

Top Commitment

Addressing ESG Issues to Continue Promoting People's Health through Our Business Operations



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Continuing our founder's legacy

The story of Yakult's business begins with founder Dr. Minoru Shirota's desire to help people suffering from infectious diseases. His research led to the discovery of what is now known as *Lactobacillus casei* strain Shirota, which can reach the intestines alive. He turned this into an easily drinkable product that anyone could enjoy. Dr. Shirota's approach to his work centered on three main concepts. Rather than treating diseases after they occur, Shirota set his sights on helping people avoid sickness through "preventive medicine." Next, Shirota understood that "a healthy intestinal tract"—where people absorb nutrients into their bodies—"leads to a long life." Finally, by providing his product at "a price anyone can afford," Dr. Shirota ensured that as many people as possible would be able to consume *Lactobacillus casei* strain Shirota and benefit from its intestine-protecting properties. These three concepts, known as Shirota-ism, and our corporate philosophy, expressed as "We contribute to the health and happiness of people around the world through the pursuit of excellence in life science in general and our research and experience in microorganisms in particular," are part of a tradition at Yakult that lives on to this day. Public health was already a significant social issue at the time of our company's founding, and our desire to contribute to its betterment is at the foundation of Yakult's business operations. From its start in Japan, our philosophy has spread across the globe. Currently, 40 million of our dairy products are enjoyed daily by people in 40 countries and regions around the world.

There are people in the world who, for a variety of reasons, are unable to receive hospital care or access prescription drugs when they get sick. By offering "preventive medicine," Yakult is able to be of help to such people. Our work is not about benefitting specific individuals but rather about supporting the health of as many people as possible. I believe there is great value in such work, as it can be of regarded as a form of corporate social responsibility that fills a need in society.

In 2006 we established our corporate slogan, which states, "In order for people to be healthy, everything around them must also be healthy." "Everything around them" refers to water, soil, air, plants, animals and everything else on our planet. The health of all of these things is essential for people to lead healthy, happy lives and for our company to sustainably conduct our business. Our core philosophy is to address environmental and societal issues by contributing to people's health through life science and the wellbeing of the planet through our business activities.



Yakult Group Global Vision 2030: A roadmap to our future

In fiscal 2021 we established our Yakult Group Global Vision 2030, under which we aim to “evolve into a healthcare company that continues contributing to people’s health around the world” by 2030. The three qualitative goals of this long-term vision are “delivering good health to as many people as possible around the world,” “offering customers new value that matches their needs,” and “realizing a society in which people and the planet co-exist.” Just as social conditions are in constant flux, people’s attitudes toward health also change with the times. The new Vision expresses our determination to further pursue and develop our founding aspirations in-keeping with such changes. The goals of the Yakult Group have always been, and will continue to be, to support the health of people around the world and to contribute to the health of the planet itself.

Promoting global, social sustainability through business operations

Corporate ESG (environmental, social and governance) initiatives have been closely monitored by stakeholders in recent years in the light of such developments as the deterioration of the global environment and revelations of human rights issues. Our Group established a Basic Policy on CSR in fiscal 2012 and has since been promoting a variety of initiatives. A company cannot operate sustainably unless the environment and society are also sustainable. The mission of Yakult’s business—our *raison d’être*—is to use life science to contribute to the health and happiness of people around the world and thereby address social issues. We believe that in order to sustain our business and continue contributing to people’s wellbeing, it is necessary to address various ESG issues.

The ESGs are broad concepts, though, and we must prioritize issues that can be efficiently addressed in the light of our limited management resources. Accordingly, in fiscal 2020 we identified six material environmental and social themes requiring our proactive engagement. Our three environmental themes are climate change, plastic containers and packaging, and water, while our social themes are innovation, value co-creation with communities, and supply chain management. Also in fiscal 2020, we established the Yakult Group Environmental Vision focusing on the above three material environmental themes. These material themes are at the core of our efforts to achieve one of the qualitative goals of our Yakult Group Global Vision 2030, namely, realizing a society in which people and the planet co-exist.

We must continue taking tangible steps to address various ESG issues as long as we are operating a business. There is no end to such work, but we are committed to pursuing these efforts because they are an inseparable part of our business and a responsibility all companies are expected to fulfill.

Yakult Group Global Vision 2030

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

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

Our vision

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

Qualitative goals

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

Quantitative goals (fiscal 2030)

- Bottles of dairy products consumed globally*1 52.5 million/day (10.5 million in Japan, 42 million outside Japan)
- Consolidated net sales*2 550 billion yen
- Consolidated operating profits 80 billion yen (operating profit rate: 14.5%)

Medium-term management plan (2021-2024)

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

Key themes

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

Strategies

To achieve these key themes, we will further expand our food and beverage (in and outside Japan), pharmaceutical and cosmetics businesses, and challenge new fields such as plant-based products and a microbiome research-based business, aiming to evolve into a healthcare company.

Quantitative goals (fiscal 2024)

- Bottles of dairy products consumed globally*1 45.4 million/day (10.4 million in Japan, 35 million outside Japan)
- Consolidated net sales*2 458 billion yen
- Consolidated operating profits 61 billion yen (operating profit rate: 13.3%)

*1 Dairy product sales volume (number of bottles per day)

*2 Consolidated net sales figures are values after applying revenue recognition standard

The environment

Of the six material themes identified by the Group, the three related to the environment are climate change, plastic containers and packaging, and water. Initiatives for these and other issues are being implemented in accordance with both our medium-term Environmental Targets 2030 and the backcasted, short-term Environmental Actions (2021–2024).

With regard to climate change, one major global development was the 26th UN Climate Change Conference of the Parties (COP26), held in Glasgow in November 2021, which reaffirmed the goal of limiting global warming to 1.5°C above pre-industrial levels. All natural gas used at the Yakult Central Institute has been carbon neutral since April 2021, and since April 2022, all purchased electricity used in production at Yakult's 12 dairy product and pharmaceutical plants*1 in Japan has been generated from renewable sources, with our cosmetics plant being added to this list in July. Through these efforts, we have significantly reduced our greenhouse gas emissions. Moving forward, we will continue to promote decarbonization through energy conservation and the use of renewable energy throughout our Group. In addition, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD)*2 in August 2022 and are advancing initiatives based on the TCFD's recommendations.

As for plastic containers and packaging, Japan's Plastic Resource Circulation Act,*3 which came into effect in April 2022, calls on companies to take such concrete measures as reducing the use of plastic and switching to environment-friendly materials from the product design stage, curbing emissions by reassessing the use of items like spoons and straws, and promoting voluntary collection and recycling. Even before the law came into effect, Yakult was already making the shift to recyclable materials through the use of biomass plastics for our straws and multi-pack shrink-wraps. We also eliminated straws from the *New Yakult* and its series in March 2022 and stopped distributing spoons and straws at the point of sale with the law's enforcement in April 2022. Regulations on the use of plastic products are gathering momentum around the world. Yakult is responding to these regulations and emission controls in each country and region, such as by replacing some plastic packaging materials in Europe with paper. Additionally, we have equity participation in a joint venture company that promotes the development and practical application of plastic recycling technologies.

Finally, our approach to water involves reducing its use in our business activities while also developing management plans that address the disparate water risks facing production bases across different countries and regions. Through these efforts we are committed to promoting the conservation and sustainable use of water resources.

*1 Please refer to page 29 for a list of applicable plants

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

*3 Formally known as the Act on Promotion of Resource Circulation for Plastics

Society

Yakult's business is built on innovation. Two ideas that were quite novel at the time of our founding—preventive medicine and the concept that a healthy intestinal tract leads to a long life—were embraced to create new value. More recently, we launched *Yakult 1000* in select markets in 2019 and *Y1000* in 2021, two drinks that help people deal with the prevalence of stress- and sleep-related issues in contemporary society. The popularity of these two products demonstrates that we can address emerging health concerns with innovations that not only promote intestinal health with lactic acid bacteria but also alleviate stress- and sleep-related concerns.

Sustainable procurement through our supply chain is primarily informed by the Yakult Group CSR Procurement Policy, established in 2018. Of particular importance is our cooperative relationship with suppliers, built by conducting annual CSR procurement surveys and establishing Supplier CSR Guidelines. In fiscal 2021, we held a briefing for suppliers on our CSR Procurement Policy to enable all suppliers to gain an understanding of our approach to sustainable procurement.

Our initiatives regarding co-creation with communities include efforts to not only deliver healthy products but also help people lead healthier lives. Information on health benefits is conveyed by Yakult Ladies, through the dispatch of lecturers and hosting of health-related classes for local residents, and by specialized staff at retail outlets. We also implement such community initiatives as Courtesy Visit Activities and community safety watch and crime prevention activities.



In the area of human rights, we established the Yakult Group Human Rights Policy in fiscal 2021. Under the framework of this policy, we launched a human rights due diligence review meeting attended by staff members from a cross section of relevant departments to identify key human rights issues within the Group.

As for human capital, we established our Basic Policy on Human Resources Development in fiscal 2021 to enable employees to display their individual strengths and work with enthusiasm. In fiscal 2022 we revised our personnel system to clarify the criteria by which the roles performed and the results achieved by our employees are evaluated and to further encourage their growth. We also provide training to help employees achieve the tasks called for by their roles. We are actively educating our employees about diversity promotion so that Yakult can continue growing as a global company. The importance we have placed since our founding on the strength of human resources and the spirit of harmony will continue to be Yakult's greatest driving forces going forward.

Governance

As part of our efforts to accelerate decision making, to date we have consolidated various committee structures, introduced an executive officer system, increased the number of Outside Directors, and increased the frequency of Board of Directors meetings.

With the aim of enhancing management transparency, we established the Nomination & Remuneration Committee as an advisory body to the Board of Directors in December 2021. This committee is responsible for deliberating on the nomination of directors and auditors and the compensation of directors and reporting its findings to the Board of Directors. The majority of committee members are Outside Directors to ensure independence and objectivity. In fiscal 2022, we introduced a performance-based remuneration system for directors based on the committee's deliberations. And we now also publish a skills matrix to visualize the competencies of each director. Moving forward we will encourage top management to take greater responsibility for business performance as we work to enhance corporate value over the medium and long term.

We are also working to ensure thorough corporate compliance through rigorous enforcement of the Yakult Ethical Principles and Code of Conduct; meetings of the Compliance Committee and Corporate Ethics Committee, which are attended by outside experts; and implementation of a more effective internal reporting system. Also, in fiscal 2021, we established the Yakult Group Anti-Corruption Policy.

To promote constructive dialogue with shareholders, who are important stakeholders, our general shareholders meetings and financial results briefings are conducted in a very open manner. A dedicated department is engaged in proactively communicating with shareholders and institutional investors on a regular basis.

From CSR to real-world sustainability

What had been called the *Yakult CSR Report* until last year is now known as the *Sustainability Report*. This new name expresses our desire to address health-related societal issues through our business activities while also considering the global environment in our management practices, thereby balancing social sustainability with the sustained growth of Yakult's business operations. This report is positioned as a tool for stakeholder engagement through which we proactively disclose information on the six material themes of our ESG initiatives.

Each and every one of us at Yakult is committed to working with the interests of our stakeholders, society and our planet in mind and giving serious thought to all we can and should do to promote the health of the environment and people living around the world.

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