

KOSÉ Group Action Policy



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To All Members of the KOSÉ Group

We, the KOSÉ Group, develop businesses focused on cosmetics, under our statement of purpose: “Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence.” Ever since KOSÉ was established in 1946, the primary goal for our business activities has been to provide our customers with cosmetic products and services of the utmost quality to achieve profound customer satisfaction. For our customers, business partners, and all persons related to KOSÉ, we intend to continue to strive wholeheartedly to become an enterprise trusted and supported by many people and society in general.

As a clear expression of this intention, we have recently established the “KOSÉ Group Action Policy.” In order to develop continuously and permanently as an enterprise in 21st century society, all group companies and all employees in the KOSÉ Group working at these companies, regardless of their positions, roles and employment status, must behave according to this “Action Policy.”

The “Action Policy” contains nothing out of the ordinary. It is an explicit representation of the rules for our daily behavior, which should comply with laws and regulations, abide by social norms, and be based on sincere, sensible judgment at all times.

As easy as this may seem, significant effort is required to follow these guidelines continually, each and every day. Trust, once lost, is impossible to regain. The KOSÉ Group is supported by the activities of each of you members of the group.

I ask each of you to become more conscious of your role as a member of society, and to declare, to yourself and to the people around you, that you have understood and will act in the spirit of this “Action Policy.”

I intend to work together with all of you to develop the KOSÉ Group into an enterprise that our customers and society can rely on, and which continues to live up to their expectations. I sincerely request your cooperation in this endeavor.

June 2007

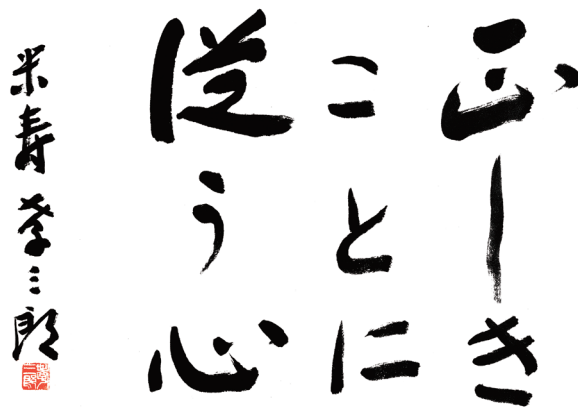
Kazutoshi Kobayashi

President, Representative Director,
and Chairman of the Compliance Committee
KOSÉ Corporation

KOSÉ Group Code of Conduct



“Mind to Follow the Right Path”



To follow the right path
One must have courage
One must have perseverance
Wisdom and effort are needed
A flexible mind and honest attitude are needed
To repeat to oneself the hope
To strive even one step closer now
Each and every day

Kozaburo Kobayashi

The KOSÉ Group is committed to remaining an honest and trustworthy company
that is respected by our customers and the public at large.

We do this by always seeking to do the right thing, acting in an ethical manner at all times,
complying with laws, regulations and social norms, and having mind to follow the right path.

“Mind to Follow the Right Path” was the motto of the late Mr. Kozaburo Kobayashi, our founder.

This has been the basis of the KOSÉ Group’s corporate spirit since its foundation, and is positioned as the keystone for
the group’s compliance management.

KOSÉ Group Action Guidelines



The KOSÉ Group’s action guidelines – “Your actions shape the present and future KOSÉ” – are designed to realize the Group’s statement of purpose – “Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence” – and management philosophy – “Deeply devoted to all the people who believe in and support KOSÉ.”

We constantly endeavor to achieve the four initiatives in the action guidelines through our everyday actions.



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

Deeply devoted to all the people who believe in and support KOSÉ.

- Respect the values and skills of each employee.
- Always aim for higher growth - never settle for stability.
- Strive for the highest possible quality backed by exclusive technology.
- Meet and exceed the expectations of customers.
- Build a stronger global presence.

Your actions shape the present and future KOSÉ.

- Be sincere, Retain an intent focus on goals.
- Go beyond the conventional.
- Never lose your enthusiasm and the desire to improve.
- Have the courage to communicate with others openly and honestly.

KOSÉ Group Principle of Conduct



We believe that abiding by laws and regulations in all aspects of our business activities and acting in accordance with social ethics represent the essential foundation upon which the KOSÉ Group is built, and the basis of its management.

“Compliance” means to act in accordance not only with the letter but also with the spirit of the law.

While the basic premise of compliance is not to violate any laws, orders, ordinances or internal regulations, we need to go one step further. We must avoid actions based on a convenient interpretation of these requirements, regarding an activity as acceptable just because it is not prohibited by any law. We must avoid actions that society would feel are unfair, even if they do not violate the law.

To act in accordance with social ethics, we must regulate our own actions with honesty and sincerity.

Through these actions, we will strive to remain an entity trusted by society.

1. We pledge to observe the following standards in our relationship with customers and business partners

1) We will emphasize customer-oriented operations, to get closer to our customers.

- We will strive to continue to provide value from a truly customer-oriented perspective, from product planning, research and development, to production and sales, in order to gain the satisfaction and trust of our customers.
- We will strive to provide products, services, advertising and promotion founded on adaptability*, to gain the satisfaction of all our customers.

*Adaptability: the ability to evolve and adjust flexibly to social changes such as globalization

2) We will provide safe, high-quality products.

- We will always put safety first, fully understand and comply with the relevant laws and safety standards, throughout the planning, research and development, production, storage and sale of our products.

KOSÉ Group Principle of Conduct



- Should we become aware of any information regarding product safety or related issues, we will immediately ascertain the facts. We will respond swiftly and appropriately should any issues come to light.

3) We will provide appropriate information and services.

- We will endeavor to communicate using accurate and clear language, substantiated by fact, in our product sales, advertising, promotion, and related activities.
- We will strictly refrain from using language that might be misunderstood or misconstrued by our customers, and comply with our country's and local relevant laws and codes.
- We will not use dishonest means to obtain or utilize information on competitors or other companies.

4) We will properly select our business partners, and engage in fair and ethical transactions and responsible procurement and purchasing.

- We will endeavor to obtain an understanding of the entire procurement and purchasing supply chain, including entities recommissioned, re-entrusted or contracted by our business partners. We will strive for mutual evaluation and mutual sustainable development.
- When we choose a business partner from among several candidates, we will determine the most appropriate one by fairly comparing and evaluating the candidates in terms of various conditions, including quality, price, date of delivery, technological development capacity and stability of supply.
- We will share with our business partners any issues related to social responsibility, such as human rights, compliance and environmental conservation, and encourage our business partners to take measures to address them.
- We will comply with our country's and local laws and regulations, and not under any circumstances engage in activities such as restricting the selling price at sales outlets, or exploiting a superior position to disadvantage our business partners.
- We will not, in principle, accept gifts from our business partners.

KOSÉ Group Principle of Conduct



2. We promise to behave as follows, in compliance with laws and regulations, in our relationships with society

1) As a company, we will be accountable to society in general.

- We aim to increase the transparency of our business activities, swiftly and accurately disclose information, fulfill our duty of accountability, and be a company trusted by society through honest and sincere communication.
- We will not engage in exaggerated information disclosure or public relations activities that are contrary to fact or may lead to misunderstanding among society in general.

2) We will provide thorough and appropriate management and protection of the company's information and our customers' personal information.

- We will endeavor to prevent the leakage of personal information, including that of customers, business partners and employees, through strict management.
- We will not disclose personal information to any third parties or use the information for any purpose apart from that indicated, without the consent of the individual concerned.
- We will not use any confidential company information improperly or unauthorized, not only during our employment in the KOSÉ Group, but also after leaving the Group.

3) We will consider the conservation of the environment and contribute to a sustainable society, in accordance with the KOSÉ Basic Environmental Policy.

- We will endeavor to reduce the environmental burden from our business activities, across all processes from planning, research and development, production, logistics and sales to waste disposal.
- We will not only comply with environmental laws and regulations, but also strive to enhance our awareness of environmental conservation by undertaking environmental training and self-development activities.

4) We will constantly maintain dialogue and coordination with society, and actively engage in solving social issues.

- We will promote initiatives and education in areas such as the enhancement of QOL, health education and awareness for the next generation, and gender equality, as a beauty creation company.

KOSÉ Group Principle of Conduct



- We will actively engage in activities to contribute to society, local regions, and the environment, and work to realize a rich and sustainable society.

5) We will make appropriate use of intellectual property, and will strive to protect KOSÉ's intellectual property rights.

- We will promptly file applications and register intellectual property belonging to KOSÉ, and endeavor to protect KOSÉ's intellectual property rights.
- We will not engage in any action that infringes third-party intellectual property rights, such as unauthorized copying of computer software.
- We will enter into an appropriate contract before using third-party intellectual property rights.

6) We will maintain a healthy, honest relationship with political and administrative entities.

- When making political donations, contributions or gifts to various organizations, we will comply with our country's and local relevant laws and regulations, and will act in accordance with KOSÉ's internal regulations.
- In addition to avoiding bribes, payoffs and illegal political donations intended to obtain unfair business advantages, we will avoid any actions that might be misunderstood as collusion with political or administrative entities, and maintain sound and transparent relationships with these entities.
- We will not engage in the entertainment or bribery of public servants, or persons equivalent thereto, in accordance with our country's and local relevant regulations.

7) We will not engage in antisocial behavior. We will adopt a resolute attitude toward antisocial forces.

- We will act resolutely against antisocial forces such as crime syndicates, and will not give in to any blackmail or threat, or attempt to settle any unfair demand by paying money or providing other benefits.
- We will cut off any connections with antisocial forces and will not make use of them to gain corporate or personal benefits nor provide any benefit or facility to them.

KOSÉ Group Principle of Conduct



8) We will respect the customs and cultures of every country or region, and comply with their laws and regulations.

- When operating overseas, we will not only comply with each country's laws and regulations, but also understand, recognize and respect each country's unique customs and cultures, which are different from those of one's own country.
- We will not provide any illegal or inappropriate entertainment or gifts to civil servants or persons equivalent thereto.
- We will conduct import and export transactions properly, in compliance with the laws and regulations of one's own country and the relevant countries, following the required procedures.

3. We promise to behave as follows in internal company relationships and relationships with employees

1) We will not engage in corrupt actions.

- We will not engage in any corrupt actions, including giving or receiving bribes or facilitation payments, fraud, coercion, conspiracy, money laundering, as well as giving or receiving excessive entertainment or gifts, collusion, graft, embezzlement, malfeasance, concealment, etc.

2) We will comply with internal regulations and rules.

- We recognize the effect that each person's words and actions have on the corporate and brand value, and we will act with an awareness of representing the company as KOSÉ Group employees.
- We will perform business activities in accordance with internal rules, which are based on KOSÉ's internal regulations.
- We will engage earnestly in our work, and clearly separate company and private interests. We will not engage in actions that may lead to a conflict of interests with the company.
- We will engage in fair personnel evaluation based on each person's roles, duties and achievements.

KOSÉ Group Principle of Conduct



- We shall not sell or purchase shares, bonds, etc. of any of KOSÉ's business partners, competitors or others with whom we have a business relationship using insider information, before such information is disclosed to general investors.
- We will ensure credibility by executing appropriate financial and taxation accounting.
- We will not use corporate assets or expenses for personal purposes.
- When making entries to accounting books and vouchers, we will not disguise or conceal facts, falsify or fabricate records, or create hidden assets.
- We will efficiently utilize company assets, and treat them appropriately to prevent damage, theft or other loss, whether tangible or intangible.

3) We will strive to maintain a healthy workplace environment at all times, and never engage in any act that leads to discrimination.

- We will adhere to the KOSÉ Group Human Rights Policy.
- We will respect each person's human rights, and diverse abilities, personalities and value perceptions.
- We will not engage in any discriminatory practices, including those regarding nationality, race, religion, gender (regardless of sexual orientation or gender identity), education, age, handicaps, physical characteristics, thoughts or beliefs.
- We mutually understand one another about the differences in our positions and roles, and will not engage in coercive or intimidating behavior in the context of such differences (including behaviors such as power, sexual, or maternity harassment).
- We will perform business activities and conduct routine activities in compliance with work regulations and other employment-related rules.

KOSÉ Group Principle of Conduct



4. Managers will strive to ensure that the KOSÉ Group Action Policy is known to all members of the Group

- 1) Managers will understand their function to realize the spirit of this Code of Conduct, take the lead in setting a good example for others, and strive to ensure that it is known to all members of the KOSÉ Group.**
- 2) The Compliance Committee will be established to continually collect internal and external opinions, deepen communications, and develop effective internal systems.**

KOSÉ Group Principle of Conduct



5. Supplementary Provisions

- 1) This Action Policy applies to all employees of the KOSÉ Group. It also applies mutatis mutandis to all persons working for the group under a dispatch contract or part-time work contract.
- 2) Any revision or repeal of this Action Policy is subject to the approval of the Board of Directors.
- 3) (1) Inquiries regarding any provision or interpretation of this Action Policy shall be addressed to the Compliance Consultation Service (Legal Dept.).
(2) Any person who discovers or engages in the conduct that violates or may violate this Action Policy shall promptly report the fact to the Compliance Consultation Service.
(3) No reporter shall suffer adverse consequences by virtue of the fact that he/she provided the report, except that the foregoing does not apply in cases where the provided report was falsely made or libels or slanders a specific individual(s).
- 4) Any person who is subject to this Action Policy and has engaged in any conduct violating this Action Policy shall, depending on the nature of the violation, be subject to any applicable penalty or other sanction under the rules of employment.
- 5) Upon receipt of this Action Policy, each employee shall agree to this Action Policy.

For all enquiries, please contact
Compliance Consultation Service
E-mail: compliance@kose.co.jp



Employee Number:

Department:

Name:

Compliance Committee, KOSÉ Corporation

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