with products by Yakult (Malaysia) Sdn. Bhd. since 2018, or by Yakult (Singapore) Pte. Ltd. or Yakult Australia Pty. Ltd. since 2019, and in 2022 Yakult S/A Ind. E Com. (Brazil) switched from plastic straws to paper straws.

Notice at the upper left corner of *New Yakult* 5-pack



► From plastic to carton packaging: Yakult Europe B.V.

Yakult Europe B.V. has been switching its multi-pack packaging for *Yakult* series and external packaging for shipping from plastic film to cartons. In April 2023, the company completed the changeover from multi-shrink packaging machines to carton packaging machines, so that all primary packaging material is now cardboard. As a result, its usage of polypropylene film, which was around 23 tons in 2022, has dropped to zero.



Expanded use of carton packaging

► Plastic waste collection: P.T. Yakult Indonesia Persada

In July 2021, in accordance with the Indonesian government's plan to reduce waste from manufacturers, which sets the goal of a 30% overall reduction in plastic and other waste by 2029, P.T. Yakult Indonesia Persada launched a plastic waste collection initiative in which the collection is carried out by Yakult Ladies and direct sales route operators.

In 2022, collection of *Yakult* 50-pack shrink wrap and *Yakult* containers began in parts of Java and Bali. The company is also working to reduce the use of plastic bags in deliveries by Yakult Ladies. In 2022, the amount of plastic waste collected or reduced totaled 298,379 kilograms.

In 2022, Yakult Philippines, Inc. began collection of empty containers by Yakult Ladies delivering in Manila and from local agents on the southern island of Mindanao. On Mindanao, the collected plastic containers are melted down and recycled into chairs and pen stands.



A Yakult Lady collecting plastic containers in Indonesia

Materiality



Water

► Our approach

Water is a finite resource. In recent years, water-related disasters, the gap between water supply and demand, and other problems concerning water have become global issues. These are critical issues for our business operations, which involve products that use water as a principal raw material. In March 2021, the Yakult Group formulated the Yakult Group Environmental Vision, in which we set quantitative targets around water. We implement a variety of initiatives in order to effectively utilize finite water resources. Additionally, we are working to develop water management plans that incorporate regular, continuous information gathering and evaluation of not only water use conditions at our own plants but also trends in regional natural capital and policies as we promote the conservation and sustainable use of water resources.

► Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● Operational suspensions due to flooding ● Production interruptions due to water shortages ● Water contamination due to industrial wastewater discharge ● Land subsidence due to excessive groundwater pumping 	<ul style="list-style-type: none"> ● Development of sustainable manufacturing and management methods that use less water ● Cost reduction through decreased water usage

► Policies/Guidelines/Targets

- Yakult Basic Policy on the Environment
- Environmental Vision 2050
- Environmental Targets 2030
- Environmental Actions (2021–2024)



► Targets and achievements

Target	Achievement
Reduce water consumption per production unit at dairy product plants in Japan by at least 3% compared to the level in fiscal 2018 by the end of fiscal 2024	<ul style="list-style-type: none"> ► Water consumption per production unit at dairy product plants in Japan reduced by approximately 13.9% Reduction achieved by updating equipment and changing working methods

► Challenges and solutions

The Yakult Group currently uses around 6 million m³ of water annually at its plants around the world. Because water is both a finite resource and our principal raw material, we view sustainable water use as a key challenge. For this reason, we set quantitative targets within the Yakult Group Environmental Vision in March 2021 and are working to conserve water by reviewing water use and recycling. Using a range of tools, we comprehensively assess the water risks at the river basins where each business site is located, and conduct more detailed water risk surveys and prioritize the formulation of water management plans for sites evaluated to be high-risk. Through these and other efforts, we will continue to establish systems for sustainable water use.

Understanding water risks

To use water sustainably, we believe that we are required to recognize our water risks, including water supply and demand outlook in the river basins where our plants are located, the possibility of water-related disasters, and impacts on public health and ecosystems. Since fiscal 2017, we have thus engaged an external organization to perform water risk evaluation.

In 2020, we used the WRI Aqueduct*1 and other tools to evaluate water risks and identify which Yakult Group production bases are located in regions with high water stress levels.

Results showed that 28% of our production bases are located in areas of high water stress,*2 with water withdrawal in these areas totaling 2,047,922 m³ in fiscal 2020, or 33.2% of our total water withdrawal that year.

*1 Aqueduct: A tool for evaluating water risks developed by the World Resources Institute (WRI), a global environmental NGO
 *2 Production bases that the WRI Aqueduct tool ranks as having "extremely high" and "high" baseline water stress

Countries with high water risks (Aqueduct Water Risk Atlas)

- ① Qatar ② Israel ③ Lebanon ④ Iran ⑤ Jordan ⑥ Libya ⑦ Kuwait
 - ⑧ Saudi Arabia ⑨ Eritrea ⑩ United Arab Emirates ⑪ San Marino ⑫ Bahrain
 - ⑬ India ⑭ Pakistan ⑮ Turkmenistan ⑯ Oman ⑰ Botswana (in descending order of risk)
- : Countries where Yakult conducts sales ■: Countries where Yakult conducts production and sales

Water risk assessment in areas with production bases (WRI Aqueduct: Baseline water stress—total, overall water risk)

Risk	No. of production bases	
	Japan	Overseas
Extremely high (4–5)	0	1
High (3–4)	0	10
Medium to high (2–3)	4	8
Low to medium (1–2)	7	8
Low (0–1)	1	0
Total	12	27

Note: Baseline Water Stress (Total, Overall water risk).

Water risk assessment in areas with production bases (WRI Aqueduct: Future Projections/2040/Pessimistic)

	No. of bases	Extremely high	High
Japan	12	1	3
Overseas	27	9	7
Supplier bases	372	35	77
Total	411	45	87

Water risk survey cost

Fiscal year	2018	2019	2020	2021	2022
Cost (millions of yen)	0.9	1.2	0	0	6.4

Effective use of water resources

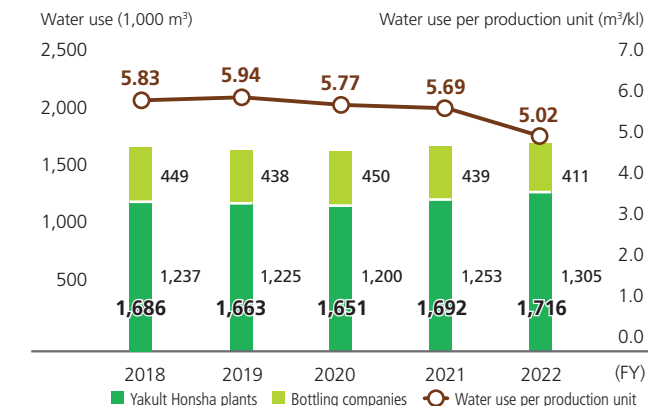
We use water in various ways at Yakult Group plants, not only as a raw material in products but also to clean production equipment and cool products and machinery.

In fiscal 2022, Yakult Honsha plants and bottling companies used approximately 1.72 million m³ of water in total (Yakult Honsha plants: approx. 1.31 million m³, bottling companies: approx. 0.41 million m³). Reducing total water usage per production unit is one objective of Environmental Actions (2021–2024), and water conservation initiatives at plants have reduced total water usage per production unit by 13.9% compared with fiscal 2018.

The primary initiative at plants in fiscal 2022 was conserving water by altering automated washing times and improving equipment operation, in line with ISO 14001 activities at each plant. In addition, water use at the building occupied by the head office and affiliated companies was 4,159 m³.

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

Water use at Yakult Honsha plants and bottling companies (total and per production unit)



Note: Water use per production unit is calculated using data from bottling companies and five Yakult Honsha plants, excluding plants that produce cosmetics and pharmaceuticals.

Reusing water generated by the water purification process: Fukushima Plant

Products at the Fukushima Plant are manufactured using tap and purified water. Purified water is created by removing impurities from tap water using special-purpose equipment. A large amount of water with concentrated impurities is generated in the process, and this water used to be treated at the wastewater treatment facility within the plant and discharged to the sewers.

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

▶ Reducing water use in automated equipment cleaning

Production equipment at plants, including pipes, tanks and sterilizers, is automatically cleaned with detergent after production ends. The process includes pre-rinsing prior to cleaning and post-rinsing to eliminate detergent residues after cleaning. While these steps are very important to maintain product quality, they account for a large proportion of the water used in production. Our initiatives to reduce the amount of water plants use for pre- and post-rinsing, with full verification and strict quality control, have enabled us to reduce annual water use by approximately 4,900 m³.

WEB Water data at production bases outside Japan (ESG Data)

<https://www.yakult.co.jp/english/sustainability/download/>

WEB Water data at production bases in Japan (ESG Data)

<https://www.yakult.co.jp/english/sustainability/download/>

▶ Yakult A&G Water Purification System

At every plant in the Yakult Group, regardless of treatment method, our wastewater management is based on voluntarily adopted standards that are more stringent than the wastewater standards required by law and local government ordinances.

At our dairy product plants, we have introduced the Yakult A&G Water Purification System. This system uses *Yakult* containers with the bottoms removed (*Yakult* filter material), in which microorganisms take up residence and break down contaminants in the water.

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

▶ Preventing water pollution and conserving biodiversity

At Yakult Honsha dairy product plants and bottling companies, wastewater such as cleaning water generated during production processes is properly treated at plant wastewater treatment facilities to ensure that it does not exceed the region's wastewater standards (biochemical oxygen demand (BOD), etc.) before being discharged into sewers or rivers. Knowing the impact our plants can have on the natural environment of surrounding waterways, at least once per year each plant runs educational training on dealing with emergencies—such as unforeseen situations in the wastewater treatment facility, or oil leaking from a transport vehicle on plant premises—to improve awareness among workers and strengthen our systems for preventing water pollution.

We also endeavor to conserve biodiversity in and around waterways. We use IBAT* to perform ecological risk assessments, and have confirmed that the Abukuma River coast downstream from the Fukushima Plant is a landing zone for northern pintail ducks and designated a Key Biodiversity Area (KBA).

* IBAT (Integrated Biodiversity Assessment Tool): A tool developed by the IBAT Alliance biodiversity project in partnership with the United Nations Environment Programme

Related information ▶ p. 47 Assessment of biodiversity risks for existing operations

▶ Initiatives in each country and region

▶ Installing production wastewater purification facilities: Yakult China Group

At our Wuxi Plant, we have installed production wastewater treatment facilities that meet China's Class 1A wastewater standards. Class 1A wastewater is considered of sufficient quality for reuse as industrial water, and the wastewater at our Wuxi Plant is used both to water plants on the Wuxi Plant premises and by plants belonging to other companies after passing through the final water treatment location. In fiscal 2022, 176,561 tons of wastewater was reused. We have also installed domestic wastewater purification facilities at our Wuxi Plant and ensure that wastewater meets the standards for external discharge before it is discharged.

▶ Reducing water usage at plants (Guangzhou Yakult Co., Ltd.)

At the three plants operated by Guangzhou Yakult Co., Ltd., we reviewed how frequently we performed acid cleaning on our plate-style HTST syrup pasteurization equipment based on various tests and strove to reduce our water usage when performing clean-in-place (CIP) cleaning. The total expected reduction in water usage for the three plants as a result of these efforts is around 1,892 tons per year.

Key initiatives in effective use of water by country/region

Country/region	Initiatives
Taiwan	Installing a rainwater recycling system and reusing this water in toilets, plant watering, etc.
Thailand	When manufacturing tanks were updated, eight old tanks were used to store wastewater, which was then reused for cleaning vehicles and other purposes. Achieved zero wastewater discharge to rivers in 2021 as a result.
South Korea	Reusing wastewater from the automatic cleaning of production facilities to reduce water consumption.
Philippines	Reusing water used for cooling during production, along with rainwater, in plant watering, toilets and elsewhere at Calamba Plant.
Indonesia	Installing water purification facilities for production wastewater at Sukabumi Plant in 2011. In 2022, 75,123 tons of wastewater was processed. Water quality in plant checked daily and audited monthly by external organizations.
Malaysia	In 2022, old culture tanks were repurposed to reuse processed wastewater to water the plants on the premises and for other purposes.
India	Using processed wastewater from the plant to water the plants on the premises. In 2022, a monthly average of 1493.16 tons and a yearly total of 17,918 tons was used.
China (Tianjin)	Continuously using recycled water as toilet water.
Brazil	Treating processed wastewater with UV disinfection equipment and reusing it as toilet water and to water plants at a third production facility. In fiscal 2022, around 4.6 tons was used.
Mexico	Using processed wastewater at the Ixtapaluca Plant to water the plants on the premises. In 2022, a monthly average of 1,438 tons and a yearly total of 17,255 tons was used.
United States of America	Installing a rainwater reuse system on the head office and plant grounds and reusing water to water plants.

Resource recycling

Reducing waste

Initiatives at Yakult Honsha plants and bottling companies

As required by the Waste Management and Public Cleansing Law, waste from Yakult Honsha plants and bottling companies is sent to certified specialist contractors for processing as appropriate and managed using a manifest system.

At the same time, through measures to curb waste generation and promote recycling, we are aiming to reach zero waste generation.*

Waste generated by Yakult Honsha plants and bottling companies in fiscal 2022 totaled approximately 2,679 tons (approx. 1,840 tons by Yakult Honsha plants and approx. 839 tons by bottling companies). As a result of diverse efforts made to reduce waste, we successfully reduced waste generation by 23.7% compared to that of fiscal 2010, an action target of Environmental Actions (2021–2024).

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

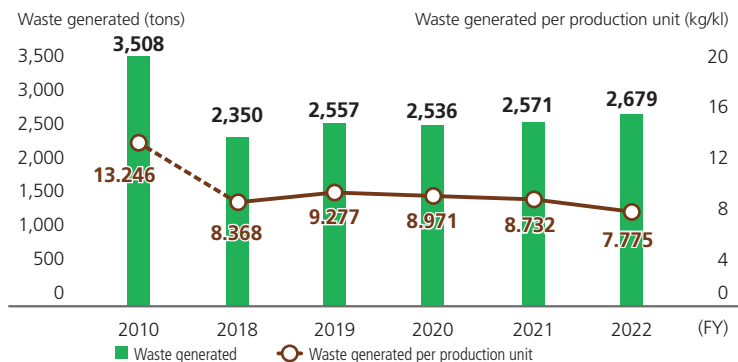
* Yakult's definition of zero waste generation: A state achieved when the amount of waste for final disposal (landfill) from plants (excluding specially controlled industrial waste) is less than 1% of waste generated



Eco station at Fukushima Plant

Waste generated at Yakult Honsha plants and bottling companies

Note: The amount of waste generated per production unit is calculated using data from bottling companies and five Yakult Honsha plants, excluding plants that produce cosmetics and pharmaceuticals.



Initiatives at the building occupied by the head office

We have introduced wastepaper recycling boxes on each floor along with waste sorting bins, and are working to properly separate each kind of waste. In fiscal 2022, the recycling rate for waste generated at the head office was 81.9%.

To raise employees' awareness of these efforts, we engage in awareness raising activities on an ongoing basis. These include posting our performance on waste disposal and recycling rates on our intranet.

Initiatives at the Yakult Central Institute

Waste generated at the Institute is separated and collected properly, and disposal is conducted by licensed waste disposal contractors. The fiscal 2022 recycling rate for waste generated at the Institute was 100%.

Initiatives to reduce food loss and waste

Yakult's dairy products are made to order and produced through a lean production system. We strive to reduce our food loss and waste by limiting excess inventory and other measures.

Production volumes for soft drinks and noodle products are decided based on sales projections, allowing us to maintain appropriate inventory and avoid overstocking. As a further initiative to reduce food waste, since fiscal 2021 we have made donations to food banks through Food Bank All Japan.

Waste generated and recycling rates at Yakult Honsha plants and bottling companies

	Waste amount (t)	Recycled amount (t)	Disposal amount (t)	Recycling rate (%)
Industrial waste	2,674	2,662	12	99.6%
Specially controlled industrial waste (hazardous waste)	5	5	0	100.0%
Total	2,679	2,667	12	99.6%

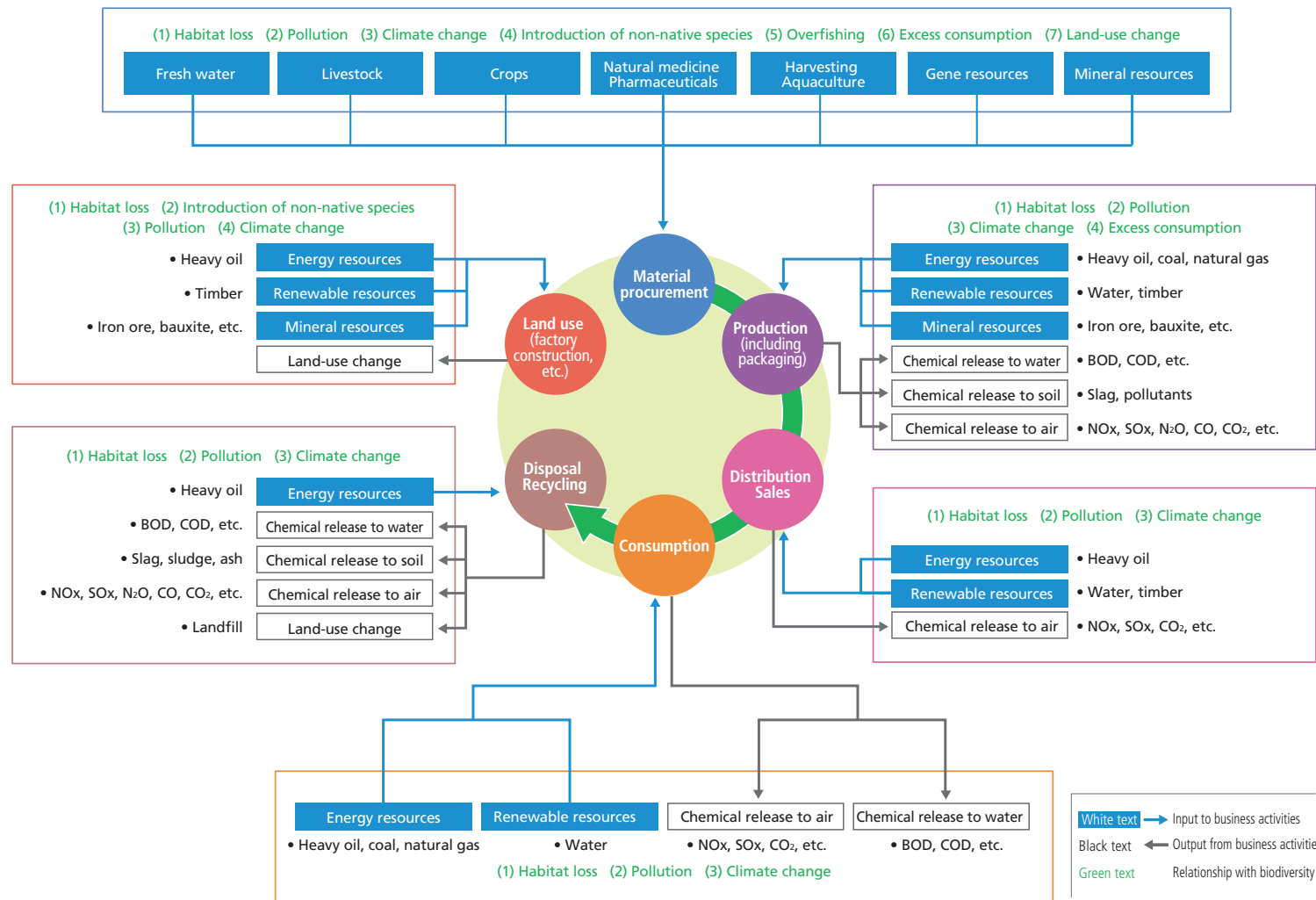
Note: For figures by waste type, figures for the Yakult Central Institute and information about waste disposal, see ESG data (<https://www.yakult.co.jp/english/csr/download/>).

Biodiversity

Our business and biodiversity

Yakult clearly stipulates in one of the Action Directives in the Yakult Basic Policy on the Environment that "In all business activities, business units will give due consideration to the environment as well as biodiversity by promoting the reduction of environmental impacts." We believe it is essential to give consideration to the global environment and biodiversity in our corporate activities that aim to benefit the health of our customers. We will strive to conserve biodiversity going forward by making good use of the technology we have built up in research and development over the years. At each step of our business activities, from material procurement to disposal and recycling, we review our dependency and our impact on the environment, and then clarify the relationship between business activities and biodiversity as shown on the right:

Map of relationship between business activities and biodiversity



Assessment of biodiversity risks for existing operations

In order to better understand the impact our existing operations have on biodiversity conservation, we conduct assessments of how each plant affects the natural ecosystems in the river basins where they are located. We use IBAT to determine the presence of nature conservation areas

(World Natural Heritage sites, International Union for Conservation of Nature (IUCN) Category I, II, III, IV and V areas, Ramsar Convention wetlands) and habitats of IUCN-designated endangered species within 10 km of each plant.

Assessment of biodiversity around production bases

Plant	River basin	Fiscal 2022 total water withdrawal (m ³)	Fiscal 2022 total water discharge (m ³)	Assessment using IBAT		Notes on biodiversity (ecological risk)
				No. of aquatic species	No. of endangered species (IUCN-designated)	
Fukushima Plant	Entire Abukuma River basin including Surikami River	186,191	155,171	62	0*	Plant wastewater discharges into the Abukuma River, which has been designated as a Key Biodiversity Area (KBA) and Important Bird and Biodiversity Area (IBA) as a landing zone for the northern pintail (a duck on the IUCN Red List).
Hyogo Miki Plant	Kako River basin, Muko River basin, Yodo River basin, around Kobe City	272,235	226,499	66	0	Within 10 km downstream of the plant, there are no areas of special importance for biodiversity, and no habitats of IUCN-designated endangered species have been identified in the small bodies of water around the plant.
Ibaraki Plant	Tone River system	175,306	137,359	60	0	Within 10 km downstream of the plant, there are no areas of special importance for biodiversity, and no habitats of IUCN-designated endangered species have been identified in the small bodies of water around the plant.
Fuji Susono Plant, Fuji Susono Pharmaceutical Plant	Kano River basin	461,801	242,355	63	0	Within 10 km downstream of the plant, there is a wildlife sanctuary classified as IUCN Category IV. No habitats of IUCN-designated endangered species have been identified in the small bodies of water around the plant.
Saga Plant	Chikugo River system	194,751	143,450	61	0	Within 10 km downstream of the plant, there are no areas of special importance for biodiversity, and no habitats of IUCN-designated endangered species have been identified in the small bodies of water around the plant.
Yakult Iwate Plant	Kitakami River system	92,372	50,178	58	0	Areas surrounding water sources have been designated as IUCN protected areas, including Category Ib: forest ecosystem conservation area at the source of Kakkonda and Tama Rivers, and Wagadake plant community and forest reserve, and Category II: Towada-Hachimantai National Park and Hayachine Quasi-National Park.
Yakult Chiba Plant	Tone River basin	90,573	25,645	63	1	This water source area has a number of conservation areas classified as IUCN Categories II and IV, such as Joshinetsu-Kogen. Within 10 km downstream of the plant, there is a Category IV protected area (wildlife sanctuary). It has also been identified as a habitat for the Reeves' turtle , classified as endangered by IUCN.
Yakult Aichi Plant	Kiso River, Yahagi River, Shonai River basins	64,542	28,324	66	1	The streams and rivers of the Nobi Plain are habitats for the Madara-naniwa-tombo dragonfly , classified as endangered (Ib by Japan's Ministry of the Environment Red List), and have been designated as a KBA.
Yakult Okayama Wake Plant	Yoshii River basin	106,932	60,142	65	2	There are a number of IUCN Category IV areas within the Yoshii River basin. There are also Category IV and V protected areas within 10 km downstream of the plant. These have been identified by IUCN as habitats for the endangered Reeves' turtle and the vulnerable (DD by Japan's Ministry of the Environment Red List) Chinese softshell turtle .
Yakult Fukuoka Plant	Chikugo River basin	56,249	36,013	92	2	Within 10 km downstream of the plant, there is an IUCN Category IV area (wildlife sanctuary). Also, the Japanese grenadier anchovy , classified by IUCN as endangered (Ib by Japan's Ministry of the Environment Red List), and the Ariake stripe spined loach , classified as vulnerable (Ib by the Ministry of the Environment Red List), may possibly inhabit small bodies of water around the plant.
Shonan Cosmetics Plant	Sagami River and Hikiji River basins	14,717	14,543	106	1	Within 10 km downstream of the plant, there is an IUCN Category IV protected area (wildlife sanctuary). Also, the genuine bitterling , classified by IUCN as vulnerable (Ib by Japan's Ministry of the Environment Red List) may possibly inhabit the small bodies of water around the plant.

* The northern pintail duck is not an aquatic species and thus not included in the total.

Conserving biodiversity through afforestation

▶ Environmental Actions (2021–2024) Tree Planting: Japan

In 2022, as one of the Environmental Actions (2021–2024) initiatives conducted for our CSR Campaign, we planted trees at 13 locations throughout Japan on May 22, the International Day for Biological Diversity, and on other occasions.

▶ Million Trees Project: Yakult China Group

In 2015, the Yakult China Group began participating in the Million Trees Project run by the NGO Shanghai Roots & Shoots. The group has donated 2,000 seedlings every year since, most recently in 2022. With a total of 16,000 trees planted at the Yakult public welfare forest (approximately 16 hectares) and an average conservation rate of approximately 70% (NGO data), this initiative has been steadily contributing to the afforestation of the area.

Tree-planting activities in various countries and regions

Country/region	Initiative
Philippines	Planting of seedlings by staff of Yakult Philippines, Inc.
China (Guangzhou)	Tree-planting activities in conjunction with a shopping mall involving over 1,000 customers from 300 households
Mexico	Donation of 150 lemon trees in 2022 in cooperation with tree-planting activities organized by the city of Ixtapaluca
Europe	Purchase and distribution to all Group employees of seedlings to be planted in Africa and Latin America through the Treedom online tree-planting platform

Biodiversity conservation in partnership with stakeholders

Both in Japan and overseas, we partner with relevant authorities, local governments, NGOs, NPOs and other stakeholders to promote business activities and social contributions that further biodiversity conservation.

▶ Joining UN and Ministry of the Environment initiatives

The Yakult Group has implemented a Yakult CSR Campaign (called the Yakult Sustainability Campaign since fiscal 2022) for all workers since fiscal 1994. In fiscal 2017, we joined the My Action Declaration program of the Japan Committee for United Nations Decade on Biodiversity (UNDB-J) that encourages biodiversity engagement in daily life, and 15,706 Yakult workers participated by selecting and declaring their commitment to any number of five actions to protect biodiversity. This initiative was highly rated and featured in the UNDB-J's collection of My Action Declaration initiatives.

▶ Partnering with international NGO OISCA

Founded in 1961, OISCA International is an NGO with the highest UN consultative status. OISCA focuses on rural development, environmental conservation and the cultivation of future talent in the Asia-Pacific region.

Yakult has worked with OISCA around the world to make social contributions since 1979.

• Supporting Children's Forest Program

We support the OISCA Children's Forest Program as an activity related to biodiversity conservation. This program encourages local communities to understand the value of forests and the natural environment, and participate in forest conservation themselves, through activities such as environmental education, community-led tree planting, and helping children green the areas around their schools.

We consult with OISCA to determine specific regions to support, and our contributions have been used for activities in places such as Indonesia and the Philippines.

Use of internationally certified paper in products (participating in biodiversity-related certification programs)

We have identified pulp and paper as among the raw materials in our supply chain associated with the risk of deforestation, so we have established a basic policy, along with initiatives and targets, to pursue sustainable procurement.

We use environmentally responsible FSC^{*1}- and PEFC^{*2}-certified papers, both of which programs are known as forest certification programs, in some of our paper containers for soft drinks.

We believe that the use of paper with forest certification contributes to climate action, biodiversity conservation, and appropriate forest and wood management across the supply chain. To these ends, we will switch to using FSC[®]- and PEFC-certified papers for our main paper containers and packaging.

*1 The FSC (Forest Stewardship Council[®]) is an international NPO established with the goal of promoting responsible forest management more widely.

*2 The PEFC (Programme for the Endorsement of Forest Certification) is an international NGO that promotes the mutual recognition of forest certification programs established and operated in different countries based on standards set by the PEFC, and promotes sustainable forest management.



Note: PEFC logo mark used with the permission of the Sustainable Green Ecosystem Council (SGEC/PEFC Japan).

▶ Related information ▶ p. 70 Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing

WEB ▶ UNDB-J My Action Declaration Initiatives

https://undb.jp/wp/wp-content/uploads/2019/06/action_jirei.pdf (Japanese only)

Social Activities Report

At the Yakult Group, our mission is to contribute to the health and happiness of people around the world. We are actively working on communicating with all our stakeholders, including customers, local communities, business partners and workers, to raise social sustainability through health.



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Fiscal 2022 legal compliance

There were no business activities resulting in a negative impact on local environments or lives, or violations of laws or internal regulations, in fiscal 2022. Nor were there any major violations of laws or internal regulations in relation to human rights or labor, product incidents leading to voluntary recalls, or major violations of laws relating to quality or safety.

Materiality



Innovation

Our approach

We recognize that in order for the Yakult Group to continue growing sustainably, we need to not only further promote product development through the pursuit of excellence in life science but also create services that provide new value. *Yakult 1000* (launched in 2019) and *Y1000* (launched in 2021) are drinks that help resolve stress-related issues in contemporary society and have become hit products. While bearing in mind the views of our stakeholders, we will continue to further develop our organizations and create frameworks to generate innovations that will help resolve social issues and bring about our evolution toward a healthcare company.

Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● Insufficient response to diversifying consumer needs could affect business performance ● Infringement of intellectual property, leakage of research data, new infectious diseases or natural disasters could delay development 	<ul style="list-style-type: none"> ● Development of highly safe products could lead to greater competitiveness ● Development of products responding to growing health consciousness could lead to greater competitiveness ● Promotion of joint research could lead to innovations

Policies/Guidelines/Targets

- Yakult Ethical Principles and Code of Conduct (1. Placing Customers First, 2. Compliance with Social Norms)

Targets and achievements

Target	Achievement
<ul style="list-style-type: none"> ● Continuing research that helps resolve social issues 	<ul style="list-style-type: none"> ● Launch of new products with functional benefits in response to customer needs, such as <i>Yakult no Oishii Hakkou Kajitsu</i> (notification submitted as Food with Function Claims) and <i>Tough-Man Refresh</i> (renewed and notification submitted as both in the process of being certified as a Food with Function Claims)

Challenges and solutions

Changes in social conditions have a great impact on people's ideas about and attitudes toward health and can create new social issues. As a company advocating good health, we recognize that it is both our mission and challenge to continue to respond to these changes and contribute to solving new issues.

In response to the recent growth of the health domain, we are expanding our business into the healthcare field, centered on the probiotics research in which we have developed expertise over the years. By making an investment of approximately 100 billion yen between fiscal years 2021 and 2024 to expand our business fields in order to generate innovation, we aim to create new value by evolving into a healthcare company that provides products and services that meet the needs of people around the world.

Message from the chief officers



Koichi Hirano

Director and Senior Managing Executive Officer
Divisional General Manager of Research & Development Division

► Founded on innovation

Yakult's founder, Minoru Shirota began his medical studies in 1921. Japan was still a poor country at the time, and unsanitary conditions caused large numbers of children to die of infectious diseases. Concerned about these conditions, he 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. His insights, coming at a time when curative care was mainstream in Japan, represented an innovation.

While people commonly take lactic acid bacteria today in the form of probiotic drinks, there could not have been many who pursued—or even conceived of—such habits a century ago in Japan. Dr. Shirota's research led to the culturing of *Lactobacillus casei* strain Shirota, which he and those sharing his vision developed into an inexpensive, delicious drink called *Yakult* so that many people could benefit from it.

The system of home delivery by homemakers was launched in 1963, when women's workforce participation was still low. It is widely known today as the Yakult Lady system, but this, too, was an innovation. It was a novel way of not only delivering Yakult drinks but also providing various services and personal attention for customers in markets that now encompass 40 countries and regions,

including Japan.

► Evolving with the times

Innovation at Yakult began with preventive medicine, as noted above. Subsequent research has revealed that continued intake of *Lactobacillus casei* strain Shirota can inhibit the recurrence of superficial bladder cancer*¹ and increase the activity of natural killer (NK) cells*²—an indicator of immune functions. These findings on the potential of lactic acid bacteria also constitute major innovations.

The immense popularity of our *Yakult 1000* and *Y1000* drinks is also due, we believe, to our efforts to provide new value by addressing issues involving stress and sleep, which have recently emerged as serious health concerns.

► Creating value by building affinity

The value people seek changes with the times, so being able to create and deliver such value requires that we have a good grasp of what people want and how we can meet their wishes. We also need to see things from everyone's perspectives. Yakult was launched out of Dr. Shirota's desire to contribute to the health of as many people as possible. We have thus always had people's well-being at heart, and we will continue to create value that leads to people's happiness.

*1. Please refer to *Science Report No. 3* for details,
https://www.yakult.co.jp/common/pdf/science_No3.pdf (Japanese only)

*2. Please refer to *Science Report No. 18* for details,
https://www.yakult.co.jp/common/pdf/science_No18.pdf (Japanese only)



Shuichi Watanabe

Managing Executive Officer
Divisional General Manager of Pharmaceutical Business Division

► Pharmaceuticals derived from *Lactobacillus* research

Yakult's pharmaceutical research began in 1978 when we discovered that our proprietary *Lactobacillus casei* strain Shirota* had anticancer properties via an immunostimulatory effect. This led to the start of development research of anticancer agents, with our pharmaceutical research being advanced in tandem with our preventive medicine initiatives.

One result has been the development of chemotherapeutic agents widely used in Japan and overseas, such as plant-based *Campto* (irinotecan hydrochloride) injection and *Elplat* (oxaliplatin).

We are committed to contributing to the health of people around the world. Based

on our proprietary research on intestinal bacteria, we have been developing high-value-added products that utilize the microbiome (bacterial flora) with a desire to contribute as much as possible in the fields of medicine and pharmaceuticals.

We will continue to apply the knowledge and technology we have cultivated in the pharmaceutical business to preventive and curative medicine, striving to achieve new innovations that contribute to Yakult's development and people's health.

* Reclassified as *Lacticaseibacillus paracasei* strain Shirota in April 2020.

Spawning innovation

Using innovation to build our future

The Yakult Group aims to evolve into a healthcare company that continues contributing to the health of people around the world by generating innovations that will help resolve social issues through the pursuit of excellence in life science.

R&D initiatives

The Yakult Group is daily engaged in research and development to generate products and services that contribute to the health of people around the world. Such activities are not limited to the field of probiotics (such as *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult) but also extend to the healthcare field, contributing to preventive medicine and promoting the idea that a healthy intestinal tract leads to a long life. The fruits of our R&D activities are applied to our food, pharmaceutical and cosmetic products.

We are also actively engaged in advancing R&D with external partners to promote preventive medicine and the idea that a healthy intestinal tract leads to a long life, conducting joint research with the Osaka International Cancer Institute and undertaking a research grant program with Nature Portfolio.

Organizations that generate innovation

Yakult Central Institute

The Yakult Central Institute is engaged in a variety of research activities based on Shirota-ism, and the results of this research have been applied to food and beverages, pharmaceuticals and cosmetics that have preventive medicine properties and that contribute to the maintenance and promotion of good health. In April 2016, the Yakult Central Institute was renovated featuring the latest facilities, organization and environment to enable wide-ranging research activities and to generate original, leading-edge results. We will further deploy core technologies related to intestinal microbiota and probiotics in various fields with the aim of enhancing the health of people around the world.

Yakult Central Institute

Established: April 1955 (launched in Kyoto as the Shirota Institute)

Location: 5-11 Izumi, Kunitachi-shi, Tokyo

Employees: Around 300

Key research subjects and fields

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



Online corporate visit program for students

We conduct an online corporate visit program to promote career education for junior high and high school students. The program provides opportunities to deepen understanding of researchers and their profession, and cultivate interest among students in contributing to society through work. In fiscal 2022, 532 students from 22 schools participated, with over 90% of the students responding to a survey that they were “very satisfied” or “satisfied” with the program.

Yakult Honsha European Research Center for Microbiology VOF

Yakult Honsha established the Yakult Honsha European Research Center for Microbiology VOF (YHER), the Group's first overseas research base, in Ghent, Belgium, in 2005. YHER has so far conducted clinical trials in Europe using locally produced fermented milk drinks, which confirmed that *Lactobacillus casei* strain Shirota reaches the intestines alive and improves fecal properties. Other basic research by the Center has also revealed that intestinal bifidobacteria are passed on from mothers to newborns, and that certain bifidobacteria stay in the intestines for a long period of time from infancy to early childhood.

Research on bacteriology

Research on the intestinal microbiota

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

Research into the intestinal microbiota from the standpoint of preventive medicine is a major pillar of activities at the Yakult Central Institute. We use the latest genetic analysis technology, intestinal bacteria isolation technology and a range of other techniques to analyze the types and composition of intestinal bacteria to ascertain their relationship with diseases and their impact on the health of the host.

Probiotics research

The Yakult Central Institute has a long list of research achievements involving strains such as *Lactobacillus casei* strain Shirota, discovered by Minoru Shirota, and *Bifidobacterium breve* strain Yakult.



Collection of microorganisms such as lactic acid bacteria and bifidobacteria

Evolving into a healthcare company (Product development in response to increased health consciousness)

With the rise of lifestyle-related diseases and obesity, an increasing number of countries outside Japan have recently sought to protect people's health by levying a "sugar tax" on foods containing more than a certain amount of sugar. Mexico now requires a warning label on foods with sugar content exceeding specified standards, while in Malaysia and Singapore, the Healthier Choice Symbol (HCS) appearing on foods containing less than the specified levels of sugar is required for their sale at schools and in advertising. Similar requirements in product development and labeling are expected to increase in the future as more consumers become health conscious and concerned about their sugar intake. The Yakult Group is therefore developing and introducing low-sugar products to clear food standards and meet consumer demand in different countries and regions.

Mental healthcare is also becoming increasingly important as many people today suffer from stress. In the face of this social problem, in October 2019 we launched *Yakult 1000*, our first Food with Function Claims developed through broader research into the intestinal microbiota and probiotics to provide new health value based on its effects on stress and sleep. And in October 2021, *Y1000* was launched with the same functions as *Yakult 1000*, primarily for the retail store channel.

▶ Efforts in Japan

With an increasing percentage of sales from products with lower sugar content and fewer calories (*Yakult 400LT*, *New Yakult Calorie Half*), we reduced the calories per milliliter of *Yakult 1000*, *Y1000* and *Yakult 400W* compared to *Yakult 400*. Anticipating that people's interest in reducing sugar intake will grow in the future, we will apply the technologies we developed to comply with sugar regulations in other countries to develop products in Japan.

As people's health consciousness and their preferred health solutions become more diversified, we are considering new products that provide value tailored to each individual, such as by combining the proprietary functions of our existing products with plant materials that have a healthy image, as well as by developing new categories of products that can be used in medical treatment.

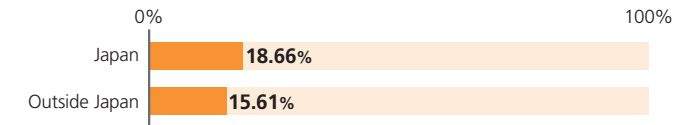
▶ Sales of low-sugar, reduced-calorie products

With the increasing health awareness of people throughout the world, we have been selling various low-sugar, reduced-calorie products that meet our customers' needs.

Outside Japan, we sell low-sugar, reduced-calorie products in 27 of the 39 countries and regions where we operate in order to respond to our customers' health needs while giving consideration to solving their health issues.

Going forward, we will continue contributing to the health and happiness of people around the world through development and sales of products that benefit the health of our customers.

Low-sugar, reduced-calorie products: Percentage of total dairy sales (fiscal 2022)



Effective use of resources

In the design and development of containers and packaging, we are continually studying the possibilities of adopting environmentally responsible materials and saving (reducing) resources in existing products, such as by developing technologies for transitioning to materials that are easy to recycle.

At plants, we have been continuing with our efforts to save energy and resources, such as reviewing work methods that lead to reductions in electricity and water in the manufacturing and production processes, and adopting high-efficiency equipment when upgrading installed equipment.

Related information ▶ p. 38 Plastic containers and packaging ▶ p. 42 Water ▶ p. 45 Resource recycling

Expanding joint research

To encourage innovation that addresses social issues, we have been engaging in joint research with outside research institutions to achieve our goals through partnerships.

▶ Joint research with JAXA

In joint research with the Japan Aerospace Exploration Agency (JAXA) we have scientifically verified the effects of the regular intake of probiotics (*Lactobacillus casei* strain Shirota) on the immune functions and intestinal environment of astronauts on long-term stays aboard the International Space Station (ISS). Before carrying out this research in space, we confirmed that *Lactobacillus casei* strain Shirota maintains its probiotic properties after long-term storage in a space environment.

▶ Joint research with the Osaka International Cancer Institute

An intervention trial conducted in collaboration with the Osaka International Cancer Institute confirmed that consumption of synbiotics (*Lactocaseibacillus paracasei* strain Shirota, *Bifidobacterium breve* strain Yakult and galactooligosaccharides) improved the intestinal microbiota of esophageal cancer patients undergoing preoperative chemotherapy and reduced adverse events during chemotherapy. The results were reported in the journal *Clinical Nutrition* (published on April 1, 2022).

▶ Research grant program with Nature Portfolio

Since 2018 we have operated the Global Grants for Gut Health program jointly with Nature Portfolio, the publisher of the multidisciplinary science journal *Nature*, to advance basic and clinical research into the influence of intestinal microbiota on human health.

Ethical compliance

The Yakult Central Institute has departments that specialize in research and assurance related to product safety and reliability. The departments collect highly reliable research data following Yakult's strict proprietary standards and criteria. The Safety Research Department evaluates the safety of materials and products according to government standards. Independent from other organizations, the Quality Assurance Unit audits research data and activities from a third-party perspective. We also actively run research ethics training (information security, legal compliance, etc.) for our researchers.

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

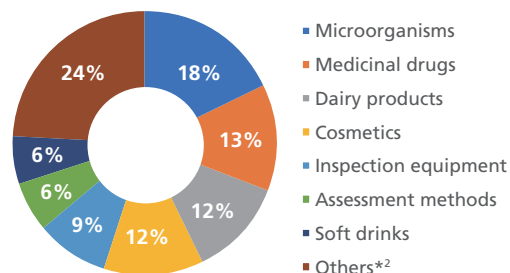
Except where there are legal requirements or guidelines from the relevant authorities in each country, our food and cosmetics research does not involve testing on animals.

Investment in and utilization of intellectual property and intangible assets

▶ Acquisition and utilization of intellectual property rights

The Yakult Group works actively to acquire intellectual property rights (patents, designs, trademarks, etc.) in and outside Japan on new products and technologies created through research and development. This enables us to not only protect our proprietary technologies from infringements by other companies but also to maintain and improve our brand value through the appropriate use of these rights. Our patents range from probiotics to pharmaceuticals and cosmetic products (number of patents held in and out of Japan as of the end of March 2023: about 1,000).

Share of patent rights held by field (Japan)*1



*1 Calculated based on applications with rights continuing or under examination as of May 2023

*2 "Others" include packaging, containers, jigs, detection devices, biotechnology (cell culture, protein synthesis, genes, etc.), educational materials, and various devices (silencing, weighing, feeding, fastening, printing, etc.).

▶ Optimizing our intellectual property strategy

Yakult Honsha centrally manages the intellectual property rights in all countries and regions where the Yakult Group conducts business, thereby creating an optimal intellectual property strategy for the entire Group. The Intellectual Property Section of the Development Department plays a central role in developing and formulating this strategy and promotes its implementation in cooperation with the business divisions.

Under the unified management of Yakult Honsha, we have acquired rights to the *Yakult* and related trademarks in countries and regions around the world to maintain and enhance the value of the Company's brand. We have also acquired a three-dimensional trademark in Japan, the United States and other countries for the distinctive shape of *Yakult* containers. These rights have been useful in protecting against the rapid increase of imitation products overseas. In addition, we have been building up our monitoring system in collaboration with outside experts particularly for imitation products.



Japanese trademark registration number 5384525 (left), US trademark registration number 3467768 (right)
The shape of the *Yakult* container is registered as a three-dimensional trademark (container shape only).

Number of countries where we have acquired rights to the *Yakult* and related trademarks and examples of such trademarks

120 countries and regions around the world



▶ Communicating and building trust with customers through Yakult Ladies and Yakult Beauty Advisors

Yakult Ladies and Yakult Beauty Advisors form the core of the Yakult Group's unique home delivery system, which not only delivers food and cosmetic products but also provides health information, enabling us to communicate with customers and earn their trust. This approach to communication with customers through the home delivery system is utilized in 13 countries and regions around the world, including Japan, and the trust built as a result of this system is an important asset for the Yakult Group.

Materiality



Value co-creation with communities

Our approach

Based on our belief that “in order for people to be healthy, everything around them must also be healthy,” the Yakult Group recognizes the importance of co-creating value with communities and continuing our business activities in harmony with the environment. We also actively participate in building safer communities and contribute to local development for a sustainable society, including through our unique network of over 80,000 Yakult Ladies worldwide, who hand-deliver products to customers.

Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● Product-related safety/health issues could cause an interruption in business ● Insufficient disclosure of product information could lead to less trust in the Group ● Labor shortages or working environments with insufficient safety levels could cause an interruption in business ● Stricter environmental regulations, air pollution, destruction of biodiversity could cause an interruption in business 	<ul style="list-style-type: none"> ● Providing safe, healthy products could lead to greater competitiveness ● Providing full product information could lead to improved trust in the Group ● Promoting diversity and creating a rewarding working environment could lead to a stable workforce ● Introducing eco-friendly vehicles and vending machines could lead to increased environmental friendliness

Policies/Guidelines/Targets

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

Targets and achievements

Targets	Achievements
<ul style="list-style-type: none"> ● Promote dispatch of lecturers and health-related lectures*1 	<ul style="list-style-type: none"> ▶ Lecturers dispatched for 28,997 lectures to 1,928,597 participants (total for Japan and overseas) ▶ Health-related lectures given 272,384 times to 9,638,912 participants (total for Japan and overseas)
<ul style="list-style-type: none"> ● Promote Courtesy Visit Activities, community safety watch and crime prevention activities 	<ul style="list-style-type: none"> ▶ Courtesy Visit Activities conducted by 51 marketing companies visiting 33,646 older people*2 ▶ Community safety watch and crime prevention activities carried out by 101*3 marketing companies in cooperation with 965 local governments and other groups
<ul style="list-style-type: none"> ● Further sports promotion 	<ul style="list-style-type: none"> ▶ Some activities voluntarily suspended to prevent the spread of COVID-19
<ul style="list-style-type: none"> ● Implement cooperative activities with local governments and other groups 	<ul style="list-style-type: none"> ▶ Concluded an agreement with Kunitachi City to provide water in the event of a disaster ▶ Supported a campaign providing breakfast to disadvantaged elementary schoolchildren in the mountains of Yunnan, China ▶ Took part in the breakfast for kids project, a public-interest initiative to provide children from impoverished families in mountainous areas with breakfasts
<ul style="list-style-type: none"> ● Deepen exchanges with local communities through plant festivals 	<ul style="list-style-type: none"> ▶ Activities voluntarily suspended to prevent the spread of COVID-19

*1 To prevent the spread of COVID-19, we chose to reduce activities in Japan and overseas. When group events are held, we take thorough protective measures. Some marketing companies in Japan and companies in some countries and regions overseas are holding events online.

*2 Activities were held taking thorough protective measures to prevent the spread of COVID-19.

*3 Including marketing companies under holding companies.

Challenges and solutions

Yakult Ladies, who give the Yakult Group its distinctive sales style, hand-deliver products with care and convey health information to customers. By making the most of engagement with customers, they help people lead healthier lives and contribute to communities’ safety and peace of mind.

However, the spread of COVID-19 has made it difficult for Yakult Ladies to conduct their activities in the same way as in the past. In response to these challenges, we now take thorough measures to prevent infection in making deliveries and have also begun communicating health-promoting information on the Yakult BASE website and elsewhere. We will continue striving to contribute to the health of people in the community as we respond to changing social circumstances and lifestyles.

Message from the chief officers



Masatoshi Nagira

Director and Managing Executive Officer
Divisional General Manager of Food and Beverages Division
Divisional General Manager of Cosmetics Business Division

► Yakult's focus on nurturing close ties with the community

We at Yakult attach great importance to building affinity with people, and this is the reason we rely on a network of Yakult Ladies to hand-deliver our products. We want to contribute to the health of our customers and other people in the community not just with our quality, lab-proven products but also by offering helpful information about our products and ways to stay healthy.

We conduct community-based business activities through our 101 marketing companies across Japan. The Yakult Lady home delivery system was launched in 1963 with the vision of contributing to the health of regional communities by explaining in detail how our products assist intestinal health so that customers understand and benefit from them.

For customers that we cannot reach directly, we provide our products through alternative sales channels, such as retailers, with specialist staff conducting value-dissemination activities at retail outlets to convey the health benefits of Yakult drinks. Through both our in-store and home delivery activities, we seek to nurture close ties with the community and build affinity with people. Delivering our products and helpful information enables us to fulfill our mission of contributing to people's health and happiness.

► A desire to contribute to the community

As part of our efforts to contribute to people's health, we dispatch lecturers to elementary schools to communicate the importance of intestinal health and how we can stay fit by following good lifestyle habits. We also organize health-related lectures and classes for people in the community, and nutritional counseling sessions are held at business partners. Out of our wish to contribute to not only healthier intestines but also better skin, in Japan, Yakult Ladies and Yakult Beauty Advisors introduce our lineup of cosmetic products and deliver beauty-related information, while beauty specialists lead classes in the community to offer skin-care tips. In Japan, we are actively involved in initiatives to build safer communities, such as by visiting elderly people living alone to confirm their safety through Courtesy Visit Activities, as well as through community safety watch and crime prevention activities conducted in conjunction with local governments and police departments.

The impetus for these initiatives—undertaken largely by our community-based marketing companies and Yakult Ladies—comes from our desire to contribute to the community.

► Our desire to remain a supportive partner

This year, 2023, marks the 60th anniversary of the launch of the Yakult Lady home delivery system. The trust and bonds that Yakult Ladies and local marketing companies have built with customers and members of the community are irreplaceable assets for Yakult.

Yakult will continue to promote business activities in harmony with local communities out of a desire to remain a supportive partner contributing to the health and happiness of people's lives.



Junichi Shimada

Director and Managing Executive Officer
Divisional General Manager of International Business Division

► Contributing to people's health around the world

Seeking to contribute to the health and happiness of people around the world, we launched our overseas operations in 1964—the year Tokyo hosted its first Olympic Games—with the establishment of Yakult Taiwan Co., Ltd. Since then, we have expanded our operations in Asia and Oceania, the Americas and Europe. We now deliver *Yakult* to people in 40 countries and regions around the world, including Japan. Efforts continue to be made so that our products can reach as many people as quickly as possible and contribute to their good health.

► Nurturing close ties with overseas communities

Our policy of nurturing close ties with the community remains unchanged in our operations overseas, where our production plants and business sites enable the local production and sale of Yakult products. Our global business encompasses more than 73,000 Yakult workers, including some 50,000 Yakult Ladies, working at 29 business sites. Our mission is to deliver good health to our customers, but we also recognize the importance of

contributing to local communities in each country and region, not only economically through the provision of opportunities for employment and women's social advancement but also by enhancing welfare standards through support for the Pink Ribbon campaign and by preserving the environment through tree-planting activities.

We are just as committed to delivering good health to as many people as possible in overseas markets as in Japan. This means not only providing health-promoting products but also—like in Japan—conducting value-dissemination activities at retail outlets and organizing health-related lectures for people in the community, at work and in schools in countries around the world.

We believe that such activities rooted in local communities have been the source of the Yakult Group's success in overseas markets.

► In hopes of contributing to the health of people we cannot yet reach

Yakult currently operates in 40 countries and regions, including Japan, but there are still many people to whom we are unable to deliver our products.

Many people around the world are unable to enjoy good health for various reasons. Our corporate philosophy states, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." To achieve this goal, we must do more to make our products globally available.

Launching a new operation through the establishment of local production and marketing sites and getting people to understand the health benefits of probiotics and regularly purchase our drinks are not easy. In hopes of contributing to the health of people we cannot yet reach, we will strive to further expand our sales area, continuing, as before, to show genuine concern for the welfare of each and every customer and to build affinity with people and communities around the world.

The Yakult Group's Policy on Community Development Activities

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

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

The Yakult Group's Policy on Community Development Activities

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

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

Established: March 20, 2018

Community investment

In accordance with our Policy on Community Development Activities, we proactively engage in activities that contribute to community development. In fiscal 2022, we invested approximately 200 million yen in activities run in partnership with local communities.

Community investment (social contribution activities)

Fiscal year	2018	2019	2020	2021	2022
Amount invested (million yen)	467	620	450	188	195

Furthering the concepts of preventive medicine and a healthy intestinal tract leads to a long life

We at Yakult seek to contribute to the health and happiness of people around the world by not only delivering products that contribute to intestinal health but also by explaining their features in detail so that customers can understand and benefit from them.

Yakult Ladies contribute to the health of our customers by providing health-related information

along with our products. For customers that we cannot reach directly, simple explanations are given on the importance of preventive medicine and a healthy intestinal tract in collaboration with the local community and other companies.

▶ Providing information on health

We not only provide information on health through Yakult Ladies but also hold forums on health-related topics led by experts. We also publish the *Healthist* magazine and use various other types of materials to proactively deepen health awareness of people in local communities.

Related information ▶ p. 84 *Healthist* magazine

▶ Dispatching lecturers

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

These lectures are also conducted in many countries and regions outside Japan. In fiscal 2022, we conducted 3,509 such lectures in Japan for 171,639 participants, while outside of Japan there were a total of 25,488 lectures given to 1,756,958 participants.

An online version of the lecturer dispatch program was developed in fiscal 2022, enabling classes about keeping our intestines healthy to be held without requiring face-to-face encounters or contact. Conditions are now in place to meet the needs for online lectures.

▶ Health-related lectures

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

In fiscal 2022, there were 31,477 health-related lectures conducted in Japan for 223,136 participants. In some countries and regions outside Japan classes were held both on and offline, with about 240,907 classes held for about 9.4 million participants.

Note: Some marketing companies in Japan are conducting classes online. Outside of Japan, online lectures are being held in Hong Kong, the Philippines, Singapore, Indonesia, Australia, India, China, Brazil, Mexico, the UK, Germany and the Netherlands.



A health-related lecture organized by P.T. Yakult Indonesia Persada

► Providing information about bowel cancer

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

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

In fiscal 2022, the website featured content to raise awareness of screenings for bowel cancer and to achieve balance between treatment and work, as well as posts of personal experiences submitted by patients. In addition, posters encouraging bowel cancer screenings were distributed to 58,000 health insurance pharmacies nationwide during bowel cancer awareness month in March as part of a website-linked campaign. Since going online in March 2012, the website has been accessed by a total of over 16 million people.

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

► Beauty workshops

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

We thus run regular beauty workshops where customers, local community residents and companies can receive beauty-related information and have skin consultations with marketing company employees and Yakult Beauty Advisors.



A beauty workshop

Initiatives in each country and region

► Raising awareness of early detection and treatment of breast cancer

In Japan, Yakult supports the Pink Ribbon campaign as an official supporter of J.POSH, an NPO raising awareness of early detection and treatment of breast cancer.

Yakult (Singapore) Pte. Ltd. continues to work with the Singapore Breast Cancer Foundation (BCF) to raise people's awareness of the disease. In 2022, it cooperated by having Yakult Ladies distribute a leaflet promoting understanding of breast cancer published by the BCF. It also supported a marathon sponsored by the Singapore Cancer Society (SCS) and a public forum organized by the National Foundation for Digestive Diseases (NFDD).

Yakult Vietnam Co., Ltd. supported the Pink Ribbon



A Yakult Lady distributes a leaflet published by the BCF (Singapore)

campaign of the Vietnamese Ministry of Health, being spearheaded by the National Cancer Hospital. And Yakult Middle East FZCO distributed pamphlets about *Lactobacillus casei* strain Shirota and conducted taste samplings at an event sponsored by a hospital as part of its campaign to raise awareness of breast cancer and to promote healthy lifestyles.

► Supporting a children's heart disease program: Yakult Vietnam Co., Ltd.

Yakult Vietnam Co., Ltd. endorses and contributes to the Heartbeat Vietnam (Nhịp Tim Việt Nam) program that strives for early detection and treatment of heart disease in children from impoverished families. Cases of congenital heart disease in children have risen in recent years, and some families living in poverty give up on treatment because of the enormous costs of surgery. In fiscal 2021 Yakult Vietnam donated around 5.5 million yen to this incredibly important program that saves the lives of children and the futures of families. This contribution helps provide free heart disease screenings to children and covers a portion of surgery costs for families in need.



An event to encourage children, Heartbeat Vietnam program

► Sampling activities in collaboration with JICA (Yakult Danone India Pvt. Ltd.)

Yakult Danone India Pvt. Ltd. is collaborating with JICA India's Achhi Aadat campaign to raise awareness of child hygiene to prevent the spread of COVID-19 and other infectious diseases. In April 2023, Yakult Ladies distributed 40,000 leaflets explaining the importance of hand washing and gut health, prepared in conjunction with JICA India. Sampling activities and health classes at events organized by FC Nono—a nonprofit operating mainly in the state of Bihar—have also been carried out. Yakult Danone India Pvt. Ltd. sponsors marathons, cricket matches, and local and corporate events throughout the year, with participant numbers reaching 100,000 in total. In 2022, it conducted 448 samplings and distributed 40,000 bottles of Yakult products.



Supporting the safety and peace of mind of communities

Courtesy Visit Activities

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

In fiscal 2022, Yakult Ladies took extensive steps to prevent the spread of COVID-19 such as temperature checks, regular disinfection and quick deliveries, and checked up on elderly customers while making their deliveries.

As of March 2023, about 2,500 Yakult Ladies are paying regular visits to about 34,000 elderly people in response to requests from 117 local governments in Japan.

Outside Japan, Korea Yakult (hy Co., Ltd.) continuously undertakes activities to verify the safety of about 30,000 elderly people living alone.

Community safety watch and crime prevention activities

Being well positioned to observe every corner of their sales areas during their daily deliveries, Yakult Ladies contribute to communities' safety and peace of mind by participating in crime watch and other activities undertaken in cooperation with 965 local governments and police units around Japan. As a result of these activities, there have been cases where Yakult Ladies have felt something was not normal at a customer's residence and reported it to the police, who have found and rescued the person. As of March 2023, 101 marketing companies* throughout Japan have created organizations to help support communities' safety and peace of mind.

Since 2015, the Yakult Central Institute has worked with Pipo-kun's House, a system of designated emergency shelters where children can seek help if they are pestered, molested or followed, or feel they are in danger on the way to school or after school.

* Including marketing companies under holding companies

Backing support facilities for people with disabilities

In cooperation with prefectural pachinko and pachislot cooperative associations, we provide work opportunities to people with disabilities staying at or visiting welfare facilities to support their participation in society. We ask them to attach stickers that include New Year and summer greetings to our products distributed to customers at pachinko and pachislot parlors. In fiscal 2022, we had the stickers attached to a total of around 580,000 bottles at 108 facilities in 19 prefectures.

Implementing social activities with vending machines

As of the end of March 2023, the Yakult Group has installed about 40,000 vending machines throughout Japan. Some of these vending machines have special social contribution functions that can offer important assistance to people in local communities.

For example, we are installing universal design models that are easy to use for everyone, disaster-relief models that will distribute their merchandise free of charge following major earthquakes and other disasters, and crime-prevention models that incorporate security cameras that can play useful roles in crime prevention.

In cooperation with Kirin Beverage Company, Limited, we are moving ahead with the installation of Pink Ribbon vending machines that contribute a portion of their proceeds to the Japan Cancer Society. As of the end of March 2023, 298 Pink Ribbon vending machines were operating throughout Japan.



Pink Ribbon vending machine

Support during disasters

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

The Ibaraki, Fuji Susono and Hyogo Miki Plants have entered into agreements with Goka Town, Susono City and Miki City, respectively, to supply emergency water during disasters.

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

The Yakult Central Institute has made an agreement with Kunitachi City to supply drinking water to people evacuated in the event of a disaster. Water stored at the Institute will also be supplied to two fire stations in Kunitachi City for fire crews that conduct around-the-clock disaster management in the event of a disaster such as a large-scale earthquake.

► Elderly welfare check: Yakult China Group

The Double Ninth Festival is China's traditional day for seniors, celebrated each year on the ninth day of the ninth month of the Chinese calendar. In the spirit of protecting the health of elderly people, Yakult Ladies from seven delivery centers in five cities made sympathy visits to assisted-living facilities and elderly people living alone in their communities in 2022. These activities, which were launched in 2020 at three delivery centers in Shanghai, have now expanded to include centers in Beijing, Tianjin, Fuzhou and Xiamen and involve visiting approximately 200 elderly residents.

Guangzhou Yakult Co., Ltd. partnered with a local broadcasting station to visit the homes of elderly residents and donate a total of 500 bottles of *Yakult*.



Making sympathy visit to an elderly resident

Promoting health through sports

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

► Baseball clinics

Yakult holds baseball clinics throughout Japan that are led by currently active professional players from the Tokyo Yakult Swallows during the off-season. The NPO Tsubame Sports Promotion Association was established in 2005 and holds baseball clinics by retired players from the Tokyo Yakult Swallows.

Note: Baseball clinics were suspended in fiscal 2022 to prevent the spread of COVID-19.

► Ball-throwing clinics

In recent years the physical fitness of elementary school students has deteriorated, and there has been a particularly notable decline in throwing ability. At the request mainly of kindergartens and elementary schools, the Tokyo Yakult Swallows baseball team runs ball-throwing clinics. While the COVID-19 pandemic caused a decrease in the number of clinics in 2020 and 2021, 66 clinics involving 7,265 participants were held in fiscal 2022, which were the highest figures on record. Many youngsters are continuing to participate in the clinics in fiscal 2023, with the numbers of events and participants up to May 2023 exceeding the corresponding figures for May 2022.



Ball-throwing clinic

► Track and field club and rugby club

The track and field club, founded in 1972, participates in different sporting events such as *ekiden* (road relay) and marathon races. Yakult running clinics have been staged annually since 1988 as a place for athletes and local citizens to come together. The Yakult Levins rugby club was founded in 1980 and takes part in Japan Rugby's Top East League A. It also plays an active role in helping spread the game of rugby and improve children's health through rugby events and programs, taking part in the Toda Rugby Festival in Saitama Prefecture and a tag rugby clinic at elementary schools in Tokyo and Chiba Prefecture.

Note: In fiscal 2022, the Toda Rugby Festival was held on February 11, 2023. Yakult running clinics and tag rugby clinics were suspended.

Environmental conservation

► Cleanup activities

Each plant independently runs activities to improve the surrounding environment including at local rivers, parks and shrines. In fiscal 2022 activities were held 91 times with 842 participants. Plants also actively participate in cleanup and other activities run by local communities.

The Yakult Central Institute conducts staff-run cleanup activities on the second Thursday of every month. While the number and scale of events had been reduced due to COVID-19, cleanup activities returned to pre-pandemic levels in fiscal 2023. We also actively participate in initiatives that foster the next generation, like the Tama River Expedition for children where they can experience the joy of being in nature.

► Recycling fair

A recycling fair is held annually at the head office building and some other business sites as part of our social contribution activities. All donations made by employees and profits from the sale of books are given to OISCA's Children's Forest Program. In fiscal 2022, donations from the recycling fair reached 68,292 yen. The Company donated the same amount as a matching gift.

Support for disadvantaged people

Yakult's corporate philosophy of contributing to the health and happiness of people around the world links our business activities themselves with helping achieve each of the SDGs. The goal of tackling poverty is thus also an important issue for our Group.

We contribute toward promoting healthy lifestyles to leave no one behind by supporting those who are disadvantaged through product donations and initiatives.

Donations to orphanages: P.T. Yakult Indonesia Persada

P.T. Yakult Indonesia Persada began donating *Yakult* to children living in orphanages in 2022, providing a total of 856 bottles to three institutions. Explanations of the products are given when delivering the drinks, along with guidance on personal health and hygiene, such as teeth-brushing tips.

Support for visually impaired children: Guangzhou Yakult Co., Ltd.

Guangzhou Yakult Co., Ltd. teamed up with a charitable foundation of the Shenzhen City government to hold a seaside concert in May 2022, inviting 20 children with visual impairments and their families. The children enjoyed the event, cheerfully singing and playing in an open environment.



A seaside concert for visually impaired children

Support for socially vulnerable people in Europe

Yakult Group companies in Europe conduct support activities for socially vulnerable people in their respective countries and regions.

Yakult UK Ltd. partnered with the Royal Voluntary Service (RVS) to help older adults stay safe and healthy through the colder months, providing nutritional advice content and intestinal health advice from Yakult's Science team for a booklet distributed throughout Britain (over 77,000 printed copies and 430,000 digital copies). Employees are also volunteering their time for such activities as providing food to local food banks. In addition, 179,935 bottles of *Yakult* were donated to local assisted-living facilities for elderly people, hospitals and food banks.

Yakult Italia S.R.L made donations to organizations supporting poor and homeless people, including Opera San Francesco, Pane Quotidiano and City Angels Italia, and also provided free products.

Since February 2020, Yakult Deutschland GmbH has supported Herzwerk, a regional social project that cares for elderly people struggling with poverty in Dusseldorf. In 2022, in addition to providing free products, the company donated two euros for every Christmas card sent. From June 2022, it began providing financial support for a Healthy Dinner program that not only covers the

cost of meals but also provides know-how. And in November, it hosted its first evening informational event on the topic of intestinal health featuring a Yakult nutritionist and visitors from Herzwerk.

Support for the breakfast for kids project: Yakult China Group

The Yakult China Group takes part in a public-interest initiative organized by Yicai Media Group (China) to provide children from impoverished families in mountainous areas with breakfasts. Participating companies donate funding to pay for breakfasts on certain days of the year. For 10 consecutive years since 2013, the Yakult China Group has been providing 10,000 yuan every year to elementary schools in Yunnan Province on May 29—World Digestive Health Day.

Materiality



Supply chain management

Our approach

In all of our business activities we must fulfill our social responsibilities as a corporate citizen by complying with laws, respecting human rights, considering the global environment and managing information securely.

To support the stable production and sale of products beneficial for health and activities toward a sustainable society, we view sustainable procurement as a key theme for our CSR activities. We select our suppliers according to procurement cost criteria, raw material criteria and qualitative criteria, and promote risk management at these suppliers.

As sustainable procurement requires collective action with our business partners, we will communicate proactively and work together with partners, mitigating risks and considering social and environmental impact throughout the supply chain and improving the sustainability of society.

Risks and opportunities

Risks	Opportunities
<ul style="list-style-type: none"> ● Human rights violations (e.g., forced labor, child labor) at business partners (suppliers) could lead to less trust in the Group ● Unfair discrimination against business partners or corruption with business partners could lead to less trust in the Group ● Inadequate BCP could cause an interruption in business ● Stricter environmental regulations, depletion of water resources and destruction of biodiversity could cause an interruption in business 	<ul style="list-style-type: none"> ● Promotion of sustainable procurement could lead to improved social trust in the Group ● Cooperation with business partners (suppliers) could lead to stable supply and improved productivity ● Safe and pleasant working environments could lead to increased productivity ● Saving energy, using water more efficiently and reducing waste could lead to improved cost competitiveness

Policies/Guidelines/Targets

- Yakult Ethical Principles and Code of Conduct
- CSR Procurement Policy
- Supplier CSR Guidelines
- Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing
- Yakult Basic Policy on Green Procurement

Targets and achievements

Target	Achievements
<ul style="list-style-type: none"> ● Implement CSR procurement 	<ul style="list-style-type: none"> ▶ Conducted a CSR procurement survey of our suppliers ▶ Joined Sedex and began incorporating its platform into supplier risk management ▶ Held a seminar for departments with responsibility for procurement on deforestation-free commitment in business activities ▶ Held a briefing for suppliers on CSR Procurement Policy ▶ Established DCF Commitment to Responsible Sourcing

Challenges and solutions

Today's companies are called upon to fulfill their social responsibilities throughout their supply chains to address environmental, social and other global issues relating to climate change, water, biodiversity and human rights.

The Yakult Group sees supply chain management as a material issue and is promoting CSR procurement, in addition to establishing a Human Rights Policy and advancing human rights due diligence initiatives. However, in order to meet the demands of society, it is necessary to enhance understanding among Group workers and increase the speed of our efforts. We are committed to fulfilling our responsibilities by strengthening our sustainable procurement promotion system as well as raising awareness and educating Group workers.

In fiscal 2022, we also formulated our Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing. It is important that the entire Yakult Group is aligned in its pursuit of responsible procurement of forest risk commodities. As part of our work toward achieving a deforestation and conversion-free supply chain, we are switching to products with third-party certification and bolstering traceability as we strive to reduce the environmental impact of our procurement activities.

Message from the chief officer



Akifumi Doi

Director and Senior Managing Executive Officer
Divisional General Manager of Production Division

► Understanding global trends and making responsible business decisions

Amid rising prices for raw materials due to international turbulence, sudden exchange rate fluctuations and other persistent issues related to raw material procurement, the international community has formulated a number of visions and goals for the future, including the Glasgow Climate Pact, the Glasgow Leaders' Declaration on Forests and Land Use, and the Kunming-Montreal Global Biodiversity Framework.

We recognize that companies are expected to understand the negative impacts that their business activities and supply chains have on the environment and society, and to disclose information about these impacts while working to reduce them to zero. The Yakult Group, which upholds supply chain management as one of our material themes, believes in the importance of understanding global trends and taking actions that increase environmental and social sustainability.

► A deforestation and conversion free supply chain is the goal

The Yakult Group believes that everything on the Earth must be healthy—from the water, soil, air, plants and animals to humans—in order for people to be able to live healthily and to build a sound society. Based on this belief and our Group's sense of social responsibility, we chose March 22, 2023, the day after the International Day of Forests, to establish a Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing, which aims to eliminate deforestation from the supply chain.

We regard deforestation as an important business risk and threat that must be addressed for the sustainability of the Yakult Group, which is supported by natural capital and local communities, and we aim to achieve zero deforestation in our supply chains for raw materials associated with a high risk of deforestation. We have determined the scope and type of raw materials to address and set targets and KPIs, and are promoting responsible procurement in our supply chain.

One of the specific goals of this commitment is establishing traceability that allows us to identify risks by detailing the production of raw materials all the way to their source and to implement approaches to resolving any issues. Traceability improves transparency within the supply chain, but collaboration with our suppliers remains essential.

For this reason, we hold briefings for suppliers on CSR Procurement Policy as we seek their understanding and cooperation regarding our commitment. At the same time, we continue to promote an understanding of relevant risks and impacts to society and the environment, and are working toward responsible procurement throughout the entire supply chain.

► From commitment to action

Throughout the world, environmental issues are becoming more widespread and serious. Human rights issues such as forced labor, child labor, discrimination and inhumane treatment in the supply chain are also important issues requiring resolution. In order for us to address these various issues as a company, we believe it is important to clarify policies and goals internally and externally by stating them as commitments, and to implement calculated, concrete initiatives based on backcasting.

In June 2022, we joined Sedex, a membership organization that provides an international data sharing platform aimed at responsible procurement. Membership in Sedex is one of the Group's concrete strategies for improving supply chain management, and its platform will allow us to collect and analyze data and take concrete action to reduce risks.

For important raw materials, we are promoting a shift to environmentally friendly products with third-party certification, and have begun traceability surveys.

Moving forward, we will continue to raise the bar for our CSR procurement efforts as we work with our suppliers to build a sustainable supply chain.

Sound relationships with business partners

Promoting sound organizational management and fair business practices is extremely important in order to make our corporate philosophy a lasting reality throughout the Group.

To achieve this, premised on the Yakult Group's compliance with national and local laws, guidelines and regulations related to anti-corruption, we have established an anti-corruption policy based on the Yakult Ethical Principles and Code of Conduct, which serves as the standard for compliance within the Group.

The Yakult Ethical Principles and Code of Conduct stipulates our ban on gifts and entertainment. It prohibits receiving gifts and entertainment from business partners and stakeholders, as well as giving gifts and providing entertainment to business partners, stakeholders and customers that go beyond the scope of common practice or social norms, directly or indirectly, in and outside Japan. At overseas business sites, we established anti-bribery guidelines and regulations, and comply with them in the course of our business operations.

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

▶ Mutual prosperity with marketing companies

The Yakult Group has 101 marketing companies, and they play a key role as our point of contact with customers. After confirming and mutually agreeing on the roles and responsibilities to be fulfilled by Yakult Honsha and the marketing companies, we execute business activities based on a contract.

We at the Yakult Group work together toward realizing both a healthy society and mutual prosperity: Yakult Honsha provides highly functional products for health improvement and handles public relations and advertising, while marketing companies engage in activities that are useful in resolving the health issues of customers and local communities, as well as sell Yakult products.

▶ Compliance with the Subcontract Act

Aiming for even stricter compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act), we created a Subcontract Act Compliance Manual in 1997 for operational personnel in departments that deal with subcontractors (revised in 2016), and in 2022 created and made available an awareness-raising video about the Subcontract Act for our employees. We also hold training sessions as appropriate.

Related information ▶ p. 107 Compliance ▶ Anti-corruption

Promoting sustainable procurement

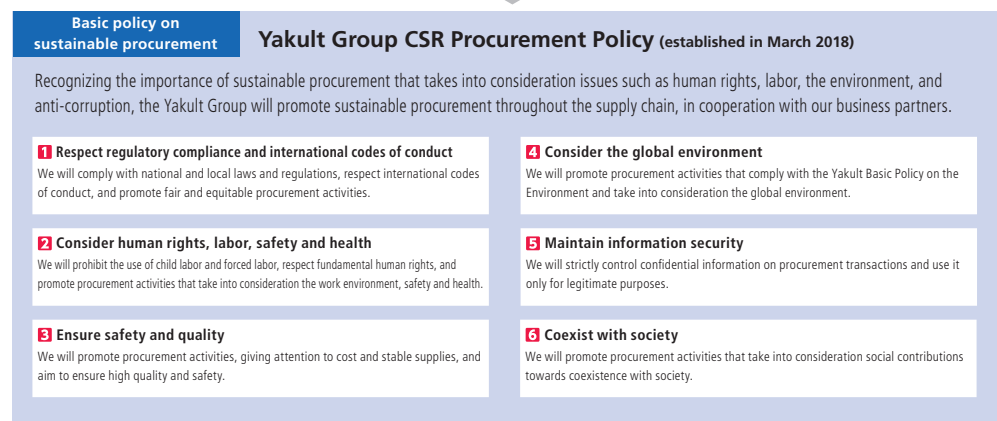
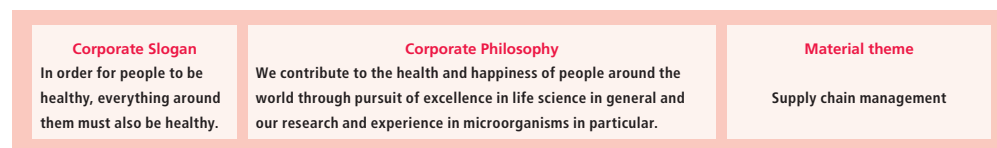
While globalization and economic development have brought convenience to the world, companies now also have a greater impact on the global environment and societies. The Yakult Group's supply chain begins with primary suppliers and extends to secondary and tertiary suppliers before finally arriving at producers such as dairy and other farmers. Even beyond this, as a company supported by the global environment and its ecosystem services in its efforts to expand its business globally, we believe that the Group's efforts toward sustainable procurement have great social significance. Based on this awareness, the Group has identified supply chain management as a material theme and is promoting sustainable procurement.

The Yakult Group will work together with suppliers to reduce environmental impact and eliminate the risk of human rights violations such as child labor and forced labor. We will establish sustainability as one of Yakult's quality criteria while contributing to the creation of a sustainable society, thus leading to the sustainable development of the Group.

▶ CSR Procurement Policy

The Yakult Group recognizes the importance of sustainable procurement that takes into consideration issues such as human rights, labor, the environment and anti-corruption, and promotes sustainable procurement throughout the supply chain in collaboration with our business partners according to the Yakult Group CSR Procurement Policy. We have also identified supply chain management as a material theme, and designated promoting sustainable procurement as a key theme of the Yakult CSR Action Plan, with the aim of contributing to the responsible production and sale of products that improve health and the creation of a sustainable society.

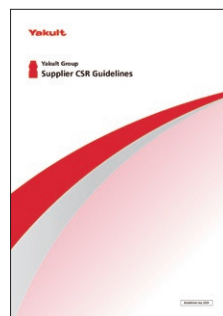
Yakult Group's vision for sustainable procurement



Supplier CSR Guidelines

Based on the CSR Procurement Policy, the Yakult Group Supplier CSR Guidelines were formulated in July 2020 in order to effectively promote sustainable procurement within the Group and help create a sustainable society. The guidelines are a collection of requirements regarding responsible procurement activities for all our business partners in Japan and overseas, including new business partners.

In order to ensure adherence to these guidelines, we hold a briefing for suppliers on our CSR Procurement Policy during which we explain the contents of the guidelines. In addition, for each requirement in the guidelines, we check the status of supplier efforts through surveys and audits, and if any problems are found, we take action aimed at improvement.



Together with using these guidelines, the entire Yakult Group will continue striving to promote sustainable procurement.

WEB Yakult Group Supplier CSR Guidelines

https://www.yakult.co.jp/english/csr/policy/pdf/supplier_csr_guidelines.pdf

Requests to our business partners (summary)

1. Comply with national and local laws and regulations, respect international codes of conduct, and promote fair and equitable procurement activities. Establish systems for this purpose.
2. Uphold international human rights principles, including the Universal Declaration of Human Rights, and establish fair and appropriate working environments that consider safety and health.
3. Build a framework to ensure high quality and safety.
4. Build a management framework to reduce environmental impacts, take action on climate change, preserve biodiversity, prevent pollution, appropriately manage waste and effectively use resources.
5. Strictly manage confidential information.
6. Promote activities to coexist with society and to create a sustainable society.

Joining Sedex to strengthen supply chain management

In June 2022, Yakult Honsha became a buyer member of Sedex, a membership organization that provides an international data sharing platform aimed at responsible procurement.

Sedex provides a digital platform for members to share information on responsible business practices. Members can use a globally shared Self-Assessment Questionnaire (SAQ) and audit scheme and share the results on the platform.

Since fiscal 2022, we have requested that suppliers join Sedex and share their SAQ responses and other information. We then use suppliers' SAQ responses to assess potential supply chain risks in a variety of areas, particularly the human rights issues of child labor and forced labor, occupational health and safety, business ethics and environmental themes. Risk assessment based on SAQ results helps us prioritize initiatives and set improvement targets to promote risk reduction.

If suppliers have not yet joined Sedex, we use a CSR procurement survey to assess risks. Based on the survey results, since fiscal 2022 we have begun engaging with suppliers via interviews in order to reduce risks.

Sedex | Member

Evaluation of business partners and collaboration

Based on our CSR Procurement Policy, we carry out supplier risk assessments through an annual CSR procurement survey or an SAQ in order to identify high-risk suppliers on issues such as the environment, human rights, occupational health and safety and anti-corruption. The fiscal 2022 survey was carried out for 95 business partners in Japan according to the selection criteria below, accounting for the top 90% of our suppliers ranked by total procurement cost related

to manufacturing.

Additionally, in fiscal 2022, we began performing supplier risk assessments for our overseas offices using the same selection criteria as in Japan.

Outside Japan, we carried out a CSR procurement survey on 39 companies.

Of the suppliers to our overseas offices, those we do business with through Yakult Honsha are included in the list of suppliers for whom risks within Japan need to be identified.

Supplier selection criteria for implementation of CSR procurement survey

Procurement cost criteria	Business partners in the top 90% of Yakult Honsha's manufacturing procurement costs (incl. all partners meeting this criteria the previous year)
Raw materials criteria	<ul style="list-style-type: none"> Suppliers of key raw materials (dairy products, sugar) and high-risk raw materials (palm oil, soybeans, pulp and paper)
Qualitative selection criteria (suppliers whose risks need to be identified via a survey, while consulting the criteria listed on the right)	<ul style="list-style-type: none"> Suppliers that are considered to have high CSR risks in the supply chain Suppliers expected to be used for ongoing transactions Suppliers for items for which there are no alternative suppliers (suppliers on which we are highly dependent)

Conducting this survey enabled us to assess the status of our suppliers' sustainable procurement initiatives and to ask our business partners for their understanding and cooperation on the Yakult Group CSR Procurement Policy and Supplier CSR Guidelines.

We sent feedback about the survey results to the companies that responded to raise awareness of CSR and encourage improvements in their sustainable procurement initiatives.

Furthermore, for companies with confirmed issues such as violations of laws and regulations, we created a supplier management log and verified their response through individual hearings. We then made requests for improvement and have been receiving reports of their corrective actions.

Going forward, we will continue working to improve sustainability across the entire supply chain by carrying out risk assessments of the supply chain, and are also considering such measures as conducting supplier audits through field visits.

Suppliers who have joined Sedex and provided SAQ responses from manufacturing bases for the raw materials that are delivered to us are not required to complete the CSR procurement survey. We have begun identifying risks related to these suppliers via the Sedex platform.

Suppliers by risk management tool

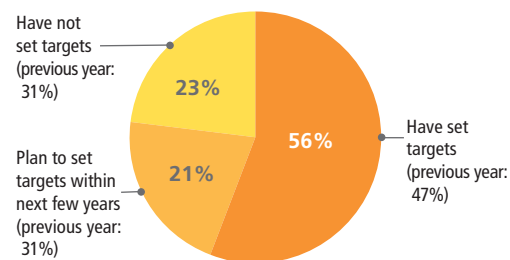
	CSR procurement survey	Sedex platform	Total
Japan	95	27	122
Outside Japan*	39	50	89
Total	134	77	211

* Of the suppliers to our overseas offices, those we do business with through Yakult Honsha are included in the list of suppliers for whom risks within Japan need to be identified.

Supplier initiatives related to climate change and biodiversity

In response to the international situation as well as dialogue with institutional investors and NGOs, since fiscal 2021 we have been monitoring whether our suppliers have set long-term reduction targets for greenhouse gas emissions in line with the Paris Agreement on climate change (i.e., net zero targets). Additionally, in the case of suppliers that handle materials with significant impact on deforestation, such as palm oil, soybeans, beef and leather products, timber, and pulp and paper, we also check whether they have set policies and guidelines that consider the issue of deforestation.

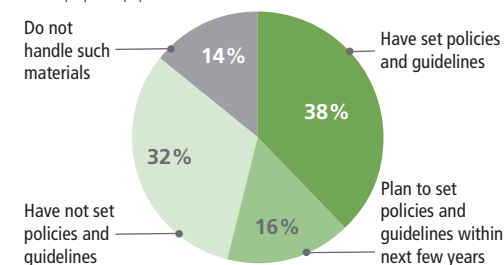
Percentage of suppliers with long-term GHG emissions reduction targets



We expect suppliers to actively explore setting long-term targets toward achieving a decarbonized society

Percentage of suppliers* with deforestation-related policies and guidelines

* Suppliers handling raw materials with a significant impact on deforestation, including palm oil, soybeans, beef and leather products, timber, and pulp and paper



We expect suppliers to explore proactive initiatives to prevent deforestation in the supply chain

Supplier engagement through interviews based on CSR Procurement Policy

In order to reduce CSR risks among our suppliers, in fiscal 2022 we used the results of the CSR procurement survey to identify suppliers with high CSR risks and other key suppliers. After identifying issues for each supplier and considering actions to take in response, we engaged with these suppliers through visits to their operations and online interviews.

Of the 95 companies in Japan that completed the fiscal 2022 CSR procurement survey, we interviewed four (two with on-site visits and two online), requesting their understanding and cooperation regarding our policies and also improvement in areas with low scores.

Through cooperation based on active communication, we will continue to consider social and environmental impact in our whole supply chain, reduce these risks and enhance the sustainability of society.

Examples of requests to suppliers

- Improvement in areas of the CSR procurement survey with low scores
- Setting of net zero targets in line with the Paris Agreement
- Formulation of human rights policies according to the United Nations Guiding Principles on Business and Human Rights and the promotion of human rights due diligence
- Setting of policies and quantitative targets to prevent deforestation

• Asking suppliers to comply with code of conduct: Yakult China Group

The three plants of the Yakult China Group (Shanghai Plant, Wuxi Plant and Tianjin Plant) requested all of their suppliers to sign a pledge in order to prevent bribery and other illegal activities, in accordance with Yakult China Group regulations. All of the suppliers complied with this request, and efforts will continue to be made to prevent corruption in the future. Guangzhou Yakult Co. Ltd. also had all suppliers to its three plants sign a similar pledge.

CSR procurement survey results (fiscal 2022)

Target: Primary business partners of Yakult Honsha's dairy products, soft drinks, cosmetics and pharmaceutical divisions/Number of responses: 95 companies (99% response rate)

Item	Number of questions	Main questions (examples)	Average score (%)*	Percentage of responses (%)			
				Level 3 Responded with "action being taken"	Level 2 Responded with "action being planned"	Level 1 Responded with "no action being taken"	N/A
1. Corporate governance related to CSR	6	Have you established a vision, long-term goals, key areas, etc. for CSR in general?	92.1	80.7	14.9	4.4	0.0
2. Human rights	4	Have you had any human rights issues in the last year, such as harassment, discrimination or labor issues with foreign technical trainees?	96.0	89.1	9.8	1.1	0.0
3. Labor practices	11	Are you taking action for fair application of working hours, holidays, paid leave, etc.?	97.8	94.8	4.0	1.3	0.0
4. Environment	11	Are you taking action to reduce CO ₂ and other greenhouse gas emissions, or to use energy efficiently?	91.6	80.9	9.3	7.7	2.0
5. Fair business	11	Are there regulations or initiatives to build proper relationships with local authorities and government officials in Japan and overseas in carrying out business activities (e.g., prohibition of bribery)?	95.9	88.1	6.4	2.8	2.7
6. Quality and safety	6	Do you have your own company policy and implementation system in line with our policies and guidelines on quality and safety of products and services?	97.9	86.0	1.4	2.1	10.5
7. Information security	6	Do you have a mechanism or initiatives related to personal data and privacy protection?	97.1	93.3	4.8	2.0	0.0
8. Supply chain	4	Are you taking action to promote CSR activities in the supply chain, such as by conducting field surveys of business partners?	92.6	82.7	12.5	4.8	0.0
9. Coexisting with the local community	2	Are you taking action to reduce the social and environmental burden of the production process or products and services?	92.6	89.8	8.1	3.2	0.0
Total	61		95.2	87.4	7.3	3.5	1.9

Number of business partners by average score (Japan)

Average score	Number of companies
90% or higher	77
80%–below 90%	12
75%–below 80%	5
Below 75%	0
Absent or incomplete response	1
Total	95

* Score for each item calculated based on a score of 3 points for Level 3, 2 points for Level 2 and 1 point for Level 1

Note: Additional questions also asked to confirm details, depending on the content of the response.

Target: Primary business partners of Yakult Group's overseas offices/Number of responses: 37 companies (95% response rate)

Item	Number of questions	Main questions (examples)	Average score (%) [*]	Percentage of responses (%)			
				Level 3 Responded with "action being taken"	Level 2 Responded with "action being planned"	Level 1 Responded with "no action being taken"	N/A
1. Corporate governance related to CSR	6	Have you established a vision, long-term goals, key areas, etc. for CSR in general?	81.1	66.2	10.8	23.0	0.0
2. Human rights	4	Have you had any human rights issues in the last year, such as harassment, discrimination or labor issues with foreign technical trainees?	92.1	84.5	7.4	8.1	0.0
3. Labor practices	11	Are you taking action for fair application of working hours, holidays, paid leave, etc.?	94.5	89.9	3.7	6.4	0.0
4. Environment	11	Are you taking action to reduce CO ₂ and other greenhouse gas emissions, or to use energy efficiently?	81.5	70.9	5.7	19.2	4.2
5. Fair business	11	Are there regulations or initiatives to build proper relationships with local authorities and government officials in Japan and overseas in carrying out business activities (e.g., prohibition of bribery)?	85.2	75.7	5.9	16.6	1.7
6. Quality and safety	6	Do you have your own company policy and implementation system in line with our policies and guidelines on quality and safety of products and services?	88.4	81.5	1.8	8.6	8.1
7. Information security	6	Do you have a mechanism or initiatives related to personal data and privacy protection?	93.8	90.9	2.3	6.8	0.0
8. Supply chain	4	Are you taking action to promote CSR activities in the supply chain, such as by conducting field surveys of business partners?	86.3	75.5	9.5	15.0	0.0
9. Coexisting with the local community	2	Are you taking action to reduce the social and environmental burden of the production process or products and services?	85.6	75.7	5.4	18.9	0.0
Total	61		87.5	79.1	5.5	13.5	1.9

Number of business partners by average score (overseas)

Average score	Number of companies
90% or higher	23
80%–below 90%	3
75%–below 80%	2
Below 75%	7
Absent or incomplete response	4
Total	39

^{*} Score for each item calculated based on a score of 3 points for Level 3, 2 points for Level 2 and 1 point for Level 1

Note: Additional questions also asked to confirm details, depending on the content of the response.

► Supplier communication (holding briefings for business partners)

We recognize that our sustainable procurement initiative contributes significantly to the business activities of our business partners. Through active communication and collaboration with suppliers, the Yakult Group aims to improve the sustainability of wider society by taking the impacts on the environment and society into consideration and reducing risks throughout the entire supply chain.

For our major business partners, such as raw material suppliers and manufacturing subcontractors, we explained the Yakult Group CSR Procurement Policy and conducted a survey in

order to promote understanding and implement the policy.

Since fiscal 2021, we have regularly held CSR Procurement Policy briefings for suppliers to promote understanding of our CSR Procurement Policy and related activities. In these briefings, we offer support with the aim of improving CSR capabilities, such as sharing information on supply chain management and making suppliers aware of the need for sustainability initiatives.

The fiscal 2022 briefing was held online and attended by approximately 400 people from 160 companies, including suppliers and sellers of raw materials to Yakult. In addition, around 80

people from related departments within Yakult participated.

Many participants commented that they were able to gain a deeper understanding of Yakult's policies and initiatives and its CSR procurement activities and that the briefings were useful for their future efforts. The briefing sessions were recorded and made available for viewing for a certain time.

Yakult aims to work together with suppliers through such briefing sessions to promote effective sustainable procurement activities by arriving at a shared understanding of issues related to sustainable procurement.



Main issues covered in briefings

FY2021	<p>Expert seminar Speaker: Hiro Motoki, President and Representative Director, E-Square Inc. Theme: Achieving sustainable procurement throughout the supply chain</p> <p>Briefings and requests from Yakult</p> <ul style="list-style-type: none"> • Yakult's sustainable procurement initiatives to date • Complying with Yakult's CSR Procurement Policy and Supplier CSR Guidelines • The Yakult Group's material themes, Environmental Vision and various policies including its Human Rights Policy • The Yakult Group's CSR procurement activities • Results from the CSR procurement survey, issues and countermeasures
FY2022	<p>Expert seminar Speaker: Chiaki Furusawa, WWF Japan Theme: Deforestation risk and commodities—toward building sustainable supply chains that do not contribute to deforestation</p> <p>Briefings and requests from Yakult</p> <ul style="list-style-type: none"> • The Yakult Group's CSR procurement activities • Complying with Yakult's CSR Procurement Policy and Supplier CSR Guidelines • Results from the CSR procurement survey, issues and countermeasures • Joining Sedex, an international data sharing platform aimed at responsible procurement • Responsible procurement of raw materials with high deforestation risk

Employee comment



Masayuki Toshimori

Section Manager
 Supply Chain
 Management Section
 Pharmaceutical Business
 Management Department

In fiscal 2022, the Pharmaceutical Business Management & Licensing Department interviewed a supplier for the first time based on the results of the CSR procurement survey. We exchanged opinions regarding feedback on the survey results, policies and approaches regarding sustainability, problems and future initiatives.

An account of this interview was published as an article in the supplier's internal newsletter. Recognizing the high interest across the company, we saw the possibility of building a system based on cooperation to work on issues reciprocally and on the same level.

The experience made me feel that we must consider how to work together with our suppliers to address various issues throughout the supply chain.

Related information

p. 66 Supplier interviews (engagement) based on CSR Procurement Policy

Education and raising awareness about sustainable procurement

We provide information and training to employees involved in raw material procurement and manufacturing consignment regarding the objectives of the CSR Procurement Policy and responsible procurement activities for creating a sustainable society.



Seminar on deforestation-free commitment in business activities

Education and raising awareness about sustainable procurement

Fiscal year	Activity and participants	Details
2018	Study sessions promoting sustainable procurement (held 7 times) Participants: Heads of procurement-related departments and managers in charge (35 persons in total)	Inviting external lecturers to raise awareness regarding sustainable procurement and supply chain management
2019	Briefing for those involved in sustainable procurement promotion Participants: Personnel involved from procurement-related departments (18 persons in total)	Explanations from an internal lecturer regarding the need for sustainable procurement and various measures for practical implementation
2020	Sustainable procurement workshops (held 2 times) Participants: Personnel involved in development and procurement (105 persons in total)	Sessions and group discussions led by outside experts to introduce and share case studies on social issues related to human rights, labor, the environment and anti-corruption; briefings on risks and opportunities related to our sustainable procurement, as well as on the need for international traceability and certification systems related to raw materials, etc.
2021	Sustainable procurement workshop Participants: Overseas business offices and directors and employees of departments in charge of overseas offices at Yakult Honsha (72 persons in total)	Sessions from outside experts and careful reading of assigned materials to share basic knowledge on sustainability and specific methods of sustainable procurement
2022	Seminar on deforestation-free commitment in business activities Participants: Heads of and relevant managers in procurement-related departments and personnel involved in procurement (47 persons in total)	Inviting Chiaki Furusawa of WWF Japan to discuss specific ways to achieve zero deforestation in business activities under the theme "Deforestation risk and commodities"

► Green procurement

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

Green procurement ratio

Fiscal year	2018	2019	2020	2021	2022
Green procurement ratio (%)	87.6	79.4	81.3	65.0	71.5

Yakult Basic Policy on Green Procurement

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

Scope of policies: All manufacturing, marketing, office and R&D facilities

- Basic policies**
1. Avoid procuring items with a potential for harming the environment or human health.
 2. Procure items that give due consideration to resource conservation and energy conservation.
 3. Procure crating and packaging materials that incorporate a high proportion of recycled materials.
 4. Procure crating and packaging materials designed to be reused as many times as possible.
 5. Procure crating and packaging materials with minimal portions that must be disposed of as waste and for which disposition processing is easy.
 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

Please refer to the following URL for the full text of the Yakult Basic Policy on Green Procurement:

WEB https://www.yakult.co.jp/english/csr/download/pdf/2022_green_policy.pdf

Related information p. 48 Use of internationally certified paper in products (participating in biodiversity-related certification programs)

► Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing

In light of its social responsibility around environmental and social issues and its discussions with NGOs and institutional investors, the Yakult Group has established a Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing, which aims to eliminate deforestation from the supply chain.

We have identified raw materials associated with the risk of deforestation in our supply chain and are committed to promoting sustainable procurement of these materials, setting out our basic policy, initiatives and targets.

We believe that only when everything on the planet is healthy, including water, soil, air, plants, animals and the societies woven together by people, can people live healthy lives.

The planet's environment is at risk due to global warming, environmental pollution, loss of biodiversity and depletion of natural resources. Based on the Commitment, we will pursue our business activities while considering the planet's environment and the lives and human rights of the people supported by the environment, and thus create a society where people and the planet can coexist forever.

Basic policy to eliminate deforestation

In our raw material procurement activities, we are particularly aware of the importance of protecting forest ecosystems, and deforestation*1 is closely linked to global issues related to the Yakult Group's materiality such as climate change, water and supply chain management. For raw materials such as palm oil and soybeans, there is a risk of deforestation within the supply chains, as well as risks associated with deforestation such as water and soil pollution and biodiversity loss.

In addition, forests support the livelihoods of people living in and around them. We recognize that there is a risk of human rights abuses associated with deforestation for indigenous peoples and local communities, including the loss of places to live and livelihoods due to deforestation. From this perspective, we regard deforestation as an important business risk/threat that needs to be addressed for the sustainability of the Yakult Group, which is supported by natural capital and local communities, and aim to achieve zero deforestation in the supply chain for raw materials with a high-risk of deforestation.

Initiatives and targets/KPIs

We identify pulp and paper, palm oil, soybeans and dairy products (e.g., skim milk powder) as raw materials with a high-risk of deforestation, set targets and KPIs for their sustainable procurement, and promote responsible procurement in our supply chain.

Note: The quantitative targets and KPIs will be reviewed and updated as appropriate to improve ongoing efforts in the Commitment.

Scope

All consolidated sites in Japan and overseas involved in the procurement of raw materials to produce food and beverages, pharmaceuticals and cosmetics for the Yakult Group

Commodities	Target fiscal year	Quantitative targets
Pulp and paper	2025	100% of the pulp and paper procured for paper containers and packaging to be switched to internationally certified materials such as FSC**2 or recycled paper
Palm oil	2025	100% of palm oil procured to be switched to RSPO*3 -certified products (MB**4 and above)
	2030	100% traceability of palm oil procured as a primary raw material back to the agricultural origin of its production
Soybeans	2030	100% traceability of soybeans procured as a primary raw material back to the agricultural origin of its production
Dairy products	2030	100% traceability of dairy products (e.g., skim milk powder) back to the source, such as the dairy farmer, in collaboration with suppliers

*1 The definition of "deforestation" in the Commitment is as follows.

- Conversion of natural forest, HCV and HCS areas to agriculture or non-forest land uses
- Conversion of natural forest, HCV and HCS areas to plantation forests
- Loss of natural forest, HCV and HCS areas due to severe and continuous degradation

About HCV and HCS

- HCV: HCV stands for High Conservation Value, which means that an area is valuable and of high conservation value, taking into account biodiversity, water conservation, culture, landscape, etc. (Details based on FSC® Principles and Criteria for Forest Stewardship Standard)
- HCS: HCS stands for High Carbon Stock, meaning that the land contains high concentrations of organic matter and stores large amounts of carbon, including carbon dioxide, a greenhouse gas

*2 FSC® stands for Forest Stewardship Council®, an international, non-governmental organization dedicated to promoting responsible management of the world's forests.

*3 RSPO stands for Roundtable on Sustainable Palm Oil, a non-profit organization made up of seven stakeholders in palm oil, with an international certification system for sustainable palm oil.

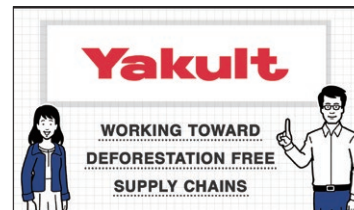
*4 MB stands for Mass Balance, a model of RSPO Certified Sustainable Palm Oil from certified sources that is mixed with ordinary palm oil throughout the supply chain.

Click here for the full text of the Commitment.

WEB https://www.yakult.co.jp/english/csr/social/supply_chain/pdf/deforestation_free_en.pdf

WEB [Click here for the explainer video related to the Commitment](#)

<https://www.youtube.com/watch?v=ShNosLj5ISo&t=3s>



Progress report on the DCF Commitment to Responsible Sourcing (excluding dairy products*)

Commodities	Percentage verified as deforestation and conversion free (%)	Explanations
Pulp and paper 9,085.0 tons	24.7	The majority of paper containers used for beverages sold by Yakult Honsha have already been switched to FSC/PEFC-certified paper, which is approximately 24.7% of the scope of the Commitment. This percentage is the proportion of the quantity verified to be deforestation and conversion free. (License No.: FSC®N003728)
Palm oil 160.2 tons	0.0	As of the end of March 2022, no third-party certified palm oil is used, but the Company plans to switch to third-party certified palm oil in the years ahead and verify whether its use of palm oil causes deforestation and land conversion.
Soybeans 2,764.8 tons	66.0	We use soybeans as a primary raw material in processed soymilk and soymilk beverages manufactured and sold by the Group. Among the soybeans we use in our processed soymilk and soymilk beverages, 66% are from Japan, where the risk of deforestation and land conversion is low, and we regard this percentage as deforestation and conversion free in connection with the use of soybeans.

* Progress on dairy products is currently in the stage of information gathering.

▶ Stable procurement of raw materials

• Stable procurement for food products (dairy products, soft drinks)

To ensure the stable procurement of raw materials used in our dairy products, we distribute risk by purchasing primary materials from multiple companies, and maintain appropriate reserve stores of each by considering factors such as sales trends and material procurement lead times for each product. We also contract with business partners to secure an annual volume of some raw materials.

Using these methods ensures that we can stably procure raw materials even in times of disaster.

• Stable procurement for pharmaceuticals

To ensure a stable supply of final products, we aim to mitigate risk by considering using multiple plants according to the circumstances of each formulation, along with managing stock based on appropriate estimates of demand. In addition, when concluding quality agreements for active pharmaceutical ingredients, we strive to ensure a stable supply of ingredients with the required quality by ensuring those agreements do not cause problems in ensuring a stable supply. For example, we include obligations to promptly provide information in the event of quality problems and to ensure prior consultation when changing manufacturing methods or sites.

• Stable procurement for cosmetics

In procuring both raw materials specific to certain cosmetics and those used in multiple types of products, we diversify our sources and seek alternative routes to be prepared for unforeseen circumstances. Additionally, we maintain stocks of raw materials to a certain level with appropriate inventory control. We also always strive for smooth communication with business partners, engage in honest procurement and build relationships of trust to preemptively prevent problems and eliminate supply insecurities.

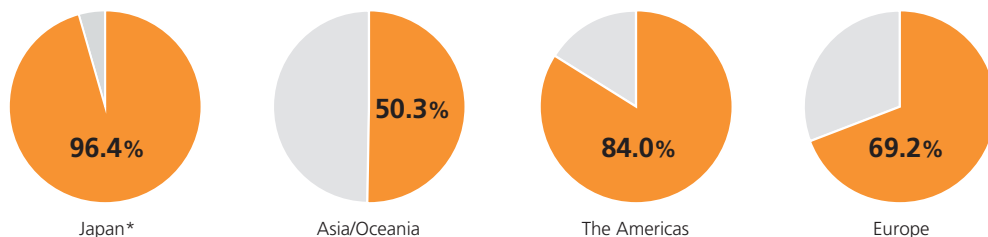
▶ Our commitment to local employment and sourcing

To contribute to the sustainable development of the countries and regions where we operate, Yakult agrees with the importance of local employment and local sourcing, as endorsed by ISO 26000, and is developing its global business with a local focus, based on local production and local sales. For raw ingredients, we select suppliers that have cleared our quality and safety standards, and that can provide a stable supply.

Yakult currently operates in 40 countries and regions including Japan with 29 overseas companies. We have established sales offices and production plants with deep ties to local communities, and actively hire local employees. Going forward, we will continue to undertake business with a local focus, working to benefit the local economy and local communities, with the aim of contributing to the healthy lives of local people and communities.

Related information ▶ p. 87 Local hiring for senior management positions: Yakult Europe B.V. and Guangzhou Yakult Co., Ltd.

Locally procured raw materials (fiscal 2022)



* Results for dairy product raw materials

Note: Raw materials that are imported and undergo final processing in Japan are calculated as local Japanese materials.

Human rights

Human Rights Policy

The Yakult Group operates globally, based on our philosophy of contributing to the health and happiness of people around the world. To make this a reality, it is important to create a society in which human rights are protected and respected all over the world.

We recognize that our actions may have a direct or indirect impact on human rights during the course of conducting business, or through our value chain. In order to ensure that the human rights of all people involved in our business are respected, in April 2021 we established the Yakult Group Human Rights Policy after deliberation and approval by the Board of Directors. The Policy clearly states that we shall promote human rights based on the framework of the United Nations Guiding Principles on Business and Human Rights (referred to below as the “Guiding Principles”), which is the global standard for human rights. Using that framework, we will continue to develop and implement mechanisms for human rights due diligence.

Yakult Group Human Rights Policy Guidelines

In order for the Yakult Group to effectively promote human rights due diligence, workers and business partners, including suppliers, must understand human rights policies and global standards regarding human rights and take such rights into consideration in their activities. In fiscal 2022, we created the Yakult Group Human Rights Policy Guidelines, which provide easy-to-understand explanations of the technical terminology used in human rights policy and international standards and norms. We circulate these guidelines within the Group and share them with major suppliers to facilitate understanding and raise awareness of our Human Rights Policy.

Yakult Group Human Rights Policy Guidelines (Excerpt)

Chapter 1: Internationally Recognized Human Rights	Chapter 2: The Yakult Group and Human Rights
<ul style="list-style-type: none"> • What Are Human Rights? 	<ul style="list-style-type: none"> • The Yakult Group’s Value Chain and Human Rights
<ul style="list-style-type: none"> • International Principles Supported and Respected by the Yakult Group 	<ul style="list-style-type: none"> • Main Points of the Yakult Group Human Rights Policy
<ul style="list-style-type: none"> • The Framework for Respecting Human Rights Employed by the Yakult Group 	<ul style="list-style-type: none"> • Key Human Rights Issues for the Yakult Group
<p>—The United Nations’ Guiding Principles on Business and Human Rights—</p>	<p>An Outside Stakeholder’s Expectations</p>

WEB ▶ Yakult Group Human Rights Policy Guidelines

https://www.yakult.co.jp/english/pdf/human_rights_guideline_en.pdf



Yakult Group Human Rights Policy

The Yakult Group operates its global business under the corporate philosophy of “We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular,” and in order to fully realize this philosophy it is vital that we create a society where human rights are protected and respected throughout the world.

The Yakult Group recognizes that during the course of conducting business, or through our value chain there exists the possibility that the group may have a negative impact on human rights, either directly or indirectly, and in order to ensure that the human rights of all people involved in the business are respected, the group shall hereby establish the Yakult Group Human Rights Policy (hereinafter referred to as the “Policy”), shall promote initiatives to further the respect of human rights, shall undertake continuous improvements, and shall contribute to the realization of a sustainable society.

The Yakult Group acts in accordance with the United Nations’ “Guiding Principles on Business and Human Rights” for respecting human rights and supports and respects the following international principles in the execution of its business activities:

- The International Bill of Human Rights (The Universal Declaration of Human Rights, The International Covenant on Civil and Political Rights, and The International Covenant on Economic, Social and Cultural Rights)
- The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the ILO Declaration on Fundamental Principles and Rights at Work by International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises by Organization for Economic Co-operation and Development (OECD)
- The Children’s Rights and Business Principles (developed jointly by UNICEF, UN Global Compact, and Save the Children)

The Yakult Group operates globally and conducts business activities based on the laws and regulations of the countries and regions it operates in. If the laws of a given country or region differ from international human rights norms, the group follows the higher standards. If the laws of the country or region contradict international norms, the group will pursue an internationally recognized method which respects human rights to the maximum possible extent.

The Yakult Group Human Rights Policy contains provisions on the following.

1. Scope
2. Responsibility for respecting human rights
3. Establishment of promotion structure
4. Human rights due diligence
5. Remedy
6. Information disclosure
7. Dialogue and talks with stakeholders
8. Education and training
9. Human rights issues related to business activities

The Policy has been approved by the Board of Directors of Yakult Honsha Co., Ltd. and signed by the President and Representative Director.

Established: April 27, 2021

Hiroshi Narita

President and Representative Director



Please refer to the following URL for the full text of the Yakult Group Human Rights Policy:

WEB

https://www.yakult.co.jp/english/sustainability/social/human_rights/

Human rights promotion structure

Chief responsibility for promoting human rights activities based on the Policy and conducting regular oversight of compliance with the Policy lies with the Yakult Honsha director who holds the position of Divisional General Manager of the Management Support Division. In addition, the content of concrete initiatives is deliberated and discussed by the CSR Promotion Committee, headed by the director who holds the position of Divisional General Manager of the Management Support Division, and other bodies. All important matters concerning human rights are reported to the Board of Directors.

Human rights due diligence

The Yakult Group will develop and implement mechanisms for human rights due diligence in hopes of building a responsible supply chain where preventive approaches ensure that all human rights are respected. Through its human rights due diligence, the Group will identify, prevent and mitigate any potential negative impacts on society. In fiscal 2021, we established the human rights due diligence review meeting, attended by members of relevant departments. We then gathered and shared information relating to human rights due diligence and identified key human rights issues within the Yakult Group.

14 key human rights issues for the Yakult Group

	Key human rights issue	Stakeholders
1	Forced labor, human trafficking	Employees (Yakult)
2	Child labor	Employees (Yakult)
3	Discrimination	Employees (Yakult)
4	Inhumane treatment	Employees (Yakult)
5	Freedom of association, collective bargaining rights	Employees (Yakult)
6	Working hours	Employees (Yakult)
7	Wages	Employees (Yakult)
8	Occupational health and safety	Employees (Yakult)
9	Human-rights issues on the supply chain	Employees (supply chain)
10	Health of local residents	Local communities
11	Water access, hygiene	Local communities
12	Ethical, responsible marketing	Consumers
13	Health and safety	Consumers
14	Rights to privacy	Employees, local communities, clinical trial participants, etc.

After considering ways to address the issues that emerged, we then formulated a medium-term roadmap and an action plan for fiscal 2022. Since fiscal 2022, we have been promoting human rights due diligence across the Yakult Group in accordance with this action plan.

In fiscal 2022, our review committee renamed itself the Human Rights Due Diligence Promotion Council. This Council met three times to consider such themes as confirming the progress of the human rights due diligence action plan, understanding human rights risks in business activities and considering countermeasures, and considering grievance mechanisms.

Human Rights Due Diligence Promotion Council themes and details

Theme	Date	Details
1st mtg. Confirm human rights due diligence action plan	July 2022	<ul style="list-style-type: none"> Review human rights due diligence action plan Confirm fiscal 2022 initiatives by each division Confirm role of Human Rights Due Diligence Promotion Council (purpose, target image, roadmap, content, schedule)
2nd mtg. Consider human rights risks and countermeasures in Yakult Group's business activities	October 2022	<ul style="list-style-type: none"> Review screening survey results Examine response prioritization and countermeasures for high-risk businesses and subsidiaries
3rd mtg. Consider fiscal 2023 action plans and grievance mechanisms for each department	February 2023	<ul style="list-style-type: none"> Draft action plan for fiscal 2023 Share status of each department's initiatives Consider creating a grievance mechanism

Human rights due diligence initiatives implemented in fiscal 2022 (excerpt from action plan)

- Published responses to Sedex SAQ on Company's website (human rights risk identification)
- Asked suppliers to join Sedex and respond to SAQ
- Implemented human rights awareness training (e-learning, distribution of compliance education materials, research ethics training at Yakult Central Institute, etc.)
- Clearly elucidated "Policy on the Prohibition of Employee Discrimination" on the Yakult Honsha recruitment website
- Rectified long working hours
- Revised Group Privacy Policy
- Implemented food quality audits for marketing companies

The Yakult Group's roadmap for human rights due diligence



Human Rights Due Diligence Promotion Council

In fiscal 2021, we established the human rights due diligence review meeting attended by members of relevant departments. We then gathered and shared information relating to human rights due diligence and identified key human rights issues within the Yakult Group. Looking carefully at how to address the issues that emerged, we then formulated a medium-term roadmap and an action plan for fiscal 2022.



We changed the name of the body in fiscal 2022 to the Human Rights Due Diligence Promotion Council to clarify its role as a cross-organizational structure for promoting human rights due diligence. Through this promotion system, we are considering and formulating action plans in promoting human rights due diligence across the Yakult Group.



* At the Yakult Central Institute and for development, plants, distribution and the Head Office

Human rights due diligence action plan (based on the UN Guiding Principles)

Items to be implemented		2023	2024	2025 onward	
1. Implementation system	Establishment and operation of implementation system	Consider salient human rights issues for the Group	Consider identification of and responses to salient human rights issues within the Group	Implement measures to address salient human rights issues for the Group Establish and publish improvement plans and KPI targets to address salient human rights issues for the Group	
		Have HRDD personnel monitor progress in each department and report to HRDD promotion council, and have council report to the Board of Directors			Conduct thematic audits
		Implement audit of items relating to human rights items; coordinate with and report to the HRDD promotion council			Assess whether HRDD mechanism is firmly established
2. Human resources development and training	Dissemination and penetration of the human rights policy	Conduct training on the human rights policy in and outside Japan Disclose information on how to enhance understanding of human rights policy in training, etc., goals and participation rates			
	Other types of training	Conduct human rights training for entire Group and training on business and human rights for top management			
3. Identification, assessment, prevention, mitigation and remedy of human rights risks	Stakeholder dialogue	Conduct dialogue with internal stakeholders Conduct dialogue with NGOs, international organizations and experts			
	Assess human rights risks and improve responses of each Group company	Analyse and identify high-risk business and areas	Identify major human rights risks and consider responses	Consider responses to major human rights risks and formulate improvement plans Monitor and follow-up high-risk business and areas Expand scope of assessment as needed Review possible integration into audit process	
	Review HRDD systems of subsidiaries			Implement HRDD systems of subsidiaries	
	The Group's action to key human rights issues	Implement measures to address 14 key human rights issues for the Group			
	Information disclosure	Disclose initiatives on the website and in various reports			
	Mandatory HRDD	Gather information on mandatory HRDD and take appropriate responses			
4. Establish grievance mechanisms accessible within the Group as well as to business partners	Inside the Group	Monitor, evaluate and improve operation of Compliance Hotline (internal reporting systems) at domestic companies to improve usability and credibility			
		Consider methods for establishment of an internal reporting system in overseas offices without the system		Establish internal reporting systems at overseas offices Improve understanding and accessibility for international/non-native users	
	Outside the Group	Consider establishment of a reporting system accessible to business partners Operate a reporting system accessible to business partners Promote understanding and improve accessibility of the system			

Upholding human rights in advertising

We have established the Yakult Group Advertising Policy for responsible advertising. With this Policy as our overarching concept, we are committed to upholding human rights, including the rights of children.

Avoiding discriminatory language and protecting copyrights and portrait rights

In our advertising, we consciously avoid slanderous or discriminatory language pertaining to race, ethnicity, nationality, origin, language, gender, age, occupation, educational background, physical characteristics, health, or beliefs. We always obtain the relevant approval to ensure we do not infringe on copyrights, portrait rights, and other rights held by third parties.

Children and advertising

From the perspective of respecting and promoting the rights of children, we never engage in inappropriate advertising or communication which could have a negative impact on children, or which exploits children's curiosity, imagination, developmental characteristics, or lack of knowledge/experience. When filming or producing advertisements featuring children, we always put the children's health and safety first, taking care not to violate their human rights.

Related information p. 85 Customer satisfaction: Honest and responsible advertising

WEB Yakult Group Advertising Policy

https://www.yakult.co.jp/english/csr/download/pdf/2022_advertising_policy.pdf

Protecting employees' human rights and raising awareness

Employee consultation desk

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

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

Training on human rights

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

In fiscal 2022, we added human-rights-related content to our level-specific training and are striving to promote understanding of the fundamentals of "business and human rights" and our Company's perspective on respect for human rights.

Human rights awareness training

Fiscal year	2018	2019	2020	2021	2022
Human rights awareness training (Training for new employees)	1 session 104 participants	1 session 117 participants	1 session 90 participants	1 session 72 participants	1 session 68 participants
Level-specific training	—	—	—	—	7 sessions 200 participants
Human rights awareness training (Diversity training for newly appointed managers)	2 sessions 48 participants	3 sessions 70 participants	1 session 30 participants	1 session 34* participants	—

* Carried out during new line manager training in fiscal 2021

Implementing Business and Human Rights Awareness month

The Yakult Group operates globally in 40 countries and regions around the world, including Japan. We respect the human rights of all people throughout the value chain and believe in the importance of building a society where everybody can pursue happiness. In order to continue promoting initiatives concerning respect for human rights throughout the Group, we must promote the understanding of each and every worker.

For this reason, we designated December, the month of Human Rights Day (December 10), as Business and Human Rights Awareness month and conducted awareness exercises for Yakult Group workers.

In fiscal 2022, we asked workers to read the Yakult Group Human Rights Policy Guidelines—created to facilitate understanding of our Human Rights Policy—and to respond to a questionnaire. For each person responding to the questionnaire, the Company donated 100 yen to the Japan Committee for UNICEF. We received 7,683 responses and made a donation of 768,300 yen.

Participant comments



**Le Thi Minh
Nguyet**

GA & HR Department
Yakult Vietnam Co., Ltd.

In order to promote understanding of the Yakult Group Human Rights Policy Guidelines, we translated the guidelines into Vietnamese and distributed them to all company employees and also conducted a questionnaire. We received responses from 82% of our employees, of whom 95% said they gained a deeper understanding of the relationship between work and human rights. Based on these results, I feel that Human Rights Awareness month was a meaningful initiative in raising awareness and understanding of human rights.

Furthermore, we found through this survey that the issue Yakult Vietnam Co., Ltd. employees consider to be most important was "health and safety." Moving forward, we will aim to continue providing safe, reliable products to help local residents live healthy lives. Healthier residents will, I believe, enhance society's trust in the company, enabling us to continue and develop our business.

Upholding human rights during the COVID-19 pandemic

▶ Responding to changes in the labor environment

When employees are working from home, based on the same principles as usual, they do not work overtime unless absolutely necessary, and overtime must be approved in advance by a supervisor. We are striving to gain an accurate picture of working hours through better communication between supervisors and staff.

▶ Production facilities in and outside Japan

The most important role of our production facilities is to ensure a stable supply of safe and reliable products. Therefore, as a general rule, employees involved in manufacturing still commute to work. Measures to prevent infection are being thoroughly implemented, along with strict rules for dealing with confirmed or suspected cases of COVID-19 among employees.

▶ Protecting the human rights of infected individuals

Information concerning cases of infectious diseases including COVID-19 is handled carefully to protect the privacy of those affected, and is managed to prevent it being disclosed or spread. We are raising awareness of the message that “anyone could be infected” to avoid any stigma associated with confirmed or suspected cases of infections.

Preventing harassment

The Yakult Ethical Principles and Code of Conduct state zero tolerance for any form of harassment, including power harassment and sexual harassment.

Harassment can directly affect the victim's physical and mental health, as well as reducing workers' motivation, disturbing order in the workplace, and worsening the working environment. There is also a risk of direct or indirect damage from lawsuits and damage to our corporate image, so we are doing all we can to prevent harassment.

▶ Compliance training

We run level-specific compliance training according to employees' roles and responsibilities to prevent harassment and bullying in the workplace. Particularly for managers, we run training sessions based on legal case studies, encouraging them to take appropriate action.

Related information ▶ p. 108 Compliance training

▶ Compliance newsletter

Our compliance newsletter regularly covers topics like power harassment and sexual harassment to raise awareness of these issues.

Related information ▶ p. 108 Compliance newsletter

▶ Action in cases of harassment

We have designated compliance personnel within each department, business site and Group company to act as points of contact for matters relating to non-compliance, including harassment.

We will take care to protect privacy when dealing with suspected cases of harassment, and strict action will be taken against perpetrators if harassment is confirmed.

▶ Action for suppliers

We ensure that our suppliers also take action to prevent harassment, based on the Yakult Group CSR Procurement Policy.

Related information ▶ p. 64 Supply chain management ▶ Promoting sustainable procurement

▶ Establishing internal harassment prevention committees: Yakult Danone India Pvt. Ltd. and Yakult S.A. de C.V. (Mexico)

Yakult Danone India Pvt. Ltd. has established a seven-member sexual harassment committee comprising senior staff from the company and outside legal experts in accordance with an Indian legal mandate. In 2022, the committee held two regular meetings and promoted improvements in the working environment. The company also established a Grievances & Harassment Redressal Committee (GHRC). This council functions as a deterrent primarily by providing a forum to investigate instances of harassment, including power harassment.

Furthermore, Yakult S.A. de C.V. (Mexico) holds monthly internal regulation committee meetings where conditions regarding power harassment and sexual harassment are regularly examined.

Respecting human rights and cultural diversity around the world

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

▶ Initiatives in Japan

A proper understanding of human rights is an essential part of being a member of society. Both our training for new recruits and our job-level-specific training cover the need to accept different values due to differences in race, gender, age and nationality, and emphasizes the importance of harnessing this diversity in our business.

► Halal certification: Outside Japan

Eight of our plants outside Japan have obtained Halal certification, and products are labeled with the Halal certification symbol so that Muslim customers can drink Yakult products with confidence.



Halal certification symbol

► Upholding human rights in the hiring process

The Yakult Group currently operates in 40 countries and regions including Japan and we hire locally, without discriminating between employees on the grounds of nationality or place of origin. We hire employees on the principle of “optimal personnel assignment based on abilities, aspirations, and aptitude, and regardless of age, gender, nationality, or educational background.”

► Initiatives outside Japan

• Initiatives in the US: Yakult U.S.A. Inc.

Yakult U.S.A. Inc. has developed a list of questions to use and avoid in employment interviews. Questions that are not relevant to the job, such as asking about an applicant’s religion or place of birth, are not allowed, and care is taken to avoid any discrimination during the hiring process.

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

Use	Topic	Avoid
Name	Name	Maiden name
Address	Address	Homeowner or rented
“Do you have proof that you can work legally in the US?”	Place of birth; citizenship	Questions about the place of birth of the applicant, applicant’s parents, relatives or spouse “Are you an American citizen?”
Proficiency in languages other than English (reading, writing, conversational) relating to the job	Ethnic origin	Questions about the nationality, ancestry, ethnic origin, or lineage of the applicant or their parents, relatives or spouse “What is your native language?” “Do you speak a language other than English with your family?”
Statement of company policy restricting family/relatives from working together	Age, gender, marital status, family status	Questions about age, gender, marital status, children and spouse/Questions about pregnancy, childbirth, possibility of future pregnancy “Do you intend to get married?”
Questions about working hours, dates and shifts “Will you be able to work on Sundays?”	Religion	Questions about religion/Inquiring about the timing of religious observances

► Initiatives in Japan

In Japan, just like in the US, employees who will be responsible for conducting job interviews are briefed about human rights so that they avoid asking questions about religion or beliefs during interviews.

► Efforts to prevent child labor

The Yakult Group adheres to the laws in each country and region of our operations, and promotes efforts to prevent child labor.

The Taiwanese Labor Standards Act prohibits employing workers less than 16 years of age, which Yakult Taiwan Co., Ltd. also adheres to in its own company regulations.

Yakult Danone India Pvt. Ltd. performs age verification and does not employ anyone under the age of 18 in accordance with India’s labor laws.

Similarly, Yakult Myanmar Co., Ltd. also verifies the age of potential workers and does not employ anyone under the age of 18 in accordance with Myanmar law.

► Response to local human rights due diligence legislation

► UK Modern Slavery Act: Yakult UK Ltd.

Yakult UK Ltd. publishes statements on its adherence to the country’s Modern Slavery Act, which was enacted in 2015. The company continues to check that its business partners (such as logistics companies) have produced statements in line with the Modern Slavery Act, and requires signed statements from them. The company also requires suppliers with total annual sales of under 36 million pounds to have a clear awareness of its relevant initiatives, which helps promote the protection of human rights across the entire supply chain.

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

Australia’s Modern Slavery Act was enacted in January 2019. Companies with an annual turnover of over 100 million Australian dollars must report annually on measures to prevent forced labor in their operations and supply chains. Yakult Australia Pty. Ltd. is currently not subject to this Act but agrees with its intentions, and it published a third-party report in November 2022 to identify modern slavery risks and to assess the status quo. It is working proactively to promote the protection of human rights in the entire supply chain, including suppliers and business partners.

► California Transparency in Supply Chains Act: Yakult U.S.A. Inc.

The California Transparency in Supply Chains Act came into effect in January 2012. Retailers and manufacturers operating in California with worldwide annual revenues of 100 million dollars or more are required to disclose their efforts to eradicate human trafficking and slavery. Yakult Honsha and Yakult U.S.A. Inc. are not currently subject to this Act, but agree with its intentions, and are actively working to improve transparency of information and respect for human rights within the supply chain.

Product safety

Basic policy on product quality

In order to embody our corporate philosophy, the whole Yakult Group is working to ensure quality assurance based on the Yakult Group Basic Quality Policy, which specifies the fundamental policies and promotion system related to quality and safety.

Yakult Group Basic Quality Policy

The Yakult Group contributes to the health and happiness of people around the world by offering safe and secure products and services with sincerity.

The Yakult Group Basic Quality Policy covers the following.

1. Scope
2. Compliance with laws, regulations and international norms
3. Promotion structure
4. Dialogue with stakeholders

Established: March 30, 2021

Please refer to the following URL for the full text of the Yakult Group Basic Quality Policy:

WEB https://www.yakult.co.jp/english/sustainability/social/product_safety/

Product quality certifications

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

The Foshan Plant of Guangzhou Yakult Co. Ltd. acquired HACCP certification in February 2021 and ISO 9001 certification in March 2021.

Certifications acquired for product quality

(Number of certified locations: as of August 2023)

	HACCP	ISO 9001	ISO 22000	FSSC 22000	GMP	Halal	ISO 45001	SQF
Yakult Honsha plants, bottling companies in Japan (10 dairy product plants)			10 ^{*1}					
Marketing companies in Japan (101 in total)		9 ^{*2}	1					
Plants outside Japan (27 locations in total) ^{*3}	20	10	8	3	8	8	2 ^{*3}	2

*1 In Japan, food hygiene control based on HACCP principles was instituted through the Act on the Partial Amendment of the Food Sanitation Act in 2018. In line with this, we acquired ISO 22000 certification at Yakult Honsha dairy product plants, all 10 plants of bottling companies, and the Production Division, including the Production Control Department.

*2 Includes branches that have acquired the certification

*3 Acquisition rate at plants both in and outside Japan: 5.4%

- HACCP: A system for assuring safety by implementing thorough hygiene management across the entire manufacturing process
 - ISO 9001: An international standard for quality management systems
 - ISO 22000: An international standard for food safety management systems based on HACCP hygiene management methods
 - FSSC 22000: An international standard for food safety management systems based on ISO 22000 that incorporates food defense and other matters
 - GMP (Good Manufacturing Practice): An international standard for pharmaceuticals and food manufacturing management and quality control
- Note: In Taiwan, the plant obtained TQF (Taiwan Quality Food) certification which is equivalent to GMP.
- Halal: A standard for food quality management systems based on Islamic Law
 - ISO 45001: An international standard for occupational health and safety management systems
 - SQF: An international standard for management systems that ensure the safety and quality of food products

WEB Please refer to the following URL for details about certification acquired by each company

https://www.yakult.co.jp/english/sustainability/social/product_safety/certification/

Quality management systems

Raw material management

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

We have set strict quality standards for raw materials, and at all of our plants both in and outside Japan, we confirm in advance the inspection reports of raw material suppliers and undertake inspections when raw materials are received to ensure that only materials that are in compliance with relevant standards are used.

We also place importance on communication with suppliers, and conduct investigations of the country of origin of the raw materials, manufacturing plants and processes to confirm hygiene conditions, inspection systems and quality control systems, and request improvements when necessary.

Production

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

With the amendment of the Food Sanitation Act and the legislation of food hygiene control based on HACCP principles, we reviewed our internal quality control system that integrated conventional ISO 9001-certified quality management systems with HACCP systems and food defense programs, and now maintain a high standard of quality management through a proprietary system that integrates ISO 22000 with customer satisfaction and quality assurance principles. As each employee's awareness, knowledge and technical skills with regard to product quality are essential in achieving this, we have defined the abilities required in production and quality control at Yakult Honsha dairy product plants and bottling companies, and carry out education, training and assessment in a systematic manner, and routinely review this system. In Japan we have also developed and installed a variety of inspection equipment that has made a 100% inspection level possible with continuous quality monitoring.

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

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

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

► Logistics

Yakult Logistics Co., Ltd. makes logistics quality the foundation of its mission to deliver fresh products at their peak of quality.

The company runs annual study sessions on logistics quality for contractors. In fiscal 2022, as part of COVID-19 safety measures, staff members visited partner companies to hold study sessions. Thirty-three sessions were held, with 263 participants from 25 companies. Staff at those companies received a direct explanation of how to load and handle Yakult products according to their special characteristics, and gained a deeper understanding of product handling.

► Marketing

We have also established quality control systems at marketing companies and, in order to comply with the Food Sanitation Act incorporating HACCP principles into hygiene management, work is performed and recorded following a hygiene management plan that focuses on product temperature and date control, as well as equipment and material hygiene control. Marketing companies perform their own internal audits to confirm that these measures are being conducted appropriately. Furthermore, teams composed mainly of employees with quality management experience at production plants perform food quality audits and conduct quality control education and training at marketing companies.

► Initiatives in cosmetic and pharmaceutical production

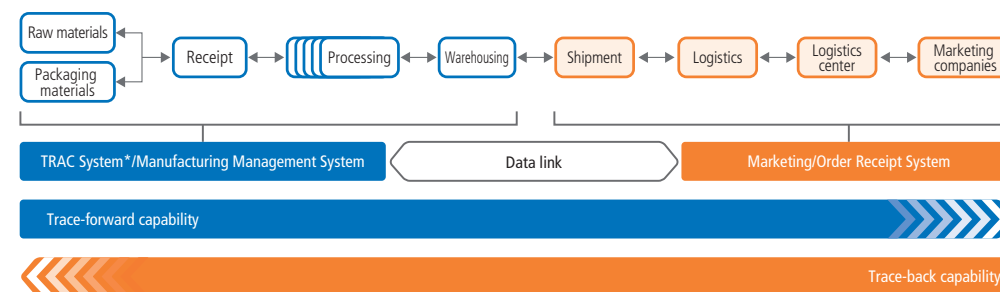
To maintain safe and standardized product quality during all processes at our pharmaceutical plant, from receipt of raw materials to product manufacturing, quality testing and storage, we follow the pharmaceutical Good Manufacturing Practice.

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

For fragrances used in cosmetics, we not only ensure that all our fragrance formulations are fully compliant with local regulations of the regions where they are marketed, but also that the latest safety data is collected. We also create perfumes using fragrance ingredients that are in line with the safety standards set forth by the International Fragrance Association (IFRA).

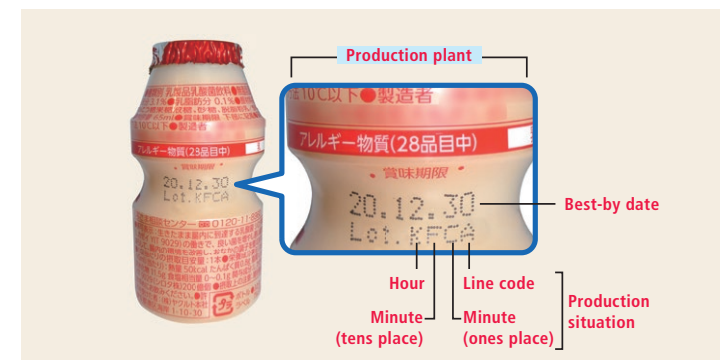
► Traceability system

Yakult's original TRAC traceability system enables tracing according to production lot from the arrival of raw ingredients to the shipment of products, so products can be traced both back and forward through the manufacturing process.



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

Product print example: New Yakult



► Independent food safety audits: Yakult China Group

In order to provide consumers with safe, secure and delicious products, regular independent food safety audits are carried out in China based on the Food Safety Law. In fiscal 2022, an audit took place in September at the Shanghai Plant. Due to COVID-19 related restrictions on business travel, audits were postponed at the Tianjin and Wuxi Plants.



An independent food safety audit

► Active disclosure of product information

► Universal design fonts for product labeling

Yakult's product packaging for food and beverages uses universal design fonts that are easy for anyone to read, regardless of age or ability.

► Easy-to-understand allergen information

We display the allergens contained in our food and beverage products on the ingredients list as stipulated by law. To make it easier for customers to get the information they need, we also separately provide the names of allergens included or not included for 28 types of allergens: 7 specified ingredients that are mandatory for labeling and 21 others that are recommended for labeling. Our website also lists the allergens (out of 28 different allergens) contained in our food and beverage products.

An example list of allergens

●アレルギー物質(28品目中) 乳・大豆

► Access to better nutrition

Lifestyles changes have made obesity, diabetes and metabolic syndrome more prevalent in industrialized and emerging economies, prompting calls for measures to prevent lifestyle diseases from a young age. Also, the shift to super-aged societies in developed countries is increasing the need for highly nutritious foods to address smaller meals and increasing frailty*1 among older people with a view to extending their healthy life expectancy. On the other hand, developing countries are facing hunger and malnutrition issues due to poverty.

In order to contribute to the health and happiness of people around the world, we will continue to help provide access to better nutrition by developing food and beverage products based on the three concepts advocated by Minoru Shirota, the founder of Yakult: "preventive medicine," "a healthy intestinal tract leads to a long life" and "a price anyone can afford."

In recent years, a close relationship has been found between the intestinal microbiota and human health. In addition to its intestinal regulation and immunoregulation functions, *Lactobacillus casei* strain Shirota has been shown to have an impact on the nervous system (relieving stress and improving sleep quality), which is vital for maintaining human health. We have been delivering probiotic products that use *Lactobacillus casei* strain Shirota to people around the world since our founding and are contributing to the health of people globally.

Furthermore, in response to the inadequate intake of vitamins and minerals, as revealed by guidelines such as the Dietary Reference Intakes for Japanese, we are also developing highly nutritious food and beverages that are fortified with the necessary vitamins and minerals for target gender and age groups.

For example, in Japan, we launched such products as *Yakult 1000* and *Y1000*, which contain *Lactobacillus casei* strain Shirota that can not only improve the intestinal environment but also relieve stress and improve sleep quality; *Yakult Five*, which is fortified with five different popular nutrients; *Joie*, a supplement containing a full daily*2 supply of vitamins and minerals; and *Kininaruyasai Ichinichibunno Multivitamin Red Grape & Tomato*, which provides a meal's worth*3 of six water-soluble vitamins (niacin, vitamins B1, B2, B6 and C, and folic acid) that are often deficient in the diet in one easy and delicious serving. We also provide nutrient-enriched products that meet global health needs.

*1 Frailty: Physical and mental decline (motor and cognitive functions, etc.) associated with age

*2 Based on the reference daily values for nutrients, etc.

*3 Equivalent to one-third of the reference daily values for nutrients, etc.

Related information

p. 53 Innovation: Evolving into a healthcare company (Product development in response to increased health consciousness)

Customer satisfaction

Role and systems of the Customer Support Center

Day-to-day consultations with customers are vitally important activities that facilitate our efforts to ensure we can provide products and services that benefit our customers. We accept inquiries from customers by phone and email and do our best to respond promptly, accurately and sincerely. One of the important roles of the Customer Support Center is to accurately grasp the meaning of customers' inquiries, relay the comments to related organizational units and top management, and promote concrete measures to improve products and services. The Center strives to answer inquiries in a respectful, easy-to-understand manner in order to enhance customer satisfaction. For consultations that require direct customer visits, the Center works in coordination with marketing companies throughout Japan.

Customer feedback

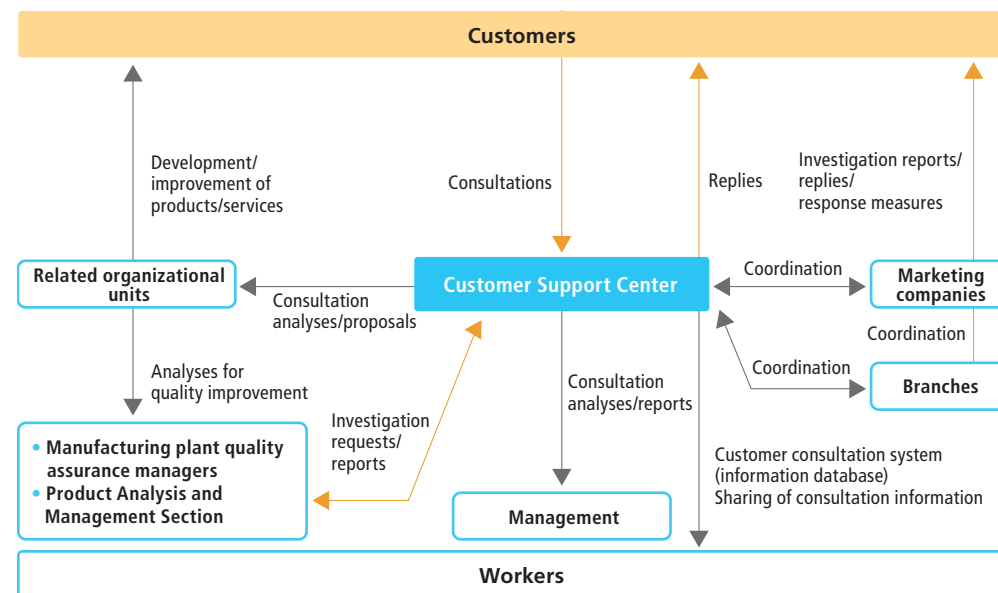
We categorize our customer consultations into inquiries, applications, complaints, discontinuations/suspensions, changes and others.

In fiscal 2022, the Center received 37,784 consultations.

Customer consultation in fiscal 2022

Type	2018	2019	2020	2021	2022
Inquiries	29,682	27,886	24,930	24,533	27,677
Applications	2,499	2,215	2,184	1,957	2,858
Complaints	3,858	4,107	3,776	3,339	4,700
Discontinuations/suspensions	1,211	1,112	858	734	622
Changes	210	294	263	250	155
Others	2,050	1,871	1,935	1,825	1,772
Total	39,510	37,485	33,946	32,638	37,784

Customer response flow



Customer Support Center

Toll-Free: **0120-11-8960** (In Japan only)

(10:00 to 16:00, except Saturdays, Sundays, holidays, summer holidays, year-end and New Year holidays, and so on.)

Helpline: **0570-00-8960** (In Japan only) (not a free call)

Customer communication through social media: Overseas

Yakult's overseas Group companies also use social media to inform and communicate with their customers.

In Brazil, an official TikTok account was launched in April 2022. Together with the existing Facebook, Instagram and YouTube accounts, these channels ensure that we not only share information with our customers but can also respond to inquiries quickly and regularly post health promotion information on the themes of nutrition, healthy eating and exercise. As of the end of May 2022, we have 49,251 followers on Facebook, 68,931 on Instagram, 9,149 on YouTube and 26,800 on TikTok.

Facebook and other social media platforms are also used in such other countries and regions as Taiwan, Hong Kong, Thailand, the Philippines, Singapore, Indonesia, Malaysia, Vietnam, India, the Middle East, Guangzhou, Mexico, the Netherlands, the United Kingdom, Germany and Italy to provide information and handle inquiries.

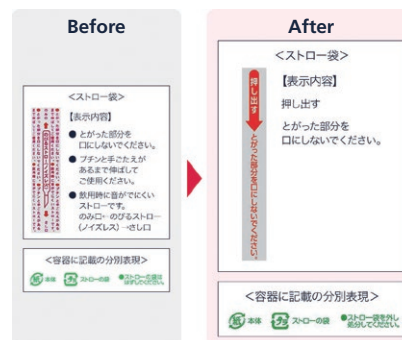
Using customer feedback in products

▶ Improving clarity of instructions for removing straws and separating waste (Japan)

After receiving comments from customers who found the instructions for removing straws from their bags difficult to understand and were not sure how to classify straw covers as waste, we reviewed the information on straw bags and the main product packaging.

The instructions on bags were made clearer by using “Push” arrows and simple text reading only “Do not put sharp end in mouth.”

Additionally, because we saw many cases where the bag was detached before the straw was removed, we changed the text on the main package to “Remove straw bag for disposal,” making it clearer that this text is meant to encourage the proper waste separation of straw bags.



Expanding Yakult Delivery Net online ordering service

With a view to improving convenience as the e-commerce market continues to grow, Yakult launched the Yakult Delivery Net online ordering service in fiscal 2017 and expanded the service nationwide in September 2018. This service offers options for credit card payment and product delivery in a cold storage box, making it possible to deliver products in keeping with diverse consumer lifestyles. As of March 2023, the number of registered users increased 1.5-fold from the previous year to about 250,000, and we hope to expand the number of users to 270,000 by the end of fiscal 2023.

Note: The registration of new users has been suspended due to the shortage of some products (as of April 2023).

▶ Customer satisfaction improvement in Mexico

To improve customer satisfaction, we have built an organizational structure that can respond quickly to inquiries and complaints received via our website and social media. We also send follow-up emails to customers who have placed orders using the Pedido en línea online ordering service to gauge their level of satisfaction. This information is then shared with the marketing department to help improve customer satisfaction.

Communicating with customers and providing health information

▶ Plant and institute tours

For a deeper understanding of our products and the Group's commitment to the environment and producing safe products that offer peace of mind, we proactively offer tours of our plants. The tours are not just for members of the general public of all ages but are also popular as destinations for elementary school field trips and environmental programs and as sources of information for opinion leaders and people with a particularly strong interest in health issues.

To simplify the way customers can make reservations for plant tours, we introduced an online reservation system in September 2018. Additionally, to make it easier for elderly people and customers with disabilities to comfortably tour our plants, we are introducing elevators, ramps and handrails in plant tour areas to make each plant more accessible to all.

Physical visits to our plants in Japan have been suspended since early March 2020 to prevent the spread of COVID-19.

Also suspended since fiscal 2020 due to COVID-19 have been annual festivals at our plants organized with the aim of deepening friendly relations with local communities.

The Shirota Memorial Museum [▶ P.11](#) at the Yakult Central Institute, which was normally open to the general public, has also been closed since fiscal 2020 as a precautionary measure. Based on the revision of COVID-19's infectious disease category, we plan to gradually restart tours in future.

▶ Use of online tools

• Shonan Cosmetics Plant

The online plant tours we held for workers in fiscal 2022 in response to the COVID-19 pandemic were very well received. Because the location in Kanagawa Prefecture is our only cosmetics plant in the country, in future we hope to coordinate with sales companies across the country to offer online tours to customers remotely as well. We are currently preparing a program that also includes live footage from the production line and experience with actual products.

• Dairy plants in Japan

Since May 2021, as a response to COVID-19, we have offered online plant tours. Sales companies serve as the point of contact for online plant tours, which are offered chiefly to elementary students and older adults. As a result, we are now able to show the *Yakult* production process and the hygiene control measures in place to many more customers, including those living far away and those with limited mobility.

▶ Virtual plant tours: Yakult (Malaysia) Sdn. Bhd.

Plant tours were canceled due to the impact of COVID-19, but virtual plant tours were started in October 2020, allowing those unable to visit the plant physically to experience a plant tour. In fiscal 2022, regular plant tours were restarted and 16,145 people attended, while 34,849 people took part in a virtual tour.

In addition to Malaysia, online or virtual plant tours continue to be offered in Hong Kong, Singapore, Indonesia, Australia, Vietnam, India, China and Brazil.



Connecting schools online in Malaysia



Conducting an online plant tour in Indonesia

▶ Multilingual website development: Yakult Australia Pty. Ltd.

In light of the diversity of ethnicities residing in Australia, Yakult Australia Pty. Ltd. sought to expand its communications with customers across linguistic barriers by making its website available in three languages: English, Chinese and Vietnamese. Its "Do you Yakult?" webpage, designed to increase understanding of Yakult, was revised in February 2023, and continues to be available in the same three languages.

▶ Healthist

Healthist is a health and science information magazine first published in 1976 that provides easy-to-understand information to the general public, from the newest discoveries in life science, cutting-edge research and other areas to health-related topics and useful information for daily life. Some 50,000 copies of the bimonthly, Japanese-language magazine are published each year. In fiscal 2020, we launched an online version to make the magazine more widely available.

WEB

<https://healthist.net/en/>



Healthist

Understanding and complying with marketing rules

▶ Training for Yakult Ladies

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

To facilitate continuous training and information sharing, we publish a magazine for Yakult Ladies four times per year alongside other forms of communication. "Mind your manners" campaigns were held twice during fiscal 2022. Participants went over key points in manners—including greetings, word choice and personal grooming—and ways to build trust with customers and colleagues. In addition, we used the Safety and Security Clinic, a website where Yakult Ladies can independently acquire information on safety and security and conduct home delivery self-checks, to raise awareness of these issues.

We provide Center managers with manuals to help them conduct cosmetics training. Newly recruited Yakult Ladies are given a subsidy to buy basic skin-care products so that they have a firsthand understanding of the products.



A study session on delivery quality (Kitaumemoto Center, Yakult Matsuyama Sales Co., Ltd.)

▶ Training for route sales representatives

To ensure safe and secure product delivery operations, we conduct training on driving and accident prevention during deliveries as well as product temperature control and best-by dates.

We also conduct training for route sales representatives to improve their product knowledge and communication skills so that our customers are given accurate information about our products.

In addition, we provide a suite of personal study tools to be used as required, including an e-learning platform covering subjects such as business manners and maintenance of vending machines, and manuals and DVDs on maintaining the freshness of our products and other topics.



Training session for route sales representatives (Yakult Mito Co., Ltd.)

Honest and responsible advertising

▶ Establishing an advertising policy

To put into practice our company philosophy of contributing to the health and happiness of people around the world, we established an advertising policy in March 2021 emphasizing our response to the changing media environment, highly appealing advertising expressions, and communication activities in compliance with laws and regulations.

Yakult Group Advertising Policy

The Yakult Group operates its business globally under the corporate philosophy of “We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular.”

To realize this philosophy, the Group shall increase the engagement of its corporate and product brands with consumers through highly appealing communication policies developed for the changing media environment.

1. Response to the changing media environment
2. Improvement of brand recognition and favorability through highly appealing advertising expressions
3. Promotion of communication activities which comply with laws and regulations and also consider the SDGs

Established: March 30, 2021

In addition, the Yakult Group Advertising Policy includes a section entitled “For Responsible Advertising Activities,” which lists examples of international standards that must be observed and provides details on ensuring compliance.

Please refer to the following URL for the full text of the Yakult Group Advertising Policy:

WEB https://www.yakult.co.jp/english/csr/download/pdf/2022_advertising_policy.pdf

▶ Considerations in the production of advertisements

We have put in place internal rules to ensure appropriate and effective advertising and promotional activities. When producing advertisements, we follow the Yakult Ethical Principles and Code of Conduct and comply with relevant laws and regulations such as the Act against Unjustifiable Premiums, Health Promotion Act, Food Labeling Act and Misleading Representations and the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices to prevent the use of advertisements that mislead or confuse our customers. In addition, all our advertising and promotions are assessed by various media. We also hold regular workshops for internal staff responsible for advertising to share the latest information and raise awareness to enable the implementation of responsible advertising and promotional activities.

▶ Guidelines and internal review for ethical and responsible advertising and marketing

Yakult recognizes that businesses are expected to conduct fair and responsible corporate activities, which also extends to marketing.

To carry out ethical and responsible marketing, we have established internal guidelines titled “Points to Note When Creating PR, Advertising or Sales Support Material,” and carry out training for those responsible for creating such material, ensuring that the guidelines are known and followed. These guidelines incorporate relevant laws and regulations, social changes and international human rights regulations, highlighting issue to be aware of and points where mistakes are easily made while creating such materials. They are revised at least once a year.

Additionally, to ensure ethical and responsible marketing, we subject the content of all our media communications, such as on TV, radio, newspapers, magazines, the web, YouTube, social media sites, transit advertising, leaflets and point-of-purchase advertising, to preliminary screening and internal review by our Public Relations Department.

Similar to when we create advertising, the review confirms whether the contents comply with related laws and industry-led standards;* the information we are promoting is factually accurate and scientifically based in accordance with the Yakult Ethical Principles and Code of Conduct and the Yakult Group Advertising Policy; the expressions we use are free from defamation and discrimination; the contents do not take advantage of minors who lack knowledge or choices; and the contents do not mislead or confuse customers, among other points.

In fiscal 2022, we carried out 1,049 screenings and reviews, constantly making sure to prevent issues from arising.

* Industry-led standards

Code of fair competition for food for specified health uses

<http://www.jhnfa.org/tokuho-kyougikai/kiyaku-1.pdf> (Japanese only)

Code of fair advertising practices: Foods with Function Claims

[https://jaohfa.com/wp/wp-content/uploads/news/\[機能性表示食品\]適正広告自主基準第2版新旧比較表230605.pdf](https://jaohfa.com/wp/wp-content/uploads/news/[機能性表示食品]適正広告自主基準第2版新旧比較表230605.pdf) (Japanese only)

Code of fair competition for the labeling of fermented milk and lactic acid beverages

<https://www.nyusankin.or.jp/know/display2/> (Japanese only)

Protecting customers' personal information

▶ Basic Policy for Protection and Management of Personal Information/Personal Information Protection and Use Manual

We established a Basic Policy for Protection and Management of Personal Information following the full enforcement of the Act on the Protection of Personal Information in April 2005. We revised the basic policy when the Act was amended in April 2022, stipulating the items that employees must observe to protect personal information.

We are further promoting efforts to protect personal information by revising our Privacy Policy to include items in response to the legal amendments (such as the publication of additional safety control and other measures and the electronic disclosure of retained personal data), as well as specific provisions on the purpose of use to enable more rigorous management of such information.

Yakult Group's Privacy Policy

The Yakult Group observes relevant laws and regulations, guidelines and other standards and appropriately handles information of customers whereby a specific individual can be identified, such as name, date of birth, address, telephone number, email address and information like driver's license number containing an individual identification code (hereinafter referred to as "personal information").

The Yakult Group's Privacy Policy covers the following items:

1. Basic policy and definitions
2. Name, address, corporate representative name of the business operator
3. Personal information collection method
4. Purpose of use
5. Joint use
6. Outsourcing of personal information processing
7. Providing personal information to third parties
8. Pseudonymized personal information
9. Request for disclosure, correction, addition, utilization cease or deletion
10. Outline of the security control action of personal information
11. Inquiries

Revised April 2022

Please refer to the following URL for the full text the Yakult Group's Privacy Policy:

WEB <https://www.yakult.co.jp/english/privacypolicy/>

▶ Training for Yakult Ladies

Yakult Ladies often have the opportunity to handle customer personal information in their line of work, and we enforce rules for the handling of this information through training and handbooks. We remind them that utmost care must be taken never to leak or lose any information received while on duty.

▶ GDPR compliance

To ensure compliance with the General Data Protection Regulation (GDPR) of the European Union, Yakult Europe B.V. monitors the latest conditions and undertakes other activities. The database containing customer feedback has been redesigned to be fully GDPR-compliant. In addition, in response to the July 2020 ruling by the EU Court of Justice invalidating the Privacy Shield—a framework for the transfer of personal data between the EU and the United States—we conducted an investigation into whether personal data is stored within the United States.

* GDPR: A regulation in EU law governing the protection of personal data in the EU

Human resources management

Our approach to human capital

The people working at Yakult, including Yakult Ladies and Yakult Group employees, represent the core strength of our business operations and are indispensable assets.

We believe that enabling our diverse human resources to give expression to their broad range of skills is vital to achieving the goals of our management strategy.

Message from the chief officer



Hideaki Hoshiko

Director and Managing
Executive Officer
Divisional General Manager
of Administrative Division

Investing in our workforce as human capital

Yakult Ladies and our other human resources represent the core strength of the Yakult Group's operations and are instrumental to making our business model work.

Yakult's founder, Minoru Shirota, placed great value on sincerity and harmonious human relations, and our corporate philosophy states, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." We regard people as important assets who create value and actively invest in human capital as part of our human resources strategy.

In developing our human resources strategy, we seek to maintain consistency with our management strategy. We view human resources as "sentient capital," and our educational initiatives are evolving from uniform instruction to formats that better meet the needs of individual careers.

Striving for sustained growth of corporate value

In 2021, we restructured our basic human resources strategy to achieve the long-term goals of Yakult Group Global Vision 2030. The new strategy calls for structural changes to enable each individual to grow and play an active role, and it is being implemented through the creation of more worker-friendly environments.

We offer various training programs centered on the three pillars of our human resources development strategy, namely, to foster personnel to establish a growth driver, foster personnel in a way that supports the growth of diverse individuals, and foster personnel capable of embodying shared values, with a focus on developing human resources to strengthen our global operations, training to energize the workplace and enhance organizational strength, and job-level-specific training to enable employees to acquire skills in accordance with their roles.

We will continue to actively invest in human resources as we strive for the sustained growth of our corporate value with a view to developing human resources not only to contribute to the growth of our core business operations but also to build a corporate culture where individuals and the organization can grow together and thereby create new value.

Personnel system that motivates employees

Based on the conviction that we must be a company that rewards hard work, we seek to operate a personnel system that is fair, impartial and satisfactory to all, with the aim of maximizing employees' enthusiasm and motivation. Specifically, the Company classifies employees into different role groups (job levels) and career tracks (job types), according to how large a role they are expected to play and the nature of their work. Thus, we match the right person with the right job, helping employees to assume responsibilities according to their abilities and offering them a clear career vision. In addition, we are encouraging a greater sense of competition and willingness to take on new challenges through a more flexible system of personnel evaluation, bonuses, salary increases and other forms of compensation.

Major personnel systems: Yakult Honsha

Personnel system	Details
Self-reporting system	Employees state their views and wishes concerning job details, skills development, placement and transfers once a year, with the aim of increasing each employee's job satisfaction.
In-house "free agency" system	Employees can announce their desire to shift to a new position. This system helps employees move to new workplaces where they can make the most of their capabilities with greater motivation.
Career track switch system	Employees can use this system to switch to the track they desire, such as from the professional track to the management track. This enhances the level of employees' enthusiasm and motivation by allowing them to pursue their career goals after joining the Company, leading to dynamic workplaces. Since the system was introduced in 2005, about 20 employees every year change their career track of their own volition and take on new career challenges.
Job rotation system	This system is designed to help assess employees' aptitude and facilitate long-term career development. Employees hired for mainly the management track are transferred to new positions every three to four years, enabling them to work in three units over a decade. By working in marketing, administrative and such other departments as overseas offices, employees gain work experience in a balanced manner, broaden their horizons, and gain an understanding of their own aptitude, which enable them to build their careers.
System of temporary leave to accompany a relocated spouse	This system allows employees to take up to five years' leave to accompany a spouse who is relocated in Japan or overseas.

Providing an enjoyable working environment

Inclusive working environment for diverse employees

Recognizing that our employees have diverse work styles, abilities and values, and that diversity is the seed of innovation, the Yakult Group strives to create an enjoyable working environment where each employee can make the most of their strengths. In an effort to provide a better work

environment, Yakult Honsha promotes the health of our employees from the perspective of health-focused management, with employee interviews being conducted at each business site in Japan.

Respect for basic labor rights

We do not currently have an in-house labor union, but we work with representatives of the majority of employees at each workplace to ensure that employees' voices are heard. Before bringing in any changes that will significantly affect our employees, we hold briefing sessions for all employees and try to build consensus.

Comparison of starting salaries and minimum wage (fiscal 2022)

Fiscal year	Starting monthly salary (yen)	Comparison with minimum wage (%)
Graduate school graduate	231,500	141
University graduate (career track)	223,500	136
University graduate (general track)	197,500	120
Junior college graduate	188,500	115
Vocational school graduate	188,500	115

Note: Minimum wage calculated using the minimum wage for Tokyo (1,072 yen per hour) working 20.42 days per month, 7.5 hours per day. Our salary system is based on the level of each employee, and there is no difference between male and female employees in the same level or role.

Local hiring for senior management positions: Yakult Europe B.V. and Guangzhou Yakult Co., Ltd.

Yakult Europe B.V. and other companies of the Yakult Group in Europe actively recruit locally for senior management positions to achieve sustained growth as members of regional communities. Managing directors of Yakult Group companies in Europe have also been recruited locally. At Yakult Europe B.V., five of the seven Directors were local appointments as of the end of 2022, and approximately 80% of managerial staff have been hired locally.

Guangzhou Yakult Co., Ltd. established a headquarters hiring system for locally hired employees in 2021. This is enabling the creation of a personnel system where motivated employees can seek higher management positions, such as area manager, plant manager and branch manager.

Related information ▶ p. 72 Our commitment to local employment and sourcing

Workplace engagement efforts: Guangzhou Yakult Co., Ltd. and Yakult Europe B.V.

In 2022, Guangzhou Yakult Co., Ltd. partnered with a human resources consultant to conduct a survey of all employees on their attitudes toward the company, the results of which are being used to make future improvements.

A similar survey was conducted at Yakult Europe B.V. to analyze areas requiring attention. Workplace engagement is also being advanced by hosting a Yakult Europe strategy session each year to achieve shared thinking among members of management and then explaining the strategy and implementation status to employees in each department.

Human resources data (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Regular employees	2,714	2,701	2,679	2,632	2,576
Male	2,049	2,012	1,968	1,921	1,874
Female	665	689	711	711	702
Full-time contract employees	162	181	195	204	189
Male	125	141	152	159	143
Female	37	40	43	45	46
Female employee ratio (%)	24.4	25.3	26.2	26.7	27.1
Ratio of non-regular employees (%)	11.8	11.6	12.3	12.6	12.7
Average age (years)	42.2	42.1	42.4	42.6	42.5
Male	43.2	43.3	43.3	43.5	43.4
Female	38.8	38.8	39.1	39.1	40.1
Average length of service (years)	18.3	18.3	18.4	18.7	18.7
Male	19.5	19.5	19.6	19.9	19.8
Female	14.3	14.5	14.9	15.7	15.8
Average wage for 30-year-olds (yen/month)	359,200	359,200	359,200	359,200	364,200
Number of newly hired	94	105	83	65	62
Male	55	61	48	45	38
Female	39	44	35	20	24
Mid-career recruitment ratio (%)	14.7	10.4	8.7	4.4	37.4
New graduates' retention rate after three years (%)	97.6	95.7	96.2	88.2	93.6
Overall turnover rate (%)	1.5	2.0	1.2	2.2	3.9
Male	1.3	1.9	1.1	1.6	4.1
Female	2.2	2.5	1.4	0.6	3.5
Turnover rate for personal reasons (%)	1.4	1.7	1.1	1.7	2.4
Total working hours	1,856.1	1,828.7	1,819.9	1,830.8	1,847.5

Note: As of the end of fiscal 2022. Data based on actual numbers.

Fixed-term employees

Fiscal year	2018	2019	2020	2021	2022
Fixed-term employees (number)	162	181	195	204	189
Male	125	141	152	159	143
Female	37	40	43	45	46
Employees with nonguaranteed working hours (number)	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Full-time employees (number)	154	166	184	189	186
Male	117	127	142	146	141
Female	37	39	42	43	45
Part-time employees (number)	154	146	137	147	145
Male	26	31	25	37	29
Female	128	115	112	110	116

Note: As of the end of fiscal 2022. Data based on actual numbers.

Nonemployee workers

Fiscal year	2018	2019	2020	2021	2022
Nonemployee workers (number)	14	10	8	6	8
Male	14	10	8	6	8
Female	0	0	0	0	0

Note 1: As of the end of fiscal 2022. Data based on actual numbers.

Note 2: All nonemployee workers are seconded from consolidated companies (engaged in manufacturing tasks, etc.)

Yakult Group companies outside Japan

	Total	Male	Female	Management staff*	Female management staff*	Japanese officers	Non-Japanese officers	Japanese management staff*	Non-Japanese management staff*	Ratio of non-regular employees (%)	Turnover rate for regular employees – total (%)	Turnover rate for regular employees – male (%)	Turnover rate for regular employees – female (%)	Turnover rate for regular employees for personal reasons (%)
Asia/Oceania	20,744	14,163	6,581	796	225	11	48	22	774	8.3%	12.0%	12.9%	10.0%	10.5%
The Americas	6,162	4,071	2,091	194	81	3	7	1	193	2.0%	14.5%	15.4%	13.0%	7.7%
Europe	230	99	131	35	22	1	4	0	35	20.9%	14.7%	13.4%	16.0%	2.6%
Total	27,136	18,333	8,803	1,025	328	15	58	23	1,002	7.0%	12.6%	13.4%	10.8%	9.8%

* Management staff are those at manager level and above

Note: As of December 31, 2022.

Human resources development

Fundamental philosophy about human resources management

Human resources development at Yakult is premised on designing the future through a thirst for learning—a process emphasizing discovery, rather than instruction. We aim to create ideal workplaces where employees take on challenges, recognize their own issues, and acquire the knowledge and skills to overcome them. Our training programs are evolving from the transmission of information to opportunities to gain new insights by taking action.

Human Resources Management Policy

- Individuals shall recognize their own challenges, and improve their knowledge and skills
- We unite diverse individuals and the organization to improve ability to take action
- We create motivating workplaces for each individual to facilitate the above

Increase productivity through alignment of growth vectors



The three pillars of human resources development strategy

- Foster personnel to establish a growth driver
- Foster personnel in a way that supports the growth of diverse individuals
- Foster personnel capable of embodying shared values

Fair performance evaluations

Every year we implement training for evaluators as part of a thorough effort to ensure the operation of a fair, impartial and highly reasonable personnel evaluation system. We revised this system in April 2022 in an effort to enhance the appropriateness of the evaluations, and in fiscal 2023, we are continuing to promote a deeper understanding of evaluation rules through training not just for evaluators but also for those subject to evaluation.

With the introduction of remote work and staggered working hours during the COVID-19 pandemic, we have taken steps to enhance the visualization of operations, such as by distributing company smartphones to facilitate communication between supervisors and employees, to ensure that disparities in evaluation results do not emerge as a result of new work styles.

Training opportunities for employees

We provide all employees with training opportunities allowing them to take up and put into practice Yakult's founding spirit, Shirota-ism, thereby contributing to the continual dynamism of the Company and its improved performance. Specific examples include global human resources development, workplace training, job-level-specific training, and training on specific management issues.

Hours of training time and cost (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Training time (total hours)	35,111.20	40,304.90	16,217.16	23,235.50	36,250.00
Training time (hours) per person	12.21	13.99	5.64	8.19	13.11
Training cost (yen) per person	19,035	21,274	12,900	18,756	41,144

Note: Figures for 2020 are lower than previous years due to the COVID-19 pandemic.

Shirota-ism workshops: Numbers of workshops and participants (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Number of workshops	18	18	11	22	15
Participants	435	470	269	451	427

Note: Figures for 2020 are lower than previous years because training schedules were reduced due to the COVID-19 pandemic.

Training programs overview chart (Yakult Honsha, fiscal 2022)

OJT training program	Position	Type of training				Age (approx.)	Career design		Shared philosophy	
		Job-level specific training	Line training	Training philosophy by management issue	Training by theme		Career training	Self development		
OJT supervisor	General managers		New line department head training	Global human resources development (pre-assignment and follow-up education, global internship)		50s	Life Plan Seminar	Correspondence courses, e-learning courses, subsidies for language learning fees	Shirota-ism training	
	Managers, specialist managers		New line manager training				40s			
OJT trainer	Leaders, specialist leaders	New level 8 education			Promoting diversity	30s				Career training
	Subleaders, specialist supervisors	New level 6 education			Marketing, finance, intercultural communication, language learning					Career training
OJT trainee	Members, general staff	New level 4 education				20s				
		Skills training for young employees (2nd/3rd yrs)								
		Mid-career employee training								
		New employee training								

Fostering global human resources

We place special priority on fostering personnel who can excel in our growing international business and other global capacities. Our global internship system provides work experience at overseas offices to help employees deepen their understanding of the Group’s international business, and to foster a global company culture. This system has been implemented online since fiscal 2021 due to the spread of COVID-19, but internships at overseas offices are scheduled to be resumed in fiscal 2023, with lectures and information sharing on our international business continuing to be conducted online.

Health-focused management

Statement on Health

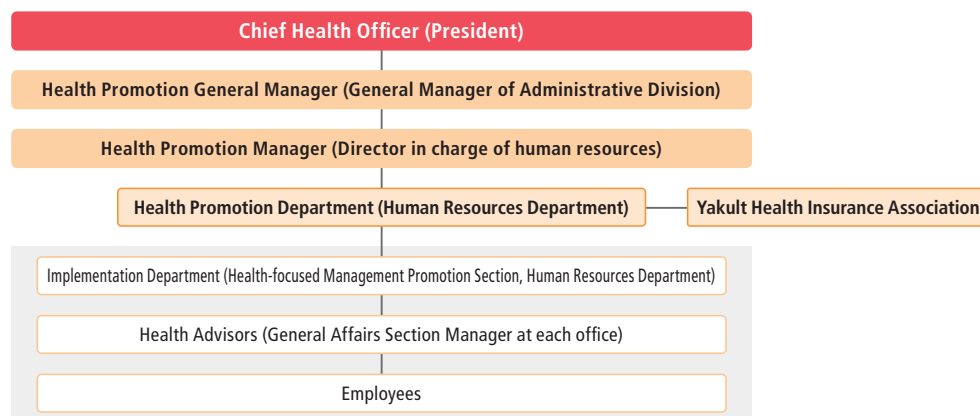
Initiatives based on our Statement on Health

The Yakult Group sees employee health maintenance and improvement as an investment that can enhance profitability in the long run. Viewing these concerns as a management issue, we promote strategic health-focused management and published in September 2017 our Statement on Health. To actively promote health-focused management, we established a new, dedicated Health Management Promotion Section of the Human Resources Department in fiscal 2020. While encouraging employees to manage their own health, the Group is also proactively engaged in the health maintenance and improvement of its employees. By further boosting everyone's awareness and keeping them in good health, we aim for continuous and stable business development.

Statement on Health

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

Health-focused management promotion system



White 500 certification for sixth consecutive year

In 2023 we received "White 500" certification for the sixth year in a row. This is awarded to companies that meet the standards set by Japan's Ministry of Economy, Trade and Industry to proactively promote employee health and productivity management.



Yakult Health 21

Yakult Health 21 is a health improvement activity promoted by the Yakult Health Insurance Association. Every year, we set a priority period to promote healthy meals, exercise and other lifestyle improvements.

Helping employees to quit smoking

As well as implementing a total ban on smoking during working hours, we work with the Yakult Health Insurance Association to encourage smokers to quit and support their efforts to kick the habit, such as by fully subsidizing the cost of cessation treatment.

Health management for employees posted overseas

We monitor the results of regular health checks carried out locally, assess occupational health based on the same criteria as those used in Japan, and provide online consultations by occupational health physicians as necessary.

We also hold health seminars online for employees posted overseas, encouraging improved health literacy.

Initiatives in Japan

Cancer screenings for women

At some business sites we offer mobile cancer screenings for women during working hours, aimed at health promotion and early-stage detection and treatment of breast and uterine cancer.

In fiscal 2022, we partnered with medical facilities in the vicinity of each business site and partly subsidized consultation fees to make it even easier for women to get screenings. We are aiming for over 70% of female employees to be screened by fiscal 2025.

► Periodic health consultations and sharing issues in the workplace

We offer periodic consultations with community health nurses, and for employees who have exceeded a specified amount of overtime, we provide consultations with occupational health physicians. Issues in the workplace are also regularly shared, and views are exchanged on ways to make improvements.

► Yakult Stretch workplace exercise

We introduced Yakult Stretch throughout the Company in November 2020 with the aim of improving work productivity through a stretch routine. This has led to a reduction in stiff shoulders, backache and eye strain, which were found to be the most common health issues in a survey of employees. We made the stretch routine easy to do in a confined office space or when working from home to increase the uptake rate.

Overseas initiatives

► Breast cancer screening: Yakult (Singapore) Pte. Ltd.

In 2022, Yakult (Singapore) Pte. Ltd. carried out mammographic breast cancer screening for female employees and Yakult Ladies.



Breast cancer screening vehicle (Singapore)

Lifestyle improvement program

In fiscal 2022, Yakult Honsha devised a lifestyle improvement program for employees whose regular checkup results suggested they were at risk of lifestyle diseases. Through a total of four visits from external instructors for guidance on goal-setting, healthy meals and exercise, the program encourages greater motivation and behavioral change, and aims to reduce the risk of lifestyle disease for participants.

Participant comments



Masaharu Kitai

Health Management
Promotion Section
Human Resources Department

In the past, we provided all information about lifestyle diseases and daily health promotion through online web-based health classes. After lengthy exploration of the possibility of also creating opportunities for more focused and practical health promotion, we have launched our first lifestyle improvement program, focusing on providing content that will allow participants to enjoying persisting in their efforts. We hope that the roughly 100 employees who participated will experience higher motivation and behavioral change based on the accurate information and knowledge they have obtained.

We intend to continue carrying out projects to preserve and improve employee health.

Mental health measures

We keep employees motivated by reducing stress that comes from workload pressures and workplace relationships and also endeavor to create cheerful and welcoming work environments through various measures and training sessions.

► Consultation desk

The mental health consultation desk was set up to provide health consultations and counseling through resident health nurses and designated occupational health physicians. We also established an external consultation service where not only employees but also their family members can consult with experts privately and anonymously about problems that include personal matters.

► Health advisors

Health advisors have been assigned to 13 business sites in Japan to facilitate health-focused management. They are trained to recognize mental health issues early and help people deal with them.

► Stress checks and organizational analysis

We conduct stress checks using legally prescribed methods and compile the results by workplace to provide feedback to supervisors. This has proven useful in improving workplace environments.

Diversity

Fundamental philosophy about diversity

We recognize that promoting diversity is an integral component of corporate management today, not only to respond to a constantly changing external environment but also to understand and innovate to meet the needs of a diversifying customer base. The Yakult Group has long been working to foster a corporate culture where diverse human resources can thrive. We strive to maximize their individuality and capabilities in all aspects of such activities as hiring, job placement, staff reassignment and employee training.

Empowerment of female employees

The empowerment of female employees is a key issue in our human resources strategy, since home delivery of our products, the core business of our Group, is supported by female workers. We have formulated an action plan in line with the Act on Promotion of Women's Participation and Advancement in the Workplace as our fundamental philosophy. We have been implementing various measures to support this, and the percentage of women in managerial positions continues on an upward trend.

Going forward, we will expand support for an optimum balance between work and home life, aiming to increase the number of female managers as well as promoting career design training.

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

Fundamental philosophy

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

Numerical targets

1. Over 10% of management positions to be filled by females by 2025.
2. Over 50% of eligible male employees to take parental leave by 2025, each taking an average of 5 or more days off.
3. Over 70% of female employees to receive cancer screenings by 2025.

Number and ratio of female managers (Yakult Honsha, overseas offices)

Fiscal year	2018	2019	2020	2021	2022
Japan: Number of female managers	47	52	57	60	53
Japan: Ratio of female managers (%)	6.3	6.7	7.2	7.5	7.4
Overseas: Ratio of female managers (%)	25.4	24.7	27.1	28.4	39.3

Career design training for women

To continue being a company where everyone can succeed regardless of gender, we offer career design training for female employees who have concerns about their future career to help them work confidently toward advancement.

In fiscal 2022, we invited female leaders working at other companies to speak and participate in panel discussions with a view to raising the motivation of female employees considered candidates for managerial positions.

Empowerment of women outside Japan

Various systems have been introduced by our Group companies outside Japan to empower and create good working environments for women.

Main overseas initiatives

Country and region	Details
Taiwan	• Rooms for nursing mothers to express milk are available in the head office building and in the plant
Hong Kong	• Maternity leave system
Philippines	• Maternity leave system
Singapore	• Maternity leave system, paternity leave system
Indonesia	• Expectant mothers are encouraged to take antenatal leave • A childcare room is available in the head office building
Vietnam	• Female employees can take up to three 30-minute breaks during their menstrual period • Female employees with children under 12 months can take an hour-long break every day
Australia	• The company provides 6 weeks of paid parental leave on top of the 20 weeks paid by the state, making a total of 26 weeks
China	• Shorter working hours (by 1 hour per day for 1 year) for women following childbirth (used by all eligible female employees) • Half-day leave for employees with children under 14 on Children's Day, June 1
Guangzhou	• Maternity leave system, shorter working hours • Parental leave for male and female employees
Brazil	• Employees receive childcare benefits from the child's birth until the age of 6 months
Mexico	• Dedicated rooms for nursing mothers to express milk (Ixtapaluca Plant and Guadalajara Plant) • Maternity leave (male employees are permitted 5 days of leave upon the birth of a biological child)
Europe	• Maternity leave system, parental leave system
Middle East	• Maternity leave system and 18 months of reduced working hours for mothers

Appointing women, non-Japanese and mid-career hires to managerial positions

Yakult operates on the basic principle of “optimal personnel assignment based on abilities, aspirations, and aptitude, and regardless of age, gender, nationality, or educational background.” We aim to create an environment in which all employees can work without worry over the long term. We also believe that creating an organization that makes the most of a diverse workforce can encourage innovation and enhance productivity. We are actively assigning women, non-Japanese and mid-career hires to managerial positions.

Our home delivery system, which forms the foundation of our business, is supported by the work of women, and we are especially committed to promoting the appointment of women to management positions. We aim to achieve at least a 10% ratio of female managers by fiscal 2025.

In fiscal 2022, the ratio of female managers in our company was 7.4%, and we are working to develop candidates for managerial positions by motivating career-focused women through career development training and other programs. Alongside this, we consider it necessary to hire people with fresh knowledge and experience from outside the company, and are promoting such efforts.

Note that, as of April 1, 2023, our ratio of female managers was 10.4%. After revising our personnel system in April 2022 to increase the number of opportunities for female employees to be promoted to managerial positions, we are ahead of schedule as we proceed toward our goal.

Employment of persons with disabilities

Yakult Honsha hires and assigns employees taking into account their personal abilities, ambitions and aptitude, while giving sufficient consideration to the nature of their disability. Our personnel system motivates all employees to demonstrate their abilities and succeed in their careers despite any disabilities. With the relocation of the Yakult Honsha building, we are aiming to make the workplace accessible and comfortable for everyone, including installing multi-functional toilets based on a universal design approach. We will continue to expand employment, such as by actively hiring people with disabilities.

Rate of employees with disabilities (Yakult Honsha, overseas offices)

Fiscal year	2018	2019	2020	2021	2022
Japan: Rate of employees with disabilities (%)	2.15	2.22	2.27	2.59	2.54
Japan: Statutory target employment rate (%)	2.2		2.3		
Overseas: Rate of employees with disabilities (%)*	—	0.60	0.60	0.60	0.55

* Disability is defined according to the criteria applied in each country and region

Promoting employment of older people

In line with the Act on Stabilization of Employment of Elderly Persons, we operate a system for the re-employment of all those who desire to continue working after the retirement age of 60. We are working to create an environment allowing employees to demonstrate the abilities they have cultivated and feel motivated in their work, even after reaching retirement age. Around 80% of employees who reach retirement age each year utilize this system.

Rate of continuous employment at retirement age (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Number of persons at mandatory retirement age	57	83	73	55	51
Number of persons in continuous employment at Yakult Honsha	38	60	47	35	33
Number of continuous workers who transfer to another company	9	7	13	7	5
Number of persons who choose to retire	10	16	13	13	13
Rate of continuous employment* (%)	82.5	80.7	82.2	76.4	74.5

* Including those persons who have transferred to another company

Work-life balance

Fundamental philosophy about work-life balance

We define work-life balance as creating pleasant working environments that enable employees to maintain good health, maintain an optimal balance between their work and private lives, make the most of their abilities and feel motivated. At Yakult Honsha, we are moving ahead with efforts to prevent excessive work hours and create pleasant work environments by raising awareness of work-life balance among all employees, including by holding training sessions for newly appointed managers.

Initiatives for work style reform

To promote employees' use of their annual allotment of paid holidays, Yakult Honsha encourages the use of paid holidays for birthdays, anniversaries and volunteer activities, as well as allowing annual leave to be taken in hourly increments. We will push ahead with creating work environments that make it easier for employees to take paid holidays.

We have also introduced "no overtime days" to reduce long working hours. We will continue to strive to change employees' attitudes toward overtime and working more efficiently. As well as encouraging their teams to leave the workplace as soon as work is over, managers themselves are reminded not to work excessive hours.

The situation of working hours and usage of paid holidays is regularly reported at board meetings to prevent compliance violations and to create a pleasant working environment.

Percentage of annual paid leave taken and average overtime hours per month (per person) (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Percentage of annual paid leave taken (%)	70.9	76.9	71.1	76.5	81.6
Average overtime hours (per month)	10.5	10.7	8.1	9.0	10.3

Initiatives to achieve 100% take-up of annual paid leave

To ensure that 100% of annual paid leave is taken by employees, Yakult (China) Corporation's HR system tracks annual paid leave take-up rates and sends regular notifications about them. To ensure that employees do not work more than the maximum 36 hours of overtime per month permitted by labor law, the HR system also tracks overtime and ensures legal compliance.

Yakult Taiwan Co., Ltd. is not only striving to eliminate labor outside work hours, it also grants employees special leave annually according to regulations, and encourages them to take it all.

Yakult S/A Ind. E Com. (Brazil) complies with the Brazilian labor law, which stipulates that working hours should not exceed 44 hours per week. In addition, it has instituted company regulations and implementation rules to achieve a 100% paid leave utilization rate.

Initiatives to improve efficiency and reduce overtime: Guangzhou Yakult Co., Ltd.

Guangzhou Yakult Co., Ltd. is carrying out initiatives to improve efficiency and reduce overtime.

Leaders at each plant spoke with all temporary workers to identify issues, then discussed ways to improve work efficiency and reduce long overtime hours, and also set targets. As part of the implementation of this initiative, leaders were credited for their achievements when a target was reached, resulting in the thorough implementation of working-hours management and other measures. In addition, company rules regarding break times and other matters were clarified. As a result of these initiatives, average overtime taken per month was reduced to 20 hours in 2022, which is well within the 36-hour maximum permitted by law.

Balancing work and childcare/nursing care

Platinum Kurumin certification

Yakult Honsha has been awarded Platinum Kurumin certification by Japan's Ministry of Health, Labour and Welfare in recognition of its efforts to support employees with children.

Under the Act on Advancement of Measures to Support Raising Next-Generation Children, "Platinum Kurumin" is a system to certify companies that have already obtained Kurumin certification and are carrying out initiatives at an even higher level.



Parental leave for fathers

Yakult Honsha has established a saved leave system in which employees can save the unused paid leave exceeding the carry-over limit and use it for other purposes, such as parental leave or nursing care leave. There has been an increase in the number of male employees taking parental leave, as we have been encouraging male employees—even before the enforcement of the revised Child Care and Family Care Leave Law on April 1, 2022—to take parental leave as soon as we learn that their spouse has given birth. Our target is for over 50% of eligible male employees to take parental leave by 2025, and for them to take an average of five days or more. In 2022, the utilization rate for this leave was 95%, with an average of 25 days of leave taken.

Additionally, 100% of both female and male employees return to work from parental leave.

Number of employees taking parental leave (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Male employees (number of people/utilization rate*)	9/9%	18/19%	10/15%	83/86%	67/95%
Female employees (number of people/utilization rate)	36/100%	37/100%	26/100%	35/100%	30/100%

*Rate of male employees taking parental leave: Number of male employees taking parental leave during the fiscal year in question divided by the number of male employees whose spouse has given birth during that fiscal year

Note: Disclosed rates rounded down to whole numbers.

▶ Building a pleasant work environment for parental leave takers

As part of its efforts to provide pleasant workplace environments, Yakult Honsha organizes roundtable meetings for employees who are returning to work after taking parental leave so that they can go back to work with confidence and subsequently maintain a good balance between work and childcare. The meetings serve as a platform for the Human Resources Department to provide information and to exchange ideas with employees who are already successfully balancing work and childcare. Encouraging a smooth return to work for participants enables the optimum use of their limited time and contributes to a dynamic work environment.

Further, because ensuring the understanding and cooperation of coworkers is essential for providing a supportive environment for those returning to work, related training sessions have been conducted for supervisors of returning employees.

▶ Nursing care support system

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

Promoting career management

We have introduced a career management system allowing employees to take on side jobs to facilitate their acquisition of knowledge and skills for a second career and to accommodate flexible work styles according to their life situations and self-fulfillment needs. In addition, for employees at the age of 55, we offer a Life Plan Seminar that provides an opportunity to consider work styles and motivations in life, while also promoting understanding of the continuous employment system, to help them enjoy a fulfilling life after retirement age.

Occupational health and safety

Occupational health and safety systems

The Occupational Health and Safety Committee spearheads our effort to undertake thorough safety management and to create safe and comfortable work environments so that employees can work with peace of mind. As a result of these efforts, the rate of accidents at work has remained at an extremely low level, with commuting incidents accounting for the majority of cases.

Based on the Labor Standard Act, Fire Service Act and Industrial Safety and Health Act, we have formulated Health and Safety Management Regulations that aim to prevent accidents by employees and protect their lives and health, establish a work environment where they can perform their daily tasks with peace of mind, and improve labor efficiency.

Based on these regulations, the Occupational Health and Safety Committee, which meets monthly and is made up of our General Health and Safety Manager, occupational health physicians and employee representatives, strives to maintain and improve employees' physical and mental health, perform health and safety visits and address any issues rapidly, and improve working conditions. As a result, the rate of accidents at work has remained at an extremely low level. In the past 10 years, there have been no fatal accidents involving regular employees or contract employees.

Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022	Whole industry average*4
Work accident frequency rate*1	1.06	1.39	0.20	0.40	0.60	2.06
Work accident severity rate*2	0.0109	0.0137	0.0020	0.0006	0.0018	0.09
Per-employee work accident rate*3	0.011	0.009	0.004	0.005	0.009	—

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

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

*3 Per-employee work accident rate: Number of accidents÷Number of employees

*4 Whole industry average: Partial extract from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents (2020)

▶ Occupational health and safety inspection tours and environmental improvement measures at plants

We regularly conduct health and safety inspection tours at each of our plants in Japan and actively respond to any findings for improvement. As examples of improvements to address problems identified by these tours, we have recently replaced ladders with stairs to alleviate the physical strain of elderly workers during equipment inspections, repaired dangerous areas that were posing a risk on site, installed measures to stop shelving from tipping over in case of an earthquake, and installed conveyors to reduce lower back strain on operators.

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

▶ Occupational health and safety training at plants

We conduct occupational health and safety training at each plant in Japan, using risk assessments to reduce workplace accidents. We also utilize external resources and internal and external trainers to provide safety training required for specific roles, including working with hydrogen sulfide and oxygen deficiency risk, handling of hazardous materials, and the use of safety harnesses for working at heights.

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

Additionally, as many employees commute by car to our plants, we hold courses on traffic safety to raise awareness of safe driving.

▶ Equipment to reduce workload and prevent workplace injury

In Japan, plant equipment is washed automatically at the end of production, but to prepare for this, detergent previously needed to be transported and inserted by workers. Out of concern that workers may fall or chemicals may spill, resulting in workplace injuries, we introduced an automatic detergent dispensing system.

In fiscal 2022, we equipped hazardous locations such as elevated work areas with railings and staircases to improve safety and reduce worker strain. We will continue to further improve the safety of daily inspections and maintenance work, as well as reducing workloads.

▶ Occupational Health and Safety Committee: Yakult Philippines, Inc.

Yakult Philippines, Inc. has established the Yakult Occupational Health and Health Committee, which discusses safety in the workplace and works with local community groups to inform employees of disaster and fire safety measures.

▶ Industrial safety training and internal inspections: Yakult China Group

Following the 2021 revisions to China's Criminal Law and Work Safety Law, the three plants of the Yakult China Group (Shanghai Plant, Wuxi Plant and Tianjin Plant) planned and executed industrial safety training sessions to improve safety awareness among plant employees. In 2022, eight environment, health and safety representatives from the three plants remotely participated, sharing details about the revisions to the laws, such as clarifications to the scope of employee responsibility and the increased strictness of possible penalties. An electrical safety training session was also held with the goal of preventing electrical accidents.

The Yakult China Group is also carrying out internal inspections to eliminate risks of accidents and industrial disease latent within its plants and create a safe working environment. In 2022, the inspections discovered 36 latent risks in the Shanghai Plant, 40 in the Tianjin Plant and 27 in the Wuxi Plant, and all were addressed.

▶ Sales-related measures

To raise awareness of safe driving, we periodically conduct in-house information training at driving schools for medical representatives who use corporate vehicles to prevent drink driving by checking for alcohol on breath using alcohol detectors after driving.

Initiatives for Yakult Ladies



Improving the working environment for Yakult Ladies

We are developing and introducing systems and equipment to improve the working environment for Yakult Ladies. Specific measures include the introduction of portable terminals to make keeping track of customer information more efficient and an online payment system allowing collected fees to be processed at each sales center, without the need to go to a bank. We have also introduced COMS electric vehicles to both reduce CO₂ emissions and make deliveries more efficient.



COMS electric vehicle

We will actively promote the introduction of electric vehicles as a step toward decarbonization and in an effort to make the working environment more pleasant.

Supporting Yakult Ladies as employees

In response to Yakult Ladies seeking employment stability, we are offering Yakult Ladies the option of becoming employees of the Company. This will help us to secure human resources who will continue working over the long term. Currently, nearly 10% of Yakult Ladies have become employees.

Retention of Yakult Ladies

In fiscal 2019 we launched a financial planning consultation desk and money-related seminars so that Yakult Ladies can receive money-saving advice from financial planners. We will continue to promote comfortable working environments for Yakult Ladies at every stage of their lives.



Money-related seminar

Yakult daycare centers for children

The Yakult Group has been running its own in-house daycare centers since the 1970s and now operates 1,033 centers in Japan (as of March 2023). We promote the operation of safe and secure daycare centers that meet national standards and offer quality childcare by training care providers throughout the country and distributing our original childcare magazine.

In recent years, we have been participating in the Japanese government's Comprehensive Support System for Children and Child-rearing, established in response to the severe shortage of daycare centers. As of April 2023, 51 Yakult Group daycare centers have received certification through this system and are providing care in modern and well-equipped facilities. With the certification, we are able to offer improved services like daily meals and to accept children from age zero, leading to a higher level of parent satisfaction, as well as to contribute to local communities by accepting children from the neighborhood.

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



Safe and secure childcare centers

Pick up!

Yakult Ladies in Indonesia

Yakult Ladies are active not just in Japan but in countries around the world. In Indonesia, where our sales are steadily growing, the number of Yakult Ladies has reached approximately 12,000, growing 2.5-fold over the past 10 years. Particularly in rural areas, it can be difficult for women to engage in jobs outside the home. To help Yakult Ladies balance work and family life, we assign them to areas that are in the immediate vicinity of their homes, and female employees are posted full time at offices and home delivery centers so they can answer questions or concerns about sales and to attend to any domestic worries.



Governance Report

We devote thorough efforts to steady business development centered on core business operations, and promote highly transparent management functions. We undertake management that emphasizes enhanced internal control functions beginning with the optimization of management organizations and decision-making, in order to put our corporate philosophy into practice.

Fiscal 2022 legal compliance

In fiscal 2022, there were no violations of laws, regulations or voluntary rules relating to anti-monopoly, unfair competition or bribery. There were also no cases of corruption coming to light nor any cases incurring fines or penalties. Furthermore, there were no major violations of laws, regulations or voluntary rules concerning governance.

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Policies/Guidelines/Targets

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

Corporate governance

Efforts to enhance corporate governance

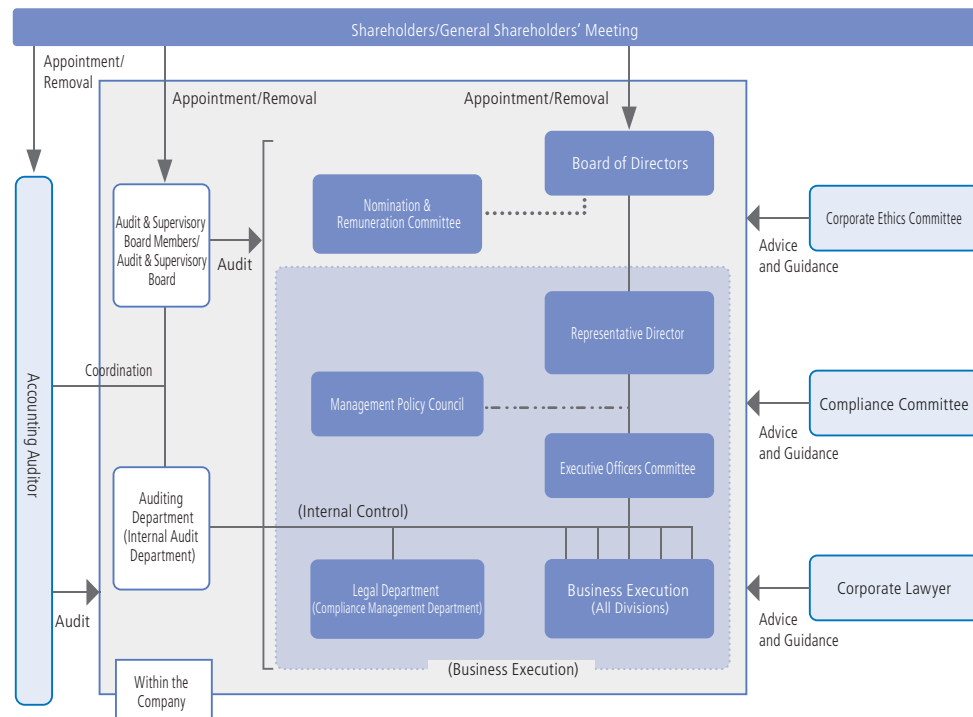
In 2007, the Company reduced the term of office for directors to one year in order to clarify their management responsibilities. In 2011, we introduced an executive officer system as a way to further invigorate the activities of the Board of Directors. We have also reduced the overall number of directors. In addition to these efforts, we are accelerating decision-making through the establishment of various committee structures, including the Management Policy Council and

the Executive Officers Committee. Matters concerning director nomination and compensation are addressed by the Board of Directors in consultation with the Nomination & Remuneration Committee. More than half of the members in this advisory committee are independent Outside Directors whose findings form the basis of decisions made by the Board.

Governance structure

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

Corporate governance framework



Governance organization

Fiscal year	2019	2020	2021	2022	2023
Type of organization	Company with Audit & Supervisory Board	Company with Audit & Supervisory Board	Company with Audit & Supervisory Board	Company with Audit & Supervisory Board	Company with Audit & Supervisory Board
Directors	15	15	15	15	15
Including: Outside Directors	5	5	6	5	6
Including: Independent Directors	3	3	5	5	6
Including: Female Directors	1	1	2	2	2
Directors' term of office (years)	1	1	1	1	1
Chair of Board of Directors	President	President	President	President	President
Auditors	7	5	5	5	5
Including: Outside Auditors	5	3	3	3	3
Including: Independent Auditors	2	2	2	2	2
Including: Female Auditors	1	1	1	1	1
Auditors' term of office (years)	4	4	4	4	4

Note: As of the end of June 2023.

Frequency of meetings

Fiscal year	2018	2019	2020	2021	2022
Board of Directors	7	7	8	8	9
Outside Directors' attendance rate at Board of Directors meetings (%)	100%	97%	100%	98%	98% ^{*1}
Audit & Supervisory Board	7	7	7	8	9
Audit & Supervisory Board Members' attendance rate at Audit & Supervisory Board meetings (%)	100%	100%	100%	100%	94% ^{*2}
Outside Auditors' attendance rate at Audit & Supervisory Board meetings (%)	100%	100%	100%	100%	100%
Compliance Committee	2	2	2	2	2
Corporate Ethics Committee	1	1	1	1	1
CSR Promotion Committee	2	2	2	3	3
Plastic Recycling Promotion Committee	-	2	2	2	2

*1 For unavoidable reasons, one Outside Director was absent from one Board of Directors meeting.

*2 For unavoidable reasons, one Audit & Supervisory Board Member was absent from one Audit & Supervisory Board meeting.

Board of Directors

The Board of Directors is composed of 15 directors (including six Outside Directors, two of whom are women), and the Audit & Supervisory Board is composed of five members (including three Outside Auditors, one of whom is a woman).*

The Board of Directors makes decisions or receives reports on matters set out in laws and regulations as well as our own Rules of the Board of Directors; it also oversees the conduct of the directors and executive officers in the performance of their duties. We have also put systems into place allowing active and full discussions within the Board of Directors by providing information on specific topics and opportunities for discussion, particularly for Outside Directors.

*As of June 2023

Board of Directors agenda items

In fiscal 2022, the Board of Directors deliberated on the execution status and earnings forecast of each business, plans to increase domestic dairy product production, initiatives to address ESG issues and strategic shareholding status. The Board also deliberated on appointments for Director candidates and executive officers, as well as revisions to the officer remuneration system in response to findings reported by the Nomination & Remuneration Committee, which is an advisory body to the Board of Directors.

Audit approach

Audit & Supervisory Board Member audits

The Audit & Supervisory Board is made up of five Audit & Supervisory Board Members (three of whom are Outside Auditors, including one female auditor). The Board decides matters of audit policy, planning and division of labor, and the Audit & Supervisory Board Members take action accordingly by attending meetings of the Board of Directors and other important meetings, receiving reports on work done by directors and executive officers, and examining important documents related to decision-making and other matters. The Board works closely with the accounting auditor, receiving auditing status reports on a quarterly basis, exchanging opinions and conferencing ad hoc as necessary. We have also secured a system for supporting Audit & Supervisory Board Member audits by deploying two full-time auditors possessing thorough knowledge of company operations and who can appropriately assist the work of the auditors.

Internal audits

The Auditing Department is an organization reporting directly to the President. Currently, a 13-person staff system under the department general manager uses the COSO framework and other references to perform risk-based internal audits (accounting audits, operational audits and internal control system audits) covering the entire operations of each internal department and each affiliated company, and provides specific advice and recommendations for improving operations.

Regarding Group companies outside Japan, every fiscal year we select companies and perform

on-site internal audits as in Japan.

The results of internal audits conducted by the Auditing Department are reported to the Board of Directors, Audit & Supervisory Board Members and the Audit & Supervisory Board.

External audits

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

Number of audit reports

Fiscal year	2018	2019	2020	2021	2022
Audit & Supervisory Board Member audits	7	7	8	8	9
Internal audits	7	7	8	8	9
Accounting audits	4	4	4	4	4

Reasoning behind director appointments

Our baseline requirements for a potential director are position-appropriate ability, personality and insight along with abundant knowledge and experience and a thorough knowledge of Group management. We also seek a Board of Directors of diverse structure conducive to open-minded discussion. To this end, we promote not only from within the Company, but also from among top-level managers of Yakult Group marketing companies and experts in various fields, always seeking to place the right person in the right role.

Matters concerning director nomination and compensation are addressed by the Board of Directors in consultation with the Nomination & Remuneration Committee. More than half of the members in this advisory committee are independent Outside Directors whose findings form the basis of decisions made by the Board.

Skill matrix

	Director expertise and experience							
	Corporate management/ Business operations	ESG/ Sustainability	Financial accounting	Legal/Risk management	Marketing/Sales	Overseas business	Research & development/ Quality assurance	Human resources/ Human resource development
Hiroshi Narita	●	●			●	●		●
Hiroshi Wakabayashi	●	●	●	●				●
Akifumi Doi	●	●					●	
Masao Imada	●	●		●				
Koichi Hirano	●				●		●	
Ryuji Yasuda	●		●			●		
Naoko Tobe		●		●				
Katsuyoshi Shinbo		●		●				
Yumiko Nagasawa	●		●					
Satoshi Akutsu			●		●	●		
Manabu Naito	●				●			
Masatoshi Nagira	●	●			●			
Hideaki Hoshiko	●			●				●
Junichi Shimada	●				●	●		
Matthew Digby		●		●		●		

Outside Director and Audit & Supervisory Board Member support

1. Outside Director support system

The General Affairs Department functions as the secretariat for the Board of Directors, and serves as an information contact point for all directors, including Outside Directors. Board meeting materials are also distributed in advance to Outside Directors to facilitate communication with other directors.

2. Outside Auditor support system

Two full-time staff members function as the secretariat for the Audit & Supervisory Board. The Audit & Supervisory Board convenes prior to meetings by the Board of Directors and other important assemblies, and relevant department heads share information at these meetings by providing materials and explanations. The system for communicating information to each Outside Auditor involves Audit & Supervisory Board Members making business reports as appropriate, while also providing important materials related to decision-making and auditing along with other audit-related materials.

Management Policy Council

The Management Policy Council was established to expedite decision-making. As a general rule, the council meets once per week, and its members consist of the Representative Director, the Deputy President and Executive Officer, seven Divisional General Managers and one Audit & Supervisory Board Member. In addition to receiving reports, the Management Policy Council deliberates on management policies and action items, along with operations-related business matters.

Evaluating the effectiveness of the Board of Directors

Directors and Audit & Supervisory Board Members are asked to answer a questionnaire with questions on the makeup and operational methods of the Board of Directors (tabled items, frequency of meeting, etc.), provision of information to Outside Directors, and external disclosure, along with a section allowing comments of any kind. Answers are analyzed and evaluated, with the results reported in full to the Board of Directors. In fiscal 2022 as in previous years, this evaluation concluded that the Board functions properly and is generally effective.

Additionally, based on the results of this analysis and evaluation of the Board of Directors, as well as other discussions, further revitalization of the Board of Directors was identified as a challenge, and we have strived to further increase the effectiveness of the Board of Directors through means such as increasing the frequency of its meetings and providing information to Outside Directors via commissions on topics for executive discussion.

We will continue striving to improve the effectiveness of the Board of Directors.

Remuneration of officers

The Company's remuneration system is constructed not only to realize Shirota-ism, the foundation of our business, but also to make management more responsible for business results and promote increased value-sharing with shareholders. This is accomplished in the following ways.

Fixed remuneration, performance-based remuneration (short-term cash incentives), stock remuneration (long-term stock incentives)

1. Eligibility

- (1) Fixed remuneration
All directors
- (2) Performance-based remuneration
Officers who are still in a director role at the end of the relevant fiscal year (excluding Outside and Part-Time Directors)
- (3) Stock remuneration
Officers who are still in a director role at the time of payment (excluding Outside and Part-Time Directors)

2. Policy determining calculation methods for each kind of remuneration

- (1) Fixed remuneration
Within applicable monetary limits, our standard policy is to make decisions based on comprehensive consideration of internal and external environmental factors such as director responsibilities, business performance during the relevant fiscal year, standard worker salary and social conditions.
- (2) Performance-based remuneration
Alongside consolidated operating income, which is the most suitable indicator of business performance for the purposes of performance-based remuneration, performance-based remuneration calculations use the consolidated number of dairy product bottles sold as a barometer for the degree of Shirota-ism realized, this being the foundation of our business. We set the performance component to fluctuate between 0% and 150%.

Specifically, we set a remuneration coefficient according to the difference in each of the two abovementioned indicators as compared to the previous year, and then calculate performance-based remuneration using this coefficient and the performance-based standard amount determined according to individual director responsibilities.

Additionally, performance-based remuneration is not paid if consolidated operating income has fallen below 70% of the previous year's total.

- (3) Stock remuneration

With the aim of providing an incentive to sustainably increase corporate value and promoting additional shared value with our shareholders, eligible directors will be granted remuneration for restricted stock according to their job responsibilities and other factors.

In principle, in each fiscal year eligible directors present to the Company all monetary remuneration claims to be paid as in-kind contributions based on a resolution by the Board of Directors, and receive issuance or disposal of common company stock. The transfer restriction period begins on the delivery date of the restricted stock and ends on the day the person in

question steps down from their position as director. The amount to be paid per share of issued or disposed common company stock as restricted stock remuneration is based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the Board of Directors resolution. If no trading occurred on that day, the most recent trading day prior to that determines the closing price. Based on this information, and to the extent that it is not particularly advantageous for the eligible director, the Board of Directors will make their determination.

During the transfer restriction period, the Company may naturally acquire from the eligible director to whom the restricted stock is allotted all or part of the relevant stock without compensation in the event of legal violations or for any other reason specified by the Company's Board of Directors.

3. Percentage of remuneration by type

To ensure that remuneration functions as an appropriate incentive, the proportion of each type of remuneration is as follows:

(1) Fixed remuneration : (2) Performance-based remuneration : (3) Stock remuneration = 70 : 15 : 15 (%)

Note: Outside Directors and Part-Time Directors only receive fixed remuneration.

4. Policy regarding determination of timing or conditions for remuneration

(1) Fixed remuneration

Paid monthly

(2) Performance-based remuneration

As a remuneration incentive for the preceding year's business performance, performance-based remuneration is calculated and paid after the end of the fiscal year as a lump sum.

(3) Stock remuneration

As a remuneration incentive for the future improvement of corporate value, an amount corresponding to the director's term is paid after the director's election at the General Meeting of Shareholders.

Note 1: Fixed remuneration and performance-based remuneration monetary limits were set at 1 billion yen per year at the 56th Ordinary General Meeting of Shareholders held on June 25, 2008.

Note 2: Stock remuneration monetary limits and share limits were set at 3 million yen and 75,000 shares per year at the 71st Ordinary General Meeting of Shareholders held on June 21, 2023.

These policies, remuneration calculation methods, remuneration amounts for each individual and other matters are discussed by the Nomination & Remuneration Committee, composed of a majority of independent Outside Directors, after which the final decision is made by the Board of Directors. The Nomination & Remuneration Committee is charged by the Board of Directors with determining the amounts of fixed remuneration and performance-based remuneration to be received by each individual.

Remuneration (amount)

Fiscal year	2018* ¹	2019* ²	2020* ³	2021* ⁴	2022* ⁵
Remuneration of directors	654 million yen to 17 directors (Including 41 million yen to 6 Outside Directors)	614 million yen to 17 directors (Including 50 million yen to 5 Outside Directors)	603 million yen to 15 directors (Including 55 million yen to 5 Outside Directors)	642 million yen to 18 directors (Including 66 million yen to 7 Outside Directors)	806 million yen to 17 directors (Including 69 million yen to 7 Outside Directors)
Remuneration of auditors	118 million yen to 7 auditors (Including 36 million yen to 5 Outside Auditors)	118 million yen to 7 auditors (Including 36 million yen to 5 Outside Auditors)	105 million yen to 9 auditors (Including 33 million yen to 6 Outside Auditors)	107 million yen to 5 auditors (Including 35 million yen to 3 Outside Auditors)	114 million yen to 5 auditors (Including 38 million yen to 3 Outside Auditors)

*1 Amount of remuneration of directors and auditors in the 67th business report

*2 Amount of remuneration of directors and auditors in the 68th business report

*3 Amount of remuneration of directors and auditors in the 69th business report

*4 Amount of remuneration of directors and auditors in the 70th business report

*5 Total amount of remuneration of directors and auditors in the 71st business report

Strategic shareholding

The Company's strategic shareholding policy seeks to strengthen the cooperative relationship between current and future business partners and allies in order to benefit from and expand the synergy between our business and the operations of these companies. We comprehensively consider the potential of future business partners and allies in order to verify the appropriateness of any shareholdings, and reduce strategic shareholdings which are not profitable to the Company. In addition, the Board of Directors verifies the appropriateness of each strategic shareholding based on whether or not it makes sense given capital costs and shareholding purpose. The Company exercises voting rights arising from strategic shareholding through a decision-making process after considering whether voting yea or nay will contribute to improving corporate value.

Group governance initiatives

In principle, we dispatch our executives and employees to subsidiary companies to serve as officers and ensure that business operations are carried out in a proper, efficient manner. Our Affiliated Company Management Rules and Overseas Office Management Rules stipulate matters such as requests for advanced approval and reporting from subsidiary and affiliated companies. These companies are also audited by the Company's Internal Audit Department (Auditing Department). Our medium-term management plan secures appropriate operations across the entire Group by setting out Group-wide targets and management strategies, creating a support system through the establishment of a subsidiary management department within the Company, and implementing training courses for subsidiary companies. In addition to these measures, our Risk Management Rules stipulate how the entire Group should respond to a sudden crisis.

Sustainability governance

► CSR Promotion Committee

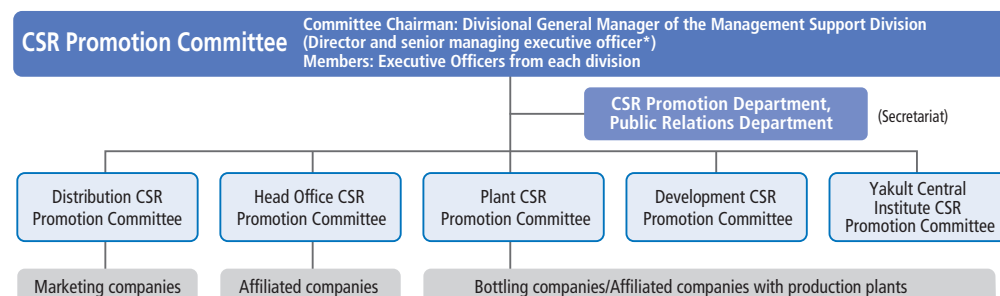
The CSR Promotion Committee considers a wide range of management issues from the perspectives of the Yakult Group's corporate social responsibility and sustainability. The Committee is chaired by the Divisional General Manager of the Management Support Division (a director and senior managing executive officer), and is made up of executive officers from each relevant department.

The CSR Promotion Committee focuses discussion on policies and action plans that address environmental and social issues, and promotes efforts to resolve them. Meeting results are reported to the President for appropriate guidance. Among the deliberated topics, committee procedure stipulates that the Management Policy Council, which includes directors and Audit & Supervisory Board Members, as well as the Executive Officers Committee and the Board of Directors, must be consulted regarding important CSR matters relating to management policy. Considerations are presented to the Executive Officers Committee as necessary.

The CSR Promotion Committee holds meetings approximately three times per year to discuss CSR promotion measures and policies, including climate change issues, and to manage progress. In fiscal 2022, the committee discussed the formulation of our Deforestation and Conversion Free (DCF) Commitment in relation to supply chain management and our response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also considered the progress and results of the CSR Action Plan and deliberated on future initiatives related to human rights due diligence.

We have also established five specialized committees as subordinate organizations to carry out specific activities within each department as a way to promote sustainability/CSR initiatives throughout the Group.

CSR promotion organization



Revised: April 2015
 * As of March 2023

CSR Promotion Committee agenda items

Event	Agenda item
June 6 (1st mtg.)	<p>(1) Yakult Sustainability Report 2022 contents</p> <ol style="list-style-type: none"> 1. Yakult Sustainability Report 2022 2. Fiscal 2021 CSR Action Plan results 3. Fiscal 2021 Environmental Actions (2021–2024) results <p>(2) Fiscal 2022 CSR procurement promotion</p> <ol style="list-style-type: none"> 1. Joining Sedex 2. Deforestation and Conversion Free (DCF) Commitment (raw materials procurement targets) 3. Specific actions for designated suppliers 4. Second round of CSR procurement policy briefings for suppliers <p>(3) Responding to TCFD recommendations</p> <ol style="list-style-type: none"> 1. Status of the Company 2. Tasks and subsequent schedule <p>-Other report items</p> <p>(1) Expanding the scope of GHG emissions calculations</p> <ol style="list-style-type: none"> 1. Calculation scope for GHG emissions 2. Collection process for GHG emissions 3. Further steps
Oct. 17 (2nd mtg.)	<p>(1) CSR procurement promotion</p> <ol style="list-style-type: none"> 1. Specific actions for designated suppliers 2. Deforestation and Conversion Free (DCF) Commitment formulation and RSPO affiliation 3. Carrying out CSR procurement policy briefings for suppliers <p>-Other report items</p> <p>(1) Human rights due diligence progress update</p> <p>(2) Calculation status of Yakult Group GHG emissions</p> <ol style="list-style-type: none"> 1. Interfacing departments for calculations 2. Calculation progress 3. Future plans
Feb. 1 (3rd mtg.)	<p>(1) Yakult Sustainability Report 2023 contents</p> <ol style="list-style-type: none"> 1. Fiscal 2022 CSR Action Plan predicted achievements report 2. Fiscal 2023 CSR Action Plan target proposals (excluding environment) 3. Environmental Actions (2021–2024) Fiscal 2022 progress report <p>(2) CSR procurement promotion</p> <ol style="list-style-type: none"> 1. Deforestation and Conversion Free (DCF) Commitment formulation and RSPO affiliation <p>(3) Other</p> <ol style="list-style-type: none"> 1. Fiscal 2023 CSR Promotion Committee schedule 2. Responding to future TCFD recommendations <p>-Other report items</p> <p>(1) Promotion of human rights due diligence</p> <p>(2) Fiscal 2022 CDP result report</p> <p>(3) Calculation status of Yakult Group GHG emissions</p> <ol style="list-style-type: none"> 1. Calculation progress 2. Future plans

Sustainability training for management

We have run CSR management seminars for directors, executive officers and other managers since fiscal 2002. Seminar attendees obtain the latest ESG information from outside experts, which brings an informed sustainability perspective to the management level.

In fiscal 2022 we invited Mizuki Kurauchi of SOCOTEC Certification Japan to give a lecture regarding specific initiatives based on the TCFD recommendations. This talk was attended by 95 people, including executives and department heads. Kurauchi discussed what is expected of corporations under the TCFD recommendations, explained specific initiatives by department, and offered advice for the Group. This provided an invaluable learning opportunity at a time when we are analyzing and grasping risks and opportunities related to climate change and formulating strategies accordingly as a global corporation.

Topics of CSR management seminars

Fiscal year	Topic
2016	CSR trends in Asia and important points for Japanese companies
2017	CSR, from the basics to the newest trends
2018	Latest trends in ESG (especially climate change)
2019	ESG and corporate management strategies
2020	Corporate ESG strategy from the viewpoint of responsible investment
2021	Business and human rights
2022	Specific initiatives based on the TCFD recommendations

Risk management

Risk management system

▶ Risk Management Committee

We have established a Risk Management Committee, composed of Executive Directors and chaired by a director and senior managing executive officer, that heads cross-organizational risk auditing and response throughout the Group to prevent risk occurrence.

▶ Risk identification

The management level takes control of risk identification, discusses the various risks as necessary at each meeting (with important matters brought to the Board of Directors and the Management Policy Council, formed of directors and auditors) and deals with them accordingly. We then disclose information to shareholders and other stakeholders in our annual securities report.

Currently, we have identified 20 risks related to environmental issue response, disasters, brand defamation, intellectual property rights, lawsuits, compliance, mergers and acquisitions, financial exchange, information systems, management strategy impact, infectious disease outbreak, ocean plastic waste, reliance on *Yakult* series and the competitive environment, among other issues.

▶ Scope of risks

The scope of risk evaluation goes beyond direct operation of Yakult to include raw materials, suppliers and consumers that form both our upstream and downstream value chain. Cross-organizational risk auditing and Group response are handled mainly by the General Affairs Department, while each department handles risk management related to its own operations. To further promote compliance in each department, business site and Group company, we hold an annual meeting with compliance personnel to provide and share important information on compliance activities.

Risk Management Rules

Our top priority is to ensure safety and respect for human life, and we have established Risk Management Rules accordingly. We have also created individual risk management manuals in case of events such as an earthquake, virus outbreak or product recall. These manuals are updated as necessary to reflect changes or expansions in business, or office moves.

▶ Safety confirmation system

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

BCP drill participation rate

Fiscal year	2018	2019	2020	2021	2022
Participation in BCP safety confirmation system drills (response to email) (%)	98.4%	98.7%	98.9%	99.1%	99.1%

▶ Response during major earthquakes

In preparation for a major earthquake, all employees receive personal disaster supplies, and three days' worth of emergency food rations and drinking water are available. At Yakult Honsha dairy product plants and bottling companies, we have set up an earthquake early warning system* enabling employees to prepare and respond quickly in case of an earthquake.

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

Business Continuity Plan (BCP)

▶ Preserving probiotic strains

At the Yakult Central Institute, while our top priority in case of emergency is the lives and safety of our workers, we have also constructed emergency power systems and distributed storage schemes inside Japan and around the world to ensure the preservation of the probiotic strains which are key to our dairy products.

▶ Procurement

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

Based on this manual, we regularly review and update our emergency call tree of clients and suppliers, the register of suppliers' factories and material transport route maps, and have prepared risk management action plans for disasters caused by storms/floods and earthquakes.

We respond to major incidents as appropriate based on this manual. To disperse material procurement risks and ensure stable supplies, we have moved our material warehouses located in tsunami-risk areas to flood-safe areas, and established new third-party warehouse capacities.

▶ Production

Our Production Division has established and follows its own BCP. In accordance with the Cabinet Office's Business Continuity Guidelines, it sets forth policies, precautions, and emergency coordination and response to continue production of our core dairy products in the case of a natural disaster or critical event that would have a direct and sudden adverse effect on our business operations, as well as our policies on support for communities in an emergency.

In March 2022, our Fukushima Plant suffered the effects of an earthquake with its epicenter off the coast of Fukushima, and some production equipment and buildings were damaged. However, by following the BCP, we were able to rapidly return the plant to production while maintaining product supply via smooth coordination between plants.

▶ Stable pharmaceutical supply

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

▶ Logistics

Our logistics department has prepared for eventualities such as power outages by equipping all distribution centers with emergency lighting to allow work inside the space and installing emergency batteries to maintain office functions.

We have also transferred some of our information assets such as order (received/placed), inventory and shipment data to cloud data centers. This reduces the risk of system downtime in case of a disaster and minimizes the time required to rectify hardware failures.

In addition, we are working to streamline and disperse the locations of distribution centers to diversify risk and ensure stability of supply.

▶ Information security

To protect information assets from cyberattacks and other threats, we have established Information Security Rules that define our policy on security measures, clarify our response system, and allow discussion between the relevant departments and rapid implementation of response measures if our information assets are breached. Specific measures we have taken include installing security software and equipment and using a full arsenal of technologies to prevent unauthorized access, leaks, falsification, loss and damage.

We are striving to improve system availability and reduce risks by keeping our servers and data at data centers housed in seismically isolated buildings, moving forward with migration to the cloud, and performing regular backups and storing the backups at external locations.

For employees using IT equipment while working from home, we provide a security-focused operating environment and have made all employees aware of the rules.

Initiatives in each country and region

▶ Use of backup services outside Japan

In Guangzhou, we use a third-party contractor to provide backup services for our core systems (office automation, human resources and sales) as a risk management measure to ensure uninterrupted operations if a disaster should strike. Some backup servers were located inside Plant 1 and Plant 2, but given the potential risk of a disaster hitting this region, in fiscal 2022 we moved these servers to the cloud.

In the Middle East, to prevent information leaks and ensure data is kept appropriately, we have added firewall functions to protect our systems against access from outside. We have also installed a backup server to maintain internal server operations, and an inverter in case of unforeseen disruptions such as blackouts.

In Indonesia and the Yakult Group in Europe, we use external cloud backup services to ensure the continuation of business in the event of a disaster or other emergency.

Compliance

Compliance promotion system

Compliance Committee

Our Compliance Committee, established in 2000, is composed of independent outside experts. This committee regularly meets with directors of Yakult Honsha to discuss such themes as the compliance promotion situation of each department. Members provide wide-ranging opinions and recommendations related to overall corporate activities from the perspective of compliance, as well as practical advice regarding the theme of each meeting.

In fiscal 2022, the committee met in September to discuss the status of accounts and finances as well as the Company's corporate governance, and again in February to discuss the status of our Production Control Department and Logistics Control Department.

Corporate Ethics Committee

Our Corporate Ethics Committee, established in 2002, is primarily composed of independent outside experts. This committee convenes regularly for checking on the implementation status of our corporate ethics activities (such as refusing to engage with organized crime groups). Through oversight by committee members, we work on ensuring sound management. In fiscal 2022, this committee held a meeting in November.

Compliance Promotion Team and compliance personnel

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

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

Anti-corruption

Promoting sound organizational management and fair business practices is extremely important in order to make our corporate philosophy a lasting reality throughout the Group.

The Yakult Group operates in full compliance with the anti-corruption laws, regulations, guidelines and guidance applicable in the countries and regions in which we operate and has put in

place our anti-corruption policy based on the Yakult Ethical Principles and Code of Conduct, a Group-wide set of guidelines for compliance. We comply with all internal rules relating to this policy and the Yakult Ethical Principles and Code of Conduct.

Yakult Group Anti-Corruption Policy

The Yakult Group observes the Yakult Group Anti-Corruption Policy, the basic policy stipulated based on the Yakult Ethical Principles and Code of Conduct, the Group's compliance rules, and related internal regulations on the premise of compliance with laws, regulations and guidelines regarding the prevention of corruption in the countries and regions where it conducts its business activities.

The Yakult Group Anti-Corruption Policy contains the following sections:

1. Purpose
2. Prohibition of corrupt practices
3. Record management
4. Establishment of corruption prevention mechanism
5. Response to violation

Established: March 30, 2021

Please refer to the following URL for the full text of the Yakult Group Anti-Corruption Policy:

WEB

https://www.yakult.co.jp/english/csr/download/pdf/2022_anti-corruption_policy.pdf

Anti-bribery rules

We prohibit, under the Yakult Ethical Principles and Code of Conduct, the offering or receiving of gifts or entertainment directly or indirectly to or from business partners or stakeholders in and outside Japan beyond the boundaries of common sense or social norms. In addition, individual companies both in and outside Japan have their own internal anti-bribery rules and comply with them in the course of business operations.

These anti-bribery rules prohibit employees from offering benefits to public officials or other personnel for the purpose of obtaining illicit gains from operations. Furthermore, the rules clearly set out the requirement that internal approval procedures are followed when offering benefits to public officials to the extent it is legal, and that any breach of these rules would be strictly punished in accordance with the rules of employment.

Internal reporting system

We set up the Yakult Compliance Hotline in 2006 as an internal reporting system for quickly discovering and correcting any violations of laws and internal rules during the execution of business.

Through this system, we accept reports, consultations and other feedback from directors and employees (including those who have stepped down or retired within the past year) at Yakult Honsha, Group companies and associations. Additionally, since fiscal 2022 we have expanded the scope of this system so that it can also be used by marketing companies other than Group companies.

We have established internal and external (consulting law office) contacts to operate this hotline, and have ensured the protection of whistleblowers through Internal Reporting Regulations that assure the confidentiality of reported information and prohibit the adverse treatment of whistleblowers.

We conduct periodic compliance surveys every three years to verify the level of awareness of this internal reporting system within the Group. According to the results of our most recent survey in fiscal 2020, awareness of the system itself is at 94.0%, while awareness of how to actually use it is at 70.4%.

We are striving to ensure this system's effectiveness both by providing feedback on the state of awareness to management at the Company and Group companies that have implemented this system, and by working to raise awareness and educate eligible persons about this system and how to use it.

Upon receipt of an internal report, the Compliance Promotion Team investigates the facts, and if the Team determines that there is an issue, the respondent and their superiors are ordered to correct it and take measures to prevent recurrence.

Employees are informed about this system during training for new employees and level-specific training. We also gather feedback from workers via the aforementioned compliance surveys.

In Group companies outside Japan, we have established internal reporting systems at 12 business sites.

Internal and external reporting systems: Yakult S.A. de C.V. (Mexico),

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

At Yakult S.A. de C.V. (Mexico), reports are accepted from both inside and outside the company, including from customers and suppliers, and can be filed via a website. Depending on the content of the report, the reporter may be contacted by the Auditing Department for discussion or to confirm details, after which the matter is reported to the Internal Control Committee and swift action is taken. At Yakult S/A Ind. E Com. (Brazil), too, in April 2023, a reporting system was introduced, allowing not only employees but also external parties like customers and contractors to lodge complaints while preserving their anonymity. When reports are received, the Ethics Committee considers them before taking action accordingly.

Use of internal reporting system in the last five years (Yakult Honsha)

Fiscal year	2018	2019	2020	2021	2022
Number of uses	3	3	5	8	4

Compliance awareness activities

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

Compliance awareness activities

Compliance training	We regularly organize level-specific compliance training programs for groups of employees from directors and managers to newly hired employees, such as legal workshops for directors (including the President). In fiscal 2022, we held a total of 18 compliance training sessions throughout the Group.
Compliance education materials	We distribute the Compliance Guidebook, an educational resource which covers compliance fundamentals, throughout the Group. In fiscal 2022, we provided content that can be used to promote compliance, such as group work materials and training slides, to compliance personnel within each department, business site and Group company. In addition, through educational materials in our quarterly compliance newsletter, we work to boost and deepen awareness of issues related to human rights throughout the year. Furthermore, in order to deepen understanding of related laws and regulations, we created educational videos for Company employees about the Subcontract Act, and for Company and Group employees about the Act against Unjustifiable Premiums and Misleading Representations. Meanwhile, in order to prevent violations of the Antimonopoly Act in the course of business operations, we published the Antimonopoly Act Compliance Handbook for Group companies. In this way we are strengthening our efforts to educate and raise awareness regarding these issues. We also distribute educational materials to raise awareness across the Group on refusing to engage with organized crime groups.
Compliance Month	In fiscal 2022, we designated December as Compliance Month and conducted various activities to raise compliance awareness among Group employees. Specifically, each worker within the Group announced behavioral objectives as a way to deepen understanding regarding the laws related to their respective duties, and to ensure compliance with applicable laws in their daily work. With these objectives in mind, we then intensively promoted implementation activities over the course of the month.
Compliance surveys	We implement a compliance survey once every three years. In the latest survey in August 2020 we received about 16,000 responses from directors and employees (including contract employees, temporary staff and part-time workers) of 132 Yakult Group companies across Japan. The results of this survey were reported to the directors including the President, and to representatives of Group companies. We have also analyzed the survey results and are using them in planning our compliance program.

Compliance training and information security training

Fiscal year	2018	2019	2020	2021	2022
Compliance training events	68	32	24	167	18
Information security training events (e-learning recipients)	1 (2,436)	1 (2,221)	1 (2,610)	1 (2,512)	1 (2,447)

Ensuring compliance within the pharmaceutical business

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

Following the implementation of the Guidelines for Activities Providing Sales Information on Prescription Drugs established by the Ministry of Health, Labour and Welfare, we established a Sales Information Activities Supervisory Division in 2019 to check the appropriateness of promotional activities and prevent improper ones. We also set up a review and supervisory committee that includes outside experts to check on the status of activities and provide concrete advice for promoting compliance, with the aim of ensuring that the Sales Information Activities Supervisory Division carries out its tasks properly. In fiscal 2022, the committee met in June and December.

For employees involved in promotional activities, we regularly provide group training sessions, email newsletters and e-learning to promote compliance with relevant laws, legal notices, fair competition codes and other regulations during promotional activities.

WEB Initiatives for transparency in our business activities and relationships with medical institutions

<https://www.yakult.co.jp/company/about/transparency/> (Japanese only)

Ensuring compliance within the cosmetics business

Employees who sell products to customers at their homes sit the Examination for Direct Selling Instructor to obtain the Certification of Training and Registration for the Direct Salesperson to prevent inappropriate activities.

At Yakult Honsha, we also comply with the Guidelines for Cosmetic Advertisements issued by the Japan Cosmetic Industry Association. We take part in workshops, which are held twice a year, and provide editorial oversight on materials produced by our marketing companies to ensure that no inappropriate advertisements are released.

Prohibition of illegal political contributions

When making political contributions as part of our corporate activities, we comply with the relevant laws and regulations such as the Political Funds Control Act, and undergo the proper approval process before contributing. Our expenditure on political contributions in fiscal 2022 was 3 million yen.

Transparency in taxation

Compliance with tax laws and fairness

The Yakult Group operates globally in accordance with our philosophy of contributing to the health and happiness of people around the world. To achieve this aim, it is important to run our organization on a sound footing and ensure that our business practice is fair and just.

In order to ensure full compliance with the taxation laws and regulations of the countries and regions in which we operate, international rules and the Yakult Ethical Principles and Code of Conduct, the Yakult Group has established the Yakult Group Tax Policy and complies with its tax obligations accordingly.

Yakult Group Tax Policy

The Yakult Group Tax Policy sets out the Group's policy on tax obligations in order to ensure compliance with taxation-related laws and regulations in the countries and regions where it conducts business activities, as well as with international rules and the Yakult Ethical Principles and Code of Conduct. The Yakult Group Tax Policy contains the following sections:

1. Compliance
2. International frameworks
3. Transfer price
4. Minimizing taxation risk
5. Taxation plan and tax havens
6. Response to tax authorities

Established: March 30, 2021

Please refer to the following URL for the full text of the Yakult Group Tax Policy:

WEB https://www.yakult.co.jp/english/csr/download/pdf/2022_tax_policy.pdf

Tax payment report to the Board of Directors

The Yakult Group's tax payments are periodically reported to the Board of Directors by the principal accounting officer. In addition, we have established a system that enables the principal accounting officer to report, and then receive instructions on significant tax payments from the Board of Directors.

In fiscal 2022, our corporate taxes were 21.9 billion yen against the Group's net sales of 483 billion yen.

Third-party opinion



**Keisuke
Takegahara**

Executive Director
Research Institute of
Capital Formation
Development Bank of
Japan Inc.

This year's *Sustainability Report* is positioned as an introduction to Group sustainability activities for investors, ESG evaluation agencies and other stakeholders; its communicative role thus differs from the customer-oriented *Sustainability Stories*. Before fiscal 2021, Yakult's CSR reports covered various communicative functions and were aimed at a wide range of stakeholders, but these functions have now been separated, and this report can be viewed as something like an integrated report aimed at specialists such as investors and ESG evaluation agencies. Though it follows the overall structure of CSR reports, which comprehensively and systematically present a wide range of activities, an editorial push to offer a fresh approach is evident throughout the report. For example, given the enhanced information on natural resources, supply chain management and human rights due diligence, it is clear that active effort has been made to incorporate outside feedback such as the Third-Party

Opinion in last fiscal year's report. In addition, the inclusion of the

selection criteria for the materiality identification process, the disclosure of GHG Scope 3 emissions, and references to human resources management demonstrate progress in responding to investor interest in nonfinancial information and intangible assets.

Yakult's corporate philosophy and corporate slogan, rooted in Shirota-ism, provide a strong thematic message that runs throughout the entire report. This unique aspect of your company, along with the detailed and systematic information provided through reporting on environmental and social activities, as well as the aforementioned fresh editorial approach, combine to create a report with numerous examples of exemplary content. Taken as an evolution of CSR reports for a broad audience of stakeholders, any assessment of this *Sustainability Report* must recognize that it contains more information presented in a more polished manner than ever.

With these assessments in mind, I would like to provide some comments on how to further enhance this report's appeal to investors, ESG evaluation agencies and similar stakeholders, whom I take to be the primary intended readers of this report. The current increased interest in nonfinancial information disclosures such as those included in this report is based on an awareness that sources of corporate competitive advantage are shifting from tangible assets to intangible ones. As a result, capital markets are demanding that companies demonstrate intangible asset investment strategies that will deliver long-term improvement in corporate value through innovation and other means. The foundation for constructive dialogue with investors in this context is a blueprint, often called a "value creation story," for pursuing long-term business model sustainability by investing in the human and intellectual capital and other things underpinning a company's competitive advantage. I would argue that this value creation story is the single biggest factor in distinguishing a multi-stakeholder report from an investor communication tool. Within this story, companies are expected to link and integrate medium- and long-term growth strategies told primarily through financial data with material nonfinancial information identified and selected to support these

strategies.

For Yakult, developing a value creation story centered on the strategies presented in the Yakult Group Global Vision 2030 and the revised medium-term management plan (2021–2024) and then systematically connecting this story to the sustainability information in this report would be a way to meet the aforementioned expectations. Among the material themes identified in this report, three—innovation, value co-creation with communities (localism) and supply chain management—are social elements that support the long-term, sustainable value creation needed to realize Yakult's corporate philosophy, while the other three are environmental elements that can be understood in terms of avoiding negative impacts. Together, these social and environmental themes can be said to form a consistent value creation story. Although I am aware of the boundary difficulties this entails, I would also suggest positioning the element of human capital emphasized in your Top Commitment as another material theme, in a way that also encompasses the sales staff who are responsible for your company's value expansion. This would surely reinforce the uniqueness of Yakult's value creation story.

I have high hopes that Yakult's *Sustainability Report* will progress still further by organically linking the wealth of information compiled in past CSR reports within a framework attuned to this report's new role.

Response to third-party opinion

We sincerely thank you for your evaluation of *Sustainability Report 2023* and for providing us with valuable advice for improvement.

We are extremely pleased to receive recognition for this report's systematic presentation of detailed information on our corporate activities, along with the discussion of nonfinancial information and intangible assets that investors expect, based on our cherished corporate philosophy and corporate slogan.

However, as you rightly observe, integrating our thinking on financial and nonfinancial information, as symbolized by a value creation story, is both a challenge that our company must address and essential for sustainable growth—not only for our company but also for the entire Group moving forward.

As mentioned in your opinion, our company's single most important asset is the people who are our human capital. Keeping this in mind, we will strive to create and appropriately present our own unique corporate value creation story.



Masao Imada

Director and Senior
Managing Executive
Officer
Divisional General
Manager of
Management Support
Division

External evaluation

ESG investment indices

Yakult Honsha Co., Ltd. has been selected for inclusion in the global ESG investment indices FTSE4Good Index Series, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, S&P/JPX Carbon Efficient Index and MSCI Japan Empowering Women (WIN) Select Index.



FTSE4Good



FTSE Blossom



FTSE Blossom Japan Sector Relative Index



2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Evaluation from external organizations



2023 健康経営優良法人 Health and productivity ホワイト500



プラチナくるみん 食育推進企業団体 (一社)日本食育学会 認定 子育てがサポートしています



食育推進企業団体 (一社)日本食育学会 認定 私たちは食育活動を推進しています



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大サ日本 賞サービス NIHON SERVICE AWARD

第2回 日本サービス大賞 経済産業大臣賞

External awards and recognition

Date	Award	Details
April 2022	Recognized as National Popular Science Education Base (2021–2025)	Yakult China Group: National Popular Science Education Base (2021–2025) is a designation for organizations and groups awarded by the China Association for Science and Technology after reviewing the efforts of research institutes and science museums within the country to share scientific knowledge. Yakult China Group was not only recognized as a Popular Science Group Education Base, it was also named the “Certification as a National Education Base for Science Popularization for 2021–2025” for its efforts as an institution to communicate the scientific nature of the probiotics field in particular.
June 2022	Received Probiotic Product Company of the Year award	Yakult Danone India Pvt. Ltd.: At the 3rd INDIA Food Nutrition Summit and Awards 2022, the company received the Probiotic Product Company of the Year award. This award is given by a committee that includes food industry specialists as well as the Food Safety and Standards Association of India (FSSAI), the All India Food Processors’ Association (AIFPA), and nutrition specialists, who judge products based on criteria including trustworthiness, quality management, and contribution to greater recognition of probiotics. We received more votes than any other company in the probiotics category. 
February 2023	Received Agency for Natural Resources and Energy Director-General's Prize (CGO/Corporation Field) in the Energy Conservation Best Practices at Workplaces category of the Energy Conservation Grand Prize Award 2022	Yakult Central Institute: At the Energy Conservation Grand Prize 2022, run by the Energy Conservation Center, Japan, Yakult Central Institute received the Agency for Natural Resources and Energy Director-General's Prize (CGO/Corporation Field) in the Energy Conservation Best Practices at Workplaces category. The award recognized the Yakult Central Institute's success at heightening its energy-saving activities and reducing its energy usage by 20% compared to fiscal 2016. 

Related information p. 35 Received the Agency for Natural Resources and Energy Director-General's Prize in the Energy Conservation Best Practices at Workplaces category of the Energy Conservation Grand Prize Award 2022

ESG Data

WEB

<https://www.yakult.co.jp/english/sustainability/download/>

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Note: For data not included in this report, see the ESG data (in Excel format) available at our website.

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Independent Assurance Report

Independent Assurance Report



Mr. Hiroshi Narita
President and Representative Director
Yakult Honsha Co., Ltd.

We, SOCOTEC Certification Japan (hereafter "SOCOTEC"), have performed a limited assurance engagement, in response to the entrustment from Yakult Honsha Co., Ltd. (hereafter "the Company") in order to provide an opinion as to whether the subject matter information ("FY2022 Environmental and Social Data Report" (period: 1 April 2022 to 31 March 2023)) of the Company meets the criteria in all material respects.

1 Subject Matter Information and Criteria

The subject matter information for our assurance is "a report on GHG Emissions, Environmental and Social Performance Data (shown in APPENDIX)" covering the operations and activities of the Companies described in "FY2022 Environmental and Social Data Report" (period: 1 April 2022 to 31 March 2023).

The criteria for preparing subject matter information are "GHG(S1-2)Emissions Calculation Procedure", "FY2022 Scope3 GHG Emissions Calculation Procedure", "Environmental Performance Data Calculation Rule" and "Social Performance Data Calculation Rule (Revised 1 April 2023)".

2 Management Responsibility

"FY2022 Environmental and Social Data Report" (period: 1 April 2022 to 31 March 2023) was prepared by the management of the Company, who is responsible for the integrity of the assertions, statements, and claims made therein (including the assertions over which we have been engaged to provide limited assurance), the collection, quantification and presentation of all data and information in the report, and applied criteria, analysis and publication.

The management of the Company is responsible for maintaining adequate records and internal controls that are designed to support the reporting process and ensure that "FY2022 Environmental and Social Data Report" (period: 1 April 2022 to 31 March 2023) is free from material misstatement whether intentional or negligent.

3 Assurance Practitioner's Responsibility

The responsibility of SOCOTEC is to express a limited assurance conclusion as to whether the subject matter information has been prepared in compliance with the criteria in all material respects.

SOCOTEC performed limited assurance engagement in accordance with the verification procedures stipulated by SOCOTEC and "ISO14064-3:2019 Specification with guidance for the verification and validation of greenhouse gas statements" and the International Standard on Assurance Engagements (ISAE) 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" of International Auditing and Assurance Standards Board (IAASB).

The procedures implemented in the limited assurance engagement are limited in their type, timing and scope as compared to the procedures implemented in the reasonable assurance engagement. As a result, our limited assurance engagement does not provide as high assurance as reasonable assurance engagement.

Our procedures performed depend on the assurance professional practitioner's judgement, including the risk of material misstatement, whether due to fraud or error. Our conclusion was not designed to provide assurance on internal controls. We believe that we have obtained the evidence to provide a basis for the conclusion for limited assurance.



4 Assurance Procedures

The procedures that SOCOTEC has conducted are based on professional judgment and include, but are not limited to:

- Evaluation of policies and procedures created by the Company in relation to subject matter information
- Questions to the Company personnel to understand the above policies and procedures
- Verification that the target project meets eligibility requirements
- Matching with the basis data by trial calculation and recalculation
- Obtaining and collating material for important assumptions and other data
- We visited the Company's Head office and Ibaraki Plant, and Yakult Chiba Plant Co., Ltd. as verification sites in order to confirm the calculation structure and procedures, data collection and implementation status of record control.

5 Statement of Our Independence, Quality Control and Competence

SOCOTEC has introduced and maintained a comprehensive management system that conforms to the accreditation requirements of "ISO17021 Conformity assessment – Requirements for bodies providing audit and certification of management systems". In addition, we have also established a management system according to "ISO14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition". These meet the requirements of International Standard on Quality Control 1 by the International Auditing and Assurance Standards Board and Code of Ethics for Professional Accountants by International Ethics Standards Board for Accountants. We maintain a comprehensive quality control system that includes ethical rules, professional standards and documented policies and procedures for compliance with applicable laws and regulations.

The SOCOTEC Group is a comprehensive third-party organisation in inspection, testing and certification operations, and conducts management system certification services and training services related to quality, environment, labour and information security in countries around the world. Engaged in performance data and sustainability report assurance of environmental and social information, SOCOTEC affirms that it is independent of the organisation that has ordered the assurance engagement, its affiliated companies, and stakeholders, and that there is no possibility of impairing impartiality or conflict of interest.

We assure that the team engaged in the assurance is selected based on knowledge, experience in the relevant industry, and the competence requirements for this assurance engagement.

6 Use of Report

Our responsibility in performing our limited assurance activities is to the management of the company only in accordance with the terms for this engagement as agreed with the Company. We do not therefore assume any responsibility for any other purpose or to any other person or organisation.

7 Our Conclusion

On the basis of our procedures performed and evidence obtained nothing has come to our attention that causes us to believe that the subject matter information is not, in all material respects, prepared and reported in accordance with the stated criteria.

SOCOTEC Certification Japan

Seigo Futaba
Managing Director
27 December 2023



APPENDIX to Independent Assurance Report



GHG Emissions, Environmental and Social Performance Data

Table 1-1 GHG Emissions (Scope1,2)

Item	Emissions	Unit
Scope 1	43,391	tCO ₂
Scope 2(market based)	8,149	tCO ₂
Scope 2(location based)	43,166	tCO ₂

Table 1-2 GHG Emissions (Scope 3)

Category No.	Category	Emissions (tCO ₂)
Category 1	Purchased goods and services	338,394
Category 2	Capital goods	28,455
Category 3	Fuel-and-energy-related activities (not included in Scope 1 or 2)	12,878
Category 5	Waste generated in operations	537
Category 6	Business travel	450
Category 7	Employee commuting	1,282
Category 12	End of sold products	18,761
Category 13	Downstream leased assets	15,940
Total	—	416,697

Table 2-1 Energy Consumption

Item	Volumes	Unit
Fuel (Crude oil equivalent)	10,853	kl
Electricity	81,239	MWh

Target: Yakult Honsha plant and bottling companies

Table 2-2 Waste Emissions

Item	Volumes	Unit
Waste emissions	2,679.0	t
Amount of resources recycled	2,667.0	t
Final disposal amount	12.0	t
Recycling rate	99.6	%

Target: Yakult Honsha plant and bottling companies



SOCOTEC Certification Japan : This appendix is a valid document as an appendix to the Independent Assurance Report issued to Yakult Honsha Co.,Ltd. on December 27, 2023.
APPENDIX 1/2



Table 2-3 Water Usage

Item	Volumes	Unit
Water intake	1,715,669	m ³
Water discharges	1,119,679	m ³
Water consumption	595,990	m ³

Target: Yakult Honsha plant and bottling companies

Table 2-4 Plastic Container and Packaging Usage

Item	Volumes	Unit
Dairy products	17,455.5	t
Soft drinks, noodles, other	718.7	t
Cosmetics	167.1	t
Total	18,341.3	t

Note: Weight of straw body added to plastic containers and packaging subject to the Containers and Packaging Recycling Law (excluding pharmaceuticals and recyclable plastic)

Table 3-1 Changes in the ratio of female management positions

Item	FY2018	FY2019	FY2020	FY2021	FY2022	Unit
Number of female management positions	47	52	57	60	53	people
Ratio of female management positions	6.3	6.7	7.2	7.5	7.4	%

Target: Yakult Honsha non-consolidated

Table 3-2 Changes in the employment rate of persons with disabilities

Item	FY2018	FY2019	FY2020	FY2021	FY2022	Unit
Employment rate of persons with disabilities	2.15	2.22	2.27	2.59	2.54	%
Statutory employment rate	2.2	2.2	2.2*	2.3	2.3	%

Target: Yakult Honsha non-consolidated

*The rate has been revised to 2.3% from March 2021.

Table 3-3 Changes in the occupational accidents frequency rate

Item	FY2018	FY2019	FY2020	FY2021	FY2022
Occupational accidents frequency rate	1.06	1.39	0.20	0.40	0.60
Severity rate	0.0109	0.0137	0.0020	0.0006	0.0018

Target: Yakult Honsha non-consolidated



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APPENDIX 2/2



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