

Compliance

Compliance promotion system

■ Compliance Committee

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

In fiscal 2021, the committee met in September to discuss the status of accounts and finances as well as Yakult Group Global Vision 2030, and again in February to discuss the Yakult Group Environmental Vision.

■ Corporate Ethics Committee

Our Corporate Ethics Committee, established in 2002, is primarily composed of independent outside experts. This committee convenes regularly for checking on the implementation status of our corporate ethics activities (such as refusing to engage with organized crime groups). Through oversight by committee members, we work on ensuring sound management. In fiscal 2021, this committee held a meeting in November.

■ Compliance Promotion Team and compliance personnel

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

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

Anti-corruption

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

The Yakult Group operates in full compliance with the anti-corruption laws, regulations, guidelines and guidance applicable in the countries and regions in which we operate and has put in place our anti-corruption policy based on the Yakult Ethical Principles and Code of Conduct, a Group-wide set of guidelines for compliance. We comply with all internal rules relating to this policy and the Yakult Ethical Principles and Code of Conduct.

Yakult Group Anti-Corruption Policy

The Yakult Group observes the Yakult Group Anti-Corruption Policy, the basic policy stipulated based on the Yakult Ethical Principles and Code of Conduct, the Group's compliance rules, and related internal regulations on the premise of compliance with laws, regulations and guidelines regarding the prevention of corruption in the countries and regions where it conducts its business activities.

The Yakult Group Anti-Corruption Policy contains the following sections:

1. Purpose
2. Prohibition of corrupt practices
3. Record management
4. Establishment of corruption prevention mechanism
5. Response to violation

Established: March 30, 2021

Please refer to the following URL for the full text of the Yakult Group Anti-Corruption Policy:

[WEB https://www.yakult.co.jp/english/csr/download/pdf/2022_anti-corruption_policy.pdf](https://www.yakult.co.jp/english/csr/download/pdf/2022_anti-corruption_policy.pdf)

Anti-bribery rules

We prohibit, under the Yakult Ethical Principles and Code of Conduct, the offering or receiving of gifts or entertainment directly or indirectly to or from business partners or stakeholders in and outside Japan beyond the boundaries of common sense or social norms. In addition, individual companies both in and outside Japan have their own internal anti-bribery rules and comply with them in the course of business operations.

These anti-bribery rules prohibit employees from offering benefits to public officials or other personnel for the purpose of obtaining illicit gains from operations. Furthermore, the rules clearly set out the requirement that internal approval procedures are followed when offering benefits to public officials to the extent it is legal, and that any breach of these rules would be strictly punished in accordance with the rules of employment.

Internal reporting system

We set up the Yakult Compliance Hotline in 2006 as an internal reporting system for quickly discovering and correcting any violations of laws and internal rules during the execution of business. The system is intended for directors and employees (including contract employees and part-time workers) at Yakult Honsha, Group companies and associations. We have established internal and external (consulting law office) contacts to operate the 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.

In fiscal 2021, we revised our internal reporting system in response to revisions to two relevant acts, the Whistleblower Protection Act and the Labor Measures Comprehensive Promotion Act, increasing the system's effectiveness and enriching its operational side. We also urged our non-subsidiary marketing companies to establish and update internal reporting systems of their own.

Upon receipt of an internal report, the Compliance Promotion Team investigates the facts, and if the Team determines that there is an issue, the respondent and their superiors are ordered to correct it and take measures to prevent recurrence.

Employees are informed about this system during training for new employees and level-specific training. We also gather feedback from workers by regularly conducting compliance surveys.

Outside Japan, we have established internal reporting systems at Group companies in Guangzhou and the United States. At Yakult S.A. de C.V. (Mexico), reports are accepted from both inside and outside the company, including from customers and suppliers, and can be filed by email via a website. Depending on the content of the report, the reporter may be contacted by the Auditing Department for discussion or to confirm details, after which the matter is reported to the Internal Control Committee and swift action is taken.

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

Fiscal year	2017	2018	2019	2020	2021
Number of uses	6	3	3	5	8

Compliance awareness activities

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

Compliance awareness activities

Compliance training	We regularly organize level-specific compliance training programs for groups of employees from directors and managers to newly hired employees, such as legal workshops for directors (including the President). In fiscal 2021, in addition to regular compliance trainings, we performed feedback training (online) based on the compliance survey conducted on all 132 Yakult Group companies in Japan in the previous fiscal year. As a result, we held a total of 167 compliance trainings throughout the Group in fiscal 2021.
Compliance education materials	We distribute the Compliance Guidebook, an educational resource which covers compliance fundamentals, throughout the Group. In October 2021, as well as publishing a third edition of the guidebook, in order to address current laws and regulations and changes in the social environment, we also published a new Harassment Prevention Book with the goal of stamping out harassment, a challenge shared by the entire Group. We also promoted these materials in our quarterly compliance newsletter to boost awareness and penetration. In October 2021, we revised our Antimonopoly Act Compliance Manual in order to prevent violations of the Act in our business activities, and we are redoubling our efforts to raise awareness of this issue. We also distribute educational materials to raise awareness across the Group on refusing to engage with organized crime groups.
Compliance Month	In fiscal 2021, we designated February 2022 as Compliance Month and conducted various activities to raise compliance awareness among Group employees. Specifically, as well as working to raise awareness and promote understanding of the revised Compliance Guidebook and Harassment Prevention Book published in October 2021, we intensively promoted implementation activities throughout the month, having employees announce behavioral objectives to ensure that they would not perform acts of harassment.
Compliance surveys	We implement a compliance survey once every three years. In the latest survey in August 2020 we received about 16,000 responses from directors and employees (including contract employees, temporary staff and part-time workers) of 132 Yakult Group companies across Japan. The results of this survey were reported to the directors including the President, and to representatives of Group companies. We have also analyzed the survey results and are using them in planning our compliance program.

Ensuring compliance within the pharmaceutical business

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

Following the implementation of the Guidelines for Activities Providing Sales Information on Prescription Drugs established by the Ministry of Health, Labour and Welfare, we established a Sales Information Activities Supervisory Division in 2019 to check the appropriateness of promotional activities and prevent improper ones. We also set up a review and supervisory committee that includes outside experts to check on the status of activities and provide concrete advice for promoting compliance, with the aim of ensuring that the Sales Information Activities Supervisory Division carries out its tasks properly. In fiscal 2021, the committee met in June and December.

For employees involved in promotional activities, we regularly provide group trainings and e-learning to promote compliance with relevant laws, legal notices, fair competition codes and other regulations during promotional activities.

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

<https://www.yakult.co.jp/company/transparency.html> (Japanese)

Ensuring compliance within the cosmetics business

Employees who sell products to customers at their homes sit the Examination for Direct Selling Instructor annually to obtain the Certification of Training and Registration for the Direct Salesperson to prevent inappropriate activities.

At Yakult Honsha, we also comply with the Guidelines for Cosmetic Advertisements issued by the Japan Cosmetic Industry Association. We take part in workshops, which are held twice a year, and provide editorial oversight on materials produced by our marketing companies to ensure that no inappropriate advertisements are released.

Prohibition of illegal political contributions

When making political contributions as part of our corporate activities, we comply with the relevant laws and regulations such as the Political Funds Control Act, and undergo the proper approval process before contributing. Our expenditure on political contributions in fiscal 2021 was 3 million yen.

Transparency in taxation

■ Compliance with tax laws and fairness

The Yakult Group operates globally in accordance with our philosophy of contributing to the health and happiness of people around the world. To achieve this aim, it is important to run our organization on a sound footing and ensure that our business practice is fair and just.

In order to ensure full compliance with the taxation laws and regulations of the countries and regions in which we operate, international rules and the Yakult Ethical Principles and Code of Conduct, the Yakult Group has established the Yakult Group Tax Policy and complies with its tax obligations accordingly.

Yakult Group Tax Policy

The Yakult Group Tax Policy sets out the Group's policy on tax obligations in order to ensure compliance with taxation-related laws and regulations in the countries and regions where it conducts business activities, as well as with international rules and the Yakult Ethical Principles and Code of Conduct.

The Yakult Group Tax Policy contains the following sections:

1. Compliance
2. International frameworks
3. Transfer price
4. Minimizing taxation risk
5. Taxation plan and tax havens
6. Response to tax authorities

Established: March 30, 2021

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

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

■ Tax payment report to the Board of Directors

The Yakult Group's tax payments are periodically reported to the Board of Directors by the principal accounting officer. In addition, we have established a system that enables the principal accounting officer to report, and then receive instructions on significant tax payments from the Board of Directors.

In fiscal 2021, our corporate taxes were 14.9 billion yen against the Group's net sales of 415.1 billion yen