

Yakult

Yakult CSR Report 2017



About This Report

Editorial policy

This *Yakult CSR Report 2017* summarizes the Yakult Group's corporate social responsibility (CSR) activities in fiscal 2016. Yakult Honsha Co., Ltd. began publishing the *Yakult Environmental Report* in fiscal 2000 and subsequently changed the report title and upgraded the reported content in fiscal 2005 with the publication of the *Yakult Social & Environmental Report* and in fiscal 2015 with the publication of the *Yakult CSR Report*. We also expanded the scope of reporting from Yakult Honsha to the entire Yakult Group.

In fiscal 2015, Yakult Honsha began systemizing its CSR activities based on ISO 26000 and newly formulated the Yakult CSR Action Plan in fiscal 2016. In fiscal 2017 we are establishing concrete action targets. Accordingly, the *Yakult CSR Report 2017* has been edited with an awareness of the Seven Key Principles and Seven Core Subjects of ISO 26000 as well as the key themes of the CSR Action Plan. In this report, we have included special features on "Health," "Local Communities" and "The Environment," which the Yakult Group regards as highly important. Concurrently, we have enhanced comparability by concretely listing various indicators that are expressed in numerical figures as part of efforts to create an easy-to-understand communication tool.

We will further evolve our CSR activities through dialogue with stakeholders as well as promote sincere communications to become a Group that meets the expectations of society. This CSR Report systematically organizes the Yakult Group's activities and allows us to confirm the results of our activities. The report also serves as a communication tool for earning recognition from society. In fiscal 2015, we started to distribute the CSR Report to all employees aimed at raising the awareness of employees.

In the future as well, we will take a global perspective and further expand and upgrade the content of the CSR Report for the Yakult Group, which is contributing to the development of societies in each country and region.

Publishing date

October 2017 (Next version: October 2018)

Publishing format

Website only. We publish Japanese and English versions of this report.

Period

April 1, 2016 through March 31, 2017

This report includes some information pertaining to before or after the period.

Scope of data

All business sites of Yakult Honsha Co., Ltd. and a portion of the Yakult Group

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

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Disclaimer

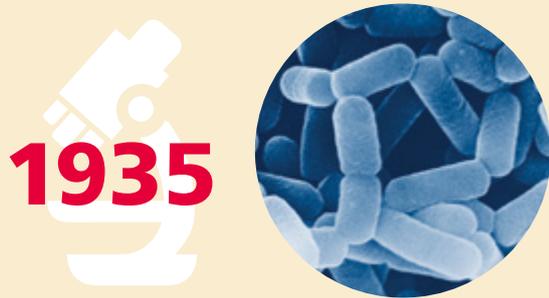
Please be advised that, with the exception of past factual matters, the contents in this report contain forward-looking statements regarding the future that include elements of uncertainty.

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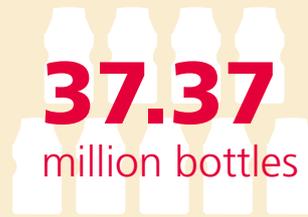
Yakult in Figures

The year Yakult starts



Since it was introduced to the market in 1935, Yakult has been a familiar product worldwide for over 80 years. Our Group also has a wealth of research experience over many years.

Number of dairy product bottles drunk each day worldwide



Average number of Yakult dairy product bottles drunk globally each day. Yakult is currently sold in 38 countries and regions, including Japan.

(as of March 2017)

Country and region we cover

Marketing population in countries and regions where we operate **2** billion

Population of countries and regions where we operate **4.5** billion

World population **7.4** billion

We will continue moving forward with market expansion and penetration.

(as of March 2017)

Number of Yakult Ladies all over the world



Over 80,000 Yakult Ladies are delivering good health worldwide.

(as of March 2017)

Number of participants in guest lectures

See p. 25

Number of guest lectures all over Japan in fiscal 2016

3,000

Number of participants

200,000



(as of March 2017)

Yakult Ladies' Courtesy Visit Activities

See p. 26

41,000

elderly people are visited at home by

3,000

Yakult Ladies



(as of March 2017)

Overview of Yakult's Operations

Profile of Yakult Honsha (as of March 31, 2017)

Name: Yakult Honsha Co., Ltd.
 Address: 1-19 Higashi-Shinbashi 1-chome, Minato-ku, Tokyo 105-8660, Japan
 Founded: April 9, 1955
 Businesses: Manufacturing and marketing of foodstuffs, pharmaceuticals, cosmetics and others
 Paid-in capital: ¥31,117 million
 Net sales: ¥173,680 million (non-consolidated)
 ¥378,307 million (consolidated)
 Total assets (consolidated): ¥585,741 million
 Net assets (consolidated): ¥376,880 million
 Business sites: 1 research institute, 5 branches, 7 plants, 10 medical branches, 13 logistics centers
 Number of employees: 2,860 (including 303 seconded employees and 133 contract employees)

Profile of Yakult Group (as of March 31, 2017)

Japan

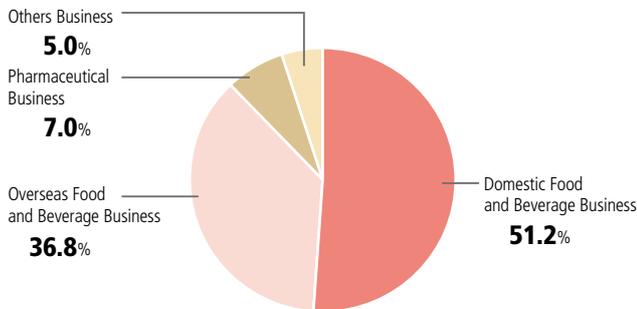
Marketing companies: 103 companies
 Number of employees: 13,782
 Number of Yakult Ladies: 35,594
 Number of Yakult Beauty Advisors: 4,890
 Bottling companies: 5 companies
 Affiliated companies, etc.: 13 companies and 4 associations

Overseas

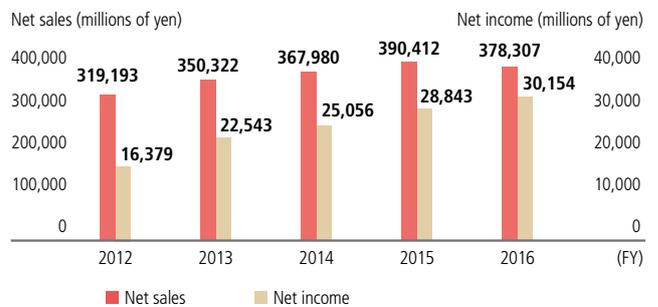
Business sites: 28 companies
 Number of employees: 20,977*
 Number of Yakult Ladies: 45,813*
 Marketing regions: 37 countries and regions

*As of December 2016

Sales structure by segment (consolidated)



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



☆Yakult Honsha Co., Ltd.

- 1 Yakult Taiwan Co., Ltd.
- 2 Hong Kong Yakult Co., Ltd.
- 3 Yakult (Thailand) Co., Ltd.
- 4 Korea Yakult Co., Ltd.
- 5 Yakult Philippines, Inc.
- 6 Yakult (Singapore) Pte., Ltd.
- 7 P.T. Yakult Indonesia Persada
- 8 Yakult Australia Pty. Ltd. (New Zealand Branch)

- 9 Yakult (Malaysia) Sdn. Bhd.
- 10 Yakult Vietnam Co., Ltd.
- 11 Yakult Danone India Pvt. Ltd.
- 12 Yakult Middle East FZCO
- 13 Yakult (China) Corporation
- 14 Guangzhou Yakult Co., Ltd.
- 15 Shanghai Yakult Co., Ltd.
- 16 Beijing Yakult Co., Ltd.
- 17 Tianjin Yakult Co., Ltd.
- 18 Wuxi Yakult Co., Ltd.

- 19 Yakult S/A Ind. E Com. (Brazil)
- 20 Yakult S.A. de C.V. (Mexico)
- 21 Yakult U.S.A. Inc.
- 22 Yakult Europe B.V.
- 23 Yakult Nederland B.V.
- 24 Yakult Belgium N.V./S.A.
- 25 Yakult UK Ltd. (Ireland Branch)
- 26 Yakult Deutschland GmbH
- 27 Yakult Oesterreich GmbH
- 28 Yakult Italia S.R.L.

Yakult's Business Operations

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

Food and Beverage Business

In 1930, Dr. Minoru Shirota, the founder of Yakult, became the first in the world to successfully strengthen and culture 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 the country to disseminate the value of *Yakult*. Products in the Food and Beverage Business have been expanded from *Yakult* fermented milk drinks to *Joie* and other fermented milk products, and juice and other beverages such as 100% Juice.



- Fermented milk drinks
- Fermented milk products

International Business

Yakult's business expansion into 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 38 countries and regions spanning the Asia, Oceania, the Americas, Europe and Japan. *Yakult* and our other popular dairy products are now consumed at a rate of 37.37 million bottles per day throughout the world.



Life Science

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

Pharmaceutical Business



- Pharmaceutical products
Ethical drugs (anti-cancer agents, lactobacilli-based drugs, etc.) /OTC drugs
- Medical devices
- Quasi-drug products

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

Cosmetics Business



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

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

Yakult Vision 2020

Formulating and promoting long-term management strategy

We instituted Yakult Vision 2020 in January 2011 as a milestone to maintain the growth of Yakult Group and respond to the changing environment, where a long-term vision from fiscal 2011 to 2020 is stated to share the 10-year vision and aiming direction with all employees.

Long-term vision (Fiscal 2011 – 2020)

Qualitative goals

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

Quantitative goals (Fiscal year 2020)

- Number of bottles of dairy products sold worldwide: 36.5 million bottles per day
- Consolidated net sales: 500.0 billion yen
- Consolidated operating income: 50.0 billion yen



Mid-term management plan (Phase III)

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

Phase III plan

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

To Our Stakeholders

The Yakult Group will continue fulfilling its social responsibilities as a global company founded on the pursuit of excellence in life science.

In pursuit of excellence in life science for healthy and happy lives around the world

The business environment for the Yakult Group has been going through major changes with the aging population, declining birthrate, and diversifying lifestyles in Japan, as well as the growth of emerging markets and their increasing health consciousness, and the intensifying global competition in the rest of the world. Meanwhile, the adoption of the Paris Agreement and enactment of the UN Sustainable Development Goals (SDGs) in 2015 have shown the world the goals that need to be undertaken in order to realize a sustainable society.

We have engaged in corporate activities such as development, manufacturing and sales of foodstuffs, pharmaceuticals and cosmetics, 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,” based on Shirota-ism principles of “preventive medicine,” “a healthy intestinal tract leads to a long life,” and “a price anyone can afford.” (see p. 6) With the belief that our corporate activities are our CSR, we will continue to flexibly and effectively respond to changes in the business environment and social issues.

Fiscal 2016 was the final year of Phase II (2014-2016) of Yakult Vision 2020, the Yakult’s long-term business management vision. Showing performance growth at the end of Phase II, the average number of dairy products sold worldwide was 37.37 million bottles (5 million bottles more compared to fiscal 2013), consolidated net sales were 378.3 billion yen (up by 28 billion yen for the same period), and consolidated operating income was 37.2 billion yen (up by 5.2 billion yen for the same period).

The food and beverage business is strong, thanks to intensified advertising and growing interest in probiotics. Although affected by foreign exchange, the international business remained steady with expansion of sales areas in China and the United States. In March 2017, we began sales in the Middle East region using Yakult Middle East FZCO as a base, thereby expanding our sales network to 37 countries and regions aside

from Japan. Besides complying with local laws and international rules, we will go on promoting our business while paying close attention to the culture, customs and human rights issues in each country and region.

The final phase, Phase III, began in April 2017. In this transformation period toward sustainable growth, we are putting all our efforts toward achieving our goals.

Upgrade of the Yakult Central Institute and expansion of joint research

In April 2016, the Group accelerated the pace of basic research on intestinal flora and probiotics, among others, as well as research on commercialization of foodstuffs, pharmaceuticals and cosmetics. The Yakult Central Institute was upgraded to contribute to the promotion of science and technology and development of society through these research activities (see p. 8). We will further focus on basic research in the intestinal flora and probiotics field, along with applied research for products and safety-related research.

With the upgrade of the Yakult Central Institute, we designated fiscal year 2016 as a “Science Year” and held various academic events (see p. 24). We believe that these activities will encourage researchers and the general public to gain a deeper knowledge of probiotics and appreciation of our slogan “Yakult, dedicated to science.”

We will also continue our joint research with the Japan Aerospace Exploration Agency (JAXA). This research involves verifying the effects of *Lactobacillus casei* strain Shirota on the immune functions and intestinal environment of astronauts staying for the long-term aboard the International Space Station (ISS). In fiscal 2017, the world’s first space experiment to scientifically verify the effects of continuous intake of probiotics in the space environment on the immune functions and intestinal environment of astronauts on long-term stays in the ISS began. Through this research, we believe that we can build up the knowledge that will help us contribute to the health of our customers and ultimately further development of preventive medicine.

Establishing healthy living habits and creating safe and secure communities

Aside from delivering healthy products primarily through the home delivery system conducted by more than 80,000 Yakult Ladies worldwide, the Yakult Group is also carrying out awareness-raising activities aimed at establishing healthy living habits as well as activities that contribute to the community.

In Japan, we actively dispatched guest lecturers to lecture on the topic of intestinal health, with over 200,000 attendants in fiscal 2016. We also help create safe, secure and livable communities through various activities. These included making agreements with local governments and other institutions for our “Courtesy Visit Activities,” in which we paid visits to around 41,000 elderly persons living alone, and participating in safety and crime prevention watches in cooperation with 785 local governments and police departments nationwide (see p. 25).

In countries other than Japan, we provide employment opportunities to women in communities particularly in Asian countries (see p. 16), while also helping to raise health awareness and revitalize local communities.

Promoting CSR activities based on ISO 26000

The Yakult Group has carried out CSR initiatives based on the Yakult Environmental Action Plan since fiscal 2001. In fiscal 2012, we formulated the Basic Policy on CSR in line with our efforts to fulfill our social responsibilities as we achieve sustainable growth as a corporate group. And in fiscal 2016, we announced the Yakult CSR Action Plan, which was formulated with key themes that follow the core subjects in ISO 26000. Going forward, we will set specific action targets in line with the key themes and continue strengthening our CSR activities across the entire Group, while being more mindful of our responsibilities as a global company.

We welcome your assistance and candid feedback, and we look forward to your continued support of the Yakult Group.

October 2017

Takashige Negishi

Takashige Negishi

President and Representative Director



Yakult's roots: Shirota-ism

We will meet the expectations of society with "Shirota-ism" as our roots.

Yakult's beginnings

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

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

In his research, Dr. Shirota discovered that lactic acid bacteria were effective in suppressing harmful bacteria within the intestines. He later became the first to successfully strengthen and culture a strain of lactic acid bacteria, which is now known as *Lactobacillus casei* strain Shirota.

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

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

Shirota-ism — The root of our business

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



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

Preventive medicine

Emphasis should be placed on preventing illness, rather than on treating illness once it develops.

Shirota-ism

A healthy intestinal tract leads to a long life

Human beings take in nutrition through their intestines. Making the intestines strong leads to healthy and long lives.

A price anyone can afford

The goal of providing *Lactobacillus casei* strain Shirota, which protects the intestines, to as many people as possible at an affordable price.

Legacies

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

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

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

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

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

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

Shirota-ism Workshops

In order to pass on and disseminate the principles of Shirota-ism, the Yakult Group holds "Shirota-ism Workshops" both in Japan and abroad during group training sessions and new employee induction courses. At these workshops, participants recognize the importance of learning, communicating, and practicing Shirota-ism.

Furthermore, at Yakult Honsha the workshops are also a part of yearly job-level-specific employee training, with around 450 participants taking part in fiscal 2016. Training materials including information about Shirota-ism are created and distributed for all Yakult Ladies in Japan when they first begin their jobs, as well as when they further learn about products, through which Shirota-ism is handed down and penetrated.



Training on Shirota-ism
(Up) Yakult S.A. de C.V. (Mexico) / (Down) Guangzhou Yakult Co., Ltd.

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.

Research and development led by Shirota-ism

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

The Yakult Central Institute

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



The Yakult Central Institute

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

Key research subjects and fields

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

Preventive
medicine

Researching intestinal flora

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

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

intestinal flora of people living in various cities in Asia and abnormalities in intestinal flora when ill. Going forward, we will focus on functional analysis of intestinal bacteria and contribute to the maintenance and enhancement of people's health the world over.



Intestinal flora analysis system YIF-SCAN®

A healthy
intestinal
tract leads to
a long life

Probiotics research

Probiotics* refer to live microorganisms that exert a beneficial effect on people by enhancing the balance of intestinal flora. Research using *Lactobacillus casei* strain Shirota, discovered by Dr. Minoru Shirota, and *Bifidobacterium breve* strain Yakult has consistently led the world in the field of probiotics.

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



Collection of microorganisms such as lactic acid bacteria and bifidobacteria

Shirotism Memorial Museum

Located on the grounds of the Yakult Central Institute, the Shirotism Memorial Museum opened to the public in September 2016. The museum allows visitors to follow the path of our founder Minoru Shirotism, from his first ideas about preventive medicine to his success in strengthening and cultivating a strain of lactobacilli beneficial to health (now *Lactobacillus casei* strain Shirotism), and from the birth of the *Yakult* fermented milk drink to the research, product development and dissemination activities that have made the Group what it is today. This is also a place for visitors to deepen their interest in science, learning directly from Institute employees and observing *Lactobacillus casei* strain Shirotism under a microscope.



Research and development activities outside Japan

Yakult Honsha opened the Group's first overseas research base in Ghent, Belgium, in 2005. Setting up a research facility in Europe where yogurt has been popular over the ages and the concept of probiotics was born has made it possible to employ various studies targeting people in Europe who have different lifestyles, including eating habits, from Japanese. The research center also proactively pursues joint research with universities and hospitals in Europe. Previously, it was discovered by the center in a human study that *Lactobacillus casei* strain Shirotism reaches the intestines alive when commercial products (*Yakult*) produced locally are consumed by Europeans and that the fermented milk drink has the effect of improving fecal properties.

By accumulating such data, we aim to establish a research

foundation in pursuit of global business expansion spanning from Europe to the Americas and Asia.



Yakult Honsha European Research Center for Microbiology, ESV (YHER) (located on the first floor of the building)

Expansion of joint research

The Yakult Central Institute actively conducts joint research with a number of universities, hospitals and research institutes and elucidates the benefits of Yakult's probiotics from different perspectives. There are expectations that future joint research will give rise to new knowledge.

As one example, we started joint research using the International Space Station (ISS) in conjunction with the Japan Aerospace Exploration Agency (JAXA) from April 2014. The key objective of this project is to verify scientifically the effects of the continuous intake of probiotics (*Lactobacillus casei* strain Shirotism) on the immune functions and intestinal environment of astronauts on long-term stays aboard the ISS. The aim is to use the findings to maintain the health of

astronauts in the coming space-exploration age and discover new effects of probiotics.



International Space Station (ISS)

Ethical compliance

The Yakult Central Institute incorporates facilities that specialize in research and assurance related to product safety and reliability. These facilities collect highly reliable research data according to strict proprietary standards and criteria they established.

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. The Unit also actively runs research ethics training (information security, legal compliance, etc.) for its researchers.

Corporate Social Responsibility

We will achieve sustainable growth and fulfill our social responsibility as a company.

Basic Policy on CSR

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

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

Basic Policy on CSR

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

CSR management structure

CSR promotion system

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

CSR Promotion Committee

Meeting twice per year (every half term), members of the committee discuss policies and measures for promoting CSR and monitor the progress of each activity. Matters considered by this committee are brought up for discussion at the Executive Officers Committee when necessary.

Verifying CSR activities

When setting targets for our CSR activities, we consult third parties in addition to consideration by the CSR Promotion Committee. We also distribute the CSR Report to all employees, and then draw on feedback gained through the survey regarding the Report to verify our activities.

Yakult CSR Promotion Organization



Revised: April 2015

CSR and business activities

Three key areas of CSR

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

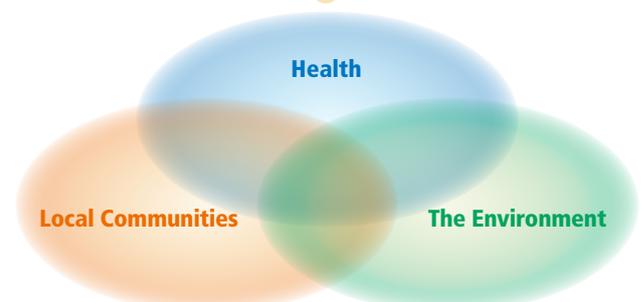
Against this backdrop, we have defined our three key areas of CSR: Health, local communities, and the environment. The specific themes and targets for each area are set forth in Yakult CSR Action Plan (see p. 12) and Yakult Environmental Action Plan (see p. 29).

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.



Our supply chain and CSR

CSR activities deepen relationships with customers, local communities, business partners and other stakeholders, help solve various social issues and play a key role in achieving growth to become a company whose continued existence and development are needed by society.

With Shirota-ism as its roots, the Yakult Group's CSR activities respond to a host of contemporary social issues and have been expanded to include activities that lead to the creation of a healthy and livable society. Specific CSR activities include "Courtesy Visit Activities" by Yakult Ladies,

health education through dispatching of guest lecturers and holding of plant tours, and consideration of the environment for product containers and packaging as well as production and shipping processes.

Going forward, every person in each division, including research and development, procurement, production, logistics and marketing, will proactively undertake activities that contribute to business and local communities in keeping with Shirota-ism, our Corporate Philosophy, Basic Policy on CSR, the Yakult Ethical Principles and the Yakult CSR Action Plan.

The Yakult Group Supply Chain and CSR



Group-wide CSR

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

Promoting CSR-related training

We provide opportunities for employees to learn and think about CSR by way of new employee training, level-specific training and an e-learning system using the company intranet.

Yakult CSR campaigns

The Yakult Group has implemented unified Yakult CSR campaigns since fiscal 1994 in line with Japan's Environment Month set forth by the Ministry of the Environment (MOE).

In fiscal 2016, in conjunction with the government-led "Cool Choice" national campaign, we recruited slogans that call for smart choices for tackling climate change, and at the same solicited support of "Cool Choice" itself. There were 13,757 participants, and the resulting number of supporters was reported to the MOE. The most exemplary slogans were made into posters and displayed in all Group business sites.

On behalf of each participant we donated 20 yen to an activity fund for OISCA's*1 Children's Forest Program, contributing a total of 280,000 yen.

In addition to our call for slogans, the Yakult Group participated for the second year running in Green Wave*2,

planting trees in 13 locations around the country.

*1 The Organization for Industrial, Spiritual and Cultural Advancement (OISCA) is an international non-governmental organization that promotes rural development, human resources development and tree-planting campaigns focused primarily on the Asia Pacific region. Our donations have been used to fund programs in various locations including Indonesia, the Philippines and China's Inner Mongolia Autonomous Region.

*2 An activity held on the United Nation's "International Day for Biological Diversity" (May 22), where schools and local communities in countries around the world engage in tree planting

CSR management seminars

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

In fiscal 2016 we invited CSR Asia Japan Country Director Makiko Akabane, who contributed a third-party opinion to our CSR Report. She lectured on CSR trends in Asia and important points for Japanese companies, and introduced the UN global initiative, the UN Sustainable Development Goals (SDGs). She spoke of the large contributions the Group's business makes towards health and hygiene, creation of work opportunities, and education of women and children that advances their enrichment through economic prosperity. She then proposed the importance of further communicating specific examples of these contributions to the general public.



CSR management seminar

Yakult CSR Action Plan

From fiscal 2015, the Group has been systemizing its CSR activities in accordance with ISO 26000, the international standard for social responsibility. After multiple discussions among the related departments, we formulated key themes for our CSR Action Plan in accordance with the core subjects of ISO 26000.

For fiscal 2017, in accordance with our key themes, we have set forth the following action targets and are implementing related activities. We plan to publish our progress and the results of these targets.

ISO 26000 Core Subjects	Key Themes	Fiscal 2017 Action Targets
Consumer issues	<ul style="list-style-type: none"> • Customer-first principle • Protect customer personal information • Provide safe and reliable products 	<ol style="list-style-type: none"> 1. Accept visitors to plants and research institute 2. Promote universal design 3. Hold customer satisfaction workshops 4. Promote certification in various international standards
Community involvement and development	<ul style="list-style-type: none"> • Respect for local cultures and customs • Activities for solving local issues • Promote social contribution activities • Strengthen relations with local communities 	<ol style="list-style-type: none"> 1. Promote Courtesy Visit Activities, community safety watch and crime prevention activities 2. Promote dispatch of guest lecturers and health-related lectures 3. Deepen exchanges with local residents through plant festivals 4. Consider formulating social contribution policies 5. Further sports promotion 6. Implement cooperative activities between business sites and local municipalities
The environment	<ul style="list-style-type: none"> • Realize a low-carbon society • Effectively use resources • Preserve and utilize biodiversity 	<ol style="list-style-type: none"> 1. Reduce CO₂ emission by 5% or more compared to fiscal 2010 level by the end of fiscal 2018 2. Reduce waste by 10% or more compared to fiscal 2010 volume by the end of fiscal 2018 as well as maintain 85% or more of recycling ratio for food waste 3. Reduce water use by 10% or more compared to fiscal 2010 volume by the end of fiscal 2018 4. Promote education about biodiversity, and support and planning of nature conservation activities 5. Reduce the amount of materials used in containers and packaging Decrease our impacts on the environment by changing container and packaging materials Utilize environmentally-friendly plant-based materials in our containers and packaging
Labour practices	<ul style="list-style-type: none"> • Promote work-life balance • Promote workplace safety and health • Promote diversity • Promote active roles for women 	<ol style="list-style-type: none"> 1. Run work-life balance workshops 2. Continue health and safety inspections in production 3. Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by 2020 4. Increase the number of paid leave days used (10.3 days in fiscal 2015)
Human rights	<ul style="list-style-type: none"> • Respect for personalities and human rights • Promote diversity 	<ol style="list-style-type: none"> 1. Periodically run human rights awareness training 2. Maintain the legally mandated ratio of employees with disabilities 3. Run anti-harassment workshops
Organizational governance	<ul style="list-style-type: none"> • Implement corporate governance • Promote business in accordance with compliance • Disclosure of corporate information and communication with society • Thorough confidentiality 	<ol style="list-style-type: none"> 1. Deepen understanding of our founder's philosophy (Shirota-ism) 2. Strengthen support of the Corporate Governance Code 3. Promote disclosure of information to stakeholders (shareholders, etc.) 4. Enhance understanding of the Yakult Ethical Principles and Code of Conduct 5. Ensure complete adherence to compliance
Fair operating practices	<ul style="list-style-type: none"> • Promote CSR procurement 	<ol style="list-style-type: none"> 1. Ensure complete adherence to compliance 2. Consider formulating CSR procurement policy

Dialogue with Stakeholders

In order to continually grow as a corporate group and fulfill our social responsibility, we believe it is essential to actively disclose our corporate activity 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, employees, business partners, and civil society organizations.

Customers

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

- Number of inquiries to Customer Support Center: 51,158 (fiscal 2016)
- Issues of *Healthist* journal: 6 in Japanese and 1 in English per year
- Participants in plant tours: Around 250,000 in Japan (fiscal 2016)*, around 490,000 overseas
- Participants in Central Institute tours: Around 5,000 (fiscal 2016)
- Company and consumer round-table meetings

*Including the Shonan Cosmetics Plant, Yakult Health Foods Co. Ltd., and Yakult Foods Industry Co. Ltd.

See p. 20-23

Local Communities

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

- Dispatch of guest lecturers: 3,075 dispatches, 205,576 participants (fiscal 2016)
- Yakult Ladies' "Courtesy Visit Activities": Around 41,000 elderly people visited (fiscal 2016)
- Yakult Lady community safety watch and crime prevention activities: 785 groups (fiscal 2016)
- Cleanup campaigns: 96 (fiscal 2016)
- Social activities with vending machines

See p. 25-27

Shareholders and Investors

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

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

IR information
<http://www.yakult.co.jp/english/ir/>

See p. 39-45

Employees

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

- Individual interviews
- Employee questionnaire surveys/awareness surveys
- Sharing information via the company intranet
- Internal newsletter
- Training programs
- Employee consultation desk

Business Partners

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

- Business partner training*
- Communication through purchasing activities

*Implemented through Yakult Logistics Co., Ltd

See p. 50

Civil Society Organizations

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

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

TOPIC Company and consumer round-table meetings

On June 8, 2017, we welcomed 15 members of the Keizai Koho Center's public hearing committee to the Yakult Central Institute for a company and consumer round-table meeting*. They took a tour of the Institute facilities and Shirota Memorial Museum, and then a Q&A session and round-table discussion was held. We received much feedback from participants: "I think the principles of Shirota-ism are wonderful. Wouldn't it be better to promote them more?" and "I'd like to know details about the A&G Water Purification System that uses *Yakult* containers." We will use these valuable opinions as a reference in our future business activities.

*Company and consumer round-table meeting: Meeting organized by the Keizai Koho Center for the purpose of exchanging ideas between consumers and companies in the pursuit of mutual awareness and understanding.

WEB See Keizai Koho Center "Company and consumer round-table meeting" for details
<http://www.kkc.or.jp/society/conference.php?type=1> (Japanese)



Round-table meeting

Yakult Miyakonojo Sales

Towards communities where everyone can lead healthy, happy lives



To contribute to people's health and happiness, the Yakult Group not only delivers products that are beneficial for health, but also carries out a wide variety of activities to support regional communities, such as dispatching guest lecturers and holding health-related lectures. At Yakult Miyakonojo Sales Co., Ltd., those activities have been taken one step further through initiatives providing accurate knowledge and information about dementia, so that those with dementia and their families may live with peace of mind.

Contributing to health as a company engaged in local communities

Yakult Miyakonojo Sales oversees the south area of Miyazaki Prefecture and part of Kagoshima Prefecture, delivering products to about 600 offices and 21,000 households. The company actively holds health-related lectures and other initiatives while promoting business activities.

"We're striving to create communities where everyone can lead healthy, happy lives. The aging population is a significant issue in our area, and the number of individuals with dementia is increasing. We're closely connected to communities through our home delivery of products. Using this as our strength, we promote our initiatives while thinking about what we can do for local communities in such societal circumstances."

Yoichi Oki, President, Yakult Miyakonojo Sales Co., Ltd.



Yoichi Oki
President
Yakult Miyakonojo Sales Co., Ltd.



Toshihiro Kanda
Senior Managing Director
Yakult Miyakonojo Sales Co., Ltd.

"Based on this notion, since 2009 we have promoted participation in the Dementia Supporters Training Program*¹, and almost all of our employees and Yakult Ladies have completed the program and become Dementia Supporters. Of these employees, 23 are Caravan-Mate*² lecturers, making up around 10% of the registered Caravan-Mates in Miyakonojo City. Currently employees serve as lecturers, running courses that provide information to communities. Furthermore, we also cooperate with local organizations to hold health-related lectures about improving health for the elderly and those with dementia."

Toshihiro Kanda, Senior Managing Director, Yakult Miyakonojo Sales Co., Ltd.

*1 Dementia Supporters Training Program

Dementia Supporters are those who have a proper understanding of dementia and aid, support, and watch over the people with dementia and their families. The supporters wear an orange wristband called an Orange Ring during their activities.

The program is led by the National Caravan-Mate Coordinating Committee, and one of the programs in the Comprehensive Strategy to Accelerate Dementia Measures (New Orange Plan) promoted by Japan's Ministry of Health, Labour and Welfare.

*2 Caravan-Mate

Trainers for the Dementia Supporters Training Program, who completed the Caravan-Mate training program after becoming Dementia Supporters.

WEB Dementia Supporter Caravan
<http://www.caravanmate.com/> (Japanese)



Orange Ring, the symbol of Dementia Supporters

Making techniques to prevent and support dementia easy to understand

We spoke with employees who serve as lecturers in the Dementia Supporters Training Program and for other health-related lectures.

“At Dementia Supporter Training Program, we keep things simple while incorporating our own experiences and incidents picked up by the media. We want everyone to know that becoming elderly is a road we all travel down, and dementia is not a special illness. When people realize it can happen to anyone, and when they have knowledge beforehand, it lessens the burden.”

Sayoko Mori, Manager, Home Delivery Management Section 1, Sales Department, Yakult Miyakonojo Sales Co., Ltd.

“When trainees discuss their personal experiences, they often say, ‘I wish I’d had this kind of knowledge before.’ Still only a limited number of people know about our initiatives, and I feel we need to continue by increasing our activities.”

Kayo Sakai, Assistant Manager, Home Delivery Management Section 2, Sales Department, Yakult Miyakonojo Sales Co., Ltd.

“I serve as a lecturer for health-related seminars. To prevent dementia it’s important to avoid lifestyle diseases and also maintain the health of your intestines. There are many different kinds of trainees, and we’ve even explained how to speak to people with dementia or symptoms of it to elementary school students using a picture story show. We also use large text and different colors to make information easy to understand for the elderly and others who need it.”

Mayumi Oguri, Senior Staff, Direct Sales Department, Yakult Miyakonojo Sales Co., Ltd.

Aiming for communities where everyone can lead healthy, happy lives

These dementia initiatives have changed the awareness of the company’s employees. From 2016, at the request of employees, the company began the Ai-Support Movement* to encourage understanding of disabilities and train people to provide simple daily assistance to those with disabilities. The company strives towards creation of communities where everyone can lead a healthy, happy life — including those with dementia or disabilities, and from the elderly to children.

* Ai-Support Movement

This movement works towards achieving a society that is easily livable for everyone, regardless of ability or disability. Participants become Ai-Supporters who are able to provide simple assistance with daily life to those who have disabilities. It was started in 2009 in Tottori Prefecture.

WEB Ai-Support Movement
<http://aisupporter.jp/> (Japanese)



Sayoko Mori (Center), Manager, Home Delivery Management Section 1, Sales Department

Kayo Sakai (right), Assistant Manager, Home Delivery Management Section 2, Sales Department

Mayumi Oguri (left), Senior Staff, Direct Sales Department
Yakult Miyakonojo Sales Co., Ltd.

TOPIC

Learning sign language during morning assemblies

As part of creating communities where everyone can lead healthy, happy lives, in December 2015 Yakult Miyakonojo introduced sign language lessons as part of morning assemblies at delivery centers and the company’s head office. Employees learn together how to sign 50 Japanese syllables, numbers, and simple greetings. Sign language is also integrated into the new employee training program, and the company also invites outside lecturers to monthly study sessions.



Morning assembly at Yakult Miyakonojo head office

VOICE

Their easy-to-understand and useful health-related lectures are always popular



Ritsuko Kobayashi
Women’s Group Director
Council of Golden Age
Club in Himegi Area,
Miyakonojo

Up until now, they’ve run health-related lectures with themes like balanced diet and digestive health. The 2016 theme was dementia, and lectures taught about specific symptoms and how to deal with them. The lectures are popular for being both easy to understand and useful, and a large number of seniors participate each time. They also utilize different organizational devices, like adding stretching exercises in the middle of classroom learning. The lecturers are always easily approachable, and we feel very close to them.

They provide us with various ideas on how to tackle dementia throughout the region



Katsunobu Ota
Manager

Motoko Syudo
Community Welfare and
Service Division
Miyakonojo City Council of
Social Welfare

Local government, citizens and companies must work together in carefully dealing with the issue of dementia. Yakult Miyakonojo Sales is passionate about dealing with dementia, and they always provide valuable opinions as a member of the Dementia Supporting System Promotion Committee. They also dispatch many Caravan-Mates to teach Dementia Supporter Training Programs, and we’re looking forward to continuing to work with them on a system that makes an even better environment for Caravan-Mates.

Yakult Indonesia

Closely supporting the work of women in the community



To help people understand its products' features, the Yakult Group offers home delivery as one of its forms of distribution and actively employs Yakult Ladies who can fully explain products to customers. At P.T. Yakult Indonesia Persada, Yakult Ladies are carefully trained and coached to quickly master their job, earn a sufficient income and gain independence in many respects.

The success of Yakult Ladies is the key to our business expansion

Although women work in various jobs in the cities of Indonesia, the idea that women, even if highly educated, should stay in the home after marriage is still persists, which makes it hard for women to work outside the home. Many are also forced to quit their jobs in the face of family opposition.

With a population of 250 million, Indonesia is an attractive market for Yakult's business. There are two sales methods in use: direct sales (stores) and sales by Yakult Ladies (home delivery), and sales initially grew mainly by store sales. However, the importance of intestinal health and lactic acid bacteria is still relatively unknown in Indonesia. Believing that it was vital to strengthen sales through Yakult Ladies to help spread deeper understanding of product features, the company started to increase the number of Yakult Ladies and

revised the training system in 2008. Sales have been steadily growing since then.



Yakult Ladies and community-based recruitment

Yakult Ladies conduct sales activities in their respective preassigned sales areas. For this reason, closeness to the community is given priority in hiring new Yakult Ladies. Instead of using advertisements and other recruitment methods, employees visit each household within the sales area to look for candidates. During recruitment, the job descriptions are also explained in detail to the candidate's family to gain their understanding. It takes about two weeks on average to hire a single Yakult Lady. Soon to become a familiar part of the community, Yakult Ladies originate from such steady recruitment activities.



Recruitment activities
Japanese employees are partnered with local employees to explain the job details thoroughly.

Creating a safe and enjoyable work environment for Yakult Ladies

Most Yakult Ladies are homemakers with children. They are assigned areas that are in the immediate vicinity of their homes to enable them to balance work and private life with family. In addition, female employees are continuously present at the offices and home delivery centers to closely follow up on Yakult Ladies regarding any questions or concerns they have about sales, as well as their worries at home.

Instead of a morning assembly, a “afternoon assembly” is held every day at the centers. All Yakult Ladies in the sales area attend the afternoon assembly. Besides sharing information on the daily happenings in the field, they brush up on conversational skills by role playing and conduct study groups to deepen product knowledge, among others, which increase motivation, create a sense of unity, as well as boost their skills as salespersons.

The company also puts emphasis on creating an engaging and enjoyable atmosphere. At the centers, everyone’s targets are posted on the wall and colorfully decorated. The Yakult Ladies also hold luncheons once a month, making it a fun working environment. To close the afternoon assembly, everybody sings an original song to cheer each other on. Such an atmosphere serves as a driver for communicating cheerfully with customers.

Motivation is also raised through training and events outside the centers. After three months on the job, follow-up training is held at a plant to help improve communication skills and network with Yakult Ladies in other areas. In the sales technique competition held once a year, they display skills gained from their daily accomplishments while having fun competing with each other.

As a result of these efforts, many of the Yakult Ladies say they are enjoying their stable jobs, and the job retention rate is increasing every year.

The company will continue promoting these activities to empower local women through our business activities.



Afternoon assembly where various information is shared



Follow-up seminar



Bright and cheerful center

VOICE



Ami Hasegawa

Marketing Advisor
P.T. Yakult Indonesia
Persada

On assignment from
Yakult Honsha Co., Ltd.,
Working at Yakult
Indonesia since 2012

I make sure that I work in collaboration with local employees. I think that it is important to take advantage of the abilities of local employees and make the local employee organization as strong as possible, so that organizational strength can be maintained even if the Japanese staff changes. At work, I am responsible for judging and making decisions depending on the circumstances. It is deeply rewarding for me because I can quickly try out my own ideas.

People in Indonesia are often generous kind-hearted, and they tend to do things their own way. I think that it is essential to respect each person’s individuality, act early and communicate in detail so that everyone can work comfortably together.



Ade Susi Handayani

Sub Supervisor
P.T. Yakult Indonesia Persada
Joined the company in 2007

I decided to join Yakult because I also worked on sales in my previous job and I felt close to Yakult as I had been drinking it before.

When recruiting Yakult Ladies, I look at the person’s motivation level and try to hire those who will continue working as Yakult Ladies for a long time. We develop their skills through personalized instructions to enable them to achieve a sales level that can provide a sufficient income and give them independence economically and emotionally.

The job stimulates me every day, as I get to meet many customers in the field, as well as employees and Yakult Ladies with all kinds of personalities at the company.



BudiYanti

Yakult Lady for seven
years, mother of four

My family’s finances were better once I became a Yakult Lady. I work hard every day because I want to give my children a better education.

Aside from the satisfaction of earning an income, building good relationships with customers and receiving their encouraging words and kindness at times also keeps me going. I would like to keep on delivering Yakult products every day and contribute to the health of my customers.

Reducing water usage throughout the Group



Water is important for the Yakult Group's business operations. It is not only a raw material used in actual products but is indispensable in various crops supporting diverse products including grain feed. We therefore are committed to the effective utilization of water, quality management of wastewater and conservation of water resources.

(top) Using treated water from drainage facilities for sprinkling water on lawns (Yakult (Thailand) Co., Ltd.)
(bottom) Inspecting water purification equipment (Fukushima Plant, Yakult Honsha Co., Ltd.)

Initiatives at plants

Fukushima Plant, Yakult Honsha Co., Ltd.

Reusing concentrated impure water generated by the water purification process

At the Fukushima Plant, Yakult Honsha Co., Ltd. products are manufactured using tap and purified water. For purified water, the purity is raised by removing impurities from tap water using a special-purpose equipment. As a large amount of water with concentrated impurities are generated in the process (approx. 9 m³ per day), the water was treated at the wastewater treatment facility within the plant and discharged to the sewers.

Although this concentrated impure water is not suitable for

drinking and use in the manufacturing process, investigations were started on its use for other purposes since it meets quality standards for industrial water. Various tests enabled reuse of the water for cooling products and machinery, which dramatically reduced tap water consumption and sewage discharge.

As a result, the plant was able to cut tap water usage and sewage discharge in fiscal 2016 by 2,472 m³ from the previous year.

Yakult Iwate Plant Co., Ltd.

Reducing water used for cooling water management for facilities

Since the compressed air station and various refrigeration facilities at Yakult Iwate Plant Co., Ltd. are water-cooled systems, the management of cooling water is of particular importance. Previously, a chemical was added to the cooling water to prevent the formation of scales* in the cooling water pipes. In fiscal 2016, we changed the chemical to a

more effective one for preventing scaling. This enabled the reduction of water used to prevent concentrated impurities in the cooling water.

As a result, the plant was able to cut water usage in fiscal 2016 by 2,702 m³ from the previous year.

* Minerals contained in water which adhere to the insides of pipes

Yakult (Thailand) Co., Ltd.

Effectively utilizing discharged water using microfilters

In Bangkok City, there are concerns about land subsidence caused by pumping up groundwater. Accordingly, the Bangkok and Ayutthaya Plants of Yakult (Thailand) Co., Ltd. reduce the volume of pumped groundwater, and give consideration to the environment by purifying treated water from drainage facilities with microfilters and effectively utilizing it in the premises. At the Bangkok Plant, the treated

water is used in toilets and for washing pallets, transport vehicles and drainage facilities, while at the Ayutthaya Plant, the water is used in toilets and for watering flowerbeds and lawn. In fiscal 2016, the Bangkok Plant reused 10,269 m³ of water and the Ayutthaya Plant reused 78,007 m³ of water.

[Related information](#) p. 35, Water resource conservation: Initiatives outside Japan

VOICE

**Yuichiro Kawakita**

Senior Staff
Facility Maintenance
Section
Fukushima Plant
Yakult Honsha Co., Ltd.

We were able to reduce water usage by changing our mindset and reusing concentrated impure water. It made me realize once more the importance of questioning our mindset and making improvements through a new perspective. I would like to continue working toward water conservation through further improvements with an outlook for saving valuable resources.

**Takumi Sugawara**

Facility Maintenance
Section
Yakult Iwate Plant Co., Ltd.

Ten years have passed since production began at the Yakult Iwate Plant, and the aging of facilities have started to become conspicuous. The recent introduction of a new chemical into the cooling water has dramatically cut the amount of water used and reduced costs as well. The chemical is made up of all-natural mineral ingredients, making our system more favorable for human body and the environment. It was a fruitful achievement in many respects. We will continue implementing such effective initiatives in the future.

Initiatives at the head office

Yakult Honsha Co., Ltd. head office

Installing water-saving devices in restrooms and office kitchenette

Water use at the head office in fiscal 2016 was 22,559 m³, with more than half of this coming from restrooms and kitchenettes. Tests were then initiated on some of the floors to reduce water usage, after which water-saving devices were installed on around 50 mixing faucets in restrooms and

kitchenettes on each floor in March 2017. After introduction, the amount of water saved is estimated to be about 600 m³ annually, which is equivalent to 1.2 million 500-ml bottles of water.

Initiatives at marketing companies

Yakult Tokyo Sales Co., Ltd.

Introducing ice packs to maintain product temperature during home delivery

Yakult Tokyo Sales Co., Ltd. acquired ISO 14001 (Environmental Management Systems) certification in fiscal 2007 and set water usage reduction as one of its environmental targets.

Home deliveries by Yakult Ladies use ice to keep products cold. Yakult Tokyo Sales partially introduced ice packs as a substitute for ice in fiscal 2009, which reduced water use by an average of 2,568 m³ annually compared to the pre-introduction level.



Ice packs refrigerated at the center are put in the delivering case used by Yakult Ladies to cool products



VOICE

**Takashi Ikenoya**

Home Delivery Division 2
Yakult Tokyo Sales Co., Ltd.

At Yakult Tokyo Sales, all of the employees are aware that “saving” means “conserving the environment.” By introducing ice packs it not only significantly cut water use, it also led to improving the work efficiency of Yakult Ladies because of the space saved. We currently use both ice and ice packs. Used ice is thawed at the centers after deliveries and reused as cleaning water in the centers and its surroundings. We will continue to value our connection with the local people to widen our environmental conservation efforts in our community.

Contributing to the health and happiness of our customers



Providing Safe and Reliable Products

Policy on quality

We will continue to maintain research domains related to people's health based on the use of beneficial microorganisms as a distinctive corporate activity. Working to ensure safety in every stage of our operations from research, development and production but also transportation, shipment and delivery, we provide products and services that are trusted by and satisfy customers.

Quality management systems

We make group-wide efforts to ensure the delivery of safe and reliable products to our customers.

Raw materials

When selecting raw materials (food ingredients and packaging materials), we select suppliers based on thorough investigations and analyses conducted at the product design stage that enable the full confirmation of safety issues along with taking measures to ensure rigorous compliance with quality standards.

With respect to raw materials used at all of our plants both in and outside Japan, we confirm the inspection performance of raw materials suppliers and undertake receiving inspections to ensure that only materials that are in compliance with relevant standards are used. Regarding raw materials suppliers, we conduct investigations of relevant manufacturing plants and processes to confirm local hygiene situations, inspection systems and quality management systems and request improvements when necessary.

Production

We set internal product quality standards that are more rigorous than legal standards and established original systems that integrate ISO 9001-certified quality management systems with Hazard Analysis and Critical Control Point (HACCP) systems and food defense programs in connection with its efforts to provide products that are safe and of dependably high quality.

In Japan, we have developed and installed various kinds of inspection equipment that enable us to conduct total inspection through continuous quality monitoring. Our product safety is ensured by these highly sophisticated quality management systems.

Outside Japan, we conduct strict quality management while complying with the laws and regulations and adapting to the culture of each country based on our own internal standards.

In order to verify that our plant employees' technical education, facility management, and management systems of food hygiene are operated effectively, we implement self-audits on interunit, inter-plant, intra-company and other bases to identify and respond to problems as quickly as possible.

In Japan we operate one of Japan's most rigorous product safety checks including continued inspection of radioactive substances by lot for all type of products. In addition, some of our sites overseas have obtained Halal certification.

Distribution

Overseeing our distribution, Yakult Logistics Co., Ltd. makes logistics quality the foundation of their mission to deliver fresh products with no loss of quality. The company runs study sessions for employees and contractors, working to fully educate about loading of products and product handling in order to maintain and improve logistics quality.



Study session about logistics quality

Marketing

In addition to complying with legal obligations, we also implement quality management according to our own proprietary Quality and Hygiene Management Standards and Food Quality and Hygiene Management Guidelines. We also carry out food quality audits at marketing companies and food quality and hygiene training for employees with teams composed primarily of staff who have experience working at production plants. The teams offer detailed guidance following our guidelines on everything from product temperature management and proper handwashing, to the cleaning of delivery tools used by Yakult Ladies.

TOPIC Yakult S.A. de C.V. (Mexico) starts mutual audits of manufacturing technology

In 2016, Ixtapaluca Plant and Guadalajara Plant began mutual audits of manufacturing technology. Twice yearly over a four-day period, one seconded Japanese employee and two local employees check manufacturing processes and quality management with the goal of improving equipment malfunction (thus preventing accidents), cultivating human resources, and sharing knowhow.

Product quality certifications

We are promoting acquisition of ISO 9001, HACCP, FSSC 22000, Safe Quality Food (SQF) and other certifications for Yakult Honsha plants, bottling companies, marketing

companies and Group companies outside Japan.

WEB For details about certification, please visit:
<http://www.yakult.co.jp/csr/governance/index.html> (Japanese)

Certifications acquired for product quality

(Number of certified locations)

	ISO 9001	GMP	HACCP	ISO 22000	FSSC 22000	SQF	Halal
Yakult Honsha plants, bottling companies in Japan, Yakult Central Institute*1 (13 total locations)	10		10				
Marketing companies in Japan (103 total locations)	19*2			1			
Plants outside Japan (26 total locations)	9*3	9	19	3	1	1	7

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

*2. Includes branches that have acquired the certification.

*3. Includes one marketing company.

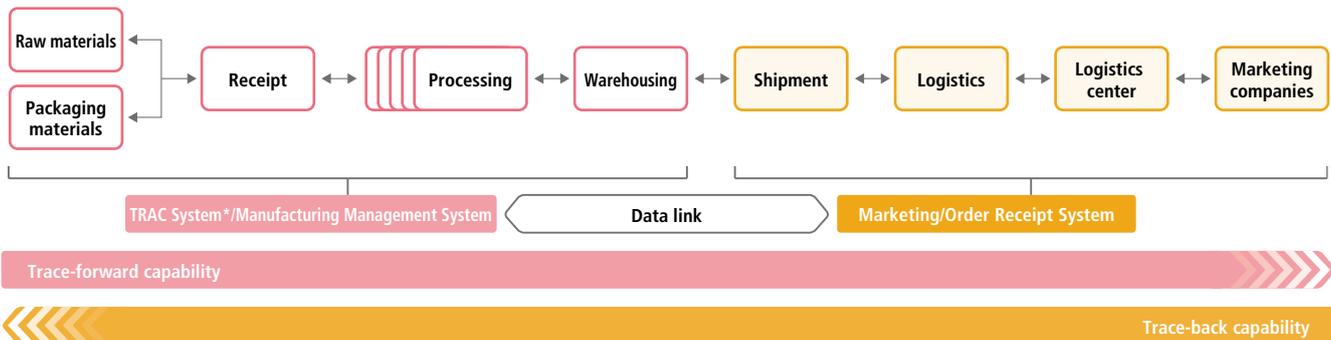
- ISO 9001: An international standard for quality management systems
- GMP (Good Manufacturing Practice): An international standard for pharmaceuticals and food manufacturing management and quality management
- HACCP: A system for assuring safety by implementing thorough hygiene management across the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

Traceability system

Each individual Yakult product package bears a recommended use-by date and a production lot code printed with an ink-jet printer. The Yakult Group's traceability system enables trace-back capability so that the manufacturing

history (raw materials, packaging materials, production situations, etc.) of specified products can be identified and trace-forward capability so that primary shipment destinations of specified products can be identified.

Traceability system



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

Active disclosure of product information

Initiatives for disclosure of product information

For many years our products have displayed allergens contained in food in the ingredients list as stipulated by law, and we now also display in a proprietary format the government-specified seven mandatory and 20 recommended ingredients for allergy labeling to make it easier for customers to be informed. This was implemented in March 2016 on our dairy products, and then is



An example list of allergens

sequentially being implemented on our juice and other beverages. We further strive to provide product information to customers in a way that is easy to understand by publishing both our ingredients and raw materials specified as allergens on our website.

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

Product quality issues

Just as in fiscal 2015, we had no product quality issues requiring autonomous product recalls during fiscal 2016.

Customer-First Principle

Role and systems of the Customer Support Center

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

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

close contact with marketing companies throughout Japan to arrange visits to and discussions with customers.

Customer feedback

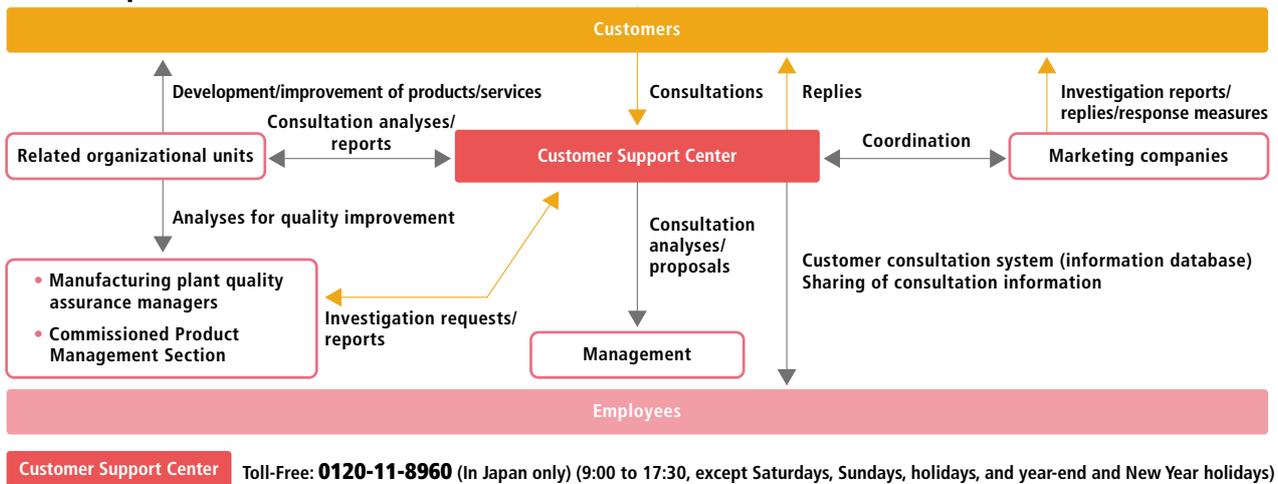
We organize our customer consultations into the categories of inquiries, applications, complaints, discontinuations/suspensions, changes and others.

In fiscal 2016, the Center received 51,158 consultations, up from 44,761 in the previous year.

Customer consultations in fiscal 2016

Type	Number
Inquiries	36,959
Applications	5,485
Complaints	4,705
Discontinuations / suspensions	1,701
Changes	409
Others	1,899
Total	51,158

Customer response flow



Initiatives outside Japan

Launch of new product in response to customer feedback

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

In Brazil, people's health consciousness and demand for food products that are low in sugar and low calorie have been growing every year. In July 2016 the company released *Yakult 40 Light*, a sugar-free product with 41% fewer calories*. After *Sofyl Light*, which was launched in January 2014, this is the second low-sugar, low-calorie product released in Brazil.

*Compared to *Yakult* and *Yakult 40*



Yakult Taiwan Co., Ltd.

Responding to the demands of the school lunch market, in June 2016 the company released *Drinkable Yogurt Light*. As well as reducing calories and sugar content to within the standards for school meals, the product has been enriched with calcium and iron for healthy bones, and is particularly recommended for children in their growth stages.

Additionally, in response to customer requests for low-calorie products, they also released *Drinkable Yogurt No Added Sugar* in July 2016.



Communication with customers

Plant and institute tours

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

During fiscal 2016, six Yakult Honsha plants, including the Shonan Cosmetics Plant, and five bottling companies hosted about 250,000 people in Japan. Tours are also actively being conducted at our plants in Hong Kong, the Philippines, Singapore, Indonesia, Malaysia, Vietnam, India, China, the United States and Europe. In fiscal 2016, a total of about 490,000 people visited our plants.

Aiming to deepen friendly relations with local communities, we annually organize festivals at our plants and invite the members of local communities to participate. During fiscal 2016, five Yakult Honsha plants and five plants of bottling companies held festivals, which a total of about 30,000 people attended.

The Shirota Memorial Museum (see p. 9) at the Yakult Central Institute is open to the general public, and welcomed about 5,000 visitors in fiscal 2016.



Visitors to the Shirota Memorial Museum at the Yakult Central Institute

Healthist journal

Healthist is a journal published six times in Japanese and one time in English per year with the objective of providing accurate and easy-to-understand information to the general public, from the newest discoveries in life science and cutting-edge research to health-related topics and useful information. Fiscal 2016 marked the publication's 40th anniversary, and featured a special on Japanese food and nutrition.



Understanding and compliance with marketing rules

Training for Yakult Ladies and Yakult Beauty Advisors

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

For continuous training and information sharing, we publish a magazine for Yakult Ladies four times per year and create posters as necessary to enhance awareness. From fiscal 2016 we have run "Sincerity Circle" study sessions at marketing companies nationwide that focus on group work for Yakult Ladies, with the goal of achieving service that exceeds customer expectations.

For Yakult Beauty Advisors, every year we distribute the *Yakult Beautiens* handbook in order to disseminate rules regarding customer visits (1. State your name; 2. Present documents such as a receipt; 3. Explain the cooling-off period; 4. Repeated solicitation and overselling are prohibited). We also produce a monthly magazine for Yakult Beauty Advisors.

Honest and responsible advertising

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

Our most important consideration when creating advertisements is to make them easy for customers to understand, and we strive to deliver our message honestly and fairly in compliance with relevant laws and the various examinations for each type of media. For our internal advertising employees, we hold workshops twice per year to educate and share the latest information about advertising.

Protecting customer personal information

Following the Act on the Protection of Personal Information fully enacted in April 2005, we established our Basic Policy for Protection and Management of Personal Information.

Following the revision of the act in May 2017, we revised the basic policy, setting guidelines that employees must adhere to in order to protect personal information.

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

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

Yakult, Dedicated to Science

Presenting various science events Science Week

Along with the opening of our new Yakult Central Institute (see p. 8) on April 15, 2016, the Yakult Group positioned fiscal 2016 as a Science Year, promoting “Yakult, dedicated to science” throughout the year. As the main event, the first week of November was defined as a Science Week that featured an Opening Conference and various science-related lectures.

Yakult Central Institute’s Opening Conference (November 1, 2016)



Panel discussion

An Opening Conference was held at the Imperial Hotel (Chiyoda-ku, Tokyo) to commemorate the completion of the new Yakult Central Institute. About 500 attendees included researchers and opinion leaders from Japan and abroad,

Yakult Group employees and the media.

The conference comprised three main parts. Part 1 was the Nature Café, a joint project with the global scientific journal Nature, while Part 2 featured a memorial lecture and Part 3 was a gala reception.

Nature Café is a science café in which people registered with the Nature website or who are journal subscribers, can participate and exchange views with top class scientists and experts, Nature editors, and journalists about a variety of fields through a global network of Nature. The invitation-only Nature Café was co-hosted with Yakult as a special project this time. The theme of the Nature Café on this occasion was “The role of microbiota in health and disease.” It included lectures by world-renowned researchers and a panel discussion with six members including the presenters, which generated lively discussion.

Yakult Shirota Conference

(November 2, 2016)



Masanobu Nanno, Managing Executive Officer, Yakult Honsha (Deputy Director of the Yakult Central Institute), explaining the history of Yakult’s research on intestinal flora

The 8th Yakult Shirota Conference was held in the Yakult Hall. The conference is a science event that was started in 1999 as part of the “Centenary of Dr. Shirota’s Birth” related events. With every conference the number of participants increases. It has become a venue for communicating our probiotics research findings to Yakult Group employees and obtaining the latest information from leading researchers, and an ideal opportunity for networking with opinion leaders.

The theme of this conference was “Exploring new avenues of possibilities in probiotics.” In addition to five memorial lectures by research facilities conducting contract research, a report on our research was also presented.

Symposium on Intestinal Flora

(November 4, 2016)



Yakult Hall filled to capacity

The 25th Symposium on Intestinal Flora was held at Yakult Hall. The symposium was held with the aim of increasing awareness of bioscience with a focus on intestinal flora, and was open to the general public.

Presentations and general discussion took place around the theme of “Intestinal microbiota and mental health,” and with the venue at full capacity the event was a resounding success. (Sponsored by the Yakult Bio-Science Foundation, supported by Japan’s Ministry of Education, Culture, Sports, Science and Technology)

Towards development together with local communities



Promoting Social Contribution Activities

Fundamental activity policy

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.

Since fiscal 2016 we have promoted activities under four key themes: "Respect local cultures and customs," "Activities for solving local issues," "Promote social contribution activities," and "Strengthen relations with local communities."

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

Dispatching guest lecturers/ health-related lectures

The Yakult Group not only delivers products to customers but also looks to be of benefit to local communities through the active provision of health-related information to people living in the area.

Our branches and marketing companies in each region of Japan dispatch guest lecturers to elementary schools and other locations, where they use scale models and other instructional tools to provide easy-to-understand information about the important role of the intestines and the importance of healthy eating habits conducive to good bowel functions. This initiative has been held in high esteem and has been reported as a good example to model in the *Journal of Japanese Society of Shokuiku*. In 2015 our program of dispatching guest lecturers received an Honorable Mention from the Judging Committee of the Awards for Companies Promoting Experience-based Learning Activities for Youth sponsored by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). In fiscal 2016, the Group conducted about 3,000 guest lectures for roughly more than 200,000 participants nationwide. Guest lectures are also being given overseas in such countries as Hong Kong, Thailand, Malaysia, India and China.

In addition, marketing company employees and Yakult Ladies in each region serve as lecturers for health-related lectures on a broad range of topics, including the importance of the intestines, probiotics and seasonal ailments, which are held at Yakult centers (Yakult Ladies sales hubs) and community facilities.

Related information pp. 14-15, Special Feature 1: Yakult Miyakononojo Sales - Towards communities where everyone can lead healthy, happy lives



Dispatching guest lecturers (Yakult Tokai Co., Ltd.)

Providing information about bowel cancer

We provide the opportunity to deepen knowledge of bowel cancer through pamphlets and a website that offer simple explanations of the disease and treatment for people suffering from bowel cancer and their families as a social contribution activity relating to the pharmaceutical business. The website features basic information on bowel cancer as well as interviews with health care professionals, Q&As about bowel cancer, and other topics, all published under the editorial supervision of a cancer specialist. In fiscal 2016 the site also provided information to the general public from a preventive medicine standpoint aiming to increase the rate of bowel cancer screenings. Since going live in March 2012, the website has been viewed by a total of over 8 million people.

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

TOPIC Cooperation with "Immunity, Wonder and its Future 2016"

For six years running, Yakult Honsha has partnered in "Immunity, Wonder and its Future," organized by the Japan Society for Immunology.

In the event, researchers belonging to the society showcase the fascination, mystery and the latest developments in immunology research to the general public (supported by MEXT). Around 2,000 children and adults participated in fiscal 2016. We gave a picture card show titled "Story about Intestinal Bacteria" using models of the intestinal tract. We explained simply about



how intestinal tract works, the functions of intestinal bacteria, how our immune system protects our body, and how to restore the balance of intestinal bacteria.

Giving a simple explanation about intestinal bacteria

Healthy Intestinal Tract Project (Yakult S.A. de C.V. (Mexico))

The topic of the digestive system is seldom covered in Mexican formal education, and few people are familiar with the way they function. Yakult S.A. de C.V. (Mexico) therefore launched the Healthy Intestinal Tract Project to communicate important information about the workings of the digestive system, the intestines, and intestinal bacteria.

Since 2014 they have produced leaflets and other materials on four topics: How the intestines and digestive system work; intestinal bacteria; *Lactobacillus casei* strain Shirota; and immunity, and have trained around 7,600 Yakult Ladies as well as all 2,500 Sales Department employees. The company is currently expanding their scope of activities to provide information to places such as schools, medical facilities, companies, and residential districts.



Establishing the Yakult Health Education Fund (Yakult (China) Corporation)

To disseminate scientific knowledge about intestinal health and health promotion, in 2016 Yakult (China) Corporation launched health-related lectures in cooperation with the Shanghai Science & Technology Museum, and established a health educational fund in partnership with the Shanghai Science & Education Development Foundation. At the commemorative address of the establishment, a lecture was given by Prof. Liping Zhao, Shanghai Jiao Tong University, who is renowned in the microbiological research field.

Running a pavilion at KidZania (Yakult (Singapore) Pte., Ltd.)

At KidZania Singapore that opened in April 2016, Yakult (Singapore) Pte., Ltd. runs the Yakult Science Lab pavilion where children can experience the job of researchers. By providing the opportunity to experience the fun and wonder of scientific research, and the joys of working, the pavilion highlights human resources as an important resource and contributes to society's efforts to educate children in Singapore.



Yakult Science Lab pavilion at KidZania Singapore

Yakult also runs KidZania pavilions in Japan, Brazil, and Indonesia.

Supporting the safety and peace of mind of communities

Courtesy Visit Activities

For more than 40 years, 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 initiative resonated with both the local Yakult marketing company and social workers in the region, and further moved many local governments to take action. As a result, these visits by Yakult Ladies, known as Courtesy Visit

Activities, have spread throughout Japan. As of March 2017, 3,090 Yakult Ladies are paying regular visits to more than 41,000 elderly people in response to requests from around 130 local governments and other institutions in Japan.

Since 2005 we have presented flowers to elderly people on Respect for the Aged Day. We deliver attractive flowers and a message card to elderly people visited. Outside Japan, Korea Yakult Co., Ltd. undertakes activities to verify the safety of about 30,000 elderly persons living alone.

Community safety watch and crime prevention activities

Being well positioned to observe every corner of their sales areas during daily delivery rounds, Yakult Ladies contribute to communities' safety and peace of mind by participating in crime watch and other activities undertaken in cooperation with 785 local governments and police units as well as other local organizations around Japan. As a result of these activities, there have been cases where Yakult Ladies have felt something was not normal at a customer's residence and reported it to the police, who have found and rescued the person.

As of March 2017, 104 marketing companies* throughout Japan have created organizations to contribute to communities' safety and peace of mind.

* Including marketing companies under holding companies

Implementing social activities with vending machines

As of the end of March 2017, the Yakult Group has installed about 51,000 vending machines throughout Japan.

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

In cooperation with Kirin Beverage Value Vendor Company, which is a partner in our vending machine operations, we are moving ahead with the installation of "Pink Ribbon" vending



machines that contribute a portion of their proceeds to the Japan Cancer Society. Our group is working to install such vending machines, and in fiscal 2016, we installed another 15 "Pink Ribbon" vending machines throughout Japan (total: 325 in operation).

"Pink Ribbon" vending machine

Backing support facilities for persons with disabilities

In cooperation with pachinko and pachislot cooperative associations in respective prefectures, we provide work opportunities to persons with disabilities staying at or visiting welfare facilities to support their participation in society. We ask them to attach stickers that include New Year and summer greetings to our products distributed to customers at pachinko and pachislot parlors. In fiscal 2016, we had the stickers attached to a total of around 1.1 million bottles at 71 facilities in 17 prefectures. Going forward, we will continue conducting this activity and look to expand the number of prefectures and facilities.

Promoting health through sports

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

Baseball clinics

Yakult holds baseball clinics throughout Japan that are run by current players from the Tokyo Yakult Swallows in the professional baseball off-season. In fiscal 2016, more than 1,200 children took part in the clinics at 10 different venues. The NPO Tsubame Sports Promotion Association was established in 2005, and holds baseball clinics and coach training through retired players from the Tokyo Yakult Swallows. In fiscal 2016, clinics and training were conducted at 29 venues and over 4,200 people participated.



Coaching by Tokyo Yakult Swallows current players

Track and field club and rugby club

The track and field club, founded in 1972, participates in different sporting events such as various ekiden (road relay races), including the New Year Ekiden as well as marathon races. Yakult running clinics have been staged annually since 1988 as a place for athletes and local citizens to come together. In fiscal 2016 about 80 people participated in the events.



Yakult running clinic

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



Tag rugby clinic

Football clinic (Yakult (Singapore) Pte., Ltd.)

Yakult (Singapore) Pte., Ltd. has launched a football clinic for local elementary school children, run in cooperation with professional local football club Albirex Niigata Singapore. This program contributes to children's health through the fun and enjoyable experience of playing football and acquiring skills.



Football clinic

Addressing poverty issues

Support for regions in poverty (Guangzhou Yakult Co., Ltd.)

In cooperation with administrative organizations, Guangzhou Yakult Co., Ltd. makes visits to enjoy cooking traditional dishes, sports and recreational events together with underprivileged residents of densely populated housing developments near its sales offices as one of its community initiatives. The company's employees also offer assistance to residents with physical disabilities, the elderly and others who have difficulty going outside in excursion activities to help them enjoy spending time outside their residence. They enjoy visiting factories, going sightseeing and other outdoor activities with Guangzhou Yakult's employees. In fiscal 2016 the company made seven visits to housing developments, and conducted nine excursion activities.

Guangzhou Yakult also contributes educational materials and daily necessities to support the large number of children in the Guangdong province suburbs who are left alone at home while both parents work away from home. They also provide scholarships for young students in particularly harsh living circumstances.



Distribution of stationery, clothing and other goods to children living in underprivileged areas

Supporting organic fertilizer production for farmers (P.T. Yakult Indonesia Persada)

As part of initiatives tackling poverty in agricultural communities around factories, P.T. Yakult Indonesia Persada supports the production of organic fertilizer in efforts to free communities from monoculture farming dependent upon chemical fertilizers, and increase yield.

Regional environmental conservation

Promoting cleanup activities (The Yakult Central Institute)

The Yakult Central Institute conducts activities aimed at ensuring harmonious coexistence within the community and the environment: including staff-run clean-up activities on the third Thursday of every month, building a landscaped public walkway around the premises, and supplying drinking water in times of disasters.



Cleanup activities

Yakult Forest: Planting one million trees (Yakult (China) Corporation)

Since 2015, Yakult (China) Corporation has participated in a public afforestation initiative in conjunction with a non-governmental organization to combat desertification in the Inner Mongolia Autonomous Area. Four-thousand trees have been planted so far.

Related information p. 38, For environmental conservation: Biodiversity Conservation, TOPIC: Efforts to conserve biodiversity

For Environmental Conservation



Tree planting activities at Hyogo Miki Plant

Promoting Environmental Management

Yakult Basic Policy on the Environment

We established organizational units focused on environmental conservation measures in 1991 and instituted its group-wide Yakult Basic Policy on the Environment in 1997. In accordance with our Environmental Philosophy and Guidelines for Activities, we are promoting environmental conservation activities throughout all our business fields.

In accordance with the basic policy stated below, we have established the Yakult Environmental Action Plan at three-year intervals since fiscal 2001. All the Yakult Group's research and development, manufacturing, marketing and office units have been moving ahead with environmental measures designed to reduce the Group's environmental impacts.

Yakult Basic Policy on the Environment

Environmental Philosophy

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

Action Directives

- 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.
- 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.
- Besides maintaining rigorous compliance with environment-related laws, regulations, and agreements, each business unit will autonomously set its own environmental standards, strive to further improve the level of its environmental management, and strive to eliminate environmental pollution risk factors before they become problematic.
- In all business activities, business units will give due consideration to the environment as well as biodiversity by promoting the reduction of environmental impacts.
 - Efforts will be made to design containers and packaging based on due consideration of such objectives as reducing the volume of resource usage and waste products associated with containers and packaging, optimizing disposal, and promoting resource recycling.
 - Regarding product manufacturing, efforts will be made to thoroughly prevent environmental pollution as well as to reduce emissions of waste products, greenhouse gases, and other problematic substances through resource and energy conservation measures. In addition, to promote the creation of a recycling-oriented society, efforts will be made to recycle waste products and utilize green purchasing methods.
 - Regarding product distribution and marketing, efforts will be made to reduce environmental impacts stemming from motor vehicles and other transportation equipment, recycle resources associated with product containers and packaging, and reuse marketing-related equipment and materials.
 - All Yakult Group offices will strive to conserve resources and energy and thereby reduce their generation and emission of waste products, greenhouse gases, and other problematic substances. In addition, they will strive to recycle waste products and utilize green purchasing methods.
 - Regarding research activities, efforts will be made to reduce environmental impacts and to thoroughly manage substances with the potential for causing environmental pollution or safety hazards.
- All employees will be thoroughly provided with environmental education, and efforts will be made to increase consciousness of environmental issues.
- Information related to environmental activities will be appropriately disclosed, and efforts will be made to communicate effectively with society at large.
- 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

Environmental management structure

The CSR Promotion Committee is responsible for formulating the Yakult Environmental Action Plan and for monitoring and evaluating the progress of environmental activities.

Every half year, the secretariat of the CSR Promotion Committee conducts a review of the results and performance of our corporate environmental activities, and uses the findings in developing plans for the following fiscal year.

A committee has been established at each of Yakult Honsha's plants and bottling companies, chaired by either the plant manager or bottling company president. The committees oversee environmental activities, including formulating annual plans, promoting environmental management programs based on ISO 14001 standards and other guidelines. Instead of each of our facilities working on their own, each year a general meeting brings together representatives of all production facilities in order to share good practices within the Group and to promote such good measures at all the facilities.

Status of Environmental Certifications

As part of our efforts to reduce environmental impacts associated with our production and distribution activities, the Yakult Group is promoting initiatives to acquire ISO 14001 certification at Yakult Honsha plants, the Yakult Central Institute, bottling companies, marketing companies, and group companies outside Japan. With the Okayama Wake Plant, which began full-scale operations in February 2015, acquiring certification in December 2016, all Yakult Honsha plants and bottling companies in Japan have now acquired ISO 14001 certification.

Status of ISO 14001 Environmental Certification

(number of certified sites)

	ISO14001
Yakult Honsha plants, bottling companies in Japan, and Yakult Central Institute* ¹ (13 sites in total)	13
Sales companies in Japan (103 sites in total)	17* ²
Plants outside Japan (26 sites in total)	5* ³

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

*2. Includes branches that have acquired the certification.

*3. Includes one marketing company.

WEB For details about certification, please visit:

<http://www.yakult.co.jp/csr/governance/index.html> (Japanese)

Yakult Sustainable Ecology 2020

Because of the fundamental nature of environmental measures, we believe that such initiatives must be implemented in a sustained manner along with our business activities. To focus on the realization of longer-term environmental objectives, we instituted Yakult Eco Vision 2010 in fiscal 2003. We also created in fiscal 2012 Yakult Sustainable Ecology 2020, which focuses on our continued environmental initiatives toward a sustainable global environment.

Realization of a low-carbon society

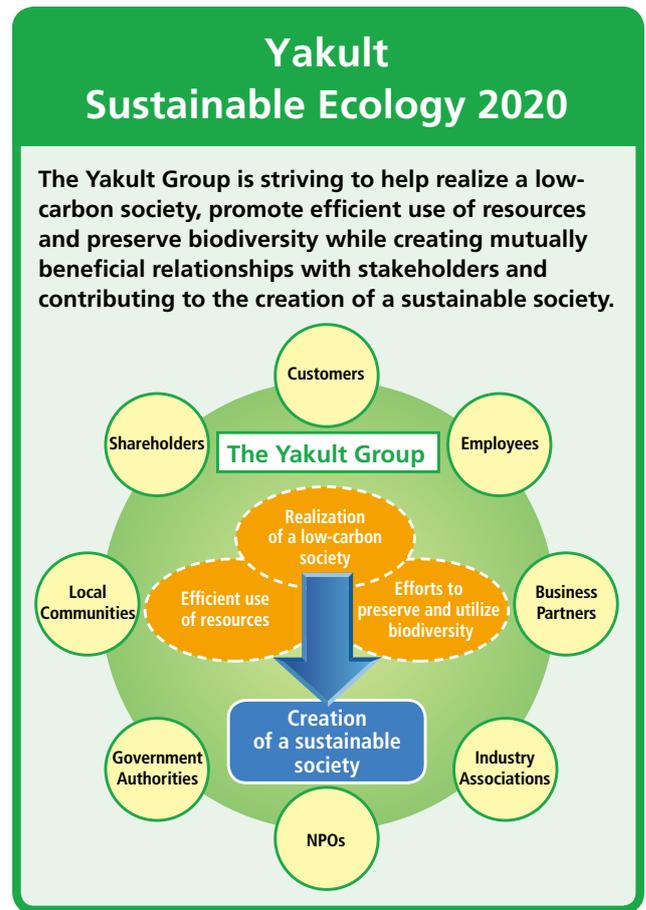
Proactively reduce greenhouse gas emissions to realize a low-carbon society

Efficient use of resources

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

Efforts to preserve and utilize biodiversity

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



Yakult Environmental Action Plan: Overview of Phase 6 Plan action targets

In the Phase 6 Plan, we formulated the following plan for which we implemented activities from April 2016, adding the key issues of water resource conservation and ensuring environmental considerations for containers and packaging.

Although some targets were not met in fiscal 2016 due in part to increased production volumes and the commencement of operations of new facilities at the Yakult Central Institute, we will continue to make group-wide efforts to meet future targets.

Yakult Environmental Action Plan — Phase 6 Plan action targets (Period: April 1, 2016 to March 31, 2019)

Action item	Action target
1. Reduction of greenhouse gas (CO ₂) emissions	Reduce CO ₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2018*
2. Reduction of waste emissions and promotion of recycling	(1) Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2018
	(2) Promote a recycling rate for food waste of at least 85%
3. Conservation of water resources	Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018
4. Preservation of biodiversity	(1) Support and participate in environmental conservation activities
	(2) Promote education related to biodiversity
5. Environmental consideration for containers and packaging	(1) Reduce material consumption in containers and packaging
	(2) Minimize environmental impact by substituting materials used for containers and packaging
	(3) Utilize eco-friendly plant-derived materials used for containers and packaging

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

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

Environmental Accounting

Yakult's environmental accounting system

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

Purpose of the system

1. Clarify the cost-effectiveness of environmental conservation expenses and employ cost-effectiveness 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, 2016 through March 31, 2017

Noteworthy features

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

Economic accounting performance

(millions of yen)

Item	Main activities	FY2015			FY2016		
		Investment	Expense	Total	Investment	Expense	Total
(1) Business area costs	1. Pollution prevention costs	80.3	240.8	321.0	47.7	219.8	267.5
	2. Global environment preservation costs	470.4	10.4	480.7	1,447.0	16.9	1,463.9
	3. Resource recycling costs	44.4	81.0	125.5	67.9	87.9	155.8
(2) Upstream/downstream costs	Containers and Packaging Recycling Act commissioned recycling fees, vending machine overhaul	0	209.5	209.5	0	214.8	214.8
(3) Administration costs	Plant grounds green area management, environmental management system renovation and maintenance, CSR Report, environmental impacts monitoring expense, employee environmental education program expense	0.7	109.0	109.7	0.5	103.0	103.5
(4) R&D costs	Consideration of improvements to containers and packaging	0	10.2	10.2	0	12.0	12.0
(5) Social activity costs	Plant vicinity cleanup campaign, donations to organizations engaged in environmental protection activities	130.9	5.9	136.8	0	4.9	4.9
(6) Environmental remediation costs*	Pollution load levy	0	0	0	0	0.2	0.2
Total		726.7	666.9	1,394.0	1,563.1	659.3	2,222.4

* 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.

Economic benefits associated with environmental conservation measures

(millions of yen)

Type of benefit	FY2015	FY2016
Reduction of waste disposal costs associated with recycling	0	0
Income from recycling	5.5	4.2
Cost reductions resulting from resource conservation	0.3	2.3
Cost reductions resulting from energy conservation	22.4	37.8
Cost reductions resulting from packaging weight reductions	3.8	12.0
Cost reductions resulting from the overhaul and reuse of vending machines	154.3	106.7
Gains resulting from green purchasing	0	0
Others	0	0
Total	186.3	163.0

Looking at environmental accounting results, the Company's total environmental investments and costs were approximately ¥830 million higher than the previous fiscal year. The increase in investments was approximately ¥840 million. The major reason for this was that the ice bank refrigeration systems were upgraded.

The level of economic benefits was down by approximately ¥23 million compared with the previous fiscal year. This was due to the fact that, although cost reductions were achieved as a result of energy-saving measures and packaging weight reductions, there was a decrease in the number of vending machines overhauled, resulting from an increase in the number of shared vending machines operated by our business partner, Kirin Beverage Value Vendor, Ltd.

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 2016 and a medium- to long-term plan for the period beginning from fiscal 2017.

The Company's total energy use during fiscal 2016 amounted to 27,331 kiloliters on a crude oil conversion basis, up 172 kiloliters from the previous fiscal year (99.4% compared with energy use per production unit of the previous fiscal year). The main reason for this was an increase in energy use resulting from commencement of operations of new facilities at the Yakult Central Institute.

The level of greenhouse gas emissions generated as a result of energy use was 54,930 tons, which was 609 tons lower than the previous year. The main reasons for this include bringing online the cogeneration system at the Hyogo Miki Plant and improvements made in the emissions factors achieved by electric power suppliers.

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.

Food Recycling Law

All Yakult Honsha business sites are striving to reduce the volume of their food waste and promote recycling of such waste. In fiscal 2016, the volume of food waste generated was 341.3 tons, and recycling and other measures were undertaken for 92.2% of this waste. The Company also submitted a periodic report for fiscal 2016.

Food waste reuse performance (fiscal 2016)

Volume generated (t)	Volume reused (t)	Reuse, etc. rate (%)	Reuse applications
341.3	314.1	92.2	Fertilizer, animal feeds, etc.

Containers and Packaging Recycling Act

The Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (Containers and Packaging Recycling Act) was instituted in 1995 and revised in June 2006, with the revised law taking full effect in April 2008. As a manufacturer, the Company has previously been obligated to undertake product recycling processes, and has initiated additional measures regarding 3R (reduce, reuse, and recycle) promotion and the start of the system for making payments to the municipal governments handling sorted waste processing.

The amount of commissioned recycling fees and payments by the Company in fiscal 2016 amounted to approximately ¥200 million.

Container and packaging obligatory recycling volume (fiscal 2016)

Container and packaging type	Obligatory recycling volume (t)
Glass bottles	330
PET plastic bottles	99
Plastic containers and packaging	5,454
Paper containers and packaging	108
Total	5,991

PRTR Act

Japan's Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Act) took full effect in April 2003. It requires that companies measure the volume of their emissions of specified substances, 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 scope of Yakult Honsha's reporting obligation in fiscal 2016 includes only chloroform. The Tokyo Metropolitan Ordinance on Environmental Preservation, which took effect in October 2001, requires that reports be submitted with respect to chemical substances handled in annual volumes of 100 kilograms or more. In fiscal 2016, the scope of the Company's mandatory reporting based on that ordinance included seven substances.

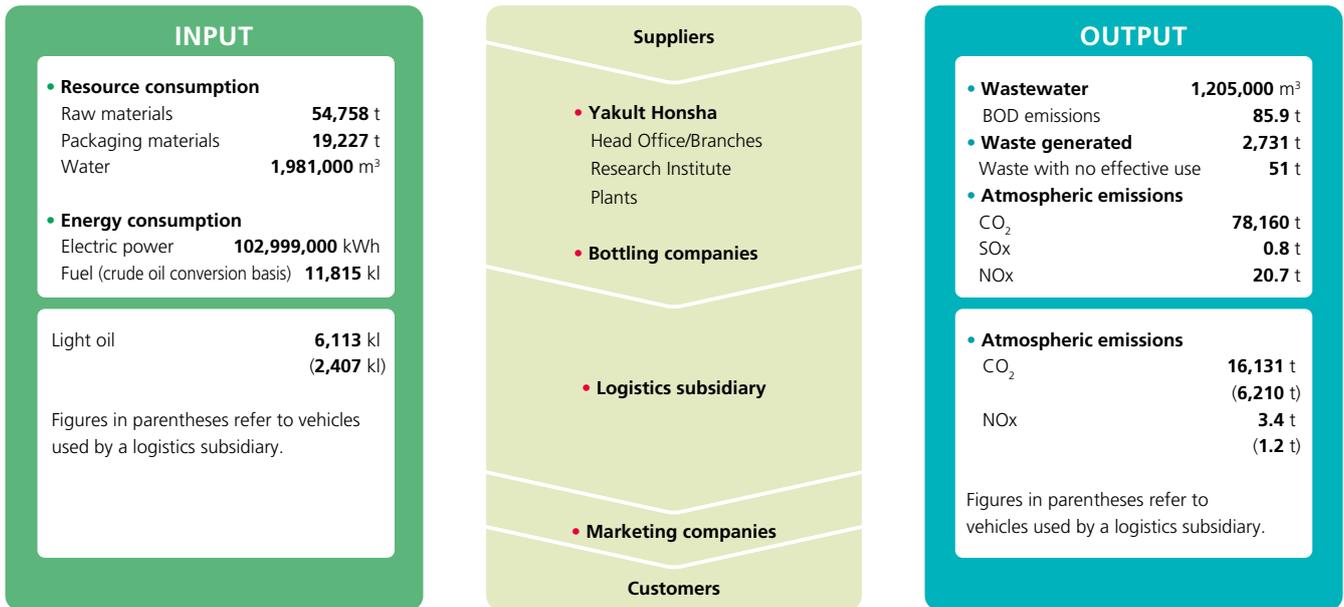
Substances used by the Yakult Central Institute (Kunitachi City, Tokyo) subject to reporting requirements based on the PRTR Act and the Tokyo Metropolitan Ordinance on Environmental Preservation (fiscal 2016)

Chemical	Amount handled (kg/year)	Amount released (kg/year)	Amount transferred (kg/year)	PRTR Act	Tokyo Metropolitan Ordinance
Chloroform	1,100	1.1	1,100	○	○
Methanol	1,100	48	1,100		○
Hexane	530	53	480		○
Ethyl acetate	430	12	420		○
Acetone	110	1.2	110		○
Sulfuric acid	310	0	0		○
Xylene	150	0	150		○

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

Environmental Impacts of Business Activities

From production through delivery (fiscal 2016)



Identifying and reducing major environmental impacts

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

Production

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

Logistics

The transport of products manufactured in plants and bottling companies is primarily handled by a logistics subsidiary. As the Company has designated shipper status in accordance with Japan's revised Act on the Rational Use of Energy (Energy Conservation Act), we are required 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 it promotes eco-driving methods to further reduce its CO₂ emissions.

Marketing

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

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

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

Recycling

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

Realizing a Low-carbon Society

Measures at Yakult Honsha plants and bottling companies

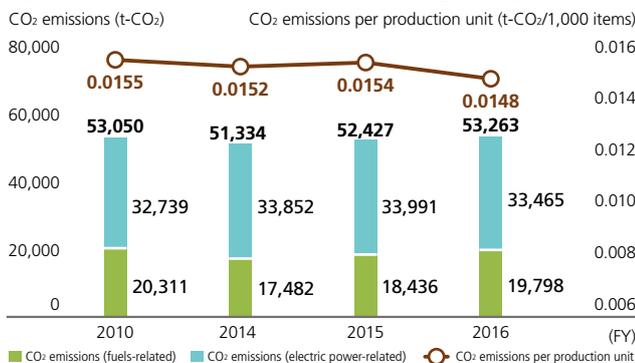
At Yakult Honsha's seven plants and five bottling companies, energy and resource conservation activities have been stepped up with the goal of attaining objectives and targets based on the ISO 14001 standard.

In fiscal 2016, we further reduced our energy use as a result of successfully bringing online the gas-engine-driven cogeneration system installed the previous year at the Hyogo Miki Plant. We also implemented a number of other initiatives to reduce our consumption of electricity, fuel and water, including by replacing mercury vapor lamps and fluorescent lights with more energy-efficient LED lighting.

Due to factors that included the effects of increased production volumes, CO₂ emissions in fiscal 2016 increased by 0.4% over the levels of fiscal 2010, the base year of the phase 6 plan action targets of Yakult Environmental Action Plan (with, specifically, a 2.5 % decrease in emissions associated with fuel use and an increase of 2.2% in emissions associated with electric power use), but CO₂ emissions per production unit were decreased.

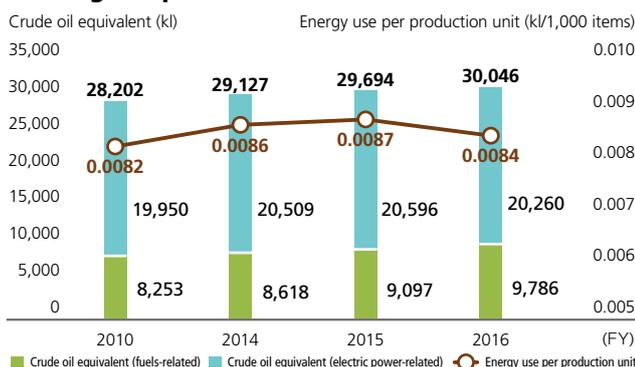
*For emissions factors associated with electric power, data is calculated using end-user CO₂ emission intensity for the end of fiscal 2010 as reported by the Federation of Electric Power Companies of Japan.

CO₂ emissions and CO₂ emissions per production unit by Yakult Honsha plants and bottling companies



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

Trends in energy use by Yakult Honsha Plants and bottling companies



LCA of Yakult products

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

Measures at the Yakult Central Institute

We have installed solar power generation equipment (with a capacity of approximately 110 kW) at the Yakult Central Institute as one of our initiatives to reduce environmental impact.

The amount of electricity generated in fiscal 2016 was roughly 104,000 kWh, which allowed us to reduce annual daytime electric power consumption by 1%.



Solar power generation facilities at the Yakult Central Institute

Initiatives at our plants outside Japan

We are working on environmentally responsible production not only at our plants in Japan, but also at our plants overseas. In order to reduce CO₂ emissions, we have been promoting environmental management at each of our plants, and have taken measures to introduce energy-saving equipment, such as natural gas boilers that have superior energy efficiency, as well as equipment that allows for fine-tuning its operations according to the volume of steam used for our production lines.

CO₂ emissions in fiscal 2016 were approximately 163,000 tons, an increase of 8.7% from the previous year due to increases in production volumes. Emissions per production unit were 0.203 tons per kiloliter, which represented an increase of 2.5% compared to the previous year. (Values for some factories are estimated based on overall results for other plants.)

Tianjin Yakult Co., Ltd.

With the installation of energy-saving heat exchangers in work areas, the company is striving to achieve energy conservation while providing a comfortable work environment. Additionally, it is working to further save energy through installing high-efficiency fluorescent lamps that are 20% more efficient than ordinary fluorescent lights, and by having managers turn off unneeded lighting as they make their regular rounds.

Yakult Taiwan Co., Ltd.

The company is working to reduce electricity use through upgrading to LED lighting, as well as through installing motion sensor-activated lighting for rest rooms and changing rooms. As one of other efforts to reduce its environmental impacts, it installed a solar power generation system on the roof of its newly constructed building for plant visitors.

Hong Kong Yakult Co., Ltd.

For its efforts to reduce electricity use, the company introduced highly energy-efficient industrial pumps for cooling water at its production facility, and also switched the lighting in refrigerator facilities to LED lighting.

It is also promoting company-wide environmental initiatives such as the introduction of hybrid trucks that meet the Euro 6 standards for exhaust emissions*.

*The Euro 6 standards for exhaust emissions are EU regulations which stipulate limits for emissions of air pollutants from vehicles.



Energy-efficient industrial pump for cooling water



Hybrid truck



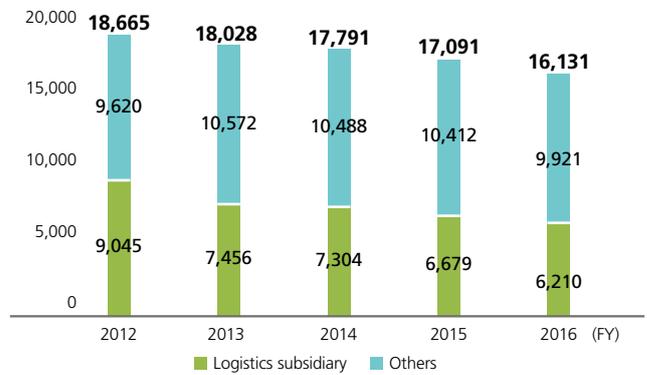
* Green Management Certification is obtained from the Foundation for Promoting Personal Mobility and Ecological Transportation, which evaluates business units' implementation of measures based on the Foundation's Green Management Promotion Manual and certifies that the business units have achieved a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



Green Management Certification

CO₂ emissions from logistics

CO₂ emissions (t-CO₂)



Implementing Eco-driving

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

At its sales offices, the company is moving away from the use of CFC-based refrigerants, by phasing-in refrigeration equipment that utilizes refrigerant gases having an ozone depletion potential of zero. It installed these new systems at 112 of its sales offices during the three-year period from the end of 2013 through 2016. The company aims to have this type of equipment installed at all of its sales offices by fiscal 2020.

Initiatives at our logistics

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

Our logistics subsidiary has obtained Green Management Certification* for each of its marketing offices and is striving to continuously reduce the environmental impacts of its operations by rigorously practicing such eco-driving methods as those involving the operation of vehicles at speeds that maximize fuel economy and making efforts to minimize the time periods in which vehicle engines are allowed to idle.

Japan's revised Energy Conservation Act has required companies to annually reduce its energy use per unit of freight by an average of 1% or more, and we achieved a 1.1% average annual reduction during the five-year period through fiscal 2016 with a base year of fiscal 2012.

Renewing Eco-Rail Mark Certification and acquiring the Eco-Ship Mark

We are promoting a modal shift as one of our efforts to reduce environmental impact.

On February 26, 2015, we received company-wide and product-based certification* under the Eco-Rail Mark system, gaining recognition as a company that introduces environment-conscious rail freight transport at a level exceeding the Eco-Rail Mark's standard. After the end of the initial two-year certification period, we reacquired certification in February 2017.

Further, for our initiative to promote ocean freight transport, we were certified under the Eco-Ship Mark system, on April 26, 2016.

CO₂ emissions from the use of rail freight transport are one-eighth 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.

* Products certified: Toughman, Bansoreicha, Coffee Time, Kininaruyasai and Menkyokaiden



Eco-Rail Mark



Eco-Ship Mark

Effectively Using Resources

Promoting water resource conservation

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

Effective use of water resources

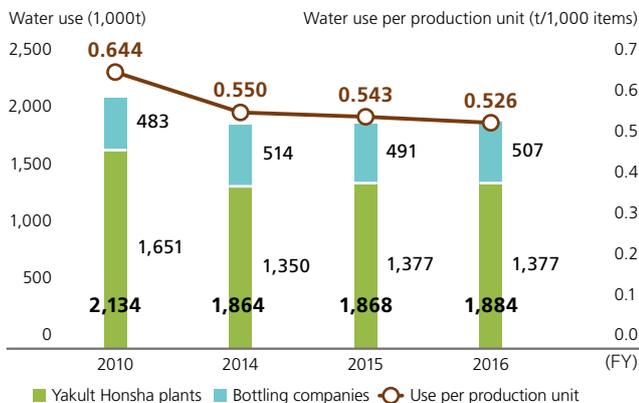
We use water in our various operations at Yakult Group plants, not only as a raw material in products but also to clean production equipment and cool products and machinery.

In fiscal 2016, Yakult Honsha plants and bottling companies used approximately 1.88 million tons of water in total (Yakult Honsha plants: approx. 1.38 million tons, bottling companies: approx. 0.51 million tons). As a result of the reorganization and consolidation of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to save water at each plant, we have reduced water use by 11.7%, thereby successfully achieving the Phase 6 Plan action target of the Yakult Environmental Action Plan: at least 10% below the level in fiscal 2010.

A number of key measures are undertaken at each plant to save water. For instance, rainwater is stored in tanks and used to water vegetation, while water that can be reused from the amount emitted from the facilities is employed to cool machinery.

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

Water use and use per production unit



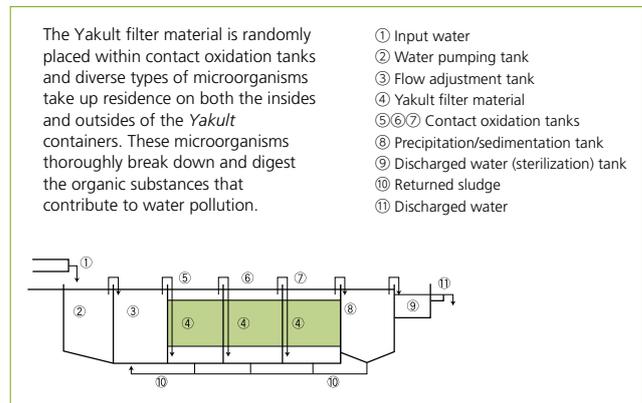
* Water use per production unit is calculated using data of bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

Yakult A&G Water Purification System

For the purpose of purifying wastewater, the dairy product plants of the Yakult Group have introduced the Yakult A&G Water Purification System. This system uses *Yakult* containers with the bottoms removed (Yakult filter material) as tools for culturing microorganisms that break down contaminants. One of its most noteworthy characteristics is that the system reduces the excess sludge generation volume to a level about one-twelfth of the level typically seen with conventional activated sludge processing systems. The running cost can be reduced to about half the level of conventional activated sludge processing systems, and superior maintenance ease is another merit of this system.

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

Structure of the Yakult A&G Water Purification System



Initiatives at companies outside Japan

The amount of water used at our plants outside Japan in fiscal 2016 was approximately 3.91 million tons, an increase of 3.2% from the previous fiscal year due to increases in production volumes. However, water use per production unit was 4.85 tons per kiloliter, representing a decrease of 2.8% compared to the previous fiscal year. (Values for some plants are estimated based on overall results for other plants.)

Guangzhou Yakult

By reusing the water used for reverse cleaning of water treatment equipment to clean pallets and for other means, we save about 450 tons of water every month.

Related information pp. 18-19, Special Feature 3: Reducing water usage throughout the Group

Reducing waste

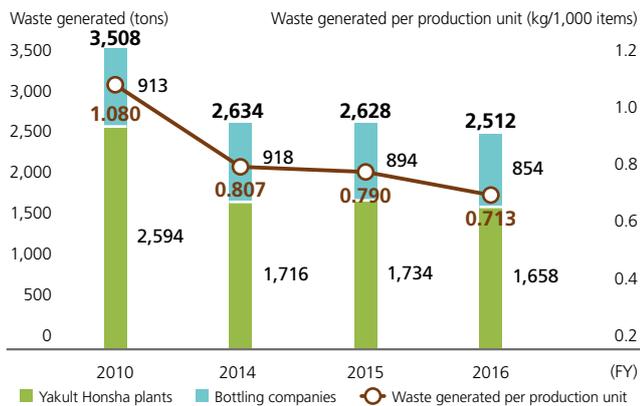
Initiatives to reduce waste and sustained zero emissions performance

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

Waste generated by Yakult Honsha plants and bottling companies in fiscal 2016 totaled approximately 2,512 tons (approx. 1,658 tons for Yakult Honsha plants and approx. 854 tons for bottling companies). As a result of the reorganization and consolidation of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to reduce waste generated at each plant, we successfully met the target for waste reduction, with a decrease in total waste volumes of 28.4% compared to fiscal 2010, the base year for the Phase 6 Plan action target of Yakult Environmental Action Plan.

We also strive to further promote the reuse of packing materials and introduce returnable containers used at the plants, and have changed 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.

Waste generated at Yakult Honsha plants and bottling companies



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

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

	Waste Amount (t)	Recycled Amount (t)	Recycling Rate (%)
Sludge	836.5	829.4	99.1
Paper waste	486.1	486.1	100
Waste plastic	791.0	791.0	100
Scrap metal	253.3	253.3	100
Vegetable residues	28.6	24.3	85
Glass fragments	7.8	7.7	99.5
Cinders	73.3	63.0	86
Oil	21.7	21.7	100
Wood chips	2.1	2.1	100
Rubber waste	1.3	1.3	100
Others	11.0	11.0	100
Total	2,512	2,490	99.1



Eco station at Fukushima Plant

Curbing and sorting waste at the Head Office building

At the Head Office building, we encourage our employees to reduce waste generated in the office and promote separation and collection of waste. The total amount of waste generated fluctuates up and down each fiscal year depending primarily on waste generated from the archive room, we are committed to properly separating and collecting waste to facilitate recycling. Specifically, we have introduced wastepaper-sorting boxes on each floor and individual garbage bins for each kind of waste. On top of this, we are working to promote resource recycling by actively utilizing toilet paper and paper towels made from recycled materials. In order to raise employees' awareness of these efforts, we constantly provide educational e-learning programs and other useful information via the company intranet.

Appropriate management and recycling of waste at the Yakult Central Institute

The institute generates a wide variety of waste in its research. The waste is separated and collected properly at the Institute, and the final disposal of waste is conducted by licensed waste disposal contractors. The fiscal 2016 recycling rate for the Institute was 87%.

In fiscal 2016 we conducted on-site inspections of nine licensed waste disposal contractor facilities among 20 contractors providing services to the Institute, and confirmed that waste disposal was being carried out appropriately. In addition, we held on-site tours of waste disposal facilities, which offered participants to deepen their understanding of proper waste disposal.



On-site tour of a waste disposal facility

Environment-conscious design and distribution

Eco-friendly packaging and other measures

In January 1995, we instituted our Basic Policy on Environment-Friendly Containers and Packaging, which stipulated the fundamental goals of ensuring the safety of containers and packaging, reducing the amount of packaging used, optimizing processing/disposal processes and promoting resource recycling. At the same time, we instituted our Container and Packaging Environment-Friendliness Evaluation Standards to more concretely guide efforts made in accordance with the basic policy to design containers and packaging with low levels of environmental impact for our products, beginning with dairy products and also other food and cosmetics.

We are continuing our reviews to verify these evaluation standards and make them more sophisticated in light of changes in laws and regulations, progress in recycling technologies and other factors.

In fiscal 2016 as well, we reviewed the means of promoting the 3Rs (reduce, reuse and recycle) of containers and packaging, including shipping forms of our products and packaging materials.

Environment-conscious containers/packaging

Biomass shrink labels for PET plastic bottles

Starting in fiscal 2014, we have worked with container manufacturers to develop and test new technologies for using biomass shrink labels for PET plastic bottles. These labels are made with biomass-derived plastic, of which at least 50% is comprised of plant-derived raw material, a renewable resource, and which boasts exceptional environmental suitability, particularly in terms of curbing CO₂ emissions and reducing consumption of petroleum and other resources.

Products currently utilizing biomass shrink labels:

- Bansoreicha* (500ml, 1L and 2L PET bottle)
- Bansoreicha Kobashifumi* (500ml PET bottle)
- Mineral Charge* (500ml PET bottle)
- Sappari Shirobudo Sparkling* (265ml PET bottle)
- Sappari Pineapple Sparkling* (265ml PET bottle)

Streamlined containers and packaging and reduced consumption

In fiscal 2016, we reduced by approximately 10% (2.6 g/unit) the weight of the 280ml PET plastic bottle used for *Ocha* (for cold drinking), *Sappari Ringo* and Yakult's milk drink *Milouge 280*, thereby reducing our usage of plastics by 26.5 tons annually (with an accompanying reduction in CO₂ emissions of 41.8 tons).

Also, through changing the shape of the outer cardboard box used for our products *Sofuhl*, *Sofuhl Genki Yogurt*, *Joie* (Yogurt Cup) and *Cup de Yakult*, we reduced consumption of cardboard (by 2 to 4 g/sheet), for a total reduction of 12.8 tons (thereby reducing CO₂ emissions by 11.4 tons).

Various initiatives at marketing stages

During fiscal 2016, we worked to promote the recycling of used containers collected from suppliers. Our efforts include further promoting introduction of route delivery trucks that are equipped with a dedicated space to facilitate the separated collection of waste and promoting to retrofit route delivery trucks with container collection spaces attached to their roofs.

Since fiscal 2007 we have been introducing nonfluorocarbon vending machines that employ natural refrigerant (CO₂) that has a very low global warming potential and hybrid heat-pump-type vending machines that have the potential for generating significant energy conservation benefits. We have continued to promote energy conservation in fiscal 2016 by expanding installation of vending machines incorporating greater power-saving functions. In addition, we overhaul and reuse old vending machines in an effort to effectively utilize equipment and reduce waste.

Also, we introduced electric vehicles (COMS) in our home delivery service by Yakult Ladies to reduce CO₂ emissions. As of March 2017, 1,221 vehicles have been introduced in total. In our pharmaceutical business, marketing representatives are using fuel-efficient hybrid vehicles (excluding certain areas).

Introduction of environment-friendly sales equipment (fiscal 2016)

Item	Number introduced
Route delivery trucks with internal container collection spaces	92
Route delivery trucks with roof-mounted container collection space	9
Empty container collection boxes for vending machines	406
Heat-pump-type vending machines (incl. hybrid heat-pump-type ones)	972
Overhauled vending machines	220
Electric vehicles (COMS)	360



Electric vehicle (COMS)



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



Hybrid heat-pump-type vending machine

Biodiversity Conservation

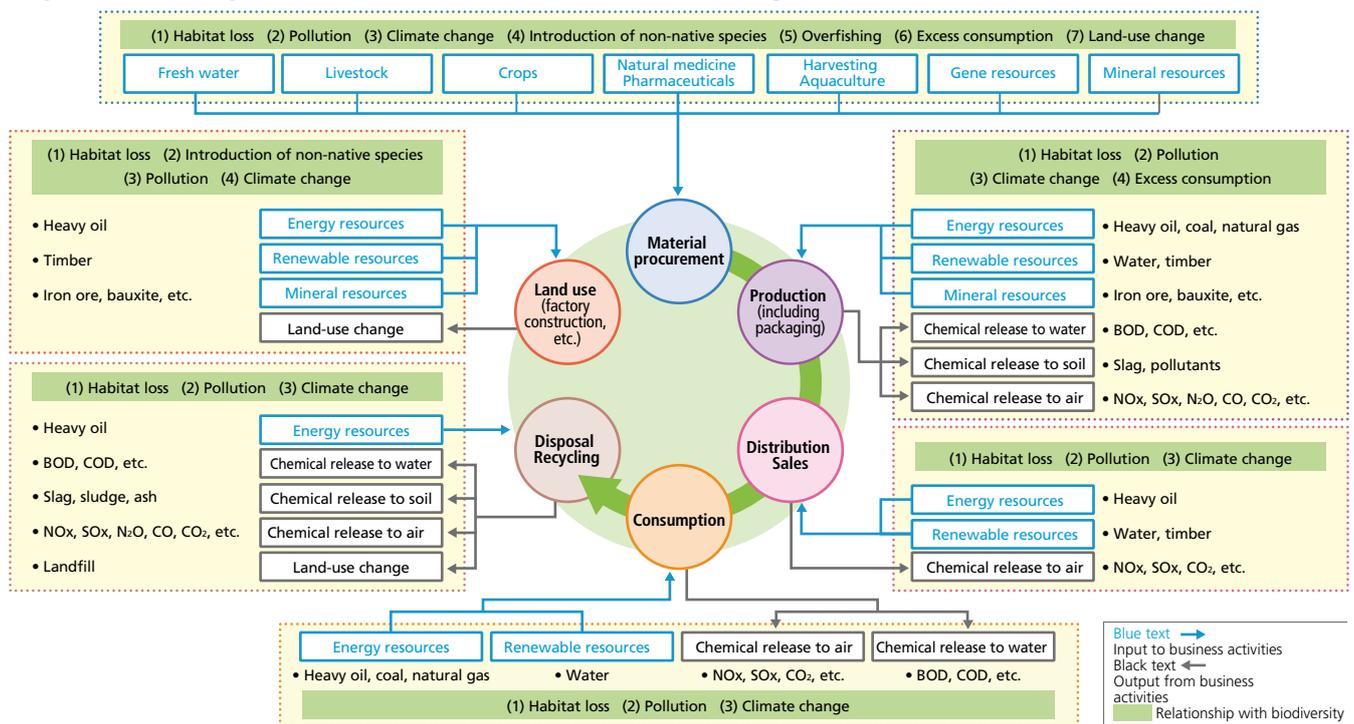
Biodiversity, a key issue for Yakult

Yakult produces products using lactic acid bacteria, a gift of nature. 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.

Our business and biodiversity

At each step of our business activities (material procurement, production to disposal, and recycling), we identify our dependency and our impact on the environment, and then clarify the relationship between business activities and biodiversity to promote initiatives that take biodiversity into account.

Map of relationship between business activities and biodiversity



TOPIC Efforts to conserve biodiversity

Producing green vegetable juice without pesticides and chemical fertilizers (Yakult Health Foods)

Yakult Health Foods produces green vegetable juice using young barley leaves and kale exclusively from the Kunisaki Peninsula Usa area of Oita Prefecture, which is recognized as a Globally Important Agricultural Heritage System. The vegetables are raised by trusted contract farmers, who do not use pesticides or chemical fertilizers. We have established a high-quality and stable production base, through measures such as regularly exchanging opinions and holding cultivation training sessions with all of our contract farmers, as well as conducting research on organic fertilizers suitable for cultivation.



Contract farmers

Afforestation around the factory (P.T. Yakult Indonesia Persada)

Deforestation in Indonesia has become a serious global concern, and the destruction of forested areas due to illegal logging in the national park near the company's Sukabumi Plant has also been identified as a factor contributing to increased risks of disasters from flooding and landslides. To contribute to the greening of this area, we have been carrying out afforestation activities starting in fiscal 2015. In fiscal 2016, we donated 8,800 tree seedlings to NGOs and 5,000 seedlings to residents living near the factory.



Donation of seedlings to NGOs

Related information p. 27, Towards development together with local communities — Regional environmental conservation

Boosting motivation and respecting human rights



Creating a Workplace that Motivates Employees

Our approach to human resources

We promote optimal personnel assignment based on abilities, aspiration, and aptitude, and regardless of age, gender, or educational background. We particularly give special priority to fostering personnel who can excel in our growing international business and other global capacities.

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

A personnel system to bring out motivation

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

Self-Reporting, In-House FA (Free Agent) system

In our Self-Reporting system, employees state their personal opinions and desires concerning job details, skills development, placement and transfer once a year, with the aim being to increase our employees' jobs satisfaction.

The In-House FA (Free Agent) system, which enables employees to announce their desire to shift to a new position, helps those employees move to new workplaces where they can make the most of their individual capabilities at a higher level with greater motivation, which leads to organizational dynamism.

Career Course Switch System

The Career Course Switch System is designed to enable employees to switch to the career course they desire following a set number of years of experience, enhance the levels of employees' missions and motivation by encouraging individual career development after joining the company and create dynamic workplaces full of vitality. The system serves

to draw out the motivation and maximize the potential of employees. Since it was introduced in 2005, about 20 employees every year change their career courses of their own volition and set about meeting the challenges of new career development paths.

Job Rotation System

The Job Rotation System is designed to help assess employees' aptitudes and facilitate employees' long-term career development. Employees hired for the career track work mainly in administrative and sales are transferred to new positions at roughly three-to-four-year intervals, thereby experiencing work in three organizational units within 10 years. By experiencing various works in different locations at marketing departments, administrative departments, other departments and overseas offices, employees expand the horizons of their experience in a balanced manner and gain an understanding of their own aptitude, which enable them to build their careers.

Providing an enjoyable working environment

Improving employee satisfaction

Recognizing that our employees have diverse working styles, abilities and values, we strive to create an enjoyable working environment where each employee can make the most of their individual strengths. Additionally, as part of our efforts to provide a better work environment, we promote the health of our employees from the perspective of health management.

Improving the working environment for Yakult Ladies

The Yakult Group has been supporting women to work outside the home from early on, and we strive to provide a supportive working environment for Yakult Ladies. In recent years, the introduction of the COMS electric vehicles has reduced the physical demands of delivery work, while also reducing CO₂ emissions. We have also successfully shortened the time needed for work through the introduction of portable computing devices (such as the iPod touch).

Promoting Diversity

Fundamental philosophy of diversity promotion

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

Empowerment of female employees

A material issue in our human resource strategy concerns the empowerment of female employees, not only in response to the problems of an aging population and a declining birthrate plus a decline in the productive population, but also since the home delivery of our products, our core business, is supported by female employees.

We formulated an action plan in line with the Act on Promotion of Women’s Participation and Advancement in the Workplace that was enforced in April 2016. The fundamental philosophy of the plan can be summarized in the following three points.

Fundamental philosophy

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

In keeping with this, we have been implementing a number of supportive policies and the percentage of women in managerial positions continues on an upward trend. In fiscal 2016, women accounted for 6.0% of managers within Yakult Honsha.

Going forward, we will expand and enhance our systems offering a sustainable balance between work and home life not only for existing female managers but also to increase the number of women at the assistant manager level who are candidates for managerial positions. We will also promote use of the Career Course Switch System and enhanced career training to achieve this goal. The numerical targets set by Yakult Honsha are as follows.

Numerical targets

1. Career-track female employees serving at the assistant manager level as of fiscal 2020: 100 (57 as of March 2017)
2. Portion of female employees serving at the assistant manager level as of fiscal 2020: 30% (24.6% as of March 2017)

Number and rate of female managers (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Number of female managers	32	33	40	44	44
Rate of female managers (%)	4.2	4.3	5.3	6.1	6.0

Employment of persons with disabilities

We actively promote the recruitment of persons with disabilities. Employees with disabilities receive support in their workplaces, and make the most of their skills and individual strengths in their work.

Employment of persons with disabilities is on an upward trend in medium and long term, and since fiscal 2015 we have exceeded the statutory target employment rate of 2.0%. Going forward, in addition to complying with legally mandated targets, we will continue to actively employ persons with disabilities, promoting to build an inclusive work environment for all employees.

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Rate of employees with disabilities (%) (annual average)	1.84	1.98	1.99	2.20	2.11
Legally mandated employment rate (%)	1.8	2.0			

VOICE

Working with peace of mind

I am mainly involved in contract review work. I use a hearing aid and have no problem when having discussions with people face-to-face, but I get some assistance with telephone conversations and meetings. Because my coworkers have an understanding of people with disabilities, we are able to carry out our daily work with peace of mind, and I feel a sense of fulfillment in my work.



Mr. Tsuzuki
Legal Department
Yakult Honsha Co., Ltd.

Continuous employment system

Given the need for Japan to respond to the social challenges of a declining birthrate and aging society, it is essential to make the most of the ability of senior citizens, giving them ways to guide and mentor younger generations. We have therefore introduced a system for employment until age 65 for those employees meeting certain criteria including successful personnel evaluations at the time of retirement age. For others, we introduced a system for the reemployment of any personnel, in principle, who desire to continue working up until they reach the age that they receive their pension payments (earnings-related component). In fiscal 2016, 27 of the 33 persons who reached retirement age continued working under this program.

Promoting Work-life Balance

Fundamental philosophy of work-life balance

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

Promoting the use of annual allotments of paid holidays

To promote employees’ use of their annual allotments of paid holidays, Yakult Honsha has created a system that encourages the use of a paid holiday by each employee on his or her birthday and anniversary, as well as for volunteer activities. Going forward, we will push ahead with the creation of work environments in which it is even easier to take annual allotments of paid holidays.

Rate of using annual allotment of paid holidays (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Rate of using annual allotment of paid holidays (%)	47.7	50.6	53.0	55.5	58.9

Reductions in long work hours

In order to reduce long work hours, the Group has established regular “no overtime days.” In fiscal 2016, workshops on the theme of “reducing long working hours” were held at all sites in Japan to promote understanding of the importance of managing work hours and the necessity of operational efficiency. Going forward, we will promote “work style reform” by strengthening efforts to reduce long working hours through employee training and the promotion of operation improvements.

Average overtime hours per month (per person) (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Average overtime hours (per month)	10.2	9.7	8.7	8.9	8.9

Training related to work-life balance

In order to promote initiatives related to work-life balance across the organization, Yoshie Komuro, CEO of Work Life Balance Co., Ltd. and a leader in promoting a better work-life balance, has been invited to give speeches at training workshops for directors and employees. Subsequent to this, we have been continuing to increase awareness related to work-life balance through such means as e-learning for all

employees and training workshops for newly appointed managers.

Welfare system

As part of its welfare program, the Group introduced a Cafeteria Plan System in fiscal 1998, thereby enhancing employee satisfaction.

The system assigns all employees a certain number of points applicable to individual years. Each employee can freely choose items to obtain various benefits available on the menu (subsidies for private trips, self-development, etc.). Unused points can be carried over to the subsequent year, further increasing the flexibility of the system. Results show that employees consume approximately 90% of their annual allocation of points, which proves that employees are actively using the system in line with individual needs.

VOICE

For employees' fulfilling lives, both at work and in their private time

In recent years, people frequently hear and read about “work style reform,” but we have been making efforts to help employees achieve a good work-life balance for a long time, and we are committed to step up such efforts in the future.

In fiscal 2016 with the introduction of a new attendance management system, we held workshops so that staff would be familiar with it and also promoted greater understanding of diverse working styles. We are also actively working to improve other systems and regulations.

We believe such structural and non-structural measures to create a better work environment will lead employees to better appreciate their unique situations and to reevaluate their individual working styles, enabling them to improve operations and shorten their working hours, which should also improve our productivity as a corporation. It is part of my responsibilities to ensure that we will foster a corporate culture to create a work environment where employees can balance their work and private lives, and every employee can find satisfaction both at work and in their private lives.



Representative for promoting better work-life balance
Labor Welfare Section
Human Resources Department
Yakult Honsha Co., Ltd.

Balancing work and childcare / nursing care

Acquisition of Kurumin Mark certification

In July 2012, Yakult Honsha was certified by Japan's Ministry of Health, Labour and Welfare as an "enterprise that supports childcare" and received the Kurumin next-generation accreditation mark from the Tokyo Labor Bureau. The Kurumin Mark was created based on the Act for Measures to Support the Development of the Next Generation, which has the objective of helping create environments that facilitate the healthy birth and appropriate rearing of Japan's next generation. Companies that institute action plans to support the development of the next generation and that implement action plan measures that meet specified standards are deemed qualified to receive the Kurumin Mark.



Kurumin Mark

Childcare leave for fathers

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

VOICE Taking childcare leave

I took childcare leave for two months so that my wife could attend vocational school classes that will help her advance in her career. While I was on leave, I could watch my child grow day by day — which not only gave me great joy as a parent, but also fascinated me as a researcher. It also provided me with a very good opportunity to think about efficient ways of doing housework and reflect on my own working style.



Mr. Matsumoto
Shonan Cosmetics Plant
Yakult Honsha Co., Ltd.

Number of employees taking childcare leave (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Male employees (number of people / utilization rate*)	4 5.3%	2 2.6%	3 2.7%	5 5.4%	12 10.7%
Female employees (number of people)	25	28	20	21	36

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

* The percent of female employees who take childcare leave was 100%.

Round-table meetings for childcare leave takers prior to returning to workplaces

As part of its efforts to provide pleasant workplace environments, we organize round-table meetings for childcare leave takers preparing to return to their workplaces. At the meetings we provide diverse kinds of information and support them so that they can return to their workplaces with peace of mind and subsequently maintain a good balance between work and childcare.

The meetings serve as a platform for the Human Resources Department to provide various kinds of information and to exchange ideas with employees who have already achieved a good balance between work and childcare. Encouraging a smooth return to work for participants helps realize an efficient way of working in their limited time, and a dynamic work environment.

Further, because ensuring the understanding and cooperation of coworkers is essential for providing a supportive work environment for those returning from childcare leave, related training sessions have been conducted since April 2017 for those who supervise returning employees.



Participants in a round-table meeting

TOPIC Operating childcare centers that are safe and secure

The Yakult Group, which established its own in-house daycare centers for employees' children as early as the 1970s, aims to operate daycare centers that are safe and secure. In this connection, we established our own set of standards, the Yakult Daycare Center Standards, supplementing official standards for the operation and supervision of non-registered daycare facilities. We make it compulsory that inspections and improvement measures are carried out in keeping with these standards, which apply to some 1,160 facilities nationwide. We also conduct education and training activities for daycare facility staff in order to promote better childcare.



Nursing care support system

We support employees to achieve a balance between work and nursing care, such as through taking nursing care leave by utilizing saved leave, as well as through a reduced working hours system. We are currently considering ways to expand these programs.

Wellness and Occupational Health and Safety

Fundamental philosophy of occupational health and safety

Because our corporate philosophy advocates health for the people of the world, we believe that it goes without saying that our employees who pursue this goal should be healthy and active. We therefore actively work to creating a healthy working environment.

Health Initiatives

Health Yakult 21

Health Yakult 21 is a health activity promoted by Yakult Health Insurance Association. Every year, we set a priority period to promote lifestyle improvements, such as healthy meals and exercise. This effort has been well-regarded, and in fiscal 2016 we received the Education, Culture, Sports, Science and Technology Minister's Prize for Outstanding Organization for Physical Fitness Promotion.

Supporting the health of Yakult Ladies

We provide a subsidy for breast cancer screening expenses for Yakult Ladies over 40 years of age, and in fiscal 2016, 1,915 Yakult Ladies received this screening.

Also, in May 2017 we launched the Yakult Lady Health Hotline service, through which Yakult Ladies and their families can consult with outside experts regarding their health concerns free of charge. This service is available to respond to urgent consultations 24 hours a day, 7 days a week, and also provides consultations concerning illnesses specific to women.

Mental health measures

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

Specifically, a mental health consultation desk has been set up. The in-house consultation desk provides health consultations and counseling through resident health outreach workers and company-designated industrial physicians. Mental health advisors with knowledge of ways to deal with persons who are mentally unwell have been assigned to respective business sites and they endeavor to find those with mental health issues early and undertake the appropriate response. We also established an external consultation service where not only employees but also members of their families can be offered personal consultations with experts.

We have been running regular workshops at business sites nationwide since fiscal 2012 while individual stress tests have been undertaken since fiscal 2014. We have also been conducting stress tests using a method according to the revised Industrial Safety and Health Act, enforced in fiscal 2016, which made stress check-ups compulsory.

Reducing occupational accidents

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

Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016	Whole industry average*3
Work accident frequency rate*1	0.17	0.33	0.71	0.873	0.35	1.61
Work accident severity rate*2	0.006	0.002	0.0066	0.0059	0.0081	0.07

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

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

*3 Whole industry average: Partial extract from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents (2015)

Initiatives at plants

We conduct safety and health inspection tours at each of our plants and actively respond to any findings for improvement. A recent concrete example is that we have installed spot-type air conditioning units to reduce stress on operators using steam to sterilize equipment.

TOPIC Promoting 5S activities at Yakult Danone India

We are promoting 5S activities* aimed at creating safe workplaces and improving work efficiency. The main activities are beautification and organization of plants and the reuse of waste materials.

*5S activities: (sort / set in order / shine / standardize / sustain)

Before (left) and after (right)



Measure taken for sales activities

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

Human Resources Development

Basic philosophy on human resources development

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

Basic policies

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

Educational programs to encourage employee growth

We provide all employees with educational opportunities that promote their growth and are tailored to their respective job levels, including through group-based training sessions and correspondence courses, allowing them to take up and put into practice Yakult's founding spirit, thereby contributing to the continual dynamism of the corporation and its improved performance.

We have a five-job-level system established for employees, with defined roles for each assigned job level. We conduct trainings for employees at each of these job levels which allow them to develop the capabilities to fulfill the roles expected of them. We also create an environment that enables them to voluntarily pursue further capacity development through theme-specific group trainings, correspondence courses, and e-learning programs. Additionally, we carry out educational efforts to develop global human resources, promoting awareness about and spurring the motivation to take up overseas assignments, as well as efforts to ensure that employees can carry out their work smoothly in countries other than Japan. We offer incentive payment systems for employees to acquire official skills certifications, as well as subsidies for attending external training courses to acquire expert knowledge and gather the latest information. In fiscal 2017, we will start career design trainings for female employees with the aim of further promoting female success.

Hours of training time and cost for fiscal 2016

Training time	15.09 hours	*Yakult Honsha; average per person
Training costs	22,560 yen	

Training programs overview chart (Yakult Honsha, fiscal 2016)

	Job-level-specific training	Theme-specific training	Global human resources training	Correspondence course training, external training, e-learning	Others
General Managers					
Managers	Pre-promotion training for General Managers	Coaching basic course Basics of business writing Work procedures Presentation skills Multi-cultural communications Basics of finance Marketing	Kokusaijuku (International training course) Global Internship	Correspondence courses External training courses E-Learning courses	Incentives for acquisition of certifications / Business magazine subscriptions
Assistant Managers	Pre-promotion training for Managers				
Senior Staff	Pre-promotion training for Assistant Managers				
General Staff	Pre-promotion training for Senior Staff				
	New employee training, follow-up training				

Fostering global human resources

As the Yakult Group plans to launch business operations in new countries and regions, we urgently need to nurture global human resources. Thus, we hold *Kokusaijuku*, an international training course, and global internship programs for employees, giving them the chance to gain an improved understanding of different cultures and to develop the skills necessary to work overseas. In addition, from fiscal 2017 we

have implemented a new program that aims to nurture global human resources more effectively.



Training activities at an overseas plant

Respect for Human Rights

Fundamental philosophy of human rights

We maintain a workplace free of discrimination based on race, religion, nationality, place of birth, educational background, gender, disability, and other factors. We respect the individuality and human rights of everyone throughout every aspect of corporate activities. Moreover, we carry out our work with the awareness that each of our employees is a full member of society deserving of respect and dignity.

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 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 consultation. This makes it possible to address concerns in their personal lives as well as issues at work.

Training on human rights

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

In fiscal 2016, we held a total of 43 anti-harassment trainings nationwide so that all of our employees have better knowledge and awareness of workplace harassment and work to prevent it.

Initiatives outside Japan

Human rights considerations in employment interviews (Yakult U.S.A., Inc.)

At Yakult U.S.A., we have developed a manual for employment interviews and conduct our interviews with extreme caution in order to ensure that applicants do not feel discrimination during the interview. Based on the advice of lawyers and external consultants, we keep up to date on revisions to the laws and regulations relating to discrimination and harassment and conduct our employee recruiting activities with due consideration to human rights.

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

Use	Topic	Avoid
<ul style="list-style-type: none"> • "Do you have proof that you can work legally in the US?" 	Place of birth; citizenship	<ul style="list-style-type: none"> • Questions about the place of birth of the applicant, applicants' parents, relatives or spouse • "Are you an American citizen?"
<ul style="list-style-type: none"> • Questions about working hours, dates, and shifts • "Will you be able to work on Sundays?" 	Religion	<ul style="list-style-type: none"> • Questions concerning religion • Inquiring about the timing of religious observances

Halal awareness training (Yakult (Malaysia) Sdn. Bhd.)

Yakult (Malaysia) Sdn. Bhd. continues to hold Halal awareness training, covering a broad range of topics, including Islamic culture, history, and the procedures for Halal food certification. Malaysia is a country of many ethnicities such as Malays, Chinese, Indians and others, with many religions including Muslims, Buddhists, Christians, Hindus, adherents to prehistoric religions and others. Our staff reflect this diversity; we therefore conduct similar training for all workers, including Yakult Ladies and store and supermarket promoters, as well as Japanese employees dispatched from Japan.

TOPIC

The Breakfast Project – Activities to protect children's right to receive education (Yakult (China) Corporation)

Since 2013, Yakult (China) has been participating in volunteer activities to make visits and provide educational materials to children of ethnic minorities in Yunnan Province. Through the Breakfast Project, where employees selected from within the company pay visits to schools to provide students with a healthy breakfast and educational materials.

The Breakfast Project also supports the exchange between children of two differing regions, Yunnan Province and Shanghai. They visited the Yakult Shanghai Plant together observing the variety of occupations in society and learning about how things are made, while mixing with children from divergent backgrounds. We expect these experiences will help their healthy and sound growth.



Promoting transparent management



Business results briefing

Corporate Governance

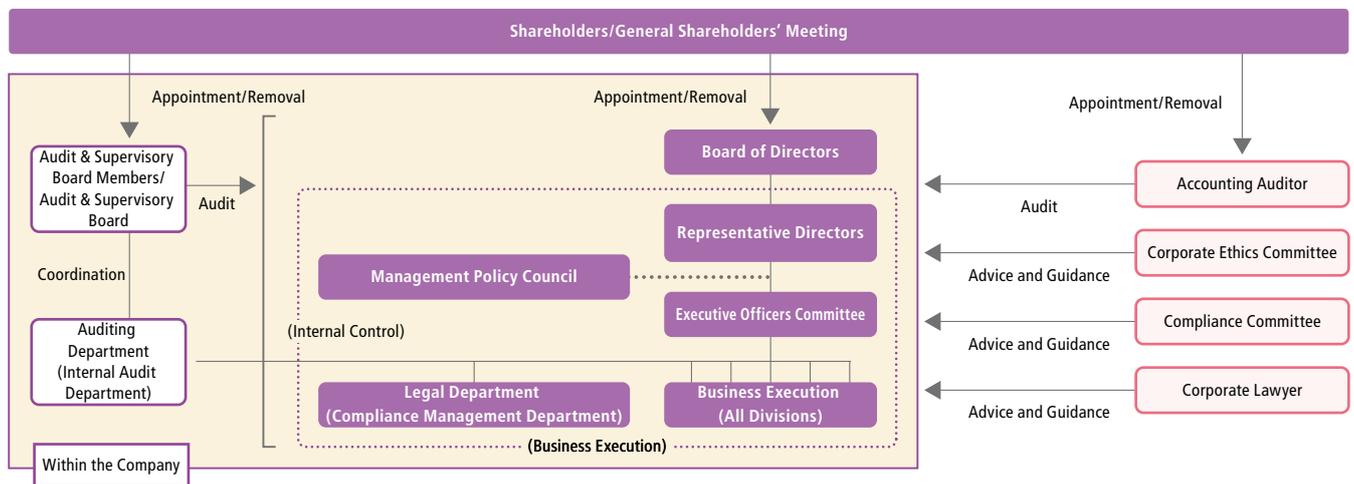
Fundamental corporate governance policy

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

Governance structure

Since its introduction on June 22, 2011, our executive officer system aims to strengthen the Board of Directors’ decision-making functions and supervisory functions as well as clarify responsibilities, and it is increasing the efficiency of both kinds of functions. In addition, to promote effective management activities and accelerate decision-making, we have established the Management Policy Council, which includes Representative Directors, Divisional General Managers and Audit & Supervisory Board Members, and the Executive Officers Committee, which includes Executive Officers and Audit & Supervisory Board Members. The Board of Directors is composed of 15 Directors (including four Outside Directors), and the Audit & Supervisory Board is composed of seven members (including five outside auditors, one of whom is a female auditor).

Corporate governance framework



Outside Directors

Outside Directors Ryuji Yasuda and Masayuki Fukuoka maintain objective standpoints independent from our management team that executes business duties. Ryuji Yasuda provides pertinent advice regarding the overall management based on expert knowledge regarding business strategy that he has accumulated over the years in wide-ranging positions, including those of university professor, consultant and business manager. Masayuki Fukuoka provides objective views to our management based on his expert knowledge and experience as a university professor

specializing in political science studies.

Outside Directors Bertrand Austruy and Filip Kegels are from our largest shareholder. Both provide appropriate advice from a broad perspective regarding overall management based on their wealth of management experience outside Japan. We appointed these persons as Outside Directors based on our judgment that through their experience we can strengthen monitoring and surveillance of the execution of business and further strengthen and enhance our management structure.

Auditing entities

Internal audits

We have set up the Auditing Department as an organization reporting directly to the president to perform accounting audits and operational audits as well as internal control system audits that also cover affiliated companies in and outside Japan. With a 14-person staff under the department general manager, this department currently handles internal auditing functions that include risk avoidance, implements internal audits covering the entire operations of each internal department and each affiliated company and provides specific advice and recommendations for improving operations.

Audit & Supervisory Board Member audits

Based on the audit policies and audit plans of the Audit & Supervisory Board, the seven Audit & Supervisory Board Members (including five outside auditors, one of whom is a female auditor) audit the operational execution situation of Directors and Executive Officers by attending meetings of the Board of Directors and other important meetings and examining documents related to decision-making and other matters. We have also secured a system for supporting Audit & Supervisory Board Member audits by deploying two full-time auditors possessing thorough knowledge of company operations and who can appropriately assist the work of the auditors.

External audits

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

Internal control systems

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

- 1) Systems to ensure that the performance of duties by Directors and employees complies with laws and articles of incorporation
- 2) Systems regarding preservation and management of information related to the performance of duties by Directors
- 3) Rules and other systems regarding the management of risks for losses
- 4) Systems to ensure that the performance of duties by Directors is efficient
- 5) Systems to ensure that operations at the corporate group consisting of the Company and subsidiaries are appropriate
- 6) Matters regarding employees who support the duties of Audit & Supervisory Board Members in cases in which Audit & Supervisory Board Members make a request to assign such employees
- 7) Matters regarding the independence of employees who support the duties of Audit & Supervisory Board Members, who are mentioned in the previous item, from Directors, and systems to ensure the effectiveness of instructions given to these employees by Audit & Supervisory Board Members
- 8) Systems for Directors and employees to provide reports to Audit & Supervisory Board Members and other systems regarding reports provided to Audit & Supervisory Board Members

- 9) Systems to ensure that reporting parties do not receive unfair treatment as a result of such reports
- 10) Other systems to ensure that audit operations of Audit & Supervisory Board Members are carried out effectively

Compliance with Corporate Governance Code

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

The status of our Corporate Governance Code compliance is published in the "Corporate Governance Report" submitted to the Tokyo Stock Exchange.

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

Risk management

Business Continuity Plan (BCP)

If a situation or disruptive incident were to occur that would directly and dramatically have adverse effects on our business operations, our top priority is to ensure safety and respect for human life, and we shall quickly respond in accordance with our Risk Management Rules. Anticipating various risk scenarios, we have created individual risk management manuals in case of an earthquake, new type influenza viruses outbreak, and product recall.

All employees receive personal disaster supplies, and are loaned three days' worth of emergency food rations and drinking water in preparation for a major earthquake. Based on lessons from the 2011 Tohoku earthquake and tsunami, we have introduced a safety confirmation system to efficiently check the safety of our employees when a disaster occurs. Drills are held twice a year for all employees to master the system operation and improve awareness of risk management.

VOICE

Improve awareness of disaster risk reduction

The Head Office building linked to Yakult Hall is designated as a specified property under fire prevention measures according to the Fire Services Act, and we hold fire extinguishing training and emergency drills twice a year as specified by the law. We will continue to hold training on how to use fire extinguishers and hydrant systems as well as workshops given by firefighters. Through such efforts we continuously strive to improve awareness of disaster risk reduction.



Mr. Kotaki
 General Affairs Section,
 General Affairs
 Department
 Yakult Honsha Co., Ltd.



Emergency drill at the
 Head Office building

Ensuring integrity in our business



Initiatives for Business Compliance

Fundamental business compliance

We emphasize compliance and recognize that actively promoting compliance serves as the basis of our business activities and thus undertake specific initiatives as a Group.

Yakult Ethical Principles and Code of Conduct

In 2000, we instituted the Yakult Ethical Principles and Code of Conduct to serve as guidelines for proper corporate activities. Subsequently, we appended more specific conduct standards and concrete examples of such standards while making revisions as needed over time. Moreover, in 2007 their scope of application was expanded to include all Yakult Group companies.

Considering the changes in the environment surrounding companies, in 2013 we reviewed the contents of the Principles and Code of Conduct and revised them to make them more readable and friendly with the aim of enhancing the effectiveness of compliance promotion.

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.

The Yakult Ethical Principles and Code of Conduct are also posted on our website.

Yakult Ethical Principles and Code of Conduct



WEB For details, see the Yakult Ethical Principles and Code of Conduct: <http://www.yakult.co.jp/company/ethics.html> (Japanese)

Compliance promotion system

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

Compliance Committee

In 2000, we established the Compliance Committee, which is composed of independent outside experts. This committee regularly meets with directors of Yakult Honsha to discuss such themes as the financial situation and compliance promotion situation of each department. Members provide wide-ranging opinions and recommendations related to overall corporate activities from the perspective of compliance, as well as practical advice regarding the theme of each meeting.

Corporate Ethics Committee

In 2002, we established the Corporate Ethics Committee, which is primarily composed of independent outside experts. This committee convenes on a regular basis for the purpose of checking on the implementation status of our corporate ethics activities (such as elimination of anti-social forces). Through confirmation by committee members, we ensure to maintain sound management.

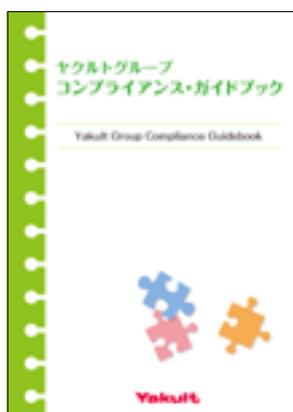
Internal reporting system

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

Compliance awareness activities

We regularly organize position-specific compliance training programs for groups of employees ranging from directors and managers to newly hired employees as well as compliance personnel. We also use the intranet to provide all employees e-learning courses on an ongoing basis.

We prepare and distribute compliance handbooks as needed and utilize them in compliance awareness activities. For example, we distribute the group-wide Compliance Guidebook, which describes the fundamentals of compliance, to all directors and employees as we strive to promote a wider understanding of compliance. Moreover, every year we designate a specific month as Compliance Emphasis Month and implement initiatives that raise awareness of compliance.



Compliance Guidebook

Compliance within the pharmaceutical business

Code of Practice of Yakult Honsha Pharmaceutical Business Division

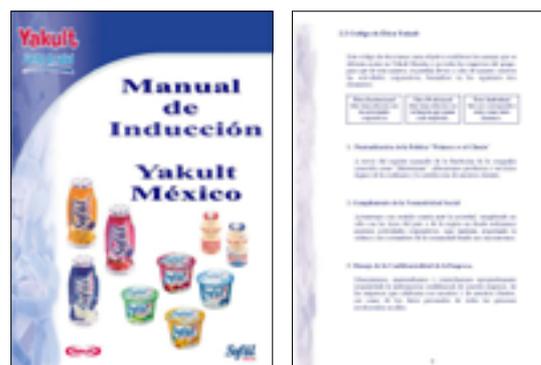
We actively participate in compliance promotion activities including those of the Japan Pharmaceutical Manufacturers Association (JPMA). We have created the Code of Practice of Yakult Honsha Pharmaceutical Business Division as a concrete compliance code, and promote ethically sound business practices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

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

TOPIC Compliance training outside Japan

We also hold compliance training overseas. Training is included as part of Shirota-ism Workshops (see p. 7) in countries outside Japan, based on the awareness that the Shirota-ism principles of “sincerity” and “harmony among people” form the foundation of compliance.

At Yakult S.A. de C.V. (Mexico), in addition to being taught in Shirota-ism Workshops, the general manager of the Auditing Department holds compliance training that incorporates specific examples eight times per year during morning assembly with 150 employees. The details of the training are shared with all sales offices and plants in the country via internal email. Legal compliance is also clearly stipulated in the new employee training manual.



Yakult S.A. de C.V. (Mexico) new employee training program manual

Ensuring Fair and Sound Transactions

Fundamental policy on fair and sound transactions

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

Mutual prosperity with marketing companies

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

We at the Yakult Group work together towards realizing both a healthy society and mutual prosperity: Yakult Honsha provides highly functional products for health improvement

and handles public relations and advertising, while marketing companies engage in activities that are useful in resolving the health issues of customers and local communities.

Compliance with the Subcontract Act

Aiming for even further compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act), a Subcontract Act compliance manual has been created in 1997 for operational personnel in departments that deal with subcontractors, while the Group also promotes fair trade by holding training sessions as required to ensure a thorough understanding of and compliance with the law.



In 2016 the manual was revised to make it easier for practical application, and, alongside this revision, training was held for all departments who carry out subcontract transactions and operational personnel of Group companies.

Subcontract Act compliance manual

Promoting CSR Procurement

Fundamental CSR procurement

Yakult Honsha recognizes the importance of CSR procurement with consideration for human rights, labor, the environment and anti-corruption, and we promote CSR procurement throughout our entire supply chain in cooperation with our business partners.

Specific initiatives

- Establishing code of conduct
- Careful examination of transactions and providing feedback to partners
- Verification of partners' acquisition of ISO 9001 and ISO 14001
- Verification of partners' CSR activities

Green procurement

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

Since fiscal 2001, all of the Company's business sites carry out procurement activities in a manner that promotes the protection of the global environment, the reduction of environmental impact, building of a recycling-oriented

society and other environmental objectives in cooperation with business partners based on this Basic Policy.

Yakult Basic Policy on Green Procurement

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

Scope of policies

All manufacturing, marketing, office and R&D facilities

Basic policies

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

Established: March 5, 2001

Third-Party Opinion



Makiko Akabane
Director of CSR Asia Japan office

Fiscal 2016 was the last year of Phase II of Yakult Vision 2020, the Yakult's long-term business management vision, and it has been marked by steady growth in consolidated net sales and operating income respectively. Globalization efforts were further reinforced by the launching of sales in the Middle East in March 2017, expanding the number of countries and regions where Yakult is sold to 37. Despite this momentum, the Yakult Group has continuously conducted Shirota-ism Workshops to spread its founding Shirota-ism principles of "preventive medicine," "a healthy intestinal tract leads to a long life," and "a price anyone can afford" in Japan and the rest of the world. These endeavors led to the selection of Yakult CSR Report 2016 for the Award for Excellence (Screening Committee Chair Award) at the 20th Environmental Communication Awards. The award statement praises the Report for "clearly expressing the social role of the company," and the Group was recognized for its dedicated efforts to realize the Shirota-ism philosophy through business operations and strength of its research and development.

The three priority areas for CSR were identified as "Health," "Local Communities" and "The Environment," with case studies for each area included as special features. These case studies were not made in a day, but rather they are the products of work accumulated and sincere efforts to engage stakeholders for over 80 years since the founding of the company.

In particular, the special feature for "Health" focused on

"community building for healthy, enjoyable living for everyone" by showcasing activities by a marketing company to address issues such as dementia in an aging society. Population aging is not limited to Japan and is now a worldwide concern, and corporations will soon have to face this serious issue. I believe that the Yakult Group will have the advantage in addressing such aging issues since it is already implementing actions that are in line with the needs of communities.

The special feature for "Local Communities" highlighted the voices of local people in Indonesia, where Yakult Ladies are able to balance work and family life as they improve their financial situation and provide better education to their children. It clearly shows how the Yakult Group's contribution to the economic independence of local women as a foreign corporation in Indonesia not only solves issues in each community but also fulfills its social responsibility to address global issues as a global corporation. Home delivery by Yakult Ladies is a sales method that conducts sales while communicating with customers. I recommend that the Group continue to publicly promote this method in the future, as a form of sales that actually helps solve global issues while conducting business.

Finally, I believe that the Yakult Group recognizes the global trend toward the UN Sustainable Development Goals (SDGs) and will address them in some form in the future. Many corporations incorporate the SDGs by sorting existing business operations, analyzing which goals among the 17 goals are related to these operations, and introducing ways to closely monitor their progress. However, corporations do not have to be too particular about each one of the 17 goals. Since the philosophy that supports the SDGs originally aims to "leave no one behind," it is more important to learn how to achieve the commitment to the philosophy through business. I therefore applaud such approaches as addressing aging issues presented in the special feature for "Health," and contributing to economic independence of women presented in the special feature for "Local Communities," as initiatives that are in line with the philosophy of the SDGs. Moving ahead, I believe that showing the connection between the Group initiatives and the SDGs will lead to its higher reputation in the world.

Response to third-party opinion



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

I sincerely thank Ms. Makiko Akabane for providing us with her valuable opinion as a third party on Yakult CSR Report 2017.

Ms. Akabane commended our globalization efforts through expansion of international sales areas and initiatives to solve global issues, among others. I am also very pleased that she mentioned our continuing practice of Shirota-ism, the philosophy that forms the foundation of the Yakult Group.

She also commented on the award we received for Yakult CSR Report 2016, which was published in the previous fiscal year, from a third-party organization. I believe that this award recognized our approach to help build a better society and our proactive environmental initiatives, which are grounded on our corporate philosophy.

The philosophy of the SDGs to "leave no one behind" is also consistent with the corporate philosophy. As Ms. Akabane suggested, we will consider how to properly present our activities to stakeholders taking the SDGs into account.

Going forward, we will focus on engaging in stakeholder dialogues while continuing to promote CSR initiatives with a global perspective.

Data Highlights

Human Resources

Yakult Honsha Co., Ltd.

Fiscal Year	2012	2013	2014	2015	2016
Regular employees	2,793	2,806	2,745	2,705	2,699
Male	2,185	2,181	2,125	2,079	2,071
Female	608	625	620	626	628
Full-time contract employees	185	190	168	167	161
Male	147	161	143	150	144
Female	38	29	25	17	17
Female employee rate (%)	21.7	21.8	22.1	22.4	22.6
Average age (years)	41.3	41.2	41.2	41.6	41.9
Male	42.4	42.3	42.2	42.6	42.9
Female	37.0	37.1	37.4	38.0	38.3
Average length of service (years)	17.8	17.6	18.0	17.9	18.2
Male	18.9	18.8	19.2	19.0	19.3
Female	12.9	13.2	13.5	14.0	14.4
Average wage for 30-year-olds (yen / month)	351,800	354,800	354,800	359,200	359,200
Number of newly hired	132	117	41	59	64
Male	91	79	32	38	41
Female	41	38	9	21	23
New graduates' retention rate after three years (%)	98.0	95.3	96.0	93.9	92.3
Overall turnover rate (%)	1.6	2.4	3.9	3.5	2.5

Yakult Group companies outside Japan (as of December 2016)

	Total	Male	Female	Female rate (%)	Rate of female managers (%)
Total	20,671	14,021	6,650	32.2	22
Europe	161	115	46	28.6	35
Asia / Oceania	14,248	10,062	4,186	29.4	18
The Americas	6,262	3,844	2,418	38.6	36

Number and rate of female managers (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Number of female managers	32	33	40	44	44
Rate of female managers (%)	4.2	4.3	5.3	6.1	6.0

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Rate of employees with disabilities (%) (annual average)	1.84	1.98	1.99	2.20	2.11
Legally mandated employment rate (%)	1.8	2.0			

Rate of continuous employment at retirement age (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Number of persons at mandatory retirement age	58	68	69	61	33
Number of persons in continuous employment at Yakult Honsha	30	35	40	43	21
Number of continuous workers who transfer to another company	13	16	14	11	6
Number of persons who choose to retire	15	17	15	7	6
Rate of continuous employment* (%)	74.1	75.0	78.3	88.5	81.8

* Calculation of continuous employment rate includes those persons who have transferred to another company.

Rate of using annual allotment of paid holidays (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Rate of using annual allotment of paid holidays (%)	47.7	50.6	53.0	55.5	58.9

Average overtime hours per month (per person) (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Average overtime hours (per month)	10.2	9.7	8.7	8.9	8.9

Number of employees taking childcare leave (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016
Male employees (number of people / utilization rate*)	4 / 5.3%	2 / 2.6%	3 / 2.7%	5 / 5.4%	12 / 10.7%
Female employees (number of people)	25	28	20	21	36

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

* The percent of female employees who take childcare leave was 100%.

Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2012	2013	2014	2015	2016	Whole industry average*3
Work accident frequency rate*1	0.17	0.33	0.71	0.873	0.35	1.61
Work accident severity rate*2	0.006	0.002	0.0066	0.0059	0.0081	0.07

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

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

*3 Whole industry average: Partial extract from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents (2015)

Hours of training time and cost for fiscal 2016

Training time	15.09 hours
Training costs	22,560 yen

*Yakult Honsha; average per person

Japanese Business Site Reports

* City gas and LPG are the predominantly used fuels.

Fukushima Plant

The Fukushima Plant makes providing safe and reliable products its top priority, while also working to reduce environmental impacts through cutting various energy use and cutting CO₂ emissions. Striving for business operations in harmony with local communities, the plant conducts clean-up activities, and hosts plant festivals.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
171	7,483	1,388	230	1.32	6,852	0	3,259

Ibaraki Plant

The Ibaraki Plant is steadily implementing activities based on the Group's CSR Activity Plan. In fiscal 2016 the plant updated the walkways used for plant tours as well as the tour content, in order to provide an even more satisfying experience for visitors.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
197	5,385	986	267	0.46	4,598	0	1,177

Fuji Susono Plant / Fuji Susono Pharmaceutical Plant

The two plants successfully met their environmental target of reducing their electricity use by 1%, by undertaking various measures, including through improving the efficiency of the facilities when updating aging ventilation systems, pumps and electric transformers. They also actively participated in local environmental conservation efforts and other activities.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
530	17,416	2,367	730	0.33	13,284	0	2,803

Hyogo Miki Plant

With the launch of full-scale operations of the gas-engine cogeneration system introduced in fiscal 2015, the plant generated 3,267,000 kWh of electricity, which is about 26% of the total used by the plant in fiscal 2016. The system has had a positive effect on environment conservation efforts such as improving boiler efficiency by about 9.6%, through utilizing the exhaust heat that is generated during power generation.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
253	9,708	2,600	232	0.73	9,639	0	6,480

Saga Plant

As a result of engagement of its all employees in implementing the activities under Group's fiscal 2016 CSR Activity Plan, the plant achieved the targets, with one exception. Regarding increased use of annual paid leave, the only target that had not been met, the plant will continue to work toward achieving this target.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
212	6,262	1,066	179	50.66	5,628	0	4,949

Shonan Cosmetics Plant

To promote greater awareness about Yakult's sole cosmetics factory, the Shonan Cosmetics Plant actively promotes public relations activities in connection with plant tours, participates actively in regional events hosted or sponsored by local municipalities, and strives on a daily basis to deepen relationships with a variety of local organizations.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
14	543	36	20	10.91	341	0	0.023

Yakult Central Institute

The Institute is building a strong network with the local community, including through participating in a variety of events sponsored by Kunitachi City, Tokyo, where it located, and with staff members conducting community clean-up activities on the third Thursday of every month. The landscaped public walkway, which was donated to Kunitachi City, has become familiar to many citizens and has been designated as part of the route for the city-sponsored Sakura Walking event.

Water used (1,000 t)	Electric power used (1,000 kWh)	Fuel* used (kl on a crude oil conversion basis)	Waste generated (t)	BOD (t)	CO ₂ (t)	SOx (t)	NOx (t)
78	17,399	17	97	0.16	12,254	0	0.791

Yakult

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