

Mind to Follow the Right Path

Human Rights Initiatives

The KOSÉ Group recognizes its potential for directly or indirectly affecting human rights in the course of conducting business. To supplement the KOSÉ Group Action Guidelines, which stipulate that the Group shall act with respect for the human rights of all persons with whom it is involved, we established the KOSÉ Group Human Rights Policy in February 2020. Based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), the policy has been formulated to support and respect various international principles. In fiscal 2020, we used this policy as the basis for identifying and ameliorating supply chain issues as part of our efforts to respect human rights as a member of global society.

Considering Human Rights in Raw Material Procurement (Supply Chain Management)

The aim of KOSÉ's management since its founding has been co-existence and co-prosperity, emphasizing relationships with business partners. We strive to provide safe and reliable products to our customers and to conduct activities for sustainability throughout the supply chain in Japan and overseas.

As part of those efforts, to continuously identify and address human rights issues, we use a questionnaire to conduct annual monitoring of suppliers for sustainable procurement.¹ For suppliers who do not meet the standards

we have set in the questionnaire,² we investigate and reconfirm the details covered, conduct interviews as necessary and send our requests for improvement in the following fiscal year.

1. Monitoring is conducted using the Sustainable Procurement Self-Assessment Questionnaire (SAQ). For the content of the SAQ, we excerpted relevant items from the CSR Procurement Self-Assessment Questionnaire published by the UN Global Compact Network Japan and prepared our own questionnaire in line with our Sustainable Procurement Guidelines for suppliers.
2. See Business Operations with Transparency and Fairness on page 43.

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	Conducted initiatives based on the Human Rights Policy	We made the Human Rights Policy known throughout the Group and announced it publicly. Moreover, in our efforts to deal with the impact of the COVID-19 pandemic, we have kept human rights in mind. In the Company, we have given the highest priority to the health of our employees, promptly establishing systems for telecommuting (excluding some bases), staggered commuting hours and other measures. For society in general, we donated cosmetics to support the mental health of medical professionals and care workers. (See page 15.)	
2021	Accelerating adoption of initiatives based on the Human Rights Policy	To further accelerate the adoption of our initiatives, we will broaden the way we measure our impact on human rights based on the human rights due diligence process, and provide in-house training so that employees understand the importance of respect for human rights.	

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.

Developing Human Resources Who Generate Innovation

In an increasingly globalized and borderless world where the market environment and customer needs change rapidly, it is essential to instill diversity and inclusion in corporate culture and to develop human resources with diverse personalities, backgrounds and features. We aim to develop innovation-oriented human resources capable of thinking beyond precedent or conventional wisdom, who can consistently play an active role by leveraging their creativity.

Through the Link* innovation creation program, which we have been conducting since fiscal 2017, we are working to generate and commercialize new products and services from novel ideas by combining KOSÉ's strengths and accumulated internal resources with the latest technologies and fresh ideas from external start-up companies, based on the enthusiasm and spirit of challenge of employees.

Sixteen members from throughout Japan participated in the Link program for fiscal 2020, collaborating with an innovation program from a venture capital fund (World Innovation Lab (WiL)) in an attempt to identify customer needs through the use of "design thinking" techniques to create and provide new value.

Moreover, as part of COVID-19 countermeasures, the program made full use of the Internet and digital technologies to incorporate research and work using online tools. The resulting environment was conducive to frequent and

meaningful communication among participants, including those in remote locations and overseas, leading to more expeditious and deeper discussion.



Progress report meeting being conducted partially online

* An in-house venture program that gathers various members from across departmental boundaries to bring together diverse insights. We are also incorporating open innovation to create value through collaboration with external partners possessing technologies and knowledge that KOSÉ lacks.

A New Work Style for the New Normal

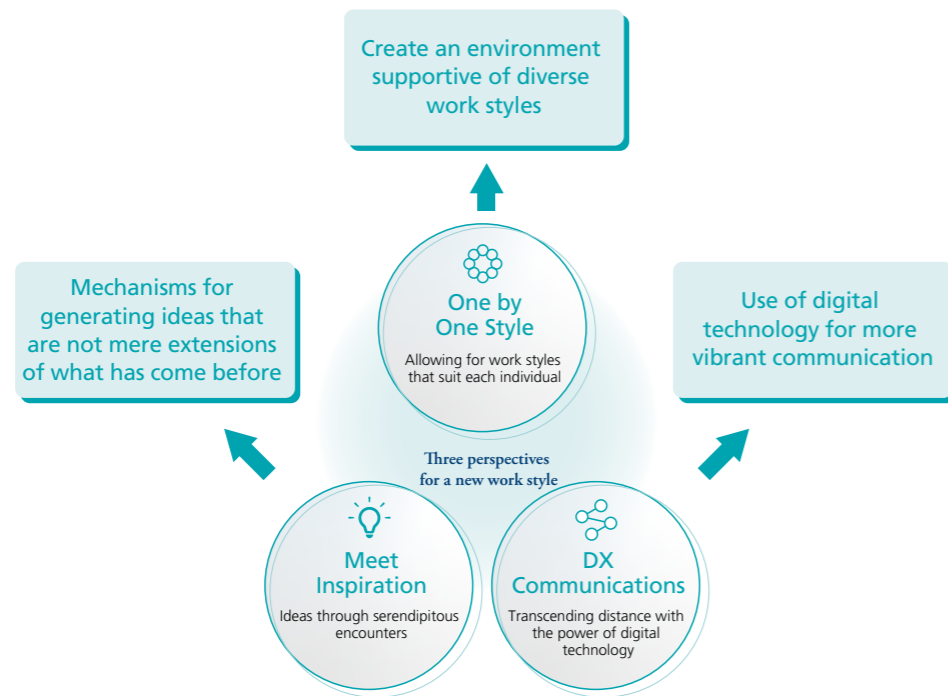
To become a company with a global presence, we provide an environment adapted to various systemic reforms and diverse work styles, thereby enabling diverse employees to fully realize their potential.

In fiscal 2020, the COVID-19 pandemic led to substantial changes in the workplace environment, in addition to

changes in the social environment and market needs.

To accelerate our initiatives to highlight the capabilities of each of our diverse employees and create new value that is more than just an extension of what has come before, we have established a new work style policy that incorporates three perspectives for the "new normal" (see page 40).

Three Perspectives for a New Work Style in the New Normal

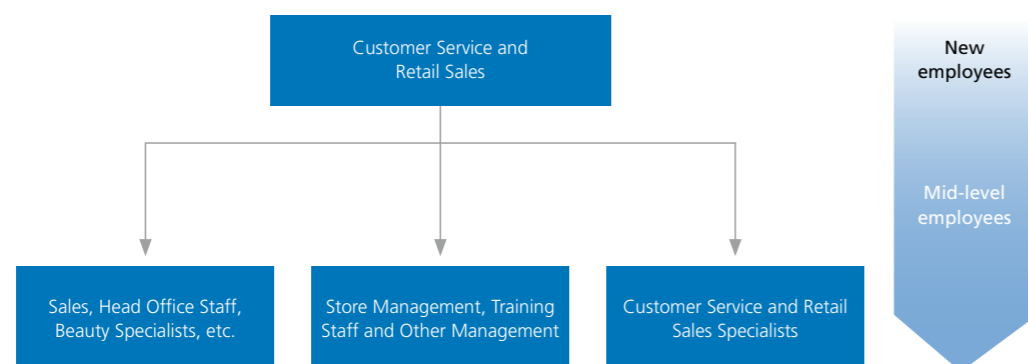


Career Design for Beauty Consultants

For our Beauty Consultants, who work in stores and other retail locations, we have been providing support for future career options including positions in employee training, store management and sales, and at the head office (in planning, product development or other departments), in addition to improving their skills in retail sales.

In fiscal 2020, the COVID-19 pandemic led to restrictions on activities in stores where Beauty Consultants work. However, KOSÉ viewed this situation not as a setback but an opportunity to develop new channels for interaction with customers, utilize communication tools, and create novel opportunities for Beauty Consultants to play an active role.

We have been planning training to help Beauty Consultants think about career design that incorporates the possibility of expanding their field of activity from their traditional duties centered on stores and lays the foundation for them to proactively and independently carve out their own career paths. Training consists of three phases: a survey of career awareness, fostering career awareness, and support for individual career development. In fiscal 2020, we conducted a program to survey and foster career awareness, centered on the staff who train Beauty Consultants. Going forward, by expanding the training program to all Beauty Consultants and fostering their career awareness, we will cultivate Beauty Consultants who will generate new value.



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.

Delivering KOSÉ Quality to the World as Our Founder Intended

Kozaburo Kobayashi, who founded the Company in 1946, believed KOSÉ had a duty to develop products of superior quality that would make consumers happy. Persistent supply shortages in the postwar years meant that KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet took pride in being known to 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 We subsequently acquired management standard ISO 9001 and global cosmetics (cosmetics GMP²) standard ISO 22716 certifications in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide. At the same time, there is also an increasing need for an adaptable approach, with sustainable

products tailored to each individual customer. We also plan to establish a new eco-friendly facility, the Minami Alps Factory (provisional name), as a new production base for handling personalized products. We will proactively enhance our sustainable 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

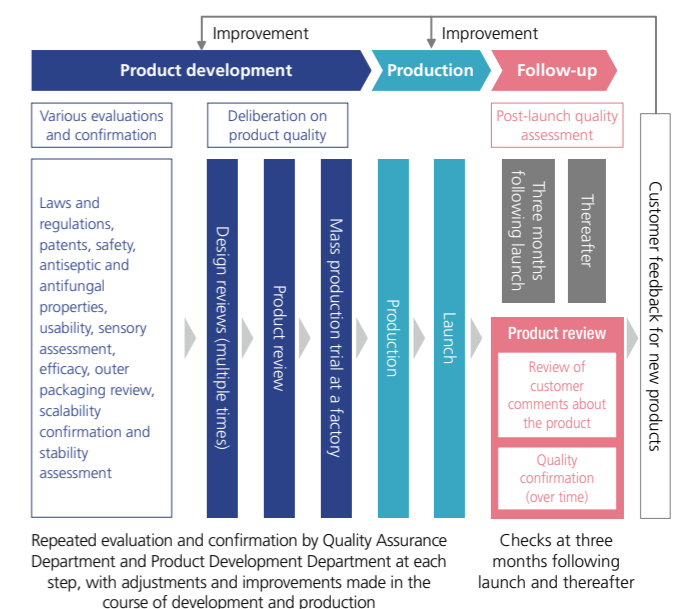
Quality Control That Prioritizes Peace of Mind and Safety

Cosmetics come in direct contact with the skin and hair, so it is important that we ensure customers can use our products with peace of mind. As such, we prioritize safety in the development of new products through rigorous and repeated evaluations in line with high 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.

“Closer to Our Customers”—A Product Development Process Based on Design Thinking

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.

In product manufacturing, for instance, for some time we have been making products that utilize customer feedback. However, to create products with greater adaptability than before, we have come to consider it important to incorporate opinions from consumers with diverse backgrounds and features in addition to our usual customers. We have thus established a product development process rooted in consideration of all kinds of consumers (see figure at right).

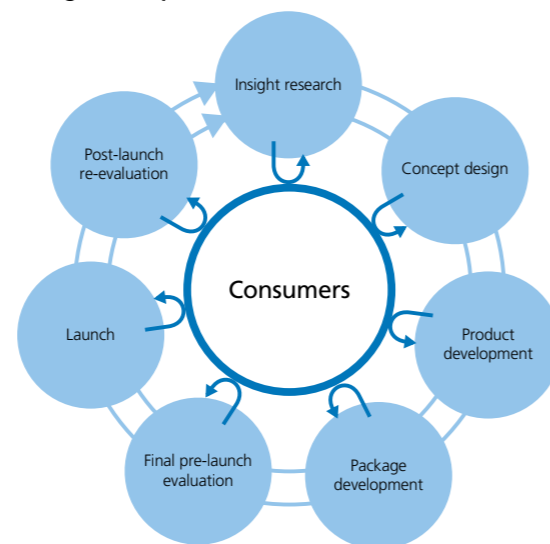
Specifically, we have introduced quantitative and qualitative surveys of consumers in each target group at each stage of the product development process.

For example, when developing the product itself, we conduct product tests during initial development then conduct consumer surveys on usability and other factors. The results are then incorporated in the overall development

process, and the direction of development is adjusted. By repeating these steps at each stage, we develop products that reflect consumer feedback.

In this way, we will put consumers at the core of our product creation to achieve a true customer perspective that incorporates adaptability.

Product Development Process Applying Design Thinking Techniques



Product Creation in Which Improvements Reflect Customer Feedback

The Quality Assurance Department, which includes the Customer Service Center, takes the lead in proactively handling feedback received by the Company to reflect valuable opinions and requests from customers in development and improvements for better products and services. The department promptly and appropriately shares customer feedback with related internal departments in the form of a monthly customer feedback report and has established a feedback database that can be accessed at any time. It also regularly holds meetings with related departments to discuss specific suggestions for improvement from the Customer Service Center based on customer feedback, leading to product refinements and renewals.

We will continue to consider sustainability in developing products and services, including products that are easy for all customers to use and more eco-friendly products.

Case Study of Product Improvement Reflecting Customer Feedback

● Improvement to Make the Brush Location Immediately Apparent

Visée FOGGY ON CHEEKS comes in a two-compartment case with the brush stored in the lower compartment. Although an explanation was printed on the outer box, feedback indicated that some customers could not find the brush. When the product was renewed in November 2019, the container specifications were improved so that opening the upper lid of the case also caused the lower lid to rise, revealing the brush beneath.



Visée FOGGY ON CHEEKS N renewed product

Transparent and Fair Business Operations

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its employees and business partners. While fulfilling our responsibilities as a member of the global community, we work with our employees and 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.

Monitoring Activities for Sustainable Procurement

In fiscal 2020, we conducted a questionnaire survey of suppliers who together account for 95.8% of our procured goods by cost. For suppliers whose response scores did not meet our standards, we investigated and reconfirmed the details covered, conducted interviews as required and requested their cooperation in making improvements for the next fiscal year. We will continue to promote sustainable procurement through initiatives such as this.

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.

The scale of the event was smaller than usual in fiscal 2020 due to the impact of the COVID-19 pandemic. It was held in KoCoLabo, a multipurpose space in our head office in Nihonbashi, Tokyo, where award-winning suppliers were invited to a ceremony with infection countermeasures in place. We also asked suppliers for their continued cooperation in our ongoing pursuit of higher quality and sustainability.



A party to show our gratitude to suppliers, held in conjunction with the fiscal 2020 policy meeting

Establishment of Compliance Help Desk

We have established a Compliance Help Desk to handle inquiries from both inside and outside the Company for early detection of illegal acts (including bribery and all other forms of misconduct) and violations of internal rules, including human rights issues such as bullying and harassment. We have set up contact points for employees both in Japan and overseas, and make all employees aware of their existence through training and other methods. In addition, to emphasize our relationships of trust with our business partners and conduct business operations with transparency and fairness on both sides, we have established a contact point on our website for receiving consultations and reports from our business partners. When we receive a consultation or report regarding a compliance violation, we have a system in place to properly investigate it and to respond in good faith. For example, whenever we receive a report of wrongdoing, infringement of human rights, or violation of laws and regulations, internal rules or the KOSÉ Group Code of Conduct by an employee or officer of the KOSÉ Group, or on hearing of concerns regarding any of the above, we ensure that the anonymity of the reporting party is protected and that he/she does not suffer any disadvantage. The Compliance Committee acts on the reported information fairly and sincerely with advice from external lawyers and works to swiftly ascertain and promptly resolve the problem.

▶ For details: <https://www.kose.co.jp/company/en/sustainability/management/>

External Recognition

Inclusion in ESG Indices KOSÉ Corporation has been selected as a constituent stock of the following ESG indices.

FTSE4Good Index Series
(<https://www.ftserussell.com/products/indices/FTSE4Good>)



2020 Constituent MSCI Japan Empowering Women Index (WIN)
(<https://www.msci.com/msci-japan-empowering-women-index>)

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF KOSÉ CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOSÉ CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

FTSE Blossom Japan
(<https://www.ftserussell.com/products/indices/blossom-japan>)



S&P/JPX Carbon Efficient Index
(<https://www.jpjx.co.jp/english/markets/indices/carbon-efficient/>)



External Recognition for Sustainability KOSÉ has received the following evaluations or certifications from external organizations.

Climate Change Scoring and Supplier Engagement Rating (CDP)
Selected for CDP Climate Change A List 2020 and Supplier Engagement Rating Leaderboard 2020
(<https://www.cdp.net/en>)

Science Based Targets initiative (SBTi)
Obtained SBT (Science Based Targets) certification
(<https://sciencebasedtargets.org/>)

International Women's Day
Received the Women's Support Brand Award in the corporate category at the Happy Woman Awards 2021 for SDGs (Sponsored by Happy Woman Secretariat)
(<https://happywoman.online/>) (Japanese only)

HDI Rating Benchmark (HDI-Japan)
Obtained 3 Star Quality Monitoring Rating
(<https://www.hdi-japan.com/hdi/en/AboutHDI.asp>)

Nadeshiko Brand (Ministry of Economy, Trade and Industry/Tokyo Stock Exchange)
Selected as Semi-Nadeshiko Brand for Fiscal 2021
(https://www.meti.go.jp/english/policy/economy/human_resources/)

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

KOSÉ contributes to sustainability through its support for the following initiatives.

The United Nations Global Compact



Roundtable on Sustainable Palm Oil (RSPO)
(<https://rspo.org/>)



Task Force on Climate-related Financial Disclosures (TCFD)
(<https://www.fsb-tcfd.org/>)



Japan Clean Ocean Material Alliance (CLOMA)
(<https://cloma.net/english/>)



Japan Climate Initiative (JCI)
(<https://japanclimate.org/english/>)



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



Messages from External Directors

Aiming for True Diversity and Inclusion



Yukino Kikuma
Director (External)

I recently gave a lecture for female employees. They were a promising group, and I could sense their determination to help make KOSÉ a better company. People talk about the need for diversity, but simply achieving diversity on its own is meaningless. I believe that diversity also requires inclusion, where there is respect for the opinions of every individual, and all are equally able to make their voices heard. This year, KOSÉ's initiatives have been externally recognized, including designation as a Semi-Nadeshiko brand, but I hope that rather than settling for the status quo, KOSÉ continues to aim for true diversity and inclusion.

Creating New Value



Norika Yuasa
Director (External)

The COVID-19 pandemic has made it impossible to carry on our lives and businesses as before, and gloomy news is on the rise. Under these circumstances, KOSÉ is bringing together its product development capabilities and abundant creativity, backed by solid technological and high-level organizational capabilities, to continue its overseas expansion. Achievements include support for medical workers in Japan and overseas, expansion of its sales network outside Japan using digital technology, and proactive development of products that are needed around the world in response to new lifestyles. Carrying on this spirit of determination, the present times offer an opportunity for KOSÉ to realize the new value of sustainability it aims for on a global stage.

Innovation for the Happiness of All



Yuko Maeda
Director (External)

As a company that creates beauty, KOSÉ has the attitude and ample flexibility to take on new challenges. I believe that innovation emerges from intermingling different fields and novel ideas. KOSÉ has been developing products through high-value-added research in areas such as leading-edge dermatological studies in France and digital technology-driven wrinkle prediction. Going forward, I would like KOSÉ to be a greater driver of collaboration between industry, academia and government to generate numerous appealing businesses that pioneer the next generation of beauty and make people happy. Areas for collaboration will include increasing value through eco-friendly raw materials and containers, and utilizing digital technology for personalized customer experiences. This sort of collaboration is my area of specialty, so I hope to play a part in this process.

Corporate Governance

Governance at a Glance



* Year ended March 31, 2021

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, the KOSE Group is striving to enhance the transparency and fairness of management based on sincere communication with all stakeholders including shareholders, investors, creditors, customers, business partners, employees, and local residents and communities, and on building relationships of trust with them.

Corporate Governance Structure

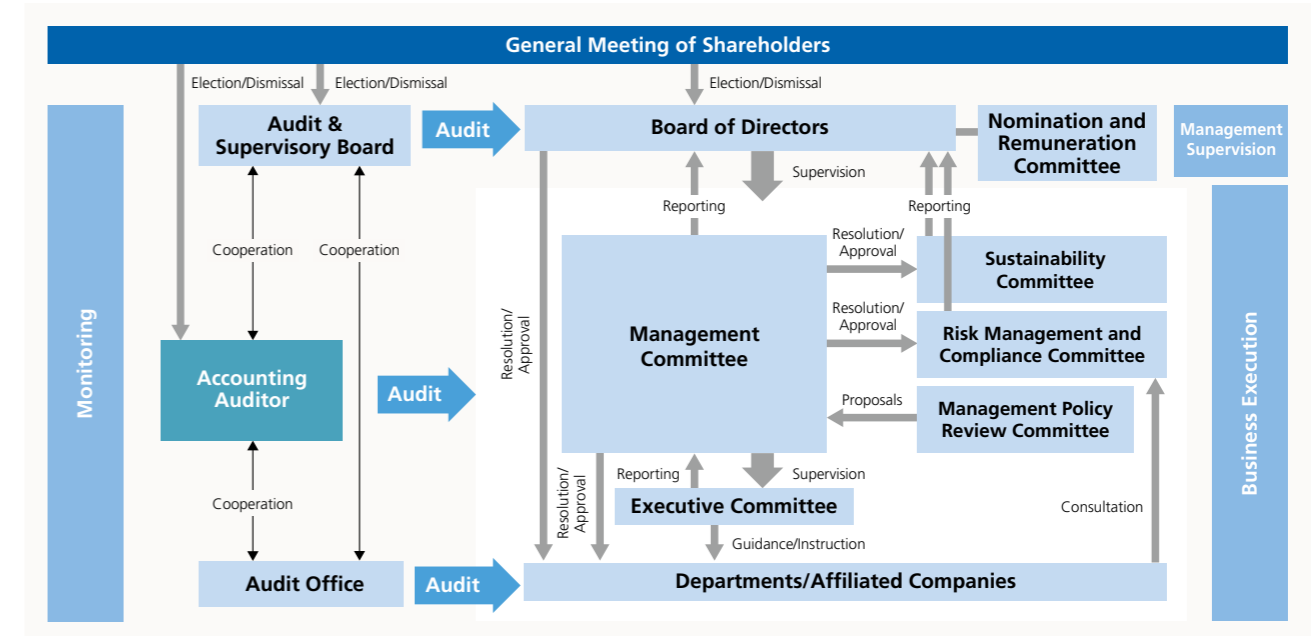
KOSÉ has adopted a company with an Audit & Supervisory Board system to audit the adequacy of the directors’ execution of their duties.

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 2020

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	Yukino Kikuma	13	100%	—	—
External Director	Norika Yuasa	13	100%	—	—
External Director	Yuko Maeda	11*	100%	—	—
External Audit & Supervisory Board Member	Toru Miyama	13	100%	11	100%
External Audit & Supervisory Board Member	Kumi Kobayashi	11*	100%	9*	100%

* The number of Board of Directors meetings and Audit & Supervisory Board meetings attended by External Director Yuko Maeda and External Audit & Supervisory Board Member Kumi Kobayashi differs from that of other officers because they were elected at the 78th Annual General Meeting of Shareholders held on June 26, 2020.

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 appropriate, impartial suggestions and advice on management reform issues related to sustainability and diversity 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. The Company therefore believes she can provide oversight and advice for the Company's global strategy with her extensive insight, mainly in the legal field, 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	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 has abundant insight from a managerial perspective underpinned by her experience as a corporate Director and Outside Audit & Supervisory Board Member, in addition to her experience serving as an officer of a national university and an incorporated national research and development agency. The Company therefore believes she can provide 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 2020 evaluation were as follows.

1. Evaluation Method

A questionnaire survey covering the items on the right 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.

Main Evaluation Items

- Composition and operation of the Board of Directors
- Management and business strategies
- Corporate ethics and risk management
- Performance monitoring
- Evaluation and remuneration of management
- Dialogue with stakeholders

2. Evaluation Results and Issues to Address Going Forward

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 advance distribution of materials and explanations, preparation of the agenda of Board of Directors meetings, and verification of the suitability of crossholdings are being conducted appropriately, among other matters. In addition, steady improvement was confirmed in issues raised in the previous fiscal year, including increasing the ratio of women on the Board of Directors to increase the board's diversity, and establishing opportunities for direct discussions between external officers of the

Company and officers of subsidiaries to enhance subsidiary management systems. Based on these factors, the Board of Directors concluded that it has ensured its overall effectiveness.

On the other hand, issues raised by this year's questionnaire survey results include establishing opportunities for sharing information and exchanging opinions among external officers and providing feedback on opinions obtained through dialogue with shareholders.

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

Overview of Officer Remuneration

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

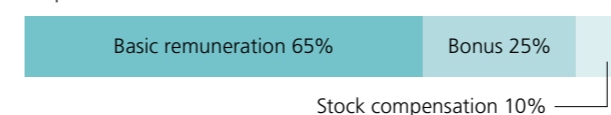
	Fixed remuneration	Performance-linked remuneration	
Directors (Internal)	(A) Basic remuneration	(B) Bonuses	(C) Stock compensation
Directors (External)	(A) Basic remuneration		
Audit & Supervisory Board Members	(A) Basic remuneration		

	Payment Method	Evaluation Indicators	Calculation Method
(A) Basic remuneration (Cash)	Paid in the form of fixed remuneration on a monthly basis, the amount of which is determined based on respective position depending on the extent of professional responsibilities and roles thereof	—	<ul style="list-style-type: none"> • Directors: Set according to the position of each director, taking the operating environment into account • External directors and Audit & Supervisory Board members: Set based on comparisons with other domestic and overseas companies in the same industry or of the same size, as well as on the Company's financial condition and business results
(B) Bonuses (Cash)	Paid within three months after the end of each fiscal year, in principle, as incentive to improve corporate business performance in a single fiscal year	<ul style="list-style-type: none"> • Consolidated net sales • Consolidated operating profit • Net sales and operating profit in each business domain 	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 for each indicator (ratio of net sales indicators to operating profit indicators is 50:50) ¹
(C) Stock compensation (Stock)	The Company makes annual delivery of a fixed number of shares of its common stock subject to certain stipulations such as those of the restricted period, and lifts the restrictions upon retirement of the recipient.	The Company's stock price ²	—

1. 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.
2. The Company has selected its stock price as the 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.

Remuneration Mix

Proportion of President & CEO's Total Remuneration



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

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 and long term.

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 customers, shareholders, business partners, employees and other stakeholders.

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
		Basic Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation	
Directors (External directors only)	527 (33)	338 (33)	134 (—)	15 (—)	39 (—)	10 (4)
Audit & Supervisory Board members (External Audit & Supervisory Board members only)	69 (22)	69 (22)	— (—)	0 (—)	— (—)	6 (3)
Total (External officers only)	597 (55)	407 (55)	134 (—)	16 (—)	39 (—)	16 (7)

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	Non-Monetary Compensation Included in Amounts on the Left	
Kazutoshi Kobayashi	Director	KOSÉ Corporation	210	107	9	21	327

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. Remuneration Decision-Making Method

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.

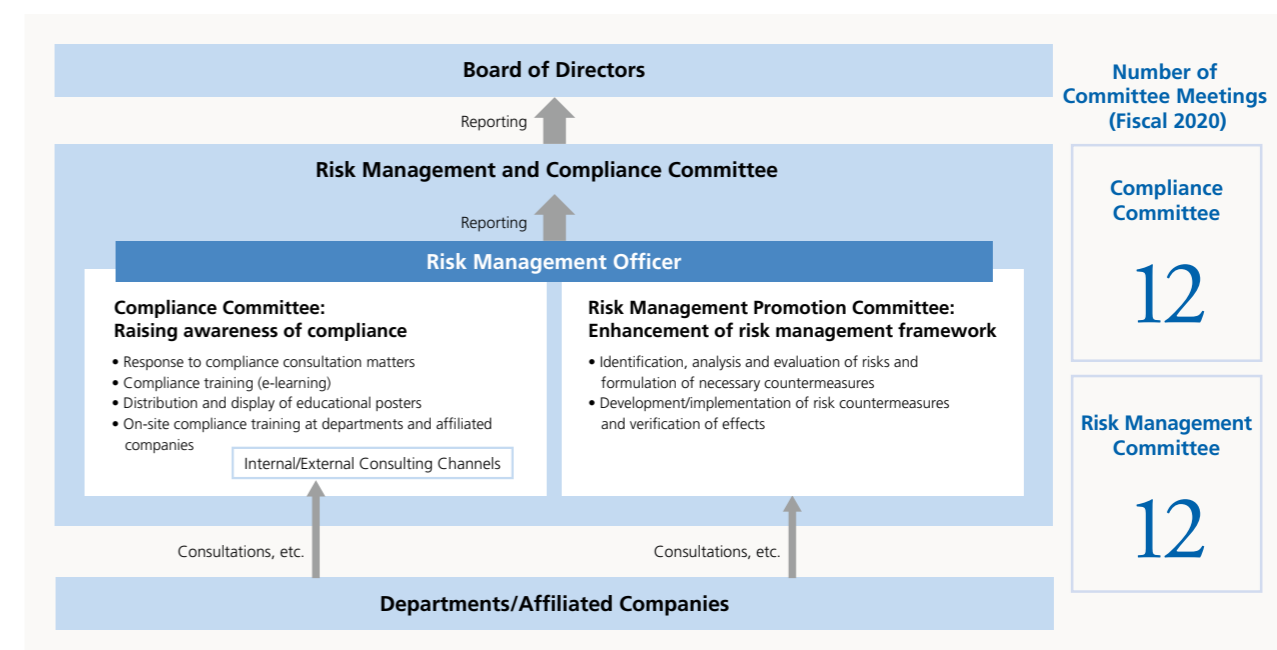
To ensure objectivity and transparency with respect to the officer remuneration plan, the Board of Directors resolves to assign the task of making final decisions on allocations of officer remuneration to the President & CEO following deliberations regarding the adequacy and appropriateness thereof carried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

The President & CEO has the authority to make decisions on the amount of basic remuneration of each director, the amount of bonuses taking into account the results of the business domains under the control of individual directors, and the amount of stock compensation. The President & CEO has been given this authority to make decisions on these matters because, as the representative director, he or she is the most suitable person to evaluate the businesses under the control of each director while looking at the big picture of the Company's overall business results.

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, creating 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.

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

■ Risk Management Briefing Session

A briefing session is held annually for officers, administrative employees 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 KOSÉ Group employees using e-learning or handouts. The Company also conducts awareness-raising for Beauty Consultants and target specific training to communicate information in a form that suits the audience.

Business and Other Risks

Among matters related to the state of the KOSÉ Group, including the status of its business and finances, we believe that the following risks could have a material impact on the Group's results and financial condition and that the factors described here are 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 regarding main risks made as of June 29, 2021, 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.
Delays in responding to climate change Decline in business profitability due to inability to accommodate a low-carbon society	The Company is proactively engaged in various efforts to mitigate climate change, including reducing greenhouse gases. It also strives to respond to international trends, such as setting Science Based Targets (SBT) and considering information disclosure in line with the recommendations of the Task Force on Climate-related Financial Information Disclosure (TCFD).

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 and secure inventories.
Discontinuation of raw material supply 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 and regions 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 and region 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, corrects deficiencies and ensures alternative methods.
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 brand 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. Furthermore, the Company holds regular training, shares information on risks and conducts thorough prevention measures.

Career Histories

(As of June 29, 2021)

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.



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
Mar. 2020 Executive Director and General Manager of Marketing Headquarters (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., Human Resources 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 of ALBION CO., LTD.



Shinichi Mochizuki
Director

Apr. 1985 Joined The Mitsubishi Bank, Ltd.
Sep. 2008 General Manager of Environmental Project Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2011 General Manager of Corporate & Investment Banking Credit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Nov. 2015 Joined the Company, General Manager of Global Business Div.
Mar. 2016 General Manager of Global Business Administration Dept., Global Business Div.
Mar. 2018 Executive Officer and General Manager of Accounting and Finance Dept.
Mar. 2020 Senior Executive Officer and General Manager of Accounting and Finance Dept.
Jun. 2021 Director and General Manager of Accounting and Finance Dept. (current position)

(Responsibilities) Accounting and Finance Dept.
(Significant Concurrent Positions Outside the Company)
Executive Director of KOSÉ SALES CO., LTD.
Director of Tarte, Inc.



Masahiro Horita
Director

Apr. 1986 Joined the Company
Mar. 2012 General Manager of Global Product Dept., Global Business Div.
Mar. 2013 General Manager of Global Business Operations Dept., Global Business Div.
Mar. 2017 President of KOSÉ COSMETICS CO., LTD. (CHINA)
Mar. 2019 Executive Officer and General Manager of Product Development Dept. and Beauty Development Dept.
Mar. 2020 Executive Officer, Deputy General Manager of Marketing Headquarters and General Manager of Product Development Dept.
Mar. 2021 Executive Officer and General Manager of Product Development Dept.
Jun. 2021 Director and General Manager of Product Development Dept. (current position)

(Responsibilities)
Product Development Dept., Beauty Development Dept., Advertising Dept., Product Designing Dept., Quality Assurance Dept.
(Significant Concurrent Positions Outside the Company) –



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
Part-time Professor, Waseda Law School of Waseda University
Outside Audit & Supervisory Board Member, TOKYO ELECTRON DEVICE LIMITED
Outside Director, SAINT-CARE HOLDING CORPORATION



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
Outside Director (Member of the Audit & Supervisory Committee), Takihyo Co., Ltd.
Outside Director, ALCONIX CORPORATION
Outside Director, KITZ CORPORATION



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)
Oct. 2020 Executive Vice President (part-time), Kyushu University (current position)

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

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
Outside Auditor of Ozu Corporation



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.