



## 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

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### 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

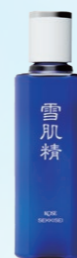
We launched an appealing foundation that combined three advantages in a single product: the creation of a beautiful skin tone that gave the effect of having applied white powder after applying the foundation, the convenience of quick and easy application, and excellent portability. **FIT-ON** met the 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.**

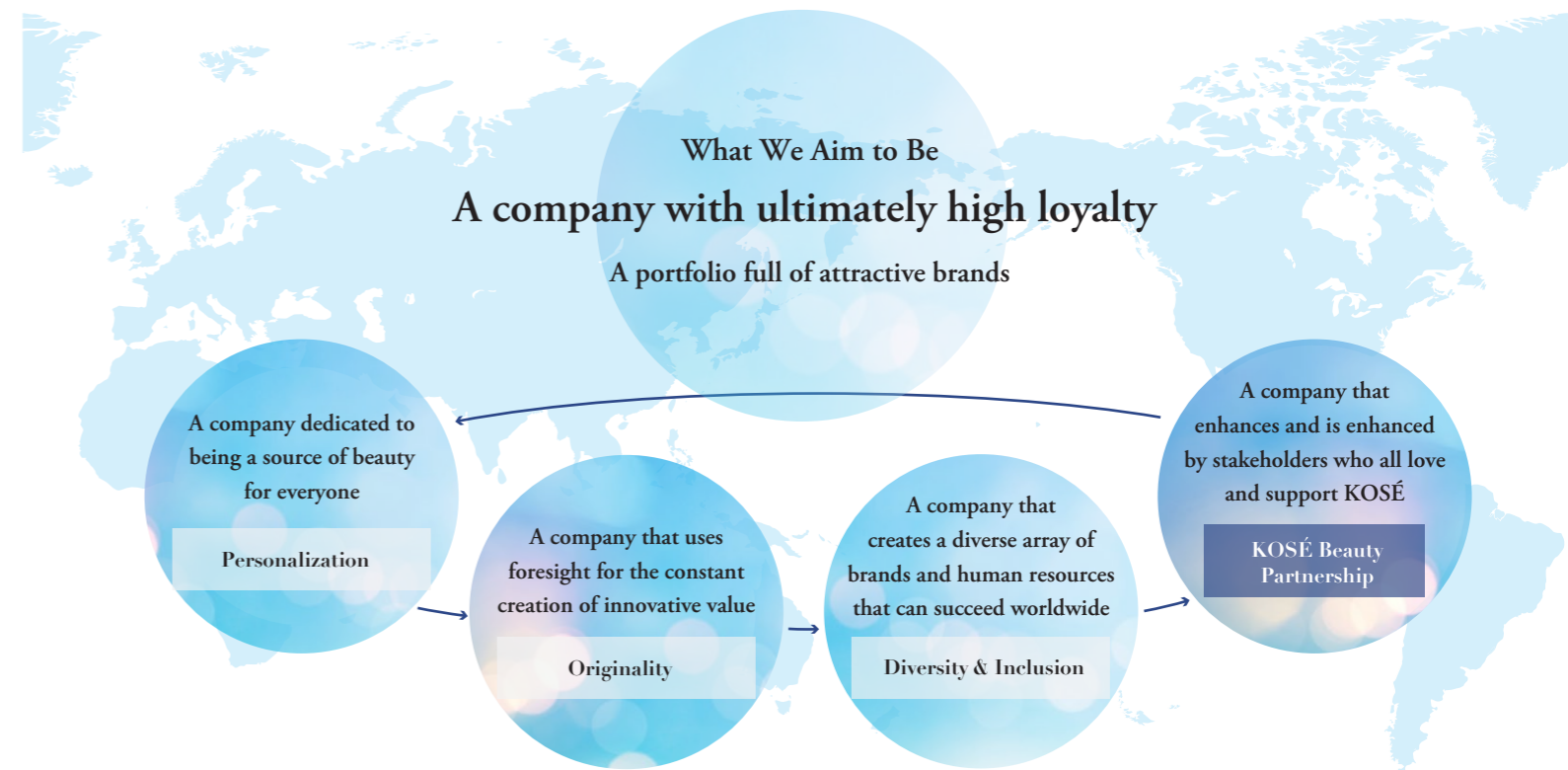
**In this way, we have made our sustainable growth strategies clearer.**

**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 *RECIPIO*, 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

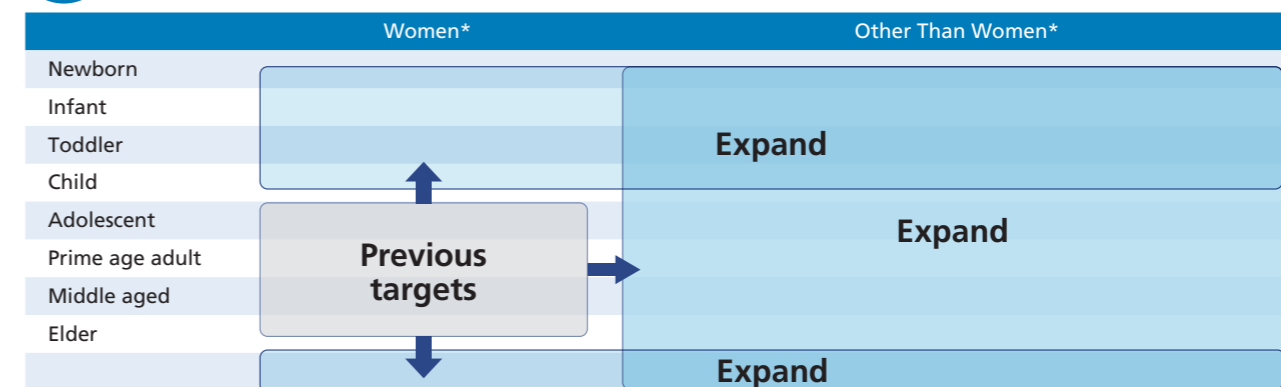
### Adaptability<sup>∞</sup>

- 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

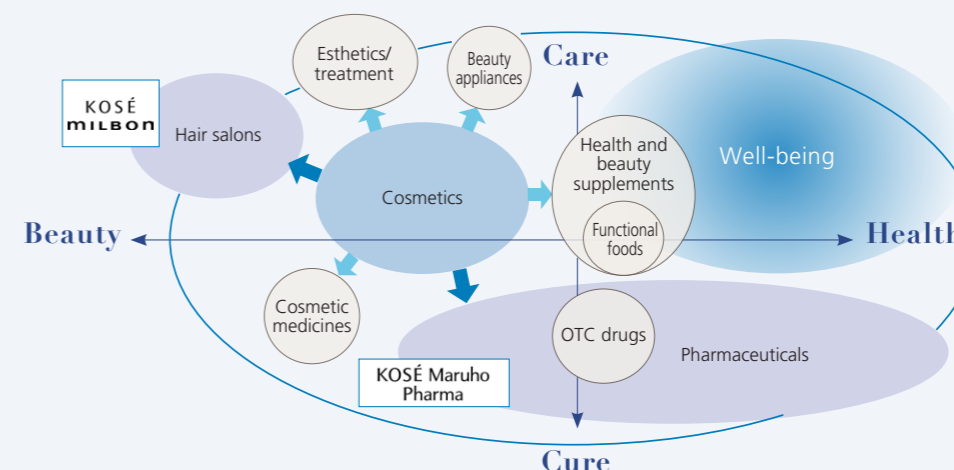
Expand targets by approaching customers not limited by gender or age based on the idea of Adaptability<sup>∞</sup>

\* 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>