



Yakult CSR Report 2018



About This Report

Editorial policy

The *Yakult CSR Report 2018* was prepared based on the following key concepts, on the Yakult Group's CSR activities in fiscal 2017.

■ CSR Report as a communications tool

Through dialogue and sincere communications with stakeholders, the Yakult Group aims to further develop its CSR activities and respond to the expectations of society. With these aims in mind, we have prepared this CSR Report as a communications tool, using a structured presentation of our CSR activities that allows us to verify the results of our own activities while also to be evaluated by society.

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

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

■ Clearly describing SDGs and ESG initiatives

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

■ Providing more details on Yakult's three key CSR areas

This report includes special feature sections on Health, Local Communities and the Environment (the Yakult Group's three key CSR areas) and we explain how each of them helps us move toward the SDGs. This year we introduce activities in Mexico as an example of our health-related initiatives outside Japan.

Going forward, while maintaining a global perspective we will continue to improve our report as a communications tool of the Yakult Group, to contribute to the development of society in each country and region where we operate.

Publishing date

Japanese edition: September 2018 (Next edition: September 2019)
English edition: October 2018 (Next edition: October 2019)

Publishing format

Published online only (in both Japanese and English)

Period covered

Fiscal 2017 (April 1, 2017 through March 31, 2018)
Note that some information in this report covers periods before or after fiscal year 2017.

Scope of data

The report covers all business sites of Yakult Honsha Co., Ltd. and the Yakult Group (some of them are included in Special Features, for example).

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

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Disclaimer

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

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Yakult's corporate communications tools

- CSR information site
<http://www.yakult.co.jp/english/csr/>
- CSR Report (this report)
- CSR Report Digest Version
A compact version of this report (distributed only to workers)
- IR information site (management policy, financial and stock information)
<http://www.yakult.co.jp/english/ir/>
- Annual Report (English)
<http://www.yakult.co.jp/english/ir/management/library.html>

"Workers" referred to in this report are persons working for the Yakult Group, including independent contractors including Yakult Ladies and Yakult Beauty Advisors. Where "employees" are mentioned in this report, the term includes regular employees, full-time contract employees, contract employees, and temporary staff, and excludes the independent contractors.

Yakult in Figures

The year Yakult starts

1935



Since being introduced to the market in 1935, Yakult has become known worldwide over its more than 80-year history. The Yakult Group has made a number of research achievements in the pursuit of life science and preventive medicine.

Number of dairy product bottles consumed each day worldwide

39.52

million bottles

Of which **9.69**

million are consumed in Japan

Average global daily consumption of Yakult dairy product.

(as of March 2018, compared to 37.37 million bottles as of March 2017)



Countries and region we cover

Marketing population in countries and regions where we operate

2 billion

Population of countries and regions where we operate

4.2 billion

World population

7.6 billion

We currently conduct sales in 38 countries and regions (including Japan), and will continue moving forward with market expansion and penetration.

(as of March 2018)

Number of Yakult Ladies worldwide

80,000

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

(as of March 2018)



Guest lectures

Japan: **3,800** lectures,

270,000 participants

Outside Japan: **39,700** lectures,

2,290,000 participants



Health-related lectures

Japan: **11,800** lectures,

380,000 participants

Outside Japan: **102,300** lectures,

5,410,000 participants



(as of March 2018)

Yakult Ladies' community support initiatives

Courtesy visit activities

3,000 Yakult Ladies visited

40,000 elderly people at home



Community safety watch and crime prevention activities

26,000 Yakult Ladies

conducted the activities in corporation with **800** local governments, and police and fire departments nationwide



(as of March 2018)

See p. 28

See p. 29

Overview of Yakult's Operations

Profile of Yakult Honsha (as of March 31, 2018)

Name:	Yakult Honsha Co., Ltd.
Address:	1-19 Higashi-Shimbashi 1-chome, Minato-ku, Tokyo 105-8660, Japan
Founded:	April 9, 1955
Businesses:	Manufacturing and marketing of foods and beverages, pharmaceuticals, and cosmetics and other operations
Paid-in capital:	¥31.118 billion
Net sales:	(April 1, 2017 to March 31, 2018) ¥177.54 billion (non-consolidated) ¥401.57 billion (consolidated)
Total assets (consolidated):	¥631.24 billion
Net assets (consolidated):	¥386.67 billion
Business sites:	1 research institute, 5 branches, 7 plants, 10 pharmaceutical branches, 13 logistics centers
Number of employees:	2,848 (including 296 seconded employees and 124 contract employees)

Profile of Yakult Group (as of March 31, 2018)

Japan

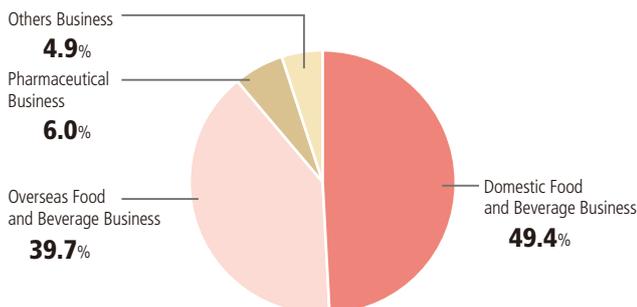
Marketing companies: 103 companies
 Number of employees: 13,809
 Number of Yakult Ladies: 34,888
 Number of Yakult Beauty Advisors: 4,751
 Bottling companies: 5 companies
 Affiliated companies, etc.: 13 companies and 4 associations

Overseas

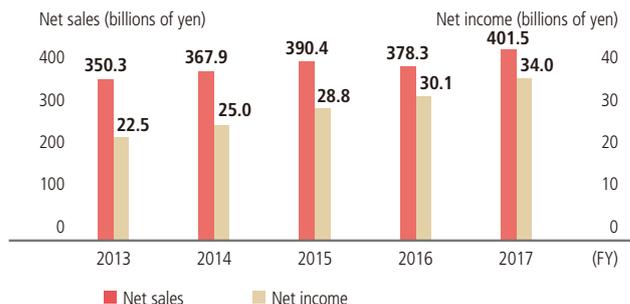
Companies: 28
 Number of employees: 22,392*
 Number of Yakult Ladies: 46,559*
 Marketing regions: 37 countries and regions

*As of December 2017

Sales by segment (consolidated)



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



Overseas companies

- Yakult Taiwan Co., Ltd.
- Hong Kong Yakult Co., Ltd.
- Yakult (Thailand) Co., Ltd.
- Korea Yakult Co., Ltd.
- Yakult Philippines, Inc.
- Yakult (Singapore) Pte., Ltd.
- P.T. Yakult Indonesia Persada
- Yakult Australia Pty. Ltd. (New Zealand Branch)
- Yakult (Malaysia) Sdn. Bhd.
- Yakult Vietnam Co., Ltd.
- Yakult Danone India Pvt. Ltd.
- Yakult Middle East FZCO
- Yakult (China) Corporation
- Guangzhou Yakult Co., Ltd.
- Shanghai Yakult Co., Ltd.
- Beijing Yakult Co., Ltd.
- Tianjin Yakult Co., Ltd.
- Wuxi Yakult Co., Ltd.
- Yakult S/A Ind. E Com. (Brazil)
- Yakult S.A. de C.V. (Mexico)
- Yakult U.S.A. Inc.
- Yakult Europe B.V.
- Yakult Nederland B.V.
- Yakult Belgium N.V./S.A.
- Yakult UK Ltd. (Ireland Branch)
- Yakult Deutschland GmbH
- Yakult Oesterreich GmbH
- 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 Japan to disseminate the value of *Yakult*. Products in the Food and Beverage Business have been expanded from *Yakult* fermented milk drinks to *Joie* and other fermented milk products, and juice and other beverages such as 100% Juice.



- Fermented milk drinks
- Fermented milk products
- Juice and other beverages

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 Asia, Oceania, the Americas, Europe and Japan. *Yakult* and our other popular dairy products are now consumed at a rate of 39.52 million bottles per day throughout the world (as of fiscal 2017).



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 (anti-cancer agents, lactobacilli-based drugs, and other ethical drugs, 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 sale 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 (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 fermented lactic acid bacteria extract 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 the 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 a long-term management strategy

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

Long-term vision (Fiscal 2011 – 2020)

Qualitative goals

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

Strategy to achieve goals

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

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



Mid-term management plan (Phase III)

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

Phase III plan

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

To Our Stakeholders



The Yakult Group will continue fulfilling its social responsibilities as a global company, while working in cooperation with local communities and in harmony with nature.

Takashige Negishi

Takashige Negishi

President and Representative Director

Working towards a sustainable society and responding to global needs through our corporate activities

Yakult's corporate activities are centered on the development, manufacture and sale of food and beverages, pharmaceuticals and cosmetics, and are conducted under the corporate philosophy of "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular," and based on the Shirota-ism principles of "preventive medicine," "a healthy intestinal tract leads to a long life," and "a price anyone can afford" (see p. 6). We are actively tackling a number of issues in building a sustainable society based on the belief that our corporate activities themselves are a social responsibility, as we believe that in order for people to be healthy, everything around them must also be healthy.

I feel that nowadays there are growing social demands and expectations placed upon companies. As a global movement, the 2015 Paris Agreement and the UN Sustainable Development Goals (SDGs) have been adopted and become the common language for the world to achieve a sustainable society. In response to this movement, the Yakult Group has incorporated SDGs into its CSR framework, and this year's report clarifies the links between the Yakult CSR Action Plan (see p. 12-13) and each SDG, as well as the SDGs to which Yakult is contributing through its business activities (see p. 14). In this way, we have visualized the goals we need to focus on, and are proactively working to achieve them.

Furthermore, both in and outside Japan there is a growing focus on ESG investment, which evaluates corporate initiatives for the environment, society and governance (ESG) — also the pillars of CSR — and non-financial information disclosure. Yakult Honsha is included in one of the Government Pension Investment Fund's ESG indices, and moving forward we will respond to the expectations of investors who value ESG initiatives by promoting and actively disclosing our CSR activities.

As we develop our operations in and outside Japan with this awareness of the importance of CSR, we will continue to work to contribute to the health and happiness of people around the world.

Systematic engagement in CSR activities conforming to global standards

The Group works in accordance with the seven core subjects of the global CSR standard ISO 26000 (see p. 12), and based on our corporate philosophy of contributing to the health and happiness of our customers, current social needs, and other factors, we have made health, local communities, and the environment our three key areas of CSR, and organized the seven core subjects in the order, "I. Consumer Issues," "II. Community Involvement and Development," "III. The Environment," "IV. Labor Practices," "V. Human Rights," "VI. Fair Operating Practices," and "VII. Organizational Governance." Additionally, we have established a CSR Action Plan that we actively follow while clarifying the relation with SDGs and ESG, (see p. 12-13). I will introduce a few topics within this system.

Establishing healthy living habits, and building safe and secure communities

I. Consumer Issues

Contributing to the health and happiness of our customers

II. Community Involvement and Development

Towards development together with local communities

In addition to delivering products that contribute to people's health primarily via home delivery by more than 80,000 Yakult Ladies worldwide, the Yakult Group also carries out awareness-raising measures aimed at establishing healthy living habits, and activities that contribute to the community.

In Japan, we actively dispatch guest lecturers to speak at elementary schools and other locations on the topic of intestinal health, and had over 270,000 participants in fiscal 2017. We also had over 380,000 participants in our health-related lectures for local communities held at community facilities, elderly care facilities, and Yakult centers (Yakult Ladies sales hubs) (see p. 28). Furthermore, along with partnering with local governments to make Courtesy Visits to around 40,000 older people living alone, we also team up with 828 local governments, police and fire departments nationwide to run community safety watch and crime prevention activities, helping build safe, secure and comfortable local communities (see p. 29).

Outside Japan we are also raising awareness on health, and contributing to the revitalization of local communities. As an example, in this report we introduce our initiatives in Mexico (see p. 16-17).

Here in Japan, our Yakult Lady home delivery system was awarded the METI Minister's Prize at the Second Nihon Service Award in June 2018, praised as a service that was born in Japan and is now familiar across borders and generations (see p. 27). Moving forward, we will further develop this world-class service system.

In March 2018, we established our Policy on Community Development Activities, which clarifies the goals and aspirations of our wide-ranging community support activities (see p. 28). We will continue to expand and deepen our activities using this policy as a foundation.

Cooperating with external organizations to create health innovation

I. Consumer Issues

Contributing to the health and happiness of our customers

The pursuit of excellence in life science is the foundation of the Yakult Group. To drive innovation, we believe it is essential not only to promote research and development at the Yakult Central Institute in Kunitachi City, Tokyo, but to also collaborate with external organizations.

One example is our joint research with the Japan Aerospace Exploration Agency that began in fiscal 2014. From fiscal 2017, astronauts on long-term missions on the International Space Station have regularly consumed probiotics to scientifically verify their effects on immune functions and the intestinal environment — the world's first experiment on probiotics intake in space (see p. 9).

We also promote initiatives to deepen understanding of probiotics through scientific events. In October 2017 we held the Nature Café symposium in partnership with Springer Nature, inviting renowned researchers to participate in a panel discussion. By holding such events, we are able to communicate our slogan "Yakult, dedicated to science" both in and outside Japan, create a point of contact with global scientists, and promote understanding of probiotics around the world (see p. 27).

Promoting environmental activities at each stage of operations and increasing employees' environmental awareness

III. The Environment

For environmental conservation

We incorporate environmental activities at each stage of our operations under the three major themes of the Yakult Sustainable Ecology 2020 initiative: "realization of a low-carbon society" (in response to climate change), "efficient use of resources," and "efforts to preserve and utilize biodiversity" (see p. 32).

Responding to climate change can simultaneously be both a risk and an opportunity for our operations. Generally, an increase in natural disasters due to climate change can be considered a risk to operations and the procurement of raw materials. On the other hand, it is also an opportunity to build energy- and resource-saving production and distribution systems, promote initiatives such as environment-conscious packaging, and as a result receive positive evaluations from our stakeholders.

To preserve and utilize biodiversity, we are actively engaged in greening activities around our institute and plants, and tree-planting activities overseas in countries such as China and Indonesia (see p. 21).

Additionally, to raise environmental awareness among employees, we regularly run training sessions and campaigns. In fiscal 2017, we held a CSR campaign in conjunction with the Japan Committee for United Nations Decade on Biodiversity's My Action Declaration program (see p. 20-21).

Employee health is essential to realizing our corporate philosophy

IV. Labour Practices

Improving the health and motivation of our employees

V. Human Rights

Respect for human rights

The Group established its Statement on Health in September 2017. It further details our recognition that the health of our employees is both our social responsibility and essential to realizing our corporate philosophy of "contributing to the health and happiness of people around the world." Specifically, along with promoting the streamlining of duties we maintain thorough labor management, and are working to reduce long working hours and improve the rate of paid holidays taken. In February 2018 these initiatives were recognized with certification by the government as a "White 500" company for outstanding health and productivity management (see p. 44).

Observing compliance throughout the Group and practicing corporate governance

VI. Fair Operating Practices

Ensuring fairness in our business

VII. Organizational Governance

Promoting transparent management

In April 2017, ISO 20400 was published, providing guidance on sustainable procurement, and coming at a time when there is growing attention on procurement that is environmentally and socially responsible. The Yakult Group established its CSR Procurement Policy in March 2018 based on these international trends. In corporation with business partners, we promote fair and equitable procurement activities throughout the supply chain while not only complying with national and local laws and regulations, and respecting international codes of conduct, but also considering human rights, labor, safety, and health (see p. 52). Furthermore, as a company widely trusted by our stakeholders, we promote transparent management by thoroughly ensuring compliance, practicing governance based on the objectives of the Corporate Governance Code, and actively disclosing information (see p. 53-54).

Fulfilling our social responsibilities while listening to our stakeholders

As detailed above, we are strongly aware of our social responsibilities as a global company, and aim to achieve our action targets as a Group based on the key themes of the Yakult CSR Action Plan. Moreover, we will fulfill our social responsibilities by responding to ESG assessments and contributing to the achievement of SDGs. We welcome your candid feedback, and ask for your continued support going forward.

September, 2018

Yakult's Roots: Shirota-ism

Yakult's beginnings

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

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

In his research, Dr. Shirota discovered that lactic acid bacteria were effective in suppressing harmful bacteria within the intestines. He later became the first 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.

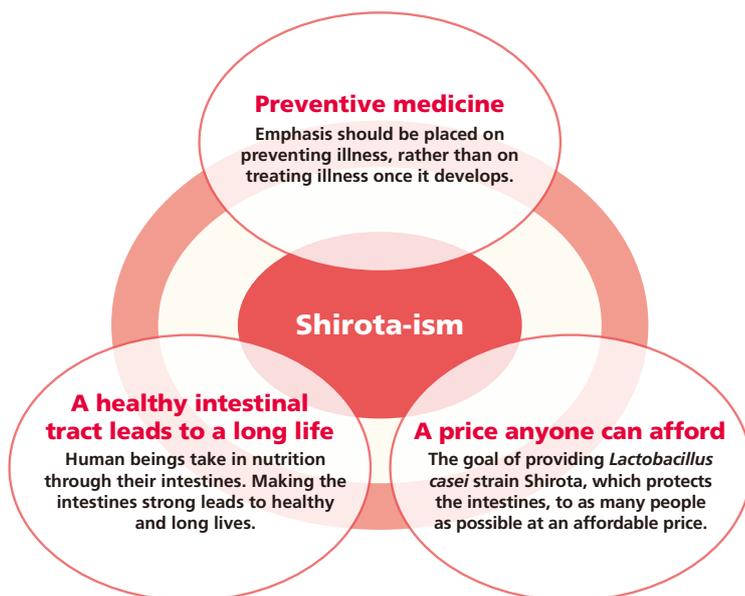
Dr. Shirota dedicated himself to helping protect the health of people throughout the world. His passion, ideas and relentless spirit of inquiry live on today.

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)



Shirota Memorial Museum

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



Legacies

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

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

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

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

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

Moving forward, to 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

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

Furthermore, at Yakult Honsha the workshops are also a part of yearly job-level-specific employee training, with around 383 participants taking part in fiscal 2017.

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



Training on Shirota-ism
Top: Yakult S.A. de C.V. (Mexico)
Below: 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 leads to long life.”

The Yakult Central Institute

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



The Yakult Central Institute

Established: April 1955 (as the Shirota Institute)

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

Employees: Around 300

Key research subjects and fields

The Institute works on the development of materials for food and beverages, cosmetics, and pharmaceuticals that aid in the maintenance and improvement of health, and research into their applications.

The fields of microbiology, nutritional science, physiological science, immunology, biochemistry, bioengineering, organic chemistry, fermentation engineering, natural products chemistry, pharmaceutical science, and analytical chemistry — all form a part of the research.

Preventive
medicine

Researching intestinal flora

The human intestinal tract is colonized by some 100 trillion bacteria, of which there are around 1,000 different types. In particular, a diverse array of intestinal bacteria inhabits the area from the lower section of the small intestine to the large intestine and is called intestinal 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 intestines 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 improving the balance of intestinal flora. The Yakult Central Institute has produced a great number of research achievements using strains such as *Lactobacillus casei* strain Shirota, discovered by Dr. Minoru Shirota, and *Bifidobacterium breve* strain Yakult.

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



Collection of microorganisms such as lactic acid bacteria and bifidobacteria

Research and development activities outside Japan

Yakult Honsha established the Yakult Honsha European Research Center for Microbiology ESV (YHER), the Group's first overseas research base, in Ghent, Belgium, in 2005. Its research focuses on populations in Europe, where eating habits and other lifestyle factors differ from those of the Japanese. A human study by the Center involving Europeans who had consumed locally-produced commercial products (*Yakult*) confirmed that *Lactobacillus casei* strain Shirota reaches the intestines alive and improves fecal properties. In terms of basic research outcomes, the Center has proved that intestinal bifidobacteria is passed on from mothers to newborns.

By accumulating more data like this, the Center aims to build a solid research foundation to support our global business expansion.



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

Expansion of joint research

Joint research by the Yakult Central Institute with a number of universities, hospitals and research institutes has verified the benefits of Yakult's probiotics from different perspectives. We expect to gain new knowledge by expanding the scope of joint research going forward.

Joint research with JAXA

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



International Space Station (ISS)

Joint research with Tohoku University Tohoku Medical Megabank Organization

In joint research with Tohoku University Tohoku Medical Megabank Organization (ToMMO) involving a cohort study* of residents in Miyagi Prefecture, we took part in an examination of the intake situation of fermented milk drinks and fermented milk products and an analysis of their intestinal flora, and verified correlations with various health indicators.

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

Ethical compliance

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

The Safety Research Department evaluates the safety of materials and products according to government standards.

Independent from other organizations, the Quality Assurance Unit audits research data and activities from a third-party perspective.

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

Corporate Social Responsibility

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

Basic Policy on CSR

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

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

Basic Policy on CSR

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

CSR management structure

● CSR promotion system

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

● CSR Promotion Committee

Meeting twice per year (every half term), 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 experts in addition to consideration by the CSR Promotion Committee. We also distribute the CSR Report (Digest Version) to all employees, and then draw on feedback gained through the survey regarding the Report to verify our activities.

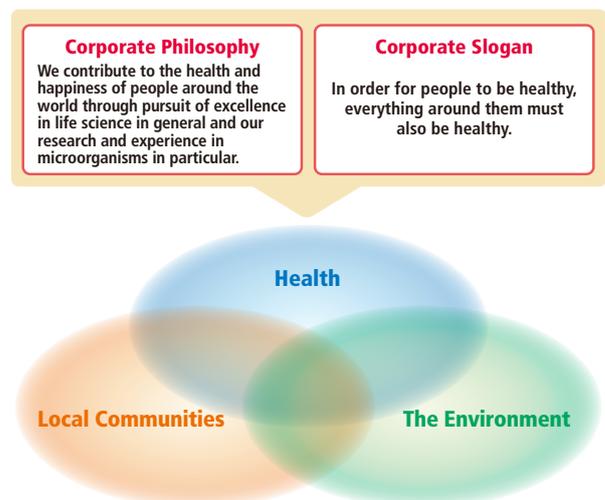
Yakult CSR Promotion Organization



Three key areas of CSR

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

Against this backdrop, we have defined our three key areas of CSR: Health, local communities, and the environment. The specific themes and targets for each area are set forth in the Yakult CSR Action Plan (see p. 12-13) and Yakult Environmental Action Plan (see p. 32).



The Yakult CSR Action Plan and Sustainable Development Goals

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

Specifically, in fiscal 2016 we formulated the Yakult CSR Action Plan, which clarifies the focus of our three key CSR areas in accordance with the seven core subjects of ISO 26000, and in fiscal 2017 relevant departments set concrete action targets and implemented activities accordingly.

Additionally, we believe Sustainable Development Goals (SDGs) should be addressed as shared global challenges to achieve a sustainable society, and have included our approach to contributing to the achievement of SDGs in the CSR Action Plan.

Specifically, of the 17 SDGs, we have identified those that are highly relevant to the Group, and after clarifying their relationship with the seven core subjects and key themes in the Yakult CSR Action Plan, we are implementing initiatives at each stage of operations.

Held in June 2018, the My SDGs Declaration campaign encouraged workers to choose one of the 17 SDGs and consider what they could personally do to work towards its achievement.

[For details](#) see p. 12-13 Yakult CSR Action Plan : Targets and Results



SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Goals highly relevant to the Yakult Group

3 5 8 12 13

For Group-wide CSR awareness

The Yakult Group sees its 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 Yakult CSR campaigns for all workers since fiscal 1994 in line with Japan's Environment Month set forth by the Ministry of the Environment (MOE). The theme of fiscal 2017 was conservation of biodiversity, and in fiscal 2018 the theme is SDGs.

[For details](#) see p.20-21 Special Feature 3:
Toward biodiversity conservation

● CSR management seminars

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

In fiscal 2017 we invited Hidenori Imazu of Toppan Printing Co., Ltd. to lecture on CSR, from the basics to the newest trends.

He began by looking back at the history of CSR, and explaining the SDGs and ISO 26000 that form the base of the Yakult CSR Action Plan. He said that the Yakult Group has been highly praised for establishing its CSR Action Plan, and is already contributing to achieving SDGs in its business activities. He also pointed out that environment, social and governance (ESG) investing has picked up speed since Japan's Government Pension Investment Fund, the world's biggest institutional investor, signed on to the United Nations' Principles for Responsible Investment in 2015 (implemented in 2017), and that engagement in ESG may become more advantageous even in fundraising. Finally, he highlighted Shirota-ism and global business development as the Yakult Group's strengths, and proposed that we should continue to reinforce our human rights and CSR procurement initiatives with a mid- to long-term vision.

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



CSR management seminar

Yakult CSR Action Plan: Targets and Results

Three key areas of CSR	ISO 26000 Core Subjects	Key Themes	Fiscal 2017 Action Targets
	I. Consumer issues See p. 23	<ul style="list-style-type: none"> Provide safe and reliable products Customer-first principle Protect customer personal information 	<ol style="list-style-type: none"> Hold customer satisfaction workshops See p. 26 Promote certification of various international standards See p. 24 Promote universal design See p. 24 Accept visitors to plants and research institute See p. 26
	II. Community involvement and development See p. 28	<ul style="list-style-type: none"> Promote social contribution activities Respect for local cultures and customs Activities for solving local issues Strengthen relations with local communities 	<ol style="list-style-type: none"> Consider formulating social contribution policies See p. 28 Promote the dispatch of guest lecturers and health-related lectures See p. 28 Promote Courtesy Visit Activities, community safety watch and crime prevention activities See p. 29 Further sports promotion See p. 30 Implement cooperative activities between business sites and local municipalities See p. 28-30 Deepen exchanges with local residents through plant festivals See p. 26
	III. The environment See p. 31	<ul style="list-style-type: none"> Realize a low-carbon society Effectively use resources Preserve and utilize biodiversity 	<ol style="list-style-type: none"> Reduce CO₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2018 See p. 36-37 Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 as well as promote a recycling rate for food waste of at least 85% See p. 38 Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 See p. 39 Promote education related to biodiversity, as well as support and involvement with nature conservation activities See p. 20-21 Reduce material consumption in containers and packaging: Minimize environmental impact by substituting materials used for containers and packaging / Utilize eco-friendly plant-derived materials used for containers and packaging See p. 40
	IV. Labour practices See p. 42	<ul style="list-style-type: none"> Promote workplace safety and health Promote work-life balance Promote active roles for women Promote diversity 	<ol style="list-style-type: none"> Conduct health and safety inspections in production See p. 45 Increase the number of paid leave days used See p. 46 Run work-life balance workshops See p. 46 Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by 2020 See p. 48 Maintain the legally mandated ratio of employees with disabilities See p. 48
	V. Human rights See p. 49	<ul style="list-style-type: none"> Promote diversity Respect for personalities and human rights 	<ol style="list-style-type: none"> Periodically run human rights awareness training See p. 49 Run anti-harassment workshops See p. 49
	VI. Fair operating practices See p. 50	<ul style="list-style-type: none"> Ensuring fair and sound transactions Promote CSR procurement 	<ol style="list-style-type: none"> Ensure complete adherence to compliance See p. 50-51 Consider formulating CSR procurement policy See p. 52
	VII. Organizational governance See p. 53	<ul style="list-style-type: none"> Implement corporate governance Promote business in accordance with compliance Ensure confidentiality Disclosure of corporate information and communication with society 	<ol style="list-style-type: none"> Deepen understanding of our founder's philosophy (Shirota-ism) See p. 6-7 Strengthen support of the Corporate Governance Code See p. 53 Promote disclosure of information to stakeholders (shareholders, etc.) See p. 54 Enhance understanding of the Yakult Ethical Principles and Code of Conduct See p. 50 Ensure complete adherence to compliance See p. 50-51

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

*Level of achievement ✓: Target achieved ✓: Target almost achieved ✕: Efforts not sufficient N/A: No actions

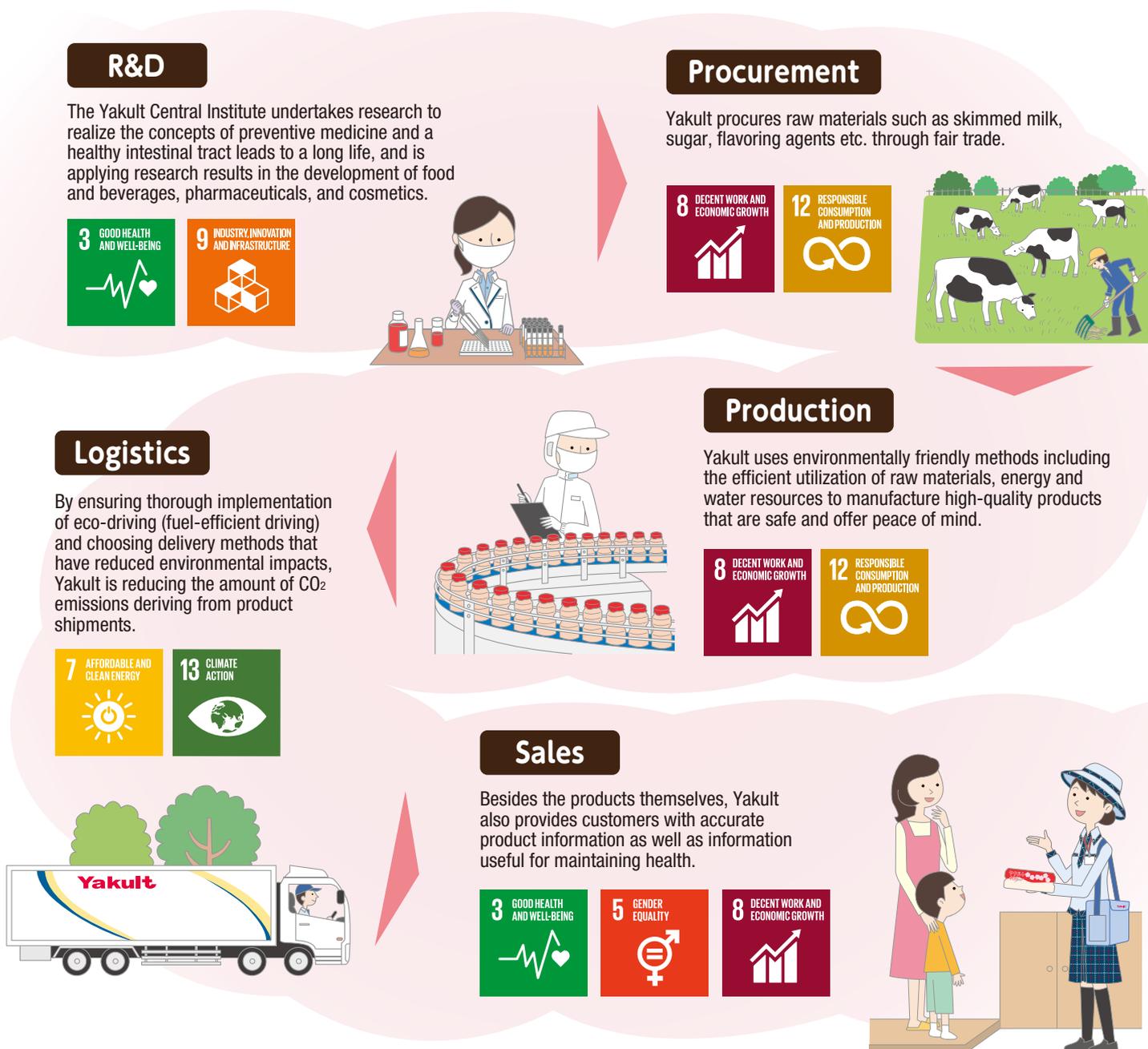
Fiscal 2017 Results	Level of achievement*	Fiscal 2018 Action Targets	SDGs	ESG
<ul style="list-style-type: none"> Conducted guidance to ensure thorough understanding of rules and manners regarding customer visits for Yakult Ladies and Yakult Beauty Advisors by providing training and distributing handbooks Made it easier to remove straws from bottles after receiving customer comments Acquired HACCP, GMP, ISO 9001, ISO 14001, ISO 22000, FSSC 22000, OHSAS 18001 and SQF for plants in and outside Japan Utilized universal design fonts for packages of newly introduced products, or when changing the package design or labels of existing products Participants in plant tours: 264,538 (6 Yakult Honsha plants including the cosmetics plant and 5 bottling company plants, 11 in total) Participants in tours of the Shirota Memorial Museum at Central Institute: 3,083 	✓	<ol style="list-style-type: none"> Hold customer satisfaction workshops Promote certification of various international standards Promote universal design Accept visitors to plants and research institute 		
<ul style="list-style-type: none"> Formulated our Policy on Community Development Activities (March 2018) In Japan: Dispatch of guest lecturers: 3,821 lectures, 265,318 participants / Health-related lectures: 11,768 lectures, 381,936 participants / Beauty workshops: 1,931 workshops, 25,909 participants Overseas: Dispatch of guest lecturers: 39,712 lectures, 2,285,890 participants / Health-related lectures: 102,301 lectures, 5,412,996 participants Courtesy Visit Activities: 40,098 older people visited by 2,975 Yakult Ladies from 57 marketing companies in response to requests from 131 local governments in Japan Community safety watch and crime prevention activities: Conducted by 25,638 Yakult Ladies from 1,898 centers of 103 marketing companies in cooperation with 828 local governments and other groups Baseball clinics by current players: 10 venues, 1,196 participants Tsubame baseball clinics by retired players: 21 venues, 3,600 participants Other community activities by the track and field club, rugby club and the Japan Bound Tennis Association Cleanup campaigns at plants and institute in collaboration with local governments: 97 times Created work opportunities of persons with disabilities at 90 welfare facilities in 16 prefectures in cooperation with industrial associations: Attaching stickers to 1.04 million bottles Operated Bowel Cancer Information website: 159,000 page views per month, 9.2 million page views since launch Yakult S.A. de C.V. (Mexico): Made donation to UNICEF, and provided Yakult every day to people in disaster-affected areas in collaboration with public offices Held festivals at plants: 24,884 people attended (6 Yakult Honsha plants including the cosmetics plant and 5 bottling company plants, 11 in total) 	✓	<ol style="list-style-type: none"> Promote dispatch of guest lecturers and health-related lectures Promote Courtesy Visit Activities, community safety watch and crime prevention activities Further sports promotion Implement cooperative activities between business sites and local municipalities Deepen exchanges with local residents through plant festivals 		
<ul style="list-style-type: none"> CO₂ emissions reduced by 5.9% (compared to fiscal 2010) *Yakult Central Institute: reduced by 2.5% per production unit (compared to fiscal 2010) Updated to energy-efficient molding machines, implemented measures such as eco-driving Waste emissions reduced by 23.2% (compared to fiscal 2010) Reduction achieved by reorganization of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to reduce waste generated Food waste recycling rate: 92.9% (conforming to Food Recycling Act) Promoted reduction of food waste and recycling of such waste at each business site Water consumption reduced by 12.9% (compared to fiscal 2010) Reduction achieved by reorganization of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to save water Participated in Green Wave 2017 (tree-planting in 14 locations in Japan) Planted trees as co-sponsor of 69th National Tree-Planting Festival 2018 in Fukushima Co-sponsored OISCA Children's Forest Program Encouraged people to join My Action Declaration to conserve biodiversity, and 15,706 workers made a declaration Made the size of shrink-wrap film more appropriate for Mil-Mil, Mil-Mil S, Pretio and BF-1 products (7.2 t-CO₂ emission reduction) Adapted biomass shrink labels for Milouge White Water (280 ml PET bottle) and reduced the weight of PET bottle by approx. 10% (8.0 t-CO₂ emission reduction) 	✓	<ol style="list-style-type: none"> Reduce CO₂ emissions to at least 5% below the level in fiscal 2010 by the end of fiscal 2018 Reduce waste emissions to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 as well as promote a recycling rate for food waste of at least 85% Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018 Promote education related to biodiversity, as well as support and involvement with nature conservation activities Reduce material consumption in containers and packaging: Minimize environmental impact by substituting materials used for containers and packaging / Utilize eco-friendly plant-derived materials used for containers and packaging 		
<ul style="list-style-type: none"> Formulated and published the Statement on Health (September 2017) Received "White 500" certification as a company promoting health and productivity management (February 2018) Conducted safety and health inspection tours at each of our plants and responded to any findings for improvement: 171 inspection tours, 1,212 findings, 100% improved Ran workshops for all employees on health-focused management as well as promoting use of their annual allotments of paid holidays Average of annual allotment of paid holidays used: 10.8 days (fiscal 2017) Use e-learning course to get senior personnel's message across to employees in the Pharmaceutical Business. Collected examples of each initiative, shared information on the results, and raised awareness for promoting work-life balance (for 100% of employees) Ratio of women at the assistant manager level: 24.5% (as of March 31, 2018) Conducted career design training for women's workplace advancement Ratio of employees with disabilities: Maintain the legally mandated ratio (2.01% in fiscal 2017) 	✓	<ol style="list-style-type: none"> Promote health-focused management Conduct health and safety inspections in production Increase the number of paid leave days used Run work-life balance workshops Achieve a 30% ratio of women at the assistant manager level (who are candidates for managerial positions) by fiscal 2020 Maintain the legally mandated ratio of employees with disabilities 		
<ul style="list-style-type: none"> Ran diversity workshops in training for new employees and newly appointed managers to foster awareness on diversity focusing on women's workplace advancement and cultivating corporate culture as a global company Ran workshops for all employees on health-focused management and anti-harassment Conducted compliance training at each business site of Yakult Honsha and subsidiary based on the results of compliance surveys, and presented about anti-harassment 	✓	<ol style="list-style-type: none"> Periodically run human rights awareness training Run anti-harassment workshops 		
<ul style="list-style-type: none"> Maintained and improved sound business relationships in compliance with the basic transaction agreement between Yakult Honsha and marketing companies Improved compliance awareness by holding a conference of for personnel in departments that deal with subcontractors Revised and adopted the Code of Practice of Yakult Honsha Pharmaceutical Business Division Formulated the Yakult Group CSR Procurement Policy (March 2018) 	✓	<ol style="list-style-type: none"> Ensure complete adherence to compliance Promote CSR Procurement 		
<ul style="list-style-type: none"> Held Shirota-ism Workshops in and outside Japan during group training sessions, and training for new employees Review the operations of the Board of Directors based on the Corporate Governance Code to decide next fiscal year's policy Changed the specification of convocation notices for shareholders so that the necessary information can be accurately and easily understood Explained the Yakult Ethical Principles and Code of Conduct by way of compliance training and level-specific training for each business site of Yakult Honsha and subsidiary Distributed various educational materials including a Compliance Guidebook Held a meeting of compliance personnel at Yakult Honsha in October and group companies in September and October (8 times in total) to provide useful regulatory information and share information among them Designated March 2018 as Compliance Month and conducted various activities to raise compliance awareness among all Group employees Appropriately addressed internal reports received via the Yakult Compliance Hotline (internal reporting system) 	✓	<ol style="list-style-type: none"> Deepen understanding of our founder's philosophy (Shirota-ism) Strengthen support of the Corporate Governance Code Promote disclosure of information to stakeholders (shareholders, etc.) Enhance understanding of the Yakult Ethical Principles and Code of Conduct Ensure complete adherence to compliance 		

Yakult Corporate Activities and SDGs

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

	<p>Contributing to the health of as many people as possible through the sale and delivery of products that contribute to people's health</p>		<p>Implementing initiatives that consider human rights, labor, the environment, and anti-corruption throughout our supply chain, from raw material procurement to production, logistics and sales</p>
	<p>Aiming to improve Yakult Ladies' working environments and realize a society where women are empowered</p>		
	<p>Continue being a company where workers feel motivated while improving our business productivity</p>		

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



Dialogue with Stakeholders

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

Customers

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

- Number of inquiries to Customer Support Center: 43,944 (fiscal 2017)
 - Issues of *Healthist* journal: 6 in Japanese and 1 in English per year
 - Participants in plant tours:
Around 260,000 in Japan (fiscal 2017)*
Around 500,000 overseas (fiscal 2017)
 - Participants in tours of the Shirota Memorial Museum at the Yakult Central Institute: Around 3,000 (fiscal 2017)
 - Company and consumer round-table meetings
- *6 Yakult Honsha plants including the Shonan Cosmetics Plant and 5 bottling company plants

See p. 23-27

Local Communities

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

- Dispatch of guest lecturers:
In Japan: 3,821 lectures, 265,318 participants (fiscal 2017)
Overseas: 39,712 lectures, 2,285,890 participants
- Health-related lectures:
In Japan: 11,768 lectures, 381,936 participants (fiscal 2017)
Overseas: 102,301 lectures, 5,412,996 participants
- Yakult Ladies' "Courtesy Visit Activities": Around 40,000 older people visited (fiscal 2017)
- Yakult Lady community safety watch and crime prevention activities:
828 local governments and organizations (fiscal 2017)
- Cleanup campaigns: 97 venues, 967 participants (fiscal 2017)
- Social activities with vending machines

See p. 28-30

Shareholders and Investors

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

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

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

Workers

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

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

See p. 42-49

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. 23, 51-52

Civil Society Organizations

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

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

See p. 20-21

Main industry groups the Yakult Group is involved with

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

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

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

Raising health awareness in local communities



In addition to creating healthy products, the Yakult Group strives to provide customers with a variety of information about health through sales by Yakult Ladies and other routes. Yakult S.A. de C.V. (Mexico) contributes to raising health awareness in local communities with activities such as distributing recipe cards and holding health-related seminars.

Mexico struggles with health problems like obesity

Over more than 35 years, Yakult S.A. de C.V. (Mexico) has become familiar to local communities through sales both in stores and by Yakult Ladies. The sales area and number of bottles sold in Mexico have grown steadily, with an average of 3.68 million bottles sold daily throughout the country and a population ratio* of approximately 3.8%.

Mexico has a population of nearly 130 million, and is struggling with a rise in the prevalence of obesity and diabetes due to the food culture and a lack of exercise. Yet on the other hand, one in seven children suffers from malnutrition. Few people understand healthy eating habits, nutrition, and the workings of the digestive system. Recognizing the critical nature of the situation, the government is implementing measures to promote healthier eating habits.

With that in mind, in addition to providing products that contribute to people's health, the company conducts activities using a variety of approaches to have people learn about health in an enjoyable way.

*Estimate of market penetration calculated by dividing the average number of bottles sold per day by the population covered

Company: Yakult S.A. de C.V. (Mexico)
Founded: March 1980
Number of employees: 3,470
Number of Yakult Ladies: 9,180
Sales bases: 160
Plants: Ixtapaluca Plant, Guadalajara Plant

Distributing healthy recipe cards in partnership with UNICEF

With our corporate philosophy of contributing to the health and happiness of people, Yakult has a lot in common with UNICEF, which strives to improve the health, welfare and education of children. Yakult S.A. de C.V. (Mexico) began a partnership with UNICEF in August 2016 based on the mutual agreement that working together we could contribute to Mexican society. In 2017, Yakult Ladies began distributing healthy recipe cards created by UNICEF to customers in the aim of promoting health. In addition to recipes, the cards also contain information on nutrition and advice on improving the lifestyles of children at home.

The company also holds workshops that train employees how to clearly convey the purpose and contents of the recipe cards. As many Yakult Ladies are also mothers, they support the idea of activities that improve children's eating habits and are



Customers listening to an explanation of a recipe card

actively engaged in the workshops. In 2017, approximately 1,400 Yakult Ladies delivered recipe cards to around 140,000 households. Moving forward, we plan to gradually expand the scope of this activity.

Furthering understanding of the digestive system with the “Healthy Intestinal Tract Project”

The topic of the digestive system is seldom covered in Mexican formal education, and few people are familiar with the way it functions. 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 the company has produced leaflets on five topics: How the intestines and digestive system work, intestinal bacteria, *Lactobacillus casei* strain Shirota, immunity, and probiotics. These leaflets were distributed by Yakult Ladies and Sales Department employees.



Healthy Intestinal Tract Project leaflet

Fiscal 2017 Healthy Intestinal Tract Project
Distributed by approx. **7,800** Yakult Ladies

Free health-related seminars

Yakult S.A. de C.V. (Mexico) regularly holds free health-related seminars where customers learn about healthy eating habits and the benefits of *Lactobacillus casei* strain Shirota. These seminars are not only a place to provide customers with accurate information about health, but also an opportunity for the company to foster deeper relationships with them.



Participants engaged in a seminar

Fiscal 2017 health-related seminars Held
6,742 times with **242,152** participants



A workshop for Yakult Ladies

Local voices



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

On assignment from Yakult Honsha in 2010

In Mexico there are few people who understand the function and workings of the intestines. I think it's very important to introduce the structure and function of the digestive system and explain how *Lactobacillus casei* strain Shirota improves the intestinal environment to customers.



Elena Tomasa
Yakult Lady

Working as a Yakult Lady for about 10 years

My job feels most rewarding when a customer I've sold products to expresses their gratitude by saying their health has improved. I'm overjoyed to be able to help improve the health of the local community as a Yakult Lady.



Rosario Almansa
Customer

I've been drinking Yakult products regularly for the past five years. I really like the healthy recipes and information the company provides on improving children's lifestyles at home. I keep the recipes on my refrigerator and use them when cooking for my grandchildren.

My favorite recipe is the egg tacos because they're really simple to make and very nutritious. I hope that Yakult continues to deliver these kinds of practical and fun recipes.

Our efforts to achieve SDGs



We contribute to the health of local communities by selling and delivering products that are beneficial for people's health and providing information on health.



We provide accurate information on health for all ages, from children to older people.



We contribute to women's empowerment by offering job opportunities as Yakult Ladies.

Yakult Mito Sales Co., Ltd.

Connecting people in the local community through Yakult, and building that community together



The Yakult Group enjoys a close connection to local communities through Yakult Ladies thanks to our home delivery system. Based on its corporate vision and management philosophy, Yakult Mito Sales Co., Ltd. strives to contribute to a better local community by working with various stakeholders to connect local people.

Left: Kindergarteners and older customers at a *hinamatsuri* (Girls' Day) event (Motivation Delivery Project)
 Upper right: An event at a Yakult sales center
 Lower right: The president's Customer Appreciation Day event to express gratitude to each customer

Community support initiatives driven by our management philosophy

In 2009, Yakult Mito Sales Co., Ltd. established its corporate vision "Healthy and beautiful. Your partner in creating a happy and healthy life," and a supporting corporate philosophy. To realize that vision, we regularly run the Mito Visionary Project to improve awareness among workers, and have them take concrete actions for our customers.

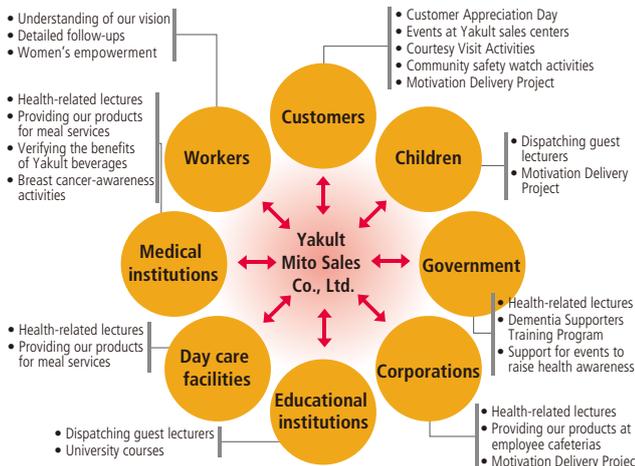
One example of such actions is the Customer Appreciation Day event, an initiative where we invite customers for a meal together to express our gratitude. It began at one of our delivery centers, but has spread and now takes place at all of them. Additionally, we have made area satisfaction (AS) the champion

cause within our CEA'S to garner support and be viewed as an essential part of the local community.

We know the local community very well through our Yakult Ladies, and I believe we have a responsibility to connect people within it. Through Customer Appreciation Days and other events, I have personally met over 500 customers, and learned that a number of them possess various special skills. In recent years we have thus begun the Motivation Delivery Project to create a place for customers to gain motivation using their special skills.

In one specific example, we held a gift exchange event

Promoting activities with two-way communication



CEA'S

- CS (Customer Satisfaction)
- ES (Employee Satisfaction)
- AS (Area Satisfaction)

Manabu Naito

President and Representative Director
 Yakult Mito Sales Co., Ltd.



where we asked older customers with a talent for handicrafts to make felt toy vegetables for local kindergartens lacking in toys. Moving forward, we would like to further expand initiatives that connect people in our local community.

Yakult Ladies and their customers share a deep bond of mutual gratitude. In appreciation of this, we have set the 10th day of each month as Thank-you Day, when we collect and share customer opinions and feedback with all delivery centers.



A center that revitalizes the community, and contributes to safety and peace of mind

We spoke with employees at the Yakult Mito Sales Co., Ltd. Shirosato Center.

“We hold various events every year, like our 2017 Children’s Support Bazaar that was attended by nearly 100 customers. We’d like to not only function as a base for Yakult Lady sales, but also as a local community center that brings customers together.”

Keiko Sato

Assistant Manager
Home Delivery Department, Yakult Mito Sales Co., Ltd.

“Through home delivery, Yakult Ladies bear responsibility for the safety of both customers and the local community. Yakult Ladies visit customers every week and are quick to notice any subtle changes. At this center, there was an incident where a Yakult Lady sensed something wrong in a customer’s voice over the intercom at their house. She recommended seeing a doctor, and the customer was then hospitalized. I believe we notice changes in our customers because we’re genuinely concerned about them. This center is located in an area where many older people live alone, and we’ll continue striving to be alert while promoting sales activities.”

Kahori Yonekawa

Senior Center Manager
Home Delivery Department, Yakult Mito Sales Co., Ltd.



Kahori Yonekawa
Senior Center Manager
Home Delivery Department
Yakult Mito Sales Co., Ltd.

Keiko Sato
Assistant Manager
Home Delivery Department
Yakult Mito Sales Co., Ltd.

TOPIC Health-related lectures that make learning fun

Since 2005, Yakult Mito Sales Co., Ltd. has hosted health-related lectures for older people on topics such as the function of the intestines and immunity, dementia, and lifestyle diseases. The company also has an area where people can exercise, and hold their own “Laughter Yoga” classes and other programs that provide information on health in a fun way. In 2017 activities were also held at each center.



A health-related lecture (Held on May 24, 2018 at the Eastern Community Center in Ishioka City, Ibaraki Prefecture)

Promoting women’s empowerment

Yakult Mito Sales Co., Ltd. supports women’s empowerment, and a woman holds the role of supervisor overseeing the delivery center areas. In 2016 the company launched the Full-time Employee Switch System to encourage Yakult Ladies to become full-time employees. Their goal is to someday soon have someone who started out as a Yakult Lady becomes a director of the company.

COMMENTS My Yakult Lady fills me with energy



Chizuko Yanaka
Customer

Saori Shindo
Yakult Lady
Ibaraki Kensei NS Center

Working as a Yakult Lady for about 8 years

Ms. Yanaka: “When I first met Ms. Shindo, I had been suffering from memory problems after an illness and was feeling really down. She was very cheerful and always smiling, and gave me encouragement when going outside felt too troublesome for me. Before I knew it, I wanted to keep pushing on until the next time she came to visit. She fills me with energy.”

Ms. Shindo: “I had just become a Yakult Lady and was nervous at that time, but Ms. Yanaka was thoughtful and kind. She actually also gives me encouragement, and I always look forward to seeing her.”

Our efforts to achieve SDGs



We contribute to the health of local communities by selling and delivering products that are beneficial for people’s health and providing information on health.



We provide accurate information on health through health-related lectures.



We contribute to women’s empowerment by offering job opportunities as Yakult Ladies.

Toward biodiversity conservation



The Yakult Group produces products using nature's gift of lactic acid bacteria, so we view the conservation of biodiversity as one of our material issues. One of the goals of Yakult Sustainable Ecology 2020 is to "preserve and utilize biodiversity" for the creation of a sustainable society. Below we introduce some of the efforts by Yakult Honsha, plants and Group companies outside and within Japan.

Left: Tree planting activities by P.T. Yakult Indonesia Persada
Upper right: Children involved in the Children's Forest Program visit Yakult Honsha
Lower right: Children's Forest Program

Biodiversity is the diversity of living things. Our lives are sustained by ecosystem services (e.g., the provision of food and water, regulation of the climate, etc.), which involve complex interactions among a multitude of living things. However, human activities are threatening the survival of many species and disrupting the balance of ecosystems, so governments, corporations, and individuals need to be aware of and take action on biodiversity.

Biodiversity conservation as part of Yakult CSR campaigns

Since fiscal 1994, the Yakult Group has been implementing Yakult CSR campaigns directed at all Yakult workers that coincide with Japan's Environment Month as designated by the Ministry of the Environment. In fiscal 2017 we linked up with the My Action Declaration program of the UNDB-J.*

With this program the UNDB-J encourages individuals to be more aware of and to take action on biodiversity in the course of day-to-day living. This year, 15,706 Yakult Group workers participated by choosing from among five options (eating, feeling, sharing, conserving, and selecting) and committing to take action to protect biodiversity.

As part of the campaign we also made donations to the Children's Forest Program run by the Organization for Industrial Spiritual Cultural Advancement (OISCA). The donations will be put to work in Indonesia, the Philippines, and China (Inner Mongolia Autonomous Region).

We also participated in Green Wave 2017 tree-planting activities on the UN's International Day for Biological Diversity, and planted 23 trees at 13 Yakult Group plants throughout the country and the Yakult Central Institute facilities in Kunitachi City, Tokyo.



* UNDB-J: Japan Committee for United Nations Decade on Biodiversity



My Action Declaration program results

Workers who participated in the My Action Declaration: **15,706**

Greening and scenic preservation near our facilities

We are helping conserve biodiversity through greening, cleanup campaigns and conservation of regional landscapes near our institute and plants.

Yakult Central Institute

Our vision is for the Yakult Central Institute to be a facility surrounded by forest and water. In 2015 we created a walking path around the perimeter of the Institute's grounds. It was designed to fit in well with the natural forests of the Musashino plateau (a large ancient tableland in the region) and is popular with the community today.

Shonan Cosmetics Plant

We are engaged in a variety of greening activities in cooperation with the nature conservation section of Fujisawa City Hall. We contribute to a green urban environment through an annual autumn event to promote the planting of flowers and greenery, by soliciting posters and slogans from the public on those themes, handing out free seedlings, and offering tours of companies involved in greening.

Tree-planting with government and civil society organizations

Co-sponsoring the 69th National Tree-Planting Festival (in Fukushima in 2018)

Yakult Honsha was a co-sponsor of the 69th National Tree-Planting Festival in 2018. This festival is jointly organized every spring by the National Land Afforestation Promotion Organization together with a host prefecture. In 2018, Fukushima Prefecture co-hosted the event to promote citizen participation in supporting forests, as the prefecture has experienced significant changes in its forest environment since the 2011 Tohoku earthquake and tsunami.

Prior to that festival, a total of 23 workers from Yakult Fukushima Sales Co., Ltd., the Fukushima Plant, the East Japan Branch, and the CSR Promotion Department (Public Relations Department) planted 250 Japanese black pine seedlings in Minamisoma City, Fukushima in October 2017. On the official day of the festival in June 2018, three Yakult personnel participated in the ceremony and tree planting activities for the creation of a coastal protection forest.



Tree planting in Minamisoma City, Fukushima

P.T. Yakult Indonesia Persada: Local tree planting

Deforestation in Indonesia has become a serious global concern. The destruction of forests by illegal logging in a national park near the Sukabumi Plant has been identified as one factor contributing to increased risks of disasters from river flooding and landslides. To support the greening of this area, we have been carrying out afforestation activities since fiscal 2015.

In fiscal 2017 we donated 10,000 seedlings to NGOs working in the national park near the plant, and helped to plant them. Starting in 2018 we plan to expand the activities to the area near our Mojokerto Plant. In the future we also plan to involve more employees in these activities to conserve biodiversity and to develop stronger ties with local communities.

Yakult (China) Corporation: Yakult forest (Million Trees Project)

Since 2015, Yakult (China) Corporation has participated in a public afforestation initiative to combat desertification in the Inner Mongolia Autonomous Region. So far, 6,000 trees have been planted, with a survival rate above 70%, according to an NGO study.

The initiative aims to continue planting 2,000 trees annually. To raise Group-wide interest we plan to encourage the participation of employees from production, home delivery, and management departments starting in 2018.



Returning the desert to forest

TOPIC Co-sponsoring conservation activities in Malaysia's "Orangutan Forest"

The Semenggoh Nature Reserve on Malaysia's island of Borneo is known internationally as a protected area for the endangered orangutan. Yakult Honsha co-sponsored a Tree Planting Program for Saving Orangutans started by the Japan Malaysia Association in 2017.



Our efforts to achieve SDGs



We contribute to CO₂ emission reductions and biodiversity conservation through activities such as greening around plants, cleanup campaigns and tree-planting activities in collaboration with governments and civil society organizations.

Yakult Group's CSR Activities

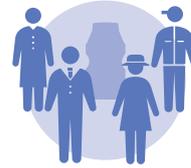
I. Consumer Issues

Contributing to the health and happiness of our customers **P23**



IV. Labour Practices

Improving the health and motivation of our employees **P42**



V. Human Rights

Respect for human rights **P49**



II. Community Involvement and Development

Towards development together with local communities **P28**



VI. Fair Operating Practices

Ensuring fairness in our business **P50**



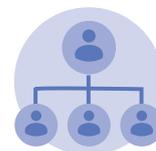
III. The Environment

For environmental conservation **P31**



VII. Organizational Governance

Promoting transparent management **P53**



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

● Raw materials

Our main raw materials (ingredients and packaging materials) are powdered skim milk, paper and plastic. When selecting raw 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 report of raw material suppliers and undertake inspections when raw materials are received to ensure that only materials that are in compliance with relevant standards are used. Regarding raw material suppliers, we conduct investigations of relevant manufacturing plants and processes to confirm 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 the aim 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 inspect all products 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. To verify that our plant workers' technical education, facility management, and management systems of food hygiene are functioning 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 outside Japan have obtained Halal certification.

● Distribution

Yakult Logistics Co., Ltd. makes logistics quality the foundation of their mission to deliver fresh products at their peak of quality. The company runs annual study sessions on logistics quality for workers and contractors, as part of efforts to thoroughly train them about the special loading and handling of Yakult products. Over 100 companies participated in fiscal 2017.



Study session on logistics quality

● Marketing

In addition to complying with legal obligations, we 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 with teams composed primarily of employees that have experience working at production plants.

Furthermore, we hold on-the-job training and workshops to improve the internal independent audits performed by marketing companies themselves to check process control up until products are delivered to customers.

Initiatives taken in the production of cosmetics

Yakult engages in the manufacturing and selling of food, pharmaceuticals, and cosmetics. Our Cosmetics Business Division utilizes a Quality Control Work Procedure Manual and Post-manufacturing and Sales Safety Control Work Procedure Manual for quality management. We additionally perform regular audits to ensure that quality assurance initiatives are being performed properly at both our plant and contractor plants, and give guidance to improve them if necessary.

Product quality certifications

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

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 (10 dairy product plants)	10		10				
Marketing companies in Japan (103 total locations)	19*1			1			
Plants outside Japan (26 total locations)	10*2	9	20	4	1	2	7

*1. Includes branches that have acquired the certification.

*2. Includes one marketing company.

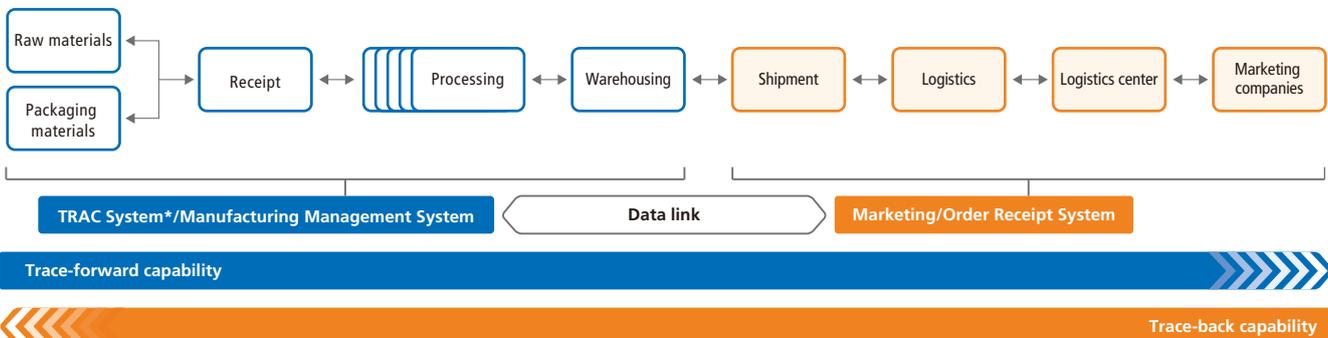
- ISO 9001: An international standard for quality management systems
- GMP (Good Manufacturing Practice): An international standard for pharmaceuticals and food manufacturing management and quality management
- HACCP: A system for assuring safety by implementing thorough hygiene management across the 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

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

Traceability system

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

Traceability system



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

Active disclosure of product information

● Universal design fonts for product labeling

When changing the design or labeling of existing food and beverage products, and when new products are introduced, we utilize easy-to-read universal design fonts.

We will employ the fonts on all of our products to make them easier to read by the March 2022 deadline set by the Consumer Affairs Agency's Country of Origin Labelling System for Ingredients.

● Easy-to-understand allergen information

For many years our food products have displayed the allergens that they contain in the ingredients list as stipulated by law, and we have also displayed in a voluntary format the government-specified seven mandatory and 20 recommended ingredients for allergy labeling to make it easier for customers to be informed.

This was sequentially implemented in March 2016 for our dairy products and was also implemented for juice and other beverages starting with those launched or renewed after March 2016. Since April 2017 we have been sequentially changing labels to comply with the Japanese Food Labeling Act.



An example list of allergens

Menkyokaiden instant noodles have also been unified in the same style as other products.

We further strive to provide product information to customers in a way that is easy to understand by publishing both the ingredients used and the ingredients 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**

We had no product quality issues requiring autonomous product recalls during fiscal 2017.

Customer-first principle

Role and systems of the Customer Support Center

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

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

● **Customer feedback**

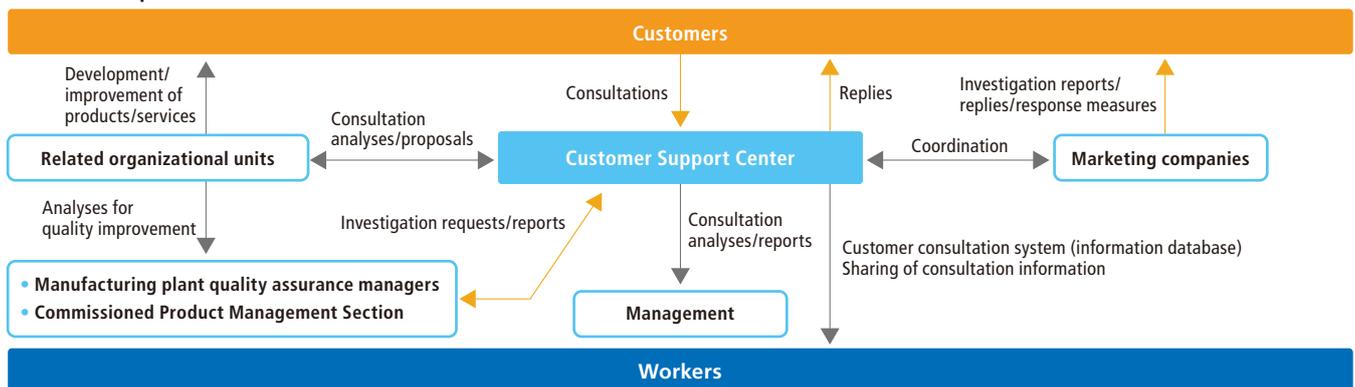
We organize our customer consultations into the categories of inquiries, applications, complaints, discontinuations / suspensions, changes and others.

In fiscal 2017, the Center received 43,944 consultations, down from 51,158 in the previous year.

Customer consultations in fiscal 2017

Type	Number
Inquiries	32,748
Applications	3,634
Complaints	4,108
Discontinuations / suspensions	1,242
Changes	216
Others	1,996
Total	43,944

Customer response flow



Customer Support Center

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

Launch of new product in response to customer feedback

● **Yakult Australia Pty. Ltd.**

Australians increasingly demand healthy products, particularly low-sugar and low-calorie food and beverages. In November 2017 Yakult Australia Pty. Ltd. changed the recipe of *Yakult LIGHT* featuring 75% less sugar and 40% fewer calories than original *Yakult*.



Yakult LIGHT

Yakult Delivery Net service

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

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

As of June 2018, the service is available to customers in the Tohoku, Kanto-Koshinetsu, Chubu and Kinki areas, and during fiscal 2018 we will expand the service nationwide.



Communication with customers

● Plant and institute tours

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

To make it easier for even more customers to comfortably tour our plants, we are adding elevators, ramps, and handrails to make each plant more accessible to all.

During fiscal 2017, six Yakult Honsha plants, including the Shonan Cosmetics Plant, and five bottling companies welcomed about 260,000 people in Japan.

Aiming to deepen friendly relations with local communities, we annually organize festivals at our plants and invite the members of local communities to participate. During fiscal 2017, six Yakult Honsha plants including our pharmaceutical plant and five bottling companies (11 in total) held festivals, which a total of about 25,000 people attended.

The Shirota Memorial Museum (see p. 6) at the Yakult Central Institute is open to the general public, and welcomed about 3,000 visitors in fiscal 2017.



Hyogo Miki Plant tour elevator

Understanding and compliance with marketing rules

● Training for Yakult Ladies and Yakult Beauty Advisors

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

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

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. Additionally, in fiscal 2017 we set two manner enhancement periods, and added programs on smiling and greetings to help increase customer satisfaction.



"Sincerity Circle" study session (Yakult Nagoya Sales Co., Ltd. Kiyosu Center)

For Yakult Beauty Advisors, every year we distribute the *Yakult Beautiens* handbook to disseminate rules regarding customer visits (1. State your name; 2. Present documents such as receipts; 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 checks 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.

Unified information sharing, from research to sales

● Scientific Workshops on Bacteria

Since 1998, we have held annual Scientific Workshops on Bacteria as an opportunity for our researchers in research and development to speak directly to other Yakult Group workers (primarily Yakult Ladies and marketing company employees) about the results of their research. The goal of these workshops is to deepen workers' understanding of the Group's probiotics so they can provide information to customers more confidently.

In fiscal 2017 from May to July, the workshops were held at marketing companies throughout Japan, with about 23,000 participants.



Scientific Workshops on Bacteria

● Healthist journal

Healthist is a journal published six times in Japanese and one time in English per year with the objective of providing easy-to-understand information to the general public, from the newest discoveries in life science and cutting-edge research, to health-related topics and useful information for daily life.

In fiscal 2017 the magazine focused on the forefront of food education, and featured current activities run by educational organizations and groups, and corporations nationwide.



Healthist Vol. 249

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, and post our Privacy Policy on our website.

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

TOPIC Primary awards

Winner of METI (Ministry of Economy, Trade and Industry) Minister's Prize at the Second Nihon Service Award

In June 2018 our Yakult Lady home delivery system was awarded the METI Minister's Prize at the Second Nihon Service Award (organized by the Japan Productivity Center's Service Productivity & Innovation for Growth). Born in Japan, our home delivery system has become familiar across borders and generations, and has been praised for its contribution to women's advancement and success in society.



第2回 日本サービス大賞
 経済産業大臣賞

REVECY wins Asia Star Award in Consumer Package Category

Our REVECY series was awarded the Asia Star Award (Consumer Package Category) at the Asia Star 2017 Contest, organized by the 15-nation member Asian Packaging Federation.

The Asia Star Contest is held to promote the best packaging and packaging technology development in Asia. Having also been honored in the cosmetics packaging category at the Japan Packaging Institute's 2017 Japan Packaging Contest, the excellence of our REVECY series packaging is being recognized in Asia as well as in Japan.

The design of REVECY products strongly conveys the line's concept of the power of lactic acid bacteria and botanical extract, and was also created with universal design in mind. To minimize the effort needed to open and close the products, the number of turns needed to open the screw caps has been reduced, and tube caps utilize a shape that is easy to grasp. Additionally, the names and instructions on the product labels are displayed in a large font.



Asia Star Award in Consumer Package Category



REVECY series

TOPIC Nature Café symposium

To disseminate our slogan "Yakult, dedicated to science" both in and outside Japan, together with the *Nature* scientific journal we co-organized the Nature Café science symposium held on October 13, 2017 at the Springer Nature Symposium Room in London, England.

Five globally renowned researchers were invited as panelists for a presentation and discussion on the Role of Microbiota in Health and Disease. The symposium was attended by around 90 participants who contributed actively with questions and opinions, making for a lively event that culminated in heated discussion.



Nature Café panel discussion

II. Community Involvement and Development

Towards development together with local communities



Promoting social contribution activities

Our approach

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

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

The Yakult Group's Policy on Community Development Activities

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

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

Established March 20, 2018

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

● 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 2017, we conducted about 3,800 guest lectures for more than 270,000 participants nationwide. Guest lectures are also being held outside Japan, particularly in countries such as Indonesia, the Philippines, China, and Mexico. There were a total of about 39,700 lectures given to around 2.29 million participants.

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. In fiscal 2017 there were about 11,800 health-related lectures conducted for more than 380,000 participants.



Health-related lectures

● 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 2017 the site featured information about different kinds of medical support systems, and a Q&A section on common concerns of elderly patients. It also provided information to the general public from a preventive medicine standpoint, aiming to increase the rate of bowel cancer screenings. Since going live in March 2012, the website has been viewed by a total of over 9 million people.

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

TOPIC Beauty workshops

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

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



Beauty workshop

● Sponsor of the world's first microbe zoo (Yakult Nederland B.V.)

Yakult Nederland B.V. is a sponsor of Micropia, the world's first 'microbe zoo', and in fiscal 2018 signed a three-year sponsor contract together with Yakult Europe B.V. A tour of Micropia is

included as part of the Yakult Europe B.V. Ambassador Program, an educational program for employees run in cooperation with Yakult marketing companies in Europe, and it is used as a place for employee learning.

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 2018, 3,000 Yakult Ladies are paying regular visits to more than 40,000 elderly people in response to requests from around 131 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 828 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 2018, 103 marketing companies* throughout Japan have created organizations to contribute to communities' safety and peace of mind.

* Including marketing companies under holding companies

Examples of cases of lifesaving, and crime and fire-prevention in fiscal 2017 (excerpt)

Marketing company/center	Case
Yakult Johoku Sales Co., Ltd. (Adachi, Tokyo)	Letter of commendation from the Adachi Fire Department (Tokyo) for helping save lives by spotting and reporting a fire
Yakult Kinki Chuo Sales Co., Ltd. (Amagasaki, Hyogo)	Letter of commendation from the Amagasaki City Fire Department for quickly extinguishing a fire
Yakult Kanagawa Tobu Sales Co., Ltd. (Yokohama, Kanagawa)	Letter of commendation from Tsurumi Police Station (Kanagawa) for assisting in the prevention of a bank transfer scam

● Implementing social activities with vending machines

As of the end of March 2018, the Yakult Group has installed about 49,000 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 more such vending machines, and in fiscal 2017, we installed another nine "Pink Ribbon" vending machines throughout Japan (total: 315 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 2017, we had the stickers attached to a total of around 1.04 million bottles at 90 facilities in 16 prefectures.

● Support during disasters

Yakult is pursuing in the safety of local communities, and actively provides support during disasters.

After the 2017 Central Mexico earthquake, we contributed one million pesos and donated a total of 88,900 bottles of *Yakult* to 2,100 disaster victims. After the 2013 Bohol earthquake in the Philippines, we donated bottles of *Yakult* and water for 1,000 families.

Moving forward, we will continue to establish systems that allow us to provide rapid support around the world in times of disaster.

● Thank-you cards (Yakult S.A. de C.V. (Mexico))

Yakult Ladies at Yakult S.A. de C.V. (Mexico) send thank-you cards to their customers every May and December, and delivered them to around 1.87 million homes in 2017. Customers say the cards have made them even more fond of Yakult Ladies, and for Yakult Ladies it's a motivation-boosting activity that provides an opportunity to express gratitude to customers.

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 2017, about 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 2017, clinics and training were conducted at 21 venues and a total of 3,600 people participated.



Baseball clinic

● Ball-throwing clinics

In recent years the physical capacity of elementary school students has diminished, and the decline in throwing ability is of particular concern. At the request of elementary schools, the Tokyo Yakult Swallows baseball team runs ball-throwing and other clinics. In fiscal 2017, clinics were held at 41 elementary schools and two kindergartens in the Tokyo area, with 6,809 participants.



Ball-throwing clinic

● Track and field club and rugby club

The track and field club, founded in 1972, participates in different sporting events such as various ekiden (road relay races), including the New Year Ekiden as well as marathon races. Yakult running clinics have been staged annually since 1988 as a place for athletes and local citizens to come together. In fiscal 2017 about 70 people participated in the events.

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



Yakult running clinic



Tag rugby clinic

Regional environmental conservation

● Activities of the Yakult Central Institute

The Institute conducts activities aimed at ensuring harmonious coexistence within the community and the environment, including staff-run cleanup activities on the third Thursday of every month, building a landscaped public walkway around the premises, and supplying drinking water in times of disasters. In fiscal 2017 activities were held nine times with 229 participants.

We also actively participate in initiatives that foster the next generation, like the Tama River Expedition for children where they can experience the joy of being in nature.

Related information see p. 20-21 Special Feature 3: Toward biodiversity conservation



Cleanup activities

Addressing poverty issues

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

There are many impoverished regions in China where it is difficult for government support to reach, such as mountainous areas and rural agricultural communities, as well as a large number of children who are left alone at home while their parents work away from home in urban areas of the country.

In cooperation with Shenzhen University, since 2008 Guangzhou Yakult has been holding activities at elementary and junior high schools in underprivileged regions. Specifically, they use company

funds and employee contributions to donate educational materials and textbooks, and engage in social exchange with the young students.

In fiscal 2017, a total of 55 employees participated in activities held at one school in the Shenzhen region and three in Guangzhou.

Moving forward, Guangzhou Yakult is looking into using teleconferencing to interact with the students, and continuing to donate daily necessities as part of efforts to provide continuous support to as many underprivileged families and unattended children as possible.

III. The Environment

For environmental conservation



Promoting environmental management

Yakult Basic Policy on the Environment

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

In 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 to share good practices within the Group and to promote such good measures at all the facilities.

Status of environmental certifications

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

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

	ISO 14001
Yakult Honsha plants, bottling companies in Japan, and Yakult Central Institute*1 (13 sites in total)	13
Marketing companies in Japan (103 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/english/csr/governance/index.html>

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

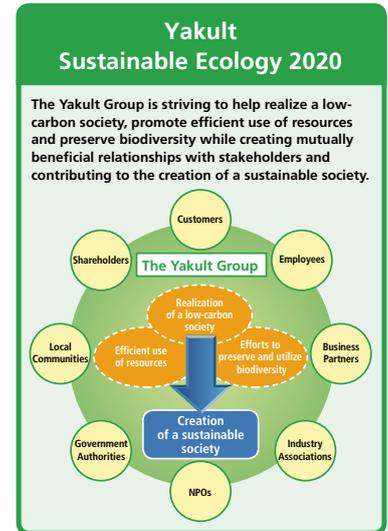
Proactively reduce greenhouse gas emissions to realize a low-carbon society

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 material issues of water resource conservation and ensuring environmentally conscious containers and packaging. We met our targets in almost all items in fiscal 2017. 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	Fiscal 2017 results	Reference pages
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*	CO ₂ emissions reduced by 5.9% (compared to fiscal 2010) Updated to energy-efficient molding machines, implemented measures such as eco-driving *Yakult Central Institute: reduced by 2.5% per production unit compared to fiscal 2010 Heat insulation that has high insulating effect was wrapped around heat retention coverings of steam piping, reducing heat loss from piping and gas consumption.	→ p. 36-37
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	Waste emissions reduced by 23.2% (compared to fiscal 2010) Reduction achieved by reorganization of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to reduce waste generated	→ p. 38
	(2) Promote a recycling rate for food waste of at least 85%	Food waste recycling rate 92.9% (conforming to Food Recycling Act) Promoted reduction of food waste and recycling of such waste at each business site	→ p. 34
3. Conservation of water resources	Reduce water consumption to at least 10% below the level in fiscal 2010 by the end of fiscal 2018	Water consumption reduced by 12.9% (compared to fiscal 2010) Reduction achieved by reorganization of dairy product plants carried out between fiscal 2005 and fiscal 2013, as well as ongoing efforts made to save water	→ p. 39
4. Preservation of biodiversity	(1) Support and involvement with nature conservation activities	<ul style="list-style-type: none"> Planted trees as co-sponsor of 69th National Tree-Planting Festival 2018 in Fukushima Co-sponsored OISCA Children's Forest Program Participated in Green Wave 2017 (tree-planting in 14 locations in Japan) Co-sponsored "Orangutan Forest" conservation activities 	→ p. 20-21
	(2) Promote education related to biodiversity	<ul style="list-style-type: none"> Encouraged people to join My Action Declaration to conserve biodiversity, and 15,706 workers made a declaration Implemented CSR education through e-learning: 172 participants 	→ p. 20-21
5. Environmental consideration for containers and packaging	(1) Reduce material consumption in containers and packaging	<ul style="list-style-type: none"> Reduced use of shrink-wrap film for <i>Mil-Mil</i>, <i>Mil-Mil S</i>, <i>Pretio</i> and <i>BF-1</i> products by about 8% (0.9 g/sheet) by using more appropriate sizes, reducing annual plastic resin consumption by 2.8 t (7.2 t-CO₂ emission reduction) Reduced weight of <i>Milouge White Water</i> (280 ml PET bottle) by approx. 10% (2.6 g/bottle), reducing annual plastic resin consumption by 5.0 t (8.0 t-CO₂ emission reduction) Adopted biomass shrink labels for <i>Milouge White Water</i> (280 ml PET bottle) 	→ p. 40
	(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 use this information to optimize environmental management programs.
2. Carry out our responsibilities to society by working to disclose environmental information to stakeholders.

● Main features of the system

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

Time period: From April 1, 2017 through March 31, 2018

Noteworthy features:

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

Economic accounting results

(millions of yen)

Item	Main activities	FY2016			FY2017		
		Investment	Expense	Total	Investment	Expense	Total
(1) Business area costs	1. Pollution prevention costs	47.7	219.8	267.5	60.5	289.8	350.3
	2. Global environment preservation costs	1,447.0	16.9	1,463.9	629.6	28.3	658.0
	3. Resource recycling costs	67.9	87.9	155.8	55.4	76.9	132.3
(2) Upstream/downstream costs	Containers and Packaging Recycling Act commissioned recycling fees, vending machine overhaul	0	214.8	214.8	0	208.8	208.8
(3) Administration costs	Plant grounds green area management, environmental management system renovation and maintenance, CSR Report, environmental impacts monitoring expenses, employee environmental education program expenses	0.5	103.0	103.5	6.6	108.2	114.8
(4) R&D costs	Consideration of improvements to containers and packaging	0	12.0	12.0	0	2.5	2.5
(5) Social activity costs	Plant vicinity cleanup campaign, donations to organizations engaged in environmental protection activities	0	4.9	4.9	0	6.3	6.3
(6) Environmental remediation costs*	Pollution load levy	0	0.2	0.2	0	0.2	0.2
Total		1,563.1	659.3	2,222.4	752.1	721.1	1,473.2

* Environmental remediation costs = pollution load levy

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

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

Economic benefits associated with environmental conservation measures

(millions of yen)

Type of benefit	FY2016	FY2017
Reduction of waste disposal costs associated with recycling	0	0
Income from recycling	4.2	16.7
Cost reductions resulting from resource conservation	2.3	0.2
Cost reductions resulting from energy conservation	37.8	50.7
Cost reductions resulting from packaging weight reductions	7.8	2.1
Cost reductions resulting from the overhaul and reuse of vending machines	106.7	62.7
Gains resulting from green purchasing	0	0
Others	0	0
Total	158.7	132.4

Looking at environmental accounting results, the Company's total environmental investments and costs were approximately 750 million yen lower than the previous fiscal year. The major reason for this was that the ice bank refrigeration systems were upgraded in fiscal 2016.

The level of economic benefits was down by approximately 30 million yen 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, 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 2017 and a medium- to long-term plan for the period beginning from fiscal 2018.

The Company's total energy use during fiscal 2017 amounted to 26,927 kiloliters (crude oil equivalent), down 404 kiloliters from the previous fiscal year (98.5% compared with the previous fiscal year). The five-year average energy use value per production unit was 98.4%, which means we achieved the Energy Conservation Act's objective of reducing the five-year average energy use per production unit by 1% or more.

The level of greenhouse gas emissions generated as a result of energy use was 53,119 tons, which was 1,811 tons lower than the previous year.

● Act for Rationalized Use and Proper Management of Fluorocarbons

The Act for Rationalized Use and Proper Management of Fluorocarbons went into effect in April 2015. The Company conducts the appropriate management of equipment subject to this requirement at all business sites and departments based on this law. The amount of fluorocarbon leakage in fiscal 2017 was 466.6 t-CO₂.

● Food Recycling Act

All Yakult Honsha business sites are striving to reduce the volume of their food waste and promote recycling of such waste. In fiscal 2017, the volume of food waste generated was 577.1 tons, and recycling and other measures were undertaken for 92.9% of this waste. The Company also submitted a periodic report for fiscal 2017.

Food waste reuse results (fiscal 2017)

Volume generated (t)	Volume reused (t)	Reuse, etc. rate (%)	Reuse applications
577.1	529.4	92.9	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 3Rs (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 2017 amounted to approximately 210 million yen.

Container and packaging obligatory recycling volume (fiscal 2017)

Container and packaging type	Obligatory recycling volume (t)
Glass bottles	311
PET plastic bottles	72
Plastic containers and packaging	5,401
Paper containers and packaging	92
Total	5,876

● PRTR Act

Japan's Act Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Act) 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 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 2017, the scope of the Company's mandatory reporting based on that ordinance included six substances.

Substances used by the Yakult Central Institute (Kunitachi City, Tokyo) (fiscal 2017)

Chemical	Amount handled (kg/year)	Amount released (kg/year)	Amount transferred (kg/year)	PRTR Act	Tokyo Metropolitan Ordinance
Chloroform	820	1.2	820	— (not subject to reporting requirements)	○
Ethyl acetate	310	7.6	300		○
Hexane	390	35	360		○
Methanol	760	60	700		○
Acetone	170	0.4	170		○
Sulfuric acid	350	0	0		○

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

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

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

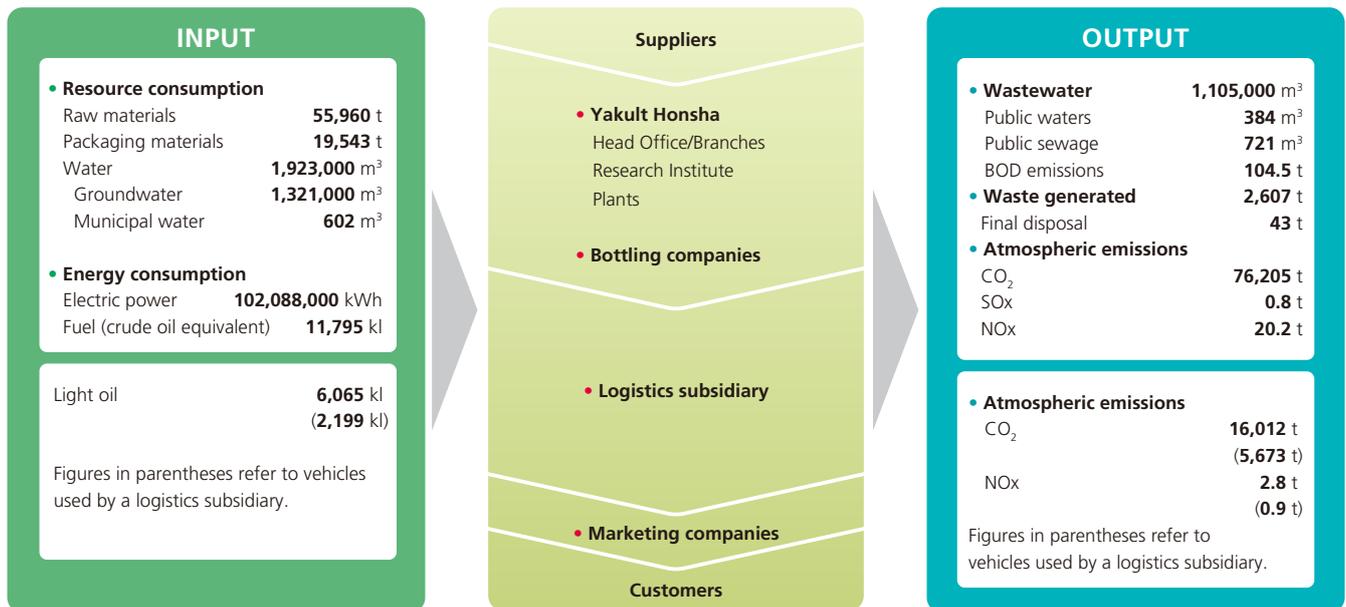
TOPIC Compliance with environmental laws and regulations in the world: Initiatives in China

Volatile organic compound (VOC) emission regulations have become more stringent in China since the Air Pollution Control Law was revised.

At the Yakult China Group's Shanghai Plant, to promote environmental protection in compliance with the revised law, we are working to examine and improve our container printing processes, molding processes, and exhaust systems, etc., while undergoing government audits and guidance. Going forward, we will continue to undergo regular voluntary measurement inspections by external inspection bodies, as well as improve the precision of our management targets and their implementation in our daily operations.

Environmental impacts of business activities

● From production through delivery (fiscal 2017)



Scope of calculations: Yakult Honsha Co., Ltd. (including designated shippers), Yakult Iwate Plant Co., Ltd., Yakult Chiba Plant Co., Ltd., Yakult Aichi Plant Co., Ltd., Yakult Okayama Wake Plant Co., Ltd., Yakult Fukuoka Plant Co., Ltd.

● Identifying and reducing environmental impacts

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

Production

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

Logistics

The transport of products manufactured in plants and bottling companies is primarily handled by a logistics subsidiary. As the Company has designated shipper status in accordance with Japan's revised Act on the Rational Use of Energy (Energy Conservation Act), we are 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 overhauled vending machines.

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

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

Recycling

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

Realizing a low-carbon society

Initiatives at Yakult Honsha plants and bottling companies

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

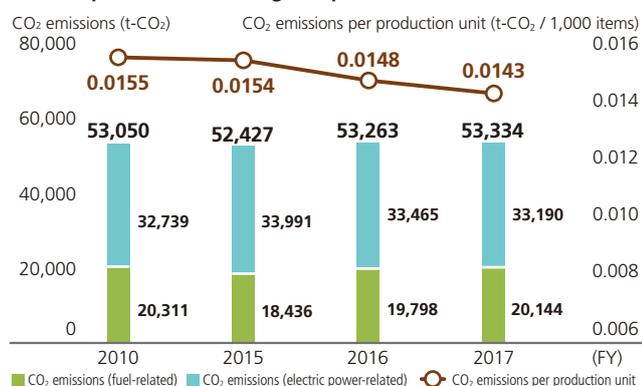
In fiscal 2017, we implemented a number of efforts at our plants, including updating 12 molding machines to energy-efficient models for manufacturing *Yakult* and *Joie* containers at a total of six plants including the Fuji Susono Plant, and replacing mercury vapor lamps and fluorescent lights with LED lighting.

As a result of these efforts, even though production

volumes increased by 10.5% over the levels of fiscal 2010 (the base year of the Phase 6 Plan action targets of the Yakult Environmental Action Plan), we were able to limit the net increase in CO₂ emissions to 0.5% and reduce emissions per production unit by 7.7%, with a 0.8% reduction compared to fiscal 2010 in emissions associated with fuel use (due in part to shifting boiler fuel to natural gas since fiscal 2010), even with a 1.4% increase in emissions associated with electrical power use.

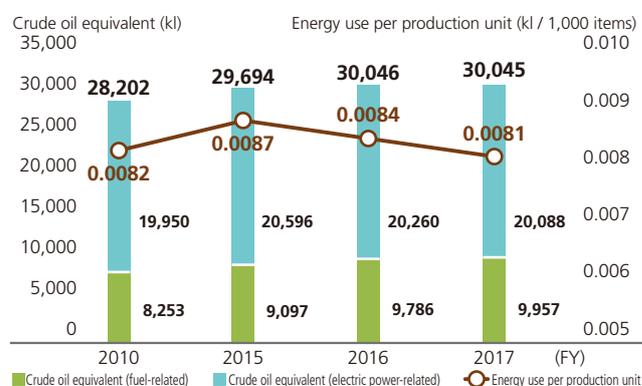
* For emissions factors associated with electric power, data is calculated using end-user CO₂ emission intensity for the end of fiscal 2010 as reported by the Federation of Electric Power Companies of Japan.

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



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

Trends in energy use by Yakult Honsha Plants and bottling companies



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

LCA of Yakult products

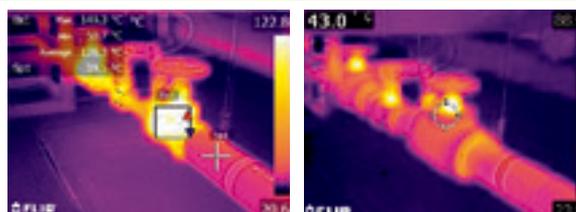
In considering the environmental impacts of our products, it is important to look at the entire product lifecycle to identify those impacts in all phases, from raw material procurement to product consumption and disposal, in addition to the impacts produced at our own plants. With this in mind, the Company made preliminary calculations based on a lifecycle assessment (LCA)

for CO₂ emissions and water use. We use the results for educational purposes within the Company to help promote understanding of the concept of LCA. Based on these results, we will continue calculating greenhouse gas emissions through the supply chain.

Initiatives at the Yakult Central Institute

In an effort to reduce heat loss from piping, we wrap heat insulation that has double the insulating effect around heat retention coverings of steam piping. We wrapped approximately 420 meters of piping over two years. By reducing surface temperatures, we realized a reduction in gas consumption.

Thermography image of steam piping (Left: before improvements. Right: after improvements.)



Utilization of renewable energy (solar power energy)

We have installed solar power generation equipment (power generation capacity of approximately 1,124 kilowatts) at a total of 11 business sites (6 Yakult Honsha plants, 4 bottling companies, and the Yakult Central Institute). By using solar

power as part of the electricity supply at our business sites, we were able to reduce CO₂ emissions by approximately 660 tons in fiscal 2017 compared to having made electricity purchases from power utilities.

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. To reduce CO₂ emissions, we have been promoting energy conservation activities 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 can have their operations fine-tuned to the volume of steam demand for our production lines. CO₂ emissions in fiscal 2017 were approximately 173,000 tons, an increase of 6.1% from the previous year due to increases in production volumes. However, emissions per production unit were 0.201 tons per kiloliter, a decrease of 1.0% from the previous year. (Values for some plants are estimated based on overall results for other plants.)

● Yakult Europe B.V.

Yakult Europe optimizes and reviews equipment at least once a year. In fiscal 2017, we revamped the steam boiler operation control system and realized a reduction of fuel gas consumption. In addition, we reduced electricity consumption by introducing LED lighting fixtures in the material warehouse. In the future we plan to install similar lighting fixtures inside and outside the plant.

● Yakult Vietnam Co., Ltd.

Yakult Vietnam is working to save electricity such as through solar panel installation and conversion to LED lighting. In fiscal 2017, we converted half of our outdoor discharge lamps to LED. In fiscal 2018, we plan to convert all remaining lighting to LEDs, increase the number of solar panels installed, and bring net electricity consumption close to zero.

● Yakult (Singapore) Pte., Ltd.

We revamped our molding machines in fiscal 2017 to reduce the environmental impacts of container molding.

Even though we installed one additional machine, as a result of changing one molding machine to an energy-efficient electric machine, we reduced annual electricity consumption by 79,920 kilowatts (about 640,000 yen) and working fluid use by 476 liters (about 1.12 million yen).

The new electric molding machine also radiates less heat and operating noise, which improves the work environment inside the molding room.



Container molding machine with lower environmental impacts

Initiatives with our logistics

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

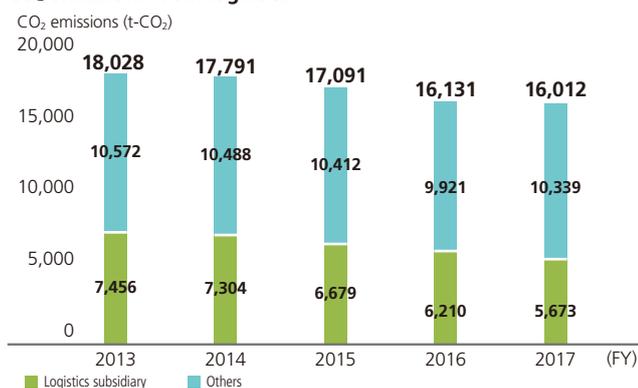
Our logistics subsidiary has obtained Green Management Certification* for each of its marketing offices and is striving to continuously reduce the environmental impacts of its operations by rigorously practicing such eco-driving methods as those involving the operation of vehicles at speeds that maximize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

Japan's revised Energy Conservation Act has required companies to annually reduce its energy use per unit of freight by an average of 1% or more, and we achieved a 1.0% average annual reduction during the five-year period through fiscal 2017 with a base year of fiscal 2013.

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



CO₂ emissions from logistics



● Eco-Rail Mark and Eco-Ship Mark Certification

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



Effectively using resources

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, and are continuing to maintain zero emissions.*

Waste generated by Yakult Honsha plants and bottling companies in fiscal 2017 totaled approximately 2,370 tons (approx. 1,528 tons for Yakult Honsha plants and approx. 842 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 32.5% compared to fiscal 2010, the base year for the Phase 6 Plan action target of the Yakult Environmental Action Plan.

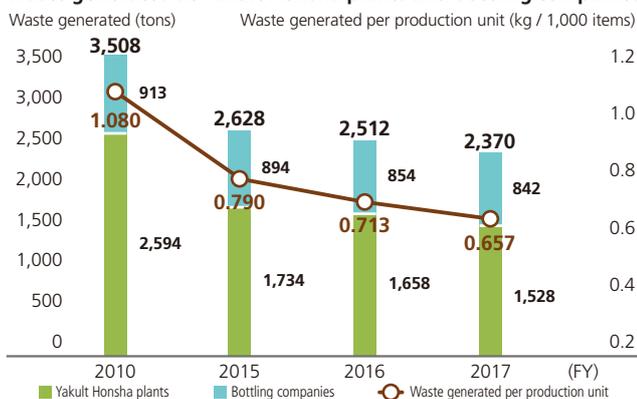
We also strive to further promote the reuse of packing materials and the introduction of returnable containers used at the plants, and are changing our waste recycling programs from thermal recycling at waste disposal contractor facilities to material recycling. We will continue to make improvements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

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



Eco station at Fukushima Plant

Waste generated at Yakult Honsha plants and bottling companies



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

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

Waste Type	Waste Amount (t)	Recycled Amount (t)	Recycling Rate (%)
Sludge	693.1	692.4	99.9
Paper waste	469.2	469.2	100.0
Waste plastic	813.5	813.5	100.0
Scrap metal	258.5	258.5	100.0
Vegetable residues	0.0	0.0	—
Glass fragments	4.5	4.4	98.9
Cinders	0.0	0.0	—
Oil	25.5	25.5	100.0
Wood chips	3.7	3.7	100.0
Rubber waste	1.4	1.4	100.0
Others	100.8	84.0	83.4
Total	2,370	2,353	99.3

● Curbing and sorting waste at the Head Office building

At the Head Office building, we encourage our employees to reduce waste generation and promote separation and collection of waste. Although the total amount of waste generated fluctuates up and down each fiscal year, we are committed to properly separating and collecting waste to improve our recycling rate.

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

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

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

● 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 2017 recycling rate for the Institute was 92.6%.

With the aim of further improving our recycling rates, we have also renewed contracts with the waste disposal contractors, and we are making efforts to verify that waste disposal and recycling are being done properly, including through site visits to

facilities of waste management companies (8 companies). We also work actively to collect information, such as by regularly holding on-site tours of waste disposal facilities of other contractors.



On-site tour of a waste disposal facility

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.

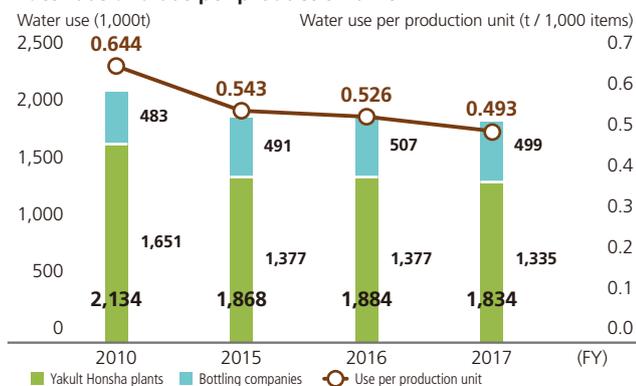
● Effective use of water resources

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 2017, Yakult Honsha plants and bottling companies used approximately 1.83 million tons of water in total (Yakult Honsha plants: approx. 1.33 million tons, bottling companies: approx. 0.50 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 14.1%, 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.

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 from bottling companies and five Yakult Honsha plants, excluding those plants producing cosmetics and pharmaceuticals.

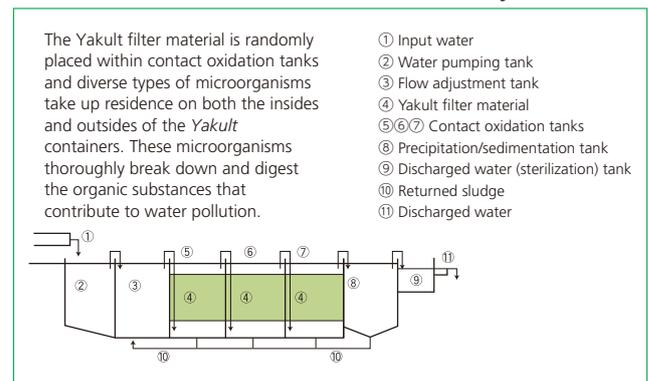
● Yakult A&G Water Purification System

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 amount of excess sludge generated to a level about one-twelfth of the level typically seen with conventional activated sludge processing systems. Also, the running cost can be reduced to about half the level of conventional activated sludge processing systems, and superior maintenance ease is another merit of this system.

This system has been installed at three Yakult Honsha plants as well as at three bottling companies. 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



● Wastewater management

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

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

● Implementation of water risk surveys

To confirm the sustainability of our water use, in fiscal 2017 we began having water risk assessments done by external bodies at some plants. Specifically, we have received risk assessments covering items such as water supply and demand outlook in the river basins where the plants are located, the potential risk of water-related disasters, and impacts on public health and ecosystems. So far, none of the plants have been found to have high a level of risk. We plan to have more plants assessed in the future.

● Initiatives outside Japan

The amount of water used at our plants outside Japan in fiscal 2017 was approximately 4.07 million tons, an increase of 4.1% from the previous fiscal year due to increases in production volumes. However, water use per production unit was 4.73 tons per kiloliter, representing a decrease of 2.5% compared to the previous fiscal year. (Values for some plants are estimated based on overall results for other plants.)

Yakult U.S.A., Inc.

We must engage in significant water conservation efforts due to the low amount of rainfall in summer in southern California, where the headquarters and plant of Yakult U.S.A. are located. We are working on water conservation with a water storage system installed at the headquarters and plant, and using rainwater for watering the greenery.

Environment-conscious design and distribution

● Eco-friendly packaging and other measures

In 1995, we instituted our Basic Policy on Environment-Friendly Containers and Packaging, which stipulated the fundamental goals of ensuring the safety of containers and packaging, reducing the amount of packaging used, optimizing processing/disposal processes and promoting resource recycling. At the same time, we instituted our Container and Packaging Environment-Friendliness Evaluation Standards to more concretely guide efforts made 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 2017 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, 1 L and 2 L PET bottle)
- *Mineral Charge* (500 ml PET bottle)
- *Sappari Pineapple Sparkling* (265 ml PET bottle)
- *Milouge White Water* (280 ml PET bottle)

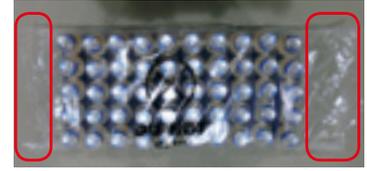
Streamlined containers and packaging and reduced consumption

Japan

In fiscal 2017 we adopted a 280 ml PET bottle that is 10% lighter (2.6 grams per bottle) for *Milouge White Water*, thereby reducing our plastic resin consumption by 5.0 tons annually (with an accompanying reduction in CO₂ emissions of 8.0 tons). Also, by using more appropriate sizes of shrink-wrap film for *Mil-Mil*, *Mil-Mil S*, *Pretio* and *BF-1* products we are using about 8% (0.9 grams per sheet) less film, thereby reducing our plastic resin consumption by 2.8 tons annually (with an accompanying reduction in CO₂ emissions of 7.2 tons).

Yakult Australia Pty. Ltd.

Yakult Australia products are mainly distributed in cases of 50 bottles each. Shrink-wrap film is used to prepare the cases, and the volume used is increasing year after year. To reduce the amount of plastic used, we have made efforts to shorten the shrink-wrap film, to the extent that there would be no negative effects on the product.



Transparent shrink-wrap film. The size of both ends was reduced to save plastic.

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

Starting in January 2017, to reduce environmental impacts and the cost of manufacturing, Yakult Brazil reduced the thickness of shrink film used for *Yakult* and other six-packs from 20 to 15 microns, thereby realizing an annual reduction of approximately 39 tons in plastic consumption. We also changed the width of the aluminum sheets being used to make the aluminum caps such as for *Yakult* from 135 to 130 millimeters, thereby reducing annual aluminum consumption by about 11 tons.

● Various initiatives at marketing stages

During fiscal 2017, we worked to promote the recycling of used containers collected from suppliers. Our efforts include further promoting the introduction of route delivery trucks that are equipped with a dedicated space to facilitate the separated collection of waste and 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 significant energy conservation benefits. We have continued to promote energy conservation in fiscal 2017 by expanding the installation of vending machines incorporating greater power-saving functions. In addition, we overhaul and reuse old vending machines in an effort to effectively utilize equipment and reduce waste.

Also, we introduced electric vehicles (COMS) in our home delivery service by Yakult Ladies to reduce CO₂ emissions. As of March 2018, 1,427 vehicles have been introduced in total. In our pharmaceutical business, marketing representatives are using fuel-efficient hybrid vehicles (excluding certain areas).



Electric vehicle (COMS)

Introduction of environment-friendly sales equipment (fiscal 2017)

Item	Number introduced
Route delivery trucks with internal container collection spaces	73
Route delivery trucks with roof-mounted container collection spaces	6
Empty container collection boxes for vending machines	366
Heat-pump-type vending machines (incl. hybrid heat-pump-type ones)	999
Overhauled vending machines	126
Electric vehicles (COMS)	206

Biodiversity conservation

Our approach

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

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

Our business activities are closely connected with biodiversity at all stages, from material procurement to production, distribution, sales, consumption, disposal and recycling.

Material procurement

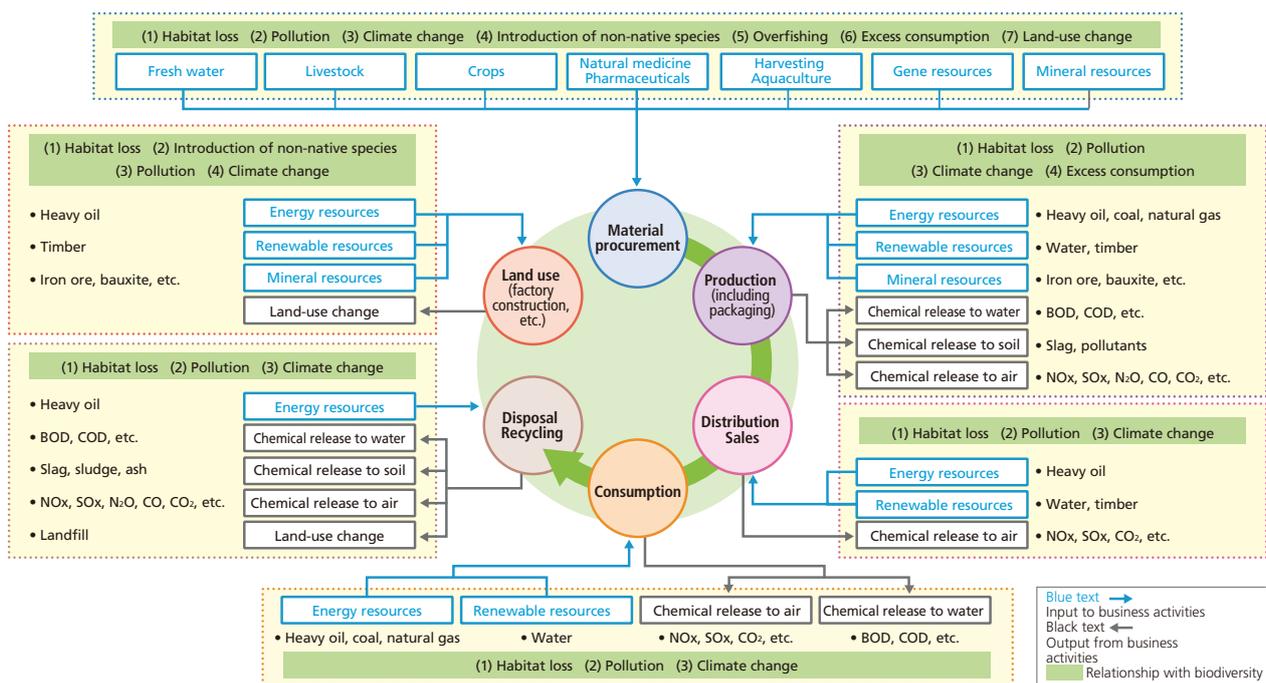
The main ingredients used for Yakult products include skim milk powder, whole milk powder, and cream. Dairy farming is supported by water and grain for raising cattle, as well as pasture lands. Also, besides being an ingredient for our products themselves, water is also indispensable for grain feed and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

The above text is an excerpt from the explanation for ‘Map of relationship between business activities and biodiversity’.

WEB CSR> The Environment> Biodiversity Conservation
<http://www.yakult.co.jp/english/csr/environment/biodiversity/index.html>

Production

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



Related information see p. 20-21 Special Feature 3: Toward biodiversity conservation

IV. Labour Practices

Improving the health and motivation of our employees



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.

An example of 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.

A personnel system (Yakult Honsha)

Self-reporting system	Employees state their personal opinions and desires concerning job details, skills development, placement and transfer once a year, with the aim being to increase our employees' job satisfaction.
In-house FA (Free Agent) system	Employees can announce their desire to shift to a new position. This system helps those employees move to new workplaces where they can make the most of their individual capabilities at a higher level with greater motivation, which leads to organizational dynamism.
Career course switch system	Employees can use this system to switch to the career course they desire following a set number of years of experience. This system enhances the levels of employees' missions and motivation by encouraging individual career development after joining the company and creates dynamic workplaces full of vitality. Since it was introduced in 2005, about 20 employees every year change their career courses of their own volition and set about meeting the challenges of new career development paths.
Job rotation system	This system is designed to help assess employees' aptitudes and facilitate employees' long-term career development. Employees hired for the career track work mainly in administrative and sales and are transferred to new positions at roughly 3-to-4-year intervals, thereby experiencing work in three organizational units within 10 years. By working in different locations at marketing, administrative departments and overseas offices, employees broaden their work experience in a balanced manner and gain an understanding of their own aptitude, which enable them to build their careers.

Providing an enjoyable working environment

● Improving employee satisfaction

Recognizing that our employees have diverse working styles, abilities and values, 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.

One specific measure implemented in recent years is the introduction of a customer online payment system. We have also successfully reduced CO₂ emissions and made work more efficient through the introduction of COMS electric vehicles and portable computing devices such as the iPod touch. In fiscal

2017 we invested 580 million yen in equipment to create a better working environment for women.

COMMENTS



Improved efficiency with customer online payment system

Ms. Furui
Home Delivery Division
Yakult Hyogo Sales Co., Ltd.

With the customer online payment system, we have vastly reduced the amount of time and labor required to total daily sales and make deposits. We have used some of the time saved to build our customer base. Managing daily deposits has become easier, and we feel safer because of the added security.

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 and their dignity, with these ideals being integral components of our business. We aim to have individual employees fully understand and embrace the idea that they are representatives of the company while acknowledging this responsibility and being conscious of it in their actions.

Basic policies

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

Educational programs to encourage employee growth

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

We have a five-job-level system established for employees, with defined roles for each assigned job level. We conduct training for employees at each of these job levels which allows 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 training, correspondence courses, and e-learning programs. Additionally, we offer career design training for

women's workplace advancement, and global internships to enhance employees' skills and perspectives for international business. 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.

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

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

* In fiscal 2017, the amount of time and money spent on training has been reduced from fiscal 2016 due to changes in some training programs as part of work style reform.

Training programs overview chart (Yakult Honsha, fiscal 2017)

	Job-level-specific training	Theme-specific training	Fostering global human resources	Promoting women's workplace advancement	Correspondence course training, external training, e-learning	Others
General Managers						
Managers	Pre-promotion training for General Managers	Basics of finance Presentation skills Work procedures Basics of business writing			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		Global Internship	Career design training for women		
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. Our global internship system provides work experience at overseas offices to help employees deepen their understanding of the Group's international business, and to foster a global company culture.



Global Internship (P.T. Yakult Indonesia Persada)

Health-focused management

Our approach

The Yakult Group sees employee health maintenance and improvement as an investment in future profitability, so from a company standpoint we promote strategic health-focused management. Employees do not simply manage health from their own interest — the Group also shows proactive engagement in health maintenance and improvement to further boost their awareness. By keeping everyone in good health, we aim for continuous and stable business development.

● Statement on Health

In September 2017 we published the above philosophy as our Statement on Health.

Statement on Health

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

● White 500 certification

In February 2018 we received “White 500” certification, which is awarded to companies that meet the standards set by the Ministry of Economy, Trade and Industry to proactively promote employee health and productivity management.



健康経営優良法人
Health and productivity
ホワイト500

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.

● 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 2017, 1,426 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.

● Health-related lectures for employees (Hong Kong Yakult Co., Ltd.)

These lectures are held regularly to enhance employees' awareness of health and encourage them to improve their own health management.

In fiscal 2017 a total of over 300 participants joined three sessions, two with a nutritionist on “Eating habits to prevent cancer” and “Obesity and prevention”, and one with a university professor on “Maintaining health through regular exercise.”

TOPIC FIND PINK! educational website for breast cancer exams

In December 2016 we set up the FIND PINK! website to help raise awareness of breast cancer among general public. The website has shared testimonies from Yakult Ladies who have undergone breast cancer examinations. In 2017 it also featured an interview with a celebrity who has been diagnosed with breast cancer, and made contributions to an authorized NPO for breast cancer, J.POSH.



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 have personal consultations with experts.

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

Occupational safety and health

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	2013	2014	2015	2016	2017	Whole industry average*3
Work accident frequency rate*1	0.33	0.71	0.87	0.35	0.53	1.63
Work accident severity rate*2	0.0020	0.0066	0.0059	0.0081	0.0219	0.10

*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 (2016)

● Safety and health inspection tours and environmental improvement measures at plants

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

For example, in order to reduce stress on operators, we have recently installed spot-type air conditioning units in areas where steam is used to sterilize equipment, as well as lift assist equipment in areas where heavy loads are transported by hand.

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

● Safety and health education at plants

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

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

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

● Measure taken for sales activities

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

● Promoting 5S activities (Yakult (Malaysia) Sdn. Bhd.)

Through the implementation of 5S* activities, we are promoting environmental improvement, hygiene management, and quality maintenance to boost employee motivation. In fiscal 2017 we

collected information from external experts and trade journals, and created an internal committee that promotes 5S activities.

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



Visualizing 5S progress using bulletin board displays

TOPIC Shonan Cosmetics Plant wins award for its safety & health initiatives

In July 2017 the Shonan Cosmetics Plant was awarded the Director's Encouragement Award at the Fiscal 2017 Kanagawa Prefectural Labour Bureau Safety and Health Awards.

The award honors distinguished workplaces and individuals in Kanagawa Prefecture that set an extremely high standard for safety and health achievements, and are seen as positive examples to others. It is an overall assessment that our safety and health standards are at a high level because of various initiatives including the thorough implementation of activities in accordance with our Safety and Health Action Plan, checks by the safety and health committee to confirm if there are any staff working overtime and consultations with supervisors to avoid employees exceeding overtime limits, stress check group analyses and health-related lectures with industry doctors and dentists, and the Yakult Health 21 initiative to keep people healthy.

The Shonan Cosmetics Plant will continue to promote work-life balance and ensure a safe workplace with our Safety and Health Committee.



Plant Manager Daisuke Muto (L) and Director Takeshi Anezaki (R) at the awards

Promoting work-life balance

Our approach

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	2013	2014	2015	2016	2017
Rate of using annual allotment of paid holidays (%)	50.6	53.0	55.5	58.9	58.8

Reducing long work hours

In order to reduce long work hours, the Group has established regular "no overtime days." We strive to improve employee awareness of working more efficiently and avoiding unnecessary overtime, and will further promote work style reform such as managers encouraging employees to leave work as soon as possible after the end of regular work hours.

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

Fiscal year	2013	2014	2015	2016	2017
Average overtime hours (per month)	9.7	8.7	8.9	8.9	8.5

Improving awareness of work-life balance

Thus far, the Group's main work-life balance initiatives have included in-house training and self-learning through e-learning, no overtime days, promoting acquisition of paid leave, expanding the system of reduced working hours for childcare, and comprehensive support for returning to work after taking

parental leave. We will continue to promote work-life balance in line with our corporate philosophy of contributing to the health and happiness of people to boost employee satisfaction and create comfortable working environments.

Welfare system

As part of our welfare program, we have introduced a Cafeteria Plan System to enhance employee satisfaction.

The system assigns all employees a certain number of points applicable to individual years. Each employee can freely choose to use their points 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.

TOPIC Introduction of equipment to reduce the physical burden on employees at plants

Some operations in production plants involve the moving of heavy objects, such as bags of raw materials and packaging materials. To reduce physical burdens on employees, we have introduced vacuum lifters that transport heavy loads using suction. This has not only reduced physical burdens, but makes it possible for anyone to easily perform transshipment operations. We are currently installing new equipment to further improve working environments.



Operations assisted by a vacuum lifter

● **Initiatives outside Japan**

Yakult Danone India Pvt. Ltd.

Since 2017 we have been working to reduce plant overtime hours, and over three months reduced total overtime hours from 150 to less than 50 hours. Starting in January 2018 every Wednesday has been designated as a “no overtime day.”

Yakult (China) Corporation

Company regulations require overtime to be applied for in advance, and cannot be performed without supervisor approval. We have additionally systemized the purchasing of unused paid leave, and also recommend temporary workers use paid leave to take a special extended vacation (nine consecutive days, once per year).

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

● **Parental 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 parental leave or nursing care leave, which has led to an increase in the number of male employees taking parental leave. Furthermore, for both male and female employees, the rate of returning to work after parental leave has been 100%.

● **Round-table meetings for parental leave takers prior to returning to workplaces**

As part of its efforts to provide pleasant workplace environments, we organize round-table meetings for parental 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 parental leave, related training sessions have been conducted for those who supervise returning employees.



Participants in a round-table meeting

● **Yakult daycare centers**

The Yakult Group, which established its own in-house daycare centers for employees’ children as early as the 1970s, operates 1,131 daycare centers in Japan that are safe and secure (as of March 2018).

To counter the recent severe lack of daycare centers, the Japanese government created the Comprehensive Support System for Children and Child-rearing that aims to both provide more childcare support, and improve the quality. As of April 2018, 30 Yakult Group daycare centers have received certification through this system. This certification helps improve services like daily meals and the educational curriculum, and by accepting children whose parents do not work for the company at Yakult daycare centers, we are contributing to local communities.



Safe and secure childcare centers

COMMENTS

Taking parental leave



Mr. Okano
Human Resources Department
Yakult Honsha Co., Ltd.

Taking more time off than I did with my first child allowed me to focus on our kids and house during the weekdays.

I experienced the difficulties of childcare that I did not see on the weekends, and understood what it is like for my wife to take care of a child by herself every day. It was a valuable experience I could not have had at work.

Number of employees taking parental leave (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Male employees (number of people / utilization rate*)	2 / 2.6%	3 / 2.7%	5 / 5.4%	12 / 10.7%	8 / 8.7%
Female employees (number of people)	28 / 100%	20 / 100%	21 / 100%	36 / 100%	40 / 100%

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

● **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.

Promoting diversity

Our approach 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, 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. Our approach can be summarized in the three points on the right. We have been implementing a number of supportive policies and the percentage of women in managerial positions continues on an upward trend.

Number and ratio of female managers (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Number of female managers	33	40	44	44	45
Ratio of female managers (%)	4.3	5.3	6.1	6.0	6.2

Going forward, we will expand and enhance support for a balance between work and home life to not only increase the number of female managers but also 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 shown on the right.

● Career design training for women

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



Career design training for women

Our approach

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

Numerical targets

1. Career-track female employees serving at the assistant manager level as of fiscal 2020: 100 (61 as of March 2018)
2. Portion of female employees serving at the assistant manager level as of fiscal 2020: 30% (24.5% as of March 2018)

Employment of persons with disabilities

We actively employ persons with disabilities in close cooperation with Hello Work and other job centers across the country, and aim to provide appropriate work placements and environments.

From these initiatives, since fiscal 2015 we have continued to exceed the statutory target employment rate of 2.0%.

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Rate of employees with disabilities (%) (annual average)	1.98	1.99	2.20	2.11	2.01
Statutory target employment rate (%)	2.0				

Continuous employment system

We believe it is essential for employees to make the most of the abilities they have cultivated, guiding and mentoring younger generations, even after reaching retirement. We operate a system for employment until age 65 for those employees meeting certain criteria including successful personnel evaluations at the time of retirement age. For others, we operate 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). Around 80% of employees who reach retirement age each year utilize this system.

We also offer a Life Plan Seminar for employees at the age of 55 that provides an opportunity to consider work styles and motivations in life, while also promoting understanding of the Continuous Employment System, to help them enjoy an enriching life after retirement age.

V. Human Rights

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, ability, 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.

Protecting employees' human rights and raising awareness

● Employee consultation desk

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

● 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.

Preventing harassment

To further raise awareness among management and supervisory personnel, we hold trainings about harassment for personnel who have recently been promoted to the management level. We also hold anti-harassment workshops for other employees. An anti-harassment workshop for all employees was most recently held in 2017.

● Adopting a Sexual Harassment Prevention Policy (Yakult Danone India Pvt. Ltd.)

Senior personnel from Yakult Danone India Pvt. Ltd. have been raising awareness of ethical standards using Yakult Honsha's standards. The company has also established the Internal Complaints Committee based on governmental standards, and has adopted a sexual harassment prevention policy. It is holding presentations and workshops regularly to prevent problems in the workplace.

In 2017, personnel from the Human Resources Department visited company locations to explain the details. They also held separate interviews with a total of 236 company employees, including those on loan from Yakult Honsha, at nine business locations.

They plan to continue these activities, with local senior management personnel visiting each regional sales office once every few years to create opportunities for direct dialogue.

Respect for religious and cultural diversity

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

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

To promote greater awareness about halal, employees who have been trained externally act as instructors offering ongoing training for all employees at the Bangkok and Ayutthaya Plants. Participants learn about the culture and history of the religion of Islam, as well as the basics of halal food training.

To offer safe products that offer peace of mind, the company will strive to continuously ensure that halal standards are met in manufacturing and transportation processes.

TOPIC Participating in a panel discussion on opportunities for women (Yakult Danone India Pvt. Ltd.)

On July 27, 2017, Yakult Danone India joined a panel discussion on opportunities for women around the world, organized by the Japanese Embassy in India and UN Women,* and shared examples of women who were succeeding by working outside the home as Yakult Ladies in India, and donated Yakult products.

*UN Women: United Nations Entity for Gender Equality and Empowerment of Women

Panel discussion





VI. Fair Operating Practices

Ensuring fairness in our business



Initiatives for business compliance

Our approach

We put a priority on compliance and recognize that the active promotion of compliance is the basis of our business. With the Yakult Ethical Principles and Code of Conduct as a guide, we have established the Compliance Promotion Team and designated compliance personnel in each department and business site to implement concrete activities.

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 the company, in 2013 we reviewed the contents of the Yakult Ethical Principles and Code of Conduct and revised them to make them more readable and approachable 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.



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

Compliance promotion system

● Compliance Promotion Team and compliance personnel

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

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

● Compliance Committee

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.

In fiscal 2017, this committee met in September to discuss the status of compliance in accounting, finance and the Cosmetics Business, and in February to discuss compliance promotion and the status of internal auditing.

● 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 refusing to engage with organized crime groups). Through oversight by committee members, we work on ensuring our sound management.

In fiscal 2017, this committee held a meeting in December.

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. In the event of information being received, a report goes to senior management and appropriate actions are taken.

Compliance awareness activities

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

Compliance awareness activities

Compliance training	We regularly organize position-specific compliance training programs for groups of employees from directors and managers to newly hired employees. We also continuously offer e-learning courses, and in fiscal 2017 we set up a course on stamp duty for Yakult Honsha's employees, and 2,505 employees (97% of eligible employees) took the course on stamp duty set up in fiscal 2017.
Compliance handbooks	We distribute the group-wide Compliance Guidebook which covers compliance fundamentals to directors and employees. We also publish a quarterly compliance newsletter to boost awareness. In fiscal 2017 we created an educational material to raise awareness on refusing to engage with organized crime groups, and distributed it to all companies in the Group.
Compliance Month	In fiscal 2017, we designated March as Compliance Month and conducted various activities to raise compliance awareness among Group employees. Specifically, each employee selected one out of the eight items of the Yakult Ethical Principles, set action targets for what he or she wanted to do or should do in daily life, and worked on them.
Compliance surveys	We implement a compliance survey once every three years. With the 2017 survey we received 9,763 responses from Yakult Honsha and 48 domestic Group companies in August. Based on survey results, we hold compliance workshops at Yakult business sites and relevant subsidiaries.

Protection of intellectual property

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

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

Compliance within the pharmaceutical business

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

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

Ensuring fair and sound transactions

Our approach

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), we created a Subcontract Act Compliance Manual in 1997 for operational personnel in departments that deal with subcontractors. In 2016 we revised the manual, and hold training sessions as appropriate.

Promoting sustainable procurement

Our approach

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

Yakult Group CSR Procurement Policy

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

- 1. Respect regulatory compliance and international codes of conduct**
We will comply with national and local laws and regulations, respect international codes of conduct, and promote fair and equitable procurement activities.
- 2. Consider human rights, labor, safety and health**
We will support the elimination of child labor and forced labor, respect fundamental human rights, and promote procurement activities that take into consideration the work environment, safety and health.
- 3. Ensure safety and quality**
We will promote procurement activities, giving attention to cost and stable supplies, and aim to ensure high quality and safety.

- 4. Consider the global environment**
We will promote procurement activities that comply with the Yakult Basic Policy on the Environment and take into consideration the global environment.
- 5. Maintain information security**
We will strictly control confidential information on procurement transactions and use it only for legitimate purposes.
- 6. Coexist with society**
We will promote procurement activities that take into consideration social contributions towards coexistence with society.

Established: March 20, 2018

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.

Green procurement ratio: 87.6%
(head office, research institute, Honsha plants)

TOPIC National regulatory compliance: UK Modern Slavery Act (Yakult UK)

The UK's Modern Slavery Act was enacted in 2015 and calls for the preparation and publication of annual statements on efforts to ensure that slave labor and human trafficking are not occurring. The legislation targets commercial organizations and companies that carry on businesses in the UK with an annual turnover of over 36 million pounds. Yakult UK publishes a statement on its website in accordance with the Act.

In fiscal 2017, the company conducted an internal risk assessment based on the statement. Looking at the current commercial flow of goods, the assessment identified the possible risk of movement of illegal workers, including human trafficking, when products are transported from the Netherlands to the UK and goods are received in the UK. It verified that logistics companies and warehouse companies complied with the Act.

Yakult UK will continue conducting risk assessments regularly in the future.

WEB [Yakult UK Statement on the Modern Slavery Act](http://www.yakult.co.uk/contact-us)
Contact us > Modern Slavery Act
<http://www.yakult.co.uk/contact-us>

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 as described below:

Scope of policies

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

Basic policies

1. Avoid procuring items with a potential for harming the environment or human health.
2. Procure items that give due consideration to resource conservation and energy conservation.

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

Established: March 5, 2001

VII. Organizational Governance

Promoting transparent management



Corporate governance

Our approach

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.”

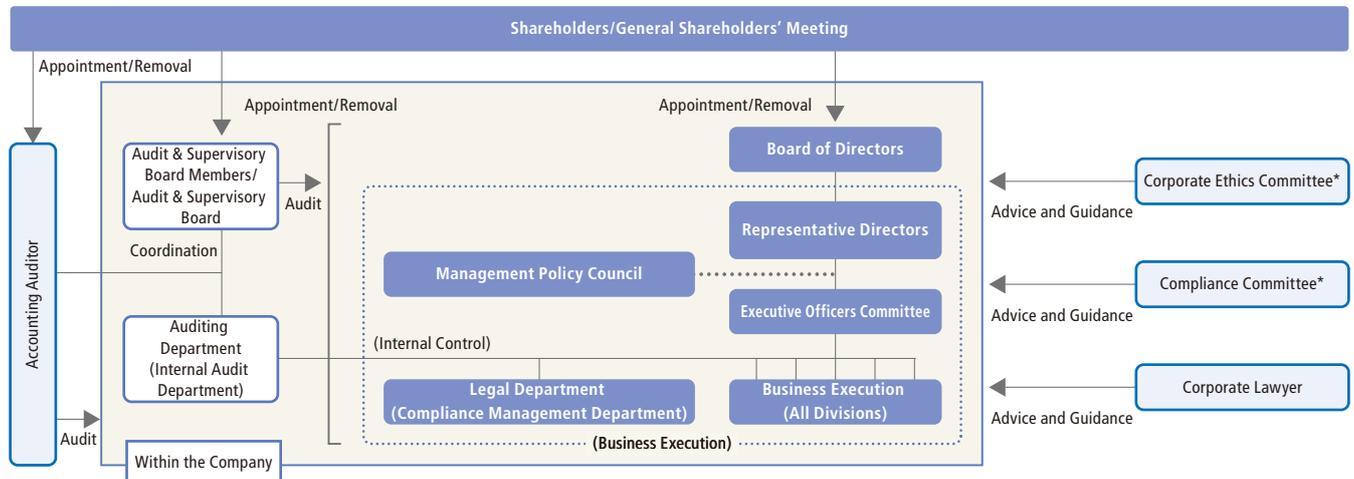
Governance structure

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



* See p. 50

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.

Mr. Norito Maeda, the president of a Yakult sales company,

was appointed on the expectation that by having someone of his capabilities serve as director he would offer advice to the Company’s management based on his long record of managing a Yakult sales company, thus contributing significantly to the development of the entire Yakult Group. Outside Director Pascal Yves De Petrini was appointed on the expectation that he would offer pertinent advice from a broad perspective regarding overall management, which would lead to enhanced monitoring and surveillance of business execution and further strengthening and enhancement of the management structure based on his abundant overseas management experience.

Auditing entities

We perform various audits to further enforce internal control.

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. Regarding group companies outside Japan, every fiscal year we select companies and visit them to perform internal audits just as in Japan. For internal control system audits, we also perform paper audits to appropriately evaluate the effectiveness of internal control systems for financial reporting.
Audit & Supervisory Board Member audits	Based on the audit policies and audit plans of the Audit & Supervisory Board, the seven Audit & Supervisory Board Members (including five outside auditors, one of whom is a female auditor) audit the operational execution situation of Directors and Executive Officers by attending meetings of the Board of Directors and other important meetings and examining documents related to decision-making and other matters. 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.

Disclosure to shareholders

● Disclosure of development of internal control systems

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

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

● Compliance with Corporate Governance Code

We are actively working to implement each principle specified in the Corporate Governance Code that went into effect in June

2015, and we will continue striving to increase corporate value by improving governance based on the objective of each principle.

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)

● Improving readability of disclosures

Since the 65th Ordinary General Shareholders' Meeting, we have enlarged convocation notices and begun using a universal design font that is easy for shareholders to read accurately. Moving forward, we will continue improving the readability of disclosures to boost shareholder satisfaction.

Risk management

● Risk Management Rules and Business Continuity Plan (BCP)

Our top priority is to ensure safety and respect for human life, and we have established 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 emergency food rations and drinking water for three days in preparation for a major earthquake.

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

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

● Information security

To protect information assets from any possible threat, we have established and apply information security rules and guidelines. We have taken appropriate security measures to protect the information assets necessary to execute business, such as installing security software and equipment to prevent unauthorized access, leaks, falsification, loss, and damage. The rules and guidelines stipulate that relevant departments make discussions to quickly investigate and respond if an incident has been determined to violate information security. We raise awareness of security among all employees through regular e-learning and education.

● Safety confirmation system

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 once a year for all employees to master the system operation and improve awareness of risk management.

Third-Party Opinion



Mika Takaoka
Professor
College of Business
Rikkyo University

This is a well-made report that clearly reflects the Yakult Group's corporate philosophy, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular" throughout it. In particular it's a report that feels personal, with many photos and opinions from stakeholders such as customers, employees, and Yakult Ladies from around the world.

Fiscal 2017 was the first fiscal year of Phase III of the mid-term management plan based on the Group's long-term vision, Yakult Vision 2020. As stated in the president's message "To Our Stakeholders," there are growing expectations and social demands being placed upon companies in recent years, and for continuous growth it is important to not simply improve technological strength, but to fulfill social responsibilities. The Yakult Group has positioned itself as a company whose corporate activities themselves are a social responsibility, believing that "in order for people to be healthy, everything around them must be healthy." The CSR activities within the company's business are highly sustainable, and indicate the Yakult Group's great awareness of their social responsibilities. I highly commend this kind of sincere attitude towards CSR.

This year's report details the links between the Yakult CSR Action Plan and Sustainable Development Goals (SDGs) (see p. 11-13). To effectively promote activities following its three key areas of CSR, since fiscal 2015 the Yakult Group has engaged in CSR activities in accordance with ISO 26000. In doing so, initiatives advanced greatly with the establishment of the Yakult

CSR Action Plan, key themes, and action targets. Now the Group has created a system for continuous CSR advancement in line with a global standard by incorporating SDGs into their CSR framework, and linking them to the PDCA cycle in CSR activities, which includes goal setting, achievements disclosure, and evaluation for each fiscal year.

The points I'd like to praise highest within fiscal 2017 CSR activities are the establishment of the Policy on Community Development Activities (see p. 28) and the CSR Procurement Policy (see p. 52) in March 2018. The latter in particular is an essential element for leading companies, which have seen increased demand for corporate social responsibility related to the supply chain. For the Yakult Group, which procures, manufactures, and sells food products globally, it is extremely important to address issues in the supply chain, such as respect for human rights and maintaining a safe and healthy working environment. Moving forward, while continuing to actively promote CSR procurement as an industry leader, I hope in next year's report the Group discloses which parts of the supply chain are addressed (primary suppliers only, or also secondary and third-level suppliers) and how procurement is implemented.

The Yakult Group is also committed to environmental conservation. In promoting Phase 6 of the Yakult Environmental Action Plan that began in April 2016, nearly all goals were achieved in fiscal 2017 (see p. 32). Having said that, with the exception of CO₂ emissions, data on recycling and waste reduction is limited to Japan. In the future, I would like them to consider data collection and disclosure for the entire group, including overseas operations.

Finally, the Yakult Group works actively to maintain and improve the mental and physical health of their employees, as shown by their certification as a White 500 company by the Ministry of Economy, Trade and Industry in February 2018 (see p. 44). They are also eagerly engaged in work-life balance and diversity management initiatives, resulting in a general increase over the past five years in the ratio of male employees taking parental leave (see p. 47), as well as an increased ratio of female managers in fiscal 2017 (see p. 48). Creating working environments where each employee can fulfill their potential and work actively is the foundation that supports innovation and new business creation. I highly commend the engaged attitude of the Yakult Group in creating healthy and motivating workplaces for their employees.

Response to third-party opinion



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

Prof. Takaoka is an expert on CSR and contributes third-party comments on CSR Reports of various companies. We sincerely appreciate her valuable opinion as a third party for the Yakult CSR Report 2018.

The Yakult Group views our corporate activities themselves as a social responsibility, as we believe that "in order for people to be healthy, everything around them must be healthy." I'm extremely pleased to know that Prof. Takaoka evaluates highly our position on and systems for CSR, as well as our efforts to create healthy and motivating workplaces.

She also commended from a global perspective our incorporation of SDGs into our CSR framework, and our action policies for social contribution and procurement. Regarding her suggestions on more active engagement in CSR procurement and environmental initiatives throughout the Group, both within and outside Japan, we also see such growing social demands. We would like to take up these issues and consider them for future initiatives.

Going forward, the Yakult Group as a whole will continue listening to the opinions and feedback of our stakeholders while promoting CSR initiatives.

Data Highlights

Human resources

Yakult Honsha Co., Ltd.

Fiscal Year	2013	2014	2015	2016	2017
Regular employees	2,806	2,745	2,705	2,699	2,699
Male	2,181	2,125	2,079	2,071	2,057
Female	625	620	626	628	642
Full-time contract employees	190	168	167	161	149
Male	161	143	150	144	132
Female	29	25	17	17	17
Female employee ratio (%)	21.8	22.1	22.4	22.6	23.1
Average age (years)	41.2	41.2	41.6	41.9	42.1
Male	42.3	42.2	42.6	42.9	43.1
Female	37.1	37.4	38.0	38.3	38.6
Average length of service (years)	17.6	18.0	17.9	18.2	18.3
Male	18.8	19.2	19.0	19.3	19.4
Female	13.2	13.5	14.0	14.4	14.6
Average wage for 30-year-olds (yen / month)	354,800	354,800	359,200	359,200	359,200
Number of newly hired	117	41	59	64	74
Male	79	32	38	41	42
Female	38	9	21	23	32
New graduates' retention rate after three years (%)	95.3	96.0	93.9	92.3	95.1
Overall turnover rate (%)	2.4	3.9	3.5	2.5	1.6

Yakult Group companies outside Japan (as of December 2017)*1

	Total	Female ratio (%) *2	Ratio of female managers (%) *2
Total	22,392	32.2	24.8
Europe	186	49.2	56.3
Asia / Oceania	16,201	29.8	21.7
The Americas	6,005	37.9	36.6

*1. Excluding seconded Japanese employees

*2. Ratio when provisional data were collected

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

Fiscal year	2016	2017
Training time	15.09 hours	13.88 hours
Training costs	22,560 yen	18,702 yen

* In fiscal 2017, the amount of time and money spent on training has been reduced from fiscal 2016 due to changes in some training programs as part of work style reform.

Shirota-ism Workshops: Numbers of workshops and participants (fiscal 2017, Yakult Honsha)

Numbers of workshops and participants	17 times, 383 participants
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Work accident frequency rate and severity rate (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017	Whole industry average*3
Work accident frequency rate*1	0.33	0.71	0.87	0.35	0.53	1.63
Work accident severity rate*2	0.0020	0.0066	0.0059	0.0081	0.0219	0.10

*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 (2016)

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

Fiscal year	2013	2014	2015	2016	2017
Rate of using annual allotment of paid holidays (%)	50.6	53.0	55.5	58.9	58.8

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

Fiscal year	2013	2014	2015	2016	2017
Average overtime hours (per month)	9.7	8.7	8.9	8.9	8.5

Number of employees taking parental leave (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Male employees (number of people / utilization rate*)	2 2.6%	3 2.7%	5 5.4%	12 10.7%	8 8.7%
Female employees (number of people)	28 100%	20 100%	21 100%	36 100%	40 100%

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

Number and ratio of female managers (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Number of female managers	33	40	44	44	45
Ratio of female managers (%)	4.3	5.3	6.1	6.0	6.2

Rate of employees with disabilities (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Rate of employees with disabilities (%) (annual average)	1.98	1.99	2.20	2.11	2.01
Statutory target employment rate (%)	2.0				

Rate of continuous employment at retirement age (Yakult Honsha)

Fiscal year	2013	2014	2015	2016	2017
Number of persons at mandatory retirement age	68	69	61	33	52
Number of persons in continuous employment at Yakult Honsha	35	40	43	21	34
Number of continuous workers who transfer to another company	16	14	11	6	9
Number of persons who choose to retire	17	15	7	6	9
Rate of continuous employment* (%)	75.0	78.3	88.5	81.8	82.7

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

Japanese Business Site Reports

* City gas and LPG are the predominantly used fuels.

Fukushima Plant

At the Fukushima Plant, we put our top priority on providing safe products that offer peace of mind. Through initiatives such as cleanup activities and festival events at the plant we aim to coexist in harmony with the local community. We also worked to reduce environmental impacts and CO₂ emissions by reducing various uses of energy.

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)
163	7,235	1,350	242	1.50	6,551	0	2,982

Ibaraki Plant

We improved our plant tours to further satisfy visitors through actions such as updating the display that introduces Yakult's international business in the visitor entrance hall, and planning seasonal events.

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)
188	5,044	1,001	176	0.39	4,386	0	1,269

Fuji Susono Plant /
Fuji Susono
Pharmaceutical Plant

As our major CSR activities, we implemented measures making it easier for employees to use their annual allotments of paid holidays, created more comfortable work environments, accepted plant tours, participated in cleanup activities, and implemented waste reduction measures. With these activities we aim to further boost stakeholder's trust.

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)
513	17,211	2,515	672	0.20	13,235	0	2,416

Hyogo Miki Plant

For further improvements in the work environment on the production frontlines, we introduced spot air conditioning units in production areas over the course of 2016 and 2017. We will continue promoting efforts to improve labor practices.

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)
247	8,728	2,657	237	1.91	9,572	0	7,066

Saga Plant

As a result of fiscal 2017 activities, our target for employees taking paid holidays was the only target not achieved, although it did increase about 7% compared to fiscal 2016. All other action targets were achieved. Also, improvements were made to approaches for accepting plant tours, and the annual number of visitors rose to 20,000 persons, resulting in us being able to inform even more people about Yakult's business.

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)
210	6,275	1,033	182	54.80	5,263	0	3,875

Shonan Cosmetics
Plant

We are working actively to contribute to industrial promotion, tourism, and the local community in Fujisawa City through activities such as participating in the Enoshima beach cleanup, providing products and presenting at the Princess and Prince of the Sea Contest, and participating in an annual event to promote the planting of flowers and greenery in Fujisawa City.

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	548	35	19	12.17	335	0	0.022

Yakult Central
Institute

We are building a strong network with local communities by co-sponsoring various events hosted by Kunitachi City in Tokyo, as well as staff-run-clean-up activities on the third Thursday of every month. Also, the walking path we donated to Kunitachi is a scenic route of flowers and greenery enjoyed by many people in all four seasons.

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)
75	17,153	5,930	106	4.11	11,514	0	0.760

Yakult

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Publishing date: October 2018

Next version: October 2019

