



Creating Beauty in a Sustainable World

For People

- A source of adaptable products and services
- Support for a beautiful, healthy and happy life
- Help create a world with true gender equality

For the Earth

- Use the theme of beauty to help solve environmental issues
- Environmental programs in areas where KOSÉ operates
- Lower the overall environmental impact of business operations

Sound corporate governance

Respect for human rights

Human resource development

Mind to Follow
the Right Path

Business operations with transparency and fairness

Only the safest, most reliable, high-quality products

Customer's perspective

Statement of Purpose

Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence.

Editorial Policy

This report aims to provide stakeholders with a deeper understanding of the KOSÉ Group's activities by presenting not only financial information, but also non-financial information including management policies, strategies and approaches behind the scenes. Please refer to our website for information related to IR and sustainability.

Forward-Looking Statements

This report contains forward-looking statements about KOSÉ Corporation's future plans, strategies, and performance that are not historical facts. Risks and uncertainties resulting from changes in the business environment may have a significant effect on actual business results. Please also note that we shall not be held responsible for any omissions or errors in data and content in this document.

KOSÉ's Value Creation

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As a signatory to the United Nations Global Compact, the KOSÉ Group is contributing to the achievement of the Sustainable Development Goals (SDGs).

Message from the President



We aim to be a company with a global presence and exceptional customer loyalty.

Since its founding in 1946, the KOSÉ Group's mission has been to give people dreams and hopes through beauty. In 1991, we codified this idea in our Statement of Purpose—"Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence"—under which we have continued to grow steadily to the present day. Moreover, our Corporate Message, which was announced at the same time and redefined in 2020 as "Creating Beauty in a Sustainable World," incorporates our strong determination to share all our wisdom related to beauty as a "company that creates beauty" in order to benefit people and our precious Earth.

The beauty we have in mind is the ability for us all to express ourselves as we are, freely and with confidence, and to be able to lead healthy, happy lives. We also recognize the importance of a society in which everyone recognizes each other's individuality and a global environment where we and future generations can continue to live with peace of mind.

Under its medium-to-long-term VISION 2026, the KOSÉ Group aims to evolve into a company with a global presence and exceptional customer loyalty. We are dedicated to being a source of beauty for everyone, and continue to take the lead in creating unique forms of value that we deliver through a wide range of original and attractive brands. In doing so, we aim to be the company of choice for as many stakeholders as possible. This also means that we will become a company that contributes to our precious Earth through our business activities. To make this stance clearer, we formulated the new KOSÉ Sustainability Plan in 2020. By linking the plan with VISION 2026 and incorporating sustainability in all our activities from the perspective of value creation, we will achieve both business growth and contribute to a sustainable society. You can expect more great things from the KOSÉ Group.

Kazutoshi Kobayashi
President & CEO

The Path of Value Creation

Beyond the Beauty

One by one, innovative, high-quality products have defined the path of value creation that KOSÉ has traveled in the 74 years since its foundation. We will continue to be swift in comprehending the changes in our world to create products with presence, delivering unique value and gaining the appreciation of all customers.

Creating Matchless Premium Cosmetics

1956

ALBION CO., LTD. established

From the moment of its founding, this company has continually sought the ultimate quality, fragrance and design in its premium brand, which arose from a firm commitment to premium cosmetics among development and sales staff, led at the time by Kozaburo Kobayashi. That commitment and ambition has been passed down to the KOSÉ Group of today.



ALBION, pursuing the finest premium cosmetics

Creating a True Prestige Brand

1970

COSME DECORTE launched

To be recognized by customers worldwide as a creator of true prestige brands, we pursue the highest quality in everything we do including products, communication and sales, as well as the best service. A prime example of this excellence is *COSME DECORTE*, which is favored by customers around the world due to KOSÉ's unique commitment to seeking the highest quality and sales methods that emphasize communication befitting a premium brand.



COSME DECORTE MOISTURE LIPOSOME, successfully commercialized after many years of research

Accelerating Globalization by Acquiring a North American Brand (Currently in 34 Countries and Regions)

2014

Tarte, Inc. became a subsidiary

In addition to cultivating our existing global brands, we are working to expand our global brand portfolio through measures including the acquisition of the Tarte brand of North America. We continue with efforts to provide the unique KOSÉ value that will raise our presence in the global market.



Tarte liquid foundation that can be selected to match skin tone



Accelerating globalization through rollouts in North America and Europe

2010s

Expanded overseas sales to Italy, North America, Brazil and France

2016

Began sales of *DECORTE* in North American department stores
Launched in Brazil

2018

KOSÉ's first concept store in Europe, Maison KOSÉ, opened in Paris

2019

Maison KOSÉ concept store opened in Ginza, Tokyo

1940s onward

The Creation of High-Quality Cosmetics

Since its founding, KOSÉ's legendary commitment to quality has led to numerous long-selling brands, such as *La bonne*.

1970s onward

The Launch of a Series of Original, Industry-Leading Products

Through numerous innovative products that have consistently anticipated changing times and customer needs, we have continued to define new concepts of beauty.

2000s onward

Diverse Groups of Brands to Meet a Variety of Needs

We create appealing groups of brands by developing cosmetics under the key words "intelligence" and "sensuousness." Our diverse brands have allowed us to meet a variety of customer needs regardless of the times.

2010s onward

Providing Value to Customers Worldwide

We provide value to customers worldwide as a global brand with origins in Japan. The KOSÉ Group offers "Beauty and emotion for the world through the radiance of each individual."

Brands with Long Histories and Numerous Long-Selling Items

1946

On March 2, 1946 Kozaburo Kobayashi founded KOBAYASHI UNLIMITED PARTNERSHIP in Oji, Kita-ku, Tokyo (established as KOBAYASHI KOSÉ COMPANY LIMITED in June 1948)

1975

Creation of the industry's first beauty serum, *ALPHARD R.C. LIQUID*, and new categories including liquid foundation for summer use, powder foundation and two-way foundation

1968

Start of sales in Hong Kong



First full-scale rollout overseas

Developing Effective, Results-Oriented Products That Meet Customer Needs

1985

Launch of SEKKISEI

KOSÉ has cultivated new markets by being the first to develop and sell effective, results-oriented products that meet diversifying customer needs as times change. We currently sell *SEKKISEI* and many other brands that drive these markets.



The *SEKKISEI* series, a customer favorite for over 30 years

Expanding into the Cosmetaries Business to Increase Points of Contact with Customers

1988

KOSÉ Cosmeport Corp. established

We also promote a range of self-selection brands, under which we sell products including toiletries such as shampoo in addition to cosmetics. These brands were developed using the same approach as we use for cosmetics, but are sold through a wide range of channels such as drugstores and mass retailers. By offering reasonably priced products that reflect customer feedback, we have expanded our customer base.



Practical products handled by KOSÉ Cosmeport Corp.

2005

Introduction of the *JILL STUART* brand in the Japanese cosmetics market

2009

Launch of the *ADDICTION* makeup brand

Value Creation Process

Toward the achievement of its medium-to-long-term VISION 2026, the KOSÉ Group is taking on the material issues of its newly formulated Sustainability Plan to establish an unrivaled presence by creating beauty while working to deliver unique value and gain the appreciation of customers worldwide.

Social Issues (Risks and Opportunities Recognized by KOSÉ)

People & Society

- Changes in the international economic balance
- Declining population and birthrate and aging population in Japan
- Interaction of populations through globalization
- Interaction of people with diverse backgrounds and features
- Blurring of industry boundaries
- Response to IoT and digitalization
- Expectations for Japanese quality
- Stronger oversight of corporate governance systems

and others

Environment

- Climate change (intensifying and more frequent abnormal weather)
- Marine plastic problem
- Depletion of natural resources
- Emerging water resource risks

and others

Strengths of the KOSÉ Group (Source of Value Creation)

Brands with Long Histories and Numerous Long-Selling Items

Unique Brand Marketing
▶ Pages 8-9

Research and Development
▶ Page 10

Commitment to Quality
▶ Page 11

A Management Base Unique to a Family-Owned Business

Our Current Position

Net Sales	Operating Margin	Overseas Sales Ratio	Number of Mainstay Brands	Available in
¥327.7 billion	12.3%	32.1%	38	34 countries and regions

Our Targeted Position (VISION 2026)

Net Sales	Operating Margin	Overseas Sales Ratio	E-Commerce/Travel Retail Sales Ratio	Euromonitor Premium Beauty and Personal Care Ranking
¥500 billion	16% or higher	50% or higher	25%	Within the top 8

Our Message

Creating Beauty in a Sustainable World

Our Medium-to-Long-Term Vision

VISION 2026

Evolving into a Company with a Global Presence

- A company with diverse brands and human resources that can succeed worldwide
- A company that constantly attracts more customers and is a place where people are proud to work
- A company that uses foresight for the constant creation of innovative value
- A company dedicated to being a source of beauty for everyone

What We Aim to Be

A company with exceptional customer loyalty

Admired
One of a kind
Irreplaceable

Phase III

Become a customer-driven company appreciated by people worldwide

Phase II Increase

KOSÉ's global presence and improve the customer experience

Phase I Upgrade global

brands and reinforce points of customer contact

KOSÉ Group

Sustainability Plan

▶ Pages 26-29

Strengths of the KOSÉ Group

Brands with Long Histories and Numerous Long-Selling Items



A Management Base Unique to a Family-Owned Business

Unique Brand Marketing

Features

- Brand development from a long-term perspective
- Sales channels designed according to customer characteristics

Foundation

- A management base that balances fulfillment of social responsibilities as a listed company with the long-term perspective and flexible responsiveness of a family-owned business

Research and Development

Features

- An organizational culture that generates ideas unfettered by conventional wisdom or assumptions
- Product creation and manufacturing from a holistic perspective

Foundation

- A system that allows proposals from anyone, regardless of job position
- Employee development that emphasizes accumulating diverse experience rather than specializing

Commitment to Quality

Features

- High standards of quality control
- System for prompt response to customer feedback

Foundation

- Commitment to quality assurance cultivated since the Company's founding
- Collaboration between development and production departments

Unique Brand Marketing Stable Management Enables a Long-Term Perspective



Masanori Kobayashi

Executive Director
Marketing Head

▶ Brand Power Backed by History and a Long-Term Perspective Unique to a Family-Owned Business

The KOSÉ Group's unique brand marketing originated in our founder's ambition and a sense of responsibility toward cosmetics that remains with us today.

After the Second World War, our founder Kozaburo Kobayashi aspired to manufacture and sell cosmetics that offer people dreams and hope. As a manager, he was committed to consistently providing high-quality cosmetics and aimed for constant improvement by dealing with customers with passion and an uncompromising attitude toward quality. This ambition and sense of responsibility toward cosmetics have been passed down since the Company's founding, becoming the template for the unique brand marketing that we practice today. For highly individual KOSÉ Group brands such as *DECORTÉ*, *SEKKISEI* and *ALBION*, we continue to deal forthrightly with customers to further refine their brand power, even half a century after the Company's founding. Using a customer feedback cycle for improvement, we have established brands that customers choose and continue to loyally follow. This is a strength of today's KOSÉ Group.

To maintain customer loyalty and to adapt to their diverse needs, we also make particular use of KOSÉ's unique qualities in our brand portfolio strategy. From regular purchasers to new customers, we meet a variety of needs with a portfolio that includes brands that display the KOSÉ name on the label to convey safety and security, as well as a variety of highly original brands that would appear to be completely unrelated to KOSÉ. Moreover, sales channels for each brand are meticulously configured according to customer tastes and styles, and we conduct channel marketing tailored to the respective market characteristics in Japan, elsewhere in Asia, North America, Europe and other regions.

In addition to this long-term perspective in brand development and our unique research and development capabilities (see page 10), our flexibility with regard to changes in the business environment comes from the agility that only a family-owned business can achieve. Moreover, as a publicly traded corporation with social responsibilities, KOSÉ has the business base and attributes that enable it to simultaneously improve both its economic and social value as it works to fulfill its social responsibilities.

▶ Embodying an Approach of "Creating Beauty in a Sustainable World"

To embody KOSÉ's corporate message of "Creating Beauty in a Sustainable World," we will continue to conduct brand marketing based on the key concepts of sustainability, globalization and digital technology.

Sustainability involves various ongoing activities for improvement of the global environment in which we live and from which we benefit. Globalization entails not simply

increasing earnings outside Japan, but providing products to be appreciated and enjoyed by customers worldwide, regardless of factors such as values, race, religion or gender. As for the use of digital technology, we made efforts early on, such as developing our business for the online market in China and our acquisition of Tarte, Inc., which has had success with marketing using social media in the United States. To take on the challenge of new growth areas, we have recently been conducting research and development using quantum computing and joint development of a nail printer with a major manufacturer of electronic appliances.

The nail printer is being demonstrated at Maison KOSÉ, which opened in December 2019. This concept store merges the digital world and real in-store experiences under the theme "Find Your Own Beauty." The store employs our customer-

centric "One KOSÉ" marketing approach, featuring the full lineup of KOSÉ brands to offer various experiences related to makeup and beauty as well as services that meet individual needs using the latest digital devices. We intend to continue to create environments in which we can consistently provide delight and enjoyment.



Maison KOSÉ concept store in Ginza, Tokyo



Case 01

Creating Value with the High-Prestige *DECORTÉ* Brand

Overseas Expansion under a Borderless Marketing Strategy

DECORTÉ, a long-selling brand launched 51 years ago, established sales channels overseas starting in Taiwan in 1997, and then entered China in 2009. To expand our market in China, we have adopted a borderless marketing strategy that views the inbound market (visitors to Japan from overseas), travel retail sales in all countries and regions in Asia and all the regions of China as a single market, and conduct cross-border promotions both online and offline.

In Japan, we are focusing on letting visitors from overseas experience the value of the high-prestige *DECORTÉ* brand. To do so, in each store we have set up a dedicated counter that conveys the brand's image and where we can conduct our unique counseling-based sales. In China, we have set up similar counters in high-end department stores and other outlets, gaining strong support from affluent customers for our counseling approach. Lately, overseas customers visiting Japan and customers in China with first-hand experience of *DECORTÉ*'s brand value have been communicating on social media, which has raised the brand's reputation. As a result, both recognition and sales have increased in China on online retail sites as well as at physical stores. We have therefore been expanding sales by adopting methods unique to *DECORTÉ* for a store that we opened in 2018 on Tmall.com, one of China's largest online retail sites, and through digital counseling using a video chat app. Based on this example of *DECORTÉ*'s successful overseas rollout, we will use online sites to raise brand recognition and develop strategic brand communication that integrates online and offline experiences.

Research and Development

Creating Value from a Holistic Perspective



Akinobu Hayashi

Executive Officer
Institute Director

Expertise and Versatility Enrich KOSÉ's Uniqueness

KOSÉ's strength in research and development lies in the development processes it has been cultivating for many years. A lengthy research period is required to get a product to the market, involving researchers with various specializations. By respecting each other not just in terms of expertise, but as people, researchers seek the best, most suitable outcome from the viewpoint of users, thus enabling them to create value from a holistic perspective. In particular, KOSÉ has a unique focus on texture, which is the most important element of cosmetics. All staff involved in evaluation and formulation work as one, repeating each task until everyone is satisfied. We take pride in this process, which is conducted at a level unrivaled by our peers.

The foundation supporting this strength is our excellent research team. KOSÉ's traditional culture and organization, which nurture superior researchers, have been passed down since the Company's founding. The process for educating newly hired researchers is highly varied, ranging from basic to applied science as well as training outside the Company. As we work to

sharpen their skills in specialized fields, we also emphasize experience in other departments to gain broader competency. It is important for researchers to anticipate customer needs and create cosmetics that satisfy them. That is why our focus encompasses not only improving skills in cosmetics technologies, but also proactively providing opportunities for contact with the outside world to cultivate both expertise and versatility.

Being fully aware of and anticipating new retail distribution methods and their global application is crucial in cosmetics development. Therefore, while we continue to value the constancy of the traditions of our cosmetics in our research and development operations, we also actively promote the creation and expansion of new value and the adoption of new ideas in tune with the times. Our efforts include identifying the mechanism of aging and developing materials in response to the latest dermatological research and needs of our aging society. We will continue to augment the versatility of the human resources who are the linchpin of our research. At the same time, we will collaborate with other industries and utilize overseas research bases to conduct cutting-edge research. Through these and other measures, we will make greater use of our strength as a manufacturer with its own research and development bases.



The Advanced Technology Laboratory

Case

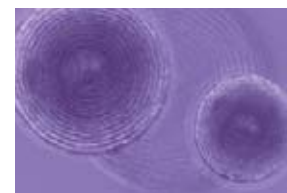
02

Creating Value with the High-Prestige DECORTÉ Brand

Development of Multilayered Liposome Capsule

Liposomes are 0.1-micron-diameter multilayered capsules that KOSÉ has successfully commercialized in its cosmetics. Their unique circular shape made up of multiple layers retains beauty ingredients. Liposomes are broken down gradually by degrading enzymes and other substances in the skin, thus enabling a continuous release of beauty ingredients deep within the skin for an extended period.

Discovered in 1964, liposomes attracted attention as a new drug delivery system and research and development for medical purposes also thrived for a while. However, because liposomes are extremely delicate and difficult to stabilize, many manufacturers abandoned development. In addition, many researchers thought that because the phospholipids that make up liposomes are a naturally occurring substance, their properties would be difficult to stabilize, making them unsuitable for commercialization in cosmetics. Nevertheless, convinced that phospholipids were a safe, useful material similar to human skin, KOSÉ persevered in its research for eight years and succeeded in commercializing a product.



Multilayered liposomes

Commitment to Quality

For Customer Satisfaction



Yuko Takemoto

General Manager, Quality
Assurance Department

A Commitment to Quality Passed Down since the Company's Founding

Since our founding, we have been passionate about taking a straightforward attitude in dealing with customers to focus on providing cosmetics and services of the highest quality. In the KOSÉ Quality Policy, established in fiscal 2010, we set forth our commitment to quality assurance in the message "Customer satisfaction is our goal."

Specifically, we have established a quality control system that puts safety first from new product development to post-launch. For each step from raw materials, containers and packaging to the final product, the Research and Development, Production and Quality Assurance departments cooperate organically for repeated evaluation, check and improvement. To utilize customer feedback, we have established a Customer Service Center in the Quality Assurance Department, which works closely with quality assurance staff to respond promptly and sincerely to customers. Cooperation with suppliers is also vital

in quality assurance for cosmetics. Therefore, since fiscal 2016 we have been updating the KOSÉ Quality Assurance Standards from a global perspective. We have set strict quality standards for raw materials, packaging materials and final products, which we share with our suppliers—production contractors and manufacturers of containers and materials in Japan and overseas—in order to maintain the best quality.

Moreover, based on the KOSÉ Sustainability Plan we announced in April 2020, we will work to develop eco-friendly, sustainable products that meet the needs and expectations of society. We are already reducing the amount of plastic used in containers and packaging by adopting biomass materials. We are also introducing certified palm oil and biodegradable materials as raw materials for cosmetics in order to develop products that take our environmental impact into account. In addition, we are incorporating universal design with the addition of Braille and embossing to containers and the adoption of fonts that are easy to read.

While incorporating sustainability, we will remain committed to delivering the thoroughgoing quality for which Japanese-made products are known in order to provide customers with satisfaction, safety and security. In this way, we aim to make KOSÉ a company with a global presence.



Product inspection process

Case

03

Creating Value with the High-Prestige DECORTÉ Brand

Consistent Quality of Moisture Liposomes

Created using KOSÉ's unique liposome technology, *COSME DECORTE MOISTURE LIPOSOME* is a moisturizing beauty serum that has been a favorite of many women since its launch in 1992. Its features are as follows.

- (1) Deep moisturizing power: 0.1-micron liposome capsules consisting of phospholipids penetrate deeply into the stratum corneum—the outermost layer of the skin—and gradually release beauty ingredients from their outer membranes.
- (2) Adhesion to dry areas: A single squeeze of the pump yields several trillion capsules of serum to intensively moisturize dry areas.
- (3) Retention: Because the capsules dissolve and release moisture slowly, application in the morning and at night will keep skin hydrated throughout the day.

The formulation of *COSME DECORTE MOISTURE LIPOSOME*, which KOSÉ refused to compromise on during development, has remained unchanged since the product's launch. The feeling of constantly hydrated skin and the sense of total security arising from its consistent quality have made *COSME DECORTE MOISTURE LIPOSOME* a long-selling product with a loyal following.



COSME DECORTE
MOISTURE LIPOSOME

Brands at a Glance

To create attractive, valuable brands, KOSÉ strives to develop cosmetics under the two key words “intelligence” and “sensuousness.” We currently meet the various needs of our customers with two groups of brands: diverse and highly distinctive individual brands, as well as the KOSÉ brands that bear the Company’s name.

We have also rolled out many brands overseas to establish a global presence.

Main Sales Regions J Japan A Asia U North America & Others E Europe

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by integrating all of KOSÉ’s cutting-edge technologies. They are sold at specialty cosmetics stores, department stores and other retail outlets that distribute exclusive brands. KOSÉ’s specially trained Beauty Consultants offer meticulous counseling to help customers select the products that suit them best.

High Added Value

Cosmetics Business

Individual Brands

DECORTÉ AQ

DECORTÉ

JILLSTUART

ADDICTION

Prédia

Paul Stuart

Awake

INFINITY KOSÉ

雪肌精 SEKKISEI MIYABI

KOSÉ MILBON COSMETICS CO., LTD. IMPREA

ALBION CO., LTD. ALBION

IGNIS


Elegance PARIS


IN FIORE


PAUL & JOE


ANNA SUI


Tarte, Inc. tarte high-performance naturals™


INFINITY
KOSÉ
J A


DECORTÉ
J A U E


Prédia
J A


JILLSTUART
J A U


ADDICTION
J A

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

High-value added brands that are sold in specialty cosmetics stores, mass retailers, drugstores and through direct marketing, and a group of brands including MAIHADA that are sold online and through direct marketing.

ONE BY KOSÉ

SEKKISEI 雪肌精

KOSÉ PROFESSIONAL CO., LTD. ASTALUXE

Dr. PHIL COSMETICS INC. PHIL NATURNT

KOSÉ PROVISION Co., LTD. 米 MAIHADA 肌

LECHÉRI

ESPRIQUE

FORMULE


ONE
BY KOSÉ
J A


SEKKISEI
雪肌精
J A U E


ESPRIQUE
J A


米 MAIHADA 肌
J A

COSMETARIES Brands

For Daily Life One Step Above

A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products “cosmetaries.”* We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

* Cosmetaries: A coined term combining “cosmetics” and “toiletries”

Basic Value

Cosmetaries Business

Visée

FASIO

STEPHEN KNOLL NEW YORK

ELSIA

NAIL HOLIC

KOSÉ Cosmeport Corp.

softymo Je l'aime BIOLISS Botanical CLEAR TURN 黒糖精 GRACE ONE

KOSÉ Brands


Visée
J A


BIOLISS
Botanical
J A


CLEAR TURN クリアターン softymo SUNCUT
J A


NAIL HOLIC
J A


STEPHEN KNOLL NEW YORK
J A U

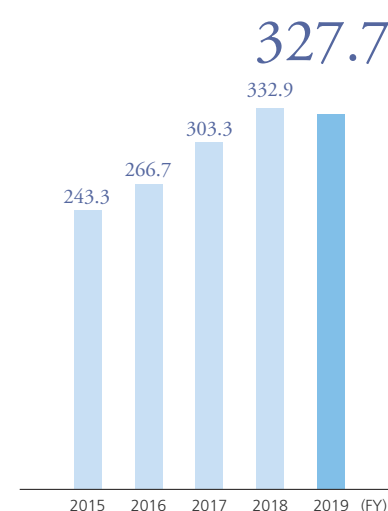
Financial and Non-Financial Highlights

KOSÉ Corporation and Consolidated Subsidiaries (Years Ended March 31)

Financial

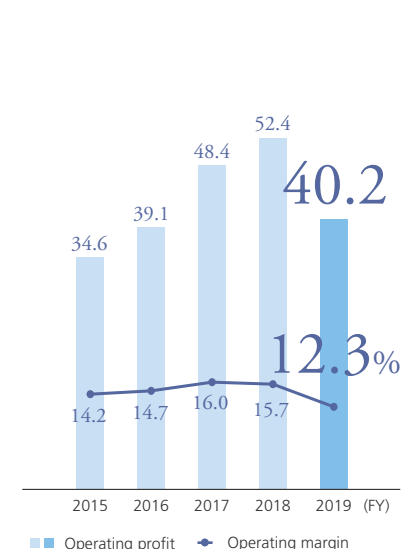
Net Sales

(Billions of yen)



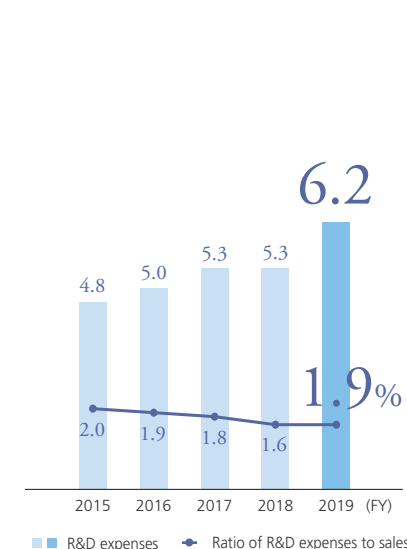
Operating Profit/ Operating Margin

(Billions of yen)



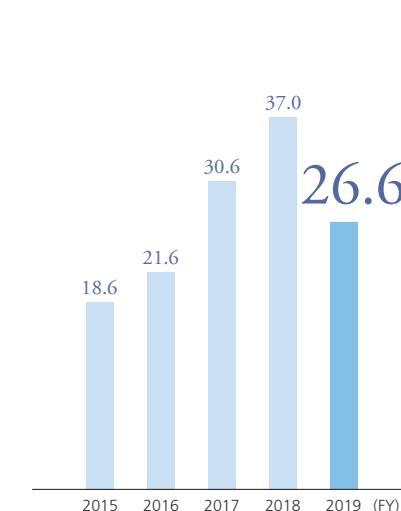
R&D Expenses/Ratio of R&D Expenses to Sales

(Billions of yen)



Profit Attributable to Owners of Parent

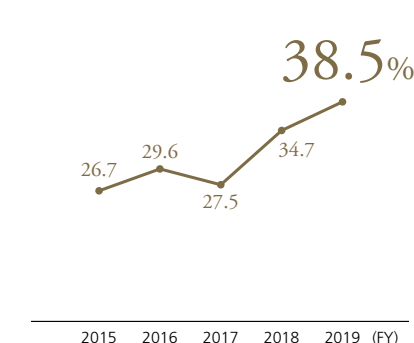
(Billions of yen)



Non-Financial

Ratio of Female Employees in Supervisory Positions

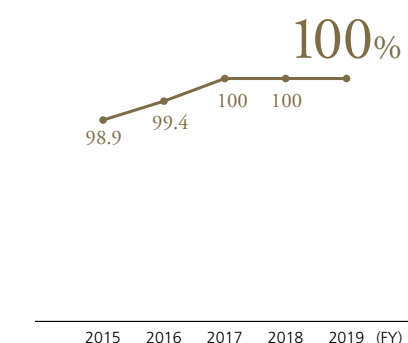
We are striving to create a work environment that fulfills women's desire to succeed by enabling them to balance their work with private life while fully leveraging their individuality and capabilities.



Note: Female employees with subordinates, either officially or unofficially. From fiscal 2018, percentages are based on the total number of such employees in KOSÉ Corporation and its consolidated subsidiaries.

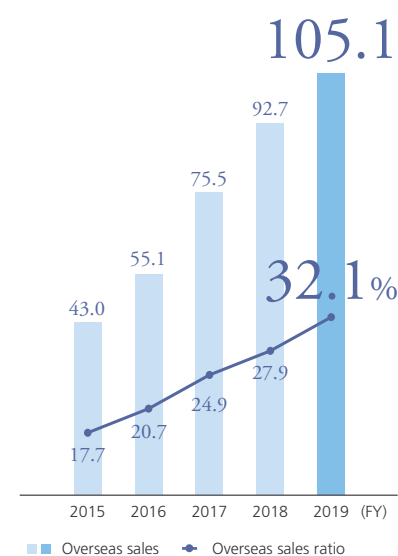
Proportion of Female Employees Who Took Childcare Leave

All female employees who gave birth in fiscal 2019 took childcare leave and 93% have returned to work. We are striving to enhance our systems and carry out work environment improvements that support work-life balance, including shortened working hours.



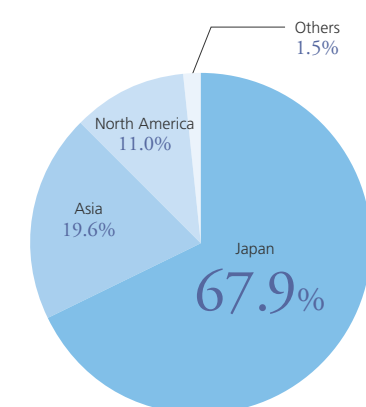
Overseas Sales/ Overseas Sales Ratio

(Billions of yen)



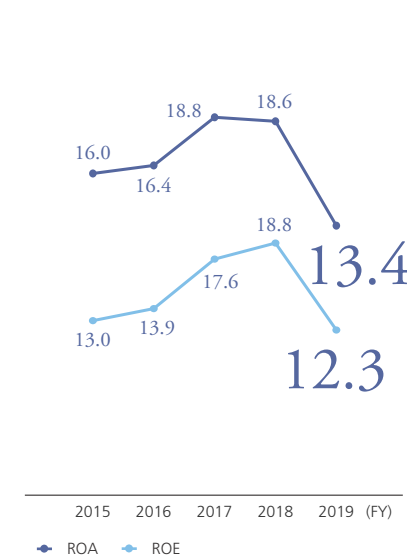
Share of Net Sales by Region

(Fiscal 2019)



ROA/ROE

(%)



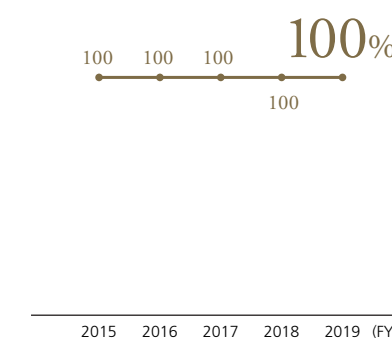
Net Income per Share (Basic)

(Yen)



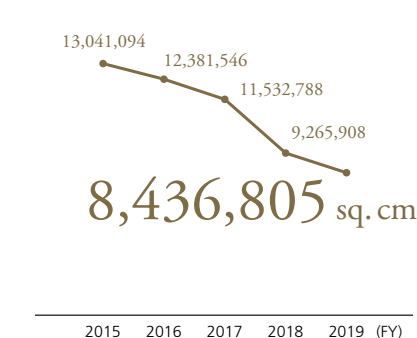
Recycling Rate

Achieved zero emissions (recycling rate of 99.5%) at Gunma Factory and Sayama Factory in 2005. Currently, all factories in Japan have achieved zero emissions.



Area Planted with Coral Reefs

We started the SAVE the BLUE project in 2009 to protect coral reefs in Okinawa that are in danger of extinction. Every year, we plant an area of coral equivalent to the total area of the bases of all the *SEKKISEI* bottles sold during the campaign.



Notes:

1. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100
2. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100
3. Non-financial data is for KOSÉ Corporation only.

President's Commentary on Strategy

Business Growth Compatible with Sustainability to Become a Company with a Global Presence



1 Please describe KOSÉ's business results for fiscal 2019 and the factors behind them, as well as your forecast for fiscal 2020.

Amid the COVID-19 pandemic, the KOSÉ Group has prioritized the safety of its customers, business partners and employees, and voluntarily refrained from in-store customer service activities in stages from the beginning of the pandemic. Employees work from home to the greatest extent possible, and when they must come to the office, we recommend staggered working hours. Through these and other measures, the entire Company has been working to prevent the spread of the virus.

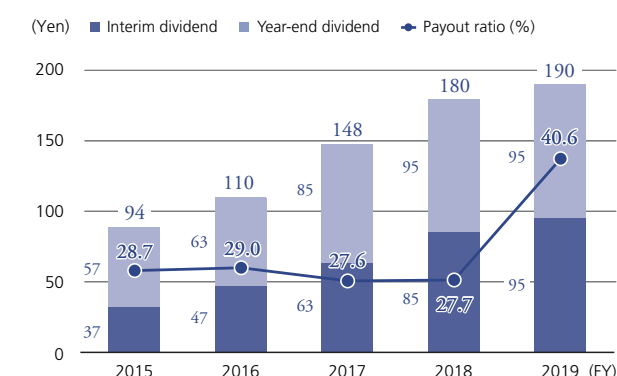
In fiscal 2019, growth continued at a high level in the Asian region, including China and South Korea, where sales remained strong from the beginning of the year. In Japan, however, growth was negative due to a decline in inbound sales, a drop in sales following last-minute demand ahead of an increase in the consumption tax rate, and the impact of the COVID-19 pandemic. As a result, both net sales and operating profit decreased.

In the cosmetics business, sales of *DECORTÉ*, *INFINITY* and *SEKKISEI MIYABI* in the high-prestige category grew, but sales for *ALBION CO., LTD.* and *Tarte, Inc.* experienced a downturn. In the cosmetaries business, despite strong performance by *STEPHEN KNOLL NEW YORK*, the *BIOLISS* hair care brand from KOSÉ Cosmeport Corp., the *GRACE ONE* aging care brand and other products, growth was negative due to factors including a decline in inbound sales of *CLEAR TURN* and the impact of the end of our licensing agreement for *RIMMEL*.

As for the business environment in fiscal 2020, we believe that the COVID-19-

related global economic downturn, with its deterioration in the employment and income environment, delays and cutbacks in business activities and decline in consumer sentiment, will continue for some time. In light of these circumstances, we forecast net sales of ¥286.6 billion and operating profit of ¥17.2 billion in fiscal 2020. We will announce our planned fiscal 2020 dividend when we determine that a reliable forecast is possible. In addition, to better promote globalization, we will align our accounting period with our overseas consolidated subsidiaries by changing the fiscal year-end from March 31 to December 31 starting from fiscal 2021. This will enable us to conduct integrated management with our global business with a greater sense of speed, and improve the transparency and quality of our management.

Dividends/Payout Ratio



2

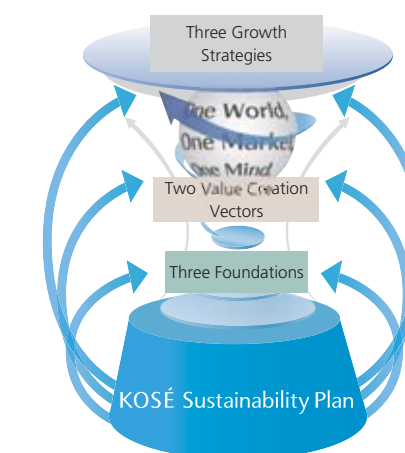
Shifting to a medium-to-long-term perspective, what course will KOSÉ take to achieve VISION 2026?

We at the KOSÉ Group have currently set forth a medium-to-long-term vision for ourselves of becoming a company with exceptional customer loyalty and a portfolio filled with extremely appealing brands. In working toward this vision, we aim to evolve into a company with a global presence. Specifically, we have established three growth strategies—accelerate globalization of brands, proactively develop unique products, and explore new growth domains—integrated with two value creation vectors at their core and three foundations to support them. These are our basic strategies. In them, we specify that we will also step up our efforts in the areas of digitalization, diversity and inclusion, and sustainability (see chart at right) in order to steadily move forward with these basic strategies from fiscal 2020.

In one of our two value creation vectors—use digital technology for more and better personal customer experiences—we reaffirm that we will further promote digitalization and accelerate the adoption of digital technology throughout the Group. In our three foundations, under our new KOSÉ Sustainability Plan (see page 19) we have made clear our intention to achieve business growth by increasing added value in a manner compatible with realizing a sustainable society through efforts unique to KOSÉ.

In anticipation of the accelerated globalization of our brands and the diversification our sales channels, we have reset the target overseas sales ratio from the previous 35% or more to 50% or more and the target e-commerce/travel retail sales ratio from 15% or more to 25% or more. Under VISION 2026, we have designated three phases as a roadmap. We are currently in Phase I, in which we are working to upgrade global brands and reinforce customer points of contact.

Synergy between VISION 2026 and the KOSÉ Sustainability Plan



One World, One Market, One Mind: Our slogan expressing our Company-wide borderless approach to markets from a global perspective

Basic Strategies

Three Growth Strategies

- Accelerate globalization of brands
- Proactively develop unique products
- Explore new growth domains

Two Value Creation Vectors

- Use **digital technology** for more and better personal customer experiences
- Focus on unique forms of value by utilizing external resources and technologies

Three Foundations

- Build a sound foundation for the Company's growth
- Promote **diversity and inclusion**
- Develop **a sustainability strategy** spanning the entire value chain

3

Please explain the key initiatives for achieving VISION 2026.

In order to achieve VISION 2026, it is essential that we clarify our tasks and make thorough efforts to accelerate growth in light of recent sudden changes in the business environment. I will explain the progress and future direction of our four key initiatives.

The first key initiative is to speed up digital transformation. We will establish and reinforce our internal environment for

using digital technologies and establish KOSÉ's original beauty platform. On the Maison KOSÉ website, we have already posted makeup pictorials and recommended skin care items and made other enhancements to our high-quality beauty proposals and content that responds to customer needs. When stores were closed due to COVID-19, during the state of

emergency in Japan we swiftly began online sales of *DECORTE* and other brands that had not previously been sold in this channel. This received a very positive response. We intend to utilize digital technology to evolve our face-to-face approach to counseling, which we formerly took for granted, to prepare for new lifestyles that people may have to adopt going forward. At our Maison KOSÉ concept store in Ginza, Tokyo, which opened in December 2019, we plan to offer unique services that meet diverse needs as we explore the potential of next-generation beauty experiences through new types of communication that merge the digital world with real in-store experiences, including collaboration with external resources.

The second key initiative is to fully utilize global synergies. After addressing challenges at ALBION CO., LTD., Tarte, Inc. and KOSÉ Cosmeport Corp., we will work to achieve synergies from the sharing of management resources and information to make full use of each company's strengths. ALBION will build a stronger organization for overseas expansion and step up sales on Tmall as a member of the KOSÉ Group. Tarte will continue marketing activities focused on the brand's core identity while enhancing synergies with KOSÉ's strengths in manufacturing. KOSÉ Cosmeport will focus resources on making *softymo* and

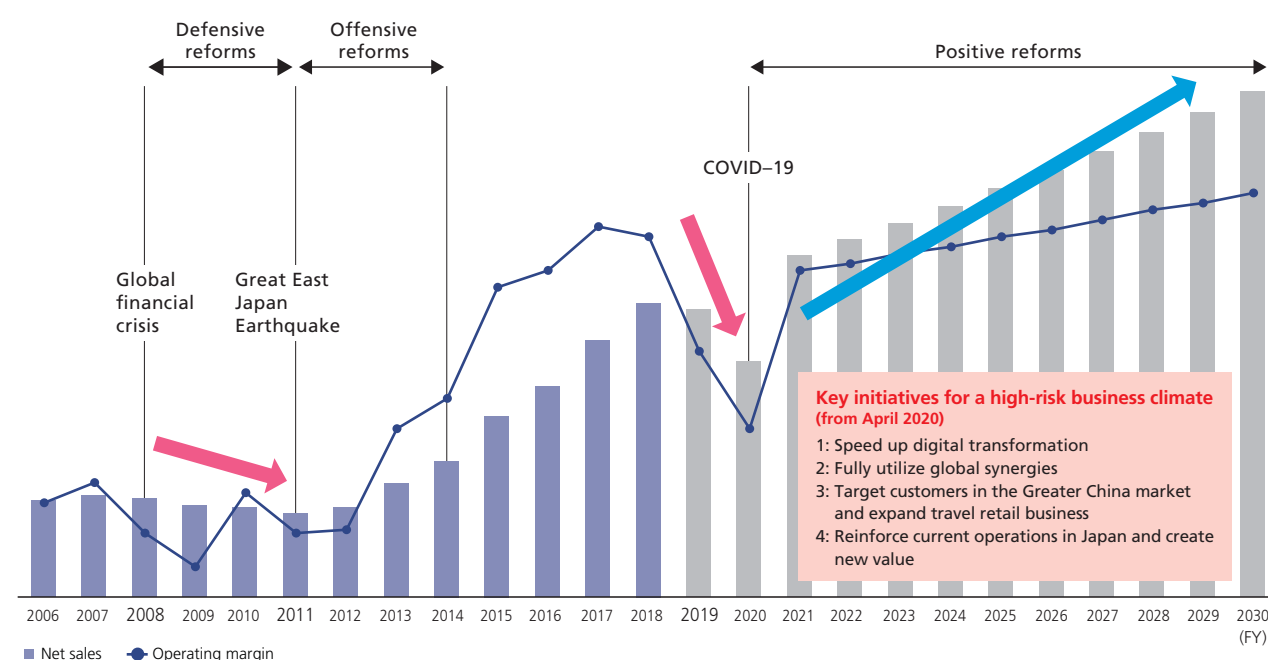
SUNCUT its next flagship brands after *CLEAR TURN*, and will strengthen sales activities in China, which it will use as the base for establishing its brands in the Asian market.

As our third initiative, we will target customers in the Greater China market, which is driving the Asian region, and strengthen and expand the travel retail business. Sales in China remain strong. We will add to our current operations in Beijing and Shanghai by accelerating the opening of new bases, including directly managed stores, in southern China, which has excellent growth prospects. We will enhance our online and offline initiatives, leveraging the advantages of both. In the travel retail business, we will accelerate alliances with new business partners and expansion into new regions, mainly in South Korea and China, where business is brisk.

Our fourth key initiative is to reinforce current operations in Japan and create new value. We will reorganize our existing business in Japan to improve profitability and build a more powerful sales infrastructure. We will also make our brand rollout methods more uniform across channels, in ways such as adding more KOSÉ global sales counters, mainly at *GMSs*,¹ and pursue unique value through cooperation with external partners.

1. General merchandise store

Applying Experience to Promote Reforms



4

Please tell us about the new KOSÉ Sustainability Plan.

The social environment in which we find ourselves at present is changing dramatically. Aside from the COVID-19 pandemic, we are faced with challenges including globalization, changing demographics, global warming due to climate change, and the depletion of natural resources. Even before “sustainability” and “ESG”² became common topics, the KOSÉ Group was conducting its business activities with a strong awareness of contributing to society and preserving the global environment. It is more important than ever for the KOSÉ Group to be constantly aware of its relationships with all its stakeholders, including the global environment, which is home to all living things, and the next generation. With this in mind, in April 2020 we announced the KOSÉ Sustainability Plan³ with the aim of driving business growth while helping to achieve a sustainable society.

Under the Sustainability Plan, we will promote six activity themes (see pages 30-38) broadly divided into themes for People and themes for the Earth. These incorporate our strong commitment as a company that uses all the wisdom it possesses to create beauty and be of service to people and to our

precious Earth. The activity themes are linked with the SDGs⁴ adopted by the United Nations, and through their Group-wide promotion we will contribute to achieving the SDGs.

ESG-related themes are an essential element that companies must address as a top management priority. For cosmetics, which consumers use on a daily basis, it is particularly important to offer value through a sense of emotional satisfaction beyond the tangible value of a physical product. For the KOSÉ Group, taking the perspective of ESG is a key factor in providing that value. Supporting beauty from within and happy, healthy lives for customers through beauty- and lifestyle-related proposals is the very essence of the KOSÉ Group's business and its ESG initiatives. We will further accelerate the KOSÉ Group's unique ESG initiatives in accordance with the KOSÉ Sustainability Plan.

2. The idea that corporate management and growth depend on consideration of environment, social and governance issues

3. See pages 26-29 for details of the KOSÉ Sustainability Plan.

4. Sustainable Development Goals

5

What is your message to stakeholders about the growth of the KOSÉ Group going forward?

The company with a global presence that the KOSÉ Group aims to become is a company that uses foresight to constantly create innovative value. It is a company with exceptional customer loyalty that remains the choice of stakeholders worldwide due to its dedication to being a source of beauty for everyone. As a member of the global community, we intend to do our part by applying the wisdom we have gained from creating beauty utilizing our three strengths—unique brand marketing, research and development, and commitment to quality—to helping improve society and the global environment. To that end, we will continue to improve ourselves as a company with diverse brands and human resources that can succeed worldwide.

COVID-19 has had a profound impact on society as a whole. The KOSÉ Group has turned adversity into an opportunity for growth during challenging times in the past, such as the global financial crisis in 2008 and the Great East Japan Earthquake in 2011. We intend to overcome current challenges by also using them as an opportunity to transform ourselves. Moreover, by continuing to take on new challenges beyond existing frameworks without sticking to the path we have followed in the past, and by proposing new value to customers, we will help to create a happy society. We sincerely request your continued support.

Value Creation by the KOSÉ Group

ALBION



One of the diverse brands in the KOSÉ Group, *ALBION* is a leader in the high-prestige category. From the outset, *ALBION*'s unique approach has built strong engagement with customers through reliability and enhanced brand value. Focusing on uniqueness, *ALBION* creates premium cosmetics with true value.

1 ALBION's Uniqueness and Strengths

Pride as Japan's First Premium Cosmetics Manufacturer and a Spirit of Challenge Lead to Uniqueness

ALBION CO., LTD. was established in 1956 to provide customers with premium cosmetics, which did not exist in Japan at the time. Our origins were in skin care, and we have continued working to create translucent and supple skin. The highly original *ALBION* products resulting from these efforts have captivated many customers, building considerable engagement.

We create value under our basic philosophy to "Focus on the genuine in spreading wonderful emotion, and bonds of trust all over the world as a leading manufacturer of premium cosmetics." To develop highly unique products, we use original ideas unconstrained by conventional wisdom. Using cutting-edge technologies, we then give these ideas form to create inspiring cosmetics. For example, we launched *FLORA DRIP* essence in September 2019 after nearly 10 years in development that started with in-house cultivation of plants as candidate raw materials at our Shirakami Laboratory in Shirakami-Sanchi, a mountainous World Heritage site with one of the world's largest old-growth habitats of Siebold's beech. Yet another example is *CHIFFON* hybrid foundation, which originated from a female developer's seemingly obvious idea of creating a product that offers both the ease of use of a powder foundation and the high-quality finish of face powder over liquid foundation. Starting from the initial idea, it took seven years of repeated trial and error to overcome difficulties to debut this product that many women had long desired. *ALBION* cosmetics are developed from a long-term perspective. We do not chase after trends or copy other companies because we are committed to our founder's focus on the genuine.

ALBION's approach to retailing is also unique. Our mission is to amaze and inspire customers far beyond their expectations through high-quality premium cosmetics and customer service that provide unique value. To fulfill this mission, *ALBION* sales are therefore limited to specialty cosmetics stores and department stores, where we can provide one-on-one customer service and meticulous counseling to propose the best cosmetics for each customer.



2 The Foundation Supporting Our Strengths

ALBION's Strengths: Bases That Create Unique Value through Human Resources Who Can Utilize Cutting-Edge Technologies

ALBION's uniqueness and strengths come from its employees, and the business bases that maximize their creativity and skills. Among these bases, the Shirakami Laboratory is representative of *ALBION*'s uniqueness. There, in an environment of fertile soil, clean air and pure water, we organically cultivate plants as candidate raw materials for cosmetics. In addition to researching the effectiveness of the ingredients, the Shirakami Laboratory is responsible for all subsequent stages from washing and processing to shipping harvested plants. In April 2020, *ALBION* renewed *IGNIS*, a brand derived from plants grown in such an environment, and used this renewal as an opportunity to designate the Shirakami Laboratory as the brand's manufacturer and seller. This is another indication of our clear pride in and sense of responsibility regarding these plants.

Maintaining high quality and consideration for the environment in production are also very important. The Kumagaya Factory has introduced cosmetics GMP* for high-level management of all cosmetics manufacturing processes. Moreover, an in-house purified water system sterilizes and filters all of the water used in the factory. It is then used for heat exchange and circulated throughout the factory around the clock, maintaining a level of purity required for use in pharmaceuticals.

Dealing conscientiously with every customer is an important skill that we must cultivate in our human resources. This skill requires not only a high level of product knowledge and competence, but also empathy, insight and attentiveness. To provide this training, in 1958 we opened the *ALBION* School, the forerunner of the current *ALBION* Shirokane Training Center, which was completed in 2007. This training center is a base where the people who deliver *ALBION* products directly to customers, such as Beauty Consultants and cosmetics specialty store staff, come together from throughout Japan to learn and refine their customer service skills. To cultivate human resources who are suitable for handling prestige cosmetics and trusted by customers, we conduct thorough training that includes etiquette and instilling a spirit of attentiveness. This training results in *ALBION*'s own unique style of heartfelt customer service. By having trainees learn together and by explaining the background of initiatives, product development and other matters to align their understanding, we strive to ensure that all employees feel affection for, pride in and fulfillment from *ALBION* products.

* Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products

3 Outlook

Establishing a Dominant Presence in Japan and Rolling Out the Same Meticulous Customer Service Globally

ALBION's key value is the face-to-face service that reassures and convinces customers by allowing them to experience products on their own skin before deciding to purchase. In Japan, we have rolled out three new business formats as points of contact with customers—*ALBION* DRESSER, ATELIER *ALBION* and the most recent, *ALBION* PHILOSOPHY, launched in June 2020. Customer traffic is growing significantly. We also rebooted EX-PLAN, an area plan originally based on our engagement with existing cosmetics specialty stores, with the intention of rolling it out with a long-term perspective up to 2026.

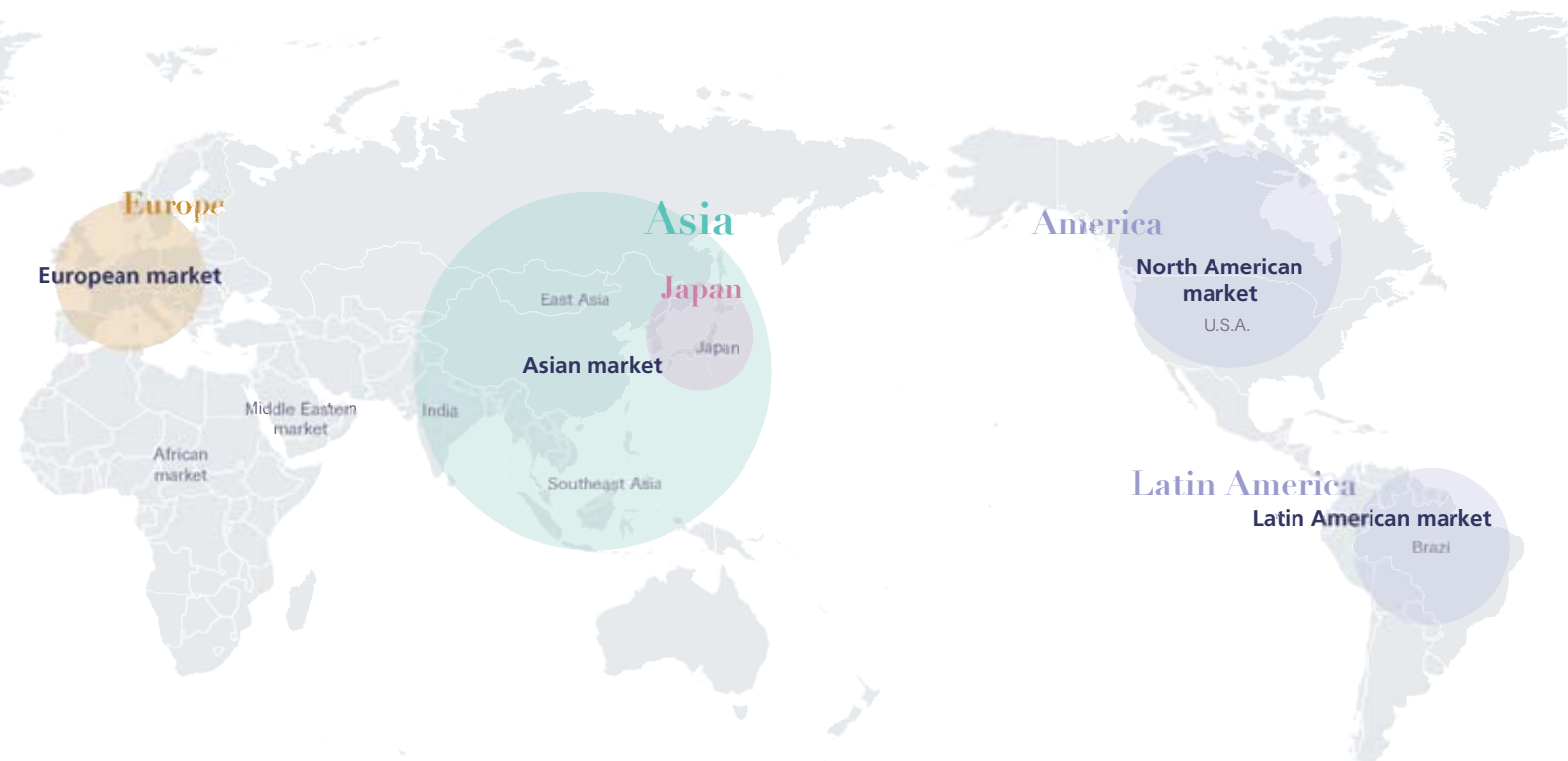
Overseas, we have begun sales on Tmall Global, one of China's largest online retail sites, as well as through the local Tmall site. *ALBION* is also gaining recognition from its presence in department stores in China and duty-free stores in South Korea, China, and Japan. Going forward, we plan to open a new-format outlet called *ALBION* GARDEN near Los Angeles as a foothold for increasing brand recognition in North America and Europe.

Rather than simply aiming to increase sales, we want to communicate the unique value of the *ALBION* brand. To do so, we will provide the same meticulous customer service that we offer in Japan to overseas stores, and will continue to focus on cultivating the human resources to achieve this goal.



Strategies by Region

With its vision of evolving into a company with a global presence, the KOSÉ Group is promoting strategies to accelerate its global expansion, including improving its global brand presence and image, continuously building borderless relationships with customers and conducting marketing in sales channels that match the characteristics of each market. We will continue to promote the four key initiatives of our medium-to-long-term VISION 2026 to deploy global synergies as we work to be a source of beauty for everyone.



Overview of Strategies by Region

	Fiscal 2019 Results	Main Initiatives in Fiscal 2020
Japan	<p>Promote KOSÉ beauty platform concept</p> <ul style="list-style-type: none">Opened Maison KOSÉ in Ginza, Tokyo, and promoted our unique KOSÉ beauty platform concept that merges the digital world and in-store experiences	<p>Restructure business and organization to improve profitability</p> <ul style="list-style-type: none">Promote structural transformation to improve profitabilityPursue unique value by combining the strengths of existing businesses with external resources (develop the beauty salon and pharmaceutical markets using open innovation)
Asia	<p>Create borderless contacts with customers</p> <ul style="list-style-type: none">Expanded existing channels in each countryDeveloped new sales channels including duty-free shops and online sales	<p>Expand both online and offline sales channels</p> <ul style="list-style-type: none">Online: Roll out <i>DECORTÉ AQ</i>, <i>SEKKISEI MIYABI</i> and other products on Tmall and strengthen sales of <i>ALBION</i>Offline: Expand the global rollout of travel retail
North America & Others	<p>Cultivate customer base by expanding sales channels</p> <ul style="list-style-type: none">Increased sales of <i>DECORTÉ</i>, mainly in the department store channelTarte, Inc. stepped up product rollouts in each category	<p>Maintain and improve high market share by expanding the sales area</p> <ul style="list-style-type: none">Expand sales area by considering and promoting product rollouts through new Sephora outlets and other stores as each region returns to normal after COVID-19Make Tarte, Inc. a wholly owned subsidiary to strengthen the collaborative foundation

Japan

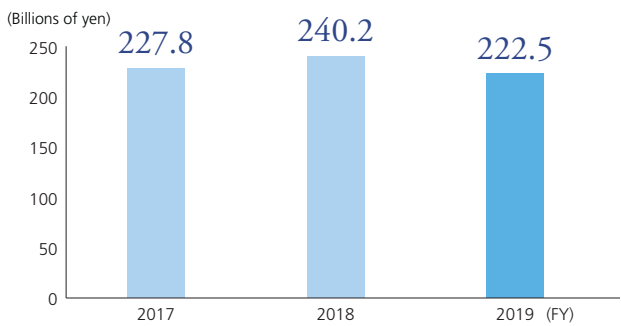
Although conditions remain severe due to the sudden change in the external environment due to the COVID-19 pandemic and other factors, we aim to reinforce current operations in Japan and create new value.

Fiscal 2019 Review and Strategies Going Forward

In the Japanese market in fiscal 2019, inbound sales declined due to the expansion of sales channels in the Asian market and the impact of foreign exchange rates, among other factors. In addition, sales in major channels decreased due to the impact of heavy rainfall, typhoons and other natural disasters, as well as a drop in sales following last-minute demand ahead of a consumption tax rate increase, and the impact of the COVID-19 pandemic. Conditions remained severe for mainstay brands such as *DECORTÉ*, *ALBION* and *SEKKISEI*, while *INFINITY*, *ESPRIQUE* and hair care brands sold strongly.

From fiscal 2020, we are implementing a growth strategy of reinforcing current operations in Japan and creating new value as a key initiative of VISION 2026. Specifically, we will work to improve profitability through a decisive structural transformation

Sales in Japan



in areas such as strengthening the sales infrastructure and carrying out organizational changes. We will also open more KOSÉ global sales counters to enhance communication of our brand value.

A variety of collaborations to create new value are under way. These include cooperation on skin tone diagnosis with Panasonic Corporation, a nail printer with Casio Computer Co., Ltd., and research and development utilizing quantum computing with MDR Inc. We are also working to help achieve the SDGs through initiatives such as collaborations with Maruho Co., Ltd. to provide skin care cosmetics for consumers and with Sunshine Delight, Inc. on a project for UV countermeasures for children.

Also in 2020, *DECORTÉ* and *SEKKISEI* celebrate their 50th and 35th anniversaries, respectively, so we will step up communication of their brand value in Japan and overseas.



Highlights

First Renewal of *DECORTÉ AQ MELIORITY* in 10 Years

In September 2019, we renewed *AQ MELIORITY*, the *ne plus ultra* of the *DECORTÉ* lineup, for the first time in 10 years. Since its launch in 1970, *DECORTÉ* has been providing customers with products that soothe skin and spirit utilizing technology based on advanced dermatological research and the interaction among their effects on skin, feel and fragrance. *AQ MELIORITY* represents the quintessence of KOSÉ's technologies and the fruit of its pursuit of ultimate quality. With this renewal, we are providing a superlative product that relaxes and beautifies skin with a combination of leading-edge dermatological research and technology, beauty ingredients and sensuousness.



AQ MELIORITY

Asia

The Asian market continues to grow, driven by online sales and the travel retail business. We will continue to enhance our brand strategies and the travel retail business for the Greater China market.

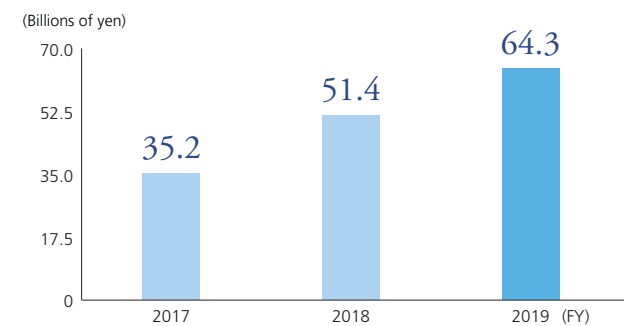
Fiscal 2019 Review and Strategies Going Forward

In the Asian market in fiscal 2019, we focused on increasing the number of sales counters in stores and expanding online sales. In particular, we worked to create global and borderless connections with customers by strengthening linkage with the inbound market. As a result, growth remained strong.

In the Chinese market, the high-prestige category performed strongly as *DECORTÉ* continued to grow rapidly both online and offline, and *SEKKISEI MIYABI* received a positive response. In the South Korean market, growth of our duty-free sales outpaced the duty-free market, with *DECORTÉ* achieving particularly strong growth. On the other hand, sales in the Taiwan and Hong Kong markets decreased due to a decline in tourists from China, among other factors.

As a key initiative of VISION 2026, we will target the Greater China market and expand the travel retail business. In China, we will add to our current operations in Beijing and Shanghai by accelerating the opening of new bases, including directly managed stores, in southern China, which has excellent growth prospects.

Sales in Asia



To step up our digital strategy, we will invest heavily in online advertising and accelerate sales growth in the e-commerce business through cooperation with the Alibaba Group. In addition, we will work to increase the number of department store counters and accelerate the addition of *SEKKISEI* sales fixtures at Sephora outlets in China.

To reinforce the travel retail business, we have established KOSÉ Travel Retail Co., Ltd. to generate synergies with the duty-free business through duty-free stores, in-flight sales and other outlets, as well as with the in-flight and hotel amenity products business. For the time being, we plan to strengthen relationships with major duty-free retailers centered on South Korea and China, where sales are brisk, and to promote new alliances with global retailers. We are considering alliances with new business partners and expansion into new regions, and we will accelerate these efforts once the situation returns to normal after COVID-19.



SEKKISEI MIYABI ACTIRISE Golden Sleeping Mask



Duty-free counter at Haneda Airport



Directly managed store in Xiamen, China

In anticipation of further expansion into the travel retail market, we are rolling out counters that express a unified brand image and increasing the number of outlets centered on *DECORTÉ*, *SEKKISEI* and other brands.

Highlights

Making *INFINITY* a Flagship Brand at GMSs in Japan and Overseas

With its philosophy of “awakening the infinite beauty of the skin,” *INFINITY* is one of KOSÉ’s foremost high-value-added brands. It continues to provide clear results and new value based on highly effective, advanced dermatological research. To establish its position as a flagship brand, we have renewed our marketing strategy and are conducting measures to raise brand recognition. These measures include using brand ambassadors to communicate an “ageless” lifestyle and successively introducing KOSÉ global sales counters at GMSs* in Japan and overseas that give pride of place to *INFINITY*.

* General merchandise store



INFINITY



KOSÉ global sales counter

North America & Others

Although sales decreased in the United States due to a prolonged slowdown in the prestige makeup category, Tarte, Inc. steadily increased its presence in Europe.

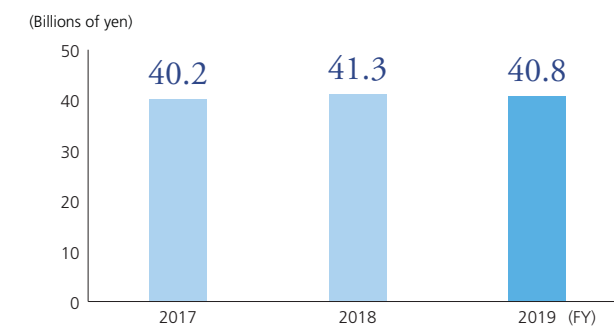
Fiscal 2019 Review and Strategies Going Forward

In the North American market in fiscal 2019, we worked to expand our base of new customers. Efforts included development of the *DECORTÉ* brand, mainly in the department store channel, while Tarte, Inc. strengthened its product lineups in mascara, concealer and other categories, and launched products in the “clean beauty” category. However, sales decreased as conditions remained severe in the prestige makeup category in the United States. On the other hand, we made steady progress in dealing with major retailers in Europe and other markets. Tarte, Inc. started sales through Sephora outlets in Europe in France, Denmark, Sweden, Germany and Spain. In addition, we opened a *DECORTÉ* brand counter at Harrods luxury department store in the United Kingdom.

One of our strategies going forward will be to roll out Tarte, Inc. into more regions and increase cooperation and sharing of knowhow and management resources between KOSÉ and Tarte to deploy global synergies. By doing so, we will overcome challenges and grow further.

In particular, Tarte, Inc. will continue marketing activities focused on the brand’s core identity, and work to maintain and increase market share in its core categories. We consider Europe the priority area for expansion. Tarte, Inc. will successively roll out products at flagship stores, including Sephora, once the situation returns to normal after COVID-19.

Sales in North America & Others



New *DECORTÉ* brand counter in Harrods luxury department store in the United Kingdom

Sustainability Activities

The KOSÉ Group’s fundamental policy, “Mind to Follow the Right Path,” has been the foundation of its corporate spirit since day one. Based on this policy, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. As we strive to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our intelligence and sensuousness with the aim of becoming a unique and trusted company with a global presence.

The KOSÉ Sustainability Plan: Creating Beauty in a Sustainable World



Center photo: Tsukui Sunshine Machida

For People

Six activity themes

- 1

A source of adaptable products and services ▶ Page 30

As a source of beauty for everyone, we accept differences in skin, values, culture and other diverse characteristics to provide the value of beauty.

We will help create a world where people with diverse backgrounds and features—including skin color, gender, sociocultural and geographical background, living environment, religion, creed, and physical features—can live confidently and beautifully.
- 2

Support for a beautiful, healthy and happy life ▶ Pages 31–32

We support lifestyles that allow people to enjoy health and happiness, which is a fundamental goal of life for all stakeholders worldwide, including future generations.

We will energetically address social issues so that everyone can lead a healthy and happy life. Activities will include improving quality of life (QOL), educating and raising the awareness of the next generation, and initiatives such as Fair Trade that will enhance the work environment, including in our supply chain.
- 3

Help create a world with true gender equality ▶ Page 33

We will actively contribute to a future where there is no gender gap, not just at KOSÉ but throughout Japan and worldwide, as we work to make an impact by communicating our message to society.

We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.

For the Earth

- 4

Use the theme of beauty to help solve environmental issues ▶ Pages 34–35

We will help resolve environmental issues by continuing to exert an impact on society in ways unique to a company that creates beauty for people, such as the *SEKKISEI* SAVE the BLUE project.

We will focus on beauty while promoting activities to resolve environmental issues. We will also communicate these initiatives to the general public to make many consumers aware of environmental issues and expand our network for solving issues using the theme of beauty.
- 5

Environmental programs in areas where KOSÉ operates ▶ Page 36

In locations where we have business bases for production, services or other purposes, we will work to preserve the environment, considering and giving back to local communities, with which we will coexist and prosper.

We will coexist and prosper with local communities, conducting environmental conservation activities with a focus on production facilities, which affect the environment.
- 6

Lower the overall environmental impact of business operations ▶ Pages 37–38

We are thankful for the blessings of the global environment, which is the source of all healthy life, and will carry out activities to lower our environmental impact as much as possible.

The KOSÉ Group is thankful for the blessings of nature, and will continue to evolve its efforts to reduce its environmental impact in order to preserve the global environment.

Mind to Follow the Right Path

Fundamental Policy

Sound corporate governance
▶ Pages 45–55

Respect for human rights
▶ Page 39

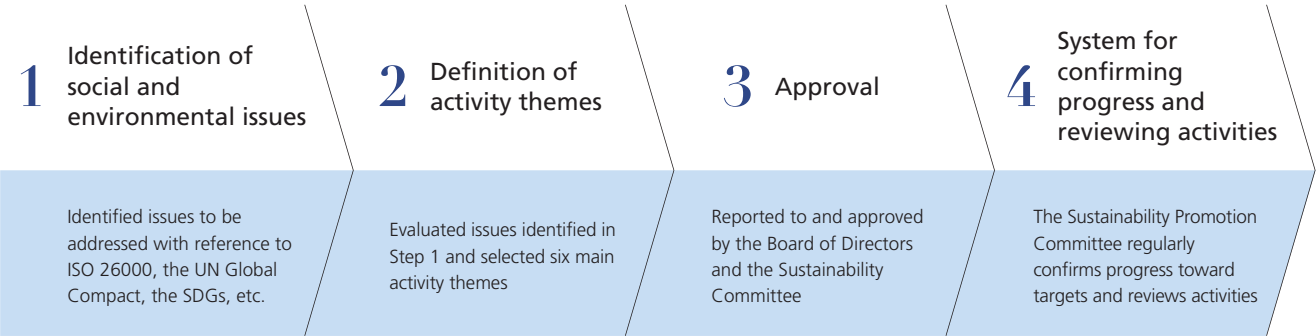
Human resource development
▶ Pages 40–41

Business operations with transparency and fairness
▶ Page 44

Only the safest, most reliable, high-quality products
▶ Page 42

Customer’s perspective
▶ Page 43

Process for Formulating the Sustainability Plan



Sustainability Promotion Systems

The KOSÉ Group has identified some sustainability-related issues in its management issues and has established a promotion system to resolve them.

The Sustainability Committee is chaired by the President & CEO. Supervised by the Board of Directors, this committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors.

The Sustainability Promotion Committee establishes subcommittees and projects for separate themes based on the KOSÉ Group’s sustainability strategies to promote cross-departmental activities that are more effective.

Sustainability Promotion Organization



Implementing the Sustainability Plan

The KOSÉ Group signed the United Nations Global Compact in July 2017. We support the Sustainable Development Goals (SDGs) set forth by the United Nations, and the entire KOSÉ Group will contribute to their achievement.

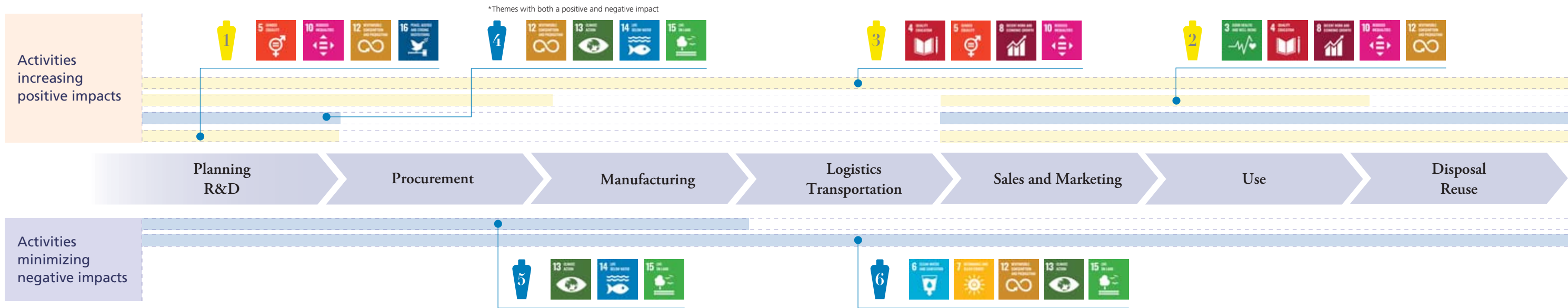
For People: Medium-to-Long-term Targets of Activity Themes and Linkage with SDGs

Activity Theme	Indicators	Target	Achieve by	Examples of Specific Measures	Relevant SDGs
<div><div>1</div><div>A source of adaptable products and services</div></div>	Ratio of products and services reflecting the concept of adaptability	100%	2030	<ul style="list-style-type: none">Design products for various skin colors and qualitiesAdopt universal designImprove accessibility by using digital technologyDevelop beauty techniques that accommodate diversity	<div><div>5</div><div>10</div><div>12</div><div>16</div></div>
<div><div>2</div><div>Support for a beautiful, healthy and happy life</div></div>	Implementation of specific activities	30 activities or more	2030	<ul style="list-style-type: none">Innovate technology developmentImprove employee health through health and productivity managementSupport sports to raise health awarenessEducate and raise the awareness of the next generation about health issues (UV protection and moisturizing)	<div><div>3</div><div>4</div><div>8</div><div>12</div></div>
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none">Procure and use certified sustainable palm oilCollaborate with suppliers for human rights (responsible procurement; for example, no child labor)	<div><div>8</div><div>12</div></div>
<div><div>3</div><div>Help create a world with true gender equality</div></div>	Gender equality awareness	100,000 people or more	2030	<ul style="list-style-type: none">Promote diversity and inclusion in the KOSÉ GroupConduct activities to educate and raise awareness of the gender gapSupport education for young women	<div><div>4</div><div>5</div><div>8</div><div>10</div></div>

For the Earth: Medium-to-Long-term Targets of Activity Themes and Linkage with SDGs

Activity Theme	Indicators	Target	Achieve by	Examples of Specific Measures	Relevant SDGs
<div><div>4</div><div>Use the theme of beauty to help solve environmental issues</div></div>	Area planted with coral reefs	20,000 sq. m (About 53 times the area of a 25 m regulation-size swimming pool)	2030	<ul style="list-style-type: none">Evolve <i>SEKKISEI</i> Save the Blue activities <small>*Target is total area since 2009</small>	<div><div>12</div><div>13</div></div>
	Increase in awareness of environmental issues through products and services	10 million people or more	2030	<ul style="list-style-type: none">Evolve <i>SEKKISEI</i> Save the Blue activitiesConserve the environment and raise awareness in each businessReduce indirect materials by developing long-selling products	<div><div>14</div><div>15</div></div>
<div><div>5</div><div>Environmental programs in areas where KOSÉ operates</div></div>	Local community environmental conservation activities	20 activities or more	2030	<ul style="list-style-type: none">Activities to protect the environment in which KOSÉ operates, such as around Japan's Southern Alps, with a focus on areas where the production and R&D facilities of the KOSÉ Group and its affiliated companies are located	<div><div>13</div><div>14</div><div>15</div></div>
<div><div>6</div><div>Lower the overall environmental impact of business operations</div></div>	Reduce SCOPE 1 and 2 CO ₂ emissions	-28% (Target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none">Use renewable energyInstall energy-efficient equipment	<div><div>7</div><div>13</div></div>
	Reduce SCOPE 3 CO ₂ emissions	Set targets by 2021	2021	<ul style="list-style-type: none">Organize information, set goals and determine specific case studies by 2021	<div><div>12</div><div>13</div></div>
	Sustainability-conscious design for plastic packaging materials	100%	2030	<ul style="list-style-type: none">Employ the 4 Rs (reduce, reuse, recycle, renewable) for container and packaging materialsIncrease amount of biomass and recycled plastic used to 50% of total plastic used by 2030	<div><div>12</div><div>13</div></div>
	Reduce use of water resources through responsible practices	-12% (Production units vs. 2018)	2030	<ul style="list-style-type: none">Promote the 3 Rs (reduce, reuse, recycle) for water resources	<div><div>6</div><div>12</div></div>
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none">Procure and use certified sustainable palm oilCollaborate with suppliers to protect the environment	<div><div>12</div><div>15</div></div>

Activity Themes and Their Impact on the Value Chain



The activity themes defined in the KOSÉ Sustainability Plan involve the entire product life cycle and value chain from planning, R&D and raw material procurement to disposal or reuse, but we expect them to have the greatest impact on our value chain in the areas shown below. The primary categories involve the entire value chain.

1 A Source of Adaptable Products and Services

Dedicated to being a source of beauty for everyone, the KOSÉ Group strives to offer the value of “beauty” by continually working to recognize the unique identity and values of each individual. By offering society beauty based on the concept of adaptability that provides a wide range of choices, we will help create a world where people with diverse backgrounds and characteristics—including skin color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully.

► Maison KOSÉ Concept Store Merges the Digital World and Real In-Store Experiences

Under the theme “Find Your Own Beauty,” a new Maison KOSÉ concept store opened in Ginza, Tokyo in December 2019. Featuring a cross-section of the KOSÉ Group’s diverse brands and products, the store offers innovations that allow visitors to be among the first to try out and enjoy new software, hardware and beauty tech spanning the brand lineup.

Consumer values and lifestyles are diversifying, and the individual needs of the people who use cosmetics are as diverse as the very people who use them. At the same time, due to factors such as the spread of social media, the volume of information that people are confronted with is overwhelming, making it all the more difficult for them to find cosmetics that truly suit them. Under these circumstances, we are exploring the potential of next-generation beauty experiences through new types of communication that merge the digital world with real in-store experiences to promote our unique, omnidirectional KOSÉ beauty platform for connecting directly with customers. The first step is Maison KOSÉ. We plan to implement this concept both at physical stores and at our online shop.

Customer feedback obtained at Maison KOSÉ will lead to new product development, optimization of product formulas, applications for research findings and other innovations to support more sophisticated personalized proposals that meet

the most diverse individual needs. Moreover, by analyzing the data and customer feedback we accumulate, we can address diverse needs through linkage with areas such as product formula design.

New Digital Technology Used at Maison KOSÉ Examples of hands-on demonstrations (from December 2019)

- **Nail printer**
Original designs spanning the KOSÉ brand lineup are instantly printed as detailed nail art.
(Partner: Casio Computer Co., Ltd.)
- **Customized sheets**
We use special equipment to diagnose skin tone and create a color sheet to match each customer’s skin.
(Partner: Panasonic Corporation)

Note: Some items are no longer being offered.



Nail printer



Customized sheets

A Manager’s Perspective

Optimizing the Beauty Experience for Each Person

Maison KOSÉ is an integral part of KOSÉ’s beauty platform concept. The KOSÉ Group’s first attempt at providing cross-brand services and merging beauty with digital technologies, it aims to create new customer experiences. Under the “Find Your Own Beauty” theme, the store incorporates our desire to provide diverse and comprehensive beauty proposals. We are making a fundamental shift away from the standard approach to beauty, which tends to be uniform and one-way, and evolving a customer-oriented, interactive approach.

Our aim is to provide seamless, high-value-added beauty proposals that take into account diverse lifestyles and values, proactively using a variety of advanced technologies to optimize the beauty experience for each person.



Maiko Ando
Direct Business Sec.
Digital Marketing Strategy Div.

2 Support for a Beautiful, Healthy and Happy Life

The KOSÉ Group supports people’s health and happiness as one of life’s fundamental goals. Our efforts to support this goal are important not only for the customers who use our products and services, but for all our stakeholders, people in our value chain around the world and the next generation. Through these activities and our business operations, we strive to help solve social issues in ways such as improving quality of life, raising the awareness of the next generation and promoting responsible procurement that takes human rights into consideration.

► Promoting the Next Generation’s Healthy Skin with the Project to Protect Beauty and Health from Ultraviolet Rays

The KOSÉ Accelerator Program, which started in 2018, incorporates an approach of open innovation that combines our in-house resources with external technologies and resources, to create value that we could not achieve on our own. The program was held for the second time in fiscal 2019.

This time, we put out a call for participants to collaborate in omnidirectional innovation under the concept of “applying technology to sensitivity in new experiences in beauty.” We received 86 applications from start-up companies in a wide range of fields. We selected the proposal from Sunshine Delight, Inc.—for research into protecting beauty and health from ultraviolet rays—as a collaborative project involving members from both our companies. In recent years, global environmental problems and the importance of providing protection from UV rays from early childhood have become issues. Against this backdrop, we chose this issue as a matter that KOSÉ should address Company-wide, and a highly meaningful proposal in terms of helping to solve a social issue.

The importance of UV protection is gaining attention globally. In addition to conducting research and development into an eco-friendly sunscreen, KOSÉ and Sunshine Delight are working to raise awareness by combining their expertise to promote accurate understanding of ultraviolet rays and to make the use of sunscreen from early childhood a habit.

Based on reports and other information from international organizations* on the effects of UV rays on the body during early childhood, this project is aimed at establishing a new business model for minimizing the impact of UV rays on skin and health. We will conduct activities to promote beautiful and healthy skin by popularizing the habit of using sunscreen from early childhood.

* The World Health Organization (WHO) INTERSUN Project and others

Our Choice for the Accelerator Program

Sunshine Delight, Inc.

Established in July 2019, when company President Eika Ito was in her senior year of high school. Aiming to create a society where people can have peace of mind despite exposure to UV rays, the company is working to develop large-size environmentally friendly sunscreen products for children, and to establish the habit of using sunscreen from early childhood.



A Manager’s Perspective

Aiming to Be a Leader in Helping to Solve Social Issues

The Project to Protect Beauty and Health from Ultraviolet Rays was launched out of KOSÉ’s desire to take the initiative in providing countermeasures to help the global community solve the issue of UV exposure, which is becoming more serious due to global warming. We are totally committed to making KOSÉ a leader in helping to solve social issues. To begin with, we will be working with Sunshine Delight to raise awareness about the importance of UV protection from early childhood. We are currently using teaching materials and sunscreen made with children and the environment in mind to popularize habits to protect the skin from UV rays. We will carry out the project to create a future where protecting the skin from UV rays is universally understood and done almost without thinking, where KOSÉ is closely associated with UV care, and where children’s earliest memory of skin care is a KOSÉ product.



Kento Takada
Corporate Strategy Office
Corporate Strategy Dept.

Promoting Sports

Wide-Ranging Support for Sports Competitions

To enhance people's quality of life, KOSÉ is involved in the promotion of sports, which are an important part of healthy lifestyles. As a company that creates beauty for people, we continue to cosponsor and support teams and individual athletes in various sports, particularly those that combine beauty, art and fashion.

In July 2019, we entered into the Gold Partner Agreement with the Japan Para-Ski Federation to provide comprehensive support not just for individual competitions, but for all competitions under the federation's jurisdiction. Going forward, we will more actively support Japanese athletes competing on the global stage and support the overall development of snow sports.

In addition, we entered into a sponsorship contract with professional golfers Yui Kawamoto in January 2020 and Erika

Harada, Rei Matsuda and Yuka Yasuda in March of the same year. As a result, we now have a total of 14 contracts for sponsorship and support of female professional golfers who "compete beautifully."

We will continue working to enhance people's quality of life by supporting health and beauty through the promotion of sports.



Para alpine skiing

Close-Up

Makeup Workshop for Mermaid Japan

In February 2020, we held a makeup workshop for swimmers at the Japan Institute of Sports Sciences in Kita-ku, Tokyo as the official sponsor of Mermaid Japan, a team representing Japan in artistic swimming. We taught detailed techniques that athletes can apply themselves, focusing on makeup that stays on in the water during competition. In order to make the swimmers stand out in performances, top makeup artists at KOSÉ are working to create makeup that brings out beauty to match the music and costumes. The sense of unity that these techniques, tips and beautiful makeup foster contributes to the swimmers' grace, self-confidence and concentration. KOSÉ will continue its support for the members of Mermaid Japan.



Makeup workshop

Support for Regional Revitalization and the Health of Local Residents

KOSÉ supports health promotion activities by providing sunscreen products such as the *Sports Beauty* brand at walking events and marathons throughout Japan.

To support regional revitalization and promote the health of local residents, we provided complimentary sunscreen products to more than 34,000 participants in Arukimedesu walking events in approximately 80 locations throughout Japan. We also sponsor events including the Bando Iwai Masakado Half Marathon in Ibaraki Prefecture, the Koedo Kawagoe Half Marathon in Saitama Prefecture and the Ishigaki Island

Marathon in Okinawa Prefecture, to support participants who want reliable protection from the effects of the sun.



Bando Iwai Masakado Half Marathon

3 Help Create a World with True Gender Equality

The growth of the KOSÉ Group will require the capabilities of every one of our more than 14,000 employees worldwide. In addition, as a company that creates beauty for people, we have continued to propose new value for the lives of many people. That is why we believe the messages we communicate to society will help create a future where there is no more gender gap, not only in Japan but all around the world. We promote and proactively engage in awareness-raising activities to help realize a society where everyone can play an active role regardless of gender.

Diversity & Inclusion Declaration

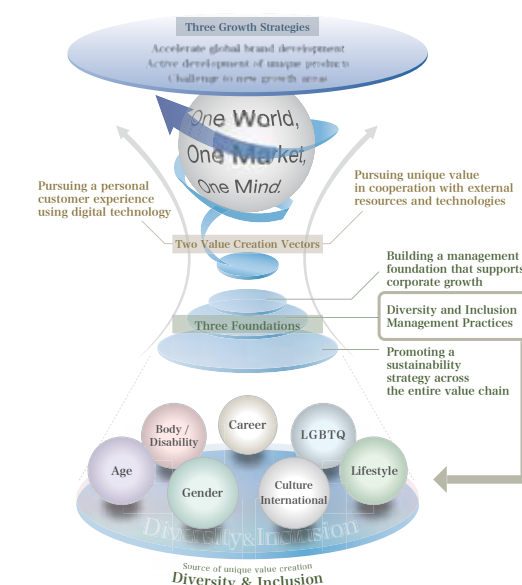
Transforming Diversity into Power

We promote diversity and inclusion as the foundation for creating unique value. We aim to be an organization and an enterprise that generates unique value globally by realizing our full potential through our collective uniqueness comprising the individuality of each employee.

We launched the Company-wide project to "Create a Great Place to Work" in fiscal 2017 and announced our Diversity & Inclusion Declaration as one of its initiatives in November 2019.

We believe that respecting and empowering the diversity of every team member, which is the meaning of "diversity and inclusion," will address changes in global society and markets as a source of continuous creation of unique value for our diverse customers. Therefore, we are promoting diversity and inclusion initiatives throughout the Company as part of our larger corporate management strategy.

We will establish employee benefit and training systems to create a foundation for all employees to fully display their potential and foster a culture of awareness of and mutual respect for individuality and empowerment regardless of gender, age, nationality, lifestyle or other individual characteristics. By doing so, we aim to become a company with a global presence as a leader in providing beauty.



* LGBTQ: Lesbian, Gay, Bisexual, Transgender, Questioning/Queer

A Manager's Perspective

Making KOSÉ a Comfortable Place Where Everyone's Contribution Is Welcome

Our team consists of members with various job titles, career histories and lifestyles. The Diversity & Inclusion Declaration communicates our determination to "generate unique value globally by realizing our full potential through our collective uniqueness comprising the individuality of each employee." There are many women in the KOSÉ Group, and their active participation has a direct bearing on the Group's potential. That is why we initially devised and started support measures for women to develop their careers at the various stages of their lives. We believe that such measures are one aspect of creating a workplace where everyone's contribution is welcome. Our mission as a company is to ensure that the entire spectrum of our human resources—a true treasure—can shine.



A few members of the Diverse Work Styles Executive Subcommittee "Create a Great Place to Work" project

4 Use the Theme of Beauty to Help Solve Environmental Issues

It is important to us to offer all kinds of value related to beauty through our business activities, beyond just making the cosmetics that are an intimate part of consumers' lives. We will continue to conduct activities that help solve environmental issues by providing added value in products and services centered on beauty, including beauty- and lifestyle-related proposals. By communicating these activities to the general public, we will also make more consumers conscious of environmental issues and foster awareness of solving these issues using the theme of beauty.

▶ **SEKKISEI SAVE the BLUE Project** “A More Beautiful You, a More Beautiful Earth”

The SAVE the BLUE project debuted in 2009, with a portion of sales from *SEKKISEI*, a brand loved by many customers, directed toward activities to protect the coral reefs in Okinawa. Coral reefs, which provide a habitat for marine ecosystems, are highly susceptible to temperature and other environmental changes and are in need of greater conservation efforts. A portion of sales from select *SEKKISEI* brand products purchased by customers during our summer campaigns is donated to an organization in Okinawa. The funds are used to cover the cost of growing an amount of corals equivalent to the total surface area of the bottoms* of the containers of project-designated *SEKKISEI* products, and for transplanting the cultivated corals onto reefs in Okinawa. Over the past 11 years, corals covering a total of 105,194,126 square centimeters, or about 28.1 times the area of a regulation-size short-course (25 m) swimming pool, have been transplanted. In our winter campaign, which began in fiscal 2019, we contributed a portion of sales to activities to preserve mountain forests, and in June 2019 we planted Manchurian oak, katsura, Japanese beech and other seedlings. We are contributing to global environmental preservation activities together with *Mori wa umi no koibito*, a nonprofit organization working to preserve a healthy natural environment for the rivers that feed the oceans by

maintaining woodlands near populated areas, which are home to thriving ecosystems.

* In the case of *SEKKISEI* lotion regular size: approx. 4 cm x 5 cm = approx. 20 sq. cm

Summer campaign

- Fiscal 2019
Number of corals planted: 1,383
Area: 8,436,805 sq. cm (approx. 2.2 times the area of a regulation-size short-course 25-meter pool)
- Fiscal 2009-2019 total
Number of corals planted: 17,342
Area: 105,194,126 sq. cm (approx. 28.1 times the area of a regulation-size short-course 25-meter pool)



Summer campaign poster

Winter campaign

- Fiscal 2018
Number of trees planted: 300
- * Due to the COVID-19 pandemic, the next count of number of trees planted has been put off until after fiscal 2020.



Winter campaign poster

Fiscal 2030 target

- Area of corals planted: 20,000 sq. m (approx. 53 times the area of a regulation-size short-course 25-meter pool)

Moreover, the *SEKKISEI* SAVE the BLUE project has spread beyond Japan to locations around the world. Summer and winter campaigns are also currently being conducted in China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States. We also carried out a program for staff to study corals in Okinawa and to present their environmental conservation activities in their respective regions. KOSÉ supports the Sustainable Development Goals (SDGs) advocated by the United Nations, and through the *SEKKISEI* SAVE the BLUE project it will conduct environmental conservation activities on land and sea and further advance its efforts to make more customers aware of the importance of protecting our blue planet.



A Manager's Perspective

Giving Back to Nature through *SEKKISEI*

Celebrating its 35th anniversary in May 2020, *SEKKISEI* is distinguishable by its striking azure packaging. *SEKKISEI* products contain oriental herbal extracts from Earth's natural bounty. That is where our SAVE the BLUE project originated—from our desire to give back to nature and to protect the blue Earth. Our activities to preserve the oceans and forests have now spread around the world. Going forward, we will broaden the scope of our activities for *SEKKISEI*. Through efforts to develop eco-friendly containers and reduce water consumption, as well as support activities for gender equality and other issues, we will offer beauty not only to our many customers, but also to the natural environment—to the blue Earth and the people who live on it.



Naoto Ito
Sekkisei Planning Sec.
Consumer Brands Div.

▶ *SEKKISEI* Sustainable Package Initiatives

In addition to conducting the *SEKKISEI* SAVE the BLUE project, we are actively working to create eco-friendly products for *SEKKISEI*, as a representative KOSÉ brand that drives the Group's sustainability promotion activities.

A *SEKKISEI* limited edition kit launched in September 2019 had a tray made with approximately half the plastic of conventional products as a result of using a new composite material that combines a paper-derived material and plastic. A renewed sunscreen product launched in February 2020 uses biomass PET, an environmentally friendly material, for the packaging. Biomass PET contains a plant-based material made from sugarcane bagasse that replaces some of the primary raw material PET, and has been attracting attention as a sustainable material that does not add to net atmospheric CO₂, even when burned.

We will continue to conduct environmentally conscious manufacturing for *SEKKISEI*, including the production of sustainable containers and packaging materials, as we also help to raise the environmental consciousness of our customers.



SEKKISEI limited edition kit



Sunscreen gel



UV Tone Up

A Manager's Perspective

With *SEKKISEI*, A More Beautiful You, a More Beautiful Earth

Since its debut in 1985, the aim of *SEKKISEI* has been to create beautiful skin by using extracts from oriental plants nurtured by the Earth. Even in our manufacturing, we want to give back to the Earth that provides us with many blessings. Since fiscal 2019, we have therefore been putting greater effort into manufacturing that takes sustainability into consideration. For the new series to be launched in 2020, we made the box from recyclable cardboard to put customers in closer touch with environmental issues. We will continue to promote the evolution of the value of *SEKKISEI* to deliver cosmetics that offer beauty for both skin and the Earth.

Mai Tokizaki Product Manager, Sekkisei Planning Sec., Consumer Brands Div.



Corrugated cardboard is used for the box

5 Environmental Programs in Areas Where KOSÉ Operates

For the KOSÉ Group to carry out its corporate activities sustainably, we believe it is important to consider the environment in regions where we produce products or offer services, and to give back to those regions. We strive to protect the environment in the regions where KOSÉ operates and work in partnership with our stakeholders to coexist and prosper with these regions.

► Signing of Location Agreement and Forest Maintenance Agreement with Minami-Alps City and Yamanashi Prefecture

In June 2019, we entered into a location agreement and a forest maintenance agreement with Minami-Alps City and Yamanashi Prefecture for the construction of a new production base. These agreements are aimed at encouraging collaboration and cooperation among the three parties toward achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

The newly planned Minami Alps Factory (provisional name) is located at the foot of Japan's Southern Alps, an area blessed with a beautiful, rich natural environment that is a source of clean water. The area has received international recognition as a Biosphere Reserve by UNESCO. When we begin producing

cosmetics here, we aim to achieve the following five SDGs in areas including coexistence with nature through forest conservation and other means, promoting employment and regional vitalization based on collaboration and cooperation with the local government and residents.

Five Applicable SDGs

- 6 Clean water and sanitation
- 8 Decent work and economic growth
- 11 Sustainable cities and communities
- 15 Life on land
- 17 Partnerships for achieving the goals



► The Minami Alps Factory (Provisional Name)

Under its medium-to-long-term VISION 2026, the KOSÉ Group is working to establish a production-supply and quality control system capable of stable medium-to-long-term support. As part of this initiative, we are proceeding with a project to build a new production base, the Minami Alps Factory (provisional name) in Minami-Alps City, Yamanashi Prefecture.

Located in an environment blessed by clean water and lush vegetation at the foot of the Minami Alps, the factory will be compliant with ISO22716 (Cosmetics GMP),* and have advanced production technology and a thorough quality assurance system. The production environment will be eco-friendly and superior in terms of economy and functionality, in addition to adding value. Production facilities will be mainly for

skin care and hair care products, and we intend to be able to use the factory to respond swiftly to future growth in demand.

* Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Artist's rendering of Minami Alps Factory (provisional name)

Construction site location (planned): Minami-Alps City, Yamanashi Prefecture
Site area: 111,525 sq. m
Main application: Cosmetics factory (Mainly large-lot skin and hair care products)
Production capacity: 100 million units or more
Investment: ¥15 billion to ¥25 billion

A Manager's Perspective

Creating a Factory That Coexists with the Blessings of Nature

A key point in selecting Minami-Alps City as the location for our new factory was the purity of its water, which is essential for cosmetics. We are designing the factory to conserve resources and energy so that we can protect this abundant water resource and be able to use it for many years to come. We are promoting the 3 Rs* for water resources and contributing to sustainability by making full use of its potential, including the use of groundwater as a heat source for air conditioning. We will also proactively engage in activities to protect the forests of the Southern Alps that are the source of this clean water.

While conducting environmental conservation activities in cooperation with the local community to coexist with nature, we will strive to make cosmetics with a total commitment to a sustainable approach at the new factory, as well as our existing factories.

* Reduce, reuse, recycle



Naoaki Tsukahara
Assistant Manager
Product Planning Sec.
Administration Div.
KOSÉ INDUSTRIES CO., LTD.

6 Lower the Overall Environmental Impact of Business Operations

Our beautiful global environment is the source of healthy lives for all of us. In addition, because many of the ingredients in cosmetics are obtained from nature, we benefit from the natural environment every day we do business. The KOSÉ Group is grateful for this benefit and therefore believes that it has a responsibility to reduce its environmental impact as much as possible to preserve nature—in other words, the global environment. The KOSÉ Group will work to further advance its efforts to lower the overall environmental impact of its business operations.

Activities to Lower Environmental Impact

► Making Climate Change Countermeasures a Top Priority Sustainability Issue

We consider it an important theme and our responsibility as a company to ascertain and reduce the amount of energy used at our factories, offices, distribution sites and other locations,

as well as the amount of CO₂ and other emissions that impact the environment. We made climate change countermeasures one of our top priority sustainability issues for fiscal 2019.

Details of Specific Activities

- **Centralized management to visualize the overall amount of energy used by the KOSÉ Group**
Visualized emissions to promote activities to reduce CO₂ emissions throughout the Group
- **Review of scope 1 and 2 reduction targets for 2030**
Launched a cross-divisional Company-wide subcommittee to reduce CO₂ emissions throughout the value chain and reset targets
- **Company-wide seminars on activities to resolve sustainability issues**
Conducted multiple seminars for officers and employees to deepen understanding of sustainability issues including climate change and countermeasures for the problem of plastics and to reflect that understanding in daily business activities (Held a total of five seminars for directors, Audit & Supervisory Board members and other executives, for executive officers and general managers, and for general employees, with a total of 350 attendees)



In-house seminar

Contribution to Achieving Environment-Related SDGs

Through various environmental activities, KOSÉ aims to contribute to the achievement of six SDGs: 6. Clean water and sanitation; 7. Affordable and clean energy; 12. Responsible consumption and production; 13. Climate action; 14. Life below water; and 15. Life on land.



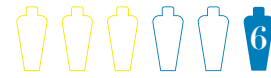
► Centralized Management for Visualization of Energy Use

In April 2020, the KOSÉ Group introduced the EcoAssist¹ environmental information management system, which centrally manages and visualizes the amount of energy used in corporate activities.

The system can collect environmental data from multiple locations, including overseas, for centralized management and use. Data collected includes greenhouse gas emissions and total material inputs at factories, offices, distribution sites and other locations. Analysis of the aggregated data over time and

by organization will facilitate the formulation of more effective strategies for lowering environmental impact. We will continue working to lower environmental impact throughout the Company by using EcoAssist as one measure to “develop a sustainability strategy spanning the entire value chain,” as stated in VISION 2026.

1. A solution from Hitachi, Ltd. for visualizing a company's environmental management to support analysis and improvement



Mind to Follow the Right Path

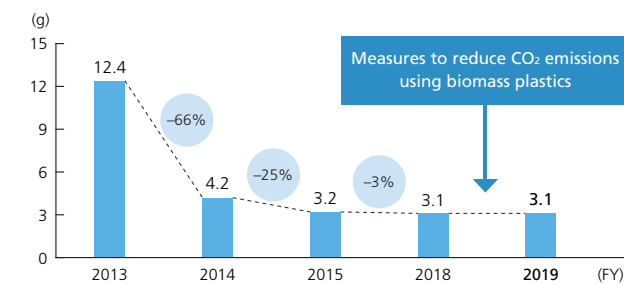
Adoption of Sustainable Materials

Not only does the KOSÉ Group set strict standards for the raw materials and ingredients it selects for its cosmetics, it also takes environmental impact into account in developing containers and packaging. Our considerations include ease of sorting of materials and disposal after use, and reduction of the volume of waste itself. As we meet customer needs for convenience and added value and ensure quality, we are also adopting sustainable materials, and we currently use recycled paper for the outer boxes of almost all our brands, including *COSME DECORTE* and *SEKKISEI*. For paper packaging that does not use recycled paper, we make a point of using certified paper, which is made from lumber harvested from certified forests. We are also focusing on countermeasures for the problem of plastic waste, which has a serious environmental impact. In 2019, we formulated a strategy to promote sustainable design for plastic containers and packaging materials. We will go beyond previous efforts, aggressively reducing the amount of plastics we use and utilizing plant-derived plastics and recycled materials, among

other measures. By 2030, we will use only containers and packaging materials compatible with the 4 Rs.² We also aim to use recycled or biomass plastics for 50% or more of our plastic packaging materials

2. Reduce, reuse, recycle, renewable

Amount of Plastic Used in Our Packaging



In addition to replacing the box with film wrap, we redesigned the packaging for *SEKKISEI Sun Protect Essence Gel* in fiscal 2013. As a result, we have reduced the total amount of plastic used by approximately 75%, a significant improvement.

A Manager's Perspective

Manufacturing That Considers People and the Global Environment

Plastic is a highly versatile material for cosmetics containers because of its ease of use, among other factors. However, marine pollution and other impacts of plastic on the global environment have become a concern in recent years. We have therefore set a target for our Product Designing Department to design all plastic containers and packaging materials with sustainability in mind by 2030. Efforts are under way, and include container planning and design that are compatible with the 4 Rs (reduce, reuse, recycle, renewable) and proactive adoption of materials such as biomass plastics that help reduce environmental impact. Going forward, we will adopt such activities to accelerate the manufacture of eco-friendly and appealing value-added products that are easier for diverse customers around the world to use.



Yasuo Kagawa
Manager
Technical Designing Sec. 1
Packaging Designing Office
Product Designing Dept.

Sustainable Palm Oil Procurement

Palm oil is a vegetable oil extracted from oil palms. It has diverse applications including in food, and as a raw material for cosmetics. However, there are problems associated with oil palm plantation development, such as destruction of tropical rainforests and human rights violations. Recognizing these problems as high-risk issues for the environment and human rights, the KOSÉ Group became a member of the Roundtable on Sustainable Palm Oil (RSPO)³ in 2019 and is taking measures to procure only sustainable palm oil. We also joined the Japan Sustainable Palm Oil Network (JaSPON)⁴ and started activities to procure, use and consume only sustainable palm oil. Through participation in Sustainable Palm Training conducted by JaSPON

in Malaysia in November 2019, representatives from KOSÉ visited local environmental NGOs, small farms, depots, oil extraction plants, refineries and other locations to deepen mutual awareness of issues through dialogue with the various stakeholders on their situations, issues and needs.



3. A non-profit organization established in 2004 comprised of stakeholders from the seven sectors involved in the palm oil industry
4. A platform inaugurated in 2019 with the aim of resolving various problems including environmental issues in palm oil production

Respect for Human Rights

In February 2020, the KOSÉ Group established the KOSÉ Group Human Rights Policy in recognition of its potential for directly or indirectly affecting human rights in the course of conducting business and to fulfill its responsibility to respect the human rights of all persons involved in its operations. Based on this policy, the KOSÉ Group will promote efforts to respect human rights.

Basic Stance

As a member of the global community, based on the Group Behavioral Charter, the KOSÉ Group recognizes the importance of respecting human rights in all its activities. The KOSÉ Group views the United Nations Guiding Principles on Business and

Human Rights (UNGPs) as its framework for implementation, and supports and respects various international principles in conducting its business activities.

Process for Formulating the KOSÉ Group Human Rights Policy

In 2005, the KOSÉ Group established the KOSÉ Group Action Guidelines, in which it specified that it shall act with respect for the human rights of all people with whom it is involved. Since then, we have made several revisions in accord with the times while engaging in responsible business activities. In light of changing social demands, we started a project in 2019 to formulate a human rights policy specifically to supplement the Action Guidelines. We considered issues through dialogue inside and outside the Company, including participation in the Human Rights Due Diligence Workshop (Stakeholder Engagement Programme) conducted by the non-profit organization Caux Round Table Japan (CRT Japan). In this program, we exchanged opinions with various experts on human rights issues and with non-governmental organizations and non-profits in the fields of the environment and human rights to raise human rights

issues facing the cosmetics industry and worked with our industry peers to revise the "Consumer Goods (Cosmetics and Daily Goods)" section of CRT Japan's report "Human Rights Issues by Sector, Version 8." Project members from KOSÉ returned to the Company with an awareness of major human rights issues specific to this industry and engaged in further study. To better understand the human rights issues of the KOSÉ Group, they also held a workshop attended by managers of the main related departments (management planning, human resources, legal affairs, purchasing, production and sustainability) and others to identify the future direction of our initiatives. In February 2020, we established the KOSÉ Group Human Rights Policy to promote initiatives for human rights issues as a member of the global community.

Initiatives to Respect Human Rights

2005	Formulated the KOSÉ Group Code of Conduct	The Group Code of Conduct, which stipulates respect for human rights and compliance with laws and regulations, was set forth in the KOSÉ Group Action Guidelines. We made several revisions thereafter in accord with the times, and worked for its penetration and implementation.
2019	Inaugurated a project to formulate a human rights policy	We inaugurated a project to formulate a human rights policy specifically to supplement the KOSÉ Group Action Guidelines. Sixteen members from seven departments deepened their understanding of human rights through participation in seminars and workshops.
2019	Formulated the KOSÉ Group Human Rights Policy	After discussions among the project members, we formulated the KOSÉ Group Human Rights Policy, which specifies the Group's stance on respect for human rights.
2020	Approved the KOSÉ Group Human Rights Policy	The KOSÉ Group Human Rights Policy was approved by the Board of Directors, and publicized both internally and externally. Based on this policy, we will promote human rights due diligence.



Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of world-class human resources who anticipate changes around the world and continue to create unique value. That is why we have made developing human resources one of our material issues and are implementing various measures to cultivate people of well-rounded character and creativity to support the sustainable growth of the KOSÉ Group from a medium-to-long-term perspective.

▶ Promoting Human Rights Education and Awareness-Raising and Diversity Management

Employees are the source of corporate growth and competitiveness. For employees to grow, they must have a healthy workplace environment. As a cosmetics company, the KOSÉ Group aims to cultivate a workplace environment that allows women to realize their full potential and enables diverse human resources to demonstrate their skills. To that end, we promote human rights education and awareness-raising and diversity management. In KOSÉ Group Human Rights policy and the KOSÉ Group Action Guidelines, we stipulate respect for the human rights of all and zero tolerance for any actions

that might lead to discrimination.

We encourage acceptance and understanding in the workplace and endeavor to build a healthy workplace environment where diversity is valued. In management development programs, we conduct training and raise awareness of human rights to ensure respect for such rights regardless of nationality, race, religion, educational background or age. We also promote understanding of gender diversity (LGBTQ* and others) including sexual orientation and gender identity.

* LGBTQ: An acronym for Lesbian, Gay, Bisexual, Transgender and Questioning/Queer

▶ Developing Human Resources Who Generate Innovation

To become a company with a global presence, we must foster a corporate culture in which human resources with diverse individual characteristics continually take on challenges with a flexible approach, and we must build and make practical use of systems to support that culture. We have established an in-house recruitment system to help motivated employees take on new job categories so that all employees can fully demonstrate their individuality. Each year, many employees make use of the system.

In 2018, KOSÉ launched its Accelerator Program, which incorporates the concept of open innovation to create new value that the Company cannot achieve on its own. This program does not employ the typical approach of screening and selecting ideas for collaboration as presented by participating start-up companies. Rather, teams are formed comprising members from start-up companies and employees from various divisions of KOSÉ who have applied through the

Link in-house venture system. The teams then work as a unit across Company boundaries for three months or longer to bring their ideas to fruition. As a result of this distinctive characteristic of the program, employee team members, who are expected to play a role in the next generation of KOSÉ's management, collaborate with external start-up companies as business producers with the aim of commercializing their ideas. Measures such as this are one of our mechanisms for supporting enthusiasm and a spirit of taking on challenges.



▶ Establishing Working Conditions That Promote Work-Life Balance

To achieve a good balance between our employees' professional and private lives, we are making efforts to enhance their health and working conditions. Specifically, we endeavor to accurately track each employee's working hours and set reduction targets for overtime work to optimize time spent on the job. We also offer wellness guidance by industrial doctors based on the results of annual health checks and

respective work situations. In addition, we have introduced childcare/nursing care leave, shortened working hours and other programs tailored to life events in order to help employees balance career and family. All regular employees who took maternity leave also took childcare leave, and more than 90% of these women later returned to work.

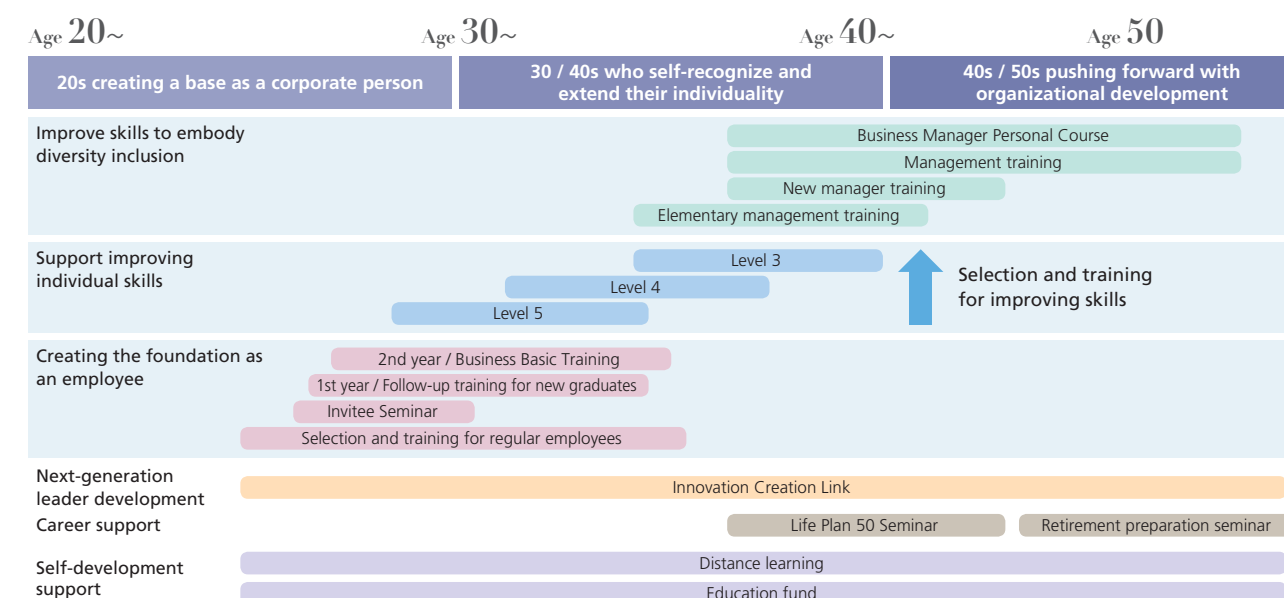
Certified as an Excellent Enterprise of Health and Productivity Management

From a management viewpoint, strategically encouraging employees to manage their own health will lead to higher productivity. The concept of health and productivity management has thus been proposed from the perspective of an investment that will lead to higher profitability. Wholeheartedly embracing this concept, the KOSÉ Group promotes health and productivity management measures for its employees' working environment, particularly in regard to keeping working hours to an appropriate level and helping employees maintain good health. In recognition of these efforts, in 2019 KOSÉ was certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as an excellent corporation that engages in health and productivity management in cooperation with insurers.



▶ Human Resource Development Program

The KOSÉ Group has organized and implemented various types of training and courses in its human resource development program to develop diverse, individual human resources able to play an active role on the global stage.



Developing Global Beauty Professionals

We also emphasize training for Beauty Consultants, who interact most closely with customers, in order to create a group of beauty professionals. In fiscal 2014, we promoted contract employees to regular employee status, and in fiscal 2015, we switched to a practice of hiring new graduates as regular employees rather than contract employees. For mid-career hires, we introduced an exam-based promotion system, with more than 100 Beauty Consultants passing the test each year. As a result of these measures, the proportion of Beauty Consultants who are regular employees has risen to about 90%. In addition, we run a program for Beauty Consultants that gives them the option to change branches and continue their careers in different locations nationwide. Concurrently, our in-house recruitment system enables Beauty Consultants to take on the challenge of working in other roles within the Company. These efforts expand career path options and enhance job satisfaction.

Seeking to improve the technical skills of Beauty Consultants, in fiscal 2014 we complemented an existing training and instruction program with our distinctive KOSÉ Makeup Lesson Examination, which has been approved by Japan's Ministry of Health, Labour and Welfare. The examination contributes to enhancing skills and spurs motivation. It consists of Level Two for base makeup, for which all Beauty Consultants in Japan are eligible, and Level One for makeup highlights, which can be taken by those who pass Level Two. Since the examination was introduced, more than 1,200 Beauty Consultants have passed one of the levels. In the future, we aim to have all Beauty Consultants obtain these qualifications as a preparatory job skill.

Only the Safest, Most Reliable, High-Quality Products

“Only one product out of millions of cosmetics delivered to the market reaches the customer, so cherish the one.” Based on this belief, the KOSÉ Group aims for unique raw material procurement and production processes that provide customers with safe, reliable cosmetics, taking pride that KOSÉ is synonymous with quality.

► Carrying On Our Founder’s Commitment to Bringing KOSÉ Quality to the World

Kozaburo Kobayashi, who founded KOSÉ in 1946, believed the Company had a duty to develop products of superior quality that would make consumers happy. Amid persistent supply shortages in the postwar years, KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet was able to take pride in being known by customers as a company that delivered quality. This commitment has been passed down to us today as we pursue the highest quality at each stage of the entire value chain. In the 1970s, we were quick to introduce quality control using scientific methods at our production sites, and in 1980 we marked a domestic cosmetics industry first when our Manufacturing Department won a Deming Prize.¹ In the 1990s, we adopted ISO 9001 international quality standards as well as a cosmetics GMP²-compliant management system in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide, and KOSÉ’s own production volume has expanded considerably to meet demand. We have started operation of a new manufacturing facility at the Gunma

Factory and are increasing production capacity at the Sayama Factory and Kumagaya Factory of ALBION CO., LTD. In addition, we plan to establish the Minami Alps Factory (provisional name) as a new production base. We will proactively enhance our production and supply structure and promote technological innovation to deliver the ultimate in quality.

1. An award given in Japan to companies and individuals who have successfully implemented total quality management of industrial products
2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Product inspection process



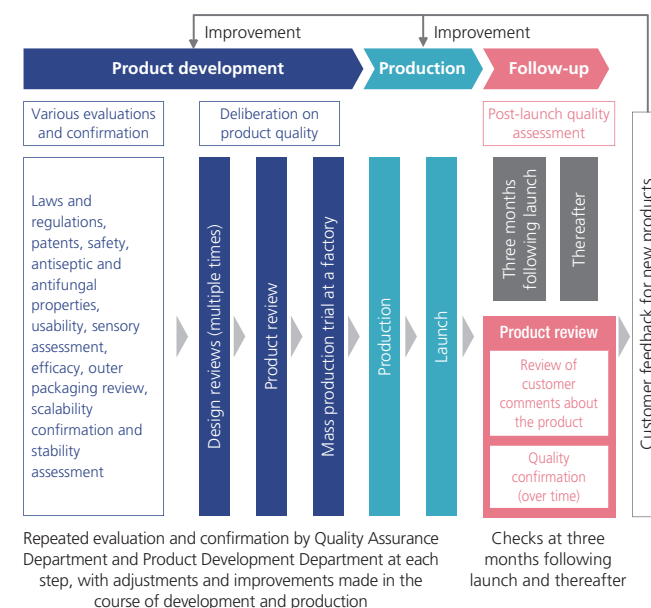
New manufacturing facility at the Gunma Factory

► Building a Framework That Prioritizes Peace of Mind and Safety While Valuing Innovation

Because cosmetics come in direct contact with the skin and hair, to ensure that customers can use our products with peace of mind, we prioritize safety in the development of new products through rigorous and repeated evaluations in line with the highest quality standards at each step from raw materials to finished products. Before putting products on the market, for final confirmation of safety we run them through tests under the various conditions in which they are expected to be used. KOSÉ has built a system in which the Quality Assurance Department and the Product Development Department work together from the initial stage of development to evaluate the safety of new products. This system enables us to rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and imaginative approaches. Furthermore, while giving the highest priority to safety, we develop our cosmetics, including quasi-drugs, under a policy of using testing methods that do not involve animals.

► For details: <https://www.kose.co.jp/company/en/sustainability/customer/>

Quality Assurance in the KOSÉ Group’s New Product Development



Customer’s Perspective

We promote engagement to be “closer to our customers” so that they are truly satisfied with every one of our cosmetics. The entire KOSÉ Group takes a thoroughgoing stance of delivering the value customers demand from their perspective.

► Our Declaration of Consumer Orientation: “Closer to Our Customers”

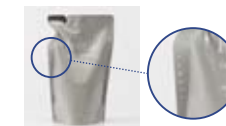
The KOSÉ Group established the slogan “Closer to Our Customers” for internal use and in April 2018 announced its Declaration of Consumer Orientation. It signifies that each employee thoroughly adopts an approach of taking the viewpoint of customers to deliver cosmetics with value, and has been in use since it was set forth as the basic policy of KOSÉ’s medium-term management plan for fiscal 2011. We intend to step up our efforts to further advance a customer viewpoint in the activities of all departments.

We strive to communicate information to our customers in an appropriate and timely matter through shops and websites. Knowledge stored at our Customer Service Center is shared throughout the KOSÉ Group, including affiliated companies, and is used by various departments.

To promptly utilize the valuable opinions and comments of our customers, we share them throughout the Company in real time using the Smile Data System. The content is aggregated, analyzed and regularly reported to the relevant departments,

which use it to improve products and services, thus heightening customer satisfaction.

Examples of Improvements Utilizing Customer Feedback



Notches in the refill pouch make it easy to tell that it contains shampoo.



Labelling on the outer box clearly identifies the different types of SEKKISEI, making it easier to select the desired product.

► Note: Declaration of Consumer Orientation

<https://www.kose.co.jp/company/ja/info/customer-oriented/> (Japanese only)



► “Closer to Our Customers”: The KOSÉ Beauty Platform Concept

Through the online Maison KOSÉ website, various social media and campaign websites and its concept store Maison KOSÉ, which opened in December 2019, KOSÉ is making progress with its original beauty platform concept for omnidirectional connections with customers. Using this concept, which involves

new types of communication that merge the digital world with real in-store experiences, we are exploring the potential of next-generation beauty experiences as we work to create connections with customers in both physical and digital formats.

The KOSÉ Beauty Platform Concept



Messages from External Directors

Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its business partners. While fulfilling our responsibilities as a member of the global community, we work with our business partners to promote sustainability for a better future for people and the global environment.

► Promoting Sustainability in the Supply Chain

We conduct sustainable, socially and environmentally responsible procurement for raw materials in line with our Basic Procurement Policy. We promote detailed information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to track environment-oriented responses and respect for human rights.

KOSÉ's Basic Procurement Policy

1. Quality and safety assurance

Our procurement activities are implemented in line with the "KOSÉ Quality Policy," with the highest priority on quality and safety.

2. Fair and unbiased competition

We offer opportunities for fair and equitable competition to all suppliers, regardless of scale, both in Japan and abroad. Procurement decisions are made in a fair manner based on a comprehensive consideration of quality, price, delivery times, supply capacity, management stability and other factors.

3. Compliance with laws, regulations and social norms

In our CSR-compliant procurement practices, we comply with laws, regulations and social norms of different countries and regions, and give due consideration to the conservation of resources and the global environment, safety, human rights, and other factors in order to fulfill our social responsibility.

4. Co-existence and co-prosperity

Our aim is to ensure the ongoing development of both our suppliers and ourselves by building mutual understanding and trust through our procurement activities.

5. Assurance of information security

Confidential information and personal information related to procurement activities are strictly protected.

Emphasizing a Sense of Partnership with Suppliers

KOSÉ holds a policy meeting with its suppliers once a year to explain the KOSÉ Group's policies, business plan and purchasing policy. A party is also held at this event to show our gratitude and to recognize those suppliers who have contributed significantly to our success, particularly to our business results, improved quality and environmental considerations. In fiscal 2019, we welcomed participants from nearly 100 domestic and international suppliers, including those providing us with raw materials and fragrances, other materials, OEM services and various production work. We asked suppliers to continue to be good partners in our ongoing pursuit of higher quality and sustainability. To assist the increasing number of participants from abroad, interpreters are deployed during the event to provide simultaneous translation.



Disclosure of Guidelines for Suppliers

The KOSÉ Group places great importance on its relationships of trust with its partners in the supply chain, and aims to grow and develop together with them. In November 2019, we established and disclosed our Guidelines for Suppliers to gain their cooperation on items to be considered for social responsibility and the environment. With these guidelines, we have implemented highly transparent supply chain management. Furthermore, in our procurement we also respect the United Nations Global Compact and other laws and regulations, and comply with our Basic Procurement Policy and Guidelines for Suppliers.

► For details: <https://www.kose.co.jp/company/en/info/procurement/>



Yukino Kikuma

Director (External)

► KOSÉ's Social Responsibilities as a Publicly Traded Corporation

Having served as an external director for two years, I feel very strongly that KOSÉ is proactive in rapidly incorporating what is good for the Company.

With COVID-19 a serious issue worldwide, corporate responsibilities to society are becoming greater. It is important for a corporation to return profits to its shareholders. However, it is also a matter of great importance for KOSÉ to consider how it can contribute to this society in which not only its shareholders, but also its customers, affiliates, employees and other stakeholders live, and to show it can act quickly. If a company cannot fulfill its responsibility to society, it does not deserve to survive.

COVID-19 has changed the way people live. Flexibility, agility and leadership will be required to deal with this new world. I want KOSÉ to continue taking on challenges unafraid of change. As an external director, my approach will be to always analyze risks appropriately in considering how to achieve this objective, and then to provide support for implementation.



Norika Yuasa

Director (External)

► Unique Sustainability

Sustainability—considering the limits of the global environment in corporate activities—has gained traction as an important concept in recent years. KOSÉ's VISION 2026 also promotes strategies for sustainability.

KOSÉ is imbued with a spirit that cherishes the ideas of its founder and a desire to take care of its employees, its products and above all, its customers. KOSÉ's true worth lies in going beyond caring for its customers to take good care of its entire value chain, and of the Earth itself—that is what sustainability is all about. I expect KOSÉ to put its unique qualities to work to develop original, sustainable businesses.

Japan is a country with distinctive qualities. I feel that KOSÉ is peerless among Japanese companies in possessing so many of those qualities, including an affinity for sustainability. As an external director, I hope to be of assistance in the global development of KOSÉ as a company representing Japan on the world stage.

Corporate Governance

Governance at a Glance



* Year ended March 31, 2020

Basic Policy

The KOSÉ Group has established the principle, centered on its management philosophy, to “continually conduct management to enhance its enterprise value as the KOSÉ Group,” and strives for management focused on business expansion and efficiency.

The KOSÉ Group considers corporate governance to be an important management issue, and is working to establish organizations and mechanisms for the conduct of sound

management, and to create frameworks to maintain the trust of society.

In addition, to enhance the transparency and fairness of management, the KOSÉ Group strives for sincere communication with all stakeholders including shareholders, investors, creditors, customers, business partners, employees, and local residents and communities, and builds relationships of trust with them.

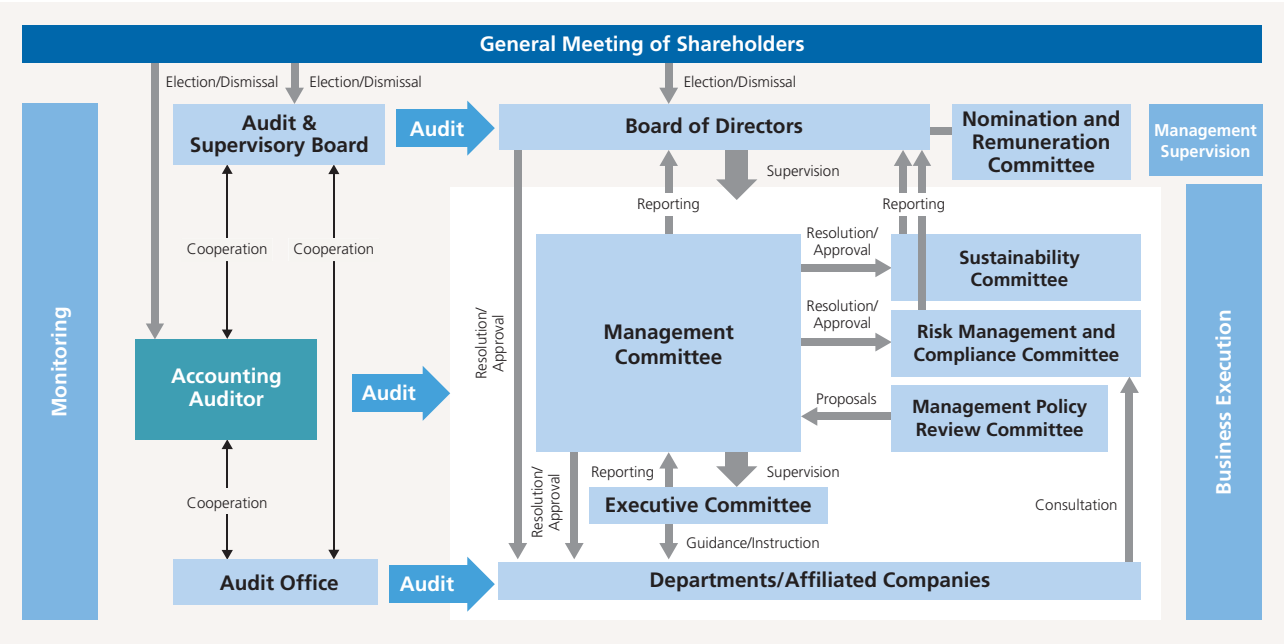
Corporate Governance Structure

KOSÉ has adopted a company with an Audit & Supervisory Board system to audit the adequacy of the directors’ execution of their duties.

For the swift and efficient execution of business, the Company employs the Board of Directors, the Management Committee chaired by the President & CEO, the Management Policy Review Committee, the Executive Committee, and other bodies as necessary.

In addition, the Company has voluntarily established the Nomination and Remuneration Committee, a majority of which is composed of external directors and external Audit & Supervisory Board members, to deliberate on officer remuneration and the appropriateness of officer appointments. The Company has determined that it is appropriate to have independent external directors and Audit & Supervisory Board members to provide audit and supervisory functions in addition to a system of checks and balances by officers familiar with the business.

Corporate Governance Organization



Board of Directors

The Board of Directors strives to achieve an optimal balance of overall knowledge, experience, competencies, diversity and size.

The Company has appointed external directors with a high level of expertise and extensive insight to provide advice on business execution, as well as to monitor and supervise each director.

The Company has a business execution system that clarifies the scope of authority of directors so prompt decisions can be made by a small number of people. The Company has also

adopted an executive officer system, and the executive officers appropriately execute business in the departments they oversee in accordance with basic management policies. The Board of Directors meets in principle once each month, to decide on matters stipulated by laws and regulations, as well as important matters relating to management, and to supervise the conduct of duties by directors.

Audit & Supervisory Board

For the Audit & Supervisory Board, the Company has appointed an attorney at law and a certified public accountant with extensive experience in auditing and insight as external members to monitor and supervise the execution of business by directors.

Audit & Supervisory Board members attend important meetings such as the Board of Directors meetings and Management

Committee meetings, communicate with Audit & Supervisory Board members of domestic Group companies as appropriate, exchange information and opinions with internal audit departments and the accounting auditor, and conduct internal audits of departments within the Company and of its subsidiaries regularly and as required.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an organization that deliberates on proposals related to nomination and remuneration made by the president to the Board of Directors to enhance the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination and remuneration of directors, Audit & Supervisory Board members and executive officers of the Company. It is chaired by an external director to ensure objectivity.

Composition of the Nomination and Remuneration Committee

Chairperson	Total Members	(Breakdown)		
		Directors	External Directors	External Audit & Supervisory Board Members
External Director	7	2	3	2

► External Directors and External Audit & Supervisory Board Members

Attendance at Board of Directors and Audit & Supervisory Board Meetings in Fiscal 2019

Position	Name	Board of Directors Meetings (Convened 13 times)		Audit & Supervisory Board Meetings (Convened 11 times)	
		Number of Meetings Attended	Percentage of Meetings Attended	Number of Meetings Attended	Percentage of Meetings Attended
External Director	Iwao Toigawa	13	100%	—	—
External Director	Yukino Kikuma	13	100%	—	—
External Director	Norika Yuasa	11*	100%	—	—
External Audit & Supervisory Board Member	Nobuo Iwafuchi	13	100%	11	100%
External Audit & Supervisory Board Member	Toru Miyama	11*	100%	9*	100%

* The number of Board of Directors meetings and/or Audit & Supervisory Board meetings attended by External Director Norika Yuasa and External Audit & Supervisory Board Member Toru Miyama differs from that of other officers because they were elected at the 77th Annual General Meeting of Shareholders held on June 27, 2019.

Reasons for Each External Director’s Selection

Name	Reasons for Selection
Yukino Kikuma	Ms. Kikuma has highly specialized knowledge as an attorney at law and particularly deep insight concerning corporate law. She also has media-related experience. The Company therefore believes she can provide fresh, impartial suggestions and advice to management from a broad perspective, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Kikuma has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Norika Yuasa	Ms. Yuasa has highly specialized and broad knowledge that extends to Asia, Europe and North America as well as Japan as an attorney at law. She has considerable professional experience in China in particular. The Company therefore believes she can provide fresh, impartial suggestions and advice for the Company's global strategy with her extensive insight, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Yuasa has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Yuko Maeda (Appointed in June 2020)	Ms. Maeda has a high level of expertise in the realm of applications for corporate intellectual property combined with abundant experience and knowledge particularly when it comes to industry-academia partnerships. Moreover, she also has abundant insight from a managerial perspective underpinned by her experience as a corporate Director and Outside Audit & Supervisory Board Member. The Company therefore believes she can provide fresh, impartial suggestions and advice to management, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Maeda has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.

► Evaluation of the Effectiveness of the Board of Directors

With the aim of enhancing objectivity and further improving governance, the Company used a third-party organization to conduct the evaluation of the effectiveness of its Board of Directors. The method and results of the fiscal 2019 evaluation were as follows.

1. Evaluation Method

A questionnaire survey covering the following items was completed by the directors and Audit & Supervisory Board members.

A third-party organization was used to create the survey and to tabulate and analyze the results. Based on those results, the Board of Directors analyzed and evaluated its effectiveness and considered future responses.

Questionnaire Items for Evaluating Effectiveness

I. Management system of the Board of Directors

- (1) Composition of the Board of Directors
- (2) Operation of the Board of Directors
- (3) Support structure for the Board of Directors
- (4) Status of participation at Board of Directors meetings

II. Supervisory function of the Board of Directors

- (1) Supervisory function of the Board of Directors
- (2) Risk management structure of the Board of Directors
- (3) Status of discussions at Board of Directors meetings
- (4) Matters relating to the nomination and remuneration of officers

2. Results of Evaluation and Issues Requiring Attention

As a result of discussions conducted at the Board of Directors meeting based on the results of the questionnaire survey, the Board of Directors confirmed that, as in the previous fiscal year, the size of the Board of Directors and the composition of the Nomination and Remuneration Committee are appropriate, and advance explanations to external officers and reporting at Board of Directors meetings are being conducted appropriately. In addition, steady improvement was confirmed in active discussion of management strategies, which was an issue in the previous fiscal year, in areas including thorough management of progress in accordance with medium-to-long-term VISION 2026. Based on these factors, the Board of Directors concluded that it has ensured its overall effectiveness.

On the other hand, the Board of Directors came to the realization that there is room for improvement with regard to increasing the board’s diversity and enhancing management systems of subsidiaries, as well as room for further discussion of the ideal remuneration system for the Company.

Based on these points, the Company will continue working to further enhance the effectiveness of the Board of Directors in order to improve the corporate value of the KOSÉ Group.

► Officer Remuneration

Policy for Determining Remuneration Framework

For remuneration of Company officers, the Company has decided on a remuneration framework that emphasizes increasing corporate value over the medium to long term.

Remuneration of directors other than external directors consists of monthly remuneration and bonuses to raise the linkage between improvements in corporate business results and officer performance, taking into consideration the responsibilities they bear for improvement of business results each fiscal year and growth in corporate value over the medium to long term.

The amount of monthly remuneration is determined according to the position of each director, taking into account the operating environment and other factors, and bonuses are determined based on fiscal year business results of the KOSÉ Group and of the relevant departments he or she is in charge of, as well as on an evaluation of individual performance.

External directors and Audit & Supervisory Board members receive fixed monthly remuneration, which is set based on comparisons with other companies in the same industry or of the same size in Japan and overseas, as well as on the Company’s financial condition and business results.

Method for Determining Officer Remuneration

Officer remuneration shall be classified into directors and Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the scope of the total amount for each officer classification, and such remuneration is determined by the Board of Directors after discussion of its appropriateness by the Nomination and Remuneration Committee, which is composed mainly of external officers.

Remuneration of Audit & Supervisory Board members is determined by mutual agreement among the Audit & Supervisory Board members, including the two external members.

In addition, the Company has established a retirement benefit plan for Company officers. The Company has established criteria for the relevant payment amount and allocates provisions to a reserve for each year of each officer’s tenure.

Moreover, the Company passed a resolution at the Annual General Meeting of Shareholders held on June 26, 2020 to introduce a restricted share remuneration plan for directors (excluding external directors) as an incentive to sustainably increase corporate value, and has conducted a review of the officer remuneration system in general. The method for determining officer remuneration from fiscal 2020 is as follows.

1. Fundamental Policy on Officer Remuneration

The Company’s remuneration for its directors and Audit & Supervisory Board members is designed and operated with the aim of increasing corporate value over the medium to long term from the viewpoints of:

- Maintaining a remuneration plan that enables the Group to achieve global and borderless growth;
- Ensuring remuneration levels that give rise to appropriate competitive strengths and the ability to recruit and secure outstanding professional talent; and

- Facilitating a remuneration plan that ensures high levels of independence, objectivity and transparency, and that satisfies the duty of accountability toward the Company’s business partners, customers, shareholders, employees and other stakeholders.

2. Remuneration Levels

The Company has determined that its levels of officer remuneration are appropriate, having taken the Company’s business environment into account, while also having surveyed and analyzed remuneration levels of major companies in the same industry or of the same size using external databases and other information.

3. Composition of Remuneration

(1) Directors (Excluding External Directors)

Remuneration consists of basic remuneration, which depends on a director’s role, and performance-linked remuneration, which depends on factors such as corporate business performance and the Company’s stock price. These forms of remuneration are provided with the aims of motivating the directors in terms of achieving performance indicators over the short, medium and long term, and sustainably increasing corporate value. Furthermore, performance-linked remuneration consists of a bonus and stock compensation.

Stock compensation is based on a plan whereby the Company delivers its common stock to eligible officers, using a specified restricted share mechanism, newly introduced in fiscal 2020. Specifically, the Company makes annual delivery of its common stock subject to stipulations such as those of the restricted period for those eligible, and subsequently lifts the transfer restrictions upon retirement of the recipient.

Moreover, the remuneration for directors does not include salaries for directors who concurrently serve as employees, nor does it include bonuses.

(i) Overview of Remuneration Components

Basic remuneration

The basic remuneration is paid in the form of fixed remuneration on a monthly basis, the amount of which is determined per respective position depending on the extent of professional responsibilities and roles thereof.

Bonuses

Bonuses are paid as incentive to improve corporate business performance in a single fiscal year.

The evaluation indicators for the bonus include net sales, operating profit and other items per business domain, in addition to net sales and operating profit on a consolidated basis. The Company has selected such evaluation indicators because they are cited as key performance indicators under its medium-to-long-term business plans. The bonus varies from 0% to 200% of the standard amount, depending on the extent to which target amounts for the single fiscal year have been achieved with respect to each indicator.

Evaluation ratios with respect to net sales and operating profit indicators are largely as follows.

Indicators	Evaluation Ratio
Net sales	50%
Operating profit	50%

Under the remuneration framework, the Company sets high evaluation weightings with respect to the business domains that are under direct control of an individual director, thereby ensuring that each director fulfills his or her responsibilities in the business domains under his or her respective control.

Stock Compensation

The Company makes annual delivery of a fixed number of shares of its common stock subject to stipulations such as those of the restricted period, and subsequently lifts the transfer restrictions upon retirement of the recipient.

The Company’s stock price acts as the evaluation indicator with respect to stock compensation. The Company has selected that evaluation indicator with the aim of further heightening motivation to help increase corporate value over the medium to long term, and further promoting the shared interests of stock compensation recipients and the Company’s other shareholders.

Because the Company’s stock price acts as the indicator for calculating stock compensation, the Company does not set performance targets in that regard.

(ii) Remuneration Mix

Remuneration mix of the CEO’s remuneration package is as follows.

Remuneration Component	Proportion of Total Remuneration
Basic remuneration	65%
Bonus	25%
Stock compensation	10%

The Company’s policy when it comes to remuneration mix for positions other than that of the CEO is such that the higher one’s position the lower his or her proportion of basic remuneration, and the higher his or her proportion of bonus and stock compensation.

Total Remuneration by Officer Classification, Amount by Type of Remuneration and Number of Eligible Officers

Officer Classification	Total Remuneration (Millions of yen)	Amount of Remuneration by Type (Millions of yen)			Number of Eligible Officers
		Fixed Remuneration	Performance-Linked Remuneration	Provision for Officers’ Retirement Benefits	
Directors (excluding external directors)	808	310	80	416	6
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	50	47	–	3	3
External officers	51	51	–	–	6

Persons Receiving Total Remuneration of ¥100 Million or More

Name	Officer Classification	Company	Amount of Remuneration by Type (Millions of yen)			Total Remuneration (Millions of yen)
			Fixed Remuneration	Performance-Linked Remuneration	Provision for Officers’ Retirement Benefits	
Kazutoshi Kobayashi	Director	KOSÉ Corporation	214	47	364	625

Going forward, the Company intends to periodically reassess the remuneration mix with a focus on stock compensation with the aim of achieving sustainable growth over the medium to long term.

(2) External Directors

Because external directors are expected to engage in the function of managerial oversight from an independent standpoint, their remuneration consists solely of fixed basic remuneration. They accordingly do not receive performance-linked bonuses or stock compensation.

(3) Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board members consists solely of fixed basic remuneration that takes into account their professional duties and other such factors. They accordingly do not receive bonuses or stock compensation. The Company determines basic remuneration for respective Audit & Supervisory Board members through consultation with the Audit & Supervisory Board members, comprehensively taking into account factors encompassing content, workload and difficulty of their professional duties, as well as the extent of their responsibilities.

4. Decision-Making Process

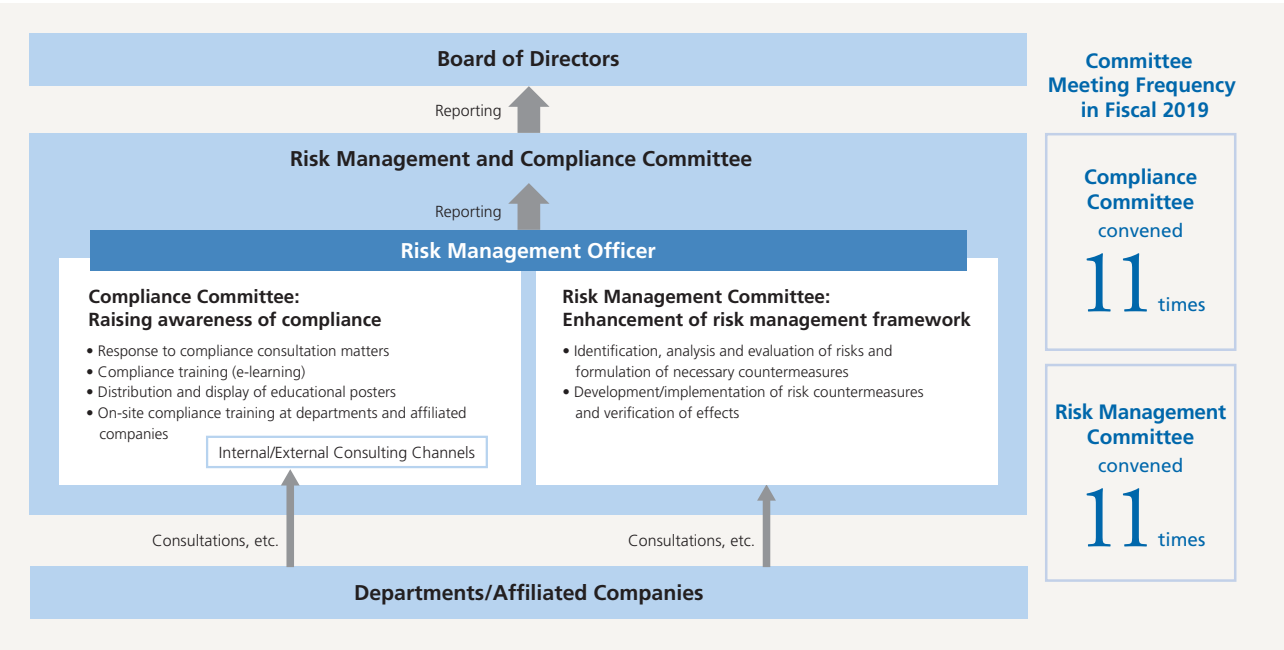
For officer remuneration, the Company has established separate director and Audit & Supervisory Board member classifications at the General Meeting of Shareholders. Accordingly, the Company is to allocate to each officer amounts of officer remuneration, the total of which does not exceed the total amounts set for the respective classifications.

To ensure objectivity and transparency with respect to the officer remuneration plan, the Board of Directors resolves to assign the task of making decisions on allocations of officer remuneration to the CEO following deliberations regarding the appropriateness thereof carried out by the Nomination and Remuneration Committee, which consists mainly of external officers.

Moreover, the Company makes decisions on remuneration for Audit & Supervisory Board members through consultation with the Audit & Supervisory Board members.

Risk Management and Compliance

Risk Management and Compliance Organization



For the Company, compliance encompasses compliance with laws and regulations as well as behavior consistent with social ethics based on “Mind to follow the right path.” The compliance promotion structure and activities are regularly reported to the Board of Directors via the Risk Management and Compliance Committee. The Compliance Promotion Committee holds training and other educational programs for directors and employees. The Company has established internal and external reporting channels and also maintains a framework for responding to reports and consultations. In addition, to respond to risk factors that pose a threat to the sustainable development of the Company, particularly various risks such as problems involving compliance, quality, information security and markets as well as natural disasters, the Company has established Risk Management and Compliance Regulations and is working to enhance its risk management structure by establishing a Risk Management Promotion Committee. The Company has also created a framework based on its Crisis Management Regulations for minimizing damage in the event a major risk materializes.

Risk Management Briefing Session

A briefing session is held annually for officers, managers and supervisors as a forum for sharing information on various laws, regulations and changes in the operating environment. The Company continues to communicate information that incorporates recent case studies to firmly establish Company-wide risk management and compliance promotion activities.

Compliance Training

Every year since 2008, the Company has set important themes for compliance and conducted training for all KOSE Group employees using e-learning or handouts. The Company also conducts awareness-raising for Beauty Advisors and target-specific training to communicate information in a form that suits the audience.

► See the KOSÉ website for more information on corporate governance, risk management and compliance.
<https://www.kose.co.jp/company/en/csr/management/>

► Business and Other Risks

The following explanations of risk factors in this report are presented with the objective of proactively disclosing information of material interest to investors for making investment decisions.

From the standpoint of proactive disclosure, these explanations include factors that are not necessarily of this nature and factors associated with external matters that are beyond the control of the KOSÉ Group that can influence the decision making of investors. This is not meant to be a complete list of potential risks.

These risk factors could have a material influence on the KOSÉ Group’s management performance and financial position.

Please note that the forward-looking statements contained herein are based on the Company’s judgments, which were made as of June 26, 2020, and forward-looking statements are not limited to those presented here.

To ensure business continuity and stable growth going forward, the Company has established the Risk Management Promotion

Committee as a cross-divisional Company-wide organization to conduct qualitative analysis and evaluation to comprehensively identify risks, and to take necessary countermeasures for those risks that may have a substantial impact. Specifically, each year the Company selects risk items using a questionnaire sent to persons in charge of affiliated companies and departments, and prioritizes them along two evaluation axes: impact on business performance and other factors if the risk materializes; and likelihood of the risk materializing.

The risks selected through the risk assessment are aggregated by risk category: strategy risk, business/financial risk, political/economic risk, accident/disaster risk, personnel/ labor risk, or legal violation/indemnification risk. The Company has established and operates a system to monitor the current status and progress of each of its risk countermeasures on a regular basis.

► Responding to Risks

Strategy Risk

Main Risks	Main Measures
Price competition Damage to brand value Decrease in market share	The Company conducts product development, marketing and sales taking into account changes in market needs and customer preferences, and works to maintain and improve its competitive advantage by adding functional and emotional value to achieve differentiation.
Entry of new competitors Decrease in market share due to entrants from other industries and expansion into new channels by competitors	In addition to constantly keeping track of information from its business partners and sales and marketing sites, the Company works to remain abreast of market information in a timely manner through regular consumer surveys. It also strategically pursues unique value through active cooperation with companies in other industries and linkages with external resources and technologies.
Research and development delays Decrease in brand competitiveness Decline in innovation	The Company conducts basic and applied research using data science at the Advanced Technology Laboratory, and has also opened a branch in Lyon, France to conduct leading-edge dermatological research. The Company is also actively engaged in open innovation using external resources.
Changes in consumer preferences Decrease in brand value due to deviation from consumer needs	In addition to regularly conducting market surveys to properly obtain consumer information and conducting consumer surveys in Japan, the Company is also stepping up its surveys in countries outside Japan where it does business. It is also actively deploying digital technologies in pursuit of new customer experiences.

Business/Financial Risk

Main Risks	Main Measures
Increase in raw material prices Decline in profitability due to increased raw material prices	The Company conducts procurement globally to minimize market risk. It also strives to procure necessary raw materials and outsourced products at appropriate prices in a timely manner while maintaining good relationships with suppliers. The Company has also established the Cost and Inventory Reduction Promotion Committee, which is working to maintain appropriate costs.
Discontinuation of raw material sharing Obstacles to stable product supply Impact on sales and profit margins Decline in the Company’s creditworthiness	

Political/Economic Risk

Main Risks	Main Measures
Changes in legal regulations and response Demand fluctuation risk Impact on product exports	The Company collects information on a daily basis regarding legal regulations related to its business. In product development, the Company reviews raw material standards in light of changes in legal regulations and responds by effectively utilizing domestic and overseas information networks to secure alternative raw materials.
Abrupt changes in the political situation in countries where the Company does business Impact on sales due to fluctuations in demand Employee safety risk	The Company takes necessary measures by enhancing cooperation with overseas affiliates and business partners to collect information on economic, political, and social conditions in each country in a timely fashion.

Accident/Disaster Risk

Main Risks	Main Measures
Natural disasters (earthquakes, volcanic eruptions, tsunamis, etc.) Delays or interruption of business activities due to suspension of production and distribution functions	In the event of a disaster or the spread of an infectious disease, the Company will immediately establish an emergency headquarters to discuss and implement countermeasures. To prepare for disasters, the Company has created a crisis management manual. It also confirms workplace safety and corrects deficiencies.
Spread of highly virulent infectious disease Delays or interruption of business activities including production, supply, and sales	

Personnel/Labor Risk

Main Risks	Main Measures
Securing outstanding talent Decline in corporate competitiveness	The Company works to create an environment in which diverse human resources can play an active role. In its recruitment activities, the Company secures expert human resources through hiring by job type and outstanding talent through revision of the Beauty Consultant compensation system.

Legal Violation/Indemnification Risk

Main Risks	Main Measures
Problems related to product accidents Reputation loss among customers and decline in corporate value due to serious product accidents	The Company manufactures products with the highest priority on delivering safe and reliable products to customers. It has articulated its stance on the KOSÉ Group’s products through its Quality Policy comprising a quality policy message and five declarations for daily activities.
Leaks of confidential or personal information Reputation loss and compensation for damage due to information leaks	In addition to raising awareness of compliance through the Compliance Promotion Committee, the Company has established a Personal Information Management Committee based on laws and guidelines of the Ministry of Economy, Trade and Industry, and is working to build a comprehensive management system by strengthening information security.

Directors and Audit & Supervisory Board Members (As of June 26, 2020)



1. Yasukiyo Kobayashi
Honorary Chairmann

2. Kazutoshi Kobayashi
President & CEO

3. Takao Kobayashi
Senior Executive Director

4. Atsuo Kumada
Senior Executive Director

5. Masanori Kobayashi
Executive Director

6. Koichi Shibusawa
Executive Director

7. Yusuke Kobayashi
Director

8. Michihito Yanai
Director

9. Yukino Kikuma
Director (External)

10. Norika Yuasa
Director (External)

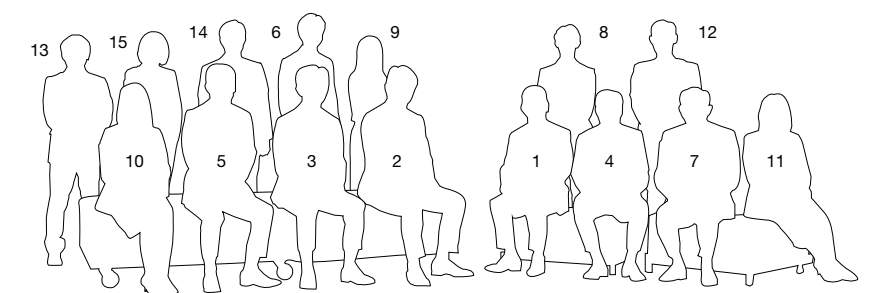
11. Yuko Maeda
Director (External)

12. Noboru Matsumoto
Standing Audit &
Supervisory Board Member

13. Shinji Tanabe
Standing Audit &
Supervisory Board Member

14. Toru Miyama
Audit & Supervisory Board Member
(External)

15. Kumi Kobayashi
Audit & Supervisory Board Member
(External)



Career Histories

(As of June 26, 2020)

Honorary Chairman



Yasukiyo Kobayashi
Honorary Chairman

Apr. 1964 Joined the Company
Jul. 1969 Director
Mar. 1976 Executive Director
Mar. 1981 Senior Executive Director
Jun. 1991 Representative, Senior Managing Director
Mar. 1997 President & CEO
Jun. 2007 Chairman President & CEO, KOSÉ SALES CO., LTD.
Jun. 2014 Honorary Chairman of the Company (current position)

Directors



Kazutoshi Kobayashi
President & CEO

Apr. 1986 Joined the Company
Mar. 1991 Director
Mar. 1995 Executive Director
Jun. 2004 Representative Director and Vice President
Jun. 2007 Representative Director and President (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Director of ALBION CO., LTD.



Takao Kobayashi
Senior Executive Director

Apr. 1993 Joined the Company
Jun. 1998 Director
Jun. 2013 Executive Director
Jun. 2014 Senior Executive Director (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
President & CEO of KOSÉ Cosmeport Corp.



Atsuo Kumada
Senior Executive Director

Apr. 1980 Joined the Company
Mar. 2008 Director and General Manager of Cosmetics Specialty Stores Dept. of KOSÉ SALES CO., LTD.
Mar. 2011 Executive Officer of the Company and Executive Director of KOSÉ SALES CO., LTD.
Mar. 2013 Executive Officer of the Company and Senior Executive Director of KOSÉ SALES CO., LTD.
Jun. 2013 Director of the Company and Senior Executive Director of KOSÉ SALES CO., LTD.
Jun. 2016 Executive Director of the Company and Senior Executive Director of KOSÉ SALES CO., LTD.
Apr. 2019 Executive Director of the Company and President & CEO of KOSÉ SALES CO., LTD. (current position)
Jun. 2019 Senior Executive Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
President & CEO of KOSÉ SALES CO., LTD.



Masanori Kobayashi
Executive Director

Mar. 2004 Joined the Company
Mar. 2008 General Manager of Corporate Strategy Office of President Office
Mar. 2009 General Manager in charge of Medium-term Strategy of Corporate Strategy Office of President Office
Mar. 2010 General Manager of Global Business Div.
Mar. 2011 Executive Officer and General Manager of Global Business Div.
Jun. 2013 Director and General Manager of Global Business Div.
Jun. 2017 Executive Director and General Manager of Global Business Div.
Mar. 2018 Executive Director (current position)

(Responsibilities) Marketing Headquarters
(Significant Concurrent Positions Outside the Company) –



Koichi Shibusawa
Executive Director

Apr. 1984 Joined the Company
Mar. 2008 Chief Director and General Manager of KOSÉ COSMETICS CO., LTD. (CHINA) and Chief Director and General Manager of KOSÉ COSMETICS SALES (CHINA) CO., LTD.
Mar. 2010 General Manager of Accounting and Finance Dept. of the Company
Mar. 2011 Executive Officer and General Manager of Accounting and Finance Dept.
Jun. 2013 Director and General Manager of Accounting and Finance Dept.
Jun. 2018 Executive Director (current position)

(Responsibilities)
President Office, Corporate Strategy Dept., General Administration Dept., Legal Dept., IT Management Dept., Domestic Consolidated Subsidiaries and Associates of the Company, and Risk Management
(Significant Concurrent Positions Outside the Company)
Audit & Supervisory Board Member of KOSÉ SALES CO., LTD.
Audit & Supervisory Board Member of KOSÉ Cosmeport Corp.
Director of ALBION CO., LTD.



Yusuke Kobayashi
Director

Apr. 2000 Joined ALBION CO., LTD.
Sep. 2005 Executive Officer
Sep. 2006 Director
Jun. 2014 Director of the Company (current position)
Apr. 2017 Executive Director of ALBION CO., LTD. (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Executive Director, General Manager of Global Business Div. and Administrative Div. of ALBION CO., LTD.



Michihito Yanai
Director

Apr. 1984 Joined the Company
Mar. 2006 General Manager of Planning Dept.
Mar. 2007 General Manager in charge of Marketing Policy of President Office
Mar. 2010 General Manager of Business Strategy Office
Mar. 2011 General Manager of Strategic Brands Div. and SK Brand Div.
Mar. 2015 Executive Officer and General Manager of Strategic Brands Div.
Jun. 2017 Director
Mar. 2018 Director and General Manager of Europe and America Business Div. (current position)

(Responsibilities)
Europe and America Business Div.
(Significant Concurrent Positions Outside the Company)
Director (Chairman) of Tarte, Inc.
Director (Chairman & Secretary) of KOSÉ AMERICA, INC.



Yukino Kikuma
Director (External)

Apr. 1995 Joined Fuji Television Network, Inc.
Dec. 2011 Registered as an attorney at law
Joined Law Office of Matsuo & Kosugi (current position)
Jun. 2018 Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Attorney at law of Law Office of Matsuo & Kosugi
Director and Audit & Supervisory Committee Member, Takihiyo Co., Ltd.
Outside Director, ALCONIX CORPORATION
Outside Director, KITZ CORPORATION



Norika Yuasa
Director (External)

Sep. 2003 Registered as an attorney at law
Aug. 2011 Registered as an attorney at law in New York State
Sep. 2017 Part-time Professor of Waseda Law School (current position)
Jan. 2019 Partner, Miura & Partners (current position)
Jun. 2019 Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Partner, Miura & Partners



Yuko Maeda
Director (External)

Apr. 1984 Joined Bridgestone Corporation
Sep. 2003 Director of Technology Transfer Center and Intellectual Property Manager of Intellectual Property Right Department of Tokyo Medical and Dental University
Oct. 2009 (Concurrent) Visiting Professor of Tokyo Medical and Dental University
Oct. 2011 (Concurrent) Specially Appointed Professor of Kyoto Prefectural University of Medicine
May 2013 Vice President and Officer of Bridgestone Corporation
Apr. 2014 (Concurrent) Auditor of Japan Agency for Marine-Earth Science and Technology (current position)
Jan. 2017 Director of CellBank Corp. (current position)
Mar. 2019 (Concurrent) Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd. (current position)
Jun. 2020 Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.
Auditor of Japan Agency for Marine-Earth Science and Technology
Director of CellBank Corp.

Audit & Supervisory Board Members



Noboru Matsumoto
Standing Audit & Supervisory Board Member

Apr. 1984 Joined the Company
Mar. 2006 General Manager of Product Supply Management Planning Demand Planning Dept.
Mar. 2007 General Manager of Cosmetaries Planning Dept.
Mar. 2008 General Manager of Sales Planning Dept. of KOSÉ SALES CO., LTD.
Mar. 2011 Chief Director and General Manager of TAIWAN KOSÉ CO., LTD.
Mar. 2013 General Manager of General Administration Dept. of the Company
Mar. 2018 Executive Officer
Jun. 2019 Standing Audit & Supervisory Board Member (current position)

(Significant Concurrent Positions Outside the Company) –



Shinji Tanabe
Standing Audit & Supervisory Board Member

Apr. 1984 Joined the Company
Mar. 2015 General Manager of Technical Research Management Dept. of R&D Laboratories
Mar. 2017 General Manager of Quality Assurance Dept.
Mar. 2019 Senior Chief Manager of Quality Assurance Dept.
Jun. 2020 Standing Audit & Supervisory Board Member

(Significant Concurrent Positions Outside the Company) –



Toru Miyama
Audit & Supervisory Board Member (External)

Apr. 1998 Registered as an attorney at law
Oct. 2006 Established Miyama Law Office (current position)
Jun. 2019 Audit & Supervisory Board Member (current position)

(Significant Concurrent Positions Outside the Company)
Attorney of Miyama Law Office



Kumi Kobayashi
Audit & Supervisory Board Member (External)

Mar. 2006 Registered as a certified public accountant
Sep. 2006 Joined GCA Corporation
Mar. 2016 Partner, Sakurai & Co. (current position)
Apr. 2017 Representative Director of Tokyo Athletes Office, Inc. (current position)
Jun. 2019 Director of SPOKACHI, Inc. (current position)
Jun. 2020 Audit & Supervisory Board Member of the Company (current position)

(Significant Concurrent Positions Outside the Company)
Partner, Sakurai & Co.
Representative Director of Tokyo Athletes Office, Inc.
Director of SPOKACHI, Inc.

10-Year Summary of Selected Financial Data

Fiscal years ended March 31	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Thousands of U.S. dollars ¹
										Millions of yen	2020
Performance:											
Net sales	327,724	332,995	303,399	266,762	243,390	207,821	190,049	170,685	166,508	171,071	3,039,265
Gross profit	239,020	244,387	221,852	199,735	183,920	157,057	143,390	128,587	124,481	127,767	2,216,637
Selling, general and administrative expenses	198,789	191,979	173,443	160,574	149,286	134,410	124,456	116,722	113,053	113,929	1,843,540
Operating profit	40,231	52,408	48,408	39,160	34,634	22,647	18,934	11,864	11,427	13,838	373,096
Interest and dividend income	662	651	271	294	347	315	432	342	387	353	6,139
Profit before income taxes	40,365	54,949	48,242	39,425	33,862	23,694	20,757	12,813	11,728	12,387	374,339
Profit attributable to owners of parent	26,682	37,004	30,611	21,657	18,655	12,057	11,132	6,720	5,021	6,726	247,445
Comprehensive income	26,703	36,427	36,908	24,643	13,197	19,688	13,756	8,656	5,484	6,693	247,639
Cash and cash equivalents at end of period	70,284	64,264	63,883	55,622	52,997	50,754	52,755	32,121	34,090	34,065	651,803
Current assets	204,438	205,241	193,164	172,074	161,351	134,476	130,391	115,067	108,051	102,847	1,895,928
Total assets	308,606	300,162	271,545	247,191	233,275	205,006	186,274	173,014	169,316	169,262	2,861,967
Current liabilities	59,676	66,107	62,821	56,033	57,766	45,207	39,877	35,206	34,261	35,804	553,426
Non-current liabilities	8,727	9,213	10,116	14,027	16,965	10,160	13,585	18,497	20,187	21,661	80,932
Shareholders' equity	219,425	203,566	176,263	159,348	143,626	129,203	120,229	111,495	108,923	106,223	2,034,916
Interest-bearing debt	1,654	1,666	1,311	1,629	1,704	1,248	1,386	5,006	5,071	5,104	15,338
Depreciation	8,838	8,018	6,977	5,821	5,744	5,293	4,679	4,607	4,882	5,162	81,962
Capital expenditures	19,286	18,500	10,065	10,770	10,445	21,143	5,750	5,599	3,821	5,421	178,846
										Yen	
Per-Share Data:											
Net income (basic)	467.76	648.71	536.63	379.66	327.04	211.37	195.15	117.22	86.51	115.87	4.34
Net assets	3,920.41	3,660.77	3,227.07	2,871.60	2,583.76	2,455.34	2,188.59	1,964.85	1,858.91	1,813.28	36.36
Cash dividends	190.00	180.00	148.00	110.00	94.00	64.00	48.00	41.00	40.00	40.00	1.76
										%	
Financial Ratios:											
Shareholders' equity ratio	72.5	69.6	68.1	66.3	63.2	68.3	67.0	64.8	63.7	62.2	
ROA ²	13.4	18.6	18.8	16.4	16.0	11.7	10.8	7.1	7.0	8.4	
ROE ³	12.3	18.8	17.6	13.9	13.0	9.1	9.4	6.1	4.7	6.5	
Gross profit margin	72.9	73.4	73.1	74.9	75.6	75.6	75.4	75.3	74.8	74.7	
Operating margin	12.3	15.7	16.0	14.7	14.2	10.9	10.0	7.0	6.9	8.1	
Profit attributable to owners of parent to net sales	8.1	11.1	10.1	8.1	7.7	5.8	5.9	3.9	3.0	3.9	
Payout ratio	40.6	27.7	27.6	29.0	28.7	30.3	24.6	35.0	46.2	34.5	

Notes: 1. The U.S. dollar amounts are translated, for convenience only, at the rate of ¥107.8 to US\$1.00, the approximate rate of exchange on March 31, 2020.

2. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100

3. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100

Principal Group Companies

(As of March 31, 2020)

Production Related Subsidiaries

Company Name	Country	Paid-in Capital	Ownership
ADVANCE CO., LTD.	Japan	JPY 90 million	100.0%
KOSÉ INDUSTRIES CO., LTD.	Japan	JPY 100 million	100.0%
ALBION CO., LTD.	Japan	JPY 760 million	79.5%
TAIWAN KOSÉ CO., LTD.	Taiwan	TWD 180 million	100.0%

Marketing and Services Related Subsidiaries

Company Name	Country	Paid-in Capital	Ownership
KOSÉ SALES CO., LTD.	Japan	JPY 300 million	100.0%
KOSÉ COSMENIENCE CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ Cosmeport Corp.	Japan	JPY 30 million	100.0%
KOSÉ PROFESSIONAL CO., LTD. ¹	Japan	JPY 10 million	100.0%
Dr. PHIL COSMETICS INC.	Japan	JPY 40 million	100.0%
KOSÉ PROVISION CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ COSMEPIA CO., LTD. ²	Japan	JPY 10 million	100.0%
KOSÉ INSURANCE SERVICE CO., LTD.	Japan	JPY 10 million	100.0%
COSME LABO CO., LTD.	Japan	JPY 10 million	100.0%
KOSÉ MILBON COSMETICS CO., LTD.	Japan	JPY 10 million	51.0%
KOSÉ Maruho Co., Ltd.	Japan	JPY 10 million	51.0%
KOSÉ (HONG KONG) CO., LTD.	Hong Kong	HKD 15 million	100.0%
KOSÉ COSMETICS SALES (CHINA) CO., LTD.	China	CNY 235 million	100.0%
KOSÉ SINGAPORE PTE. LTD.	Singapore	SGD 1 million	100.0%
KOSÉ KOREA CO., LTD.	South Korea	KRW 25,000 million	100.0%
KOSÉ (THAILAND) CO., LTD.	Thailand	THB 5 million	49.0%
KOSÉ (MALAYSIA) SDN. BHD.	Malaysia	MYR 1 million	100.0%
KOSÉ CORPORATION INDIA PVT. LTD.	India	INR 700 million	100.0%
PT. INDONESIA KOSÉ	Indonesia	IDR 10,000 million	100.0%
KOSÉ AMERICA, INC.	U.S.A.	USD 2 million	100.0%
KOSÉ BRASIL COMÉRCIO DE COSMÉTICOS LTDA.	Brazil	USD 1 million	100.0%
TARTE, INC. ³	U.S.A.	USD 159	98.0%
ALBION COSMETICS (AMERICA), INC.	U.S.A.	USD 2 million	79.5%
ALBION COSMETICS (HK) LTD.	Hong Kong	HKD 71 million	79.5%
ALBION COSMETICS (SHANGHAI) CO., LTD.	China	CNY 37 million	79.5%
ALBION COSMETICS (TAIWAN) CO., LTD.	Taiwan	TWD 60 million	79.5%

1. CRIE CO., LTD. changed its name to KOSÉ PROFESSIONAL CO., LTD. on April 1, 2019.
2. KOSÉ COSMEPIA CO., LTD. changed its name to KOSÉ Travel Retail Co., Ltd. on April 1, 2020.
3. KOSÉ acquired all remaining outstanding shares of Tarte, Inc. in June 2020, making it a wholly owned subsidiary.

Corporate Information

(As of March 31, 2020)

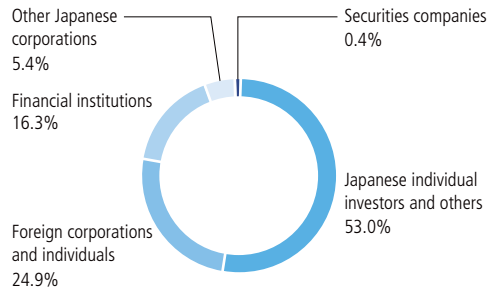
Corporate Name:	KOSÉ Corporation	Website:	https://www.kose.co.jp
Founding:	March 1946	IR Section:	https://www.kose.co.jp/company/en/ir/
Incorporation:	June 1948	Sustainability Section:	https://www.kose.co.jp/company/en/sustainability/
Head Office:	3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan Tel: +81-3-3273-1511	Number of Employees (Consolidated):	14,060
		Fiscal Year-End:	March 31

Stock Information

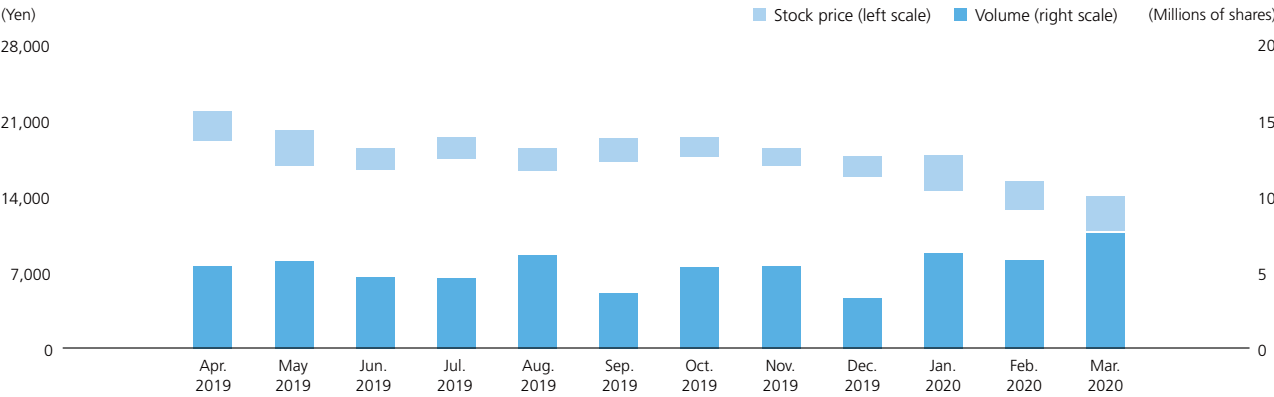
(As of March 31, 2020)

Common Stock (Authorized):	200,000,000 shares
Common Stock (Issued):	60,592,541 shares
Capital:	¥4,848 million
Number of Shareholders:	13,474
Stock Listing:	Tokyo Stock Exchange, First Section (Code: 4922)
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

Distribution of Shares



Stock Data



External Recognition and Certification



FTSE4Good Index Series

A series of indexes for socially responsible investment developed by FTSE Russell, a subsidiary of the London Stock Exchange, used to select companies that demonstrate strong environmental, social and governance (ESG) practices on a global level.



CDP

A survey and scoring initiative specializing in environmental issues such as climate change countermeasures, conducted at the request of institutional investors around the world to collect, analyze, rate and disclose corporate strategies.



FTSE Blossom Japan Index

An index for socially responsible investment developed by FTSE Russell, a subsidiary of the London Stock Exchange, used to select Japanese companies that demonstrate strong environmental, social and governance (ESG) practices.

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

An index for socially responsible investment developed by MSCI Inc. of the United States, used to select Japanese companies with a high level of gender diversity that promote women's participation and advancement in the workforce.

<https://www.kose.co.jp/company/en/sustainability/recognition/>



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<https://www.kose.co.jp/company/en/sustainability/>