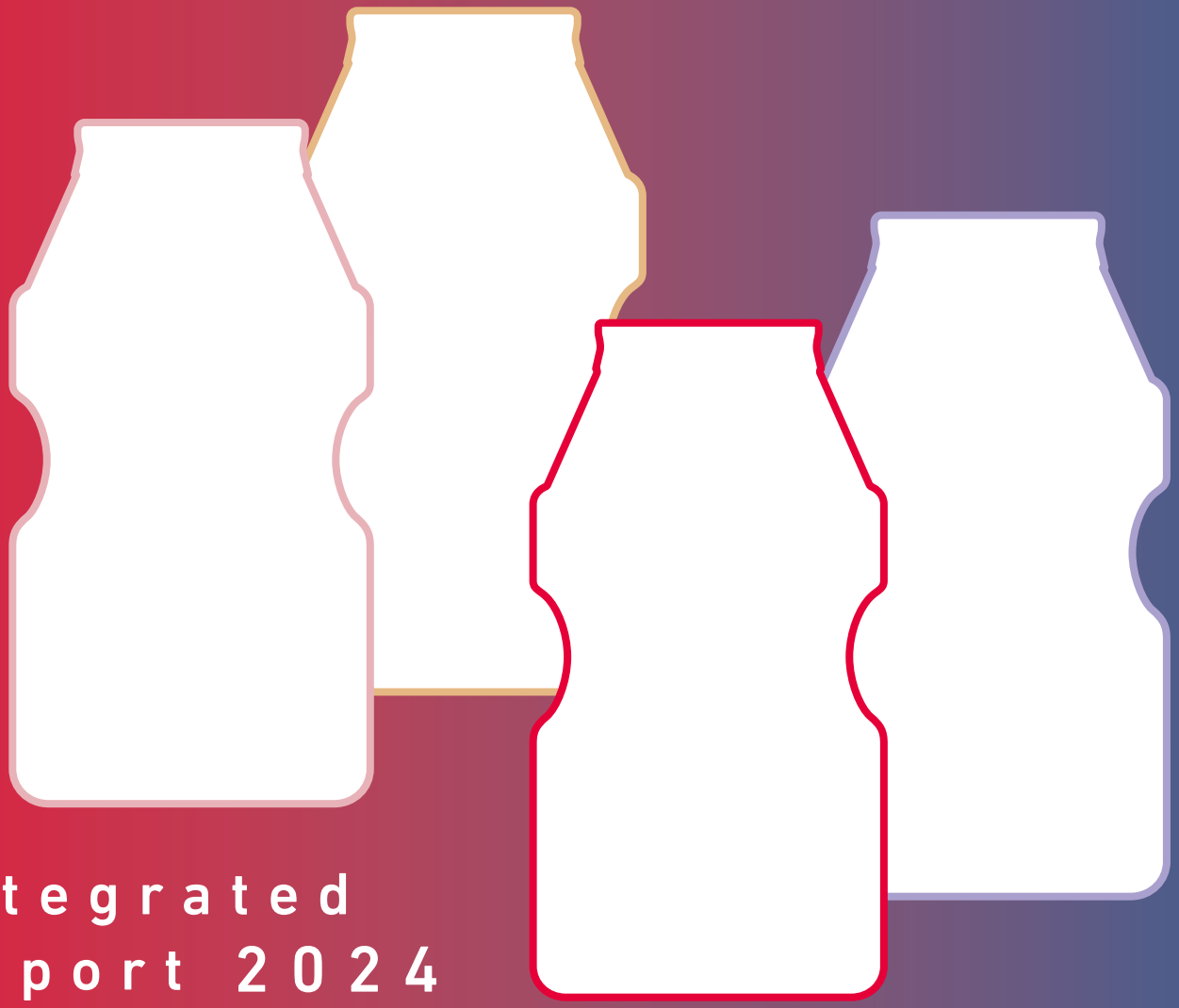
Yakult



Integrated Report 2024

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Editorial Policy

The Integrated Report 2024 is a communication tool intended to facilitate a deeper understanding among all stakeholders about the Yakult Group's efforts to enhance its corporate value in a sustainable manner. Our aim is to provide systematic, easy-to-understand descriptions from both the financial and non-financial viewpoints of the Group's medium- to long-term growth strategies and sustainability management. The Yakult Group endeavors to achieve its corporate philosophy, which states that "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 we hope that the report will help promote a better understanding how the Group works toward this goal.

Period covered: Fiscal 2023 (April 1, 2023 through March 31, 2024)

Note that for information considered important, this report covers periods before or after fiscal 2023.

Scope of the report: All business sites of Yakult Honsha Co., Ltd. and the Yakult Group companies in and outside Japan

In this report, the Yakult Group covers Yakult Honsha, its marketing companies, logistics companies and affiliated companies in Japan as well as its business sites outside Japan.

Guidelines referenced:

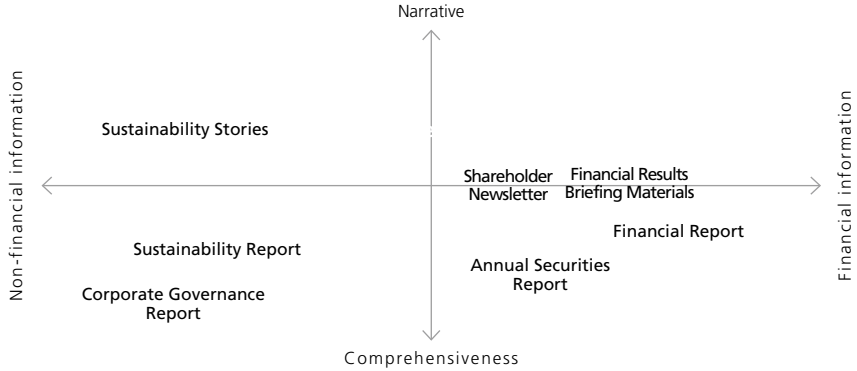
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- International Integrated Reporting Framework, IFRS Foundation

Notes on forward-looking statements:

This report contains forward-looking statements, which are based on the currently available information and involve risks and uncertainties. Please note that actual results may differ from the forward-looking statements in this report, depending on such factors as global as well as economic situations, market trends and demand.

Overview of Yaklut Group IR Tools

The Yakult Group positions and publishes various IR tools such as integrated reports, sustainability reports, securities reports, and financial results as shown on the right.



Top Message

Evolving into a healthcare company that realizes a healthy society in a wider range of domains

We must continually pass down the ideas of Shirota-ism and evolve our business frameworks to ensure that we can respond to contemporary health issues.

Hiroshi Narita
President and Representative Director

Yakult's reason for existence

A passionate desire to "contribute to people's health"

The founder of Yakult is Dr. Minoru Shirota, a doctor of medicine. More than 100 years ago, when Minoru Shirota was still a child, Japan suffered from poor nutritional and sanitary conditions, and infectious diseases claimed the lives of numerous children. Deeply troubled by this harsh reality, Minoru Shirota resolved to pursue a career in medicine and devoted his efforts to research on the prevention of infectious diseases.

Dr. Shirota believed that "Since both beneficial and harmful bacteria live in the intestines, where nutrients are absorbed, people will become ill if the harmful bacteria increase." He asked himself, "What if the beneficial bacteria are increased to suppress the harmful bacteria?" Based on the idea of "controlling bacteria with bacteria," Dr. Shirota set his sights on useful microorganisms, and in 1930 he succeeded in culturing a fortified strain of lactic acid bacteria that could reach the intestines alive and produce beneficial effects. This

bacteria was named *Lactobacillus casei* strain Shirota after Dr. Shirota himself.

Subsequently, in 1935, the Shirota Institute for Research on Protective Bacteria began manufacturing and selling *Yakult*, which contained *Lactobacillus casei* strain Shirota. At that time, the idea of using microorganisms to create products that contribute to people's health was considered ground-breaking. This business was launched as what would today be called a venture company or start-up company.

One idea that remains unchanged and cherished since the Company's founding is Shirota's philosophy of Shirota-ism. This focuses on "preventive medicine," which aims to help people avoid sickness rather than treating them after they are already ill. Dr. Shirota believed that because the intestines absorb nutrients, "a healthy intestinal tract leads to a long life." Desiring to help as many people as possible become healthy, Dr. Shirota always valued making products available at "a price that anyone can afford." These beliefs of Dr. Shirota are the origin of all Yakult's businesses.

Yakult launched its unique Yakult Lady home delivery system in 1963. The job of Yakult Ladies, which involves visiting each and every home to deliver health to customers through our product *Yakult*, remains the same today both in Japan and overseas as it was when it launched. Currently, approximately 80,000 Yakult Ladies work actively around the world, and dairy products, including *Yakult*, are enjoyed by around 40 million people every day in 40 countries and regions, including Japan.

In looking back at Yakult's history, I reaffirmed my awareness of how we have always believed in the power of our products, explained the usefulness of these products to our customers, and built relationships of trust. We made all-out efforts to accurately communicate the functions of Yakult products. The joy and sense of fulfillment we feel when customers experience the quality of Yakult products is invaluable to us.

As Yakult's business expanded over the years, I too engaged in a wide range of jobs that included setting up overseas offices and working in food sales in Japan. Among these, I was involved in overseas business for many years and personally worked to promote the popularity of *Yakult* locally in Indonesia and the United Kingdom. I frequently heard local customers who drank our products make such comments as, "My condition has gotten better" or "The quality of my life has improved." Although I sometimes encountered language barriers, I felt that we could mutually communicate our feelings by sharing a universal desire for health. This instilled me with a strong sense that our company philosophy, "We contribute to the health and happiness of people around the world," is truly universal.

Yakult is a product that embodies a wealth of evidence. Despite facing differences in language, culture, and eating habits, we continue to patiently explain the benefits of lactic acid bacteria in promoting good health and encourage customers to drink our products based on this understanding. Consuming Yakult products makes our customers even healthier. By building on these efforts, I am confident that our business will certainly succeed anywhere in the world. I am firmly convinced of this based on my own experiences abroad.

Driven by this conviction, we will make unprecedented efforts to inform people across the world about *Yakult*, a product that originated in Japan. Dr. Shirota's passion to "contribute to people's health" serves as the basis of all our business activities today.

Yakult Group Global Vision 2030

What we aspire to realize in our Long-term Vision

Looking across the world, we can see a wide variety of social health issues as well as a diversity of solutions. Information technology and life sciences are also evolving in ways we have never witnessed before. Within this dynamically evolving society, we ask ourselves what Yakult can do and how we should contribute to people's health, social issues, and the preservation of the global environment. Our thoughts about this are encapsulated in the Yakult Group Global Vision 2030, our long-term vision for the next 10 years starting from 2021.

In the runup to 2030, Yakult must fully leverage its management resources to strengthen the foundations of existing businesses while expanding its business domains via the acquisition of new resources. Concurrently, as a company that undertakes its business globally in keeping with

its mission of contributing to health, we must also work to ensure the health of the global environment and continue to meet the expectations of our stakeholders.

I believe that Shirota-ism advocated by Dr. Shirota will remain relevant in contemporary and future society. That said, the definition of health desired today has changed profoundly from its meaning at the time of Yakult's founding.

When Yakult was founded, health was defined merely as being physically satisfied. In contrast, health today has a variety of meanings, such as being mentally or socially satisfied. I believe we must evolve our business frameworks to tackle modern health issues while continuing to pass down the ideas of Shirota-ism.

Yakult has expanded its business up to the present while adhering to 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." In realizing this corporate philosophy, we aim to be a "leading company in probiotics."

Looking to the future, we seek to evolve into a healthcare company that contributes to a healthy society in a wider range of fields and realize our corporate philosophy.

Progress of our Medium-term Management Plan (2021-2024)

Now is the time for testing our true value

The Medium-term Management Plan (2021-2024) for achieving the Yakult Group Global Vision 2030 aims to leverage renewed interest in healthcare and greater consumer needs and demands as opportunities for growth. The plan was formulated based on the strengths of and challenges faced by the Group, taking into consideration the outlook for the market environment, such as the transition to a decarbonized society and the risks accompanying intensifying competition. The management plan promotes six key themes: expanding business in light of the diversification of customers' values; realizing continuous growth by strengthening global expansion; expansion of business domain with the aim of becoming a healthcare company; optimal utilization of the Group's management resources; strengthening initiatives addressing environmental issues for sustainable growth; and promotion of investment to realize innovation. In proceeding with these themes, we will actively take on the challenge of creating new value within an evolving social environment.

Looking back on fiscal 2023, the third year of the Medium-term Management Plan, our high-value-added products such as *Yakult 1000* and *Y1000* drove performance in our domestic food and beverages segment. Conversely, our inability to build a production and supply system that would support adequate sales promotion activities required us to be mindful of our maximum production capacity as we pursued our business activities. However, we improved our supply structure by expanding production capacity in January 2024, which had been the bottleneck hindering sales in previous years. As a result, we have been engaged in intensive sales promotion activities in the fiscal year ending March 31, 2025.

Now is the time for Yakult to test its true value. We can still uncover latent demand and therefore help customers reaffirm the value embodied in our products and increase bottle sales.

This year has been challenging for our overseas food and beverages segment. Whereas economic activity that had been hindered by the COVID-19 pandemic has returned to normal and fueled expectations of an economic recovery and improved consumer sentiment, the pace of global economic recovery remained sluggish, with large disparities apparent among regions.

Regarding China in particular, more time will be needed for business performance to recover due to the prolonged slump in consumption and changes in the market environment. Nonetheless, we are currently continuing earnest activities and have separated sales measures into short-term and medium- and long-term measures. In May 2024, we launched a new product, *Yakult Peach Flavor (Iron Plus)*. This new product will help raise the profile of the Yakult brand and stimulate new demand. Additionally, we are also currently undertaking a variety of other activities and expect these will gradually yield positive results.

Meanwhile, operations in many of our business locations in overseas countries, including in the United States, Mexico, and Vietnam, have overcome the impact of the COVID-19 pandemic and are proceeding smoothly with business development. I expect the continued overall growth of our overseas business.

To facilitate an even better understanding of Yakult, increasing opportunities for direct communication with customers is essential. Our activities that inform customers about our corporate stance and products, such as plant tours and health-related lectures, are gradually returning to normal following the COVID-19 pandemic. We will value every opportunity to communicate directly with customers and convey to them the value of bacteria and the outstanding features of our products.

Yakult is also actively promoting efforts to expand its business domains. As part of these efforts, we acquired the plant-based yogurt business and the assets of the Pokka Sapporo Gunma Plant No. 2 from Pokka Sapporo Food & Beverage Co., Ltd. In October 2024, Yakult will commence

manufacturing of its own-brand products at this plant, as we take one step forward in expanding our business in food products utilizing plant-derived ingredients.

The market for plant-derived ingredients is expanding worldwide along with the rising health-consciousness and environmental awareness of customers. The effective use of plant-derived ingredients is beneficial for both the health of people and the health of our planet. Yakult's corporate slogan is "In order for people to be healthy, everything around them must also be healthy." We will further put this corporate slogan into practice by entering the market for foods that utilize plant-derived ingredients.

Human resources strategy for growth

Striving to foster a corporate culture that can create new value

With the aim of achieving continual growth in corporate value, Yakult will proactively invest in people and cultivate human resources who contribute to the growth of our business while building an organization in which both individuals and the Company can achieve growth.

Yakult regards people as crucial assets who create value, and for this reason, actively invests in human capital. This is in keeping with the emphasis our founder, Minoru Shirota, placed in valuing sincerity and harmonious human relations, not to mention our corporate philosophy of "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."

Yakult is implementing a human resources strategy that aims for the growth of both individuals and the entire organization based on three pillars: implementing human resource development to establish a growth engine; implementing human resource development to support the growth of diverse individuals; and implementing human resource development that can embody shared values.

In implementing our human resources strategy, we are mindful of maintaining consistency with our management strategy. We treat our human resources as "sentient capital" and promote human resources development tailored to each individual's career path instead of implementing conventional, uniform education.

Furthermore, Yakult promotes health-focused management, believing that, to realize our corporate philosophy, it is essential to create working environments in which our employees can work in good health and with enthusiasm. Accordingly, we established a dedicated department that promotes health-focused management. Recently, in recognition of our management initiatives to promote employee health, we were recognized as a Health & Productivity Brand for the first time. In addition, we have been certified as a Health & Productivity Management Organization (White 500) for seven consecutive years. As a company that delivers good health to our customers, we will continue pursuing health-focused management and striving to increase our corporate value.

To all stakeholders

Toward delivering good health to as many people as possible around the world

The Yakult Group will continue to evolve into a healthcare company that continuously contributes to the health of people

around the world while further deepening its relationships with stakeholders.

We have published this integrated report to actively engage in dialogue with our valued stakeholders, shareholders, and investors, and to help deepen their understanding of the Yakult Group.

Besides disseminating information about our medium-to-long-term value creation and growth strategies by publishing this integrated report and by holding discussions at general shareholders' meetings and financial results briefings, we will build sustainable and constructive relationships with stakeholders through communication using specialized departments.

Looking to the future, Yakult will continue to promote people-centered management and take on the challenge of creating social and corporate value that delivers good health to as many people as possible around the world. We ask for your continued expectations and support of Yakult.

Corporate Philosophy and the Origins of Yakult

"We wish to contribute to the health and happiness of people around the world"
– the founding spirit driving our passion for and approach to health today
Our founder Minoru Shirota's insatiable curiosity has been passed down from generation to generation.

Minoru Shirota

1899-1982
Doctor of Medicine
Former Chairman of Yakult Honsha Co., Ltd. and Director of the Yakult Central Institute
Dr. Shirota passed away in 1982 at the age of 82, after having dedicated his life to the study of beneficial lactic acid bacteria and the promotion of preventive medicine.

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.

Minoru Shirota, M.D., Ph.D. 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 them after they get sick, and started down the path of microorganism research.

As part of his research, Dr. Shirota focused on how lactic acid bacteria function to suppress harmful bacteria in the intestines. In 1930, he succeeded in strengthening and culturing a strain of lactic acid bacteria that could reach the intestines alive and produce beneficial effects. This strain 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 the positive effects of *Lactobacillus casei* strain Shirota.

That is how the fermented milk drink *Yakult* was born in 1935.

Contributing to the health and happiness of people around the world – Minoru Shirota's passion, ideas and insatiable curiosity continue to be passed down today.

* Classified as *Lacticaseibacillus paracasei* strain Shirota as of April 2020.

Corporate Slogan

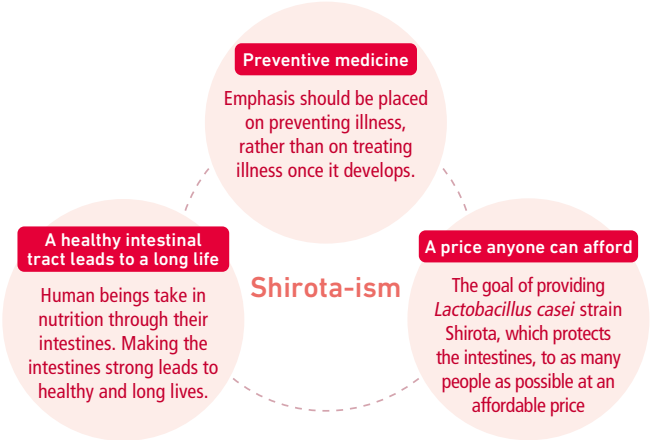
In order for people to be healthy, everything around them must also be healthy.

The Belief Embodied in Our Corporate Slogan

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

Shirota-ism–The Origins of Yakult

At Yakult, the ideas of our founder Minoru Shirota and "Shirota-ism" are what lie at the heart of Yakult and which today form the very foundation for all our operations.



At a Glance

Currently, we sell and manufacture mainly *Yakult* fermented milk drink in 40 countries and regions, including Japan. Every day, about 40 million customers enjoy *Yakult* worldwide (fiscal 2023 result).

Number of Bottles Sold Worldwide

Overseas: Average number of bottles sold per day from Jan. to Dec. 2023
Japan: Average number of bottles sold per day from Apr. 2023 to Mar. 2024

EUROPE

▶ Countries and regions: 13
▶ Average number of bottles sold per day: 0.61 million bottles

- Netherlands
- Belgium
- France
- United Kingdom
- Germany
- Luxembourg
- Spain
- Ireland
- Austria
- Italy
- Malta
- Switzerland
- Denmark

THE AMERICAS

▶ Countries and regions: 6
▶ Average number of bottles sold per day: 5.82 million bottles

- Brazil
- Mexico
- Uruguay
- United States
- Canada
- Belize

JAPAN

▶ Average number of bottles sold per day: 10.61 million bottles

ASIA AND OCEANIA

▶ Countries and regions: 20
▶ Average number of bottles sold per day: 22.37 million bottles

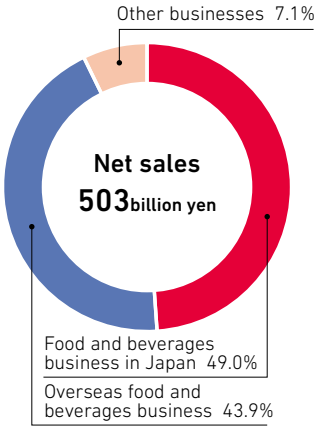
- Taiwan
- Hong Kong
- Thailand
- South Korea
- Philippines
- Singapore
- Brunei
- Indonesia
- Australia
- China
- Malaysia
- New Zealand
- Vietnam
- India
- United Arab Emirates
- Oman
- Bahrain
- Qatar
- Kuwait
- Myanmar

- Yakult operates 28 companies in 39 countries and regions. We have established sales offices and production plants with deep ties to local communities, and actively hire local employees. We also operate our original Yakult Lady home delivery sales system in 13 countries and regions around the globe.

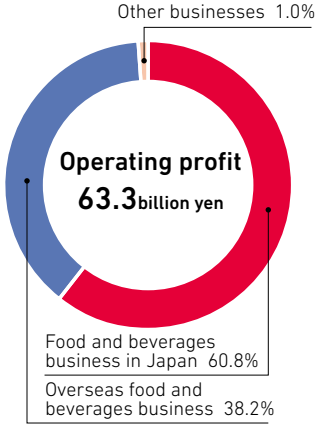
- Headed by Yakult Honsha, the Yakult Group consists of marketing companies that sell Yakult products, subsidiary bottling companies that turn the concentrated *Yakult* essence into bottled products, and other related companies. There are approximately 140 companies and organizations within the Yakult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

Business Results

- Fiscal 2023
  Net sales by segment (consolidated)



- Fiscal 2023
  Operating profit by segment (consolidated)



Profile of the Yakult Group

Japan

Marketing companies:	101	
Number of workers:	Marketing company employees	12,846 (As of April 1, 2024)
	Yakult Ladies	32,438
	Yakult Beauty Advisors	3,213
Bottling companies:	6	

* As of March 31, 2024

Overseas

Companies:	28	
Number of workers:	Employees	25,367
	Yakult Ladies	50,309
Marketing regions:	39 countries and regions	

* As of December 31, 2023

Chapter 1 Value Creation Story

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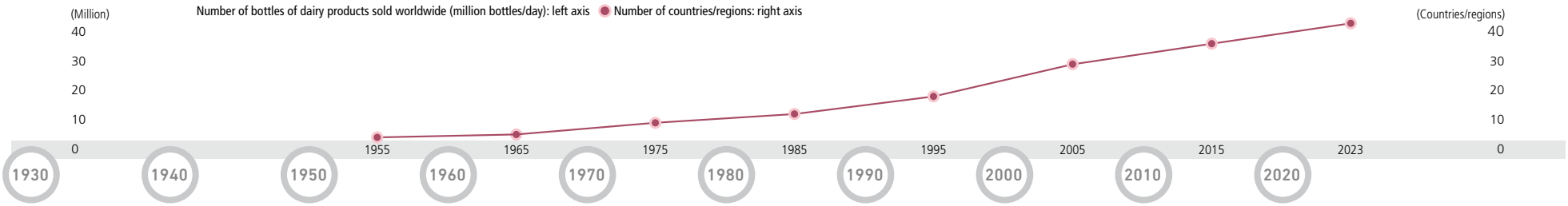
Milestones in Our Growth

Yakult, inheriting Shirota-ism and infused with a desire to contribute to the health and happiness of people around the world, has expanded its business across Japan and overseas. Centered around the concept of "health," Yakult has created various forms of social value, such as promoting women's empowerment, ensuring community safety and security, and protecting the environment. Through the economic value generated over its history, the corporate group has continued to grow steadily.

● Bottles of Yakult's fermented milk drinks consumed globally and sales regions over time * Data begins from 1955



● Milestones in our growth

R&D

Dr. Minoru Shirota succeeds in strengthening and culturing a strain of lactic acid bacteria beneficial to health (1930)

Shirota Institute is established in Kyoto (1955)

Research institute is established in Kunitachi, Tokyo (later known as Yakult Central Institute) (1967)

Yakult Honsha European Research Center for Microbiology VOF is established in Belgium (2005)

Collaborated with healthcare professionals, university researchers, and other key opinion leaders in Japan and abroad on research, including joint projects with research institutions in various countries

Research and development activities that contribute to people's health, safety, and security around the world

Strength 1: Research and development capabilities centered on lactobacillus research

Business domain

Entered the cosmetics and pharmaceuticals sectors

Established a global production system to create high-quality products

Conducted long-term value promotion activities to penetrate markets and expand the Yakult brand

Strength 2: In-house driven value chain

Sales networks

Established a home delivery system where Yakult Ladies deliver products directly to customers, expanding this service not only in Japan but also overseas

Enhanced awareness and understanding of Yakult through plant tours, health-related lectures, and dispatching lecturers

Expanded availability at retail stores, through e-commerce, and other channels to increase purchasing opportunities

Increased brand recognition and understanding of Yakult through TV commercials, various media, and social media platforms

Strength 3: Community-based communication and value dissemination system

Shirota-ism

Strengths Developed Over Time

Yakult continues to grow as a company that contributes to the health and happiness of people around the world by leveraging three key strengths — research and development capabilities centered on lactobacillus research, an in-house driven value chain, and a community-based communication and value dissemination system — all of which are grounded in the company's organizational capabilities based on Shirota-ism, Dr. Shirota's philosophy.

Strength 1: Research and development capabilities centered on lactobacillus research

Accumulation and utilization of extensive research findings on lactobacillus

Strength 2: In-house driven value chain

A comprehensive manufacturing and sales system within the Group that pursues safety and security

Strength 3: Community-based communication and value dissemination system

Approximately 80,000 Yakult Ladies and 40,000 Group employees worldwide

Brand strength and reliability built up since our founding

Yakult's organizational capabilities based on Shirota-ism

Local Engagement Everywhere

Yakult primarily offers its products through two channels: home delivery and retail stores. The home delivery channel is managed by Yakult Ladies. Yakult's unique home delivery system, which facilitates direct communication with customers, has expanded across Japan and around the world, achieving significant results.

Unchanging Value Dissemination Across Eras

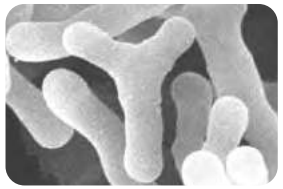
In addition to delivering products, Yakult is committed to promoting the concepts of preventive medicine and that a healthy intestinal tract leads to a long life. This commitment is rooted in the fundamental values of sincerity, gratitude, and harmonious human relations as established by Dr. Shirota. These principles are deeply ingrained in Yakult's philosophy and have been passed down as timeless values through the ages.

Contributing to Global Health

Our founding principle is the desire to make *Lactobacillus casei* strain Shirota available to as many people as possible at an affordable price, fulfilling everyone's wish for health. For around 90 years since our establishment, we have remained pioneers in the field of probiotics, consistently providing products that contribute to better health.

Strength 1 Research and development capabilities centered on lactobacillus research

The Yakult Group is dedicated to daily research and development efforts to create products and services that contribute to the health of people worldwide.



R & D

Since its founding, Yakult has engaged in fundamental research in such areas as intestinal bacteria and beneficial microorganisms, and possesses world-class research and development capabilities. To promote and advance public health and preventive medicine, we continue to expand the usefulness and potential of intestinal bacteria. As a pioneer in probiotics, we also explore life sciences and apply its findings to the development of new materials and products.

Strength 1: Research and development capabilities centered on lactobacillus research

Yakult Central Institute: Research Activities Rooted in "Shirota-ism"

- The Institute has pioneered the use of preventive medicine and produced numerous achievements in research focused on intestinal microorganisms. We utilize this research for the development and application of materials in products that contribute to maintaining and improving people's health.
- We also actively engage in research collaborations with external organizations such as universities, hospitals, and research institutions to promote research and development activities aimed at creating new value to address health and social issues.

Overseas Research Institute Supporting Global Business Development

- In May 2005, we established Yakult Honsha European Research Center for Microbiology VOF. While conducting research to verify the efficacy of Yakult's probiotics for people in Europe, the center has been expanding its local science network and advancing the globalization of its research activities.

	Major Achievements
2021	• Confirmation that consumption of a fermented milk drink containing *L. paracasei* strain Shirota improves depressive symptoms and sleep quality in patients with depressive symptoms (major depressive disorder or bipolar disorder). • Confirmation in an epidemiological study that habitual consumption of dairy products containing *L. paracasei* strain Shirota may contribute to the stabilization of the intestinal microbiota in the elderly. • Confirmation that the preoperative intake of synbiotics (*L. casei* strain Shirota and *B. breve* strain Yakult + galactooligosaccharides) reduces the incidence of bacterial translocation and alleviates severe gastrointestinal disorders in esophageal cancer patients undergoing preoperative chemotherapy. • Confirmation by live bacterial composition analysis that the relative abundance of several groups of live bacteria varies in different parts of the human large intestine.
2022	• Verification in healthy male office workers that consumption of a fermented milk drink containing *L. paracasei* strain Shirota activates phagocytic cells (monocytes/macrophages, dendritic cells), which play a role in modulating immune effector cells such as T cells, B cells, and NK cells. • Demonstration that the administration of synbiotics (*L. paracasei* strain Shirota and *B. breve* strain Yakult + galactooligosaccharides) improves the balance of the gut microbiota and the intestinal environment as well as reduces adverse events caused by chemotherapy in preoperative thoracic esophageal cancer patients.
2023	• Verification of the possibility that consumption of fermented milk drink containing *L. paracasei* strain Shirota improves daytime performance in healthy office workers with sleep complaints. • Confirmation that continuous intake of *L. plantarum* YIT 0132 fermented citrus juice induces a modification of the immune response related to immune tolerance and a change in the intestinal microbiota composition in children undergoing oral immunotherapy for cow's milk allergy.

Strength 2 In-house driven value chain

Under our corporate philosophy, we deliver safe and secure products with heartfelt dedication to customers around the world.

The Yakult Group is committed to quality at every stage: from research and development contributing to preventive medicine and promoting the idea that a healthy intestinal tract leads to a long life, to the procurement of high-quality raw materials such as skim milk powder and sugar, to production of high-quality products, to logistics transporting products to stores and sales centers (sales points for Yakult Ladies), and finally to sales through stores and Yakult Ladies.

Strength 2: In-house driven value chain

Optimization of the Yakult Group's Value Chain

- We create high-value-added products and services that help address health issues and deliver them to customers around the world. We are also focused on building organizational and developmental systems that support this process and further strengthen collaboration both within and outside the Group.

In Pursuit of Safety and Security

- In addition to complying with national and regional laws and regulations, we respect local cultures and customs while striving to ensure high quality and safety. We have established a quality management system that adheres to global standards in product manufacturing, and we conduct our business activities responsibly by following international norms for quality and safety.
- In the event of an emergency related to quality or issues that may potentially violate relevant laws or company policies, we take prompt and appropriate action based on internal rules such as our Risk Management Rules.

R & D

- Application of research findings to the development of new products and enhancement of existing products
- Guarantee product safety through rigorous internal standards
- Strict adherence to ethical guidelines in research and development
- Recycling of our plastic containers and packaging

Procurement

- Selection of raw materials with a stable, safe, and secure supply
- Emphasis on communication with suppliers in sustainable procurement activities
- Establishment of a collaborative system with suppliers based on the Yakult Group CSR Procurement Policy, including site inspections of production areas and factories, and on-site guidance

Production

- Provision of stable, safe, and secure products based on rigorous quality management
- Quality assurance systems and food defense measures to ensure safety and security
- Conduct internal audits as part of the verification of production activities
- Assurance of product traceability

Logistics

- Protection of products during transportation through rigorous quality management
- Daily checks and regular internal audits
- Promotion of logistics efficiency through the consolidation of logistics facilities and collaborative delivery with other companies
- Thorough communication of handling procedures based on product characteristics

Communication

- Ensure product safety through rigorous hygiene management
- Strict adherence to laws and regulations, including hygiene management, temperature control, date management, product management, and record-keeping
- Creation of guidelines outlining key points for quality and hygiene management during product handling
- Strengthening and enforcement of quality and hygiene management through internal audits
- Education and training for Yakult Ladies and route sales representatives to ensure a thorough "safe and secure" mindset among staff

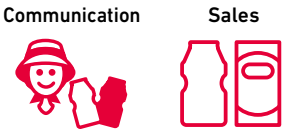
Sales

Organizational capabilities based on Shirota-ism

Local Engagement Everywhere	Unchanging Value Dissemination Across Eras	Contributing to Global Health

Strength 3 Community-based communication and value dissemination system

Yakult considers "Placing Customers First" as one of its key business themes and highly values communication through Yakult Ladies and connections with the local community.



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

Strength 3: Community-based communication and value dissemination system

Direct Communication Through Yakult Ladies

- Leveraging the unique regional network provided by Yakult Ladies for product delivery, we carefully and earnestly listen to customer feedback and requests, which leads to the development of better products and improved services.

Information Provision Through Customer Interaction

- We provide accurate information about our products through various approaches, including plant tours, dispatch of lectures, and health-related lectures.

Establishment of Customer Support Center for Improving Products and Services

- Addressing daily customer inquiries is crucial. We accept consultations from customers via phone and email, responding promptly, accurately, and with sincere care.

Customer Communication and Trust Through Yakult Ladies

The Yakult Group's unique delivery system through Yakult Ladies not only delivers products but also provides information on ways to stay healthy, empowers us to listen to customer feedback, and build trust. This system of customer communication is implemented in 13 countries and regions worldwide, including Japan. The trust established through this system is a valuable asset for the Yakult Group. As of March 31, 2024, there were 32,438 Yakult Ladies in Japan and 50,309 overseas as of December 31, 2023.

Dispatching Lectures and Health-related Lectures with Approximately 14.13 Million Participants Worldwide

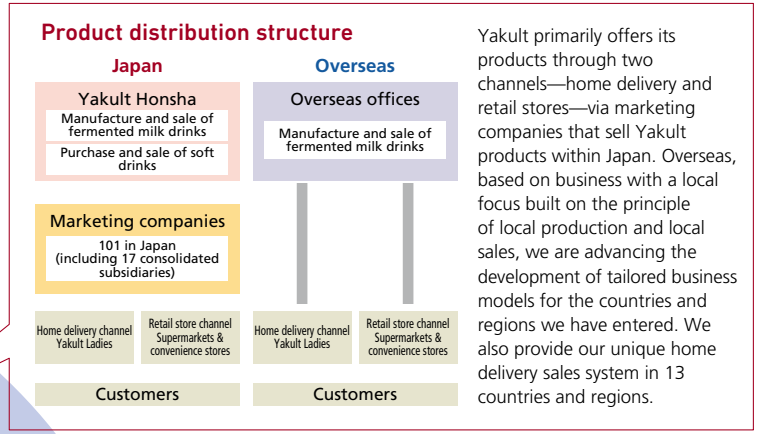
We conduct dispatching lectures and health-related lectures worldwide to clearly explain the importance of intestinal health, probiotics, seasonal health information, and beneficial lifestyle habits. In Japan, approximately 230,000 people participated in dispatched lectures and about 370,000 in health-related lectures. Overseas, around 3.33 million people took part in dispatched lectures and approximately 10.21 million participated in health-related lectures. (fiscal 2023)

Plant Tours with Approximately 960,000 Participants Worldwide

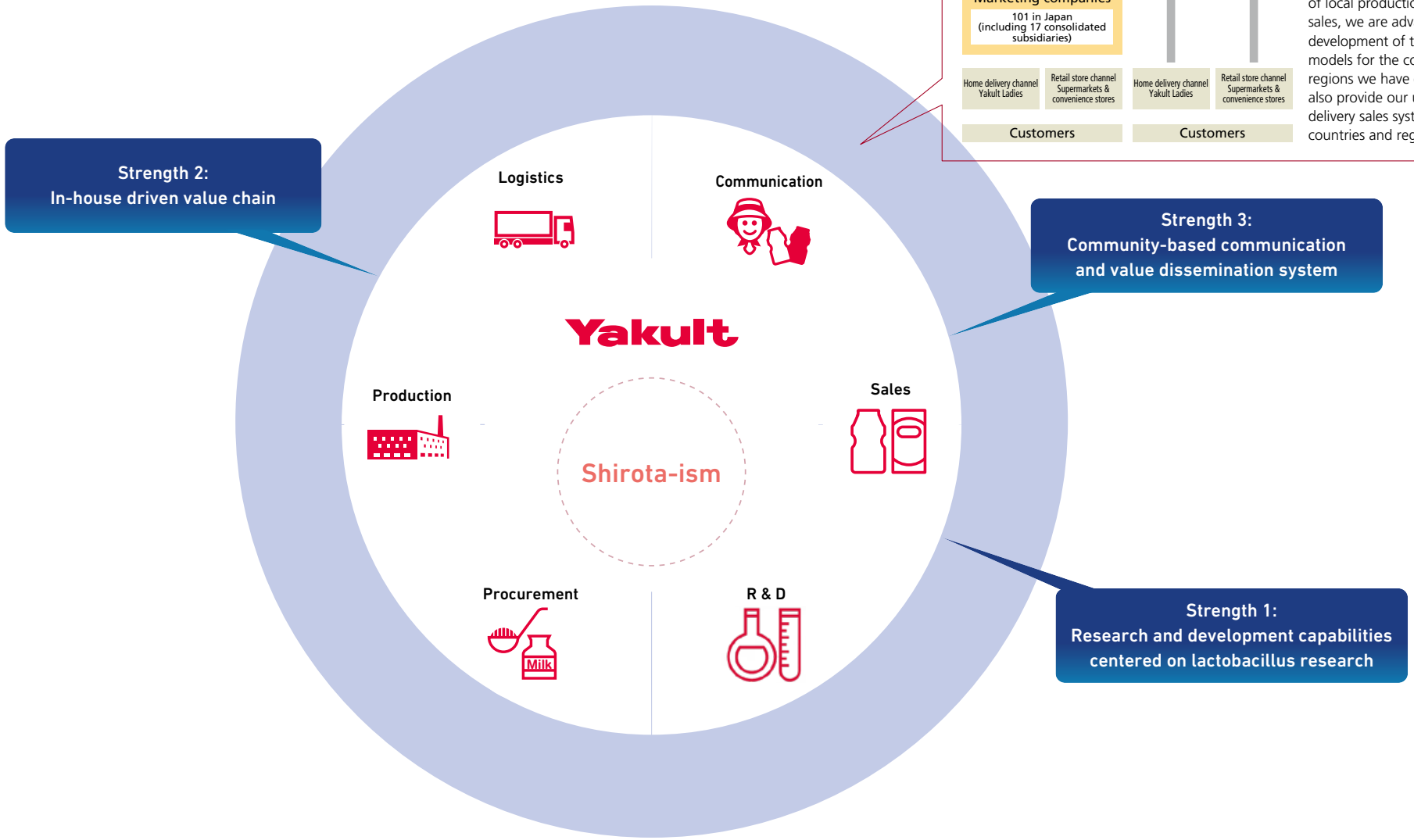
At each of our plants, we actively offer tours to promote a deeper understanding of our products and demonstrate our commitment to delivering safe and secure products while being environmentally conscious. These tours are utilized by a diverse range of visitors, from children to the elderly, including elementary school students on social studies and environmental education trips, as well as opinion leaders and health-conscious individuals seeking information. In fiscal 2023, around 30,000 people in Japan and approximately 930,000 people overseas participated in these tours.

Business Model

Under a robust, in-house driven value chain that pursues improvements in productivity and safety, we deliver high-quality products created through advanced research and development capabilities, along with health information, to our customers through a community-based communication and value dissemination system.



Yakult primarily offers its products through two channels—home delivery and retail stores—via marketing companies that sell Yakult products within Japan. Overseas, based on business with a local focus built on the principle of local production and local sales, we are advancing the development of tailored business models for the countries and regions we have entered. We also provide our unique home delivery sales system in 13 countries and regions.



Value Creation Process

Through its business activities, the Yakult Group is dedicated to creating both economic value—including sustainable profit growth, safe and secure production practices, and various research and development achievements—and social value, which encompasses enhancing customer health, boosting employee engagement, and ensuring a thriving global environment for future generations. By doing so, the Group strives for the continuous enhancement of corporate value.

"Yakult Group Global Vision 2030"

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

Management resources (INPUT)

Financial capital

Equity capital
Interest-bearing debt

Manufacturing capital

Number of manufacturing facilities
Number of delivery networks equipped with refrigerated functionality

Intellectual capital

Number of patents held
Number of R&D centers
R&D expenditures

Human capital

Number of employees and Yakult ladies
Investment in talent development

Social capital

Number of Yakult marketing companies
Number of suppliers
Number of sales regions

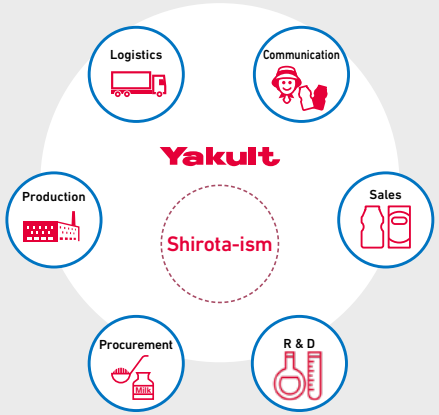
Natural capital

Energy consumption
Amount of key raw materials used

Yakult's unique business model

<Three strengths>

- Research and development capabilities centered on lactobacillus research
- In-house driven value chain
- Community-based communication and value dissemination system



Company's organizational capabilities based on Shirota-ism

Medium-term Management Plan (2021-2024)
Taking on the challenge of innovation

- Proactively take on the challenge of creating new values that address changes in the social environment -

OUTPUT

Research achievements: Evidence and academic advancements related to intestinal bacteria, probiotics, and functional materials, etc.

Products and services: Products and services that contribute to people's health.
Fermented milk drinks/Soft drinks/Food/Cosmetics/Pharmaceuticals/Products for companion animals (pets)

OUTCOME

Financial capital

- Net sales: ¥503 billion
- Operating profit: ¥63.3 billion
- Operating cash flows: ¥70.7 billion
- ROE: 9.7%

Manufacturing capital

- Number of bottles of dairy products sold worldwide: Approximately 40 million bottles per day

Intellectual capital

- Food with function claims: 9 items
- Foods for specified health uses: 12 items
- Number of patents held: Approximately 1,000

Human capital

- Number of Yakult Ladies: Approximately 80,000
- Ratio of female managers (Yakult Honsha): 10.6%
- Ratio of female managers (overseas Group): 32.2%

Social capital

- Number of sales regions: 40 countries and regions
- Number of participants in health-related lectures etc.: Approximately 15.09 million

Natural capital

- CO_2 emission reduction rate: 45.8%
- Water usage reduction rate: 16.1%

IMPACT

Stakeholders <Impact>

Customers

Promoting customer health

Shareholders/investors

Enhancing returns and corporate value

Business partners

Building a stable supply chain

Employees

High satisfaction with compensation
A workplace environment with exceptional psychological safety

Local communities

Creating employment opportunities
Coexisting in a rich natural environment

Government agencies and various organizations

Solving social issues through collaboration

Chapter 2 Long-term Vision and Medium-term Management Plan

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Toward Sustainable Growth - Timeline up to 2030

Yakult will evolve into a healthcare company that continues contributing to people's health around the world.

Yakult aims to evolve into a "healthcare company that continues contributing to people's health around the world" by 2030. To achieve this objective, Yakult will steadily implement its Medium-term Management Plan, which is our scenario for achieving business growth by utilizing the management resources cultivated to the present, and will proceed with initiatives for materiality to increase the sustainability demanded of us as a company.

Yakult Group Global Vision 2030

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

goals

Business environment

- Change in the concept of health and diversification of the health domain
- Arrival of super-aged societies
- Tackling to environmental issues

Medium-term Management Plan

Medium-term Management Plan (2021-2024)
Taking on the challenge of innovation
6 key themes

1. Expanding business that corresponds to the diversification of customers' values
2. Realizing continuous growth by strengthening global expansion
3. Expansion of business domain with the aim of becoming a healthcare company
4. Optimal utilization of group's management resources
5. Strengthening initiatives addressing environmental issues for sustainable growth
6. Promotion of investment to realize innovation

Medium-term Management Plan (2025-)

Materiality

- Innovation
- Value co-creation with communities
- Supply chain management
- Climate change
- Plastic containers and packaging
- Water

Deliver good health to as many people as possible around the world

Offer customers new values which match their needs

Realize a society in which people and the planet co-exist

Overview of Yakult Group Global Vision 2030

Yakult is working toward the attainment of its long-term vision giving consideration to people's rising health consciousness, diversifying needs, and advances in science and technology.

We have prescribed our vision for 2030 to execute our corporate philosophy and achieve continuous growth even within an evolving society. Specifically, we will formulate long-term business strategies based on key themes linked to three qualitative goals and continue activities for solving health issues faced by our customers.

What we should be	Opportunity	Transformation
Realize corporate philosophy	Expansion of healthcare field	Transformation of business and social environment

Yakult Group Global Vision 2030

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

Deliver good health to as many people as possible around the world

Strengthening global expansion

- Make "a healthy intestinal tract leads to long life" a realization for as many people as possible.
- Develop new channels to create an environment that enables anyone to acquire our products.
- Support people's healthy lives with the pillars of preventive medicine and therapeutic medicine.

Offer customers new values which match their needs

Expansion of business domain

- Offer products and services corresponding to individual health issues and next-generation health.
- Evolve into a healthcare brand that tackles to the health needs of people around the world.
- Contribute to prolonged health expectancy through locally rooted sales organizations and connections with individual customers.

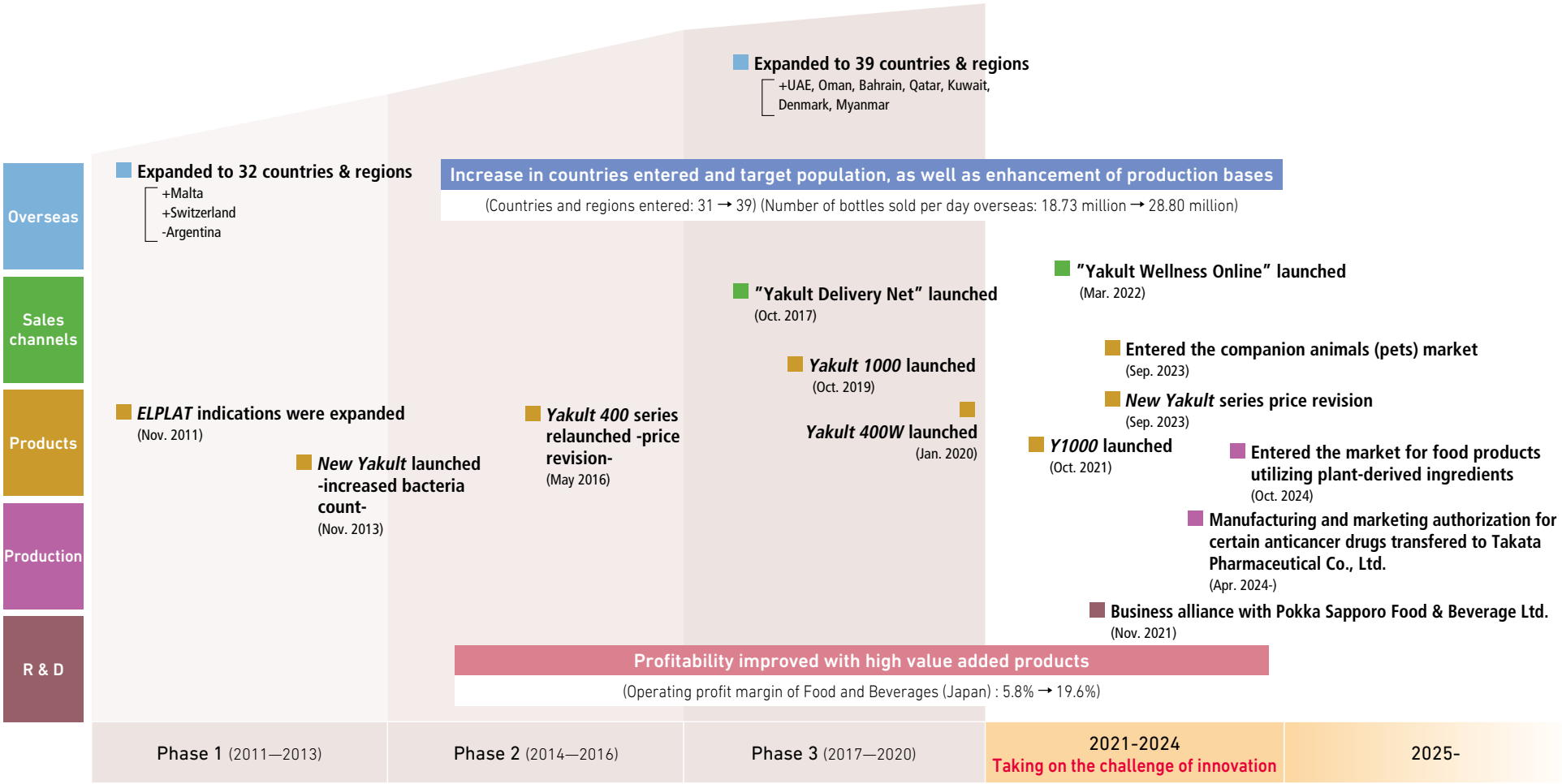
Realize a society in which people and the planet co-exist

Responding to environmental issues

- Fulfill our social responsibility as a global company while co-existing with the local community and being in harmony with the environment.
- Contribute to the realization of a sustainable society.
- Establish healthy lifestyles and develop safe and secure communities.

Key Achievements of "Yakult Vision 2020"

Toward Yakult Group Global Vision 2030 (FY2021-FY2030) after Yakult Vision 2020 (FY2011-FY2020)



Medium-term Management Plan (2021-2024)

Promoting our Medium-term Management Plan (2021-2024) toward achieving our long-term vision Yakult Group Global Vision 2030.

Overview of the Medium-term Management Plan (2021-2024)

Under Yakult Group Global Vision 2030, our long-term vision, we will "Evolve into a healthcare company that continues contributing to people's health around the world." We will strengthen the foundation of our existing businesses such as beverages, food, and cosmetics, focusing mainly on the fermented milk drink *Yakult*, while acquiring new resources and expanding our domains with the aim of evolving into a healthcare company that tackles the diversification of customer values.

In formulating our business plan, we prescribed our Medium-term Management Plan (2021-2024) by backcasting from our vision for 2030. The Medium-term Management Plan aims to utilize rising interest in healthcare, consumer needs, and demand as opportunities for growth. The plan was formulated based on the Group's strengths and challenges while taking into consideration the outlook for the market environment, such as the transition to a decarbonized society and the risks accompanying intensifying competition. We are promoting the following six key themes and actively taking on challenges to create new value in response to changes in the social environment.

Basic Policy

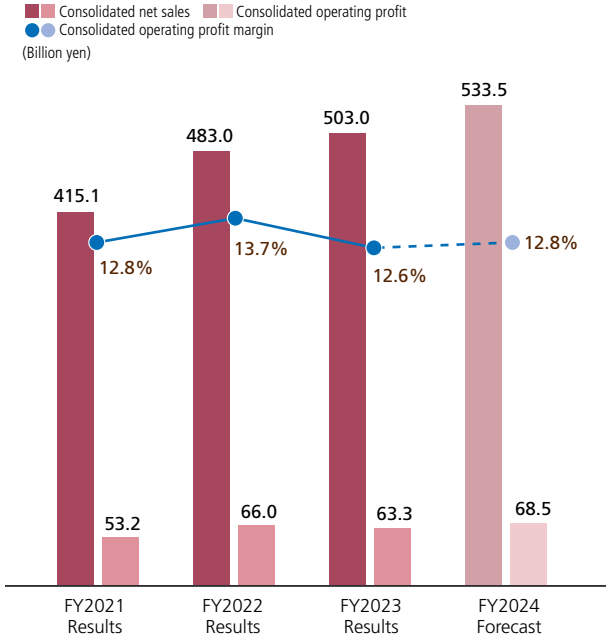
Taking on the challenge of innovation

- Actively take on challenges to create new value in response to changes in the social environment -

Key themes

1. Expanding business that corresponds to the diversification of customers' values
2. Realizing continuous growth by strengthening global expansion
3. Expansion of business domain with the aim of becoming a healthcare company
4. Optimal utilization of group's management resources
5. Strengthening initiatives addressing environmental issues for sustainable growth
6. Promotion of investment to realize innovation

● Consolidated net sales, Consolidated operating profit and Consolidated operating profit margin



● Food and Beverages (Japan) (FY2024 Forecast)

Consolidated net sales	264.0 billion yen
Consolidated operating profit	52.7 billion yen

● Food and Beverages (Overseas) (FY2024 Forecast)

Consolidated net sales	253.3 billion yen
Consolidated operating profit	36.0 billion yen

● Others (FY2024 Forecast)

Consolidated net sales	28.5 billion yen
Consolidated operating profit	-0.2 billion yen

*Others include pharmaceuticals, cosmetics, and professional baseball operations.

Cash flow and capital allocation (2021-2024)

- Operating cash flow (2021-2024) is expected to reach approx. 330.0 billion yen.
- Capital investment is expected to be approx. 170.0 billion yen due to enhancement of dairy product plants in Japan and overseas.
- Shareholder return will assume continuous increase of dividends.
- Aim at 12% or more ROE

Operating CF Approx. 330.0 billion yen

Capital investment Approx. 170.0 billion yen
Enhancement of dairy product plants in Japan and overseas, Environmental measures for Japanese and overseas production facilities, etc.

Investment for expanding field of operations: Approx. 100.0 billion yen

Shareholder return Approx. 90.0 billion yen

Shareholder Returns

Regarding dividends, the Company's top priority is to continuously increase dividends, with the total dividend determined by comprehensively taking into account the funding needs for future business expansion and earnings growth, as well as the Company's financial position and business performance for the fiscal year under review.

In line with the above policy, we paid annual cash dividends of 55.5 yen per ordinary share for the fiscal year ended March 2024, an increase of 10.5 yen per share compared with the previous fiscal year.

Progress of Medium-term Management Plan (2021-2024)

In Medium-term Management Plan (2021-2024), we are promoting six key themes.

Long-term Vision (Qualitative goal)	Medium-term Management Plan (2021-2024)			Review up to FY2023	
		Key theme		Qualitative aspect	Quantitative aspect
Deliver good health to as many people as possible around the world	1	Expanding business that corresponds to the diversification of customers' values		• Created the stress/sleep market through *Yakult 1000* series	• Increased daily sales of *Yakult 1000* series from 420,000 bottles to 3.19 million bottles
	2	Realizing continuous growth by strengthening global expansion		• Recovered from the COVID-19 pandemic and achieved stable growth through measures tailored to the circumstances of each country and region (price revisions, new product introductions) • Some markets have been unable to escape stagnant growth	• In Yakult U.S.A. Inc, sales areas have been expanded from the southwest to the east and daily sales increased from 460,000 to 660,000 bottles • In Yakult Vietnam Co., Ltd., the number of Yakult Ladies and the number of stores selling our products increased significantly, and daily sales rose from 650,000 to 1.03 million bottles • In Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd. and Yakult (China) Corporation, daily sales decreased from 7.01 million to 4.8 million bottles due to sluggish consumption
Offer customers new values which match their needs	3	Expansion of business domain with the aim of becoming a healthcare company		• Introduced food products utilizing plant-derived ingredients (launch of plant-based yogurt in October 2024) • Promoted new businesses such as medical biome utilizing resources cultivated in the pharmaceutical business	• Launched four new products (*Synprotec*, *Bifiduspro*, *Ice de Yakult*, and *GREEN SOYMILK*) • Entered the companion animal (pet)-related market
	4	Optimal utilization of group's management resources		• Improved performance due to significant growth in *Yakult 1000* series that leverages our R&D capabilities and sales organization	• EPS: +42.10 yen compared with FY2020* • ROA: +0.9pt compared with FY2020 *Because a stock split was carried out on October 1, 2023 at a ratio of 2 shares for each common share, comparisons are made using amounts that take into account the impact of stock splits.
Realize a society in which people and the planet co-exist	5	Strengthening initiatives addressing environmental issues for sustainable growth		• Achieved the targets of the key issues of Environmental Actions (2021-2024)	• Environmental Actions (2021-2024): Achieved two of five key issues as of FY2023 1) Zero carbon society Achieved a 45.8% reduction in greenhouse gas emissions (domestic scope 1 and 2) in FY2023 versus 10% reduction target by the end of FY2024 compared with FY2018 2) Reduced water consumption Achieved a 16.1% reduction in water consumption (domestic dairy plants: production volume unit) in FY2023 versus a target of a 3% reduction by the end of FY2024 compared with FY2018
	6	Promotion of investment to realize innovation		• Acquired external resources toward expanding business areas (plant-based yogurt business, companion animal (pet) business, health-related business) • Promoted digital transformation	• Examples of external resource acquisitions 1) Acquired production bases: 1 (Pokka Sapporo Food & Beverage Ltd. Gunma Plant No. 2) 2) Acquired intangible assets: 1 (Pokka Sapporo Food & Beverage Ltd. plant-based yogurt business intangible assets) 3) Capital and business alliance: 1 (Japan Pet Communications Co., Ltd.)

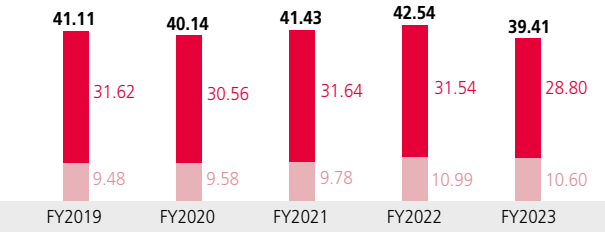
Financial and Non-Financial Highlights

Financial Highlights

Number of Bottles of Dairy Products Sold Worldwide (Million bottles/day)

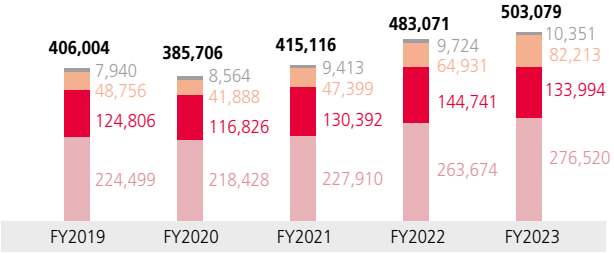
Japan / Overseas

* The breakdown is displayed by rounding down to the nearest thousand. The total is calculated in thousands.



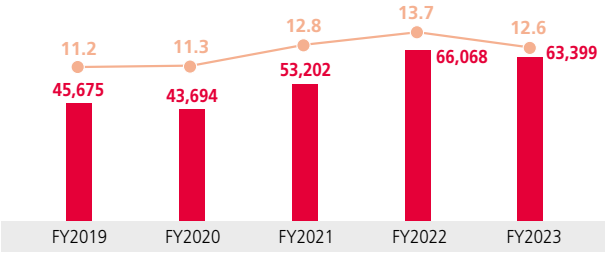
Net Sales by Region (Millions of yen)

Japan / Asia and Oceania / The Americas / Europe



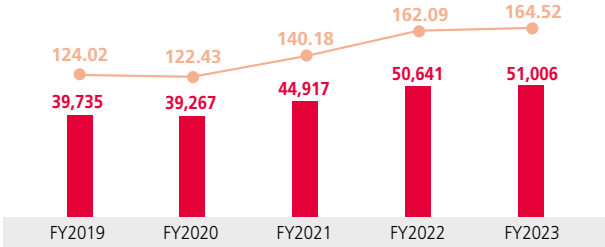
Operating Profit (Millions of yen) and Operating Profit Margin (%)

Operating Profit / Operating Profit Margin



Profit Attributable to Owners of Parent (Millions of yen) and EPS (Yen)

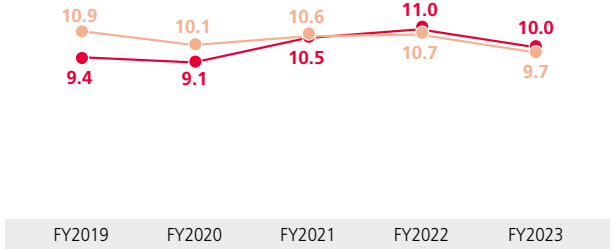
Profit Attributable to Owners of Parent (Millions of yen) / Basic Earnings per Share (EPS)



* Because a stock split was carried out on October 1, 2023 at a ratio of 2 shares for each common share, the amount shown takes into account the impact of the stock split retroactively.

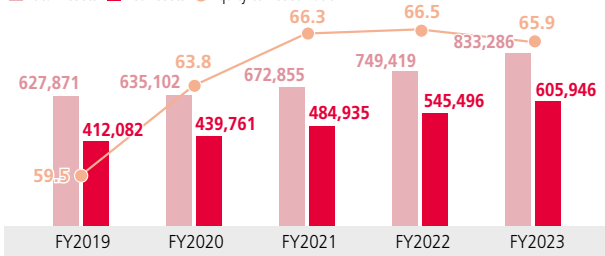
ROE (%) and ROA (%)

Return on Equity (ROE) / Return on Assets (ROA)



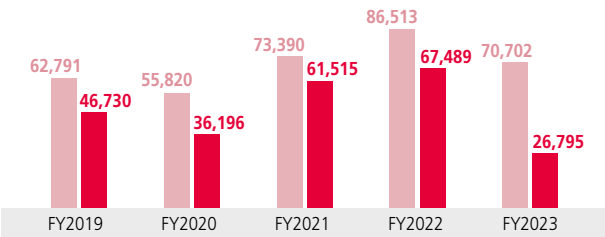
Total Assets (Millions of yen), Net Assets (Millions of yen) and Equity to Asset Ratio (%)

Total Assets / Net Assets / Equity to Asset Ratio



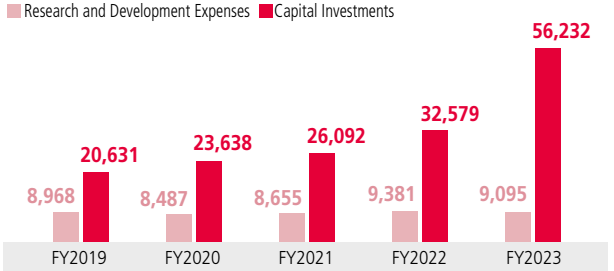
Cash Flows from Operating Activities (Millions of yen) and Free Cash Flows (Millions of yen)

Cash Flows from Operating Activities / Free Cash Flows

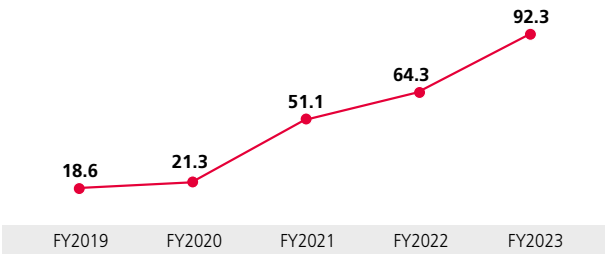


Research and Development Expenses (Millions of yen) and Capital Investments (Millions of yen)

Research and Development Expenses / Capital Investments

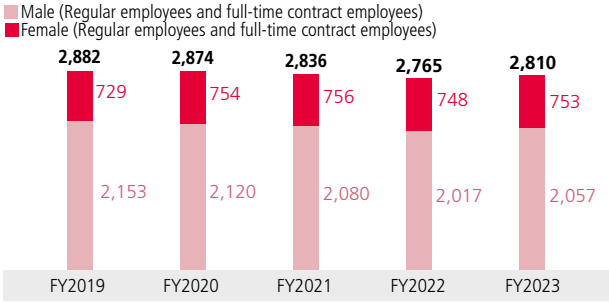


Total Payout Ratio (%)

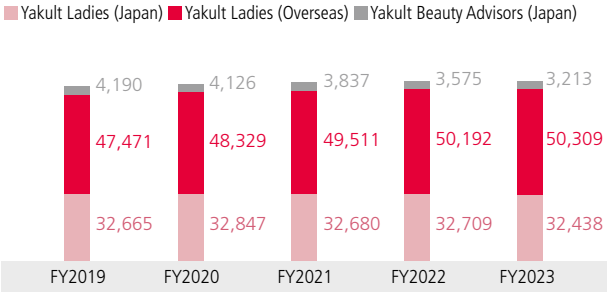


Non-Financial Highlights

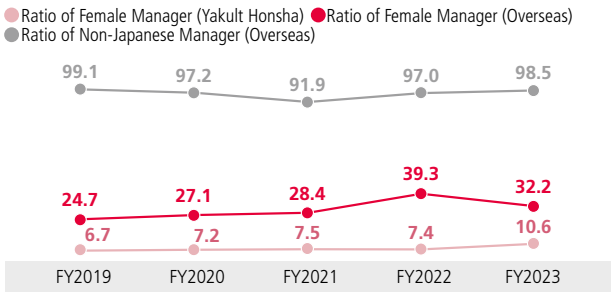
Number of Employees *Yakult Honsha



Number of Yakult Ladies and Yakult Beauty Advisors

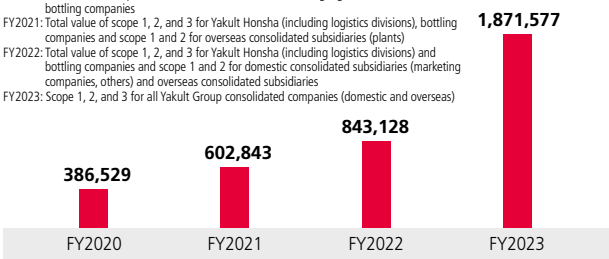


Ratio of Female Manager and Non-Japanese Manager (%)

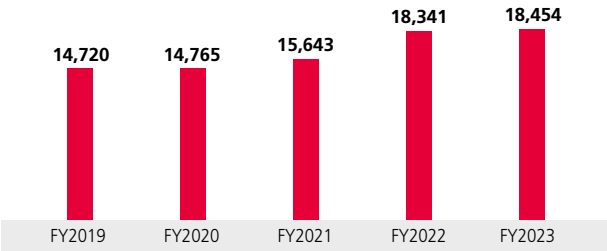


CO_2 Emissions (t)

FY2020: Total value of scope 1, 2 and 3 for Yakult Honsha (including logistics divisions) and bottling companies
FY2021: Total value of scope 1, 2, and 3 for Yakult Honsha (including logistics divisions), bottling companies and scope 1 and 2 for overseas consolidated subsidiaries (plants)
FY2022: Total value of scope 1, 2, and 3 for Yakult Honsha (including logistics divisions) and bottling companies and scope 1 and 2 for domestic consolidated subsidiaries (marketing companies, others) and overseas consolidated subsidiaries
FY2023: Scope 1, 2, and 3 for all Yakult Group consolidated companies (domestic and overseas)



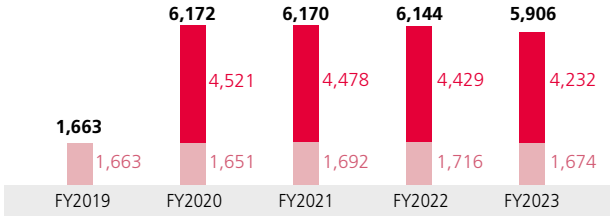
Plastic Containers and Packaging (t) *Yakult Honsha



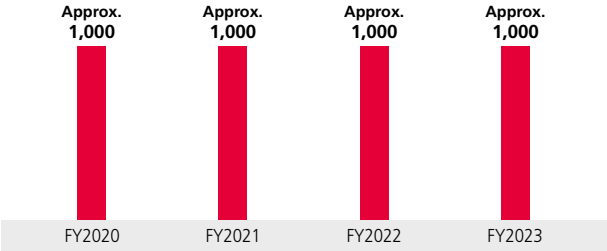
Water Use (1,000m³)

Japan Overseas

* FY2019: Total amount of water use at Yakult Honsha plants and bottling companies
FY2020-2023: Total amount of water use at Yakult Honsha plants, bottling companies, and overseas plants

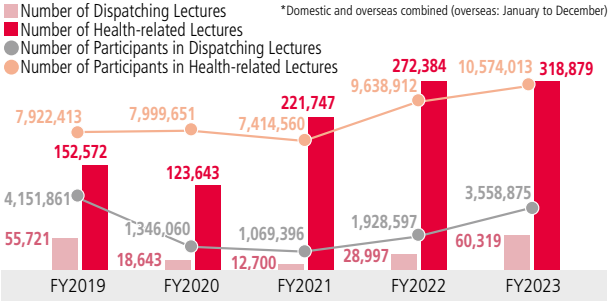


Number of Patents Held

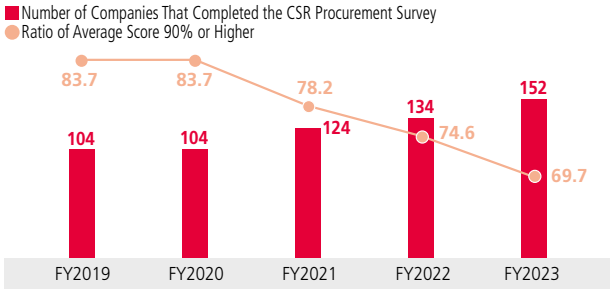


Number of Dispatching Lectures, Health-related Lectures and Participants

*Domestic and overseas combined (overseas: January to December)



Number of Companies That Completed the CSR Procurement Survey and Ratio of Average Score 90% or Higher



Chapter 3 Business Strategy by Operation

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Overview of Yakult's Operations

Building on a foundation of life sciences, we are expanding our food and beverages business, which includes fermented milk drinks, from Japan to overseas markets. We are also engaged in cosmetics and pharmaceuticals businesses.

Food and Beverages (Japan)

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

Food and Beverages (Overseas)

In order to deliver good health to people around the world, we have been globalizing the *Yakult* brand with a local focus, based on local production and local sales. Starting with Taiwan in 1964, we have expanded our network across Asia, Oceania, the Americas, and Europe, and currently have sales operations in 40 countries and regions, including Japan.

Others

This segment encompasses Yakult's cosmetics manufacturing and sales, pharmaceuticals manufacturing and sales, and professional baseball team operations. In our cosmetics operations, we focus on initiatives that disseminate the value of our proprietary moisturizing agent S.E. (Shirota Essence) and strive to increase our user base. Meanwhile, in our professional baseball operations, we will endeavor to meet fans' expectations by building up the strength of the team and making efforts to improve our various fan service engagements.

Expansion of Business Domain

To achieve our long-term vision of expanding our business domain to become a healthcare company, we are focusing on probiotics as our core. This expansion includes areas such as Wellness and Life Support, Health and Beauty, and Medical Care and Nutrition.

Food and Beverages (Japan)

Achieved increased sales and profits through the growth of high-value-added products (*Yakult 1000* series)

Basic Policy of the Medium-term Management Plan

- Implement product strategy centered on core products and high-value-added products
- Expand customer contact and acquire new customers by building an organizational structure to respond to diversification of consumers
- Contribute to society through promotion of a business model that is meticulous and community-based

FY2023 Results

- *Yakult 1000* series continued to drive higher sales and profits in the domestic business.
- Our inability to establish a sufficient production and supply system has led us to operate with a keen awareness of our maximum production capacity.

Yakult 1000 series

Yakult 1000 series drove higher sales and profits in the domestic business. Meanwhile, our inability to build a production and supply system that would support adequate sales promotion activities required us to be mindful of our maximum production capacity as we pursued our business activities. However, in January 2024 we set our supply system in order by expanding production capacity, which had previously hindered sales.

Home delivery channel

We implemented initiatives to attract new customers for *Yakult 1000*, as well as *Yakult 400W*, which we released in a revamped form in September 2023. At the same time, we encouraged existing customers to continue their consumption of Yakult products. Meanwhile, we sought to boost revenue in our online ordering service, Yakult Delivery Net, by resuming the acceptance of new orders for *Yakult 1000* and *Yakult 400W* in August 2023. To strengthen our home delivery organization, we pressed ahead with our efforts to conduct recruitment activities and create convenient working conditions for Yakult Ladies.

Retail store channel

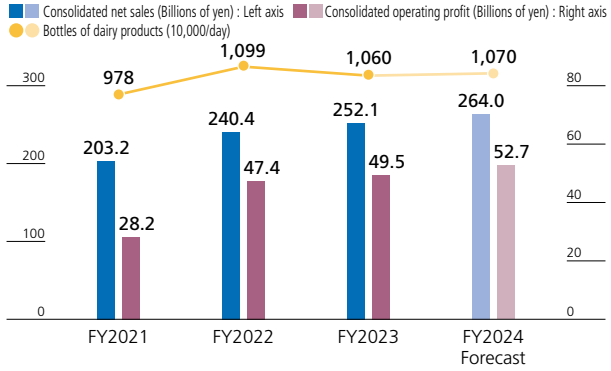
We sought to increase revenue by creating sales spaces offering high visibility with a focus on *Y1000*. We also utilized promotion staff to conduct value dissemination activities for the *New Yakult* series. For the *New Yakult* series, we implemented a price revision in September 2023 in response to rising raw material costs and the sudden sharp rise in logistics and other costs.

Soft drinks

We implemented sales promotion campaigns primarily for our *Toughman* series of energy drinks and the *Yakult no Oishii Hakkou Kajitsu* (Yakult Tasty Fermented Fruit Juice) beverage fermented with lactic acid bacteria in an effort to increase sales.

Performance Trends

- Food and Beverages (Japan)
  (Consolidated net sales, consolidated operating profit, bottles of dairy products)



Food and Beverages (Japan)

Focusing on the *Yakult* series as our most important brand and promoting the science behind *Lactobacillus casei* strain Shirota

Fiscal 2024 Outlook

- We will implement vigorous sales promotion activities supported by increased production capacity.
- Efforts will be made to enhance sales and advertising activities to further boost revenue.

Intent on increasing sales of the *Yakult 1000* Series

We expanded production capacity for *Yakult 1000*, resulting in production capacity of around 2.85 million bottles per day as of March 31, 2024. Yakult Ladies will conduct more value dissemination initiatives moving forward. Also, with regard to Yakult Delivery Net, we are gradually increasing the number of customers and steadily building up bottle sales by conducting campaigns and engaging in other initiatives. Production capacity for *Y1000* was around 1.40 million bottles per day as of March 31, 2024. The number of bottles sold is also growing steadily. As there is still ample potential for uncovering latent demand, we are further expanding the market and increasing the number of bottles sold per store.

Home delivery channel

We will accelerate brand development for *Yakult 1000* and *Yakult 400W*, and seek to strengthen our home delivery organization by continuing to conduct recruitment activities and create convenient working conditions for Yakult Ladies.

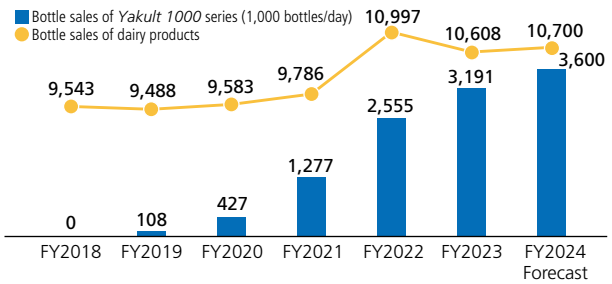
Retail store channel

We will aim to improve results for dairy products with a focus on *Y1000* and the *New Yakult* series by deploying strategies attuned to diverse customer needs in each individual market.

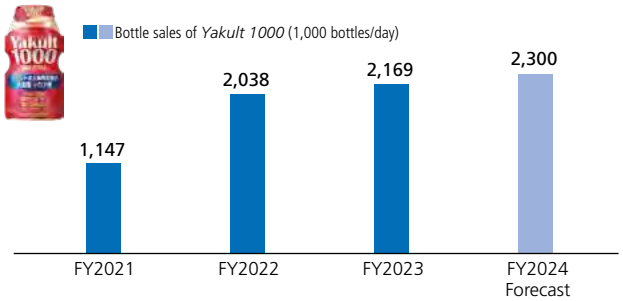
Soft drinks

We will focus on health drinks including the *Toughman* series, striving to boost revenue by increasing sales.

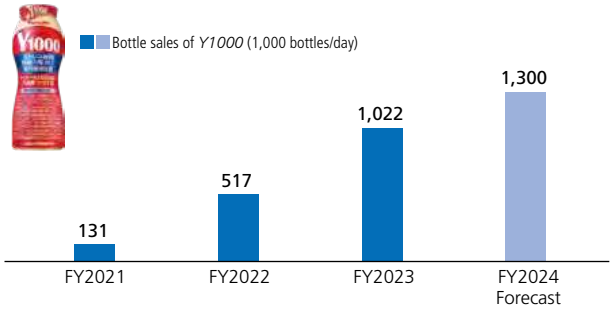
- Bottle sales of all dairy products and *Yakult 1000* series



- *Yakult 1000*



- *Y1000*



Food and Beverages (Overseas)

Food and Beverages (Overseas)

Achieving sustainable growth by strengthening global expansion

Basic Policy of the Medium-term Management Plan

- Achieve growth in existing markets
- Develop the foundation for creating new markets and strengthening our brands
- Take measures for sustainable growth of international business

FY2023 Results

- While there were expectations for economic recovery and improved consumer sentiment, the pace of global economic recovery remained slow, with increasing disparities among regions.
- Offices with stable growth continued to offset those experiencing year-on-year declines.

In Asia and Oceania, strong performance was noted in Yakult Vietnam Co., Ltd. and Yakult Australia Pty. Ltd., and in the Americas, with Yakult S.A. De C.V. (Mexico) and Yakult U.S.A. Inc. showing positive results. However, in larger markets such as Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd., Yakult (China) Corporation and PT. Yakult Indonesia Persada, the continued consumer focus on saving affected performance. Particularly in Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd. and Yakult (China) Corporation, prolonged consumer sluggishness and changing market conditions have delayed the shift in sales strategies needed for performance recovery.

FY2024 Outlook

- The situation where regions with stable growth cover disparities among regions is expected to continue, with growth rates remaining stagnant for a while.
- The potential for overseas business remains high. If activities yield results, the overall overseas performance is expected to gradually improve.

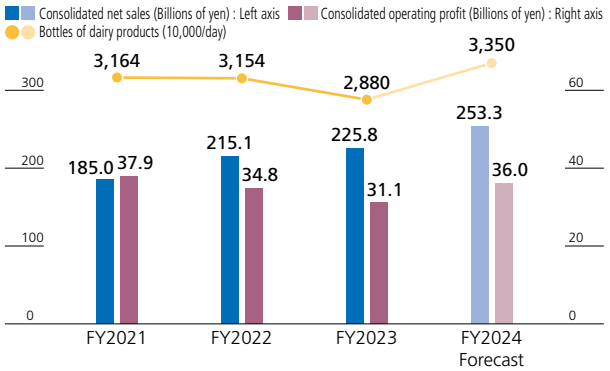
Our existing companies will work to further expand business, enhance our financial strength, and raise profitability. We will place particular focus on strengthening our management base and achieving business growth at PT. Yakult Indonesia Persada; Yakult U.S.A. Inc.; Guangzhou Yakult Co., Ltd.; Shanghai Yakult Co., Ltd.; Yakult (China) Corporation; Yakult Vietnam Co., Ltd.; Yakult Danone India Pvt. Ltd.; and Yakult Middle East FZCO.

We will decide on countries and regions for future new overseas expansion after carefully considering the operating environment both internal and external to our company.

Performance Trends

- Food and Beverages (Overseas)

(Consolidated net sales, consolidated operating profit, bottles of dairy products)



Food and Beverages (The Americas)

Food and Beverages (Overseas) The Americas

Planning to construct a new plant in the southeast of the United States to address future demand growth and improve distribution efficiency

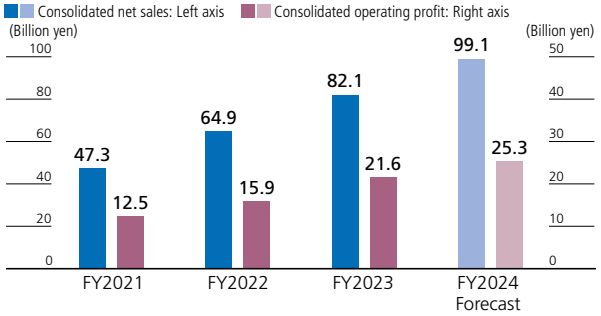
FY2023 Results

In the Americas, *Yakult* and other products are manufactured and sold by Yakult S/A Ind. E Com. (Brazil), Yakult S.A. De C.V. (Mexico), and Yakult U.S.A. Inc.

At Yakult U.S.A. Inc., sales figures increased steadily as a result of boosting support for sales through publicity campaigns and other initiatives, and making proactive efforts to cultivate new business, which led to more stores stocking our products.

In other regions within the Americas, we strove to increase revenue by reinforcing the sales networks for both the home delivery and retail store sales channels.

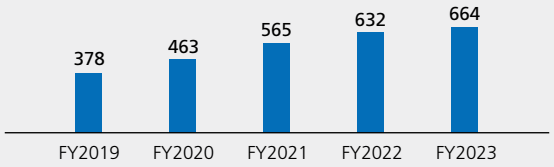
● Americas (Consolidated net sales, consolidated operating profit)



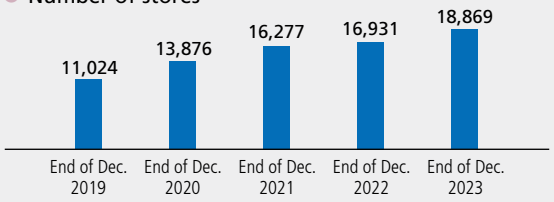
Yakult U.S.A. Inc.

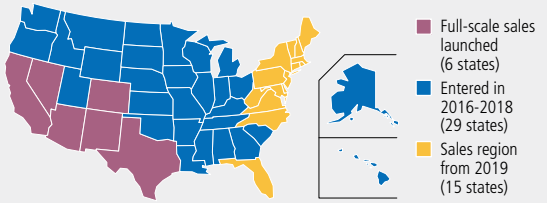
- Growth has been boosted by a combination of market cultivation in six southwestern states and expansion of sales regions to central and eastern areas.
- Plans are in place to build a factory in the southeast to address future demand growth and enhance distribution efficiency.

● Sales of bottles (1,000 bottle/day)



● Number of stores

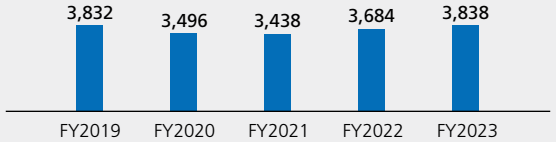




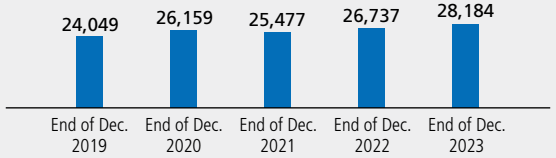
Yakult S.A. De C.V. (Mexico)

- The number of bottles sold has recovered to the level achieved before the COVID-19 pandemic, while the number of Yakult Ladies and number of stores selling our products are also increasing steadily.
- Mexico has returned to its previous pace of growth through annual price revisions combined with year-on-year increases in the number of bottles sold, contributing greatly to higher sales and profits in our Americas region.

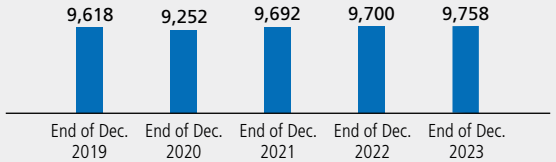
● Sales of bottles (1,000 bottle/day)



● Number of stores



● Number of Yakult Ladies



Food and Beverages (Asia and Oceania)

Food and Beverages (Overseas)
Asia and Oceania

In Vietnam, both the home delivery and retail store channels are in an expansion phase.
In China, we are revising our sales strategies.
In Indonesia, we are restructuring the Yakult Ladies organization.

FY2023 Results

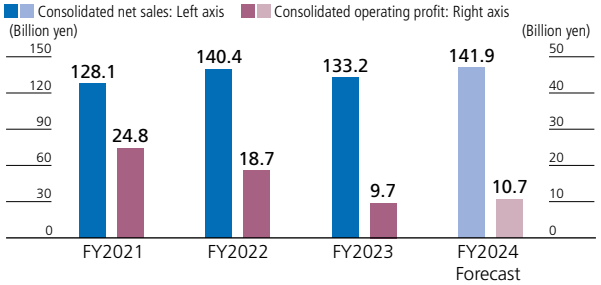
In Asia and Oceania, *Yakult* and other products are manufactured and sold by Hong Kong Yakult Co., Ltd.; Yakult (Singapore) Pte. Ltd.; PT. Yakult Indonesia Persada; Yakult Australia Pty. Ltd.; Guangzhou Yakult Co., Ltd.; Yakult (Malaysia) Sdn. Bhd.; Shanghai Yakult Co., Ltd.; Yakult (China) Corporation; Yakult Vietnam Co., Ltd.; and Yakult Danone India Pvt. Ltd.; among others. In addition, Yakult Middle East FZCO and other companies import *Yakult* and other products for sale.

At Yakult Vietnam Co., Ltd., aggressive efforts to develop sales promotion initiatives, enhance the home delivery organization, and increase the number of stores stocking our products resulted in a steady increase in sales volume.

Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd. and Yakult (China) Corporation sought to expand their sales regions by establishing new branches and commencing sales of *Yakult, Yakult Light,* and *Yakult 50 Billion Light* in the retail store channel of these branches. However, their revenue was impacted by various factors, including China's delayed economic recovery and a slowdown in consumption.

In PT. Yakult Indonesia Persada, consumer sluggishness continues, resulting in sales volumes falling below the previous year's levels.

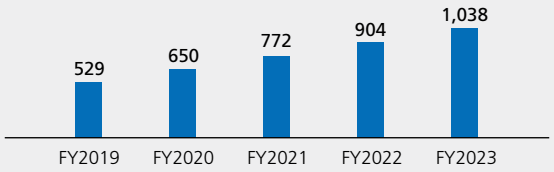
- Asia and Oceania (Consolidated net sales, consolidated operating profit)



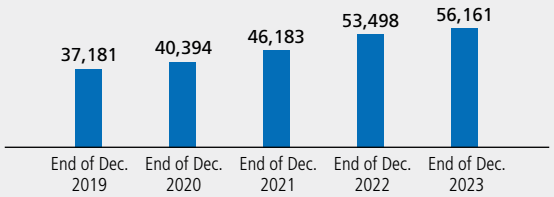
Yakult Vietnam Co., Ltd. (Vietnam)

- The number of bottles sold per day exceeded 1 million for the first time.
- Given that both the home delivery and retail store channels are in an expansion phase, continued growth can be expected from Yakult Vietnam Co., Ltd.

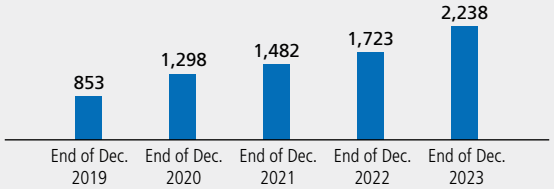
- Sales of bottles (1,000 bottle/day)



- Number of stores



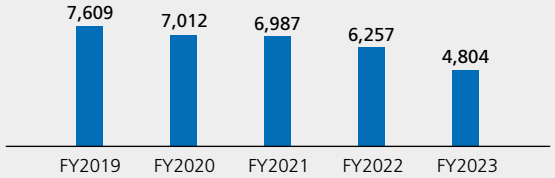
- Number of Yakult Ladies



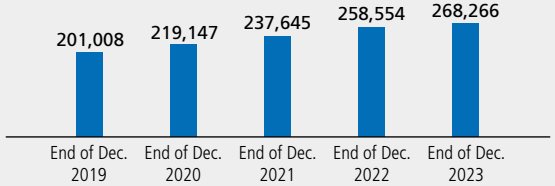
Guangzhou Yakult Co., Ltd., Shanghai Yakult Co., Ltd., Yakult (China) Corporation

- To improve performance, we are implementing a range of sales strategies, including revising the distribution system, enhancing e-commerce capabilities, developing new products, and restructuring home delivery operations by expanding the Yakult Ladies organization.

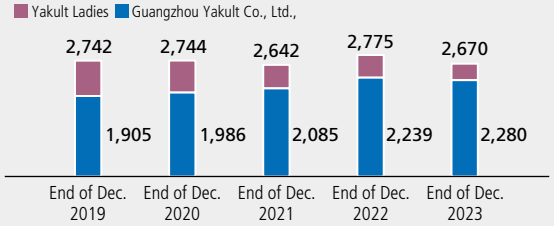
- Sales of bottles (1,000 bottle/day)



- Number of stores



- Number of Yakult Ladies



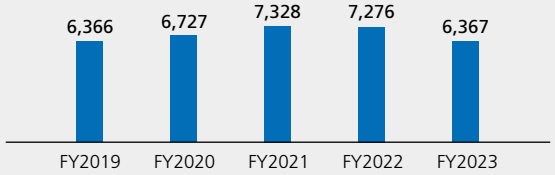
Food and Beverages (Asia and Oceania/Europe)

Food and Beverages (Overseas) Asia and Oceania

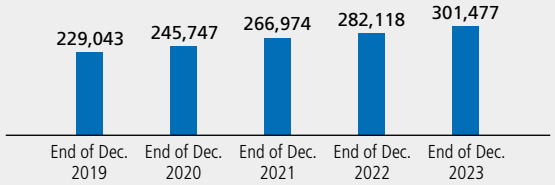
PT. Yakult Indonesia Persada

- Sluggish consumption is affecting sales performance.
- Efforts are being made to restore the sales capabilities of Yakult Ladies and increase their numbers to rebuild a robust Yakult Ladies organization.

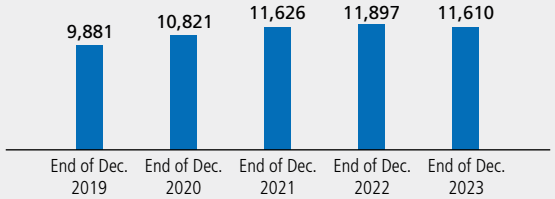
- Sales of bottles (1,000 bottle/day)



- Number of stores



- Number of Yakult Ladies



Food and Beverages (Overseas) Europe

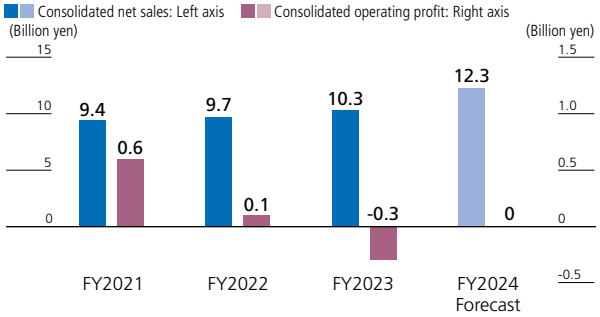
Conducting sales activities in a manner that is tailored to the markets in each individual country

FY2023 Results

In Europe, *Yakult* and other products are manufactured by Yakult Europe B.V., and sold by Yakult Nederland B.V., Yakult Belgium N.V./S.A., Yakult Europe B.V., Yakult UK Ltd., Yakult Deutschland GmbH, Yakult Oesterreich GmbH, and Yakult Italia S.r.l.

In this region, we aimed for sustainable growth by conducting sales activities in a manner that takes advantage of heightened health consciousness and that is tailored to the markets in each individual country.

- Europe (Consolidated net sales, consolidated operating profit)



- We will continue to implement sales activities tailored to the market characteristics of each country.

Others

Others

In cosmetics operations, new product introductions and enhanced promotion activities helped sales exceed previous period's results.
In our professional baseball operations, attendance increased.

Basic Policy of the Medium-term Management Plan

- Deploy products and services with lactobacillus and fermentation at the core
- Build a new framework that suits the needs of diversifying customers in the Japanese business
- Take on the challenge in new markets overseas and expand business

FY2023 Results

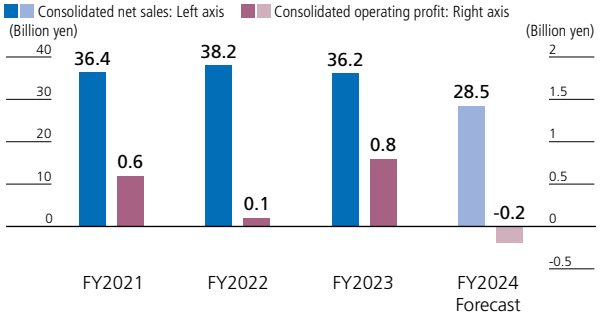
Cosmetics

We focused on initiatives that would disseminate the value of our proprietary moisturizing agent S.E. (Shirota Essence), which is the result of the extensive research on lactic acid bacteria we have conducted since our founding, in order to help customers realize their internal and external beauty and to increase the number of regular users of our cosmetics.

Lactdew series of basic skin care products

Parabio series of high-performance basic skin care products

- Others (Consolidated net sales, consolidated operating profit)



Specific examples of such activities include releasing a revamped version of *Lactdew S.E. Lotion 1* from our *Lactdew* series of basic skin care products in April 2023. We also released seven skin care items—chiefly revamped versions—from our *Parabio* series of high-performance basic skin care products in November 2023 and January 2024. In addition, we sought to raise product awareness for both series by airing TV commercials. Following such initiatives, the results of the cosmetics operation as a whole surpassed those of the previous year.

Pharmaceuticals

We promoted awareness and the proper use of our products, particularly those specializing in oncology and related fields. However, with regard to our mainstay product, the antineoplastic drug *Elplat*, our revenue was impacted by medical institutions increasingly switching to available generic versions and by revisions to National Health Insurance drug prices in April 2023, which reduced prices for most of Yakult's pharmaceutical products.

As a consequence, the results of the pharmaceuticals operation as a whole were lower than in the previous year. In October 2023, we signed a basic agreement regarding the transfer to Takata Pharmaceutical Co., Ltd. of marketing authorization for certain anticancer drugs.

Professional baseball team operations

Attendance increased as a result of proactive fan service engagements that included a variety of events as well as dissemination of a range of information.

FY2024 Outlook

Cosmetics

We are focusing on initiatives that disseminate the value of our proprietary moisturizing agent S.E. (Shirota Essence) in order to help customers realize their internal and external beauty and to increase the number of regular users of our cosmetics. In Japan, we introduce products primarily to customers using our home delivery service, encouraging them to experience our products firsthand in an effort to attract new customers of our cosmetics products.

Overseas, particularly in China, we are working to raise brand awareness and boost sales through the e-commerce platform, Tmall Global.

Pharmaceuticals

We are proceeding with transferring marketing authorization for one product at a time pursuant to the basic agreement signed with Takata Pharmaceutical Co., Ltd. regarding the transfer of marketing authorization for Elplat and other drugs.

Professional baseball team operations

We will endeavor to meet fans' expectations by building up the strength of the team and making efforts to improve our various fan service engagements.

Expansion of Business Domain

Expansion of Business Domain

Promoting business creation and development with the aim of evolving into a healthcare company, as outlined in the Yakult Group Global Vision 2030

Utilization of owned assets

Medical health food
Synprotec/Bifiduspro

Synprotec is a synbiotic food that combines two types of live bacteria: *Lactobacillus casei* strain Shirota, found in *Yakult* products, and *Bifidobacterium breve* strain Yakult, found in *Mil-Mil* fermented milk series, along with galacto-oligosaccharides. Meanwhile, *Bifiduspro* is a nutritional supplement designed to support health, containing live powdered bacteria of *Bifidobacterium breve* strain Yakult.

Both products were developed through extensive clinical research and in consultation with healthcare professionals.

Acquisition of external resources

Products for companion animals (pets)

As a pet healthcare brand, Japan Pet Communications Co. Ltd. (brand name Vet's Labo), which develops and delivers products needed in actual veterinary settings, is collaborating with Yakult, a company that values the equal importance of health for people, animals, plants, and the environment. Together, we are delivering co-developed products aimed at contributing to the health maintenance and improvement of pets by pooling our resources. As the first initiative, we are selling *MediSuppli Galacto-Oligosaccharide* and *MediSuppli*[+] using galacto-oligosaccharides developed independently by Yakult.

Food products utilizing plant-derived ingredients

We are advancing our entry into the business of food products utilizing plant-derived ingredients as a new pillar of growth. In September 2023, we announced the acquisition of the plant-based yogurt business from Pokka Sapporo Food & Beverage Ltd., a company with plant-based resources such as lemons and soymilk. Additionally, in October 2024, we acquired the manufacturing facility associated with this business and established a new production subsidiary, Yakult Plant Factory Co., Ltd.

We will begin production of the new brand *"Tonyu no Chikara"* at this facility, marking our full-scale entry into the market for food products utilizing plant-derived ingredients.

Tonyu no Chikara is made by fermenting soy milk with the *Lactobacillus casei* strain Shirota and the BY strain. The product lineup includes three varieties: *Tonyu no Chikara* Plain (110g), *Tonyu no Chikara* Blueberry (110g), and *Tonyu no Chikara* Plain Unsweetened (400g).

Globally, the market for foods utilizing plant-based ingredients, such as soy, oats, and various nuts, is expanding due to growing environmental concerns and the rising demand for healthier options. By entering the plant-based food market, we are advancing our belief that "in order for people to be healthy, everything around them must also be healthy."

New sales channel and service initiative

e-commerce site: Yakult Wellness Online

The e-commerce (EC) site "Yakult Wellness Online," launched in March 2022, offers health foods and supplements from the Yakult Group. In addition to the existing sales channels such as home delivery and retail stores, we aim to enhance our product offerings through the EC channel to expand customer touchpoints.

Chapter 4 Strengthening the Foundation

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Management Foundation and Materiality

Yakult is committed to further reinforcing its value creation by addressing materiality and strengthening non-financial capital.

We have been promoting products that lead to solutions for health and social issues by delivering them door-to-door to homes, retail stores and other locations with sincerity, both across Japan and internationally. In keeping with our mission to contribute to the health of people around the world, we will continue to leverage the management resources we have built over the years, driven by the belief that in order for people to be healthy, everything around them must also be healthy.

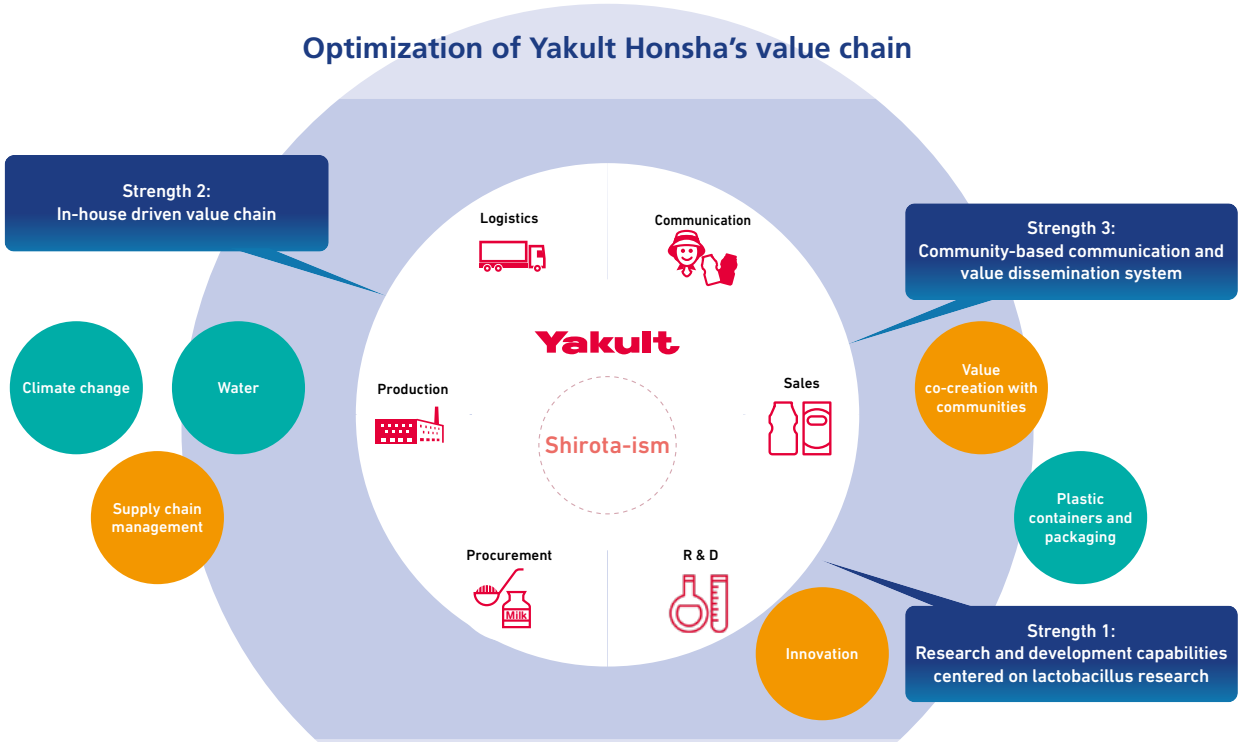
Optimization of Yakult Honsha's value chain

Yakult Honsha is working to optimize its value chain, aiming to be a Group that further contributes to the health of both people and the planet. We create high-value-added products and services that will help resolve health issues through the pursuit of excellence in life science and deliver them to customers around the world. To support this process, we are focused on strengthening our organizational and development structures and enhancing collaboration both within the Group and with external partners.

Leveraging the Group's management resource synergies

The Group aims to expand its business domains and strengthen competitiveness through the optimal coordination of its assets—human, material, capital and information. This includes further utilizing industrialized galactooligosaccharides and underused materials, such as enzyme products used in food processing and plant breeding research. The Group is also promoting the mutual use of products and technologies across related companies. Additionally, building a customer platform using digital technology to enhance Yakult's relationship with its customers is a key priority.

Optimization of Yakult Honsha's value chain



- Building a development system for new products and services that suit the needs of customers
- Saving resources and improving efficiency to address environmental issues
- Strengthening high-quality engagement with stakeholders

Synergies among the group's management resources

Yakult Honsha × Yakult Group marketing companies × Overseas business sites × Associated companies

- Expansion of business domain through coordination of group's resources
- Optimal utilization of group's assets (human, material, capital, information)
- Building a customer platform using digital technology

Manufacturing capital	Intellectual capital	Human capital	Social capital	Natural capital

Process for Identifying Materiality

In order for people to be healthy, everything around them must also be healthy. To realize this philosophy and enhance sustainability, we are focusing on six materiality themes.

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

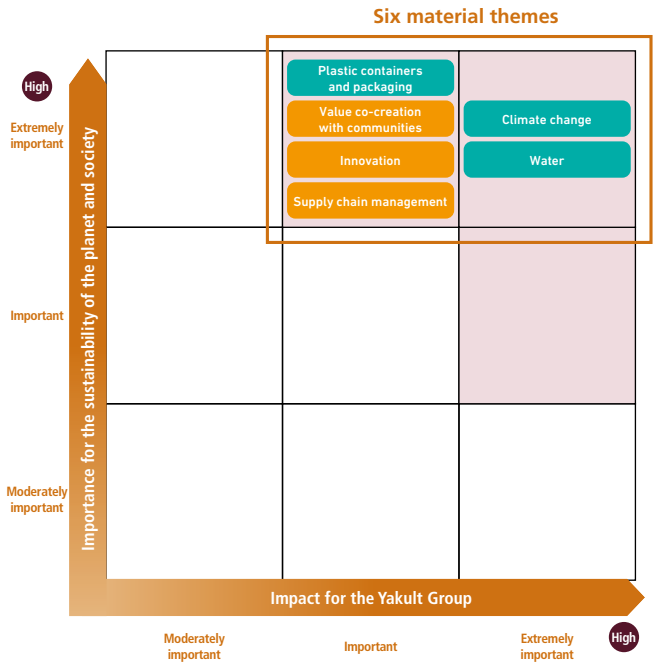
Using these six themes, we will establish strategies and plans that work toward improving the sustainability of not only our own Group but also of the planet and society, and to make our corporate philosophy and goal of uniting "People and Planet as One" a reality. Additionally, to adapt to a changing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

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

Six material themes to achieve sustainability

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

● Process for identifying materiality



● Six material themes to achieve sustainability

Innovation

Evolve into a healthcare company, further pursue the potential of bacteria, provide new products and services, use resources effectively, and others

Value co-creation with communities

Connect closely with local communities, deliver information on health, provide safe and reliable health products and services, and others

Supply chain management

Maintain sound relationships with business partners, promote sustainable procurement, ensure stable procurement of raw materials, and others

Climate change

Reduce GHG emissions (decarbonize), proactively shift to renewable energy, introduce energy-saving practices, and others

Plastic containers and packaging

Convert to fully recyclable containers and packaging, reduce environmental impact by changing container materials, and others

Water

Use sustainable water resources, reduce water consumption, and others

Related materiality: Supply chain management | Innovation

Manufacturing Capital

Integrated production and sales system across the Group
Pursuit of safety, security, and quality

Management resources (INPUT)

- Number of manufacturing bases
- Number of delivery networks with chilled functionality

OUTCOME

- Number of bottles of dairy products sold worldwide: Approx. 40 million bottles/day

Strengths in manufacturing capital

Global production and sales system

- Japan: 13 plants
- Overseas: 28 plants
- Japan: 101 marketing companies
- Overseas: 28 business sites

Safe and secure manufacturing technologies

- Years of expertise in fermentation and cultivation techniques, ensuring advanced Yakult quality
- HACCP certification: 17 plants
  ISO 22000 certification: 19 plants
  ISO 9001 certification: 9 plants

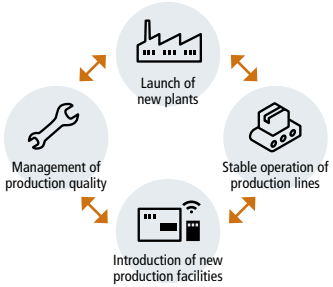
Globally expanding chilled logistics

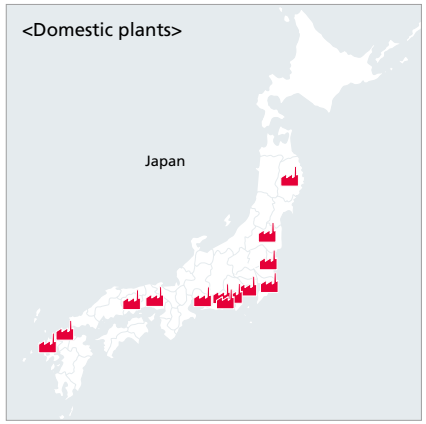
- Transportation methods equipped with chilled functionality
- A detailed delivery network utilizing in-house delivery and contracted service providers, deployed in both domestic and international regions

Expanding Yakult's value chain into overseas markets

Overseas expansion with a local focus based on local production and local sales

By dispatching Japanese staff abroad and leveraging expertise equivalent to that in Japan to develop and expand operations, Yakult brings health to people around the world.





Production

Global production and sales system

- Japan: Production bases for delivering Yakult products nationwide
- Head office: Control of the production systems across all plants in Japan
- Overseas: Local production bases expanding alongside market growth

Logistics

Globally expanding chilled logistics

Yakult products are transported using various methods, including trucks, trains, and ships. To deliver products in their original quality, strict quality control measures, including temperature management, are implemented. We are also working to improve logistics efficiency and reduce environmental impact.

- Achieved G-Mark certification as a testament to safety, security, and trust
- Promoting logistics efficiency through optimal placement of logistics centers and collaborative delivery with other companies

Related materiality: Supply chain management | Innovation

Manufacturing Capital

Safe and secure manufacturing technologies: We consistently provide safe and secure products, grounded in rigorous quality management.

Production

Advanced Yakult quality

We manage the production of fermented milk products, including the *Yakult* series and *Mil-Mil*, as well as other dairy products, in an integrated manner across 11 dairy product plants in Japan. Based on the production department's philosophy of consistently providing safe and secure products grounded in rigorous quality management, plants focus on the following initiatives for quality control of products and raw materials.

Quality assurance system and food defense

At Yakult's dairy product plants, we operate a proprietary system that integrates ISO 22000, an international standard for food safety management systems*, with customer satisfaction and quality assurance principles.

Under a strict hygiene and quality management framework, we cultivate cultures, handle raw material preparation and formulation, as well as container molding, filling, and packaging—all conducted within our own plants.

Yakult's proprietary quality management system
Integrating customer satisfaction and quality assurance with ISO 22000

Quality and safety management and hygiene management based on ISO 22000

Customer satisfaction and quality assurance grounded in the pursuit of quality management

* ISO 22000 is an international standard for food safety management systems that incorporates HACCP principles to manage critical processes for eliminating and reducing hazards, ensuring food safety, and facilitating continuous improvement. Yakult's dairy product plants received certification in October 2021.

ISO 22000
JQA-FS0294

Certifications acquired for product quality

(Number of certified locations: as of October 2024)

	HACCP	ISO 9001	ISO 22000	FSSC 22000	GMP	Halal	ISO 45001	SQF
Yakult Honsha plants, bottling companies in Japan (11 daily product plants)			11					
Marketing companies in Japan (101 in total)			1					
Plants outside Japan (28 locations in total)	17	9	8	3	9	8	2	2

Status of other certifications Web
https://www.yakult.co.jp/english/sustainability/social/product_safety/certification/

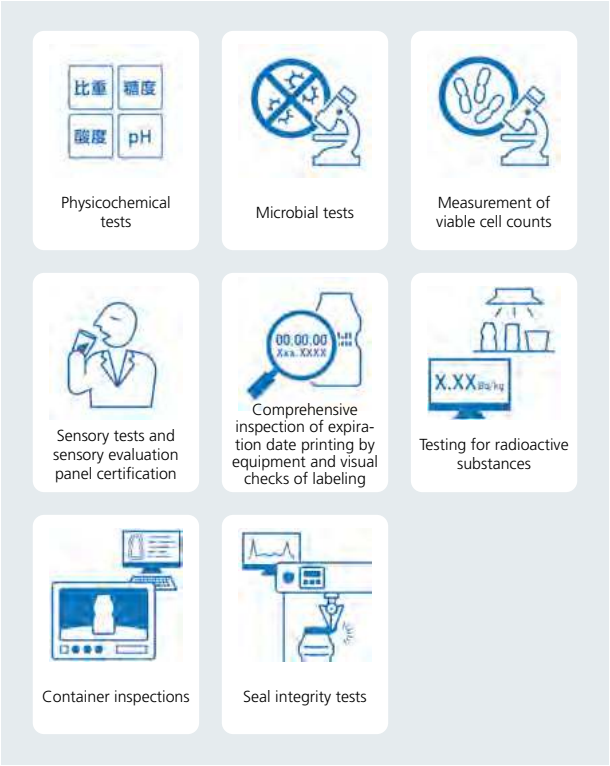
Food defense system

To ensure food safety, Yakult is implementing the following measures.

Over 150 inspection and verification activities

At Yakult, more than 150 inspections are conducted, from the acceptance of raw materials to product shipment.

● Examples of inspections



For details: Sustainability Report 2024 "Product safety" P96

Related materiality: Supply chain management | Innovation

Manufacturing Capital

Promoting sustainable procurement throughout the supply chain in collaboration with our business partners according to the Yakult Group CSR Procurement Policy

Procurement

CSR Procurement Policy

Yakult Group CSR Procurement Policy

The Yakult Group recognizes the importance of sustainable procurement that takes into consideration issues such as human rights, labor, the environment and anti-corruption, and promotes sustainable procurement throughout the supply chain in collaboration with our business partners according to the Yakult Group CSR Procurement Policy formulated in March 2018.

● Yakult Group's vision for sustainable procurement

Corporate Slogan	Corporate Philosophy	Material theme
In order for people to be healthy, everything around them must also be healthy.	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.	Supply chain management

Basic policy on sustainable procurement **Yakult Group CSR Procurement Policy** (established in March 2018)

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 prohibit the use 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.

Request to our suppliers **Yakult Group Supplier CSR Guidelines**

We will increase social sustainability throughout the supply chain by taking the impacts on the environment and society into consideration and reducing the risks.

Raw material risk management

Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing

The Yakult Group has established a Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing, which aims to eliminate deforestation from the supply chain. We have identified raw materials associated with the risk of deforestation in our supply chain, are committed to promoting sustainable procurement of these materials, and have set out our basic policy, initiatives and targets to achieve sustainability.

▶▶▶ Related information: P67 Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing

Stable procurement of raw materials

To ensure the stable procurement of raw materials used in our dairy products, we distribute risk by purchasing primary materials from multiple companies, and maintain appropriate reserve stores of each by considering factors such as sales trends and material procurement lead times for each product.

We also contract with business partners to secure an annual volume of some raw materials. Using these methods ensures that we can stably procure raw materials even in times of disaster.

Supplier risk management

Towards reducing sustainability risks among our suppliers

Based on our CSR Procurement Policy, we carry out supplier risk assessments once a year using an international data sharing platform that Sedex* provides and a sustainable procurement survey in order to identify high-risk suppliers concerning relevant issues, such as the environment, human rights, occupational health and safety, and anti-corruption. The fiscal 2023 survey was carried out for 253 business partners in Japan and abroad according to the selection criteria below, accounting for the top 90% of our suppliers ranked by total procurement cost related to manufacturing.

In consideration of the aforementioned results, we carefully select business partners, identify their challenges, and explore appropriate measures. We also engage in on-site visits to enhance engagement.

* A membership organization that provides an international data sharing platform aimed at responsible procurement

▶▶▶ Related information: P66 Risk Management

Related materiality: Innovation

Intellectual Capital

Innovating to evolve into a healthcare company

Management assets (INPUT)

- Number of R&D centers
- R&D expenditures

OUTCOME

- Food with function claims: 9 items
- Foods for specified health uses: 12 items
- Number of patents held: Approx. 1,000

Strengths in intellectual capital

Years of probiotics research and evidence

- Pioneer in probiotics
- Top-level research and development capability globally
- Research system based at the Yakult Central Institute and Yakult Honsha European Research Center

Functional materials and products that contribute to human health

- *Lactobacillus casei* strain Shirota demonstrated to have various health functions
- Domestic and overseas: Approx. 1,000 patents held
- Domestic: 12 foods for specified health uses (9 items related to intestinal health)

* Products sold as of September 2024

Yakult's unique business model

- Yakult Lady home delivery system
- A three-dimensional trademark for Yakult containers

R & D

Innovation

For details: Sustainability Report 2024 "Innovation" P51

Commitment to innovation: Yakult, founded on innovation

Yakult's founder, Minoru Shirota, was deeply troubled by the number of children losing their lives to infectious diseases due to poor sanitary conditions in Japan at the time. Concerned about these conditions, he set his sights on the field of preventive medicine, which aims to help people avoid sickness rather than treating diseases after they occur, and started down the path of microorganism research. His insights came at a time when therapeutic medicine was mainstream in Japan, and therefore represented an innovative approach. Dr. Shirota's research led to the culturing of *Lactobacillus casei* strain Shirota, which he and those sharing his vision developed into an inexpensive, delicious drink called *Yakult* so that many people could benefit from it.

Subsequent research has revealed that continued intake of *Lactobacillus casei* strain Shirota can inhibit the recurrence of superficial bladder cancer and increase the activity of natural killer (NK) cells—an indicator of immune functions. These findings on the potential of lactic acid bacteria also constitute major innovations.

The system of home delivery by homemakers was launched in 1963, when women's workforce participation was still low. It is widely known today as the Yakult Lady system, and this, too, was an innovation.

Spawning innovation: R&D activities to build our future

The Yakult Group aims to evolve into a healthcare company that continues contributing to the health of people around the world by generating innovations that will help resolve social issues through the pursuit of excellence in life science. Our Group's R&D activities are not limited to the field of probiotics (such as *Lactobacillus casei* strain Shirota and *Bifidobacterium breve* strain Yakult) but also extend to the healthcare field, contributing to preventive medicine and promoting the idea that a healthy intestinal tract leads to a long life. The fruits of our R&D activities are applied to our food, pharmaceutical and cosmetic products. We are also actively engaged in collaborative research with external partners.

Related materiality: Innovation

Intellectual Capital

Strengthening the mechanisms for generating innovation and promoting innovations that address social issues

Organizations that generate innovation

Yakult Central Institute

The Yakult Central Institute is engaged in a variety of research activities based on Shirota-ism, and applies core technologies related to intestinal microbiota and probiotics to products for preventive medicine and health maintenance and promotion.

<Research on bacteriology at the Yakult Central Institute>

● Research on the intestinal microbiota

The human intestinal tract is colonized by some 100 trillion bacteria, of which there are around 1,000 different types, contributing to the health of the intestines and the development and maintenance of immunity. We use the latest genetic analysis technology, intestinal bacteria isolation technology and a range of other techniques to analyze the types and composition of intestinal bacteria to ascertain their relationship with diseases and their impact on the health of the host.

● Probiotics research

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

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

Yakult Honsha European Research Center for Microbiology VOF

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

Product development in response to increased health consciousness

Sales of low-sugar, reduced-calorie products

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

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

● Low-sugar, reduced-calorie products:
Percentage of total dairy sales (fiscal 2023)

In October 2019, we launched *Yakult 1000*, our first product to obtain the Food with Function Claims approval, which was developed through broader research into the intestinal microbiota and probiotics to provide new health value based on its effects on stress and sleep. And in October 2021, *Y1000* was launched with the same functions as *Yakult 1000*, primarily for the retail store channel.

Joint research and corporate collaboration

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

Joint research with the National Center for Geriatrics and Gerontology

We participate in the "Higashiura Consortium," a long-term epidemiological research project launched in 2023 by the National Center for Geriatrics and Gerontology, engaging in collaborative research to clarify what role lactic acid bacteria consumption plays in neurological and physical health in older people. This collaborative research is expected to run until the end of fiscal 2027, and the information obtained during this period will be used to clarify the physiological value of lactic acid bacteria consumption from the standpoint of preventive medicine.

Product development through corporate collaboration

Yakult Honsha has an established business alliance with Pokka Sapporo Food & Beverage Ltd. (Pokka Sapporo), which uses plant-based ingredients such as lemons and soy milk as resources, and has been collaborating with Pokka Sapporo on the development of plant-based materials.

Additionally, we aim to contribute to the maintenance and improvement of health not only for humans but also for companion animals (pets) by entering this market. To this end, we formed a capital and business alliance with Japan Pet Communications Co., Ltd. and are launching collaboratively planned products.

Related materiality: Innovation

Intellectual Capital

Maintaining and enhancing brand value through investment in and utilization of intellectual property and intangible assets, as well as optimizing our intellectual property strategy

Innovative training

Our long-term vision, as elucidated in the Yakult Group Global Vision 2030, is to "Evolve into a healthcare company that continues contributing to people's health around the world." This will require us to further promote product development through the pursuit of excellence in life science and create services that provide new value. In order to foster human resources capable of innovative thought that creates new value, in fiscal 2023 we launched a new Innovative Thinking Skills Acquisition Training course. The course, attended by 112 employees in its first year, aimed to help attendees acquire the abilities and knowledge needed for innovation. Its content went beyond simple lectures to include group work designed to help individual attendees break free of fixed preconceptions in seeking solutions to customer needs. In the last of five sessions (taking five days in all), each group made a presentation about their results, based on the shared theme "Proposing a product or service that Yakult should offer society in response to changing times." We are confident that cultivating our human resources through this course will lead to the acquisition of innovative thinking skills and the creation of even more new value.

Innovation and corporate ethics

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

The Safety Research Department evaluates the safety of materials and products according to government standards. Additionally, independent from other organizations, the Quality Assurance Unit audits research data and activities from a third-party perspective. We also run research ethics training (information security, legal compliance, etc.) for our researchers.

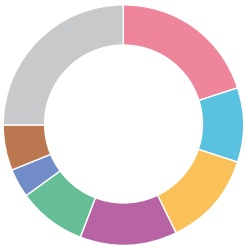
Except where there are legal requirements or guidelines from the relevant authorities in each country, our food and cosmetics research does not involve testing on animals.

Strategies for investment in and utilization of intellectual property and intangible assets

Acquisition and utilization of intellectual property rights

The Yakult Group works actively to acquire intellectual property rights (patents, designs, trademarks, etc.) in and outside Japan on new products and technologies created through research and development. This enables us to not only protect our proprietary technologies from infringements by other companies but also maintain and improve our brand value through the appropriate use of these rights. Our patents range from probiotics to pharmaceuticals and cosmetic products (number of patents held in and out of Japan as of the end of March 2024: about 1,000).

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



Microorganisms	20%
Medicinal drugs	10%
Dairy products	13%
Cosmetics	13%
Inspection equipment	9%
Assessment	4%
Soft drinks	6%
Others*2	25%

*1 Calculated based on applications with rights continuing or under examination as of May 2024
*2 "Others" include packaging, containers, jigs, detection devices, biotechnology (cell culture, protein synthesis, genes, etc.), educational materials, and various devices.

Optimizing our intellectual property strategy (maintaining and enhancing brand value)

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

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

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

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

120 countries and regions around the world

Yakult Yakult 益力多 養樂多 YAKULT

Human Capital

People are at the core of the Yakult Group's business, serving as the driving force behind its business model

Management assets (INPUT)

- Number of employees and Yakult Ladies
- Investment in talent development

OUTCOME

- Number of Yakult Ladies: Approx. 80,000
- Ratio of female managers (Yakult Honsha): 10.6%
- Ratio of female managers (overseas Group): 32.2%

Strengths in human capital

Management based on the founding spirit

- Inheriting and implementing "Shirota-ism" in business activities
- The spirit passed down from the founder
- "Sincerity," "gratitude," and "harmonious human relations"

Creating global employment opportunities and promoting diversity

- Number of Group employees
  Japan: Approx. 16,000 / Overseas: Approx. 25,000
- Number of Yakult Ladies
  Japan: Approx. 32,000 / Overseas: Approx. 50,000

Promoting individual growth and health-focused management

- Investment in talent development (¥75,000 per person for training costs)
- Recognized for seven consecutive years as a Health and Productivity Management Outstanding Organization (White 500; Large Enterprise Category)
- First-time recognition as a brand under the KENKO Investment for Health Stock Selection program

Investing in our workforce as human capital

For details: Sustainability Report 2024 "Human Capital" P75

Yakult Ladies and our other human resources represent the core strength of the Yakult Group's operations and are instrumental to making our business model work.

Yakult's founder, Minoru Shirota, placed great value on sincerity and harmonious human relations, and our corporate philosophy states, "We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." We regard people as important assets who create value and actively invest in human capital as part of our human resources strategy.

In developing this strategy, we seek to maintain consistency with our management strategy. Given the diversification of people's values, our efforts to create worker-friendly environments will include systems to accommodate diverse work styles. Also integral to our corporate management is the promotion of diversity and inclusion, and we take various measures to enable each and every employee to make the most of his or her personal traits and skills.

We are evolving our human resources development policies to maximize organizational strength by offering training aligned with the respective careers of individuals.

In addition, we recognize that realizing our corporate philosophy requires the creation of workplace environments where employees can remain motivated and in good health, and we believe in the importance of promoting health-focused management. Thus, a unit was established within the Human Resources Department dedicated to proactively implementing health literacy improvement and other measures.

We will continue to actively invest in human resources as we strive for the sustained growth of our corporate value with a view to developing human resources not only to contribute to the growth of our core business operations, but also to build a corporate culture where individuals and the organization can grow together and thereby create new value.

Human Capital

Human resources development: Advancing education tailored to individual careers to maximize organizational strength

Fundamental philosophy about human resources development

We are evolving our human resources development policies to maximize organizational strength by offering training aligned with the respective careers of individuals. Specifically, we are carrying our various educational initiatives based on the three pillars of our human resources development strategy: foster personnel to establish a growth driver, foster personnel in a way that supports the growth of diverse individuals, and foster personnel capable of embodying shared values.

Human Resources Management Policy

Individuals shall recognize their own challenges, and improve their knowledge and skills
We unite diverse individuals and the organization to improve ability to take action
We create motivating workplaces for each individual to facilitate the above

Increase productivity through alignment of growth vectors

The three pillars of human resources development strategy

- Foster personnel to establish a growth driver
- Foster personnel in a way that supports the growth of diverse individuals
- Foster personnel capable of embodying shared values

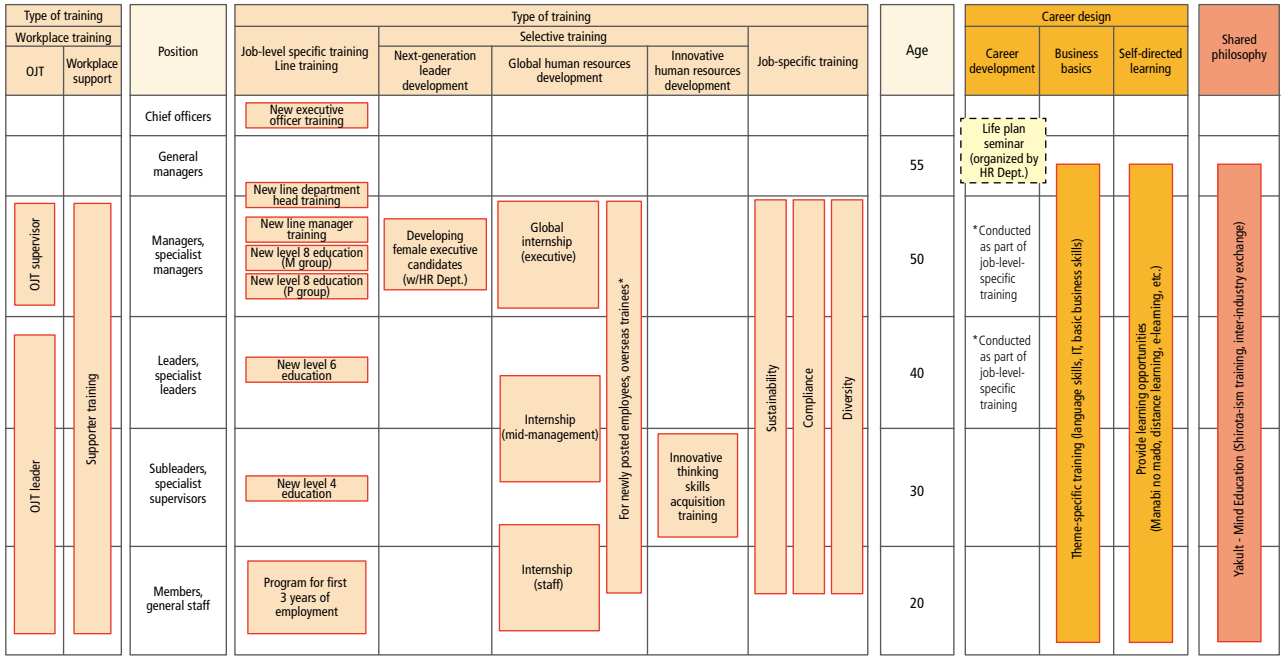
Skills development training for employees

We provide all employees with training opportunities for learning about and putting into practice Yakult's founding spirit, Shirota-ism, thereby contributing to the continual dynamism of the Company and improving its performance. We also engage in global human resources development, workplace training, job-level-specific training, and training on specific management issues to encourage autonomous career development.

Fostering global human resources

Fostering personnel who can excel in our growing international business and other global capacities is one of our priority issues. Our global internship system is aimed at providing work experience at overseas offices to help employees deepen their understanding of the Group's international business and to foster a global corporate culture. Until now, this system has been implemented once a year, but in fiscal 2024, we are conducting it twice—once for younger employees and, separately, for mid-career employees and above.

● Training programs overview chart (Yakult Honsha, fiscal 2023)



*Different overseas trainee development program planned for scal 2024

Human Capital

Health-focused management / Diversity and inclusion: Aiming to be a company where diverse individuals can utilize their unique skills and maintain their health while working

Health-focused management

Initiatives based on our Statement on Health

As a pioneer in the health industry, the Yakult Group considers the power of people and the spirit of harmony, which have been valued since its founding, as the primary driving force behind its efforts to create a workplace environment where employees can work in good health and high spirits. We published our Statement on Health in September 2017 and established a dedicated Health Management Promotion Section of the Human Resources Department in fiscal 2020. Following the strategic roadmap for health-focused management, the Group is actively engaged in initiatives to maintain and enhance employee health and productivity.

Strategic roadmap for health-focused management Web

https://www.yakult.co.jp/english/sustainability/social/labor/health_management/

White 500 certification for seven consecutive years

In March 2024, we were included in the KENKO Investment for Health Stock Selection for the first time as a company carrying out efforts to promote employee health from a management perspective, as chosen by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. We also received "White 500" certification, promoted by the Ministry of Economy, Trade and Industry in conjunction with Nippon Kenko Kaigi (Japan Health Council), for the seventh year in a row.

2024 健康経営銘柄 Health and Productivity

2024 健康経営優良法人 Health and productivity ホワイト500

Employees participating in the lifestyle improvement program

Diversity

Empowerment of female employees

The empowerment of female employees is a key issue in our human resources strategy, since home delivery of our products, the core business of our Group, is supported by female workers. To empower female employees, we have formulated an action plan in line with the objectives of the Act on Promotion of Women's Participation and Advancement in the Workplace, and we are implementing various initiatives to implement that action plan. In fiscal 2023, we obtained Eruboshi (level 3) certification as an excellent company recognized by the Minister of Health, Labour and Welfare under the certification system based on this Act.

Appointing women, non-Japanese and mid-career hires to managerial positions

Yakult operates on the basic principle of "optimal personnel assignment based on abilities, aspirations, and aptitude, and regardless of age, gender, nationality, or educational background." We aim to create an environment in which all employees can work without worry over the long term. We also believe that creating an organization that makes the most of a diverse workforce can encourage innovation and enhance productivity. We are actively assigning women, non-Japanese and mid-career hires to managerial positions.

Empowerment of older people

In line with the Act on Stabilization of Employment of Elderly Persons, we operate a system for the re-employment of all those who desire to continue working after the retirement age of 60. We are working to create an environment allowing employees to demonstrate the abilities they have cultivated and feel motivated in their work, even after reaching retirement age. Around 80% of employees who reach retirement age each year utilize this system. In addition, we are working to enhance motivation through such steps as offering a Life Plan Seminar for senior workers and implementing three-day and four-day workweek systems.

Human Capital

Human resources strategy: Creating a comfortable workplace aligned with diverse values

Initiatives for work-life balance

Parental leave for fathers

Male employees now consider it a matter of course to take parental leave, as we have been encouraging them—even before the enforcement of the revised Child Care and Family Care Leave Law on April 1, 2022—to take parental leave as soon as we learn that their spouse has given birth.

Our fiscal 2030 target is for all eligible male employees to take parental leave and for them to take an average of 45 days or more. In fiscal 2023, the utilization rate for this leave was 95%, with an average of 28 days of leave taken. Additionally, 100% of both female and male employees return to work from parental leave.

Initiatives for Yakult Ladies

Supporting Yakult Ladies as employees

In response to Yakult Ladies seeking employment stability, we are offering Yakult Ladies the option of becoming employees of the Company. This will help us to secure human resources who will continue working over the long term. Currently, nearly 10% of Yakult Ladies have become employees.

Retention of Yakult Ladies

We have introduced a support program enabling Yakult Ladies to receive various lifestyle and leisure services at preferential prices. Among such service are a financial planning consultation desk and money-related seminars that Yakult Ladies can use to privately receive advice or learn about money matters from financial planners. We will continue to promote comfortable working environments for Yakult Ladies at every stage of their lives.

Improving the working environment for Yakult Ladies

We are developing and introducing systems and equipment to improve the working environment for Yakult Ladies. Specific measures include the introduction of portable terminals to make keeping track of customer information more efficient and an online payment system allowing collected fees to be processed at each sales center, without the need to go to a bank. We have also introduced COMS electric vehicles to both reduce CO_2 emissions and make deliveries more efficient.

We will actively promote the introduction of electric vehicles as a step toward decarbonization and in an effort to make the working environment more pleasant.

Related materiality: Supply chain management | Value co-creation with communities

Social Capital

Creating economic and social value through co-creation with stakeholders

Management assets (INPUT)

- Number of Yakult marketing companies
- Number of suppliers
- Sales regions

OUTCOME

- Sales regions: 40 countries and regions
- Number of participants in health-related lectures and similar programs: Approx. 15.09 million

Strengths in and initiatives for social capital

Community-oriented business activities

- Strong customer connections through Yakult Ladies worldwide
- Community-based social contributions such as Courtesy Visit Activities and community safety watch/crime prevention activities

Collaborative initiatives with business partners

- Sustainable procurement in collaboration with suppliers
- Establishment of anti-corruption policies based on the Yakult Ethical Principles and Code of Conduct, ensuring fair, transparent, and open competition and appropriate transactions with business partners

Initiatives to support people's health

- Awareness activities for intestinal health through plant tours, dispatch of lecturers, and health-related lectures
  Domestic: Approx. 75,000 sessions
  Overseas: Approx. 320,000 sessions
  Total: Approx. 15.09 million participants FY2023
  * Overseas sessions are counted from January to December.

	Initiatives for each stakeholder	Impact on stakeholders
Customers	We deliver high-quality, safe, and secure products to our customers, complemented by valuable information shared through Yakult Ladies and various media outlets.	This approach enables customers to clearly understand our products and appreciate their benefits. Through our offerings, we contribute to fostering healthy and enjoyable lives for people worldwide.
Shareholders and investors	We provide timely and appropriate disclosures of accurate information to our shareholders and investors while promoting fair and transparent corporate activities.	We return profits generated from our business activities by achieving sustainable long-term growth and enhancing corporate value.
Business partners	We engage in fair, transparent, and free competition while conducting appropriate transactions, aiming to grow together with our business partners.	We share our corporate philosophy and values, which are closely tied to the continuous development of our business and the growth of our partners. Through long-standing partnerships, we have built strong relationships based on trust.
Workers	We share our corporate philosophy and business direction, working to create an environment where individuals can fully demonstrate their abilities based on mutual trust between the organization and its members.	Employees feel a strong sense of mission to contribute to the health of people worldwide, taking pride and finding fulfillment in their work. In addition, they can work in a workplace environment that supports diverse talents and ensures excellent psychological safety.
Local communities	As a member of the local community, we respect the cultures and customs of the countries and regions in which we operate, promoting our business activities in harmony with these communities. Furthermore, we are committed to addressing climate change and contributing to the development of a circular economy through our corporate activities.	We contribute to job creation, the development and revitalization of society, and the resolution of social challenges in the countries and regions where we operate.
NGOs and NPOs	We collaborate with government agencies and various organizations that specialize in addressing diverse social challenges to further enhance our business and sustainability activities.	We comply with laws, regulations, and industry codes of conduct while engaging in exemplary activities. Additionally, we address societal challenges through collaboration with government agencies and various organizations.

Related materiality: Supply chain management / Value co-creation with communities

Social Capital

Continuing business activities while co-creating value with local communities under our corporate slogan

Communication / Sales

Value co-creation with communities

For details: Sustainability Report 2024 "Value co-creation with communities" P57

Yakult's approach to value co-creation with communities

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

Yakult Ladies contribute to the health of our customers by providing health-related information along with our products. For customers that we cannot reach directly, simple explanations are given on the importance of preventive medicine and a healthy intestinal tract in collaboration with the local community and other companies.

Yakult's commitment to valuing communities remains consistent globally. We operate in 40 countries and regions, including Japan, establishing a system for local production and sales at our plants and business sites. Our goal is to expand the availability of Yakult products to those who currently do not have access.

The Yakult Group's Policy on Community Development Activities

The Yakult Group's Policy on Community Development Activitie
(Established: March 20, 2018)

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.

Initiatives on Community Development Activities

Efforts to deliver not only products but also health

We dispatch lecturers to elementary schools both in Japan and overseas to clearly explain the importance of intestinal health and healthy lifestyle habits. We also hold health-related lectures for local communities to share information about intestinal health and seasonal health tips. In some countries and regions overseas, we have also utilized online platforms to carry out these initiatives.

Continuing to be a part of the community

In Japan, we actively engage in activities that contribute to creating a safe and secure community, such as the Courtesy Visit Activities to check on elderly individuals living alone, and community safety watch and crime prevention activities in collaboration with local governments and police. These initiatives are supported by local marketing companies and Yakult Ladies, driven by a desire to contribute to the community. Overseas, we conduct support activities for socially vulnerable individuals, including monitoring the elderly. Moving forward, every member of the Group will continue to foster connections with each customer and promote business activities in harmony with local communities.

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Strengthen initiatives for environmental issues toward sustainable growth

Management resources (INPUT)

- Energy consumption
- Amount of key raw materials used

OUTCOME

- CO_2 emission reduction rate: 45.8%
- Water usage reduction rate: 16.1%

Initiatives for natural capital

Climate change measures with a long-term perspective

- The Yakult Group created the Yakult Group Environmental Vision to reduce our negative impacts and promote efforts with a positive impact on the global environment with the aim of uniting people and planet as one.

Develop environmentally conscious products

- Use biomass and recycled materials for containers and packaging.
- Use plant materials for lactic acid bacteria fermentation ingredients.

Conservation of water resources and biodiversity

- We identified paper and pulp, palm oil, soybeans, and dairy products (skim milk powder, others) as raw materials associated with a high risk of deforestation and are promoting responsible procurement.
- We are promoting water conservation activities such as water reuse and recycling as well as implementing water risk surveys and formulating water management plans.

Yakult Group Environmental Vision

In March 2021, the Yakult Group created the Yakult Group Environmental Vision to unite people and planet as one. We set out our ideal vision for the future in Environmental Vision 2050 and, using backcasting, established short- and medium-term milestones in order to effectively act and make progress toward this vision. Also, we will promote effective initiatives to attain the goals of Environmental Actions (2021-2024) as well as the goals of Environmental Targets 2030 and Environmental Vision 2050.

Climate change	1. Achieve a zero-carbon society By the end of fiscal 2024, **reduce** GHG emissions (in Japan, Scope 1 and 2) by **10%** compared to fiscal 2018 levels	Reduce GHG emissions (in Japan, Scope 1 and 2) by 30% compared to fiscal 2018 levels
Plastic containers and packaging	2. Convert to fully recyclable containers and packaging By the end of fiscal 2024, **reduce** plastic containers and packaging (in Japan) by **5%** compared to fiscal 2018 levels, or **make them recyclable**	Reduce plastic containers and packaging (in Japan) by 30% compared to fiscal 2018 levels, or make them recyclable
Water	3. Reduce water consumption By the end of fiscal 2024, reduce water consumption (at dairy product plants in Japan, per production unit) by **3%** compared to fiscal 2018 levels	Reduce water consumption (at dairy product plants in Japan, per production unit) by 10% compared to fiscal 2018 levels
	4. Reduce waste	
	5. Conserve and utilize biodiversity	

*Partial excerpts of the contents

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

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

People and Planet as One
Yakult Group Environmental Vision

Yakult Group Environmental Vision Web
https://www.yakult.co.jp/english/sustainability/environment/vision/

Related materiality: Climate change | Plastic containers and packaging | Water

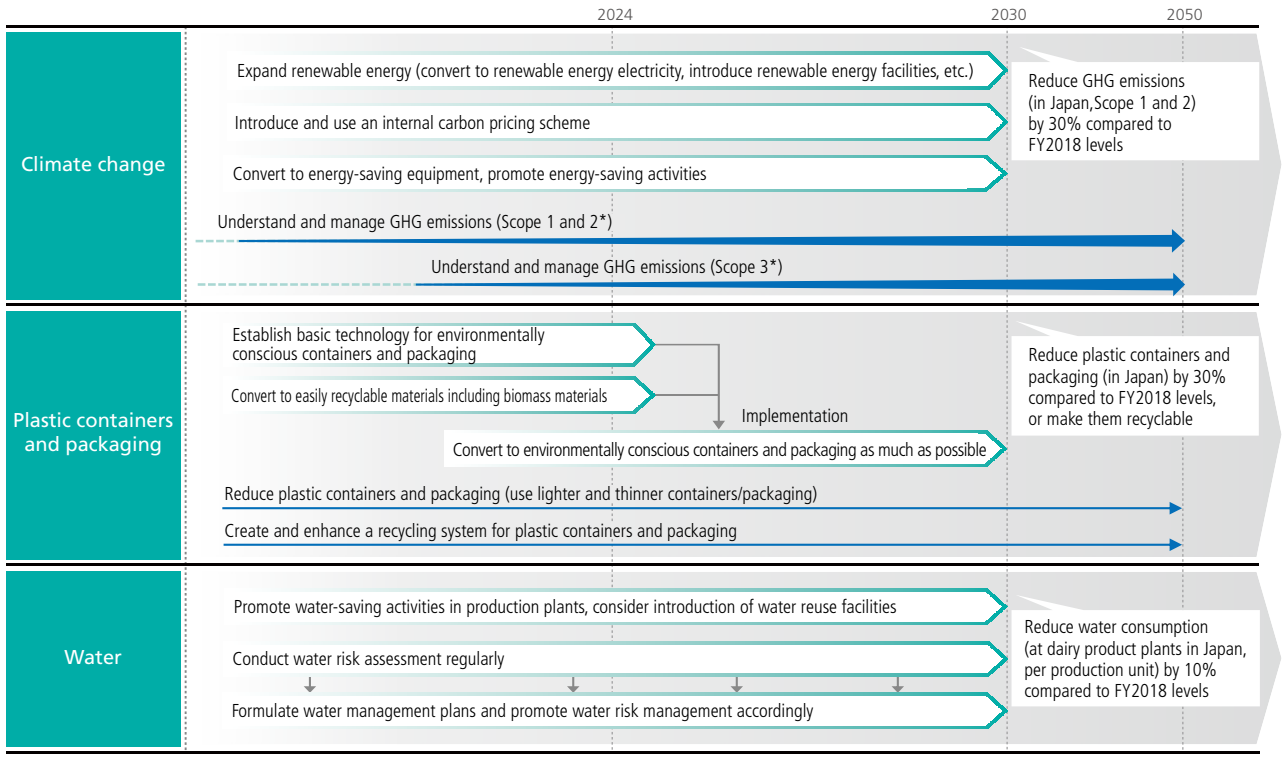
Natural Capital

We will address three material issues to realize the Yakult Group Environmental Vision.

Yakult Group Environmental Vision

Roadmap for achieving Environmental Vision

The Environmental Promotion Department was established in April 2022 to realize Environmental Vision, and leads a range of efforts to achieve the targets of Environmental Actions (2021–2024), Environmental Targets 2030 and Environmental Vision 2050.



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

Environmental Vision Progress Status

Climate change

GHG emissions (of Yakult Honsha and Japanese bottling companies, Scope 1 and 2) were reduced by 45.8% in fiscal 2023 compared to fiscal 2018 by introducing electricity generated from effectively renewable sources at our head office, Tokyo Distribution Center, newly operational Yakult Fuji Oyama Plant and elsewhere, increasing the amount of solar power generation equipment at the Yakult Okayama Wake Plant, implementing energy-saving activities at individual business sites, and other efforts.

Plastic containers and packaging

We strove to reduce the amount of plastic containers and packaging used (in Japan) in fiscal 2023, increasing our use of renewable resources through measures like switching to straws using biomass plastic for dairy products in paper containers. However, due to growing sales of *Yakult 1000* series, the amount of non-recyclable plastic used increased by around 24.8% compared to fiscal 2018. We are currently working to acquire international sustainability accreditation as a step toward further broadening our initiatives.

Water

Water consumption (at dairy product plants in Japan, per production unit) was reduced by 16.1% in fiscal 2023 compared to fiscal 2018. This was achieved by conserving water through such water saving efforts as reducing the use of water for raw materials by revamping production methods and reviewing automated washing times. We also promoted formulation of water management plans to effectively reduce amounts of water used.

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

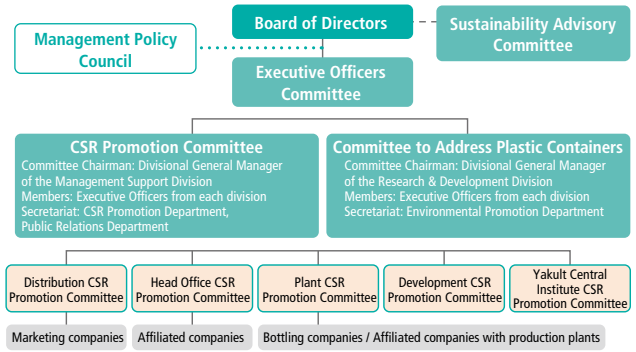
Climate change: Promoting climate change countermeasures from a long-term perspective

Natural capital and overall environmental issues

Governance and Systems

The Yakult Group's CSR Promotion Committee, which is chaired by the Divisional General Manager of the Management Support Division, a member of the Board of Directors, is convened four times per year and discusses and manages progress on natural capital and environmental issues. Regarding plastic containers and packaging, a Committee to Address Plastic Containers, chaired by the Divisional General Manager of the Research & Development Division, a member of the Board of Directors, has also been established to share information and discuss trends in plastic regulations and relevant government policies around the world along with the status of initiatives and discussions within individual departments. Among the deliberated topics, committee procedures stipulate that the Management Policy Council, which includes directors and Audit & Supervisory Board members, as well as Executive Officers Committee and the Board of Directors must be consulted regarding important matters relating to management policy. Furthermore, details on natural capital and environmental issues, including strategies related to climate change and risk management policies, are reported to the Board of Directors on a quarterly basis in principle, and the Board of Directors supervises these matters. In fiscal 2024, we also established a Sustainability Advisory Committee as an advisory body to the Board of Directors.

Related page: P62, Sustainability Governance



Climate change

For details: Sustainability Report 2024 "Climate change" P27

TCFD

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

Amid calls for realizing a carbon-free society due to the worsening of global warming, the Yakult Group recognizes that climate change is a key issue for realizing its philosophy and for achieving sustainable development.

In 2021, we formulated the Environmental Vision 2050, which aims to achieve net-zero greenhouse gas emissions by 2050 and we have started specific initiatives.

Based on the TCFD recommendations, we analyze the risks and opportunities that climate change brings to our businesses and evaluate the financial impacts of these as well as promote the disclosure of information about our climate change initiatives in line with the frameworks of "governance," "strategy," "risk management," and "metrics and targets."

Strategy

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

Based on this recognition, our TCFD Compliance Study Group, in which 13 related departments participate, conducted scenario analysis of both actual and potential impacts of climate-related risks and opportunities to our business, strategies and financial planning, and considered countermeasures in response to clarified risks and opportunities.

When identifying climate-related risks, we consider impact and dependencies over the short, medium and long term, with short term defined as 0 to 5 years, medium term as 5 to 10 years, and long term as 10 to 30 years.

We evaluate the impact of risks and opportunities using standards applied across the entire company. Impact is evaluated from the perspective of business profit and loss. A large impact is defined as 10 billion yen or more, a medium impact as less than 10 billion yen but equal to or more than 5 billion yen, and a small impact as less than 5 billion yen.

Based on the above definitions, we quantify impact and ascertain importance for the Group.

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

● Time axis for identifying climate-related risks/opportunities

	Short term	Medium term	Long term
Time frame	0 to 5 years	5 to 10 years	10 to 30 years

● Impact of climate-related risks (evaluation axis)

Size of risk	Definition
Large	Impact on business profit or loss of 10 billion yen or more
Medium	Impact on business profit or loss of less than 10 billion yen but equal to or more than 5 billion yen
Small	Impact on business profit or loss of less than 5 billion yen

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Climate change: Promoting climate change countermeasures from a long-term perspective (TCFD Below 2°C scenario)

Overview of scenario analysis: Below 2°C scenario

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

In addition, with the anticipated tightening of regulations such as carbon taxes and emissions trading, there is a risk that our energy costs will increase and that demands from society for plastic free options will increase. We must take measures such as reducing our energy usage further and switching our plastic containers and packaging to recycled or biomass-derived sustainable materials.

In addition, the ratio of low-carbon energy is expected to increase and the cost of fuel and electricity is at risk of increasing, so we will consider all possible methods, including the development of manufacturing processes that are more energy-efficient than conventional ones and, for specific products such as cosmetics, manufacturing processes that do not use heat.

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

Scenario	Risks and opportunities				Time axis*1	Impact*2	Response
	Category	Subcategory	Topic	Details			
Below 2°C	Transition risks	Current regulations	Stricter regulations	Increase in costs to the Company due to carbon tax	Medium/long term	Medium	Implement GHG reduction measures like renewable energy, energy-saving Reduce GHG through internal carbon pricing
		New regulations	Low-carbon products	Increase in procurement costs for plastic-alternative raw materials and investment in facilities	Medium term	Medium	Develop basic technology for environmentally conscious containers and packaging Convert to easily recyclable materials
		Markets		Price increase for raw materials associated with high risk of deforestation (soybeans, palm oil, paper, etc.) Increase in costs when procuring certified products	Medium/long term	Small	Procure environmentally conscious raw materials, accumulate knowledge, promote the environmentally conscious raw materials used in our products
	Opportunities	Resource efficiency	New products/ New manufacturing methods	Increase in sales and decrease in costs through the development of new manufacturing methods and new products by promoting the efficient use of water and other resources	Medium/long term	Evaluation in progress	Explore investment and marketing strategies for developing new manufacturing methods and products that use less water and plastic Develop and invest in research to reduce CO_2
		Products and services		Increase in sales from products developed using protein sources other than milk	Medium/long term	Small	Explore investment and marketing strategies for developing products using protein sources other than milk
				Increase in sales from non-food products developed using microorganisms	Medium/long term	Small	Explore investment, collaboration with external research facilities, and marketing strategies for developing non-food products using microorganisms

*1 Short term: 0 to 5 years, Medium term: 5 to 10 years, Long term: 10 to 30 years
*2 Large: Impact on business profit/loss of 10 billion yen or more
Medium: Impact on business profit/loss of less than 10 billion yen but equal to or more than 5 billion yen
Small: Impact on business profit/loss of less than 5 billion yen

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Climate change: Promoting climate change countermeasures from a long-term perspective (TCFD 4°C scenario)

Overview of scenario analysis: 4°C scenario

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

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

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

Scenario	Risks and opportunities				Time axis*1	Impact*2	Response
	Category	Subcategory	Topic	Details			
4°C	Transition risks	Markets	Resource scarcity	Increase in fossil fuel costs	Medium/ long term	Small	Implement GHG reduction measures like renewable energy, energy-saving Reduce GHG through internal carbon pricing
	Physical risks	Acute	Climate change	Decrease in sales and increase in costs due to damage to plants and suspension of production and distribution	Medium/ long term	Large	Prepare and strengthen BCP (construct systems for producing individual products at multiple plants, establish/ augment disaster preparation measures, establish multiple procurement routes, increase stored inventory)
		Chronic		Increase in costs due to difficulty procuring sugars	Medium/ long term	Evaluation in progress	Invest in developing low-sugar products and increasing the proportion of such products in our lineup Establish traceability, research/establish/etc. replacement procurement regions, strengthen supply chain BCP. Research and analyze impact on prices related to sugar
				Increase in skim milk powder procurement costs due to reduced milk production as a result of hot weather, decreased pasture size or decreased feed amounts	Medium/ long term	Evaluation in progress	Establish traceability, research/establish/etc. replacement procurement regions, strengthen supply chain BCP, Invest in developing products that use protein sources other than milk, explore marketing efforts Analyze and investigate the impact on milk prices related to switching plastic packaging to recyclable or biomass-derived sustainable materials Develop feed for livestock using microorganisms, promote bovine health, maintain and improve milk production
				Decrease in sales due to lower sales staff activity caused by heat stress	Medium/ long term	Small	Use ways to avoid heat (one-person EVs, shift in sales activity times, heat-reducing clothes) Shift to online stores, in-store sales and use of robots and drones
				Decrease in sales as customers refrain from going outside	Medium/ long term	Evaluation in progress	Establish online sales systems and channels Explore marketing strategies that will lead to more home delivery sales by sales staff taking anti-heat measures Accelerate promotional activities using DX (metaverse, etc.)
				Decrease in sales and increase in costs associated with production stoppages due to the spread of infectious diseases	Medium/ long term	Small	Explore investment and marketing strategies for developing products using protein sources other than milk Strengthen BCP against infectious diseases
	Opportunities	Products and services	Climate change	Increase in home delivery sales due to more people staying home	Medium/ long term	Evaluation in progress	Explore marketing strategies that will lead to more home delivery sales by sales staff taking anti-heat measures Accelerate promotional activities using DX
				Increase in sales due to expansion of e-commerce marketing	Medium/ long term	Evaluation in progress	Establish online sales systems and channels
			New products/ New manufacturing methods	Increase in sales of lactic acid bacteria supplements due to rise in consumer needs around convenience, cost, and effectiveness	Medium/ long term	Small	Promote method of obtaining lactic acid bacteria via supplements to consumers
				Increase in sales due to heightened health awareness	Medium/ long term	Large	Develop useful microorganisms effective at preventing new pathogens, explore penetration of health promotion effects and marketing strategies

*1 Short term: 0 to 5 years, Medium term: 5 to 10 years, Long term: 10 to 30 years.
*2 Large: Impact on business profit/loss of 10 billion yen or more, Medium: Impact on business profit/loss of less than 10 billion yen but equal to or more than 5 billion yen, Small: Impact on business profit/loss of less than 5 billion yen

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Climate change: Promoting climate change countermeasures from a long-term perspective (TCFD risk management)

Risk management

Overview of risk management

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

Risk and opportunity identification and assessment process

With respect to the identification of risks, the CSR Promotion Committee consolidates opinions each year from each department in relation to the 19 types of risk in the companywide risk management process as well as TCFD classification. Identifying opportunities involves the same consolidation process as that used for risks, premised on competitive and external environmental analyses, conducted with individual departments taking the lead, regarding business opportunities that the Yakult Group should address.

We then assess these risks and opportunities using companywide standards of impact level, as described above, and formulate response plans.

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

We assume the actual financial impact accompanying each risk assessment to include financial loss due to operations restriction or stoppage, as well as legal fees in the event that such a risk materializes. The extent of the impact depends on the details of the risk, but some are on the scale of billions of yen with respect to business expenses, or tens of billions of yen with respect to sales. The CSR Promotion Committee decides which risks exceed the Group standards for evaluating severity; which are related to compliance, reputation or human lives based on strategic evaluation criteria; and which require a response.

Response process for identified risks and opportunities

Regarding climate change, the Board of Directors oversees matters on which it has received reports, strategies and risk management policy.

The Executive Officers Committee is involved in formulating and executing response plans. With regard to risks determined to require addressing, in order to unite the whole Group through specific activities carried in individual departments, we have established five specialized promotion committees* under the CSR Promotion Committee to promote our climate change response and other sustainability activities.

The results of these activities are discussed by the CSR Promotion Committee based on reports from the five promotion committees and related departments. The committee also monitors the activities by conducting progress assessments approximately four times per year and setting targets for the next fiscal year at the end of the previous one.

Additionally, as a general rule, the Board of Directors receives quarterly reports on these activities and oversees response to a range of risks, including risks due to climate change. Furthermore, the Sustainability Advisory Committee, newly established in fiscal 2024 as an advisory body to the Board of Directors, also discusses measures addressing and progress in response to climate change-related risks and opportunities, and reports to the Board of Directors.

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

Metrics and targets

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

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

We also joined the Japan Dairy Industry Association and endorse its climate change objectives.

▶▶▶ Related information: P49 Yakult Group Environmental Vision

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Plastic containers and packaging: Environmentally friendly product development Convert to environmentally conscious containers and packaging as much as possible

Plastic containers and packaging

For details: Sustainability Report 2024 "Plastic containers and packaging" P37

Declaration of Action on Plastic Recycling

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

Declaration of Action on Plastic Recycling (summary)

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

— 2025 target —
We will establish a foundation for environmentally conscious container and packaging technology, and begin conversion to easily recyclable materials such as biomass, recycled and biodegradable materials.

— 2030 target —
We will work to convert to easily recyclable materials as much as possible while keeping up with developments in recycling markets, environmental infrastructure and other external environmental facilities.

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

Basic strategy toward a shift to recyclable containers and packaging

In order to pursue a multifaceted shift toward recyclable containers and packaging amid differences between regions and countries in the external environment related to plastic resource recycling, as well as diversifying consumer values, we have formulated a basic strategy with three main focuses.

Introducing sustainable materials	Eliminating reliance on oil, which is essential for reducing the environmental impact of our operations to zero (Introducing biomass materials, renewable materials, etc.)
Diversifying container development	Responding to diversifying consumer values and environmental awareness (Introducing container materials for which advanced recycling systems exist, etc.)
Achieving polystyrene container recycling	Implementing initiatives to recycle and reuse current Yakult containers as materials (Creating systems for bottle-to-bottle horizontal recycling through coordination with various stakeholders, etc.)

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

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

Main initiatives based on basic strategy

Increased use of biomass materials

We have been working to increase our use of bio-based ink for shrink labels and have adopted it for seven products sold in PET containers, including *Milouge*. Additionally, we have been considering introducing straws made from biomass materials for our fermented milk products and started using them in our paper-packaged dairy products (*Mil-Mil, Pretio*, and *BF-1*) in March 2024.

Products using bioplastic and bio-based ink are certified by the Japan Organics Recycling Association or the Japan BioPlastics Association as using plant-derived resources (biomass) and conforming to all relevant laws, regulations, and standards for quality and safety. These products bear either the Biomass Mark or the BiomassPla Mark.

Increased use of recycled PET labels

We have increased our use of recycled PET labels, which use reclaimed PET bottles in 25% of the raw materials, on two products sold in PET containers, including *Milouge* (280 ml). Products using recycled PET labels are certified by the Council for PET Bottle Recycling, and bear the "Recycled PET Mark."

Related materiality: Climate change | Plastic containers and packaging | Water

Natural Capital

Water: Promote water-saving activities, explore the possibility of introducing equipment for reusing water
Formulate a water management plan based on water risk survey and promote water risk assessment based on it

Water

For details: Sustainability Report 2024 "Water" P42

Conducting regular water risk assessments

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

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

Results showed that 35% of our production bases are located in areas of high water stress*2, with water withdrawal in these areas totaling 2,913,791 m³ in fiscal 2023, accounting for 49.3% of our total water withdrawal that year.

From fiscal 2023 onward, based on the water risk evaluation results, business scale, and market growth potential, we selected two plants—Mojokerto and Iztapaluca—for detailed on-site investigations.

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

<Countries with high water risks (Aqueduct Water Risk Atlas)>

1 Bahrain 2 Cyprus 3 Kuwait 4 Lebanon
5 Oman 6 Qatar 7 United Arab Emirates
8 Saudi Arabia 9 Israel 10 Egypt 11 Libya
12 Yemen 13 Botswana 14 Iran 15 Jordan
16 Chile 17. San Marino 18 Belgium 19 Greece
20 Tunisia 21 Namibia 22 South Africa
23 Iraq 24 India 25 Syria (in descending order of risk)

●: Countries where Yakult conducts sales
●: Countries where Yakult conducts production and sales

Promote water-saving activities in production plants, consider introduction of equipment for reusing water

Effective use of water resources

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

In fiscal 2023, Yakult Honsha plants and bottling companies used approximately 1.67 million m³ of water in total (Yakult Honsha plants: approx. 1.29 million m³, bottling companies: approx. 0.38 million m³). Reducing total water usage per production unit is one objective of Environmental Actions (2021–2024), and water conservation initiatives at plants have reduced total water usage per production unit by 16.1% compared with fiscal 2018.

The primary initiative at plants in fiscal 2023 was conserving water by altering automated washing times and improving equipment operation, in line with ISO 14001 activities at each plant.

To make more effective use of limited water resources, the Yakult Group will continue to pursue water conservation by implementing ISO 14001 practices and introducing technologies such as those for water reuse and recycling.

Preventing water pollution and conserving biodiversity

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

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

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

Chapter 5 Management Structure

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Corporate Governance

Corporate governance serves as the foundation for realizing sustainable growth, and strengthening governance is essential for increasing corporate value. Yakult is working on a variety of measures to strengthen the functions of the Board of Directors, improve management transparency, and strengthen Group governance.

Basic Stance

Yakult's basic stance regarding corporate governance is to "devote thorough efforts to steady business development centered on core business operations and promote highly transparent management functions."

We are working to realize our corporate philosophy of "we contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular." To do so, we believe it is crucial to undertake management that emphasizes enhanced internal control functions beginning with the optimization of management organizations and decision-making to put our corporate philosophy into practice.

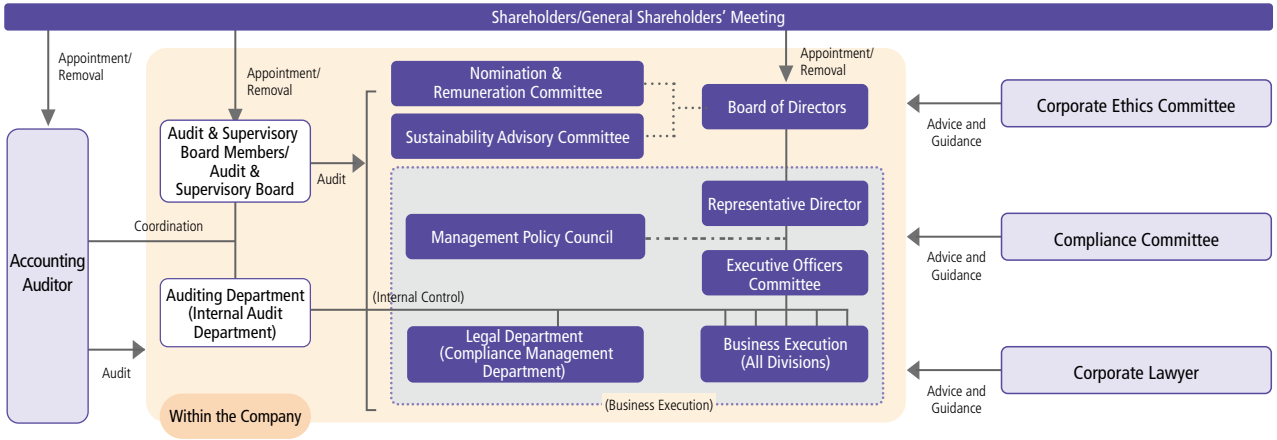
Efforts to Enhance Corporate Governance

In 2007, the Company reduced the term of office for directors to one year in order to clarify their management responsibilities. In 2011, we introduced an executive officer system as a way to further invigorate the activities of the Board of Directors. We have also reduced the overall number of directors. In addition to these efforts, we are accelerating decision-making through the establishment of various committee structures, including the Management Policy Council and the Executive Officers Committee. As advisory bodies to the Board of Directors, we have also established a Nomination & Remuneration Committee to deliberate on director nomination and compensation, and a Sustainability Advisory Committee to deliberate on basic sustainability strategy, measures and responses in the context of our efforts to resolve environmental and social problems.

Governance Structure

Since its introduction on June 22, 2011, our executive officer system aims to strengthen the Board of Directors' decision-making functions and supervisory functions as well as clarify responsibilities, and it is increasing the efficiency of both kinds of functions. In addition, to promote effective management activities and accelerate decision-making, we have established the Management Policy Council, which includes the Representative Director, seven Divisional General Managers and one Audit & Supervisory Board Member, and the Executive Officers Committee, which includes executive officers and Audit & Supervisory Board Members.

● Corporate governance framework



● Frequency of meetings

Fiscal year	2019	2020	2021	2022	2023
Board of Directors	7	8	8	9	10
Internal Directors' attendance rate at Board of Directors meetings (%)	100%	98%	100%	100%	100%
Outside Directors' attendance rate at Board of Directors meetings (%)	97%	100%	98%	98%*2	98%*4
Audit & Supervisory Board	7	8	8	9	10
Audit & Supervisory Board Members' attendance rate at Audit & Supervisory Board meetings (%)	100%	100%	100%	94%*3	100%
Outside Auditors' attendance rate at Audit & Supervisory Board meetings (%)	100%	100%	100%	100%	97%*5
Compliance Committee	2	2	2	2	2
Corporate Ethics Committee	1	1	1	1	2
CSR Promotion Committee	2	2	3	3	4
Committee to Address Plastic Containers*1	2	2	2	2	5

*1 Name was plastic Recycling Promotion Committee until fiscal 2022. *2 For unavoidable reasons, one Outside Director was absent from one Board of Directors meeting.
*3 For unavoidable reasons, one Audit & Supervisory Board Member was absent from one Audit & Supervisory Board meeting.
*4 For unavoidable reasons, one Outside Director was absent from one Board of Directors meeting. *5 For unavoidable reasons, one Outside Auditor was absent from one Audit & Supervisory Board meeting.

Board of Directors

The Board of Directors is composed of 15 directors (including six Outside Directors, two of whom are women), and the Audit & Supervisory Board is composed of five members (including three Outside Auditors, two of whom are women).*

The Board of Directors makes decisions or receives reports on matters set out in laws and regulations as well as our own Rules of the Board of Directors; it also oversees the conduct of the directors and executive officers in the performance of their duties. We have also put systems into place allowing active and full discussions within the Board of Directors by providing information on specific topics and opportunities for discussion, particularly for Outside Directors.

* As of June 2024

Board of Directors agenda items

In fiscal 2023, the Board of Directors deliberated on the execution status and earnings forecast of each business, plans to increase domestic dairy product production, initiatives to address Sustainability issues and strategic shareholding status. The Board also deliberated on appointments for Director candidates and executive officers, as well as revisions to the officer remuneration system in response to findings reported by the Nomination & Remuneration Committee, which is an advisory body to the Board of Directors.

Audit Approach

Audit & Supervisory Board Member audits

The Audit & Supervisory Board is made up of five Audit & Supervisory Board Members. The Board decides matters of audit policy, planning and division of labor, and the Audit & Supervisory Board Members take action accordingly by attending meetings of the Board of Directors and other important meetings, receiving reports on work done by directors and executive officers, and examining important documents related to decision-making and other matters. The Board works closely with the accounting auditor, receiving auditing status reports on a quarterly basis, exchanging opinions and conferencing ad hoc as necessary. We have also secured a system for supporting Audit & Supervisory Board Member audits by deploying 2 full-time staff members possessing thorough knowledge of company operations and who can appropriately assist the work of the auditors.

Internal audits

The Auditing Department is an organization reporting directly to the President. Currently, a 12-person staff system under the department general manager uses the COSO* framework and other references to perform risk-based internal audits (accounting audits, operational audits and internal control system audits) covering the entire operations of each internal department and each affiliated company, and provides specific advice and recommendations for improving operations.

Regarding Group companies outside Japan, every fiscal year we select companies and perform on-site internal audits as in Japan. The results of internal audits conducted by the Auditing Department are reported to the Board of Directors, Audit & Supervisory Board Members and the Audit & Supervisory Board.

* COSO is an acronym for Committee of Sponsoring Organizations of the Treadway Commission, an organization established in the United States to curb fraudulent reporting in the financial industry.

External audits

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

Reasoning behind Director Appointments

Our baseline requirements for a potential director are position-appropriate ability, personality and insight along with abundant knowledge and experience and a thorough knowledge of Group management. We also seek a Board of Directors of diverse structure conducive to open-minded discussion. To this end, we promote not only from within the Company, but also from among top-level managers of Yakult Group marketing companies and experts in various fields, always seeking to place the right person in the right role.

Matters concerning director nomination and compensation are addressed by the Board of Directors in consultation with the Nomination & Remuneration Committee. More than half of the members in this advisory committee are independent Outside Directors whose findings form the basis of decisions made by the Board.

● Skill matrix

	Director expertise and experience							
	Corporate management / Business operations	ESG / Sustainability	Financial accounting	Legal / Risk management	Marketing / Sales	Overseas business	Research & development / Quality assurance	Human resources / Human resource development
Hiroshi Narita	●	●			●	●	●	●
Koichi Hirano	●				●		●	
Masatoshi Nagira	●	●			●			
Hideaki Hoshiko	●			●				●
Junichi Shimada	●				●	●		
Naoko Tobe		●		●				
Katsuyoshi Shinbo		●		●				
Yumiko Nagasawa	●	●	●					
Satoshi Akutsu					●	●		
Matthew Digby		●		●		●		
Manabu Naito	●				●			
Yasuyuki Suzuki	●						●	
Shuichi Watanabe	●		●					
Hiroyuki Kawabata	●	●		●				
Toshihiko Fukuzawa	●		●					

Outside Director and Audit & Supervisory Board Member Support

1. Outside Director support system

The General Affairs Department functions as the secretariat for the Board of Directors, and serves as an information contact point for all directors, including Outside Directors. Board meeting materials are also distributed in advance to Outside Directors to facilitate communication with other directors.

2. Outside Auditor support system

Two full-time staff members function as the secretariat for the Audit & Supervisory Board. The Audit & Supervisory Board convenes prior to meetings by the Board of Directors and other important assemblies, and relevant department heads share information at these meetings by providing materials and explanations. The system for communicating information to each Outside Auditor involves Audit & Supervisory Board Members making business reports as appropriate, while also providing important materials related to decision-making and auditing along with other audit-related materials.

Management Policy Council

The Management Policy Council was established to expedite decision-making. As a general rule, the council meets once per week, and its members consist of the Representative Director, seven Divisional General Managers and one Audit & Supervisory Board Member. In addition to receiving reports, the Management Policy Council deliberates on management policies and action items, along with operations-related business matters.

Evaluating the Effectiveness of the Board of Directors

Directors and Audit & Supervisory Board Members are asked to answer a questionnaire with questions on the makeup and operational methods of the Board of Directors (tabled items, frequency of meeting, etc.), provision of information to Outside Directors, and external disclosure, along with a section allowing comments of any kind. Answers are analyzed and evaluated, with the results reported in full to the Board of Directors. In fiscal 2023 as in previous years, this evaluation concluded that the Board functions properly and is generally effective.

Additionally, based on the results of this analysis and evaluation of the Board of Directors, as well as other discussions, further revitalization of the Board of Directors was identified as a challenge, and we have strived to further increase the effectiveness of the Board of Directors through means such as increasing the frequency of its meetings and providing information to Outside Directors.

We will continue striving to improve the effectiveness of the Board of Directors.

Remuneration of Officers

The Company's remuneration system is constructed not only to realize Shirota-ism, the foundation of our business, but also to make management more responsible for business results and promote increased value-sharing with shareholders. This is accomplished in the following ways.

Fixed remuneration, performance-based remuneration (short-term cash incentives), stock remuneration (long-term stock incentives)

1. Eligibility

(1) Fixed remuneration

All directors

(2) Performance-based remuneration

Officers who are still in a director role at the end of the relevant fiscal year (excluding Outside and Part-Time Directors)

(3) Stock remuneration

Officers who are still in a director role at the time of payment (excluding Outside and Part-Time Directors)

2. Policy determining calculation methods for each kind of remuneration

(1) Fixed remuneration

Within applicable monetary limits, our standard policy is to make decisions based on comprehensive consideration of internal and external environmental factors such as director responsibilities, business performance during the relevant fiscal year, standard worker salary and social conditions.

(2) Performance-based remuneration

Alongside consolidated operating profit, which is the most suitable indicator of business performance for the purposes of performance-based remuneration, performance-based remuneration calculations use the consolidated number of dairy product bottles sold as a barometer for the degree of Shirota-ism realized, this being the foundation of our business. We set the performance component to fluctuate between 0% and 150%.

Specifically, we set a remuneration coefficient according to the difference in each of the two abovementioned indicators as compared to the previous year, and then calculate performance-based remuneration using this coefficient and the performance-based standard amount determined according to individual director responsibilities.

Additionally, performance-based remuneration is not paid if consolidated operating profit has fallen below 70% of the previous year's total.

(3) Stock remuneration

With the aim of providing an incentive to sustainably increase corporate value and promoting additional shared value with our shareholders, eligible directors will be granted remuneration for restricted stock according to their job responsibilities and other factors.

In principle, in each fiscal year eligible directors present to the Company all monetary remuneration claims to be paid as in-kind contributions based on a resolution by the Board of Directors, and receive issuance or disposal of common company stock. The transfer restriction period begins on the delivery date of the restricted stock and ends on the day the person in question steps down from their position as director. The amount to be paid per share of Remuneration (amount) issued or disposed common company stock as restricted stock remuneration is based on the closing price of the

Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the Board of Directors resolution. If no trading occurred on that day, the most recent trading day prior to that determines the closing price. Based on this information, and to the extent that it is not particularly advantageous for the eligible director, the Board of Directors will make their determination.

During the transfer restriction period, the Company may naturally acquire from the eligible director to whom the restricted stock is allotted all or part of the relevant stock without compensation in the event of legal violations or for any other reason specified by the Company's Board of Directors.

3. Percentage of remuneration by type

To ensure that remuneration functions as an appropriate incentive, the proportion of each type of remuneration is as follows:

(1) Fixed remuneration : (2) Performance-based remuneration : (3) Stock remuneration = 70 : 15 : 15 (%)

4. Policy regarding determination of timing or conditions for remuneration

(1) Fixed remuneration

Paid monthly

(2) Performance-based remuneration

As a remuneration incentive for the preceding year's business performance, performance-based remuneration is calculated and paid after the end of the fiscal year as a lump sum.

(3) Stock remuneration

As a remuneration incentive for the future improvement of corporate value, an amount corresponding to the director's term is paid after the director's election at the General Meeting of Shareholders.

Note 1: Fixed remuneration and performance-based remuneration monetary limits were set at 1 billion yen per year at the 56th Ordinary General Meeting of Shareholders held on June 25, 2008.

Note 2: Stock remuneration monetary limits and share limits were set at 3 million yen and 150,000 shares per year at the 71st Ordinary General Meeting of Shareholders held on June 21, 2023. (On October 1, 2023, we performed a two-for-one stock split of common company stock. The share limit numbers above apply to post-split stock.)

● Remuneration (amount)

Fiscal year	2019*1	2020*2	2021*3	2022*4	2023*5
Remuneration of directors	614 million yen to 17 directors (Including 50 million yen to 5 Outside Directors)	603 million yen to 15 directors (Including 55 million yen to 5 Outside Directors)	642 million yen to 18 directors (Including 66 million yen to 7 Outside Directors)	806 million yen to 17 directors (Including 69 million yen to 7 Outside Directors)	765 million yen to 19 directors (Including 79 million yen to 6 Outside Directors)
Remuneration of auditors	118 million yen to 7 auditors (Including 36 million yen to 5 Outside Auditors)	105 million yen to 9 auditors (Including 33 million yen to 6 Outside Auditors)	107 million yen to 5 auditors (Including 35 million yen to 3 Outside Auditors)	114 million yen to 5 auditors (Including 38 million yen to 3 Outside Auditors)	121 million yen to 5 auditors (Including 42 million yen to 3 Outside Auditors)

*1 Amount of remuneration of directors and auditors in the 68th business report
*2 Amount of remuneration of directors and auditors in the 69th business report
*3 Amount of remuneration of directors and auditors in the 70th business report
*4 Total amount of remuneration of directors and auditors in the 71st business report
*5 Total amount of remuneration of directors and auditors in the 72nd business report

These policies, remuneration calculation methods, remuneration amounts for each individual and other matters are discussed by the Nomination & Remuneration Committee, composed of a majority of independent Outside Directors, after which the final decision is made by the Board of Directors. The Nomination & Remuneration Committee is charged by the Board of Directors with determining the amounts of fixed remuneration and performance-based remuneration to be received by each individual.

Strategic Shareholding

The Company's strategic shareholding policy seeks to strengthen the cooperative relationship between current and future business partners and allies in order to benefit from and expand the synergy between our business and the operations of these companies. We comprehensively consider the potential of future business partners and allies in order to verify the appropriateness of any shareholdings, and reduce strategic shareholdings which are not profitable to the Company. In addition, the Board of Directors verifies the appropriateness of each strategic shareholding based on whether or not it makes sense given capital costs and shareholding purpose. The Company exercises voting rights arising from strategic shareholding through a decision-making process after considering whether voting yea or nay will contribute to improving corporate value.

Group Governance Initiatives

In principle, we dispatch our executives and employees to subsidiary companies to serve as officers and ensure that business operations are carried out in a proper, efficient manner. Our Affiliated Company Management Rules and Overseas Office Management Rules stipulate matters such as requests for advanced approval and reporting from subsidiary and affiliated companies. These companies are also audited by the Company's Internal Audit Department (Auditing Department). Our Medium-term Management Plan secures appropriate operations across the entire Group by setting out Group-wide targets and management strategies, creating a support system through the establishment of a subsidiary management department within the Company, and implementing training courses for subsidiary companies. In addition to these measures, our Risk Management Rules stipulate how the entire Group should respond to a sudden crisis.

Sustainability Governance

Based on a recognition that responding to sustainability issues is an important management issue not only for society but also for the sustainability of the Company, Yakult established the CSR Promotion Committee and is working to resolve a variety of environmental and social issues surrounding the entire Yakult Group.

Sustainability Governance

Our CSR Promotion Committee considers a wide range of management issues from the perspectives of the Yakult Group's corporate social responsibility and sustainability. The Committee focuses discussion on policies and action plans that address environmental and social issues. Meeting results are reported to the President for appropriate guidance. Among the deliberated topics, committee procedures stipulate that the Management Policy Council, the Executive Officers Committee and the Board of Directors must be informed and consulted regarding important CSR matters relating to management policy.

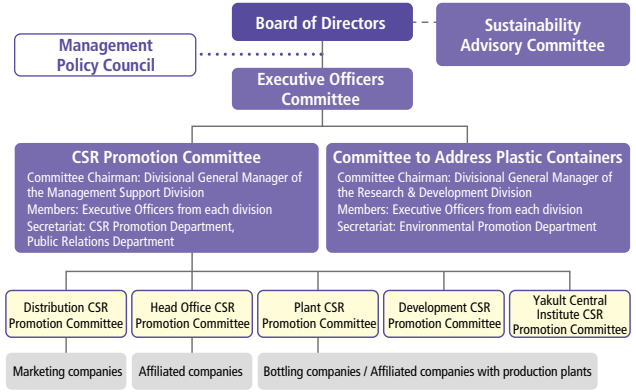
Additionally, our Committee to Address Plastic Containers shares information on and discusses global trends and policies around plastic regulation as well as initiatives in individual departments and the current status of their exploratory work. The Committee to Address Plastic Containers is chaired by the Divisional General Manager of the Research & Development Division and made up of executive officers from each relevant department.

In fiscal 2024, we also established a Sustainability Advisory Committee as an advisory body to the Board of Directors. The committee deliberates on basic sustainability strategy, measures and responses in the context of our efforts to resolve environmental and social problems, and reports its findings to the Board of Directors.

● CSR Promotion Committee agenda items

Event	Agenda item	
June 7, 2023 (1st mtg.)	(1) Yakult Sustainability Report 2023 contents (2) Human rights due diligence progress update (3) Fiscal 2023 CSR procurement promotion	[Other report items] (1) GHG emissions calculations status and waste reduction initiatives
Sep. 5, 2023 (2nd mtg.)	(1) Promotion of human rights due diligence (2) CSR procurement promotion (3) Responding to TCFD recommendations	[Other report items] (1) Corporate Sustainability Reporting Directive (CSRD) in Europe (2) Calculation status of GHG emissions
Oct. 18, 2023 (3rd mtg.)	(1) Responding to TCFD recommendations	[Other report items] (1) Promotion of human rights due diligence
Jan. 31, 2024 (4th mtg.)	(1) Fiscal 2024 CSR action target proposals (2) Human rights due diligence promotion	[Other report items] (1) Calculation results of Yakult Group Scope 3 emissions (2) Internal carbon pricing implementation status (3) Fiscal 2024 CSR Promotion Committee schedule

● Sustainability governance structure



CSR Promotion Committee

The CSR Promotion Committee focuses discussion on policies and action plans that address environmental and social issues, and promotes efforts to resolve them.

The CSR Promotion Committee holds meetings approximately four times per year to discuss various sustainability-related measures and policies, including climate change issues, and to manage progress. In fiscal 2023, the committee discussed the process of identifying salient human rights issues, which is relevant to the promotion of human rights due diligence, and what to disclose based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also considered the progress and results of the CSR Action Plan and deliberated on how to approach CSR Procurement Policy briefings for suppliers in the context of sustainable procurement promotion.

The head of the CSR Promotion Committee, a director and senior managing executive officer, also approves the items covered in our sustainability report.

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

Board of Directors and Audit & Supervisory Board Members (As of June 19, 2024)

Hiroshi Narita
President and Representative Director,
President and Executive Officer

Apr. 1974: Joined Yakult
June 2007: Director, Yakult
June 2010: Managing Director, Yakult
June 2011: Managing Executive Officer, Yakult
June 2012: Director and Managing Executive Officer, Yakult
June 2015: Director and Senior Managing Executive Officer, Yakult
June 2021: President and Representative Director and President and Executive Officer, Yakult (to date)

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

Apr. 1979: Joined Yakult
June 2012: Executive Officer, Yakult
June 2017: Managing Executive Officer, Yakult
June 2021: Director and Managing Executive Officer, Yakult
Apr. 2023: Director and Senior Managing Executive Officer, Yakult (to date)

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

Apr. 1980: Joined Yakult
June 2014: Executive Officer, Yakult
June 2019: Managing Executive Officer, Yakult
June 2023: Director and Managing Executive Officer, Yakult
Apr. 2024: Director and Senior Managing Executive Officer, Yakult (to date)

Hideaki Hoshiko
Director and Senior Managing Executive Officer
Divisional General Manager of Administrative Division

Apr. 1981: Joined Yakult
June 2014: Executive Officer, Yakult
June 2019: Managing Executive Officer, Yakult
June 2023: Director and Managing Executive Officer, Yakult
Apr. 2024: Director and Senior Managing Executive Officer, Yakult (to date)

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

Apr. 1984: Joined Yakult
June 2016: Executive Officer, Yakult
June 2022: Managing Executive Officer, Yakult
June 2023: Director and Managing Executive Officer, Yakult (to date)

Yasuyuki Suzuki
Director and Managing Executive Officer
Divisional General Manager of Production Division

Apr. 1979: Joined Yakult
June 2015: Executive Officer, Yakult
June 2021: Managing Executive Officer, Yakult
June 2024: Director and Managing Executive Officer, Yakult (to date)

Shuichi Watanabe
Director and Managing Executive Officer
Divisional General Manager of Pharmaceutical Business Division

Apr. 1980: Joined Yakult
June 2015: Executive Officer, Yakult
June 2021: Managing Executive Officer, Yakult
June 2024: Director and Managing Executive Officer, Yakult (to date)

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

Apr. 1981: Joined Yakult
June 2016: Executive Officer, Yakult
June 2022: Managing Executive Officer, Yakult
June 2024: Director and Managing Executive Officer, Yakult (to date)

Naoko Tobe
Outside Director (Independent Director)

Apr. 1985: Registered as attorney with Dai-Ichi Tokyo Bar Association
Apr. 1989: Joined Fukasawa Law Offices (currently Fukasawa Sogo Law Offices)
Apr. 2002: Domestic relations conciliation commissioner, Tokyo Family Court (to date)
Sep. 2005: Legal counselor, Kiyose City Center for Gender Equality, Tokyo
Apr. 2012: Partner, Fukasawa Sogo Law Offices
June 2019: Director, Yakult (to date)
Apr. 2024: Representative, Fukasawa Sogo Law Offices (to date)

Katsuyoshi Shinbo
Outside Director (Independent Director)

Apr. 1984: Registered as attorney with Daini Tokyo Bar Association
Nov. 1999: Established Shinbo Law Office
June 2015: Outside Audit & Supervisory Committee Member, Sumitomo Mitsui Banking Corporation
June 2017: Outside Director, Sumitomo Mitsui Financial Group, Inc. (to date)
June 2017: Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. (to date)
June 2021: Director, Yakult (to date)

Yumiko Nagasawa
Outside Director (Independent Director)

Apr. 1984: Joined The Nikko Securities Co., Ltd. (currently SMBC Nikko Securities Inc.)
July 1998: Joined Citibank, N.A.
Dec. 2004: Established Foster Forum (Association for the Development of High Quality Financial Products)
June 2017: Director, Japan Industrial Association (to date)
June 2018: Facilitator, Foster Forum (Association for the Development of High Quality Financial Product) (to date)
June 2018: Representative Director and Vice Chairman, Nippon Association of Consumer Specialists (to date)
June 2018: Outside Director, The Yamaguchi Bank, Ltd.
Apr. 2020: Part-time lecturer, Ochanomizu University Graduate School (to date)
June 2020: Outside Director, Yamaguchi Financial Group, Inc.
June 2021: Director, Yakult (to date)
June 2021: Outside Director (Audit & Supervisory Committee Member), GL Sciences Inc. (to date)
June 2023: Outside Director (Audit & Supervisory Committee Member), Yamaguchi Financial Group, Inc. (to date)

Satoshi Akutsu

Outside Director (Independent Director)

May. 1998: Ph.D. in Business Administration at University of California, Berkeley
Dec. 1998: Assistant Professor, Faculty of Commerce and Management, Hitotsubashi University
June 2002: Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Apr. 2010: Visiting Professor, Collaborative Research Sector with National Institute of Informatics, Research Organization of Information and Systems
Apr. 2010: Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (currently Hitotsubashi University Business School, School of International Corporate Strategy) (to date)
Sep. 2013: Outside Director, Adastria Holdings Co., Ltd. (currently Adastria Co., Ltd.)
June 2017: Outside Director, Nojima Corporation
July 2021: Outside Director, Thinca Co., Ltd. (to date)
June 2022: Director, Yakult (to date)

Matthew Digby

Outside Director (Independent Director)

May 1973: B.A. at University of Notre Dame
June 1975: M.A. at Sophia University
May 1978: J.D. at Columbia Law School
Aug. 1979: Registered as a New York Attorney
June 1984: Registered as an Attorney in California
Sep. 2009: Registered foreign lawyer
Dec. 2009: Registered as attorney with Dai-Ichi Tokyo Bar Association
Jan. 2019: Senior Partner, Squire Patton Boggs (US) LLP (to date)
June 2023: Director, Yakult (to date)

Toshihiko Fukuzawa

Outside Director (Independent Director)

Apr. 1979: Joined The Dai-Ichi Kangyo Bank Ltd. (currently Mizuho Bank, Ltd.)
Mar. 2006: Operating Officer and General Manager, Corporate Planning Department, Mizuho Bank, Ltd.
Apr. 2008: Managing Executive Officer, Mizuho Bank, Ltd.
Apr. 2013: Deputy President and Representative Director, Mizuho Trust & Banking Co., Ltd.
June 2015: President and Representative Director, Yushu Tatemono KK (currently Yushu Corporation, Ltd.)
May 2016: Director, Aflac Incorporated
June 2018: President and Representative Director, Chuo Real Estate Co., Ltd. (currently Chuo-Nittochi Group Co., Ltd.)
Apr. 2020: Vice President and Representative Director, Chuo Nittochi Group Co., Ltd.
June 2022: Special Advisor, Chuo-Nittochi Group Co., Ltd. (to date)
June 2024: Director, Yakult (to date)

Manabu Naito

Director

Apr. 1983: Joined Dentsu Inc.
Apr. 1987: Joined Yakult
July 1989: Director, Yakult Mito Sales Co., Ltd.
Aug. 1995: Joined Dentsu Kyushu Inc.
July 2004: First Sales Bureau Manager, Dentsu Kyushu Inc.
May 2008: Senior Managing Director, Yakult Mito Sales Co., Ltd
May 2010: President, Yakult Mito Sales Co., Ltd. (to date)
June 2022: Director, Yakult (to date)

Hideyuki Kawana

Full-Time Audit & Supervisory Board Member

Apr. 1984: Joined Yakult
July 2014: General Manager, Legal Department, Yakult
June 2020: Full-Time Audit & Supervisory Board Member, Yakult (to date)

Emi Machida

Outside Audit & Supervisory Board Member (Independent Auditor)

Oct. 1986: Joined Tohmatsu Awoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)
Mar. 1990: Registered as certified public accountant
June 2004: Employee, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Aug. 2012: Established Machida Accounting Office
Apr. 2013: Part-Time Auditor, Deposit Insurance Corporation of Japan
July 2013: Part-Time Lecturer, Graduate School of International Social Sciences, Yokohama National University
June 2016: Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.
June 2020: Outside Director, The Nisshin OilliO Group, Ltd. (to date)
June 2020: Audit & Supervisory Board Member, Yakult (to date)

Kimikazu Okochi

Outside Audit & Supervisory Board Member (Independent Auditor)

Apr. 1981: Joined Tsumura & Co.
Apr. 2004: Deputy General Manager, Shanghai Tsumura Pharmaceuticals Co., Ltd.
Apr. 2010: Head of Accounting Department, Tsumura & Co.
Jun. 2017: Director (Full-Time Audit and Supervisory Committee Member), Tsumura & Co.
June 2024: Audit & Supervisory Board Member, Yakult (to date)

Satoko Kitamura

Outside Audit & Supervisory Board Member (Independent Auditor)

Apr. 1999: Registered as lawyer with Dai-Ichi Tokyo Bar Association
Aug. 2012: Partner, Hanzomon Sogo Law Office (to date)
Oct. 2018: Director, The Japanese Society of Insurance Science (to date)
Apr. 2019: Civil defense instructor, Legal Training and Research Institute. Supreme Court of Japan
July 2019: Outside Director, Sakurasaku Plus Co., Ltd. (to date)
May 2021: Outside Director, Careerlink Co., Ltd. (to date)
Apr. 2023: Executive Governor, Japan Federation of Bar Associations
Apr. 2023: Vice-President, Dai-Ichi Tokyo Bar Association
July 2023: Auditor, National Mutual Insurance Federation of Agricultural Cooperatives (to date)
June 2024: Audit & Supervisory Board Member, Yakult (to date)

Yoshiaki Onozuka

Audit & Supervisory Board Member

Apr. 1995: Joined The Daiwa Bank, Ltd. (currently Resona Bank, Ltd.)
Oct. 1997: Director, Yakult Osaka Tobu Sales Co., Ltd.
Apr. 2002: Senior Managing Director, Yakult Osaka Tobu Sales Co., Ltd.
May 2014: President and Representative Director, Yakult Osaka Tobu Sales Co., Ltd. (to date)
June 2024: Audit & Supervisory Board Member, Yakult (to date)

Compliance

Yakult believes that promoting healthy organizational management and fair business practices is extremely important for permanently realizing its corporate philosophy across the Group. Accordingly, Yakult strives to ensure thoroughgoing compliance in all of its business activities that it carries out around the world.

For details: Sustainability Report 2024 "Compliance" P113

Anti-Corruption Policy and Tax Policy

Yakult has formulated the Yakult Group Anti-Corruption Policy and Yakult Group Tax Policy based on the Yakult Ethical Principles and Code of Conduct, a Group-wide set of guidelines for compliance, on the premise of compliance with anti-corruption and tax-related laws and regulations, international rules, guidelines, and directives of the countries and regions where we undertake business.

Yakult pays taxes in each country and region where it undertakes business in accordance with the Yakult Group Tax Policy, and the Yakult Group's tax payments are regularly reported to the Board of Directors via the Director in charge of accounting. Additionally, we have established a system whereby the Director in charge of accounting reports to the Board of Directors on important tax matters and receives instructions. In fiscal 2023, the Group's corporate tax amounted to 22.5 billion yen on sales of 503 billion yen.

Yakult Group Anti-Corruption Policy Web
https://www.yakult.co.jp/english/csr/download/pdf/2022_anti-corruption_policy.pdf

Yakult Group Tax Policy Web
https://www.yakult.co.jp/english/csr/download/pdf/2022_tax_policy.pdf

Compliance Promotion System

Compliance Committee

We established the Compliance Committee, which is composed of independent outside experts and regularly meets with directors of Yakult Honsha to discuss such themes as the compliance promotion situation of each department.

During fiscal 2023, in September we convened a meeting based on the theme of the status of our accounting and finance and the state of progress toward attaining the quantitative targets of our Medium-term Management Plan, and held a meeting in February regarding the status of compliance promotion measures.

Internal reporting system

In Japan, we set up the Yakult Compliance Hotline in 2006 as an internal reporting system for quickly discovering and correcting any violations of laws and internal rules during the execution of business. Additionally, since fiscal 2022 we have expanded the scope of this system so that it can also be used by marketing companies other than Group subsidiaries and through this system we accept reports, consultations and other feedback from directors and employees of applicable companies (including those who have stepped down or retired within the past year).

We have established internal and external (consulting law office) contacts to operate this hotline, and have ensured the protection of whistleblowers through Internal Reporting Regulations that assure the confidentiality of reported information and prohibit the adverse treatment of whistleblowers. Regarding awareness of the internal reporting system within the Company, the most recent result (FY2023) was 90.6%.

In Group companies outside Japan, we have established internal reporting systems at 14 business sites.

● Use of internal reporting system in the last five years (Yakult Honsha)

Fiscal year	2019	2020	2021	2022	2023
Number of uses	9	9	16	14	24

Compliance awareness activities

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

In our "compliance training," we provide level-specific compliance training for groups of employees from directors and managers to newly hired employees, such as legal workshops for directors (including the President). We also distribute the Compliance Guidebook, an educational resource that explains compliance fundamentals, throughout the Group.

● Compliance training and information security training

Fiscal year	2019	2020	2021	2022	2023
Compliance training events	32	24	26	18	33
Information security training events (e-learning recipients)	1 (2,221)	1 (2,610)	1 (2,512)	1 (2,447)	1 (2,725)

Risk Management

Attaining sustainable corporate growth depends on analyzing risks that affect business activities and on taking appropriate measures. Among increasingly complex risks, Yakult identifies significant risks and works to manage and report these to stakeholders.

For details: Sustainability Report 2024 "Risk Management" P111

Risk Management System

Risk Management Committee

Along with cross-organizational risk auditing, we have established a Risk Management Committee chaired by the most relevant director given the details of the risk currently being addressed. Other Risk Management Committee members are Executive Directors, and the committee works to prevent risk occurrence.

Risk identification

The management level takes control of risk identification, discusses the various risks as necessary at each meeting (with important matters brought to the Board of Directors and the Management Policy Council, formed of directors and auditors) and deals with them accordingly. We then disclose information to shareholders and other stakeholders in our annual securities report.

Currently, we have identified 19 risks related to environmental issue response, disasters, brand defamation, intellectual property rights, lawsuits, compliance, mergers and acquisitions, financial exchange, information systems, management strategy impact, infectious disease outbreak, ocean plastic waste, reliance on Yakult series and the competitive environment, among other issues.

Scope of risks

The scope of risk evaluation goes beyond direct operation of Yakult to include raw materials, suppliers and consumers that form both our upstream and downstream value chain. Cross-organizational risk auditing and Group response are handled mainly by the General Affairs Department, while each department handles risk management related to its own operations. To further promote compliance in each department, business site and Group company, we hold an annual meeting with compliance personnel to provide and share important information on compliance activities.

Business Risks Web
https://www.yakult.co.jp/english/ir/management/risk.html

Materiality Initiatives | Supply Chain Management

Supply Chain Management That Puts "in order for people to be healthy, everything around them must also be healthy" into Practice

For details: Sustainability Report 2024 "Supply chain management" P64

Yakult's approach

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

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

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

Risks and opportunities

▶ Risks

- Human rights violations (e.g., forced labor, child labor) at business partners (suppliers) could lead to less trust in the Group
- Unfair discrimination against business partners or corruption with business partners could lead to less trust in the Group
- Inadequate BCP could cause an interruption in business
- Stricter environmental regulations, depletion of water resources and destruction of biodiversity could cause an interruption in business

▶ Opportunities

- Promotion of sustainable procurement could lead to improved social trust in the Group
- Cooperation with business partners (suppliers) could lead to stable supply and improved productivity
- Safe and pleasant working environments could lead to increased productivity
- Saving energy, using water more efficiently and reducing waste could lead to improved cost competitiveness

Challenges and solutions

The Yakult Group has identified supply chain management as materiality and is promoting sustainable procurement while also formulating a human rights policy and undertaking initiatives for human rights due diligence. Additionally, we are strengthening our system for promoting sustainable procurement and promoting awareness and education for Group employees for resolving issues.

In fiscal 2022, we formulated the Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing. The entire Yakult Group is aligned in its pursuit of responsible procurement of forest risk commodities.

CSR Procurement Policy and Supplier CSR Guidelines

The Yakult Group promotes sustainable procurement throughout the supply chain in collaboration with our business partners according to the Yakult Group CSR Procurement Policy. Additionally, based on the CSR Procurement Policy, the Yakult Group Supplier CSR Guidelines were formulated in order to effectively promote sustainable procurement.

To ensure compliance with these guidelines, we explain the details of these guidelines at CSR Procurement Policy Briefings for suppliers. Furthermore, we confirm the status of initiatives regarding the requests outlined in these guidelines through surveys and other means and take steps to make improvements when problems are identified.

Yakult Group Supplier CSR Guidelines Web
https://www.yakult.co.jp/english/csr/policy/pdf/supplier_csr_guidelines.pdf

An explanatory video about Yakult's efforts for "sustainable procurement." Web
https://youtu.be/iMtHUkeUVSo

Strengthen supply chain management through Sedex sustainable procurement questionnaires

In June 2022, Yakult Honsha became a buyer member of Sedex, a membership organization that provides an international data sharing platform aimed at responsible procurement. We have requested that suppliers join Sedex to share information such as by answering a globally shared Self-Assessment Questionnaire (SAQ). We then use suppliers' SAQ responses to assess potential supply chain risks in a variety of areas, particularly the human rights issues of child labor and forced labor, occupational health and safety, business ethics and environmental themes. Risk assessment based on SAQ results helps us prioritize initiatives and set improvement targets to promote risk reduction.

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

Sedex Member

Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing

The Yakult Group has established a Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing, which aims to eliminate deforestation from the supply chain. We have identified raw materials associated with the risk of deforestation in our supply chain and are committed to promoting sustainable procurement of these materials, setting out our basic policy, initiatives and targets.

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

Commodities	Target fiscal year	Quantitative targets
Pulp and paper	2025	100% of the pulp and paper procured for paper containers and packaging to be switched to internationally certified materials such as FSC®*1 or recycled paper
Palm oil	2025	100% of palm oil procured to be switched to RSPO*2 -certified products (MB*3 and above)
	2030	100% traceability of palm oil procured as a primary raw material back to the agricultural origin of its production
Soybeans	2030	100% traceability of soybeans procured as a primary raw material back to the agricultural origin of its production
Dairy products	2030	100% traceability of dairy products (e.g., skim milk powder) back to the source, such as the dairy farmer, in collaboration with suppliers

*1 FSC® stands for Forest Stewardship Council®, an international, non-governmental organization dedicated to promoting responsible management of the world's forests.
*2 RSPO stands for Roundtable on Sustainable Palm Oil, a non-profit organization made up of seven stakeholders in palm oil, with an international certification system for sustainable palm oil.
*3 MB stands for Mass Balance, a model of RSPO Certified Sustainable Palm Oil from certified sources that is mixed with ordinary palm oil throughout the supply chain.

An explanatory video for Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing Web
https://youtu.be/ShNosLj5ISo

Human Rights

To respect the human rights of all people involved in our business processes and value chain, the Yakult Group has formulated the Yakult Group Human Rights Policy and is building a system for human rights due diligence. We are working to give consideration to human rights in every aspect of our business activities.

For details: Sustainability Report 2024 "Human Rights" P89

Human Rights Policy and Yakult Group Human Rights Policy Guidelines

In April 2021 we established the Yakult Group Human Rights Policy after deliberation and approval by the Board of Directors. The Policy clearly states that we shall promote human rights based on the framework of the United Nations Guiding Principles on Business and Human Rights (referred to below as the "Guiding Principles"), which is the global standard for human rights. Using that framework, we will continue to develop and implement mechanisms for human rights due diligence.

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

Yakult Group Human Rights Policy Guidelines Web

https://www.yakult.co.jp/english/sustainability/social/human_rights/index.html#humanRightsPolicy

Human rights due diligence

The Yakult Group aims to build a responsible value chain where preventive approaches ensure that all human rights are respected. In fiscal 2021, we established the Human Rights Due Diligence Review Meeting (renamed the Human Rights Due Diligence Promotion Meeting from fiscal 2022). The meeting identifies important human rights issues within the Group while formulating a medium- to- long-term roadmap and annual action plans for the specific promotion of human rights due diligence.

Raising awareness of respect for human rights

We designated December, the month of Human Rights Day (December 10), as Business and Human Rights Awareness month and conducted awareness exercises for Yakult Group workers.

In fiscal 2023, in order to improve our employees' understanding of the need for human rights initiatives and cultivate a sensitivity to human rights as they go about their duties, we had them watch a video and respond to a questionnaire. For each person responding to the questionnaire, the Company donated 100 yen to the Japan Committee for UNICEF. We received 18,802 responses and made a donation of 1,880,200 yen.

● Human rights due diligence initiatives implemented in fiscal 2023 (excerpt from action plan)

- Performed Sedex SAQ analysis (for domestic plants and overseas offices) on Company website
- Analyzed sustainable procurement survey (for domestic and overseas suppliers)
- Held face-to-face interviews with business partners (three companies)
- Took measures to assess implementation of and improve compliance survey for Group employees
- Implemented educational programs (on inappropriate questions, etc.) for employees who conduct hiring interviews for Yakult Honsha
- Performed audit of human rights-related items (working hours, occupational health and safety, etc.) and reported results to Executive Officers Committee
- Established clear understanding of personal information leaks at the Yakult Group and took countermeasures accordingly
- Pursued other initiatives

● The Yakult Group's roadmap for human rights due diligence

Goal Realizing a responsible value chain in which all human rights are respected

2024
- Explore ways to identify and address salient human rights issues for the Group
- Consider establishment of grievance mechanisms accessible within the Group as well as to business partners

2025
- Implement measures to address salient human rights issues for the Group
- Establish grievance mechanisms accessible within the Group as well as to business partners

From 2026 onward
- Continue measures to address salient human rights issues for the Group
- Review establishment and use of human rights due diligence systems
- Expand grievance mechanisms accessible within the Group as well as to business partners

Assess actual human rights risks within the Group

Improve and strengthen stakeholder dialogue

Strengthen information disclosure

Training on human rights

Training on human rights is given as needed, such as when a new recruit joins the Company, and job-level-specific training programs also serve to foster understanding of the Company's commitment to respecting human rights. The training includes a lecture on basic knowledge concerning human rights and harassment, and seeks to deepen understanding of the risks involved in inadvertently violating a person's human rights, which includes discrimination and prejudice arising from common assumptions. We pay particular attention to ensure that individuals become neither a perpetrator nor a victim.

Chapter 6 Performance / Corporate Information

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11 Years of Financial and Non-Financial Data

Financial Data

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Number of bottles of dairy products sold worldwide	million bottles	32.366	33.982	35.395	37.371	39.517	40.676	41.113	40.148	41.432	42.544	**39.412**
Fiscal years												
Net sales	millions of yen	350,322	367,980	390,412	378,307	401,569	407,017	406,004	385,706	415,116	483,071	**503,079**
Gross profit	millions of yen	193,990	202,990	218,801	214,335	229,930	235,910	234,625	226,821	248,416	288,477	**299,913**
Operating profit	millions of yen	32,026	34,898	40,057	37,281	43,463	45,846	45,675	43,694	53,202	66,068	**63,399**
Ordinary profit	millions of yen	39,535	45,608	50,629	49,370	53,054	57,121	58,478	57,601	68,549	77,970	**79,300**
Net profit attributable to owners of parent	millions of yen	22,543	25,056	28,843	30,154	34,064	34,935	39,735	39,267	44,917	50,641	**51,006**
Research and development expenses	millions of yen	11,165	12,134	12,677	10,549	10,207	10,563	8,968	8,487	8,655	9,381	**9,095**
Capital investments	millions of yen	50,163	40,370	27,402	23,365	23,304	29,505	20,631	23,638	26,092	32,579	**56,232**
Depreciation and amortization	millions of yen	20,077	22,793	24,364	22,660	21,532	21,237	22,324	22,113	23,769	25,333	**27,841**
Cash flows from operating activities	millions of yen	48,579	55,407	62,149	59,998	61,989	62,125	62,791	55,820	73,390	86,513	**70,702**
Free cash flows	millions of yen	(1,366)	5,340	24,711	15,012	31,704	25,112	46,730	36,196	61,515	67,489	**26,795**
Fiscal year-ends												
Total assets	millions of yen	519,570	579,344	577,534	585,741	627,031	618,532	627,871	635,102	672,855	749,419	**833,286**
Current assets	millions of yen	211,276	225,959	221,629	228,795	245,281	247,637	265,806	266,800	300,398	354,195	**372,161**
Non-current assets	millions of yen	308,294	353,384	355,904	356,945	381,749	370,895	362,064	368,301	372,456	395,224	**461,125**
Total liabilities	millions of yen	211,537	217,131	212,069	208,860	240,357	226,253	215,788	195,341	187,920	203,922	**227,340**
Total net assets	millions of yen	308,033	362,212	365,464	376,880	386,674	392,279	412,082	439,761	484,935	545,496	**605,946**
Stock related information												
Basic earnings per share	yen	67.22	75.79	87.27	91.20	103.51	108.95	124.02	122.43	140.18	162.09	**164.52**
Net assets per share	yen	831.19	983.07	1,003.87	1,038.64	1,097.16	1,114.90	1,165.29	1,261.91	1,406.31	1,597.55	**1,811.97**
Dividend per share	yen	12.00	12.50	25.00	16.00	17.00	22.00	23.00	26.00	36.00	45.00	**55.50**
Dividend payout ratio	%	17.9	16.5	28.6	17.5	16.4	20.2	18.5	21.2	25.7	27.8	**33.7**
Total payout ratio	%	164.0	16.5	28.7	17.6	122.0	20.2	18.6	21.3	51.1	64.3	**92.3**
Management indexes												
Operating profit margin	%	9.1	9.5	10.3	9.9	10.8	11.3	11.2	11.3	12.8	13.7	**12.6**
Return on equity (ROE)	%	8.4	8.4	8.8	8.9	9.8	9.8	10.9	10.1	10.6	10.7	**9.7**
Return on assets (ROA)	%	8.3	8.3	8.8	8.5	8.7	9.2	9.4	9.1	10.5	11.0	**10.0**
Equity to asset ratio	%	52.9	56.1	57.5	58.6	55.8	57.8	59.5	63.8	66.3	66.5	**65.9**

* The Company carried out a 2-for-1 stock split of shares of common stock on October 1, 2023. For this reason, the dividends are retrospectively presented in an amount that takes the impact of this stock split into account.

Non-Financial Information

	Unit	Scope of data	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Environmental													
CO_2 emissions	t	*1	68,390	69,125	69,518	69,394	69,346	76,329	73,867	386,529	602,843	843,128	**1,871,577**
Use of non-recyclable plastic containers and packaging	t	Yakult Honsha	—	—	—	—	—	14,785	14,720	14,765	15,643	18,341	**18,454**
Water consumption	1,000m³	*2	1,951	1,864	1,868	1,884	1,834	1,686	1,663	6,172	6,170	6,144	**5,906**
Social													
Number of employees (A+B)	persons	Yakult Honsha	2,996	2,913	2,872	2,860	2,848	2,876	2,882	2,874	2,836	2,765	**2,810**
Regular employees (A)	persons	Yakult Honsha	2,806	2,745	2,705	2,699	2,699	2,714	2,701	2,679	2,632	2,576	**2,623**
Male	persons	Yakult Honsha	2,181	2,125	2,079	2,071	2,057	2,049	2,012	1,968	1,921	1,874	**1,915**
Female	persons	Yakult Honsha	625	620	626	628	642	665	689	711	711	702	**708**
Full-time contract employees (B)	persons	Yakult Honsha	190	168	167	161	149	162	181	195	204	189	**187**
Male	persons	Yakult Honsha	161	143	150	144	132	125	141	152	159	143	**142**
Female	persons	Yakult Honsha	29	25	17	17	17	37	40	43	45	46	**45**
Consolidated employees	persons	*3	20,492	22,036	23,192	24,636	25,993	27,279	28,395	28,798	29,273	29,880	**29,627**
Number of Yakult Ladies (Japan)	persons	Domestic group company	38,899	37,597	36,536	35,594	34,888	33,848	32,665	32,847	32,680	32,709	**32,438**
(Overseas)	persons	Overseas group company	42,347	43,428	44,848	45,813	46,559	47,269	47,471	48,329	49,511	50,192	**50,309**
Number of Yakult Beauty Advisors (Japan)	persons	Domestic group company	—	5,580	5,066	4,890	4,751	4,598	4,190	4,126	3,837	3,575	**3,213**
Ratio of female managers (Japan)	%	Yakult Honsha	4.3	5.3	6.1	6.0	6.2	6.3	6.7	7.2	7.5	7.4	**10.6**
(Overseas)	%	Overseas group company	—	—	—	22.0	24.8	25.4	24.7	27.1	28.4	39.3	**32.2**
Ratio of non-Japanese manager (manager class or above)	%	Overseas group company	—	—	—	—	—	—	99.1	97.2	91.9	97.0	**98.5**
Dispatching lecturers Number of workshops	times	Domestic and overseas combined*4	—	—	—	—	43,533	45,040	55,721	18,643	12,700	28,997	**60,319**
Number of participants	persons	Domestic and overseas combined*4	—	—	—	—	2,551,208	3,447,460	4,151,861	1,346,060	1,069,396	1,928,597	**3,558,875**
Health-related lectures Number of workshops	times	Domestic and overseas combined*4	—	—	—	—	114,069	133,161	152,572	123,643	221,747	272,384	**318,879**
Number of participants	persons	Domestic and overseas combined*4	—	—	—	—	5,794,932	6,925,496	7,922,413	7,999,651	7,414,560	9,638,912	**10,574,013**
CSR procurement survey Number of companies	companies	*5	—	—	—	—	—	103	104	104	124	134	**143**
Ratio of average score 90% or high	companies	—	—	—	—	—	—	—	83.7	83.7	78.2	74.6	**74.1**
Rate of male employees taking parental leave*6	%	Yakult Honsha	2	2	5	10	8	9	19	15	86	95	**95**
Rate of female employees taking parental leave	%	Yakult Honsha	100	100	100	100	100	100	100	100	100	100	**100**
Rate of employees with disabilities	%	Yakult Honsha	1.98	1.99	2.20	2.11	2.00	2.15	2.22	2.27	2.59	2.54	**2.48**
Training time (total hours)	hours	Yakult Honsha	—	—	—	44,691.25	39,523.95	35,111.20	40,304.90	16,217.16	23,235.50	36,250.00	**56,380.75**
Training time (hours) per person	hours	Yakult Honsha	—	—	—	15.09	13.88	12.21	13.99	5.64	8.19	13.11	**20.06**
Training cost (yen) per person	yen	Yakult Honsha	—	—	—	22,560	18,702	19,035	21,274	12,900	18,756	41,144	**75,478**
Number of patents held	patents		—	—	—	—	—	—	Approx. 1,000	Approx. 1,000	Approx. 1,000	Approx. 1,000	**Approx. 1,000**
Governance													
Number of directors	persons	Yakult Honsha	15	15	15	15	15	15	15	15	15	15	**15**
Rate of Independent Outside Directors	%	Yakult Honsha	13.3	13.3	13.3	13.3	13.3	13.3	20.0	20.0	33.3	33.3	**40.0**
Rate of female directors	%	Yakult Honsha	0	0	0	0	0	6.6	6.6	6.6	13.3	13.3	**13.3**

*1 FY2013-2019: Total value of scope 1 and 2 for Yakult Honsha (plants and logistics divisions) and bottling companies
FY2020: Total value of scope 1, 2 and 3 for Yakult Honsha (including logistics divisions) and bottling companies
FY2021: Total value of scope 1, 2, and 3 for Yakult Honsha (including logistics divisions), bottling companies and scope 1 and 2 for overseas consolidated subsidiaries (plants)
FY2022: Total value of scope 1, 2, and 3 for Yakult Honsha (including logistics divisions) and bottling companies and scope 1 and 2 for domestic consolidated subsidiaries (sales companies, others) and overseas consolidated subsidiaries
FY2023: Scope 1, 2, and 3 for all Yakult Group consolidated companies (domestic and overseas)

*2 FY2013-2019: Total amount of water consumption at Yakult Honsha plant and bottling companies
FY2020-2023: Total amount of water consumption at Yakult Honsha plant, bottling companies, and overseas plants
*3 Domestic group and overseas group (consolidated companies only)
*4 Overseas: January to December
*5 Primary suppliers who meet the criteria (click here for the criteria)
*6 Number of male employees taking parental leave and divided by number of male employees whose spouse gave birth

Corporate Information (As of March 31, 2024)

Profile of Yakult Honsha

Corporate name:
Yakult Honsha Co., Ltd.

Founded:
April 9, 1955

Head office:
1-10-30, Kaigan, Minato-ku, Tokyo, Japan

Business sites:
1 research institute, 5 branches, 7 plants,
12 logistics centers,
2 pharmaceutical distribution centers

Paid-in capital:
31.118 billion yen

Number of employees:
2,810

Note: Including 350 seconded employees and 155 contract employees

Stock markets traded:
Prime Market in Tokyo Stock Exchange
(Code number: 2267)

Fiscal Year:
April 1 to March 31 of following year

General Meeting of Shareholders:
Ordinary general meeting of shareholders; Every year during June
Extraordinary general meeting of shareholders; As necessary
Shareholders register administrator;
Tokyo Securities Transfer Agent Co., Ltd.

Profile of Yakult Group

■ Japan

Marketing companies:
101 (including 17 consolidated subsidiaries)

Note: Excluding a subsidiary of Yakult Miyagi Chuo Sales Co., Ltd. and four subsidiaries of Yakult Tokai Co., Ltd.

Number of workers:
Marketing company employees: 12,846
(As of April1, 2024)

Yakult Ladies:	32,438
Yakult Beauty Advisors:	3,213

Bottling companies:
6 (Consolidated subsidiaries)

Affiliated companies, etc.:
12 companies and 4 associations

■ Overseas (As of December 31, 2023)

Companies:
28

Research center:
1

Number of workers:

Employees:	25,367
Yakult Ladies:	50,309

Marketing regions:
39 countries and regions

Marketing Companies in Japan: * Consolidated subsidiaries

Yakult Sapporo Sales Co., Ltd.
Yakult Minami Hokkaido Sales Co., Ltd.*
Yakult Tomakomai Sales Co., Ltd.
Yakult Iwamizawa Sales Co., Ltd.
Yakult Kushiro Sales Co., Ltd.
Yakult Obihiro Sales Co., Ltd.
Yakult Kitami Sales Co., Ltd.
Yakult Muroran Sales Co., Ltd.
Yakult Kita Hokkaido Co., Ltd.*
Yakult Aomori Sales Co., Ltd.
Yakult Iwate Sales Co., Ltd.
Yakult Miyako Sales Co., Ltd.
Yakult Akita Sales Co., Ltd.
Yakult Odate Sales Co., Ltd.
Yakult Yokote Sales Co., Ltd.
Yakult Yamagata Sales Co., Ltd.
Yakult Yonezawa Sales Co., Ltd.
Yakult Shonai Sales Co., Ltd.
Yakult Miyagi Chuo Sales Co., Ltd.*
(Yakult Miyagi Chuo Sales Co., Ltd. oversees the following company)
Yakult Ofunato Sales Co., Ltd.
Note: Yakult Ofunato Sales Co., Ltd. was integrated with Yakult Miyagi Chuo Sales Co., Ltd. on April 1, 2024.
Yakult Ishinomaki Sales Co., Ltd.
Yakult Fukushima Sales Co., Ltd.
Yakult Koriyama Sales Co., Ltd.
Yakult Aizu Sales Co., Ltd.
Yakult Iwaki Sales Co., Ltd.
Yakult Mito Sales Co., Ltd.
Yakult Koga Sales Co., Ltd.
Yakult Utsunomiya Sales Co., Ltd.
Yakult Ryomo Sales Co., Ltd.
Yakult Gunma Sales Co., Ltd.
Yakult Higashi Shizuoka Sales Co., Ltd.
Yakult Chuo Shizuoka Sales Co., Ltd.
Yakult Nishi Shizuoka Sales Co., Ltd.
Yakult Yamanashi Sales Co., Ltd.
Yakult Nanshin Sales Co., Ltd.
Yakult Hokushin Sales Co., Ltd.*
Yakult Niigata Chuo Sales Co., Ltd.*
Yakult Shibata Sales Co., Ltd.
Yakult Joetsu Sales Co., Ltd.
Yakult Saitama Sales Co., Ltd.
Yakult Saitama Tobu Sales Co., Ltd.
Yakult Kazo Sales Co., Ltd.
Yakult Saitama Nishi Sales Co., Ltd.*
Yakult Saitama Hokubu Sales Co., Ltd.
Yakult Chiba Ken Sales Co., Ltd.*
Yakult Johoku Sales Co., Ltd.
Yakult Katsushika Sales Co., Ltd.
Yakult Seito Sales Co., Ltd.
Yakult Tokyo Sales Co., Ltd.*
Yakult Kanagawa Chuo Sales Co., Ltd.
Yakult Kanagawa Tobu Sales Co., Ltd.
Yakult Shonan Sales Co., Ltd.*
Yakult Odawara Sales Co., Ltd.
Yakult Atsugi Sales Co., Ltd.
Yakult Tokai Co., Ltd.*
(Yakult Tokai Co., Ltd. oversees the following companies)
Yakult Nagoya Sales Co., Ltd.
Yakult Aichi Chuo Sales Co., Ltd.
Yakult Mie Sales Co., Ltd.
Yakult Gifu Sales Co., Ltd.
Yakult Higashi Mikawa Sales Co., Ltd.
Yakult Toyama Sales Co., Ltd.*
Yakult Hokuriku Co., Ltd.*
Yakult Nanao Sales Co., Ltd.
Yakult Keiji Sales Co., Ltd.
Yakult Kinki Chuo Sales Co., Ltd.*
Yakult Osaka Hokubu Sales Co., Ltd.
Yakult Sennari Sales Co., Ltd.
Yakult Sakai Sales Co., Ltd.
Yakult Osaka Tobu Sales Co., Ltd.
Yakult Minami Osaka Sales Co., Ltd.
Yakult Nara Sales Co., Ltd.
Yakult Wakayama Sales Co., Ltd.*
Yakult Kobe Sales Co., Ltd.
Yakult Hyogo Sales Co., Ltd.
Yakult Himeji Sales Co., Ltd.
Yakult Awaji Sales Co., Ltd.
Yakult Tottori Sales Co., Ltd.
Yakult Sanin Sales Co., Ltd.
Yakult Okayama Sales Co., Ltd.
Yakult Tsuyama Sales Co., Ltd.
Yakult Okayama Ken Seibu Sales Co., Ltd.
Yakult Sanyo Co., Ltd.*
Yakult Hiroshima Chuo Sales Co., Ltd.
Yakult Yamaguchi Ken Tobu Sales Co., Ltd.
Yakult Kagawa Sales Co., Ltd.
Yakult Tokushima Sales Co., Ltd.
Yakult Kochi Sales Co., Ltd.
Yakult Matsuyama Sales Co., Ltd.
Yakult Ehime Tobu Sales Co., Ltd.
Yakult Ehime Nanbu Sales Co., Ltd.
Yakult Kitakyushu Sales Co., Ltd.
Yakult Fukuoka Sales Co., Ltd.
Yakult Chuo Fukuoka Sales Co., Ltd.*
Yakult Kurume Sales Co., Ltd.
Yakult Oita Sales Co., Ltd.
Yakult Saga Ken Sales Co., Ltd.
Yakult Nagasaki Co., Ltd.
Yakult Sasebo Co., Ltd.
Yakult Goto Sales Co., Ltd.
Yakult Kumamoto Co., Ltd.
Yakult Miyazaki Sales Co., Ltd.
Yakult Miyakonojo Sales Co., Ltd.
Yakult Sendai Sales Co., Ltd.
Yakult Kagoshima Sales Co., Ltd.
Yakult Kagoshima Tobu Sales Co., Ltd.
Yakult Okinawa Co., Ltd.*

Overseas operations:
Yakult Taiwan Co., Ltd.
Hong Kong Yakult Co., Ltd.
Yakult (Thailand) Co., Ltd.
Korea Yakult (hy Co., Ltd.)
Yakult Philippines, Inc.
Yakult (Singapore) Pte., Ltd.
PT. Yakult Indonesia Persada
Yakult Australia Pty. Ltd.
Yakult (Malaysia) Sdn. Bhd.
Yakult Vietnam Co., Ltd.
Yakult Danone India Pvt. Ltd.
Yakult Middle East FZCO
Yakult Myanmar Co., Ltd.
Yakult (China) Corporation
Guangzhou Yakult Co., Ltd.
Shanghai 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.
Yakult Deutschland GmbH
Yakult Oesterreich GmbH
Yakult Italia S.r.l.

Overseas research and development site:
Yakult Honsha European Research Center for Microbiology VOF

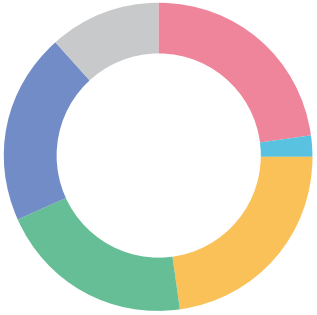
Stock Information (As of March 31, 2024)

Stock Information

Total Number of Authorized Shares:	1,300,000,000
Total Number of Issued Shares:	342,090,836
Number of Shareholders:	103,109

* According to a resolution of the Board of Directors held on July 28, 2023, the articles of incorporation was amended on October 1, 2023 due to a stock split, and the total number of authorized shares increased by 600,000,000 shares to 1,300,000,000 shares.

Composition of Shareholders (thousands of shares):



Japanese financial institutions:	78,560	22.96%
Japanese securities company:	7,342	2.15%
Other Japanese corporations:	78,225	22.87%
Foreign institutions and other:	70,144	20.50%
Japanese individuals and other:	68,868	20.13%
Treasury stock:	38,948	11.39%

Rating

Credit rating agency: Rating and Investment Information, Inc. (R&I)

Category: Issuer rating

Rating: AA–

Direction of rating: stably

Evaluation by Outside Parties

FTSE4Good

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

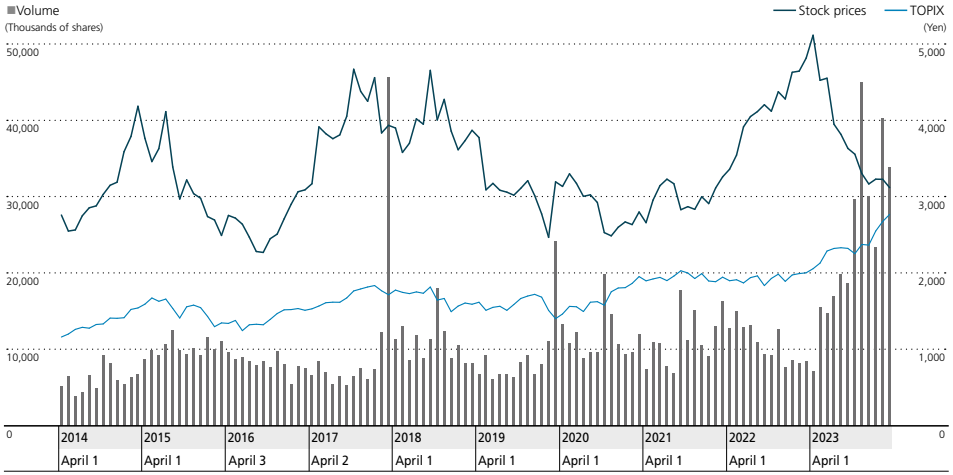
S&P/JPX Carbon Efficient Index

Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	39,768	11.63
Fuji Media Holdings, Inc.	12,984	3.80
Custody Bank of Japan, Ltd. (Trust account)	10,826	3.16
Mizuho Trust & Banking Co., Ltd. (Retirement benefit trust (Mizuho Bank Account))	9,914	2.90
Kyoshinkai	7,708	2.25
Matsusho Co., Ltd.	6,835	2.00
STATE STREET BANK WEST CLIENT - TREATY 505234	5,501	1.61
SSBTC CLIENT OMNIBUS ACCOUNT	5,000	1.46
JP MORGAN CHASE BANK 385781	3,787	1.11
NIPPON LIFE INSURANCE COMPANY	3,393	0.99

* Kyoshinkai is a shareholding association whose members are Yakult sales companies, which are our business partners. In addition to the above, the Company holds 38,948 thousand of its own shares.

Trends in stock prices and volumes



* The Company carried out a 2-for-1 stock split of shares of common stock on September 30, 2023 as the record date. For this reason, the stock price before the record date shows the amount after converting the effects of the stock split.

Yakult Honsha Co., Ltd.

1-10-30, Kaigan, Minato-ku, Tokyo, 105-8660 Japan

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URL: https://www.yakult.co.jp/english/

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