



Creating Beauty  
in a Sustainable World

# Creating Beauty in a Sustainable World

## Statement of Purpose

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

Help create a world  
with true gender  
equality

Support for a  
beautiful, healthy  
and happy life

A source of  
adaptable products  
and services

Use the theme of  
beauty to help solve  
environmental issues

Environmental  
conservation  
programs in areas  
where KOSÉ  
operates

Lower the overall  
environmental  
impact of business  
operations

### Sustainability Story

The KOSÉ Group's Statement of Purpose	1
KOSÉ's History of Value Creation by Creating Beauty	2
KOSÉ at a Glance	4
Message from the President	6
The KOSÉ Group's Sustainable Growth Process	12
The KOSÉ Group's Capital Inputs	14
Strengths Supporting the Foundation for Value Creation	16
Recognition of the External Environment and Identification of Material Issues	18
KOSÉ Sustainability Plan	20
Overview of Growth Strategies	22

### Strategy Analysis Based on the Sustainability Story

Financial Capital Strategy	24
Model for Raising Brand Value	26
Strategy by Brand	28

### The Foundation for Our Value Creation

Progress of the KOSÉ Sustainability Plan	32
For People	34
For the Earth	38
Mind to Follow the Right Path	44
External Evaluations	52
Messages from External Directors	53
Corporate Governance	54
Management Team	62
Career Histories	64

### Data Section

Financial and Non-Financial Highlights	66
10-Year Summary of Selected Financial Data	68
3-Year Summary of Selected Non-Financial Data	70
Principal Group Companies	72
Corporate Information/Stock Information	73

### 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 our underlying rationale. Please refer to our website for information related to IR and sustainability.

### Scope

The report covers KOSÉ Corporation and its consolidated subsidiaries for the period from April 1, 2021 to December 31, 2021. From fiscal 2021, the fiscal year-end has changed from March 31 to December 31. Please note that financial information covers the period from April 1, 2021 to December 31, 2021 and non-financial information covers the period from January 1, 2021 to December 31, 2021. Some information is from outside these periods.

### 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 History of Value Creation by Creating Beauty

We established our Corporate Message in 1991 and redefined the message in 2020 as "Creating Beauty in a Sustainable World." This message demonstrates our commitment to sharing all of our wisdom as a company that creates beauty as well to helping people and our precious Earth. We have also made this a part of the KOSÉ Sustainability Plan, which encapsulates our initiatives and goals for realizing a sustainable society.

## Creation of High-Quality Cosmetics

## New Beauty for the Times

## Delivering New Value to Customers around the World

1946

Kozaburo Kobayashi founded **KOBAYASHI UNLIMITED PARTNERSHIP**, the predecessor of KOSÉ.

Kozaburo Kobayashi noted people's need for cosmetics during the turmoil of the postwar years. Convinced that the cosmetics industry would play a significant role in the creation of a new Japan, he founded KOSÉ's predecessor, KOBAYASHI UNLIMITED PARTNERSHIP in March 1946 (Capital ¥100,000).



1954

First generation of KOSÉ beauticians

These beauticians were the predecessors of today's Beauty Consultants. KOSÉ advertised for its first applicants for beauticians in newspapers. We planned to hire 16 people, but over 900 people applied for the job. Beauticians played a role in popularizing beauty knowledge and techniques, helping to develop the cosmetics industry. They also helped to raise the image of what a beauty professional was, thus establishing it as a popular job among young women.



1962

Launch of **AULIC**

**AULIC** was launched as a premium cosmetic line following up on the success of **LA BONNE** (launched in 1957). We had been conducting research to develop a product with enhanced beautifying effects that also suited Japanese skin, helping it to retain the balance of the skin's oils, moisture, and metabolism. The price of **AULIC** was more than double that of **LA BONNE**, but reflected KOSÉ's aspiration to promote the value of "effect equals premium quality" rather than "high price equals premium quality."



1976

World-leading development of powder foundation

We launched an appealing foundation that combined three advantages in a single product: the creation of a beautiful skin tone that gave the effect of having applied white powder after applying the foundation, the convenience of quick and easy application, and excellent portability. **FIT-ON** met the needs of the times with women going out into society, namely by offering convenience, speed, and ease of use. It soon became a wildly popular product.



1985

Launch of **SEKKISEI**

We proposed the simple application of five products as part of a daily skincare routine: **KAKKISEI** (Active Skin Essence), **JUNKISEI** (Moisture Skin Essence), **SEKKISEI** (Snow Skin Essence), **Hair Essence** and **Powder Wash**. **SEKKISEI** remains virtually unchanged from its original formula and has grown into a long-selling brand.



1992

Establishment of the first special subsidiary company in the cosmetics industry

**ADVANCE Co., Ltd.** was established near the Sayama Factory in Saitama Prefecture as part of our efforts to support the employment of people with disabilities. The company is responsible for cosmetics-related manufacturing processes such as packaging. It was the first company in the cosmetics industry and the 25th among all industries to receive approval as a special subsidiary company. In 2016, we established the **ADVANCE Gunma Branch Office** within the Gunma Factory.



1995

Developing environmentally friendly products ahead of the times

We developed the natural skin care brand **AWAKE**, which was sold primarily in department stores. The brand offers skin care items developed with a focus on addressing stress to the skin and psyche of modern women. The brand concept was ahead of the times as it was developed from the perspective of environmental friendliness.



2009

Environmental conservation activities representative of KOSÉ

To pass on our beautiful blue planet to the future, we launched the **SAVE the BLUE** project in the summer of 2009. We donate a portion of the sales of **SEKKISEI** to environmental conservation activities, and are engaged in global environmental protection and awareness-raising activities. We hope that the beautiful ocean will be passed on to future generations as represented by the lapis lazuli blue of the iconic **SEKKISEI** bottle.



2013

Communication with Customers

Aiming to create fans across all of KOSÉ's popular brands, we held "beauty festa," which was intended to create opportunities to encounter these brands. Bringing our 17 main brands together, this event gave customers an opportunity to move about freely and try the products. This was the first such event in the industry to be led by a manufacturer.



## Changes in Society

1940s

Makeup cosmetics drew attention in postwar Japan

Before the war, foundation had been imported. After the war, it began to be manufactured in Japan as makeup became widespread. The role of makeup evolved from personal grooming to self-expression and fashion.

1970s

Rise of a trend focused on the effects and function of cosmetics

A series of functional cosmetics was launched to meet increasing needs for quality, including elements such as function, effect, and ingredients. After the collapse of Japan's bubble economy, consumer price-consciousness became widespread.

2000s

An era of demand for cosmetics that suit one's own skin

Traditional needs for function and effect from cosmetics remained strong. In addition, a variety of other products entered the market to meet diversifying needs for brightening, moisture retention, anti-aging, and organic ingredients.

2020s

Shift to a new stage in cosmetics without concern for genre or gender

We have entered an era in which cosmetics are a way of expressing oneself regardless of age or gender. The acceptance of diverse values is growing even further.

# KOSÉ at a Glance

Note: From fiscal 2021, the fiscal year-end has changed from March 31 to December 31. Fiscal 2021 is a transitional period and financial information covers the nine months from April 1, 2021 to December 31, 2021. Non-financial information covers the 12 months from January 1, 2021 to December 31, 2021.

“What we want most of all is to inspire hopes and dreams, building a brighter world.”

KOSÉ is devoted to cosmetics, and we have continued our search for the essence of beauty throughout our long history. Our concept of “Creating Beauty” that was developed to brighten the hearts of Japanese women after the war has been refined over the years. This concept is now at the heart of a diverse brand portfolio created from a fusion of sensuousness and intelligence and the efforts of our 14,015 employees working around the world to “create beauty” for all people, regardless of gender, age or location. Connecting people in this way also leads to efforts to preserve our beautiful Earth. In this section, we will see how the KOSÉ Group of today is linked to its past and future.



## Message from the President



**To create a bright future through the power of cosmetics, we have carefully honed our customer-oriented perspective and frontline capabilities. To achieve the targets of medium-to-long-term VISION 2026, we will generate results from the foundations we have laid to date and strive to maintain sustainable growth.**

**Kazutoshi Kobayashi**  
President & CEO

**As lifestyles change due to the COVID-19 pandemic, we have reaffirmed our commitment to creating a bright future through the power of cosmetics. To further develop our value creation process, we will continue to promote KOSÉ's distinctive strength of adaptability.**

The COVID-19 pandemic has dramatically changed people's lifestyles over the last two years. However, during that time there have been a number of symbolic moments that have reaffirmed the power of cosmetics and their essential qualities. This fact has renewed our determination to create a cosmetics culture and a bright future for beauty.

As one example, in December 2020 the Company established the You are my HERO project. This project supports medical professionals in Japan by providing them with cosmetics, and to date we have donated a total of approximately 1.16 million KOSÉ products. The burden on medical professionals due to the COVID-19 pandemic remains extremely high, and we thought hard about how KOSÉ could make a contribution. Some concerns were raised that the project might be inappropriate during such a busy time for the healthcare system, but the response from medical professionals was much more positive than we had imagined. Many of them wrote to express their appreciation directly, with a large number commenting that the cosmetics we donated had touched their hearts and healed their skin, that the cosmetics made them feel ready to wear makeup again, or that they cheered them up. Now, in 2022, I continue to receive letters almost daily from medical professionals all over Japan. This has reaffirmed our belief in the power of cosmetics. The cosmetics that KOSÉ has provided during the COVID-19 pandemic have supported people's lives and brightened their spirits.

I feel that the way people use cosmetics has changed. The idea of "using it for myself" has become widespread, rather than "putting it on for someone else." Specifically, over the past few years, the genderless trend has been growing. The number of cosmetics users, no longer limited to women, has been increasing rapidly. As face masks continue to be a part of daily life amid the COVID-19 pandemic, skin care needs related to dealing with skin irritation have grown broader among customers now ranging from children to seniors. Furthermore, many people have experienced an increase in time spent looking at their own face on a screen due to telework. This, plus requests to refrain from going out, has led more people to spend time and money on beauty routines. As these examples demonstrate, consumers' consumption behavior and needs are changing significantly.

Amid this diversification in values, it remains important to grasp customers' changing needs quickly and accurately, develop new concepts and come up with various innovations, and to find ways to continue providing value that exceeds expectations. Guided by its Statement of Purpose, "Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence," the KOSÉ Group aims to create its own distinctive form of sustainable value. Moreover, we will further refine our unique strength of adaptability to respond to diverse values as we pursue our goal of being a source of beauty for everyone, encompassing all genders, age groups, countries, and regions.

To realize this goal, we must take a more customer-oriented perspective, enabling us to stay closely attuned to customers and to accurately grasp their needs. We must also enhance frontline capabilities, which enable us to respond flexibly. We will focus on acting quickly when ascertaining changes and respond in a timely manner.

While lifestyles have changed dramatically over the last two years, KOSÉ itself has also been steadily laying the foundations for the future, such as by expanding

our global brands and strengthening our contact points with customers both online and offline. As such, we have been changing and evolving our business model. All over the world, cosmetics culture and beauty have the universal ability to bring vibrancy and richness to the human heart. Going forward, with adaptability as our foundation, we aim to develop products that create new customers by flexibly and speedily evolving our value creation process, and taking on the challenge of further structural reforms and new growth.

**The Company's values have been defined in VISION 2026.**

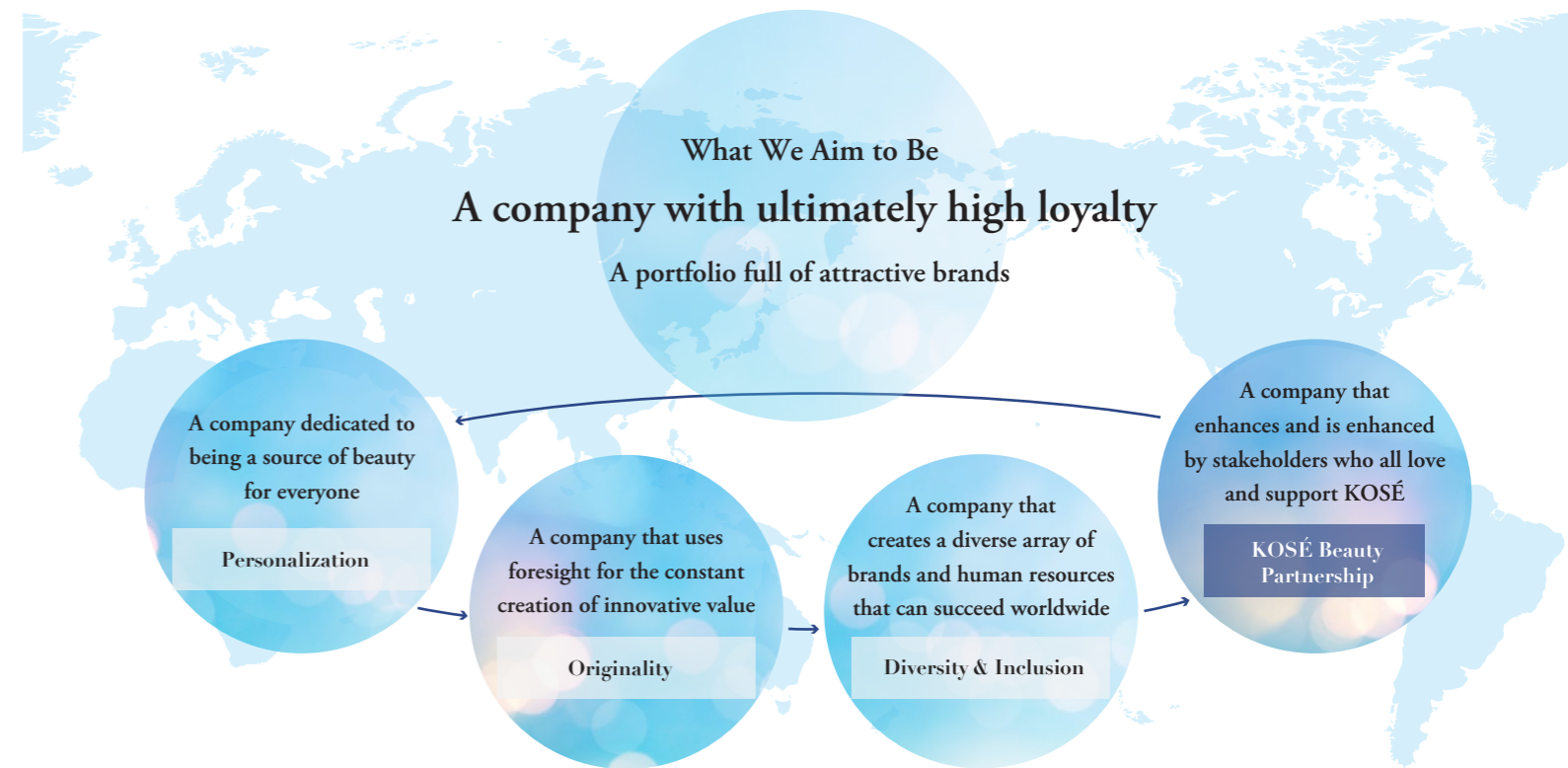
**In this way, we have made our sustainable growth strategies clearer.**

**We also hope to accelerate various collaborative efforts even further.**

We have partially revised medium-to-long-term VISION 2026, which we are currently promoting. A major point in the continuous growth process for achieving the vision, is that we have now defined the KOSÉ Beauty Partnership as the Company's values, and clearly presented it along with our Statement of Purpose (mission).

This KOSÉ Beauty Partnership incorporates our desire to establish mutually beneficial relationships, not only with customers, but with all stakeholders through our unique concept of "Creating Beauty," which is also in the Company's Corporate Message. It is also deeply connected with the Company's long-standing belief in co-existence and co-prosperity with business partners, suppliers, and the local community, a belief that it has prioritized since its founding. As the embodiment of the Company's values, the KOSÉ Beauty Partnership is woven into a single thread connecting the KOSÉ Group's journey to date, its vision of being "a company

with ultimately high loyalty," and its Statement of Purpose (mission). In this value creation journey, the KOSÉ Group has insisted on maintaining a tightknit Group-wide value chain, ranging from R&D to sales. In order to evolve into a company with a global presence and to become "a company with ultimately high loyalty," it will be necessary for us to practice co-creation not only with customers, employees, business partners, suppliers, the local community, and others, but with everyone that has a connection to the KOSÉ Group. As we continue on this journey, powered by the KOSÉ Beauty Partnership, we will pursue a better customer experience for everyone, from newborn babies to centenarians. In this way, we will promote a value creation process that is unique to the KOSÉ Group, working to co-create new value with diverse stakeholders in order to realize our Corporate Message, "Creating Beauty in a Sustainable World."



In addition, I am certain that we will be able to create a cosmetics culture unique to Japan and then spread it around the world.

We have left the numerical targets for VISION 2026 unchanged, since there seems little to be gained by making revisions while the business environment remains unclear. Our aim in pursuing VISION 2026 is to evolve into a company with a global presence, and our vision is to become "a company with ultimately high loyalty." We will continue creating sustainable and adaptable products and services by taking a global perspective, contributing to a brighter society by making people happy through the power of a cosmetics culture and beauty. In working to achieve this vision, I believe we will win the support of all stakeholders, enabling us to evolve into a company with a global presence.

I'd now like to talk about the foundations for growth we have established and our plans for the future. We have been making more efforts to promote digital transformation (DX), and as part of that we have developed WEB-BC SYSTEM as a common online counselling platform for all brands. We paid particular

attention to enhancing the Company's uniqueness with clear screen image quality that communicates the feel of cosmetics in terms of the sheen and glow. This use of high-definition, smooth images has enabled us to provide counselling that is equal to or better than a face-to-face in-store experience. First, as a *DECORTÉ* service, we launched *DECORTÉ Personal Beauty Concierge* to give customers the ability to choose a Beauty Consultant who suits them, regardless of time or place, meaning we can be a source of beauty for everyone. Now that lifestyles have changed due to the COVID-19 pandemic, in addition to initiatives such as e-commerce, the combination of online and offline services through DX (including CRM\* for centralized management of marketing and customer information) will be even more important going forward. We will accelerate corporate reforms by implementing DX without becoming caught up in conventional thinking.

Moreover, we continue to promote coordination between companies. The highly functional skin care brand *Carté HD* created in collaboration with pharmaceutical manufacturer Maruho Co., Ltd., and the private skin care brand *RECIPRO*, launched in

\* CRM: customer relationship management

November 2021 with MatsukiyoCocokara & Co., have already garnered praise. We will continue to expand our knowledge of the concept of beauty and look at new growth fields, while keeping the cosmetics domain at our core. Furthermore, we will also closely cooperate in the field of sustainability with Kao Corporation. With the emergence of social issues such as resource depletion and marine plastic waste, there are a number of challenges that are difficult to achieve quickly through the actions of individual companies. By creating partnerships, we can utilize each other's strengths. We can achieve more effective, faster results by cooperating on social issues such as environmental considerations in packaging and resource recycling. We also intend to expand the scope of partnerships in the future.



Moreover, to further deepen the KOSÉ Beauty Partnership, it will be important to promote our idea of being a source of beauty for everyone based on adaptability at an even higher level. To achieve this, we will encourage an even deeper understanding of diversity and inclusion as part of our corporate culture, and ensure that our working environments enable employees of diverse backgrounds to work with confidence. We are already seeing results from introducing diversity management, with several female employees taking a leading role in new value creation as managers in the manufacturing field, and career hires playing key parts in major in-house projects as specialists. In addition, we will make investments in human capital and take measures to transform diversity into a strength. We will also develop human resources who are highly innovative, not bound by precedents or

conventional thinking, and always creative. These initiatives will drive the KOSÉ Group's evolution into a company with a global presence. This is my main mission and responsibility to all stakeholders as president.

Our 80th anniversary is in 2026. This is also the final year of medium-to-long-term VISION 2026. While the business environment remains uncertain, we have implemented various initiatives as part of VISION 2026. Looking forward, we will stay closely attuned to our global customers, while continuing to hone our customer-oriented perspective and frontline capabilities so that we can respond accurately to customers' needs. I am certain that we will continue to be needed and trusted by customers and society. You can expect continued growth from the KOSÉ Group going forward.

**From 2022 onward, we will be able to develop our business faster as we have aligned our fiscal year-end with that of our overseas companies. Moving forward, we will generate results from the initiatives we have implemented to date, while focusing on the development of human resources, who are the source of our value.**

With the recent change in our fiscal year-end, fiscal 2022 is the first fiscal year in which our companies in Japan and overseas share the same fiscal year. By unifying our fiscal year, we have been able to synchronize our business cycle in all areas, enabling faster business development from a global perspective. In fiscal 2022 we have also accelerated DX and structural reforms, which are expected to create a foundation for future growth.

In addition, to achieve rapid business development it is essential to have the right human resources, and

we therefore created systems with a view to the new fiscal year. In March 2021, we started making organizational changes focused on frontline perspectives and speed. This included accelerating global expansion, creating "borderless customers" beyond boundaries between geographical areas and sales channels, and implementing company reforms with DX. In doing so, I believe we will be able to strengthen and demonstrate our fundamental customer-oriented perspective and frontline capabilities even in the face of major changes.



# The KOSÉ Group's Sustainable Growth Process

In working to achieve medium-to-long-term VISION 2026, the KOSÉ Group is taking on the material issues of the KOSÉ Sustainability Plan, which it formulated in 2020. To better live up to our Statement of Purpose, in fiscal 2022 we revised specific initiatives from the perspective of "Mission, Vision, and Values," and reorganized our sustainable growth process. Going forward, we will establish an unrivaled presence as a "company that creates beauty" while working to deliver unique value and gain the appreciation of customers worldwide.





# The KOSÉ Group's Capital Inputs

The KOSÉ Group has cultivated six types of capital since its founding. They underpin the Group's sustainable growth processes and are essential for increasing corporate value. We have recently reexamined each type of capital, redefining and organizing them.

Looking ahead, we aim to achieve sustainable growth by utilizing our strengths based on these six types of capital.

## Financial capital<sup>1</sup>

- Selection and concentration of investments into the optimal business portfolio
- Investment in new value creation and new business domains
- Investment in non-financial capital

Net sales:  
**¥224.9 billion**  
 Operating margin:  
**8.4%**

## Intellectual capital

- Basic research and R&D for creation of unique value
- Manufacturing that incorporates the concepts of sensuousness and intelligence and is done from the customers' perspective
- DX for creating new customer experiences
- Marketing expertise from global development of 37 brands

R&D expenses:  
**¥4.3 billion**  
 Number of brands:  
**37**

## Social and relationship capital

- Stakeholder engagement based on the KOSÉ Beauty Partnership
- Communication with customers and society developed during global development of 37 brands

Number of countries and regions where we operate:  
**30**  
 Overseas sales ratio:  
**49.3%**

## Human capital

- 14,015 professional human resources around the world
- Diversity and inclusion in management to enable diverse human resources to play active roles
- Human resource development in a corporate culture with sensuousness and intelligence

Number of employees:  
**14,015**  
 Male: **16.1%**  
 Female: **83.9%**

## Natural capital

- Utilization of a wide range of different raw materials
- Investment in energy needed for business activities
- Business activities based on respect for the environment

Total energy consumption:  
**457** (1,000 GJ)  
 Water intake:<sup>2</sup>  
**283.1** (1,000 m<sup>3</sup>)

## Manufactured capital

- Sustainable production system to ensure stable supply
- Responsible value chain
- Research system spanning seven locations worldwide

Capital expenditures:  
**¥4.51 billion**  
 Production sites: **5**  
 Research locations: **7**



1. From fiscal 2021, the fiscal year-end has changed from March 31 to December 31. Fiscal 2021 is a transitional period and financial information covers the nine months from April 1, 2021 to December 31, 2021.  
 2. KOSÉ Group production departments

# Strengths Supporting the Foundation for Value Creation

The KOSÉ Beauty Partnership is the foundation that supports the KOSÉ Group's sustainable growth process and one of its unique strengths. In this section, we look at the KOSÉ Beauty Partnership, from the background of its establishment to its direction going forward.



Since its foundation, the KOSÉ Group has pursued business activities that cherish the spirit of co-existence and co-prosperity with not only the customers to whom it provides products and services but also with its business partners, suppliers and local communities. Today, as social change accelerates rapidly, one aspect of which is the impact of the COVID-19 pandemic, we believe it will be more important than ever to continue to be the preferred choice of the stakeholders who support us as we work to realize our Statement of Purpose—Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. To this end, KOSÉ has re-examined the meaning of “a company with ultimately high loyalty,” as presented in medium-to-long-term VISION 2026, and the Board of Directors decided to take the practice of “establishing mutually beneficial relationships with all stakeholders” that we have built upon since our founding and redefine it as the “KOSÉ Beauty Partnership,” as well as reaffirm the value we provide society and the values our employees should share. Based on the spirit of “a three-way win for customers, employees, and business partners” that we have followed since our founding,

and taking accelerating environmental changes into consideration, we have also decided during the discussion process to expand our partnerships with other companies and to extend those partnerships to local communities and governments in order to create new value and realize a sustainable society.

As a result, we concluded that the important value we can provide is enhanced by establishing mutually beneficial relationships through our unique concept of “Creating Beauty.” To achieve this, we will work with 10 kinds of partners: BtoC customers, BtoB customers, suppliers, human resources, investors, the environment, collaborators, governments, competitors and communities.

Going forward, we will take steps to promote the KOSÉ Beauty Partnership internally and formulate key performance indicators to help connect it to the actual activities of KOSÉ Group employees. Based on the values that we have defined for KOSÉ in the form of the KOSÉ Beauty Partnership, we will collaborate with various partners to create value unique to KOSÉ as we work to resolve social issues.

## Customers

### Individual Connections

Until recently, we believed the main customer base for cosmetics was women aged in their teens and over. However, given increasing diversity, the genderless movement, realization of the importance of skin care from childhood to ensure healthy skin, and the need to provide different kinds of value as the number of elderly people continues to grow, going forward we will promote an approach that is less concerned with gender and age, based on the eight initiatives of Adaptability<sup>∞</sup>. We will work to create a new customer base by accepting and including a very wide range of customers.

Furthermore, from the perspective of our business areas, we will keep cosmetics at the core. Our operations also currently encompass the pharmaceutical and hair care areas, but we plan to expand our fields of operation by looking at beauty and health from a broader perspective, as well as other fields related to well-being.

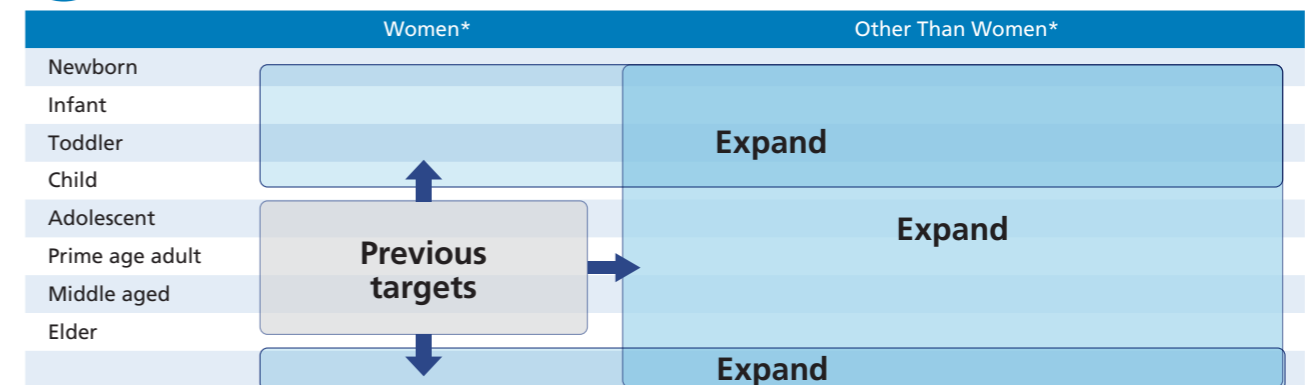
### Eight Initiatives

## Adaptability<sup>∞</sup>

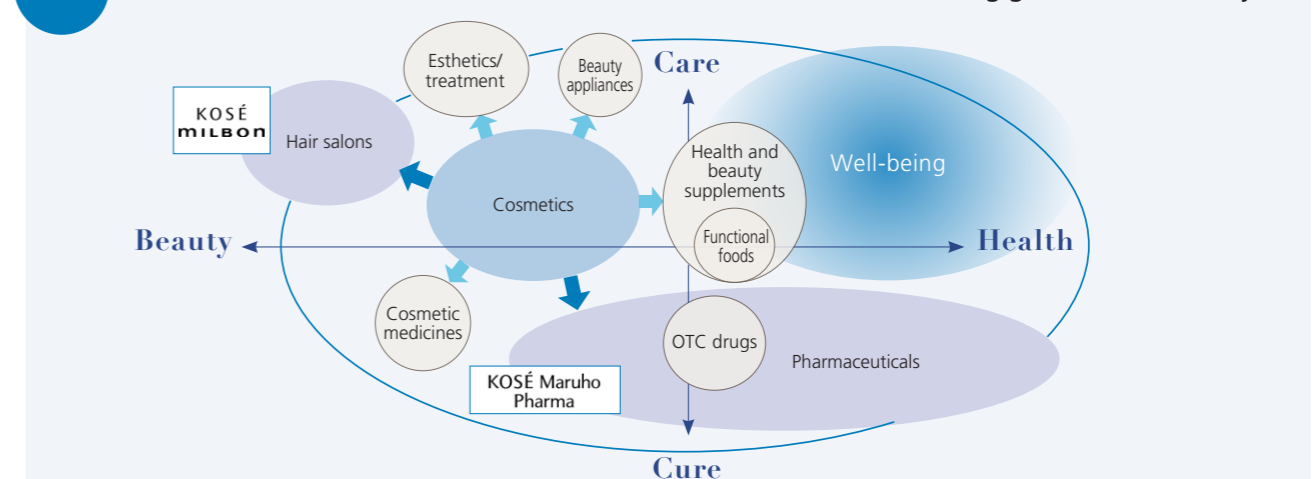
- Excluding no one
- Unfettered by gender
- Blending diverse cultures
- Respectful expression
- Adapted to all skin and hair types
- Harmonizing with personal belief
- User-friendly and simple
- Transcending age constraints

**To whom** Expand targets by approaching customers not limited by gender or age based on the idea of Adaptability<sup>∞</sup>

\* Biological women



**What** Provide value that includes the health and cure areas while remaining grounded in beauty



# Recognition of the External Environment and Identification of Material Issues

## Identifying Material Issues

To achieve sustainable growth, the KOSÉ Group needs to have an accurate understanding of the relationship between the external environment and the Group. In identifying relevant social and environmental changes as well as risks and opportunities, we referred to ISO 26000, the United Nations Global Compact, the SDGs, and other guidance. We identified 21 material issues that the KOSÉ Group should address. We evaluated the issues in terms of importance and relevance for each individual Group company and division in order to quantify them based on an index of importance and relevance to the KOSÉ Group as a whole.



## Setting Material Issues and Themes

We evaluated the issues identified on the axes of importance to society (customers, business partners, suppliers, shareholders, employees, local communities, the international community, NPOs, NGOs, etc.) and importance and relevance to the KOSÉ Group. We checked the 21 material issues against our guiding principle for sustainability and fundamental policy, and divided the issues into the three areas of People, which relates to individuals and society; the Earth, which relates to the environment; and Mind to Follow the Right Path, which relates to our corporate foundation. We then defined these as six activity themes and six primary categories (Sustainability Plan). This Sustainability Plan was approved by the Board of Directors based on guidance from the Sustainability Committee, and is shared as a framework throughout the Group.



# KOSÉ Sustainability Plan

The KOSÉ Group’s Corporate Message, “Creating Beauty in a Sustainable World,” serves as its guiding principle for sustainability, while its fundamental policy, “Mind to Follow the Right Path,” has been the foundation of its corporate spirit since its foundation. Based on the above, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. In formulating this plan, we identified material issues that the KOSÉ Group should address and set activity themes, while confirming

social and environmental issues and incorporating feedback from external stakeholders. As we work to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our sensuousness and intelligence with the aim of becoming a unique and trusted company with a global presence.

## For People

Six Activity Themes



A source of adaptable products and services ▶ Pages 34-35

As a source of beauty for everyone, we embrace differences in skin color, 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.



Support for a beautiful, healthy and happy life ▶ Page 36

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

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 enhancing the work environment, including our supply chain, through fair trade initiatives.



Help create a world with true gender equality ▶ Page 37

Contribute to a future where there is no gender gap

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



Use the theme of beauty to help resolve environmental issues ▶ Pages 38-39

We will help resolve environmental issues as a company that creates beauty, 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.



Environmental conservation programs in areas where KOSÉ operates ▶ Page 40

In areas where we have business bases such as production sites and service locations, we will work to preserve the environment, 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 have a significant impact on the environment.



Lower the overall environmental impact of business operations ▶ Pages 41-43

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.

We appreciate the blessings of nature that allow us to smoothly procure raw materials, and continue to advance our efforts to conserve the global environment and reduce our environmental impact in order to continue production activities within a sustainable range.

## Mind to Follow the Right Path

Fundamental Policy

**Respect for human rights**  
▶ Page 44

**Human resource development**  
▶ Pages 45-46

**Only the safest, most reliable, high-quality products**  
▶ Pages 47-48

**Customer’s perspective**  
▶ Pages 48-49

**Business operations with transparency and fairness**  
▶ Pages 50-51

**Corporate governance**  
▶ Pages 54-65

## Sustainability Promotion System

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

We established the Sustainability Committee, chaired by the President & CEO, which proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. The Board of Directors deliberates and makes decisions about material issues related to sustainability strategies and is responsible for supervising the sustainability promotion activities of the Company.

With the aim of promoting more effective cross-departmental initiatives, the Sustainability Promotion Committee establishes subcommittees and projects for specific themes based on the KOSÉ Group’s sustainability strategies.

## Overview of System



# Overview of Growth Strategies

The KOSÉ Group has formulated medium-to-long-term VISION 2026. This vision calls for incorporating sustainability-related perspectives in all of its activities as it strives to evolve into a company with a global presence. By carrying out VISION 2026 in pursuit of the value creation strategy of the KOSÉ Group, we plan to achieve business growth and contribute to a sustainable society.

## VISION 2026 Basic Strategies

### Three Growth Strategies

Accelerate global brand development

Proactively develop unique products

Explore new growth areas

### 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

## KOSÉ Sustainability Plan

### Performance Targets for Fiscal 2026

Net Sales  
**¥500 billion**

Operating Margin  
**16% or more**

ROA  
**18% or more**

Global Benchmark: Euromonitor Premium Beauty and Personal Care Ranking

ROE  
**15% or more**

Overseas Sales Ratio  
**50% or more**

E-commerce/Travel Retail Sales Ratio  
**25% or more**

World Ranking  
**Top 8**

Specific Strategies	Policies	Utilization and Strengthening of Capital
Brand Strategies	<ul style="list-style-type: none"> <li>Further expand activities to ensure the growth of flagship global brands through strategic investment</li> <li>Consider expanding business into areas that will capture new demand and new value</li> <li>Improve LTV<sup>1</sup> through customer-focused marketing across brands</li> <li>Improve new customer experiences (digital counseling and Maison KOSÉ, etc.)</li> <li>Generate results from efforts in the areas of pharmaceuticals and hair salons</li> <li>Develop the value of beauty and upgrade customer counseling services</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual capital</li> <li>Social and relationship capital</li> </ul>
Area Strategies	<ul style="list-style-type: none"> <li>Maximize demand in the Greater China region</li> <li>Capture demand in Western markets, including the travel retail market</li> <li>Consider expanding business into areas that will capture new demand and new value</li> </ul>	<ul style="list-style-type: none"> <li>Social and relationship capital</li> </ul>
R&D Strategies	<ul style="list-style-type: none"> <li>Increase global competitiveness through R&amp;D to create unique value such as state-of-art technologies and new materials</li> <li>Conduct manufacturing based on sustainability and adaptability</li> <li>Create new types of value through open innovation</li> <li>Collaborate with external resources from a global perspective</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual capital</li> <li>Social and relationship capital</li> </ul>
IT Strategies	<ul style="list-style-type: none"> <li>Expand use of digital technology (e-commerce, online-merge-offline,<sup>2</sup> counseling)</li> <li>Promote digital transformation (DX) as a global company</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual capital</li> </ul>
Sustainability Strategies	<ul style="list-style-type: none"> <li>Promote unique sustainability strategies for people and the Earth</li> <li>Instill and implement the KOSÉ Sustainability Plan</li> <li>Accelerate initiatives by generating synergies within the Group and collaborating with other companies</li> </ul>	<ul style="list-style-type: none"> <li>Social and relationship capital</li> </ul>
Supply Chain Strategies	<ul style="list-style-type: none"> <li>Promote manufacturing business process reengineering<sup>3</sup> and build a sustainable production system, including at the Minami Alps Factory</li> <li>Increase business efficiency by reducing costs, inventories, and waste</li> </ul>	<ul style="list-style-type: none"> <li>Manufactured capital</li> <li>Natural capital</li> </ul>
HR Strategies	<ul style="list-style-type: none"> <li>Invest resources in growth areas and increase labor productivity</li> <li>Create an environment where diverse human resources can be utilized and provide employees with job satisfaction</li> <li>Establish a human resource portfolio and optimize utilization of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Human capital</li> </ul>

1. Lifetime value for customers

2. Marketing method that combines offline (brick-and-mortar stores) and online (e-commerce sites and apps)

3. Business reforms designed to maximize profits through the analysis, understanding and restructuring of the value chain process

Financial capital  
▶ Pages 24-25

### Sustainability Initiatives

	Fiscal 2021 Progress	Fiscal 2022 Initiatives
<b>For People</b>	<ul style="list-style-type: none"> <li>Set specific themes for promoting adaptability and developed methods to manage progress</li> <li>Started work on human rights due diligence and identified prominent human rights issues</li> <li>Promoted internal initiatives for raising awareness of career building, regardless of gender</li> </ul>	<ul style="list-style-type: none"> <li>Launch products and services based on adaptability</li> <li>Conduct human rights impact assessment and awareness-raising activities</li> <li>Work to create a genderless cosmetics culture</li> <li>Work to communicate diverse beauty values to young people</li> </ul>
<b>For the Earth</b>	<ul style="list-style-type: none"> <li>Conducted scenario analysis in line with TCFD recommendations</li> <li>Disclosed information on business risks and opportunities related to climate change</li> <li>Reduced use of plastic and utilized sustainable materials</li> <li>Formulated new waste reduction targets</li> </ul>	<ul style="list-style-type: none"> <li>Promote initiatives to reduce CO<sub>2</sub> emissions (SCOPE 1, 2 and 3)</li> <li>Conduct various initiatives related to waste reduction and resource recycling</li> <li>Promote sustainability by using materials that help reduce the amount of plastic used</li> </ul>

# Financial Capital Strategy

The KOSÉ Group formulated VISION 2026 in fiscal 2018, with the final year, 2026, falling on the 80th anniversary of the Company's founding. Under the vision, we aim to become "a company with ultimately high loyalty." This vision involves the promotion of three growth strategies: 1) accelerate global brand development, 2) proactively develop unique products, and 3) explore new growth areas. Our financial capital strategy for realizing these growth strategies is centered on the basic policy of building a solid financial foundation for the Company's sustainable growth and increasing profitability and efficiency. Moreover, as we evolve into a company with a global presence, from fiscal 2021 we changed our fiscal year end to December in order to execute our growth strategies as a united Group. This will enable us to execute our strategies with greater speed.

## VISION 2026 Performance Targets



### Current Financial Position

The KOSÉ Group has retained sufficient liquidity to support financial soundness and sustainable growth in its corporate activities. Its consolidated current ratio for fiscal 2021 was 367.5%. In addition, free cash flow for fiscal 2021 was approximately ¥13.0 billion and the quick ratio was 252.8%. The Company has secured sufficient liquidity on hand and made adequate arrangements to procure funds for unexpected events such as pandemics and for growth investments. Furthermore, the shareholders' equity ratio for fiscal 2021 was 74.5%, with the balance of interest-bearing debt at ¥1.7 billion, providing a D/E ratio of 0.01 times.

The above financial indicators show that the KOSÉ Group maintains a solid financial position. This is the result of our dedication to the spirit of our main business, namely, contributing by sharing all of our wisdom as a company that creates beauty.

### Initiatives for Improving Profitability and Efficiency

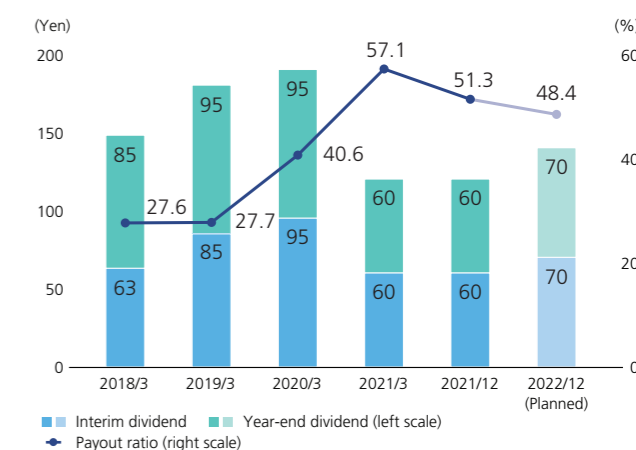
In terms of achieving sustainable growth, the most important point for the KOSÉ Group is to improve its overall corporate value. We are creating a portfolio of extremely appealing brands as "a company with ultimately high loyalty." To achieve this, it is essential that we discern risks and opportunities from a medium-to-long-term perspective and make growth investments that will maximize returns. We are engaged in activities such as global development, making growth investments for developing new products, and promoting acquisition and disposal of assets. Furthermore, the KOSÉ Group is taking steps to improve profitability and efficiency, with ROA and ROE as important management indicators. Under the three growth strategies in our medium-to-long-term vision, VISION 2026, we are now aggressively promoting investment in growth fields while emphasizing investment efficiency. In particular, to promote global development and

the development of new products, we have established brand-specific growth strategies and targets aimed at improving investment efficiency. ROE in fiscal 2021 was 5.8%, reflecting the impact of the COVID-19 pandemic, but from fiscal 2022 we aim to improve profitability by carrying out structural reforms and implementing cost control measures while also increasing the asset turnover ratio.

### Shareholder Returns

With regard to shareholder returns, the Company's basic policy is to stably return profits to shareholders, taking into account financial position, earnings, and the dividend payout ratio, while also considering the need to retain internal funds for future business expansion. For the fiscal 2021 year-end dividend, despite not meeting the target for net profit, the Company paid an ordinary dividend of ¥60 as initially planned, combined with the interim dividend of ¥60 on December 10, 2021, resulting in a total annual dividend of ¥120. In fiscal 2022, the Company plans to pay a total annual dividend of ¥140.

Dividend/Dividend Payout Ratio



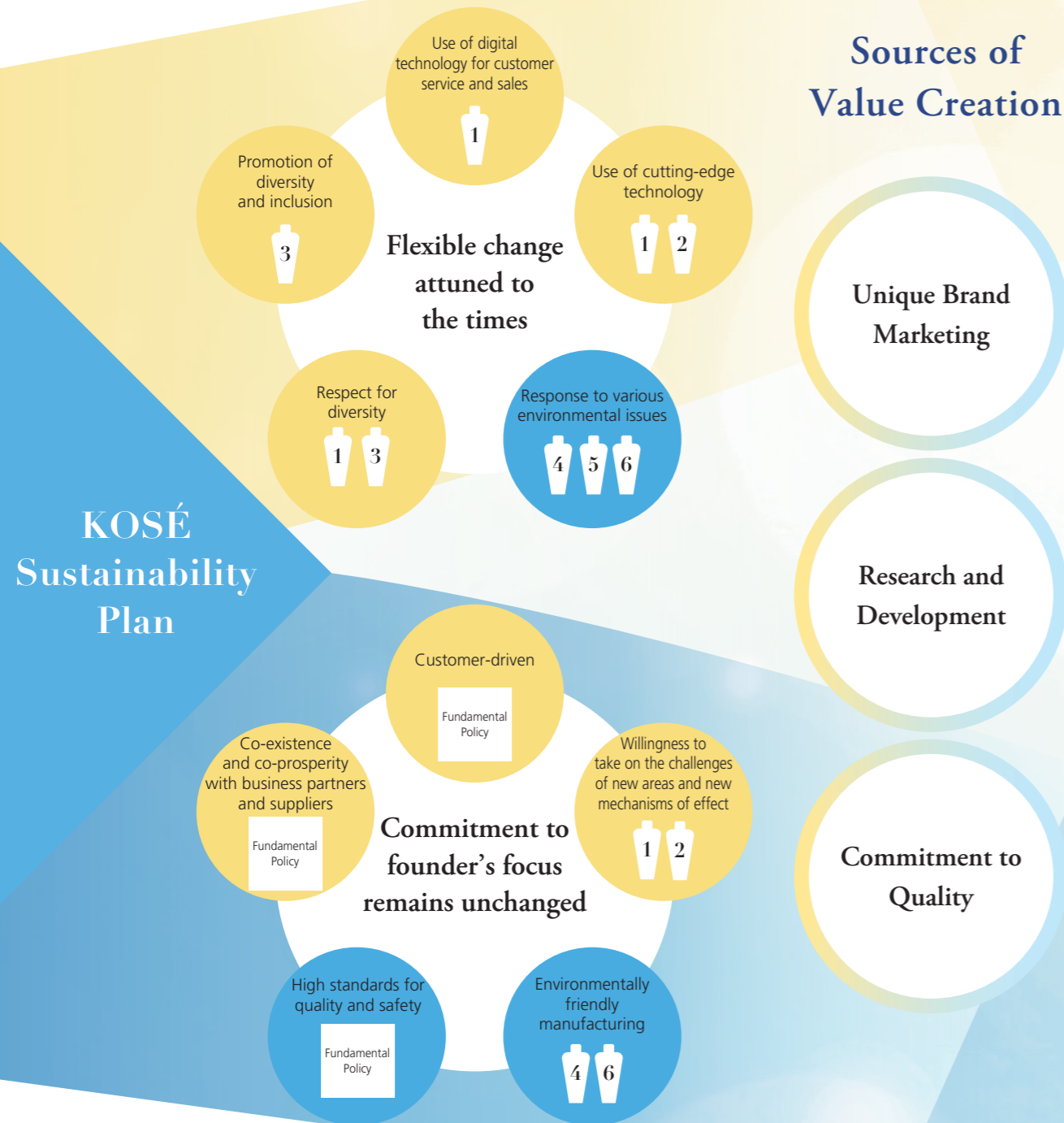
Fiscal 2021 Results and Fiscal 2022 Forecast

(Billions of yen)

	FY2021 Results (Apr. to Dec. 2021)		Adjusted FY2021 Results (Jan. to Dec. 2021)		FY2022 Plan (Jan. to Dec. 2022)	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Net sales	224.9	100.0%	268.9	100.0%	293.0	100.0%
Cosmetics business	189.0	84.0%	217.7	80.9%	238.5	81.4%
Cosmetaries business	34.3	15.3%	49.1	18.3%	52.6	17.9%
Other	1.5	0.7%	2.0	0.8%	1.9	0.7%
Operating profit	18.8	8.4%	15.6	5.8%	22.0	7.5%
Ordinary profit	22.3	9.9%	22.0	8.2%	22.6	7.7%
Profit attributable to owners of parent	13.3	5.9%	11.1	4.1%	16.5	5.6%
Net income per share (basic)	¥233.86		—		¥289.22	
ROA	6.1%		—		7.0%	
ROE	5.8%		—		6.4%	
Capital expenditures		4.5		—		18.9
Depreciation		7.8		—		10.3

# Model for Raising Brand Value

The KOSÉ Group provides unique value by continuously offering appealing items, created from sensuousness and intelligence, that help our customers' beauty shine forth from within. We will continue to sustainably create value by conducting manufacturing that is based on adaptability and underpinned by sustainability as we work to enhance our brand presence and be a source of beauty for everyone.



## KOSÉ Group Value



### MISSION Statement of Purpose

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



# Strategy by Brand

The KOSÉ Group's unique brand marketing was born out of our founder's ambition and the sense of responsibility toward cosmetics that remains with us today. As we work to become a company with a global presence, we will pursue our goal of being a source of beauty for everyone, centered on three main brand categories.

Strengths	Brands with long histories and numerous long-selling items sold through a variety of channels	Strict quality management based on the KOSÉ Quality Assurance Standards and from a global perspective	Promotion of product development that takes sustainability into account while also demonstrating KOSÉ's concept of sensuousness and commitment
Strategies	Strengthen development of key global brands through pursuit of a more personal customer experience	Develop brands from a long-term perspective and create sales channels based on customer characteristics	Increase profitability in the Japanese market by strengthening sales infrastructure and implementing new initiatives
	Pursue unique value by utilizing external resources in manufacturing	Improve profit margins through cost control and efficient promotion	Make strategic investments in the Chinese market, which is the largest and shows the strongest growth, as well as the travel retail market

## HIGH-PRESTIGE Brands



## PRESTIGE Brands



## COSMETARIES Brands



Main Countries and Regions Where We Operate: ● Japan ● Asia ● North America/Other ● Europe

## HIGH-PRESTIGE Brands

### The Highest Levels of Quality and Service

A group of top-quality brands developed by leveraging 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.

#### Key Initiatives

- ☑ Start of online counseling with *DECORTÉ*
- ☑ First renewal of *DECORTÉ's* moisturizing beauty serum *MOISTURE LIPOSOME* since its launch 29 years ago
- ☑ Expanded outlet openings of Sephora at Kohl's and ULTA Beauty at Target

### Initiatives in Fiscal 2021

In Japan, online counseling began in conjunction with the launch of the official online *DECORTÉ* boutique (e-commerce site) in September 2021. In the Chinese market, although online competition intensified, offline sales remained strong with sales of *DECORTÉ* driving growth. In the travel retail business in China, sales in Hainan Dao decreased temporarily due to the COVID-19 pandemic but recovered from October onward. *Tarte* saw growth in offline sales as the economy in the United States recovered from the second half, with sales performing favorably.

### Initiatives Going Forward

In September 2021, *DECORTÉ MOISTURE LIPOSOME* beauty serum was renewed for the first time since its launch 29 years ago, under the new name *Liposome Advanced Repair Serum*. Advance sales in Japan in September drew considerable attention. In fiscal 2022, we will begin sales in phases in global markets including China, and focus on advertising and promotion.

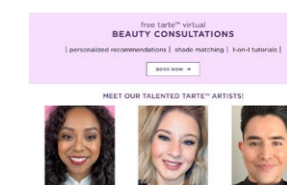
In Japan, *Liposome Advanced Repair Serum* got off to a good start and the high-prestige makeup brands *ADDICTION* and *JILL STUART* continued to be in high demand despite the COVID-19 pandemic. We will continue working to create new customers in Japan. In the Chinese market, we will focus on live commerce using our in-house Beauty Consultants, enhance promotions through e-commerce and expand offline store openings.

We will expand the sales network for *Tarte* in Europe, while in the United States we will increase sales through outlet openings of Sephora at Kohl's and ULTA Beauty at Target. In addition, we will continue to focus on core products such as concealer and mascara.

### Highlight Increase the Brand Value of *Tarte* by Strengthening E-Commerce Operations

*Tarte* Inc., which we acquired in 2014, secured stable sales by responding quickly and flexibly to the rapid growth in e-commerce demand due to the COVID-19 pandemic in fiscal 2021.

We were also quick to identify market needs and added new virtual try-on and virtual counseling functions to our own e-commerce site, which led to increased sales. As a result, we achieved a fifth-place share in the prestige makeup market in the United States in 2021, despite a very challenging market environment.





# Strategy by Brand

## PRESTIGE Brands

### High-Value-Added Cosmetics for Everyone

High-value-added brands with their own distinctive characteristics. They are sold through a wide range of channels, including specialty cosmetics stores, mass retailers, drugstores and online.

#### Key Initiatives

- ✓ Joint development of high-moisturizing and gentle-formula skin care brand *RECIPEO* with MatsukiyoCocokara & Co.
- ✓ Global expansion of next-generation wrinkle improving beauty serum *ONE BY KOSÉ The Wrinkless S*

#### Initiatives in Fiscal 2021

In fiscal 2021, sales of products for sensitive skin, such as the high-performance skin care brand *Carté HD* and the high-moisturizing, gentle-formula skin care brand *RECIPEO*, performed well in Japan. In China, a steady recovery of business conditions resulted in a continued upward trend in cosmetics demand. For *SEKKISEI*, we worked to acquire customers among the younger generations, primarily generation Z.\*

Moreover, as part of the *SEKKISEI SAVE the BLUE* project, which entered its 13th year, we continued to promote environmental conservation programs under the theme of beauty.

\* Refers to the generation born from the mid-1990s onward

#### Initiatives Going Forward

As a flagship global brand, *SEKKISEI* is gaining wider recognition in Japan and overseas with the *SEKKISEI CLEAR WELLNESS* series. With a clear differentiation between the white (additive-free) type for sensitive skins and the blue type for pore care, we will actively expand the white type as a clean beauty brand in China and Europe.

In Japan, we will respond to the diversifying needs of customers and focus on growing our presence and share in the sensitive skin market with products such as *SEKKISEI CLEAR WELLNESS*, *Carté HD* and *RECIPEO*.

#### Highlight Launch of *RECIPEO*, Jointly Developed by KOSÉ and MatsukiyoCocokara & Co.

Skin is constantly exposed to various negative impacts such as UV light, pollen, atmospheric particulate matter (PM2.5), and irregular lifestyles. Recently, an increasing number of customers are experiencing skin trouble due to face mask wearing, which has become normalized amid the COVID-19 pandemic.

Against this backdrop, *RECIPEO* was developed by combining the knowledge and expertise of KOSÉ, which is dedicated to creating products that are gentle on the skin and safe to use, and MatsukiyoCocokara & Co.,\* a drug store known for its strengths in the areas of beauty and health. This high-moisturizing, gentle-formula skin care series conditions dry and sensitive skin, which tends to become dull. It also promotes smooth and more translucent skin.

\* A joint stock company launched in October 2021 from the management integration of Matsumotokiyo Holdings Co., Ltd. and cocokara fine Inc.



## 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"

#### Key Initiatives

- ✓ Acceleration of global expansion of sunscreen brand *SUNCUT*
- ✓ Development of new series, *SUNCUT Prodefense*
- ✓ Renewal of hair care brand *Je l'aime Relax*
- ✓ Launch of makeup items from the genderless concept brand, *Magnifique*

#### Initiatives in Fiscal 2021

In fiscal 2021, despite the impact of people refraining from going out due to the COVID-19 pandemic in Japan, sales of the hair care brand *STEPHEN KNOLL NEW YORK* and the KOSÉ Cosmeport brands *SUNCUT*, *softymo*, and *CLEAR TURN* continued to perform strongly. However, despite a recovery trend since October, makeup brands continued to struggle throughout the year.

#### Initiatives Going Forward

For the KOSÉ Cosmeport sunscreen brand *SUNCUT*, we will accelerate efforts to widen recognition overseas and globalize the brand using a global ambassador.

Moreover, the hair care brand *STEPHEN KNOLL NEW YORK* achieved the number one position for sales in Japan in both the treatment hair mist and color care markets. We are developing our business in Brazil, which has a high level of hair care needs, with expectations of growth going forward.

Furthermore, items with distinctive KOSÉ features, such as the genderless concept brand *Magnifique*, the hand care brand *CoenRich Medica Rich Medicated Hand Milk*, and spot-use cosmetic foundation with specialized pore-obscuring functions (*Pore Smooth Primer*), became hot topics and gained popularity. Looking forward, we will continue to pioneer new growth domains by pursuing unique value.

#### Highlight Launch of a Richly Formulated Hand Milk for Washing and Sanitizing

The COVID-19 pandemic has spurred further advances in hygiene practices, giving rise to new needs related to caring for the skin while washing and sanitizing hands. Our *CoenRich* hand care brand launched *CoenRich Medica Rich Medicated Hand Milk* in August 2021.

Formulated with the active ingredient benzalkonium chloride, the product can be used to wash and disinfect hands and skin before going out, prior to eating and drinking or in other situations when you can't wash your hands. The product is designed with household use in mind, with the "M" of *Medica Rich* in the product name expressed in the shape of a house.

We will continue to increase our lineup in the expanding hand care market and promote product development in response to new needs.



















# Progress of the KOSÉ Sustainability Plan

























In the KOSÉ Sustainability Plan, we have set medium-to-long-term targets to be achieved by 2030. Each year, we summarize the status of our efforts and announce our progress toward these targets.

► For details: <https://www.kose.co.jp/company/en/sustainability/>  
See the KOSÉ website for information regarding progress and results.

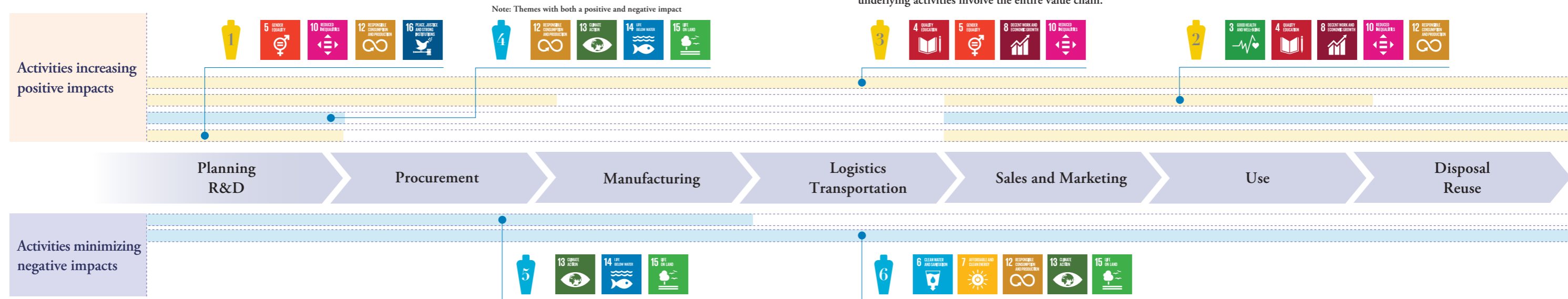
## For People: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2021 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2021 Progress	Relevant SDGs
 A source of adaptable products and services	Ratio of products and services reflecting the concept of adaptability	100%	2030	<ul style="list-style-type: none"> <li>Formulated approach to implementing and managing our “Adaptability∞” indicator</li> <li>Carried out specific activities for individual products and services</li> </ul>	   
 Support for a beautiful, healthy and happy life	Implementation of specific activities	30 activities or more	2030	<ul style="list-style-type: none"> <li>Launched a project to promote the habit of applying sunscreen from early childhood</li> <li>Supported sports</li> <li>Supported medical professionals</li> <li>Supported single mothers who are in relative poverty</li> </ul>	   
Help create a world with true gender equality	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> <li>Acquired RSPO<sup>1</sup> and SCCS<sup>2</sup> certification</li> </ul> <p>1. RSPO: Roundtable on Sustainable Palm Oil 2. SCCS: Supply Chain Certification Standard</p>	 
	Gender equality awareness	100,000 people or more	2030	<ul style="list-style-type: none"> <li>Awareness-raising activities for the “KOSÉ IKUPAPA Support System” to encourage male employees to take childcare leave</li> <li>Conducted seminars for building career awareness</li> <li>Provided tuition support (scholarships) at a girls’ junior high school in Tanzania and awarded commemorative gifts to graduates (SEKKISEI)</li> </ul>	   

## For the Earth: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2021 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2021 Progress	Relevant SDGs
 Use the theme of beauty to help solve environmental issues	Area planted with coral reefs	20,000 m <sup>2</sup> (About 53 times the area of a 25 m regulation-size swimming pool)	2030	<ul style="list-style-type: none"> <li>Promoted the SEKKISEI SAVE the BLUE project</li> </ul>	 
	Increase in awareness of environmental issues through products and services	10 million people or more	2030	<ul style="list-style-type: none"> <li>Activities involving the SEKKISEI brand</li> <li>Launched the BIOLISS PEACEFUL GREEN project to support activities to protect nature</li> </ul>	 
 Environmental conservation programs in areas where KOSÉ operates	Local community environmental conservation activities	20 activities or more	2030	<ul style="list-style-type: none"> <li>Environmental conservation activities at overseas sites</li> <li>Cleanup activities in communities where KOSÉ production bases are located</li> </ul>	  
 Lower the overall environmental impact of business operations	Reduce SCOPE 1 and 2 CO <sub>2</sub> emissions	-35% (target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> <li>Discussed creation of CO<sub>2</sub> emission reduction roadmap</li> </ul>	 
	Reduce SCOPE 3 CO <sub>2</sub> emissions	-30% (target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> <li>Developed formulations for environmentally friendly products</li> <li>Collected used product containers</li> </ul>	 
	Sustainability-conscious design for plastic packaging materials	100%	2030	<ul style="list-style-type: none"> <li>Promoted plastic usage reduction and adoption of products made from sustainable materials</li> </ul>	 
	Reduce use of water resources through responsible practices	-12% (Production units vs. 2018)	2030	<ul style="list-style-type: none"> <li>Promoted the 3 Rs (reduce, reuse, recycle) for water resources</li> </ul>	 
	Responsible waste reduction/recycling	20 activities or more	2030	<ul style="list-style-type: none"> <li>Set new waste reduction targets</li> <li>Participated in horizontal recycling verification test for refillable containers for daily necessities and cosmetics</li> <li>Collected used product containers</li> </ul>	 
	Non-recyclable waste	0%	2025	<ul style="list-style-type: none"> <li>Conducted a waste management survey of all domestic sites (including Group companies and sales companies) for waste products</li> </ul>	 
Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> <li>Acquired RSPO and SCCS certification</li> </ul>	 	

## 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 raw material procurement to disposal, but we expect the activities to have the greatest impact on our value chain in the areas shown below. The underlying activities involve the entire value chain.

# For People



## A Source of Adaptable Products and Services

The KOSÉ Group has been committed to being a source of beauty for everyone throughout its history. By developing adaptable products and services, we help create a world where people with diverse backgrounds and characteristics—including physical features such as skin tone and hair color, as well as gender, sociocultural and geographical background such as country or region, living environment, religion and creed—can live confidently and beautifully.



### DECORTÉ Initiatives for Engaging with New Customers around the World

The KOSÉ Group markets its flagship high-prestige brand, DECORTÉ, in 14 countries and regions worldwide (Japan, China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Malaysia, the United Kingdom, Italy, France, Spain, the United States, and Canada). We offer products and services tailored closely to the needs of our customers around the world. The brand message “Embrace your true beauty” is an extension of our sustainability message “Find your true beauty.” As such, we are working to bring out the beauty of each of our individual customers around the world.

#### Specific Initiatives

##### 1 Global Research on Skin



Adapted to all skin and hair types

The brand’s flagship beauty serum, *MOISTURE LIPOSOME*, was renewed in September 2021 for the first time in 29 years as *Liposome Advanced Repair Serum*. In research and development centered on adaptability with a view toward global expansion, we are conducting testing in the four regions of Japan, China, France, and South Africa. The goal is to ascertain the characteristics of Japanese, Chinese, other Asian, Caucasian, and African skin types. Through evidence-based manufacturing,



Liposome Advanced Repair Serum

we aim to cement the brand’s position as a globally popular beauty serum.

##### 2 Improving Accessibility for Customers and Advancing DX to Enable Diverse Work Styles through the WEB-BC SYSTEM



User-friendly and simple

DECORTÉ *Personal Beauty Concierge* was launched in September 2021 as a counseling platform that provides a customer service and purchasing experience. It combines the detailed care of traditional face-to-face counseling with the distinctive ease and convenience of an online service using our proprietary WEB-BC SYSTEM, which was developed in-house. The service delivers improved accessibility for customers, who can receive counseling in any location, while offering Beauty Consultants diverse work styles—enabling them to make full use of their skills even when their time is constrained due to childcare or other reasons.



Online counseling

##### 3 A Source of Beauty for Everyone with 51 Colors of Skin Care Rouge



Adapted to all skin and hair types

In June 2021, the Company launched *ROUGE DECORTÉ*, a rouge based on the concept of skin care that delivers vibrant expression and mood. This product was created based on our proprietary dermatological research and technology. With the normalization of face mask wearing during the COVID-19 pandemic, we have responded to needs for a product that prevents transference of lipstick to the mask while providing skin care benefits to help soothe the dryness and roughness caused by face masks. In order to realize a source of beauty for everyone, we have also developed a highly diverse color palette with a total of five textures and 51 colors to bring out individual beauty.



ROUGE DECORTÉ

### Advancing New Brand Development Based on the Concept of “Genderless”



Unfettered by gender

KOSÉ Cosmeport Corp. launched the new genderless concept brand, *Magnifique*, in September 2020. The new brand goes beyond conventional ideas of dedicated products for male and female users, while still being based on high-quality standards that come from ongoing research into women’s beauty.

*Magnifique* is based on the theme of the gifts of nature, and features items with select natural moisturizing compounds. With an enhanced product lineup, this brand is capturing fans by responding to the recent trend of preferring products that are unfettered by gender. In fiscal 2021, *Magnifique BB Cream* garnered strong support from customers of all ages for its ability to create a beautiful, uniform skin surface and color, and sales have expanded more than initially expected. Looking ahead, we will continue promoting development of the *Magnifique* brand based on the concept of “genderless.”



Genderless concept brand *Magnifique*

### Foundation for Value Creation: Seminar on Unconscious Bias

Aiming to create value based on an even greater focus on adaptability, the Company held an online workshop in fiscal 2021 on the theme of “unconscious bias” for approximately 170 employees with roles in marketing, advertising, and research and development. By helping employees involved in creating both products and services to become more aware of various risks such as gender bias, we hope they will use this knowledge and approach to adaptability in the creation of new value. Creating adaptable products and services requires the acquisition of the knowledge and approach to adaptability needed to supply cosmetics around the world.

Through this workshop, participants gained awareness and knowledge about various biases. By learning about the necessary values and approaches for creating products and services, employees will be able to create value with a focus on adaptability.

▶ For details: <https://www.decorte.com/site/s/sdgs.aspx> (Japanese only)  
See the above website for more information on DECORTÉ’s sustainability initiatives.  
▶ For details: <https://www.kose.co.jp/company/en/sustainability/adaptability.html>  
See the KOSÉ website for more information on adaptability.

# For People



## Support for a Beautiful, Healthy and Happy Life

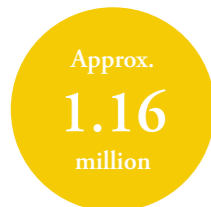
The achievement of health and happiness (i.e., well-being) is one of life's fundamental goals. We are making efforts to support this goal for all of our stakeholders and for future generations. We strive to realize well-being through measures such as improving quality of life, supporting sports, and raising the awareness of the next generation.

### You are my HERO Project Donation Results

Number of Medical Institutions



Number of Products Donated



### You are my HERO Project

KOSÉ launched the You are my HERO project to support medical professionals in December 2020. The project is an ongoing initiative that involves donating cosmetic products to medical professionals with the goal of bringing them happiness through the power of cosmetics and providing comfort and vibrancy both mentally and physically. It also expresses our respect for those people for their work in healthcare during the COVID-19 pandemic.

The project was inspired by our desire to do our utmost to provide support for medical professionals. We hope to ease the physical and mental burden and stress they feel due to the COVID-19 pandemic, which has continued since the start of 2020. Carrying on from fiscal 2020, in October 2021 we donated cosmetic products through the Nippon Foundation to medical institutions in Tokyo, which have experienced a large number of COVID-19 cases over a long period. As of the end of fiscal 2021, we have donated approximately 1.16 million cosmetic products to a total of 819 medical institutions.

We will continue to provide support through such initiatives in the hope that the cosmetic products we donate will help to alleviate the mental and physical fatigue felt by medical professionals who are wholeheartedly engaged in medical treatment and disease prevention.



### Donating Cosmetics through the COSME BANK Project

KOSÉ believes in the philosophy of the COSME BANK Project,\* and in December 2021 donated 30,000 cosmetic products to women who need them but are experiencing financial difficulties. Against a backdrop of worsening employment due to the COVID-19 pandemic, signs of poverty are being seen in people with non-regular employment and in single-parent households. The number of women who are unable to purchase cosmetics for financial reasons is increasing. We will continue various initiatives aimed at adding color to people's daily lives and enriching their minds through beauty.

\* A project conducted by Bank for Smiles. It delivers cosmetics and daily necessities donated by cooperating corporations to people who are unable to access cosmetics due to various circumstances such as financial reasons.



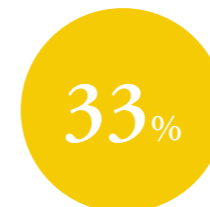
## Help Create a World with True Gender Equality

The growth of the KOSÉ Group will require the capabilities of every one of our 14,015 employees worldwide. In addition, as a company that creates beauty for people, we have continued to provide new value for society. That is why we seek to help create a future where there is no more gender gap. We will continue working to realize a society where everyone can play an active role regardless of gender.

### KPI Targets Related to Active Roles for Women

Scope: KOSÉ Group  
Target period: Until fiscal 2026

Ratio of Female Managers



Ratio of Female Employees in Leadership Positions



### Diversity and Inclusion Initiatives at KOSÉ

Workplaces in which employees can work energetically and in their own way are tied to the vitality of the Company. Therefore, we offer flexible work arrangements to accommodate the life events of employees, regardless of gender, and have established workplace environments that empower all employees to perform to their full potential. We conduct a wide range of programs, including training designed to build motivation, seminars on the importance of diversity in the workplace and career plan development, and promote people to leadership positions based on appropriate employee evaluations.

#### ● "How to Build Your Career" Seminar

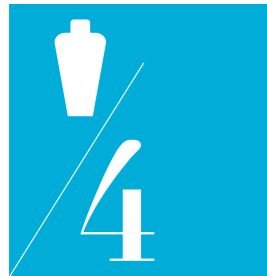
We recognize that proactively designing a career plan is important for employees to realize their aspirations and to become who they want to be. Following a seminar on career planning held in fiscal 2020, we received a lot of feedback from participants asking for another seminar and for opportunities to hear from senior colleagues. We decided to hold a seminar conducted by female executive officers on the theme of "How to Build Your Career." By communicating the importance of envisaging one's own career path, we aim to help improve the mindset of female employees and increase career awareness for each employee, regardless of gender. We also want them to think about career building.

#### ● Introduction of "KOSÉ IKUPAPA Support System" for Men

In order for fathers and mothers to be active in the workplace, we want to create an environment that allows for the equal participation in childcare by both men and women. So, in addition to supporting female employees, we have introduced a system for supporting male employees. In fiscal 2020, the "KOSÉ IKUPAPA Support System," a system to support fathers of newborn babies, was introduced to encourage male employees to take childcare leave. Other initiatives include directly approaching and following up with eligible employees and their superiors to encourage the use of childcare leave, as well as providing support grants for those who do. In fiscal 2021, we published interviews with male employees taking childcare leave in the Company newsletter and continued working to raise awareness about both parents participating in childcare and to change our corporate culture. In fiscal 2021, the rate of eligible women taking childcare leave was 100%, and the rate of eligible men taking childcare leave at domestic Group companies was 67.1%. At domestic Group companies where the "KOSÉ IKUPAPA Support System" has been introduced,\* the rate was 83.0%.

\* KOSÉ Corporation, KOSÉ SALES CO., LTD., KOSÉ Cosmeport Corp., and KOSÉ INDUSTRIES CO., LTD.

# For the Earth



## Use the Theme of Beauty to Help Solve Environmental Issues

We provide all kinds of beauty-related value to society through our business activities. With beauty as the central theme, we will continue to promote activities that help solve environmental issues through our products and services. Moreover, by communicating these activities to a wide audience, we will make more consumers conscious of environmental issues and foster an awareness of working to solve issues in society.

### Environmental Conservation Activities through the SEKKISEI SAVE the BLUE Project



Fiscal 2021 campaign poster

KOSÉ has been promoting the SEKKISEI SAVE the BLUE project, which focuses on environmental conservation and awareness-raising activities. Through this project, we donate a portion of sales from selected SEKKISEI brand products purchased by customers during seasonal campaigns to environmental conservation activities. Since 2009, funds from the summer campaign have been donated to a coral-planting program in Okinawa, and in 2018, the tenth year of the project, we also launched a winter campaign to fund forest conservation activities in the Tohoku region, further developing this as a project to protect our blue planet. Globally, we are conducting activities in nine countries and regions<sup>1</sup> that are based on the unique features of each area.

Furthermore, as another SEKKISEI-related initiative, we have implemented a plastic container collection program, SEKKISEI Earth Beauty Program,<sup>2</sup> at our Maison KOSÉ Ginza concept store and at 33 AEON stores nationwide. Going forward, we will donate the profits from recycling to our Okinawa coral planting activities, thereby connecting these efforts to coral reef rehabilitation and protection of the natural environment.

1. China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States  
2. Name changed from SEKKISEI Recycling Program

▶ For details: <https://sekkisei.jp/site/p/savetheblue.aspx> (Japanese only)

#### Summer Campaign

Fiscal 2021	Number of corals planted: 1,027 Area: 6,263,310 sq. cm (approx. 1.7 times the area of a regulation-size short-course 25-meter pool)
Fiscal 2009-2021 total	Number of corals planted: 19,005 Area: 115,335,929 sq. cm (approx. 30.8 times the area of a regulation-size short-course 25-meter pool)

#### Winter Campaign

Fiscal 2021	Number of trees planted: 63
Fiscal 2018-2021 total	Number of trees planted: 481

### SEKKISEI CLEAR WELLNESS Series Receives 2021 Good Design Award

The SEKKISEI CLEAR WELLNESS series received a 2021 Good Design Award,\* and was highly evaluated for its approach to sustainability. The series reduces environmental impact with packaging that takes advantage of the texture of the materials it is made from. This includes using environmentally friendly materials such as biomass PET. It also earned high praise for promoting sustainability-related initiatives not only during production, but also when products are used and collected, in partnership with customers. We believe that the award shows that people support the aspirations and philosophy of SEKKISEI.

\* Operated by Japan Institute of Design Promotion



SEKKISEI CLEAR WELLNESS series



### Launch of the BIOLISS PEACEFUL GREEN Project

The BIOLISS PEACEFUL GREEN project was launched in January 2021 as an initiative of the Salon Style BIOLISS haircare brand managed by KOSÉ Cosmeport Corp. Through the project, we will engage in environmental conservation activities that contribute to abundant vegetation, beautiful water and air, and the protection of living things. As the first initiative, we donated a portion of the proceeds from sales between January and December 2021 to the planting of trees and protection of nature in Yamanashi Prefecture, where the KOSÉ Minami Alps Factory (provisional name) is to be constructed. The first round of planting is scheduled for May 2022, and we plan to plant trees on approximately 13,000 m<sup>2</sup> of land over the next 10 years.

Moreover, to provide an opportunity for people to learn about this project, in November 2021 we held an in-store event for children, while taking special care to prevent the spread of COVID-19. The event gave children the chance to learn about sustainability in an easy and fun way, with activities such as making eco bags and creating pictures using stamps. By continuing to hold activities like this and communicating our message, we hope to increase customers' understanding of sustainability.



Event for children

### Launch of KOSÉ Green Bazaar, Aimed at Protecting the Global Environment and Realizing a Sustainable Circular Economy

From October 2021, we started holding KOSÉ Green Bazaar at our directly operated Maison KOSÉ stores in Ginza and Omotesando, and through our Maison KOSÉ online store with the goal of selling unsold seasonal products at low prices. The initiative was born from a desire to promote eco-conscious activities with customers through shopping.

Based on the concept of "Thinking about the beauty of people and the Earth," we want to encourage new individual purchasing and consumption patterns that consider the future of people and the Earth.



KOSÉ Green Bazaar

# For the Earth



## Environmental Conservation 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 manufacture products or offer services, and to give back to those regions. We strive to protect the environment in the regions where we operate and contribute to the ongoing development of the entire region. We also work in partnership with stakeholders.

### Environmental Conservation Activities at ALBION's Shirakami Laboratory

ALBION CO., LTD. develops highly unique, high-prestige products. The company's Shirakami Laboratory in the foothills of world-heritage site Mount Shirakami has its own farm for cultivating raw materials for beauty compounds. The Shirakami mountain range is recognized as a pristine natural area with one of East Asia's finest examples of a post-glacial era beech forest. It is also home to some of the most biodiverse forests in the world with unique flora and fauna. The laboratory farm, located in this rare natural environment, produces organically grown plants for use as raw materials. It prioritizes safety and peace of mind and gives the utmost consideration to the environment of the Shirakami mountain range.

In other initiatives, plant biotechnology research is conducted at the Yoneta Research Building, which is part of Shirakami Laboratory. It is located in a closed-down childcare center in Fujisato Town, Akita Prefecture, as part of efforts to coexist with the local community. While serving as a research center, the Yoneta Research Building also works with Akita Prefecture and Fujisato Town to revitalize the local community by involving local people. We believe that the approach of directly handling the plants that will be raw materials for products that will end up in the hands of customers not only promotes the manufacture of high-quality, highly unique cosmetics, but also leads to forming ties with various stakeholders, including the local community, the environment, and customers.



Shirakami Laboratory



Product (ALBION Floral Drip) with plant ingredients cultivated at Shirakami Laboratory

▶ For details: <https://rashisa.albion.co.jp/sustainability/> (Japanese only)

See the ALBION website for information on its sustainability initiatives.



## 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 the bounty of nature, such as water, we benefit from the natural environment every day we do business. This is why the KOSÉ Group believes that it has a responsibility to reduce its environmental impact as much as possible. We are now accelerating our initiatives to respond to the particularly pressing issue of climate change.

### Initiatives to Address Climate Change

The KOSÉ Group conducted a material analysis in fiscal 2019 of issues related to the social structure and environment in which it operates. As a result of the findings, we positioned addressing the environment and climate change as an essential management issue in our efforts to drive business growth while helping achieve a sustainable society under the KOSÉ Sustainability Plan, which sets out the entire Group's sustainability initiatives and targets up to 2030. In October 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and joined the TCFD Consortium, an organization of Japanese companies and other institutions that support the TCFD recommendations. Based on the TCFD recommendations, we will disclose information to stakeholders on the business risks and opportunities caused by climate change from the four perspectives of governance, strategy, risk management, and indices/goals. We will also continue to make Group-wide efforts to reduce CO<sub>2</sub> emissions.

Note: CO<sub>2</sub> is the only greenhouse gas that the KOSÉ Group emits in its business activities.

### Governance and Risk Management

The KOSÉ Group views sustainability-related issues as management issues, and has established a system for promoting solutions to such issues. Specifically, we established the Sustainability Committee chaired by the President & CEO. This committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. As chairperson, the President & CEO is responsible for evaluating and monitoring issues related to climate change. In addition, we have established subcommittees and projects for individual themes to promote more effective cross-departmental activities. For organizational risks related to climate change, the Risk Management and Compliance Committee, which is in charge of enterprise risk management, identifies and assesses risks at the corporate level. Among them we have made climate change an essential factor in our consideration of energy usage, CO<sub>2</sub> emissions, water consumption, and wastewater. We take into account physical risks caused by climate change in our business continuity plan.

The Sustainability Committee and the Risk Management and Compliance Committee are monitoring climate change-related issues based on these frameworks.

# For the Earth

## Strategy

### (Scenario Analysis and Countermeasures)

The KOSÉ Group conducted scenario analysis to examine the transition risks and physical risks associated with climate change. In this analysis, we evaluate the financial impact of climate change under the scenarios of a 2°C and a 4°C rise in average global temperatures and disclose information on related initiatives. We are also using the scenarios as a reference in examining business strategies to realize our envisioned future for society and the planet. We identified risks and opportunities in procurement and demand for our products and services not just in the short term, but also with a medium-to-long-term view toward 2030 and beyond, based on the KOSÉ Sustainability Plan. Furthermore, of these high-priority factors, we identify those with the greatest physical

## Indicators and Targets

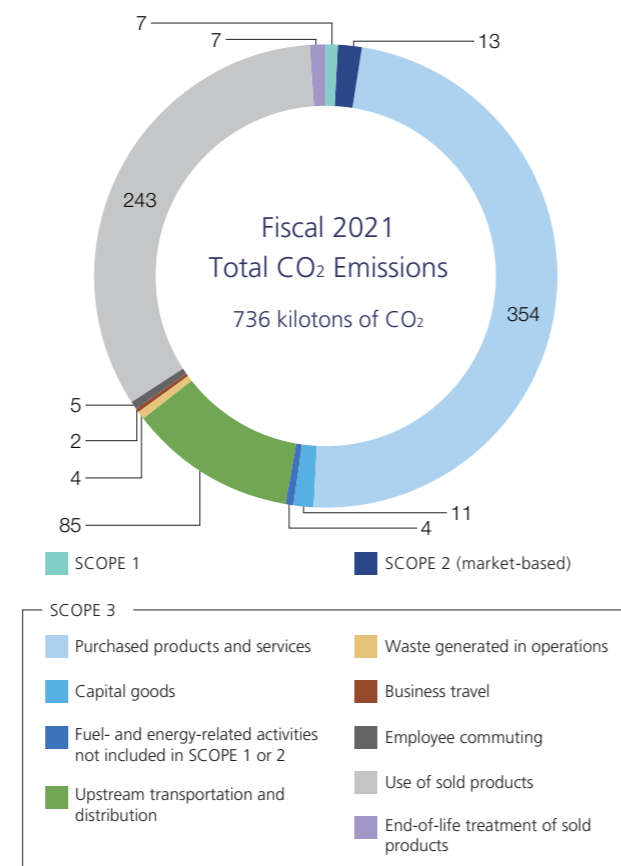
Based on the results of the scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO<sub>2</sub> emission reduction in its operations in order to keep the rise in temperature to well below 2°C (compared with levels before the Industrial Revolution). Accordingly, we set targets for the reduction of CO<sub>2</sub> greenhouse gas emissions as one of the activity themes in the KOSÉ Sustainability Plan, because CO<sub>2</sub> is a greenhouse gas that the KOSÉ Group emits in its business activities. The KOSÉ Group has set 2030 targets of a 35% reduction in CO<sub>2</sub> emissions from the energy we use and from generation of the electricity we purchase (SCOPE 1 and 2) and a 30% reduction in emissions across the value chain (SCOPE 3) (both targets vs. fiscal 2018). Each has been approved as a Science Based Target by the international Science Based Targets initiative. The KOSÉ Group is now carrying out ambitious initiatives to curb CO<sub>2</sub> emissions with a broad perspective, ranging from our own business activities to the entire value chain.

We remain dedicated to taking effective action on climate change and a range of other social issues, and thereby help realize a healthy future for the Earth in which everyone can live with peace of mind.

and transition impact and evaluate the potential impact of climate change on the KOSÉ Group. We also analyze the degree of financial impact of risks and opportunities.

In fiscal 2021 we also examined our countermeasures. For example, with regard to raw material procurement risk due to climate change, one approach to reducing risk is to engage with suppliers to promote research and development into lower-cost raw materials. In addition, we deemed product development through collaboration with other companies, in-licensing of advanced technology, and the promotion of new sales methods to be effective for capturing opportunities in developing and expanding products and services with reduced environmental impact. We believe we can reduce the risks and expand the opportunities that we have uncovered by promoting the KOSÉ Sustainability Plan.

Breakdown of Fiscal 2021 CO<sub>2</sub> Emissions by SCOPE (Kilotons of CO<sub>2</sub>)



Note: See For the Earth: Environmental KPIs on page 71 for a detailed breakdown.

## The KOSÉ Group's Risks and Opportunities

Analysis	Risks/Opportunities	Impact	Size of Impact* on KOSE		Summary
			2°C	4°C	
Transition Risks	Shift in consumer demand to environmentally friendly products; decline in reputation due to passive response	Decrease in sales	++	-	In the 2°C scenario, a passive environmental response would lead to lower sales of our products as environmental awareness among consumers increases.
	Stronger restrictions on greenhouse gas emissions; introduction of carbon pricing (affecting KOSÉ and suppliers)	Increase in costs	++	-	In the 2°C scenario, the imposition of a carbon tax, including on suppliers, would lead to increases in our operating and procurement costs.
	Substitution of plastic materials due to introduction of restrictions on plastics	Increase in costs	++	-	In the 2°C scenario, stronger plastic-related regulations would make it necessary to procure biomass plastics and recycled plastics, resulting in an increase in costs.
	Production restrictions due to introduction of restrictions on water intake and discharge	Decrease in sales	+	++	Water stress increases and the introduction of related water intake restrictions in the regions where we operate as a result of climate change, could lead to a loss of sales opportunities due to suspension of production operations. This impact would likely occur in the 2°C scenario, but we assume it would be even more significant in the 4°C scenario.
Physical Risks	Increase in raw material procurement risk due to climate change	Increase in costs	+	++	If the global yields of palm oil and other raw materials used in our products and containers change as a result of rising temperatures, our procurement costs could also change.
	Suspension of production or logistics operations due to damage from floods or other disasters	Decrease in sales	+	++	If natural disasters such as flooding affect our production and logistics bases, sales of our products could decrease due to shutdowns.
	Damage to production facilities and supply chain disruptions caused by abnormal weather	Decrease in sales Increase in costs	+	++	If the impact of global warming causes damage to any of our factories, costs such as repair and rebuilding expenses could arise. If the production and logistics bases of suppliers are similarly affected by natural disasters, there is a risk that the supply of our products could be interrupted.
Opportunities	Increased demand for sunscreen and UV protection products due to increasing UV exposure	Increase in sales	+	++	If UV exposure in daily life increases, the number of people who need UV protection products and the frequency of use could increase, resulting in increased sales of those products.
	Increased demand for cooling products and makeup smudging prevention products due to rising temperatures	Increase in sales	+	++	In cosmetics-related products such as skin lotion and foundation, if needs for products that provide a cooling sensation and prevent makeup from smudging increase along with rising temperatures, sales of those products could increase.
	Improvement of brand value due to reduction of the environmental footprint of our products	Increase in sales	++	-	As environmental awareness increases throughout society, our ability to achieve and publicize a reduction in our environmental footprint could have a positive effect in marketing.
	Development and expansion of products and services with reduced environmental impact	Increase in sales	++	-	The perceived added value of providing non-carbon and non-plastic products and services could have a positive effect on revenue.
	Improved cost competitiveness from renewable energy and energy-saving equipment	Decrease in costs	+	++	The purchase of renewable energy and introduction of energy-saving equipment would lead to a decrease in our energy costs. In particular, in the 2°C scenario, while electricity prices will be higher than their current level, renewable energy purchase prices will fall, so purchasing renewable energy will provide cost advantages.

\* —: minimal impact +: some impact ++: substantial impact

▶ For details: <https://www.kose.co.jp/company/en/sustainability/environment/tcfd>  
See the KOSÉ website for information disclosed in accordance with TCFD recommendations.

▶ For details: <https://www.kose.co.jp/company/en/sustainability/environment/>  
See the KOSÉ website for other initiatives to reduce our environmental impact.

## Resource Recycling Initiatives

The KOSÉ Group aims to help realize a sustainable circular economy and is working to reduce environmental impact in the product lifecycle. Initiatives include a program for recycling used plastic *SEKKISEI* containers and the manufacture of shopping baskets using recycled plastic sourced from marine plastic waste.

As a new initiative for resource recycling, since October 2021 KOSÉ has been collaborating with retailers, manufacturers,

and recyclers in Kobe City by participating in the "Kobe Plastic Next: Joining Forces to Recycle Refill Packs" project, which aims to recycle used refill packs (film containers) for reuse in the same product in so-called "horizontal recycling" (film to film). Through this project, we will promote awareness of various ways of recycling and further strengthen our resource recycling initiatives, thereby contributing to the realization of a sustainable circular economy.

# Mind to Follow the Right Path



## Respect for Human Rights

The KOSÉ Group recognizes that it could potentially directly or indirectly affect human rights in the course of its business activities. Accordingly, we have formulated the KOSÉ Group Human Rights Policy, which clearly sets out our position on respecting human rights. Based on this policy, in fiscal 2021 we conducted a Human Rights Risk Assessment\* aimed at determining possible negative impacts and issues to be addressed.

\* Assessment of potential risks to human rights from business activities.

▶ For details: <https://www.kose.co.jp/company/en/sustainability/rights/>  
See the KOSÉ website for information on our human rights initiatives.

### Human Rights Due Diligence

The KOSÉ Group is promoting human rights due diligence based on the laws and regulations of each country in which it does business, in keeping with the United Nations' "Guiding Principles on Business and Human Rights (UNGPs)." In fiscal 2021, we conducted an in-house review (including Group companies) of overt and potential human rights risks that could occur in the business value chain in order to determine possible negative impacts and issues to be addressed.

Furthermore, we assessed the chance of potential and overt negative impacts on human rights arising in Japan and overseas. This included incorporating social perspectives acquired through interviews and engagement with stakeholders. We also evaluated particularly prominent human rights issues based on the status of preventative and corrective measures implemented by the KOSÉ Group.

As a result, we identified human rights issues that should be a particular focus for the KOSÉ Group, including "continuously ascertaining human rights issues in the raw materials procurement supply chain" and "diversity and inclusion in the Company and human rights in the workplace." Furthermore, in order for the KOSÉ Group to have a positive impact on society through its respect for human rights initiatives, we recognized that it is also important to promote the communication of information and our responses (public relations, advertising, customer service, product explanations, etc.) while keeping diversity in mind.

### Overt Human Rights Issues and Initiatives to Address Them

We are moving forward with the following risk management responses to address key themes identified in the area of human rights.

Identified Human Rights Theme	Status and Response Measures
Continuously ascertaining human rights issues in the raw materials procurement supply chain	<ul style="list-style-type: none"> <li>Ascertain through platforms such as Sedex* and self-assessment questionnaires (SAQs)</li> <li>Ascertain through direct dialogue with small-scale palm growers</li> <li>▶ Supply chain management Pages 50-51</li> </ul>
Diversity and inclusion in the Company and human rights in the workplace	<ul style="list-style-type: none"> <li>Promotion of the KOSÉ Group Code of Conduct among all Group employees</li> <li>Employee education on human rights and compliance awareness-raising activities</li> <li>Anti-harassment training for management</li> <li>Promotion of diversity and inclusion</li> <li>▶ Risk management and compliance awareness-raising activities Page 59</li> <li>▶ Diversity and inclusion Page 37</li> </ul>
Promote the communication of information and our responses (public relations, advertising, customer service, product explanations, etc.) with diversity in mind.	<ul style="list-style-type: none"> <li>Promotion of "adaptability" as a management strategy and incorporation in business activities</li> <li>Unconscious bias education, mainly for people in charge of marketing</li> <li>▶ Adaptability Pages 34-35</li> </ul>

\* Supplier Ethical Data Exchange (Sedex): Sedex is the world's largest cooperative platform for buyers and suppliers to share and confirm information regarding labor practices, health and safety, the environment, and business. It was established to promote ethical and responsible business practices in global supply chains.



## Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of 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 working 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.

### Human Resource Development Philosophy and Policy for the Development of Skills

The KOSÉ Group Code of Conduct clearly states that we will respect the human rights, diverse capabilities, individuality, and values of each person. Based on this code, we have formulated the Human Resource Development Philosophy and the Policy for the Development of Skills.

**Human Resource Development Philosophy**  
Enabling employees to enjoy fulfilling lives and express their creativity is an essential component of the progress and growth of KOSÉ.

#### Policy for the Development of Skills

- Self-improvement while reflecting the desire of employees to upgrade skills and take charge of their career paths is the basis for skills development.
- Maintain workplace environments that support people with a desire for self-improvement in many ways.
- Constantly provide opportunities for self-improvement that encompass all stages of careers and levels of jobs.
- Every business unit of KOSÉ has practical education and training programs for professional skills.

To put into practice the self-improvement that is promoted in the Policy for the Development of Skills, the KOSÉ Group shares its management philosophy and goals with employees. We also emphasize an approach based on learning and growing while utilizing the diversity of each individual. To support employees, KOSÉ offers many training programs and provides support for correspondence courses and so forth. In addition to level-specific training that includes career planning, which is held at various career stages after joining the Company, KOSÉ also holds role-specific skill development training and provides opportunities for practical training that matches the activities of specific business units and departments to encourage personal growth. In addition, we have a Company-wide project for coming up with ideas and proposals for cosmetics products that provide customers with new types of value. Taking advantage of diversity and inclusion for the creation of innovative ideas is the primary objective of this project.



# Mind to Follow the Right Path

## Developing Human Resources Who Generate Innovation

In an increasingly global 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 and incorporate the opinions and ideas of human resources with diverse personalities and backgrounds. 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.

For over 10 years, we have continuously conducted programs to inspire in-house innovation, including the current business proposal program Link\* and its predecessor. Through these programs, we conduct human resource development that encourages innovation based on the passion and spirit of taking on challenges identified by employees who will carry the Company into the next generation. We also update the program every year as a way of generating new businesses and ideas. In addition, we implement design elements aimed at solving issues faced by customers and society, while working to create and commercialize new products and services. We do this by leveraging in-house assets and the latest technologies as well as the innovative ideas of start-up companies.

\* Link (short for the Leadership and Innovation program for New KOSÉ): This is an in-house business proposal program we launched in 2017.



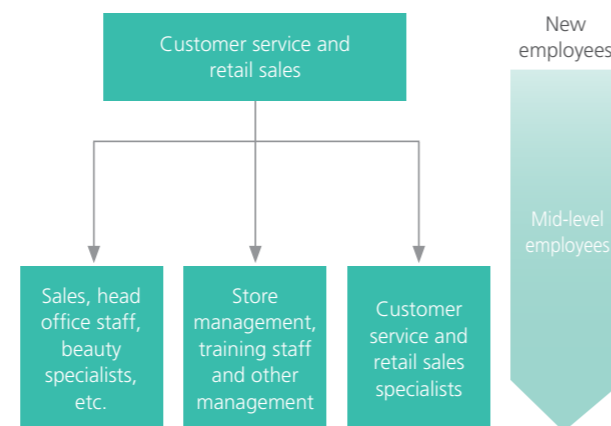
Progress report meeting conducted partially online

## Career Design for Beauty Consultants

For our Beauty Consultants, who work in stores and other retail locations, we provide 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), as well as training to improve their skills in retail sales.

Since fiscal 2020, the COVID-19 pandemic has resulted in restrictions on activities in stores where Beauty Consultants work. However, KOSÉ viewed this situation not as a setback but as an opportunity to develop online counseling as a new customer contact point. The service, which launched in fiscal 2021, features a high-quality video image that compares well with physical stores, and gave us the chance to take on the challenge of introducing new work styles.

We have been conducting training to help Beauty Consultants think about career design as their field of activity expands from their traditional duties centered on stores into various other areas. It lays the foundation for them to proactively and independently carve out their own career paths. Training consists of three phases: confirming their own ideas regarding their careers, fostering career awareness, and support for individual career development. From fiscal 2020 to fiscal 2021, we conducted a program 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 high quality that would make consumers happy and to supply cosmetics that would make the world a brighter place. Persistent supply shortages in the postwar years meant that KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet KOSÉ 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 we won a Deming Prize.<sup>1</sup> We subsequently acquired quality management standard ISO 9001 and global cosmetics standard ISO 22716 (cosmetics GMP<sup>2</sup>) certifications in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide. At the same time, the need for an adaptable approach with sustainable products tailored to each individual customer has increased even further. We also plan to establish a new eco-friendly facility, the KOSÉ Minami Alps Factory (provisional name), as a new production base for handling personalized products. Going forward, 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. (Organizer: Union of Japanese Scientists and Engineers) <https://www.juse.or.jp/english/>  
 2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Product inspection

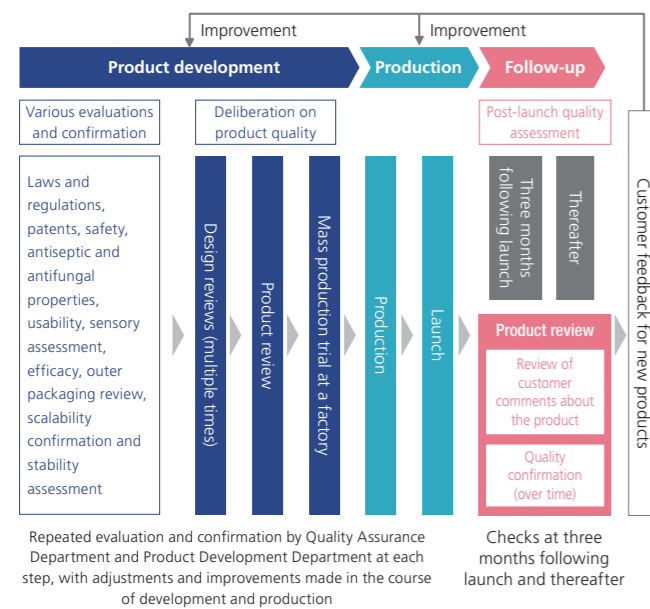
# Mind to Follow the Right Path

## Quality Control That Prioritizes Safety and Peace of Mind

Cosmetics are applied directly to 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 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 conditions in which they are expected to be used by customers.

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 products. With this system, we rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and 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.

### Quality Assurance in the KOSÉ Group's New Product Development



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



## Customer's Perspective

The KOSÉ Group promotes engagement to be "closer to our customers" so that they are truly satisfied with every one of our cosmetics. The entire KOSÉ Group takes the customer's perspective in adopting a thoroughgoing stance of delivering the value customers demand.

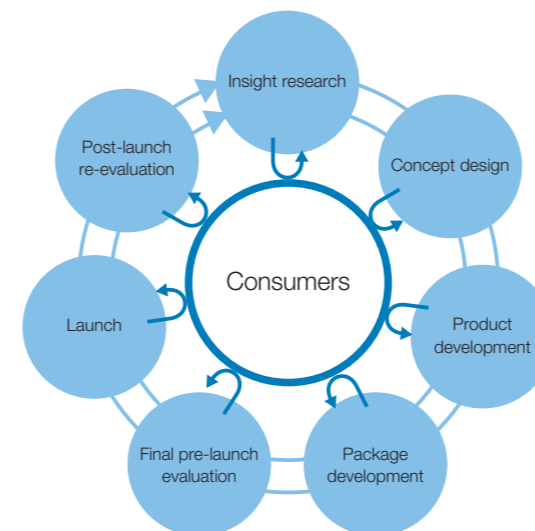
## Closer to Our Customers—A Product Development Process Based on Design Thinking

The KOSÉ Group established the in-house slogan "Closer to Our Customers" and in April 2018 announced its Declaration of Consumer Orientation. This slogan had been set forth as the basic policy of KOSÉ's medium-term management plan for fiscal 2011 and signifies that each employee thoroughly adopts an approach of taking the customer's perspective in delivering cosmetics with value.

In order to evolve our activities to achieve a true customer perspective, in the field of product development, for instance, it is important to increase adaptability by incorporating not only the feedback from our usual customers, but also from consumers with diverse backgrounds. We have thus established a product development process rooted in consideration of all kinds of consumers (see the figure below). Specifically, we have introduced quantitative and qualitative consumer surveys in each step of the product development process. When initially developing the product itself, we start by conducting consumer surveys on usability, and based on the results, we will re-examine the direction of development. By repeating these steps at each stage, we develop products that reflect consumer feedback.

In this way, we will put consumers at the center 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 passing on feedback it receives within the Company, thus reflecting 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, leading to product refinements and renewals based on customer feedback.

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

#### Launch of Foundation and Colored Beauty Cream That Resists Transfer to Face Masks

As people have continued to wear face masks due to the COVID-19 pandemic, we responded quickly to demand for foundation that resists transfer to face masks by launching *ESPRIQUE Syncrofit Pact UV* in February 2021. This product is specially designed to adhere firmly to the skin under a mask, where make-up coverage can easily be degraded by contact with sweat and sebum in a humid environment, and to resist transfer to the face mask.

Furthermore, in August 2021 we launched *ESPRIQUE Comfort Makeup Cream*, a colored beauty cream that functions both as a skin care product and make-up to beautify the skin naturally. It was developed in response to feedback from those who want to maintain a beautiful complexion and prefer a lighter finish than conventional foundation.



ESPRIQUE Syncrofit Pact UV

# Mind to Follow the Right Path



## Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its employees, business partners, and suppliers. Under the concept of the KOSÉ Beauty Partnership in our medium-to-long-term VISION 2026, we will work with our stakeholders to promote business activities while fulfilling our responsibilities as a member of the global community in order to realize a better future for people and the global environment.

### Promoting Sustainability in the Supply Chain

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

### Establishment of Compliance Help Desk

The KOSÉ Group has 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 to 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. Whenever we receive a report from either inside or outside of the Company, 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/>

### Examples of Engagement (Conducting SAQ and Joining Sedex)

#### Monitoring Activities for Responsible Procurement

Once a year, we conduct a self-assessment questionnaire (SAQ) for sustainable procurement targeting our main suppliers in Japan and overseas. In fiscal 2021, we asked 148 suppliers, whose cost of goods procured accounted for 94.7% of the total, to complete the questionnaire and received responses from 100% of them. Based on the results, we conducted interviews with some suppliers as necessary and plan to request their cooperation in making improvements for the next fiscal year.

#### Response to Procuring Sustainable Palm Oil

The KOSÉ Group acquired RSPO\* Supply Chain Certification Standard (SCCS) in fiscal 2021 for its head office, related sites, and main factories. Looking ahead, we will work even harder to actively procure RSPO certified raw palm oil. Moreover, we will continue promoting sustainable procurement with our suppliers through similar initiatives going forward.

\* RSPO: Roundtable on Sustainable Palm Oil

#### Joining Sedex

To promote initiatives related to ethical issues such as human rights in the supply chain, we joined Sedex\* in October 2021. Looking ahead, we will utilize various Sedex resources and cooperate with our suppliers to respond to human rights issues with a view to building sustainable and responsible supply chains.

\* Sedex: Supplier Ethical Data Exchange



# External Evaluations

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

FTSE4Good Index Series



2021 Constituent MSCI Japan Empowering Women Index (WIN)

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



FTSE Blossom  
Japan

FTSE Blossom Japan Sector  
Relative Index



FTSE Blossom  
Japan Sector  
Relative Index

S&P/JPX Carbon Efficient Index



**External Evaluations 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  
2021 and Supplier Engagement Rating  
Leaderboard 2021



Science Based Targets initiative (SBTi)  
Obtained SBT (Science Based Targets)  
certification



Nadeshiko Brand (Ministry of Economy,  
Trade and Industry/Tokyo Stock Exchange)  
Selected as Semi-Nadeshiko Brand for  
Fiscal 2022



HDI Rating Benchmark (HDI-Japan)  
Obtained 3 Star Quality Monitoring  
Rating



2022 Certified Health & Productivity  
Management Outstanding Organization  
(Ministry of Economy, Trade and Industry/  
NIPPON KENKO KAIGI)  
Selected as Certified Health & Productivity  
Management Outstanding Organization  
(Large Enterprise Category) for Fiscal 2022

▶ 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



Task Force on Climate-  
related Financial  
Disclosures (TCFD)



Japan Climate  
Initiative (JCI)



Roundtable on  
Sustainable Palm  
Oil (RSPO)



Japan Clean Ocean  
Material Alliance  
(CLOMA)



Declaration of Consumer  
Orientation



MATSURI MicroAlgae Towards Sustainable  
& Resilient Industry



Japan Sustainable  
Palm Oil Network  
(JaSPON)



Kobe Plastic Next:  
Joining Forces to Recycle  
Refill Packs



# Messages from External Directors

## Together with Customers in Every Era

Some people believe that the COVID-19 pandemic has divided the world. In times like this it is important for each employee to think deeply, not simply about increasing sales and creating hit products, but rather about what we want to communicate to customers through our products and how to brighten their daily lives. We will be with our customers in every era. I want the KOSÉ Group to focus its capabilities on making customers happy and being successful, without ever giving up.



**Yukino Kikuma**  
Director (External)

## A Company with a Presence in the Global Market

In the global market today, management needs to be aware of SDGs in order to generate profits and maintain the trust of the public. KOSÉ has announced its Sustainability Plan and has been working to realize the SDGs through beauty, including the *SEKKISEI SAVE* the BLUE project and the use of biomass containers. In order for KOSÉ to enhance its global brands and become a company with a global presence, it is important for the Company to communicate not only the value of its products, but also how it conducts its SDG-related activities. I would like to see KOSÉ put more effort into promoting the appeal of its unique and sincere initiatives for realizing the SDGs, and thereby raise its profile among people around the world.



**Norika Yuasa**  
Director (External)

## Realizing the Ultimate Beauty through the Intermingling of Different Fields

KOSÉ is incorporating multiple fields and using technology to grow into “a company with ultimately high loyalty” that seeks the ultimate in beauty.

The Company develops products backed by research, such as leading-edge dermatological studies in France and digital technology-driven wrinkle prediction. By creating synergies between the life science and healthcare fields, we will pursue not only surface beauty, but also the ability to draw out beauty from within through healthy lifestyles full of vitality. We will continue to develop environmentally friendly materials and containers as a company that is kind to not only just women but all people and the Earth. We will also utilize digital technology in an effort to drive personal customer satisfaction and achieve synergy between new fields as we continue to evolve into a company that can deliver beauty and happiness to everyone.



**Yuko Maeda**  
Director (External)

# Corporate Governance

## Governance at a Glance



\* Fiscal year ended December 31, 2021

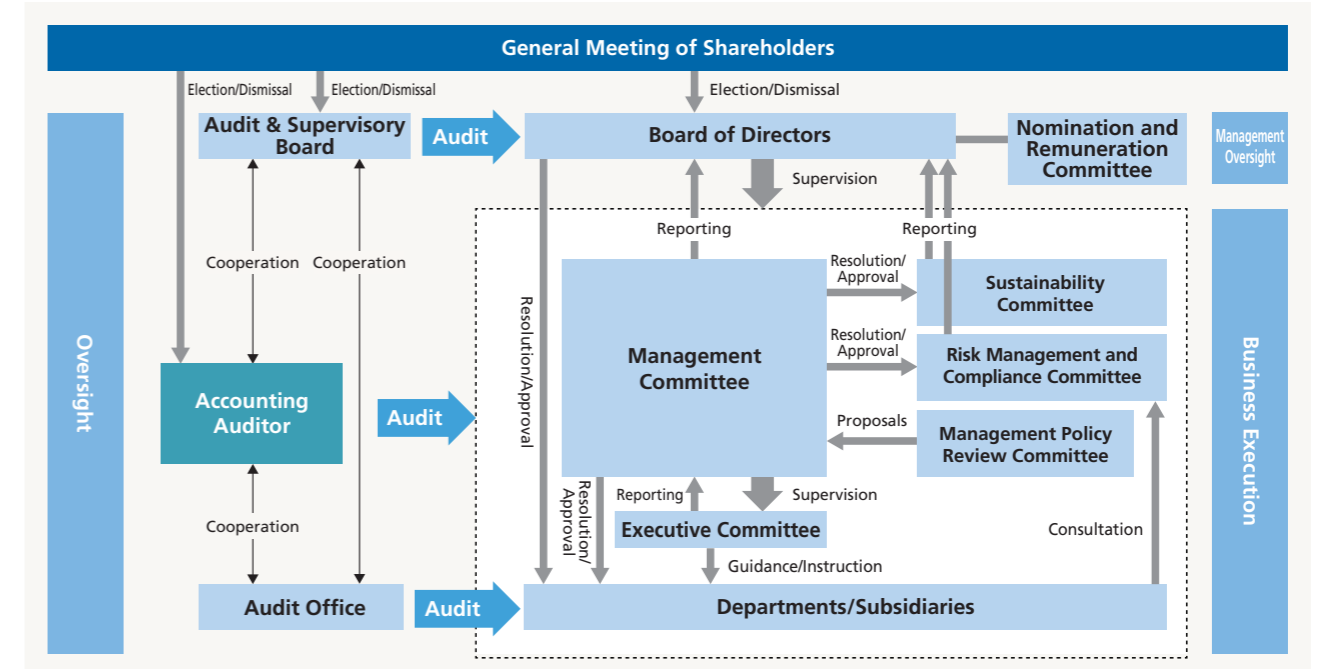
## Basic Policy

The nucleus of the KOSÉ Group’s management policy is “consistently managing to heighten corporate value” by pursuing growth and greater efficiency. The Group recognizes corporate governance functions as essential from the standpoint of managing the Company to consistently increase its enterprise value, and positions corporate governance as one of its highest management priorities. Accordingly, the Group is working on establishing the necessary organizational systems and frameworks to ensure sound management and consistently earn the trust of society. KOSÉ believes strongly in managing the Group so as to maintain harmonious relations with all stakeholders, including shareholders, investors, creditors, customers, business partners, employees and communities. Furthermore, KOSÉ is committed to enhancing transparency and fairness to earn support as a company with value. The Company strives to communicate sincerely with its stakeholders and considers building trust-based relationships to be fundamental.

## Corporate Governance Structure

KOSÉ has adopted a Company with an Audit & Supervisory Board corporate governance structure and performs audits to confirm that directors are performing their duties properly. 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 independent officers, and which is chaired by an independent external director, 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

For the Board of Directors, the goal is to maintain a balance among knowledge, experience and skills, degree of diversity, including in terms of gender and nationality, and size that is optimal for the Company.

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.

To clarify the scope of management by directors in the execution of business, the Company employs a small number of directors to enable swift decision-making. The Company has introduced an executive officer system, under which executive officers appointed by the Board of Directors execute business appropriately for their assigned departments in accordance with the basic management policy determined by the Board of Directors.

The Company’s Board of Directors meets once each month, in principle, to decide on matters provided in laws and regulations and the Articles of Incorporation and important management-related matters, as well as to supervise the execution 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 high-level expert knowledge and abundant insight 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 examines proposals concerning nominations, remuneration and other matters that are submitted by the President to the Board of Directors. This committee exists for the purposes of reinforcing the independence, objectivity and accountability of activities by the Board of Directors concerning nominations, remuneration and other matters involving the directors, Audit & Supervisory Board members and executive officers. The Committee 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

# Corporate Governance

## Skills Matrix

Position	Name	Remarks	Corporate management	Global	Business strategy/Marketing	Sustainability/ESG	Legal/Risk management	Finance/Accounting
President & CEO	Kazutoshi Kobayashi	Member of Nomination and Remuneration Committee	●	●	●			
Senior Executive Director	Takao Kobayashi		●	●	●			
Executive Director	Masanori Kobayashi		●	●	●			
Executive Director	Koichi Shibusawa	Member of Nomination and Remuneration Committee				●	●	●
Director	Yusuke Kobayashi		●	●				
Director	Shinichi Mochizuki		●	●				●
Director	Masahiro Horita		●	●	●			
Director (External)	Yukino Kikuma	Chairperson of Nomination and Remuneration Committee				●	●	
Director (External)	Norika Yuasa	Member of Nomination and Remuneration Committee		●		●	●	
Director (External)	Yuko Maeda	Member of Nomination and Remuneration Committee	●			●	●	
Standing Audit & Supervisory Board Member	Noboru Matsumoto					●	●	
Standing Audit & Supervisory Board Member	Shinji Tabe					●	●	
Audit & Supervisory Board Member (External)	Toru Miyama	Member of Nomination and Remuneration Committee				●	●	
Audit & Supervisory Board Member (External)	Kumi Kobayashi	Member of Nomination and Remuneration Committee	●			●		●

## 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 2021 evaluation were as follows.

### 1. Evaluation Method

Directors and Audit & Supervisory Board members were asked to complete questionnaires with the items on the right.

A third-party organization was used to determine items included in the questionnaires. It also collected and analyzed the results of the questionnaires. Based on the results, the Board of Directors performed an analysis and evaluation of the Board's effectiveness and considered actions that should be taken.

#### 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 shareholders

## 2. Evaluation Results and Issues to Address Going Forward

Based on the results of the questionnaire, the Board of Directors held discussions that confirmed matters including the following points: (1) the directors are conducting thorough discussions of proposals after receiving appropriate preliminary explanations concerning these proposals; (2) the directors are properly overseeing activities involving sustainability and the achievement of the SDGs; and (3) the directors are overseeing the establishment and operation of internal controls based on sufficient information. In the previous year, the establishment of opportunities for external officers to share information and opinions was an issue requiring attention. In response, several KOSÉ departments held information meetings for these external officers. Another issue requiring attention involved the feedback of

shareholders received during dialogue with shareholders. In response, the feedback of shareholders has been reported to the Board of Directors beginning in fiscal 2021. The directors confirmed that these improvements were made. As a result, the directors determined that the overall activities of the Board of Directors are effective.

On the other hand, the results of the questionnaire revealed issues that need to be addressed, including the clarification of rules for sharing information by internal and external officers and the proper role and processing of reports on the use of the internal reporting system.

Based on these points, the Board of Directors will continue to take proactive measures to further increase its effectiveness and 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.

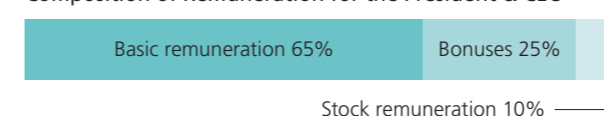
	Fixed remuneration	Performance-linked remuneration
Directors (Internal)	(A) Basic remuneration	(B) Bonuses (C) Stock remuneration
Directors (External)	(A) Basic remuneration	
Audit & Supervisory Board Members	(A) Basic remuneration	

	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 the position and role of each officer	—	<ul style="list-style-type: none"> <li>• Directors: Set according to the position of each director, taking the operating environment into account</li> <li>• External directors and Audit &amp; 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</li> </ul>
(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"> <li>• Consolidated net sales</li> <li>• Consolidated operating profit</li> <li>• Net sales and operating profit in each business sector</li> </ul>	Varies from 0 to 200% of the standard amount, depending on the difference between actual achievement and the performance target indicators for the single fiscal year (ratio of net sales indicators to operating profit indicators is 50:50) <sup>1</sup>
(C) Stock remuneration (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 <sup>2</sup>	—

1. The evaluation weighting is higher for the performance of the business sectors supervised by each director in order to reward directors who fulfill their obligations in the businesses they oversee.
2. The Company's stock price is used for evaluations for the purposes of further motivating directors to achieve medium-to-long-term growth of corporate value and to further align the interests of directors with those of shareholders. There is no target for this indicator because it is the stock price.

### Composition of Remuneration

#### Composition of Remuneration for the President & CEO



For directors other than the President & CEO, the policy is to reduce the percentage of the basic remuneration as the position of the director becomes higher and to increase the weightings of bonuses and stock remuneration. To achieve medium-to-long-term and sustainable growth, KOSÉ plans to periodically reexamine the weighting of remuneration with an emphasis on stock remuneration.

# Corporate Governance

## 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 total amount allowed for each officer classification. Remuneration is determined by the Board of Directors after discussion of its appropriateness and validity 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.

On May 25, 2020, the KOSÉ Board of Directors approved a resolution to terminate the retirement benefit system for directors and other officers.

### 1. Basic Policy for Officer Remuneration

For the remuneration of the Company's directors and Audit & Supervisory Board members (officer remuneration), the basic policy is designed and implemented based on the following goals in order to achieve medium-to-long-term growth of corporate value.

- A remuneration framework that enables the KOSÉ Group to achieve global and borderless growth
- An appropriately competitive level of remuneration for attracting and retaining highly talented individuals
- A highly independent, objective and transparent remuneration framework that is able to fulfill the responsibility of accountability to customers, shareholders, business partners, employees and all other stakeholders

### 2. Remuneration Levels

A suitable level of remuneration is determined by taking into account KOSÉ's business environment as well as a survey and

analysis using external databases and other sources to ascertain remuneration at companies in the same industry and of the same size.

At the 65th General Meeting of Shareholders, held on June 28, 2007, shareholders approved a resolution that limits the annual compensation of directors to ¥1,800 million (excluding employee salaries and bonuses paid to directors who serve concurrently as employees).

### 3. Process for Determining 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 total amount allowed for each officer classification.

To ensure the objectivity and transparency of the officer remuneration system, the appropriateness and validity of the allocation to each director are first discussed by the Nomination and Remuneration Committee, which is composed mainly of external officers. Using the results of these discussions as the premise for remuneration, the final decisions about individual remuneration are entrusted to the President & CEO by the Board of Directors.

The President & CEO has the authority to determine the basic remuneration for each director and the bonuses and stock remuneration based on results of operations of the business overseen by that director. The President & CEO is given this authority because, as the executive who oversees all business operations and in the role of representative director, he or she is best suited to evaluate the businesses managed by each director.

Remuneration of Audit & Supervisory Board members is determined by the mutual agreement among the Audit & Supervisory Board members.

## Total Remuneration by Officer Classification, Amount of Remuneration by Type and Number of Eligible Officers (Fiscal 2021)

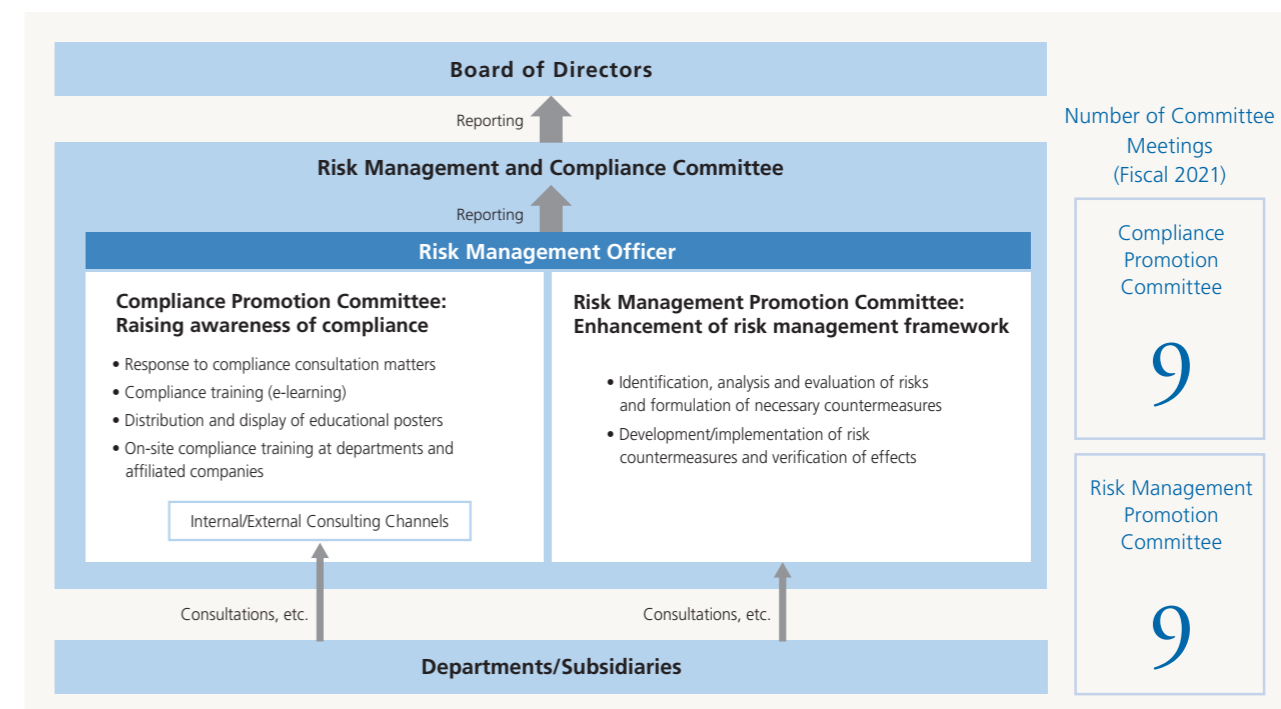
Officer Classification	Total Remuneration (Millions of yen)	Amount of Remuneration by Type (Millions of yen)				Number of Eligible Officers
		Basic Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation	
Directors (External directors only)	339 (24)	261 (24)	45 (—)	— (—)	32 (—)	11 (3)
Audit & Supervisory Board members (External Audit & Supervisory Board members only)	51 (16)	51 (16)	— (—)	— (—)	— (—)	4 (2)
Total (External officers only)	391 (41)	312 (41)	45 (—)	— (—)	32 (—)	15 (5)

## 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	154	52	—	18	207

## 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 consulting 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.

### ■ 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 Group-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.

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

# Corporate Governance

## 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.

Please note that the forward-looking statements contained herein are based on the Company's judgments regarding main risks made as of March 30, 2022, and 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

	Main Risks	Main Measures
Strategy Risk	<b>Price competition</b> 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.
	<b>Entry of new competitors</b> 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.
	<b>Research and development delays</b> 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.
	<b>Changes in consumer preferences</b> 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.
	<b>Delays in responding to climate change</b> 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 disclosing information about risks and opportunities posed to business by climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

	Main Risks	Main Measures
Business/ Financial Risk	<b>Increase in raw material prices</b> 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.
	<b>Discontinuation of raw material supply</b> Obstacles to stable product supply Impact on sales and profit margins Decline in the Company's creditworthiness	
Political/ Economic Risk	<b>Changes in legal regulations and response</b> 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.
	<b>Abrupt changes in the political situation in countries and regions where the Company does business</b> 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	<b>Natural disasters (earthquakes, volcanic eruptions, tsunamis, etc.)</b> Delays or interruption of business activities due to suspension of production and logistics 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.
	<b>Spread of highly virulent infectious disease</b> Delays or interruption of business activities including production, supply, and sales	
Personnel/ Labor Risk	<b>Securing outstanding talent</b> 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	<b>Problems related to product accidents</b> 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.
	<b>Leaks of confidential or personal information</b> Reputation loss and compensation for damage due to information leaks	



# Management Team (As of March 30, 2022)

## Directors

Position	Name	Reasons for Appointment	Attendance at Board of Directors Meetings	Years of Service
President & CEO	Kazutoshi Kobayashi	Mr. Kazutoshi Kobayashi has been engaged in management as a director of the Company for many years. Since assuming the role of Representative Director and President in 2007, he has also been engaged in various initiatives such as spearheading management reforms and accelerating global development. He has shown strong leadership under medium-to-long-term VISION 2026, which aims for even greater accomplishments. For these reasons, the Company has appointed him as a director.	10/10	31
Senior Executive Director	Takao Kobayashi	Mr. Takao Kobayashi has been engaged in management as a director of the Company for many years. He has promoted business expansion as Representative Director and President of KOSÉ Cosmeport Corp. since 2006. He has made significant contributions to achieving rapid growth in the cosmetics market. He has also contributed to management throughout the Group as senior executive director of the Company since 2014. For these reasons, the Company has appointed him as a director.	10/10	24
Executive Director	Masanori Kobayashi	Mr. Masanori Kobayashi has contributed to the rapid growth of the global business by implementing many reforms. Since becoming executive director in charge of marketing in 2018, he has overseen the establishment of brands that are successful worldwide while implementing a digital marketing strategy. He has many years of global marketing experience and extensive knowledge of management as an executive director. For these reasons, the Company has appointed him as a director.	10/10	9
Executive Director	Koichi Shibusawa	After acquiring experience in marketing and the supervision of global business operations, Mr. Koichi Shibusawa was elected as a director in 2013 and served as general manager of the Accounting and Finance Department, which includes investor relations. He made contributions to improving the Company's management and increasing corporate value. As executive director in charge of administration, he is strengthening the foundation for managing operations and is involved in strategies for the entire Group, including in his concurrent position as a director of Group company ALBION CO., LTD. Due to his many years of experience involving the management of the Group, the Company has appointed him as a director.	10/10	9
Director	Yusuke Kobayashi	Mr. Yusuke Kobayashi has contributed to business expansion of Group company ALBION CO., LTD. as its executive director and general manager of the Global Business Division. He has amassed many years of experience in overseas operations, particularly as the general manager of the Global Business Division, and accordingly possesses a proven track record in that regard. In addition, he has substantial influence in the Group, underpinned by his abundant global insight and knowledge. For these reasons, the Company has appointed him as a director.	10/10	8
Director	Shinichi Mochizuki	Mr. Shinichi Mochizuki was involved in international business operations before joining the Company and becoming the general manager of the Global Business Administration Department in the Global Business Division. He has played a major role in strengthening the operations of overseas subsidiaries. As executive officer and general manager of the Accounting and Finance Department since 2018, Mr. Mochizuki has supervised financial matters. Since becoming a director in 2021, he has played a role in strengthening the functions of the Board of Directors. For these reasons, the Company has appointed him as a director.	8/8	1
Director	Masahiro Horita	Since joining the Company, Mr. Masahiro Horita has participated in the development and growth of many new brands as a member of product planning operations. As general manager of the Global Business Division beginning in 2012, he gained experience overseeing overseas operations and made significant contributions to market expansion. He currently serves as director and general manager of the Product Development Department, where he is strengthening manufacturing. The Company deems that he can use his global business experience and extensive knowledge of marketing in the management of the Company. For these reasons, the Company has appointed him as a director.	8/8	1
External Director	Yukino Kikuma	Ms. Yukino Kikuma has a high level of expertise as an attorney at law and extensive knowledge regarding corporate legal affairs in particular. In addition, she appropriately provides guidance and advice regarding management of the Company from a broad perspective, drawing on her abundant experience in mass media. Due to the above, she is expected to use her broad knowledge and insight for guidance and advice related to management reforms involving sustainability and diversity. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Kikuma has no conflict of interest with general shareholders and has accordingly designated her an independent director.	10/10	4
External Director	Norika Yuasa	Ms. Norika Yuasa has a high level of expertise as an attorney at law that includes work in Japan and other parts of Asia, Europe and the United States. She has used this knowledge to provide suitable guidance and advice concerning the Company's management from many perspectives. Although she has never been involved in corporate management other than as an outside director or Audit & Supervisory Board member, due to the above, we expect her to provide oversight and advice concerning the Company's global strategies mainly from the standpoint of an attorney. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Yuasa has no conflict of interest with general shareholders and has accordingly designated her an independent director.	10/10	3

External Director	Yuko Maeda	Ms. Yuko Maeda has a high level of expertise in the area of applications for corporate intellectual property and abundant experience and knowledge about industry-academia partnerships in particular. In addition, she has abundant insight from a managerial perspective underpinned by her experience as a corporate director and outside Audit & Supervisory Board member, as well as her experience serving as a director of a national university and an auditor of an incorporated administrative agency. Due to the above, she is expected to provide advice on strategies related to management and intellectual property as well as R&D. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Maeda has no conflict of interest with general shareholders and has accordingly designated her an independent director.	10/10	2
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## Audit & Supervisory Board Members

Position	Name	Reasons for Appointment	Attendance at Board of Directors and Audit & Supervisory Board Meetings		Years of service
			Board of Directors Meetings	Audit & Supervisory Board Meetings	
Standing Audit & Supervisory Board Member	Noboru Matsumoto	Mr. Noboru Matsumoto has a wide-ranging and thorough understanding of corporate management in Japan and overseas, having been responsible for product development and the creation of many brands as a member of the marketing department. He previously served as general manager of the Sales Planning Department of KOSÉ SALES CO., LTD. and as a person responsible for overseas operations. From 2018, as the executive officer in charge of the General Administration Department and the Legal Affairs Department, he has played a central role in administration operations, contributing to the support of management in various ways, including from a corporate governance perspective. Due to his extensive knowledge based on this broad operational experience, the Company has appointed him as an Audit & Supervisory Board member.	10/10	10/10	3
Standing Audit & Supervisory Board Member	Shinji Tabe	Mr. Shinji Tabe has been involved in the research field for many years since joining the Company. In 2015, he became general manager of the Technical Research Management Department of R&D Laboratories and contributed to management of all technical information related to research. In 2017, he became general manager of the Quality Assurance Department, with achievements such as increasing the level of product quality assurance and creating a system for accurately reflecting customer feedback to the Customer Service Center. Due to his experience and knowledge, the Company has appointed him as an Audit & Supervisory Board member.	10/10	10/10	2
Audit & Supervisory Board Member (External)	Toru Miyama	Mr. Toru Miyama has a high level of expertise as an attorney at law, and extensive knowledge regarding corporate legal affairs in particular. In addition, he has a thorough understanding of corporate compliance and risk management, which he will draw upon to audit the Company from an independent and objective perspective. For these reasons, the Company has appointed him as an external Audit & Supervisory Board member. Furthermore, the Company believes that Mr. Miyama has no conflict of interest with general shareholders and has accordingly designated him an independent auditor.	10/10	10/10	3
Audit & Supervisory Board Member (External)	Kumi Kobayashi	Ms. Kumi Kobayashi has advanced knowledge regarding accounting and finance as a CPA, a great deal of work experience in Japan and overseas, and a thorough understanding of the practical operations of M&As and corporate finance. She will draw on this broad experience and extensive knowledge to provide appropriate guidance and advice related to increasing the efficacy of audits. For these reasons, the Company has appointed her as an external Audit & Supervisory Board member. Furthermore, the Company believes that Ms. Kobayashi has no conflict of interest with general shareholders and has accordingly designated her an independent auditor.	10/10	10/10	2

Note: Directors Shinichi Mochizuki and Masahiro Horita were appointed at the 79th Annual General Meeting of Shareholders held on June 29, 2021. As a result, the number of Board of Directors meetings is different from other directors. There have been eight Board of Directors meetings since their appointment.

# Career Histories (As of March 30, 2022)

## 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 Representative Director and President & CEO  
Jun. 2007 Representative Director and Chairman, 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 & CEO (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) Representative Director and 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.  
Mar. 2022 Senior Executive Director of ALBION CO., LTD. (current position)  
  
(Responsibilities) –  
(Significant Concurrent Positions Outside the Company) Senior Executive Director and General Manager of Global Business Div. and Administrative Div. 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) –



**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  
Jun. 2018 Director of the Company (current position)  
May 2020 Outside Director of Takihyo Co., Ltd. (Member of the Audit & Supervisory Committee) (current position)  
Jun. 2020 Outside Director of ALCONIX CORPORATION (current position)  
Jun. 2020 Outside Director of KITZ CORPORATION (current position)  
Jan. 2022 Managing Partner of Law Office of Matsuo & Kosugi (current position)  
  
(Responsibilities) –  
(Significant Concurrent Positions Outside the Company) Managing Partner of Law Office of Matsuo & Kosugi  
Outside Director (Member of the Audit & Supervisory Committee) of Takihyo Co., Ltd.  
Outside Director of ALCONIX CORPORATION  
Outside Director of 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 of Miura & Partners (current position)  
Jun. 2019 Director of the Company (current position)  
Jun. 2021 Outside Audit & Supervisory Board Member of TOKYO ELECTRON DEVICE LIMITED (current position)  
Jun. 2021 Outside Director of SAINT-CARE HOLDING CORPORATION (current position)  
  
(Responsibilities) –  
(Significant Concurrent Positions Outside the Company) Partner of Miura & Partners  
Outside Audit & Supervisory Board Member of TOKYO ELECTRON DEVICE LIMITED  
Outside Director of SAINT-CARE HOLDING 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 (Concurrent) Executive Vice President (part-time) of Kyushu University (current position)  
Jun. 2021 (Concurrent) Outside Director of ASAH KASEI CORPORATION (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  
Outside Director of ASAH KASEI CORPORATION

## 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 Cosmetics 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 Tabe**  
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 (current position)  
  
(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)  
Aug. 2020 Outside Auditor of OZU CORPORATION (current position)  
  
(Significant Concurrent Positions Outside the Company) Managing Partner of Miyama Law Office  
Outside Auditor of OZU CORPORATION



**Kumi Kobayashi**  
Audit & Supervisory Board Member (External)

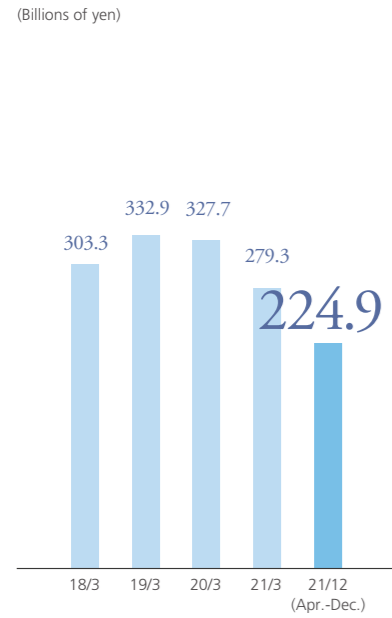
Mar. 2006 Registered as a certified public accountant  
Sep. 2006 Joined GCA Corporation  
Mar. 2016 Partner of Sakurai & Co. (current position)  
Apr. 2017 Representative Director of Tokyo Athletes Office, Inc. (current position)  
Jun. 2019 Director of SPOKACHI, Inc. (current position)  
Jun. 2020 Audit & Supervisory Board Member of the Company (current position)  
Mar. 2022 Auditor of Japan Professional Football League (current position)  
  
(Significant Concurrent Positions Outside the Company) Partner of Sakurai & Co.  
Representative Director of Tokyo Athletes Office, Inc.  
Director of SPOKACHI, Inc.

# Financial and Non-Financial Highlights

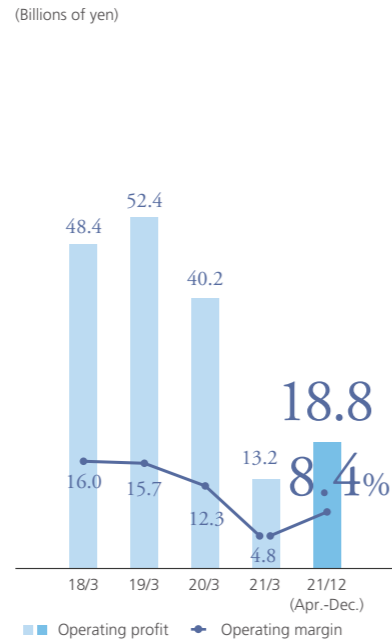
KOSÉ Corporation and Consolidated Subsidiaries<sup>1</sup>

## Financial

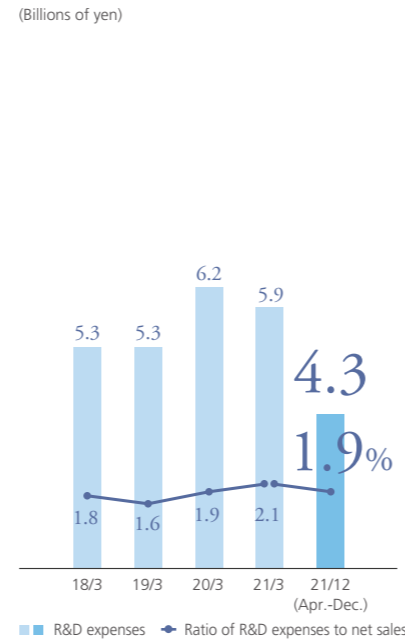
### Net Sales



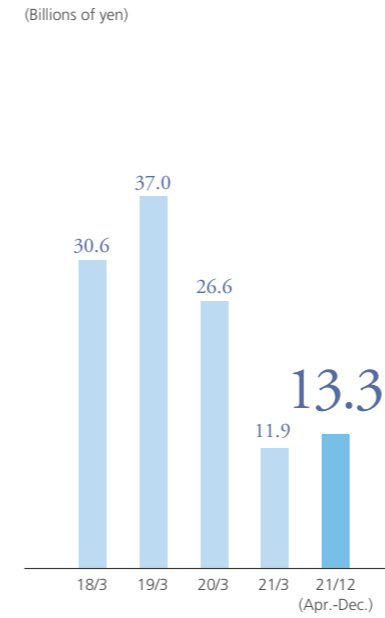
### Operating Profit/ Operating Margin



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



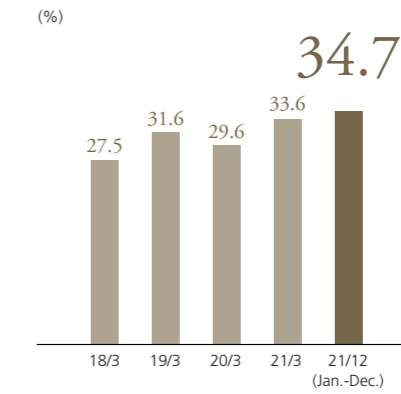
### Profit Attributable to Owners of Parent



## Non-Financial

### Ratio of Female Employees in Leadership 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, or equivalent positions. Figures are for KOSÉ Corporation and KOSÉ SALES CO., LTD. in fiscal 2017 (2018/3) and for KOSÉ Corporation and its consolidated subsidiaries from fiscal 2018 (2019/3).

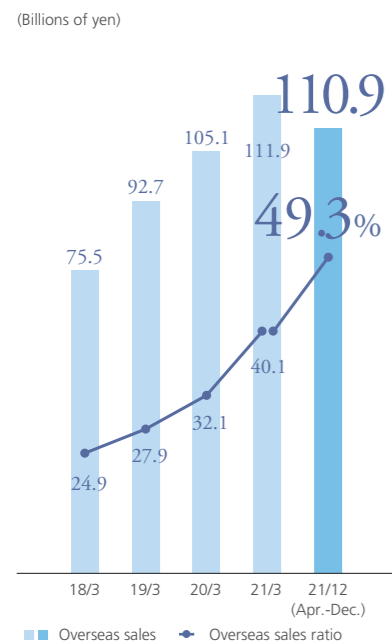
### Proportion of Employees Who Took Childcare Leave

We encourage employees to take maternity leave and childcare leave, and we are striving to enhance our systems and carry out work environment improvements that support work-life balance, including shortened working hours and remote work.

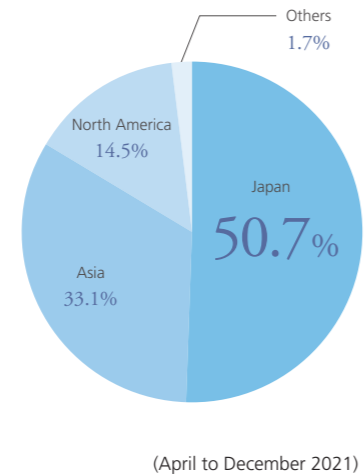


Note: Up to fiscal 2019 (2020/3), proportion of employees in KOSÉ Corporation and KOSÉ SALES CO., LTD. From fiscal 2020 (2021/3), all domestic Group companies.

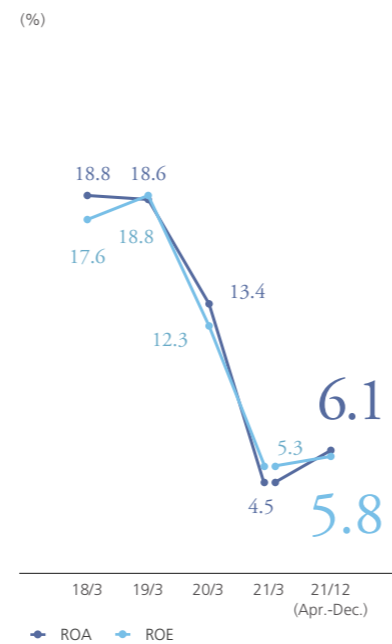
### Overseas Sales/ Overseas Sales Ratio



### Share of Net Sales by Region



### ROA/ROE

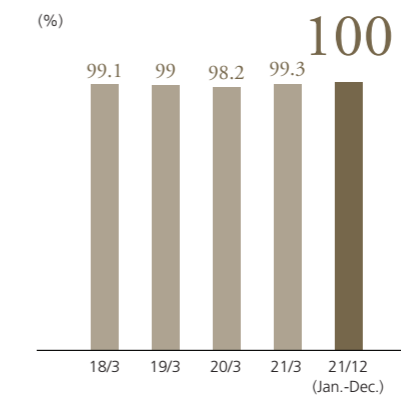


### Net Income per Share (Basic)



### Recycling Rate

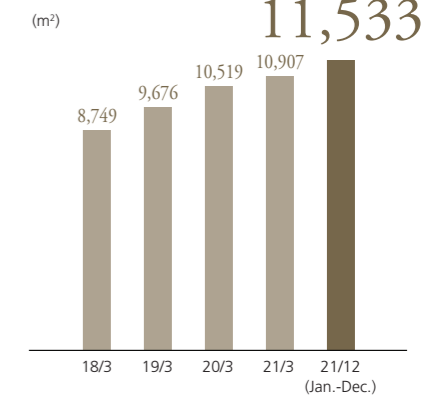
Achieved zero emissions (recycling rate of 99.5%) at Gunma Factory and Sayama Factory in 2005. Currently, all factories have achieved zero emissions.



Note: Includes Hsinchu Factory in Taiwan from fiscal 2017 (2018/3).

### Area Planted with Coral Reefs

We started the SEKKISEI 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. From fiscal 2021, the fiscal year-end has changed from March 31 to December 31. Fiscal 2021 is a transitional period and financial information covers the nine months from April 1, 2021 to December 31, 2021. Non-financial information covers the 12 months from January 1, 2021 to December 31, 2021.

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

# 10-Year Summary of Selected Financial Data

KOSÉ Corporation and Consolidated Subsidiaries<sup>1</sup>

	2021/12 (Apr.-Dec.)	2021/3	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	Millions of yen 2013/3	Thousands of U.S. dollars <sup>2</sup> 2021/12 (Apr.-Dec.)
<b>Performance:</b>											
Net sales	224,983	279,389	327,724	332,995	303,399	266,762	243,390	207,821	190,049	170,685	1,956,033
Gross profit	156,905	201,923	239,020	244,387	221,852	199,735	183,920	157,057	143,390	128,587	1,364,154
Selling, general and administrative expenses	138,052	188,629	198,789	191,979	173,443	160,574	149,286	134,410	124,456	116,722	1,200,243
Operating profit	18,852	13,294	40,231	52,408	48,408	39,160	34,634	22,647	18,934	11,864	163,901
Interest and dividend income	405	456	662	651	271	294	347	315	432	342	3,521
Profit before income taxes	21,335	19,508	40,365	54,949	48,242	39,425	33,862	23,694	20,757	12,813	185,489
Profit attributable to owners of parent	13,341	11,986	26,682	37,004	30,611	21,657	18,655	12,057	11,132	6,720	115,988
Comprehensive income	20,234	15,228	26,703	36,427	36,908	24,643	13,197	19,688	13,756	8,656	175,917
Cash and cash equivalents at end of period	81,876	80,051	70,284	64,264	63,883	55,622	52,997	50,754	52,755	32,121	711,841
Current assets	217,324	205,031	204,438	205,241	193,164	172,074	161,351	134,476	130,391	115,067	1,889,445
Total assets	320,018	308,386	308,606	300,162	271,545	247,191	233,275	205,006	186,274	173,014	2,782,281
Current liabilities	59,136	61,608	59,676	66,107	62,821	56,033	57,766	45,207	39,877	35,206	514,136
Non-current liabilities	6,614	5,478	8,727	9,213	10,116	14,027	16,965	10,160	13,585	18,497	57,503
Shareholders' equity	224,576	218,107	219,425	203,566	176,263	159,348	143,626	129,203	120,229	111,495	1,952,495
Interest-bearing debt	1,711	8,533	1,654	1,666	1,311	1,629	1,704	1,248	1,386	5,006	14,875
Depreciation	7,827	10,379	8,838	8,018	6,977	5,821	5,744	5,293	4,679	4,607	68,049
Capital expenditures	4,517	10,188	19,286	18,500	10,065	10,770	10,445	21,143	5,750	5,599	39,271
<b>Per-Share Data (Yen):</b>											
Net income (basic)	233.86	210.11	467.76	648.71	536.63	379.66	327.04	211.37	195.15	117.22	2.03
Net assets	4,178.06	3,952.94	3,920.41	3,660.77	3,227.07	2,871.60	2,583.76	2,455.34	2,188.59	1,964.85	36.33
Cash dividends	120.00	120.00	190.00	180.00	148.00	110.00	94.00	64.00	48.00	41.00	1.04
<b>Financial Ratios (%):</b>											
Equity ratio	74.5	73.1	72.5	69.6	68.1	66.3	63.2	68.3	67.0	64.8	
ROA <sup>3</sup>	6.1	4.5	13.4	18.6	18.8	16.4	16.0	11.7	10.8	7.1	
ROE <sup>4</sup>	5.8	5.2	12.3	18.8	17.6	13.9	13.0	9.1	9.4	6.1	
Gross profit margin	69.7	72.3	72.9	73.4	73.1	74.9	75.6	75.6	75.4	75.3	
Operating margin	8.4	4.8	12.3	15.7	16.0	14.7	14.2	10.9	10.0	7.0	
Profit attributable to owners of parent to net sales	5.9	4.3	8.1	11.1	10.1	8.1	7.7	5.8	5.9	3.9	
Payout ratio	51.3	57.1	40.6	27.7	27.6	29.0	28.7	30.3	24.6	35.0	

Notes: 1. From fiscal 2021, the fiscal year-end has changed from March 31 to December 31. Fiscal 2021 covers the nine months from April 1, 2021 to December 31, 2021.

2. The U.S. dollar amounts are translated, for convenience only, at the rate of ¥115.0 to US\$1.00, the approximate rate of exchange on December 30, 2021.

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

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

# 3-Year Summary of Selected Non-Financial Data

Note: Due to a change in the accounting period, information for 2021/12 covers the period from January 1, 2021 to December 31, 2021.

## For People: Social KPIs

Diversity and Inclusion	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope
Number of employees (female/male)	11,760/2,300	12,053/2,350	11,755/2,260	KOSÉ Group <sup>1</sup>
Ratio of female employees in managerial positions (%)	24.7	26.6	28.8	KOSÉ Group
Ratio of female employees in leadership positions <sup>2</sup> (%)	29.6	33.6	34.7	KOSÉ Group
Average length of service (years)	13.0	11.9	11.4	Domestic Group companies <sup>3</sup>
Number of new graduates hired to regular full-time positions (female/male)	31/22	71/47	40/24	Domestic Group companies <sup>3</sup>
Employee turnover among new graduates within 3 years (%)	4.7	10.0	7.3	Domestic Group companies <sup>3</sup>
Turnover rate for employees in managerial positions and regular, full-time employees (%)	—	2.3	3.4	Domestic Group companies
Turnover rate for Beauty Consultants (%)	—	8.5	8.3	Domestic Group companies
Turnover rate for all employees (%)	—	6.3	6.9	Domestic Group companies
Annual working hours (average hours/employee)	—	1,643.5	1,637.4	Domestic Group companies <sup>4</sup>
Annual overtime (average hours/employee)	—	44.6	53.9	Domestic Group companies
Ratio of paid leave taken (%)	63.7	64.4	66.9	Domestic Group companies <sup>3</sup>
Proportion of employees who took childcare leave (female/male) (%)	100.0/3.0	100.0/52.3	100.0/67.1	Domestic Group companies <sup>3</sup>
Return rate following childcare leave (female/male) (%)	93.0/100.0	98.7/100.0	96.9/100.0	Domestic Group companies <sup>3</sup>
Number of employees working shortened hours for childcare	189	475	501	Domestic Group companies <sup>3</sup>
Number of employees taking extended leave for family care	—	4	11	Domestic Group companies
Number of employees taking paid leave for family care	0	5	15	Domestic Group companies <sup>3</sup>
Number of employees working shortened hours for family care	1	5	5	Domestic Group companies <sup>3</sup>
Time spent on education and training (total hours) (employees in managerial positions and regular, full-time employees)	—	—	23,401.2	KOSÉ SALES CO., LTD.
Time spent on education and training (average hours/employee) (employees in managerial positions and regular, full-time employees)	—	—	14.9	KOSÉ SALES CO., LTD.
Ratio of employees with disabilities (%)	2.29	2.21	2.22	Domestic Group companies <sup>5</sup>
Number of rehired employees	207	251	261	Domestic Group companies <sup>3</sup>
Number of occupational accidents resulting in a leave of absence	11	52	31	Domestic Group companies <sup>3</sup>
Number of occupational accidents resulting in death	0	0	0	Domestic Group companies <sup>3</sup>
Quality of Life Improvement	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope
Number of general participants in sports events	24,678	470 <sup>6</sup>	0 <sup>6</sup>	KOSÉ Corporation
Support for cutaneous porphyria patients (people/number of products provided)	8/71	4/20	4/14	KOSÉ Corporation
Support for Women and Education	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope
Number of schools accepted for company tours <sup>7</sup> (schools/students)	11/107	1/4 <sup>6</sup>	2/6 <sup>6</sup>	KOSÉ Corporation
Number of students provided with tuition support at girls' junior high school in Tanzania (cumulative total)	14	21	30	KOSÉ Corporation

Notes: 1. KOSÉ Group: 41 consolidated companies including KOSÉ Corporation 2. Leadership position: A position with subordinates, or equivalent  
3. Scope expanded to all domestic Group companies as of fiscal 2020 (2021/3) 4. Including paid leave, maternity leave, injury and sick leave, etc.  
5. From fiscal 2020 (2021/3), figures for six companies (KOSÉ Corporation, KOSÉ SALES CO., LTD., ALBION CO., LTD., KOSÉ Cosmeport Corp., KOSÉ INDUSTRIES CO., LTD. and ADVANCE CO., LTD.) that are required to hire people with disabilities.  
6. In fiscal 2020 (2021/3) and 2021/12, events were reduced or suspended to prevent the spread of COVID-19.  
7. Company tours: Tours given in response to requests from junior high schools and high schools as part of social learning

## For the Earth: Environmental KPIs

Energy	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope	
CO <sub>2</sub> (greenhouse gas) emissions (t-CO <sub>2</sub> ) <sup>1</sup>	7,237.1 <sup>2</sup>	7,375.1	7,299.9	KOSÉ Group	
CO <sub>2</sub> (greenhouse gas) emissions (t-CO <sub>2</sub> ) <sup>1</sup>	SCOPE 1	7,237.1 <sup>2</sup>	7,375.1	KOSÉ Group	
	SCOPE 2	Market-based	16,770.8 <sup>2</sup>	16,185.0	12,733.1
	Location-based	15,691.8 <sup>2</sup>	16,204.0	15,386.2	KOSÉ Group
	SCOPE 3	858,259.2 <sup>2</sup>	668,951.0	716,124.0	KOSÉ Group
Electricity consumption (MWh)	33,252.5	35,630.2	34,783.9	KOSÉ Group	
Portion generated using renewable energy (MWh)	0	1,992.6	8,436.9	KOSÉ Group	
Total energy consumption (GJ)	436,699.8	464,334.3	457,169.9	KOSÉ Group	
City gas consumption (1,000 m <sup>3</sup> )	1,921.3	2,071.6	2,150.5	KOSÉ Group	
LP gas consumption (1,000 m <sup>3</sup> )	11.6	13.8	14.2	KOSÉ Group	
Gasoline consumption (kL)	871.3	770.4	726.5	KOSÉ Group	
Fuel oil consumption (kL)	238.0	280.0	266.0	KOSÉ Group	
Diesel oil consumption (kL)	12.9	9.3	13.6	KOSÉ Group	
Kerosene consumption (kL)	135.6	104.7	57.0	KOSÉ Group	
Atmospheric Emissions	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope	
NOx emissions (tons)	5.2	5.1	7.4	KOSÉ Corporation Production Department	
SOx emissions (tons)	0.1	0.4	0.6	KOSÉ Corporation Production Department	
Waste	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope	
Volume of waste (tons)	2,950	3,134	3,026	KOSÉ Group production departments	
Recycling rate (%)	98.2	99.3	100	KOSÉ Group production departments	
Water Resources	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope	
Water intake (1,000 m <sup>3</sup> )	298.2 <sup>2</sup>	290.2	283.1	KOSÉ Group production departments	
Wastewater (1,000 m <sup>3</sup> )	199.2 <sup>2</sup>	198.9	203.1	KOSÉ Group production departments	
Water intake intensity (m <sup>3</sup> /production volume in dozens)	0.01602	0.01574	0.01479	KOSÉ Group production departments	
Water intake intensity (% change YoY)	-4.9	-1.7	-6.1	KOSÉ Group production departments	
Pollution load: BOD (tons)	8.5	8.6	9.5	KOSÉ Corporation Production Department	
Pollution load: SS (tons)	5.4	3.1	2.4	KOSÉ Corporation Production Department	
Pollution load: n-Hex (tons)	0.5	1.2	0.5	KOSÉ Corporation Production Department	
Number of violations of water intake/drainage laws and regulations	0	0	0	KOSÉ Group production departments	
Environmental Contribution and Biodiversity Conservation	2020/3	2021/3	2021/12 (Jan.-Dec.)	Scope	
SAVE the BLUE project area planted with coral reefs (m <sup>2</sup> /number of corals planted)	843/1,383	388/636	626/1,027	KOSÉ Corporation	
			Cumulative to fiscal 2021 (2021/12): 11,533/19,005		

▶ For details: <https://www.kose.co.jp/company/en/sustainability/data/>  
See the KOSÉ website for other non-financial information and data.

1. CO<sub>2</sub> is the only greenhouse gas that the KOSÉ Group emits in its business activities.  
2. Third-party verification

# Principal Group Companies (As of December 31, 2021)

## Production Related Subsidiaries

Company Name	Country/Region	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/Region	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.	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 Travel Retail Co., Ltd.	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 Pharma Co., Ltd.	Japan	JPY 100 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 1,000 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.	U.S.A.	USD 159	100.0%
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%

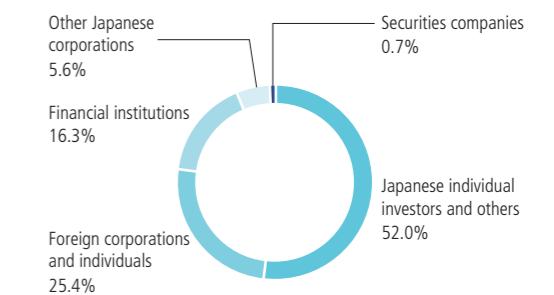
# Corporate Information (As of December 31, 2021)

<b>Corporate Name:</b>	KOSÉ Corporation	<b>IR Section:</b>	<a href="https://www.kose.co.jp/company/en/ir/">https://www.kose.co.jp/company/en/ir/</a>
<b>Founding:</b>	March 1946	<b>Sustainability Section:</b>	<a href="https://www.kose.co.jp/company/en/sustainability/">https://www.kose.co.jp/company/en/sustainability/</a>
<b>Incorporation:</b>	June 1948	<b>Number of Employees (Consolidated):</b>	14,015
<b>Head Office:</b>	3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan Tel: +81-3-3273-1511	<b>Fiscal Year-End:</b>	December 31
<b>Website:</b>	<a href="https://www.kose.co.jp/company/en/">https://www.kose.co.jp/company/en/</a>		

# Stock Information (As of December 31, 2021)

<b>Common Stock (Authorized):</b>	200,000,000 shares
<b>Common Stock (Issued):</b>	60,592,541 shares
<b>Capital:</b>	¥4,848 million
<b>Number of Shareholders:</b>	13,683
<b>Stock Listing:</b>	Tokyo Stock Exchange, First Section (Code: 4922)
<b>Transfer Agent:</b>	Mitsubishi UFJ Trust and Banking Corporation

## Distribution of Shares



## Stock Data

