

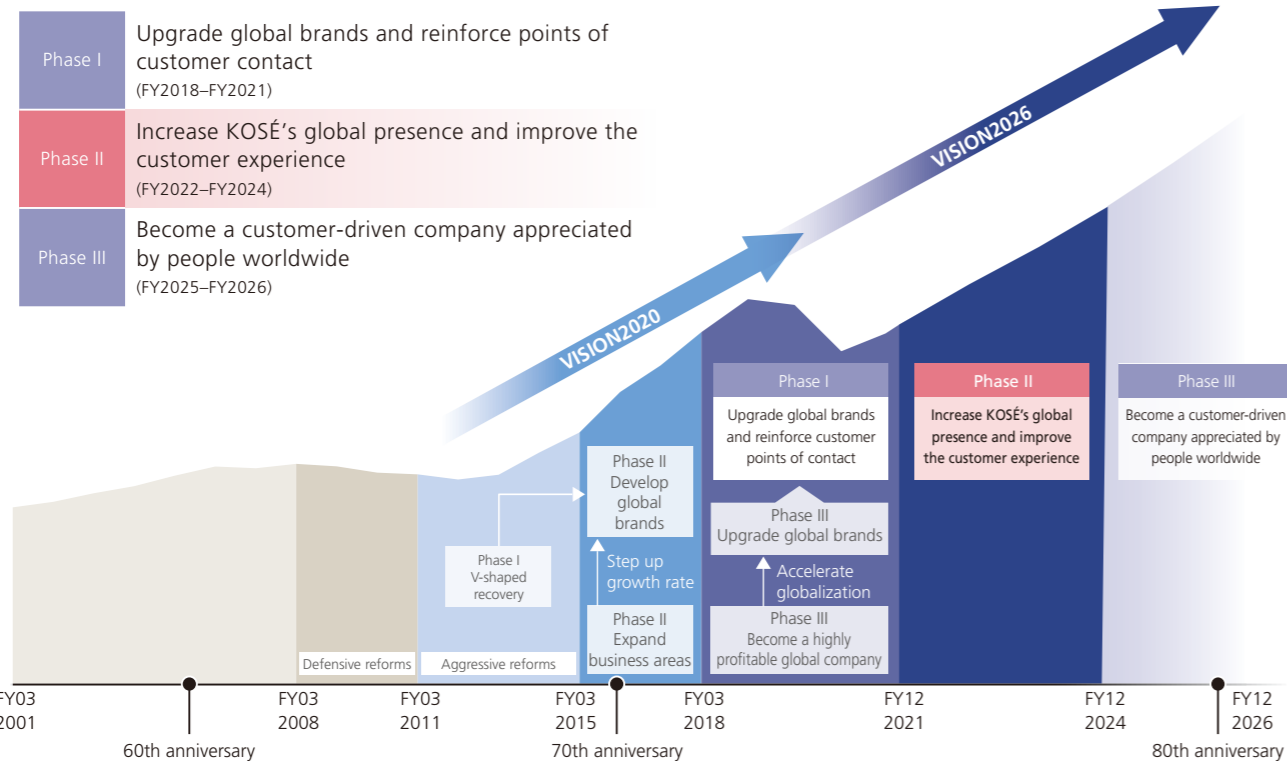
## Overview of Growth Strategies

The KOSÉ Group has formulated its medium-to-long-term VISION2026, under which it aims to evolve into a company with a global presence. Fiscal 2022 was the first year of Phase II: "Increase KOSÉ's global presence and improve the customer experience." In this section, we will review our progress during that year and explain our initiatives going forward.

### Theme and Roadmap

#### Evolving into a Company with a Global Presence

##### The three phases of VISION2026



### Progress toward Quantitative Targets

Indicators	FY2026 Target	FY2018*	FY2022
Net sales	¥500 billion	¥332.9 billion	¥289.1 billion
Operating margin	16% or more	15.7%	7.7%
Return on assets (ROA)	18% or more	18.6%	6.7%
Return on equity (ROE)	15% or more	18.8%	7.5%
Overseas sales ratio	50% or more	27.9%	43.6%
E-commerce/travel retail sales ratio	25% or more	13.6%	29.7%

\* Record high net sales and operating profit

From fiscal 2020 onward, progress toward our net sales and operating margin targets has been slower than expected due to the impact of the COVID-19 pandemic. Even so, we achieved our target ratio for e-commerce and travel retail sales and our overseas sales ratio is steadily rising, mainly due to

sales expansion in China and South Korea and increased sales of *Tarte* products.

From fiscal 2023 onward, we aim to accelerate our growth rate and expand KOSÉ's global presence.

### Basic Strategies and Initiatives for Fiscal 2023

Basic Strategies		Initiatives for Fiscal 2023
Three Growth Strategies	Accelerate global brand development	<ul style="list-style-type: none"> <li>▶ Further expand activities to ensure the growth of flagship global brands through strategic investment</li> <li>▶ Maximize demand from Chinese people (China mainland and travel retail)</li> <li>▶ Capture Western markets centered on <i>DECORTÉ</i> and <i>SEKKISEI</i></li> </ul>
	Proactively develop unique products	<ul style="list-style-type: none"> <li>▶ Increase global competitiveness through the study of state-of-the-art technologies and unique forms of value</li> <li>▶ Further evolve product creation through new material development and new manufacturing equipment</li> <li>▶ Embody Monozukuri2026 (sustainability and adaptability)</li> </ul>
	Explore new growth areas	<ul style="list-style-type: none"> <li>▶ Expand target genders and generations, and expand value proposition to areas of well-being</li> <li>▶ Expand use of digital technology (e-commerce, online-merge-offline, counseling)</li> <li>▶ Generate results from efforts in the areas of pharmaceuticals and hair salons</li> </ul>
Two Value Creation Vectors	Use digital technology for more and better personal customer experiences	<ul style="list-style-type: none"> <li>▶ Improve LTV* through customer-focused marketing across brands</li> <li>▶ Offer the value of cosmetics in the areas of well-being</li> <li>▶ Improve customer service quality by leveraging the benefits of both in-person and online counseling</li> </ul>
	Focus on unique forms of value by utilizing external resources and technologies	<ul style="list-style-type: none"> <li>▶ Leverage external technologies in the area of Monozukuri (manufacturing)</li> <li>▶ Create new types of value through open innovation</li> <li>▶ Collaborate with external resources from a global perspective</li> </ul>
Three Foundations	Build a sound foundation for the Company's growth	<ul style="list-style-type: none"> <li>▶ Manufacturing business process reengineering (BPR): Promote business reforms and build a sustainable production system, including at the Minami-Alps Factory (provisional name)</li> <li>▶ Increase business efficiency by reducing costs, inventories, and waste</li> <li>▶ Promote digital transformation as a global company</li> <li>▶ Invest resources in growth areas by improving labor productivity</li> </ul>
	Promote diversity and inclusion	<ul style="list-style-type: none"> <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>
	Develop a sustainability strategy spanning the entire value chain	<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>

\* Lifetime value for customers

### Fiscal 2022 Achievements and Challenges

In fiscal 2022, we expanded our presence on multiple e-commerce platforms in China and entered the duty-free business outside of Asia, which led to increased sales in both the China and travel retail markets. In addition, we worked to expand the online and offline markets for *Tarte*, including promotional activities on TikTok and store openings in the United Kingdom and Europe. For *DECORTÉ*, we used the launch of new products as an opportunity to gain wider approval among younger customers. Furthermore, in promoting our sustainability strategy we have made significant progress with our initiatives, including the decision to aim for effectively zero CO<sub>2</sub> emissions and carbon neutrality by 2040 and the acceleration of our collaborations with other companies in the field of sustainability.

### Key Initiatives for Fiscal 2023

To accelerate global development of our brands, we will make strategic investments with the aim of further increasing brand recognition of *DECORTÉ* and *SEKKISEI* in Western markets. For *Tarte*, we will strengthen promotion on social media and push forward with store openings. For *SEKKISEI*, we will continue our efforts from the previous fiscal year to increase awareness of the brand as one for all genders and age groups, and work to widen our target market by promoting a new sunscreen line.

In addition, given that we expect customer purchasing behavior to diversify as we expand our business areas, we will change our business division structure from one based on distribution channels to one that enables brand development from the customer's perspective, thereby strengthening our approach to customers beyond the boundaries of distribution channels.

# Financial Capital Strategy

The KOSÉ Group outlined three growth strategies in its medium-to-long-term VISION2026: 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. We will execute our growth strategies as a united Group.

## Fiscal 2022 Results and Fiscal 2023 Forecast

(Billions of yen)

	FY2022 Results		FY2023 Plan	
	Amount	% of Sales	Amount	% of Sales
Net sales	289.1	100.0%	305.0	100.0%
Cosmetics business	234.9	81.3%	249.8	81.9%
Cosmetaries business	52.2	18.1%	53.1	17.4%
Other	1.9	0.7%	2.0	0.7%
Operating profit	22.1	7.7%	21.0	6.9%
Ordinary profit	28.3	9.8%	20.3	6.7%
Profit attributable to owners of parent	18.7	6.5%	13.3	4.4%
Net income per share (basic)	¥329.03		¥233.11	
ROA	6.7%		5.6%	
ROE	7.5%		4.7%	
Capital expenditures	6.8		21.8	
Depreciation	9.7		10.8	

Note: Assumed exchange rates for the FY2023 plan are as follows: ¥130.0/US\$, ¥19.5/CNY, ¥0.102/KRW.

## Fiscal 2022 in Review

In fiscal 2022, despite a decrease in sales in South Korea and the impact of intermittent lockdowns in China, revenue increased compared to fiscal 2021 driven by sales of high-prestige products through the department store and specialty cosmetics store channels in Japan, and of *Tarte*, which is sold primarily in Western markets, as well as foreign exchange gains due to the depreciation of the yen.

Operating profit increased, reflecting a reduction in the cost of sales ratio and curtailment of SG&A expenses, in addition to the increase in revenue.

Ordinary profit and profit attributable to owners of parent increased significantly, also due to a rise in foreign exchange gains recorded as non-operating income.

## Forecast for Fiscal 2023

In Japan, recovery backed by the resumption of economic activity following the end of most pandemic restrictions is expected to continue; however, slowing growth rates in overseas countries may hold back the growth of Japan's economy. In China, the end of the zero-COVID policy is expected to lead to a full-fledged recovery in demand for cosmetics. In South Korea, sales at duty-free stores are expected to remain low because of intense competition with China. In the United States, economic growth is expected to remain slow with the continuation of high inflation and interest rates.

Given these circumstances, KOSÉ forecasts a 5.5% year-on-year increase in net sales to ¥305 billion in fiscal 2023. The forecast assumes that the Japanese and Chinese economies will recover following the lifting of COVID-19 restrictions, but the yen's depreciation in 2022 and the economic slowdown in the United States will impact results. Operating profit is expected to decrease 5.1% to ¥21 billion due to proactive investments in marketing and the effect of the yen's depreciation in the previous year.

Note: The forecast above is as of February 13, 2023.

The capital expenditure forecast is ¥21.8 billion, due mainly to construction of the Minami-Alps Factory. The depreciation and amortization forecast is ¥10.8 billion.

In fiscal 2023, KOSÉ will proactively invest in marketing to support further profit generation in fiscal 2024 and beyond.

For *DECORTÉ*, KOSÉ will promote retention and expansion of the customer base in Japan, which increased from the previous fiscal year, and invest in marketing to capture increased demand following the resumption of economic activity in China. We also plan to make upfront investments, primarily in the United States, to boost *DECORTÉ*'s presence in overseas markets beyond the Greater China region. These marketing investments are forecast to increase by ¥10.2 billion year-on-year. As for specific brands, we plan to allocate 60% of investments to *DECORTÉ*, 20% to *ALBION*, and 10% each to *Tarte* and to prestige brands including *SEKKISEI*.

The cosmetaries business, with brands and products in lower price brackets, is also performing well. One of KOSÉ's strengths is that it offers products at a wide variety of prices, spanning high-prestige and cosmetaries, and the Company will aim for growth in every price bracket.

## Improvement of Operating Efficiency

In addition to sales expansion, improved profitability is necessary for ongoing profit generation.

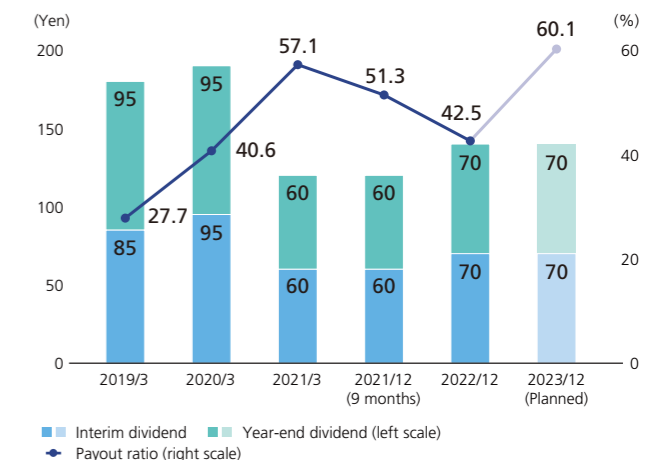
In fiscal 2023, KOSÉ will implement structural reforms based on four main themes. Our distribution channel-based strategy will involve strengthening investment in flagship stores and carrying out a review of the number of stores, and focusing on channel-specific sales strategies to increase sales per store. In terms of reorganization of the sales and marketing structure, we will review the number of Beauty Consultants and sales staff and redistribute them between stores as necessary. In our planning and manufacturing initiatives, we will accelerate business synergy through joint planning and development within the Group, and will work to reduce the cost of sales ratio with measures such as joint procurement of raw materials. Through DX and collaboration with other companies, we will continue to collaborate with Milbon Co., Ltd., Maruho Co., Ltd. and other partners, and offer new customer experiences using the latest digital technology at our Maison KOSÉ Ginza concept store.

## Stable Shareholder Returns

With regard to shareholder returns, the Company's basic policy is to stably return profits to all 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 2022 year-end dividend, the Company paid an ordinary dividend of ¥70 and an interim dividend of ¥70, resulting in a total annual dividend of ¥140. In fiscal 2023, the Company plans to maintain the total annual dividend at ¥140 despite the expected decline in profit. This will result in a payout ratio of 60.1%, a higher level than in previous years.

## Dividend/Dividend Payout Ratio



## 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.

# HIGH-PRESTIGE Brands

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.

Strengths and Opportunities	Key Initiatives
<ul style="list-style-type: none"> <li>Enhancement of high-quality products through proprietary cutting-edge technologies and research and development</li> <li>Highly specialized counseling sales system that incorporates the digital domain</li> <li>LIPOSOME series supported by customers of all ages</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen strategic investments and measures in China and in travel retail, our largest growth markets</li> <li>Increase awareness of the LIPOSOME series in the Chinese market, and accelerate the shift to a higher price bracket</li> <li>Develop and expand the Tarte brand into new countries in Europe</li> </ul>

### Initiatives in Fiscal 2022

As key initiatives, we focused on expansion strategies and increasing brand value in the Chinese and travel retail markets. Sales of DECORTÉ remained strong in Japanese department store and specialty cosmetics store channels, achieving double-digit growth. Overseas, sales were on par with the previous year, as sales in Chinese travel retail offset challenges to our performance on the Chinese mainland and in the South Korean travel retail sector. Specific measures included expanding our presence on multiple e-commerce platforms in China

and opening duty-free stores outside of Asia.

Sales of Tarte exceeded the previous fiscal year, as annual in-store sales results recovered to 2019 (pre-COVID-19) levels, including during the typically competitive holiday shopping season. We strengthened promotional activities on TikTok with the aim of increasing brand value and expanded our gift product lineup to increase Tarte’s presence as a “holiday brand.” Furthermore, we opened stores in the United Kingdom and Europe.

### Initiatives Going Forward

From fiscal 2023 onward, to further concentrate on our key global brands through strategic investment, we will accelerate the global development of the DECORTÉ and Tarte brands.

For DECORTÉ, we will maximize demand from Chinese people in China’s offline, online, and travel retail markets. In addition, having noted the large scale of the eyecare category in the Chinese and Western skincare markets, we launched Liposome Advanced Repair Eye Serum in March

2023, and we will work to further increase awareness of the LIPOSOME series globally.

For Tarte, launches of unique new products and social media promotions were successful, helping to achieve the third-largest share of the United States prestige makeup market in fiscal 2022, a new record for the brand. We will continue to strengthen promotions on social media and accelerate store openings with the aim of increasing sales.

### Highlight First Exhibition of Mixed Reality Makeup at CES

In January 2023, KOSÉ exhibited Mixed Reality Makeup, a makeup simulator that uses high-speed projection mapping technology, at CES 2023\* in the United States. This was a first for a major Japanese cosmetics manufacturer.

Mixed Reality Makeup enables anyone to instantly try a variety of makeup looks. Many visitors who tried the simulation commented that they were impressed by it. The service also drew attention for the entertainment aspect, and can be expected to have practical applications in other business areas.

\* The Consumer Electronics Show (CES) is one of the world’s largest

exhibitions for showcasing technologies



# PRESTIGE Brands

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.

Strengths and Opportunities	Key Initiatives
<ul style="list-style-type: none"> <li>Development of high-value-added products unique to KOSÉ through mass retail channels such as drugstores</li> <li>A large portfolio of long-selling items that support “being a source of beauty for everyone”</li> <li>Development of brands from a long-term perspective and design of sales channels tailored to customer characteristics</li> </ul>	<ul style="list-style-type: none"> <li>Promote the flagship SEKKISEI series as a brand for all genders and age groups</li> <li>Conduct cross-Group promotions in the sensitive skincare category, which continues to grow</li> <li>Approach a wider range of age groups with a new ultra-hydrating lotion launched under the ONE BY KOSÉ brand</li> </ul>

### Initiatives in Fiscal 2022

In Japan, despite the impact of the COVID-19 pandemic during the first quarter, demand is steadily returning with the resumption of normal consumer activity as travel restrictions are eased.

Although we faced challenges throughout the year in mass retail channels such as drugstores, our flagship prestige brand SEKKISEI bounced back in the second half of the year as the result of strengthened promotions,

returning to positive growth by the fourth quarter. In addition, Carté HD steadily increased its share of the sensitive skin market.

As a result of collaboration with Kao Corporation, we have also started using environmentally friendly chemically recycled PET material in some of our SEKKISEI and Prédia product containers. This is helping to reduce CO<sub>2</sub> emissions in the manufacturing process.

Strategy by Brand

Initiatives Going Forward

We will continue to promote *SEKKISEI* globally in fiscal 2023 as a brand for people of all genders and age groups. Figure skater Yuzuru Hanyu and actress Yui Aragaki will continue to serve as the brand's image models, and we have entered into a new global advertising contract with U.S. Major League baseball player Shohei Ohtani. By adopting new visuals in promotions for UV protection

products, we will approach a wider range of customers regardless of their gender or age group.

Furthermore, we will conduct cross-Group promotions in the sensitive skincare category, which is continuing to grow, and improve LTV\* through customer-focused marketing.

\* Lifetime value for customers

**Highlight** Reorganization of Business Divisions to Build Brands Based on Customer Needs

We reorganized our business divisions with the goal of enhancing brand growth based on a customer perspective. Recently, it is increasingly common for customers to purchase cosmetics without any preference for specific retail channels or price brackets. As customer purchasing behavior continues to diversify, we will respond by moving away from our previous business division structure based on distribution channels and meet customer needs by strengthening our approach for individual brands beyond the boundaries of each channel. In response to the growth of the clean beauty market, we have also established the Clean Brand Office to oversee three brands: *SEKKISEI*, *Predia*, and *Spawake* (which is marketed in India).



# COSMETARIES Brands

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"

Strengths and Opportunities	Key Initiatives
<ul style="list-style-type: none"> <li>Lineup of self-selection brands developed using the same approach we use to develop cosmetics</li> <li>Potential to offer high-quality cosmetics and toiletries at affordable prices</li> <li>Widening of cosmetics usage through development of genderless products</li> </ul>	<ul style="list-style-type: none"> <li>Focus on promotion of core products such as cleansing, hair care, and sunscreen</li> <li>Focus on increasing profitability by strengthening the domestic sales infrastructure</li> </ul>

Initiatives in Fiscal 2022

The cosmetaries business was strongly affected in the first quarter by measures to prevent the spread of COVID-19, but soon returned to positive growth and performed favorably from the second quarter onward. With notable strong performances from *CLEAR TURN*, *STEPHEN KNOLL NEW YORK*, *Visée* and *FASIO*, operating profit increased by 182% (after adjustment). The operating profit margin also

showed signs of recovery.

The normalization of wearing face masks has increased the need for specialized eye makeup. With *Visée*, we started a more genderless approach to appeal to customers, including the introduction of a male brand image model.

Initiatives Going Forward

We will focus on expanding our market share in each category and acquiring new customers, by achieving a recovery in sales in the hair care category and by developing new products in popular series.

The *Je l'aime Relax* hair care series developed by KOSÉ Cosmeport Corp. was renewed in March 2023. The new series helps prevent hair from becoming messy while sleeping, resulting in easier-to-manage hair in the morning.

Under the concept of nighttime beauty that nurtures hair during sleeping hours, and with an in-bath and out-of-bath product lineup, we aim to increase brand sales in the hair care category. We will also turn *MAKE KEEP MIST EX*, which has sold over seven million units in total since its launch in 2019, into a series. In March 2023 we launched *MAKE KEEP POWDER*, with the aim of raising brand awareness and recognition.

\* As of November 2022

**Highlight** Launch of the *CLEAR TURN Tekari Genji* Series to Care for Oily Skin

The *Tekari Genji* series was launched in February 2023 to provide specialist care for oily skin as part of KOSÉ Cosmeport's popular *CLEAR TURN* brand, which includes sheet masks and other products.

*Tekari Genji Mask* supplies the skin with moisture and can also be used as an exfoliating wipe. When used in tandem with *Tekari Genji Mochimochi Black Facial Wash*, it makes caring for and maintaining skin even more effective. With an increase in the number of people experiencing a range of skin issues caused by wearing face masks, there is a growing need for facial cleaning and moisturizing skincare products, and we have responded by enhancing the product lineup with new items. We aim to attract new customers while providing greater satisfaction to existing customers.





# Progress of the 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.

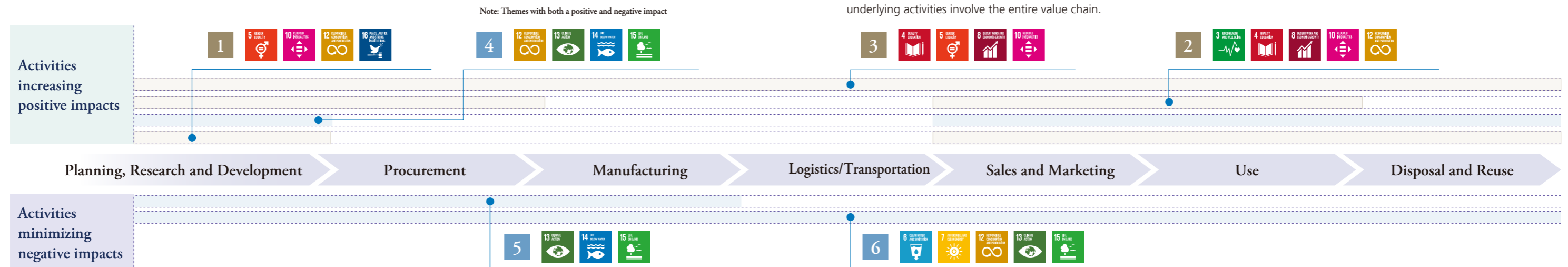
See the KOSÉ website for information regarding progress and results. [More details](#)

For People: Medium-to-Long-term Targets of Activity Themes and Fiscal 2022 Progress						
Activity Theme	Commitment	Indicators	Fiscal 2022 results	Target	Achieve by	Relevant SDGs
<b>1</b> A source of adaptable products and services	We will contribute to 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.	Ratio of products and services reflecting the concept of adaptability	<ul style="list-style-type: none"> <li>Ratio of products and services reflecting the concept of adaptability <b>71.8%</b><sup>1,2</sup></li> <li>Conducted internal awareness-raising activities related to the adaptability concept</li> </ul>	100%	2030	
<b>2</b> Support for a beautiful, healthy and happy life	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 awareness for the next generation, and enhancing the work environment, including our supply chain, through fair trade initiatives.	Implementation of specific activities	<ul style="list-style-type: none"> <li>Diversity in education for children, including an exhibition at KidZania</li> <li>Started demonstration tests to verify effectiveness of skincare habits from early childhood</li> <li>Held makeup seminars for single mothers</li> <li>Supported promotions of sports: <b>44</b> (cumulative since fiscal 2020)</li> </ul>	30 activities or more	2030	
		Responsible palm oil procurement	<ul style="list-style-type: none"> <li>Continued to hold RSPO<sup>3</sup> supply chain certification</li> <li>Purchase rate for RSPO certified materials procurement and for RSPO Credits through the Book and Claim supply chain model: <b>20.7%</b></li> </ul>	100%	2030	
<b>3</b> Help create a world with true gender equality	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.	Gender equality awareness	<p>Activities for society</p> <ul style="list-style-type: none"> <li>Provided tuition support at a girls' junior high school in Tanzania and awarded commemorative gifts to graduates (SEKKISEI)</li> <li>Conducted awareness-raising activities to help resolve social issues, such as supporting women who work on traditional crafts and women who need to be protected from social problems (e.g., domestic violence) via the PURPLE RIBBON PROJECT (DECORTE)</li> </ul> <p>Internal activities</p> <ul style="list-style-type: none"> <li>Promoted the "KOSÉ IKUPAPA Support System" to encourage male employees to take childcare leave</li> <li>Conducted various seminars for building career awareness and promoting diversity and inclusion <b>108,325 people</b> (cumulative since fiscal 2020)</li> </ul>	100,000 people or more	2030	

1. KOSÉ Corporation brands and KOSÉ Cosmeport Corp.'s major brands  
 2. Each brand selects one or more items from KOSÉ's eight unique Adaptability<sup>®</sup> initiatives to focus on for that year, and the number of products and services realized under each initiative is counted against the total number to calculate the overall ratio  
 3. RSPO: Roundtable on Sustainable Palm Oil 4. Scheduled for updates in July 2023 after third-party verification 5. Reduce/Reuse/Recycle/Renewable  
 6. Results for new products launched between January and December 2022 7. Reduce, Reuse, Recycle 8. KOSÉ Group production departments

For the Earth: Medium-to-Long-term Targets of Activity Themes and Fiscal 2022 Progress							
Activity Theme	Commitment	Indicators	Fiscal 2022 results	Target	Achieve by	Relevant SDGs	
<b>4</b> Use the theme of beauty to help resolve environmental issues	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.	Area planted with coral reefs	<ul style="list-style-type: none"> <li>Promoted the SEKKISEI SAVE the BLUE Ocean Project <b>11,858 m<sup>2</sup></b> (cumulative since fiscal 2009)</li> </ul>	20,000 m <sup>2</sup> (About 53 times the area of a 25 m regulation-size swimming pool)	2030		
		Increase in awareness of environmental issues through products and services	<ul style="list-style-type: none"> <li>Activities involving the SEKKISEI brand</li> <li>Expanded KOSÉ Green Bazaar campaign to promote eco-consciousness with customers: <b>5,947,387 people</b> (cumulative since fiscal 2020)</li> </ul>	10 million people or more	2030		
<b>5</b> Environmental conservation programs in areas where KOSÉ operates	We will co-exist and prosper with local communities, conducting environmental conservation activities especially at production facilities, which have a significant impact on the environment.	Local community conservation activities	<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> <li>SEKKISEI SAVE the BLUE Snow Project</li> <li>Planted trees in Yamanashi Prefecture through the BIOLISS PEACEFUL GREEN project as a BIOLISS brand initiative (KOSÉ Cosmeport Corp.)</li> </ul> Number of initiatives conducted: <b>11</b> (cumulative since 2020)	20 activities or more	2030		
<b>6</b> Lower the overall environmental impact of business operations	We will promote environmental protection and realize sustainable palm oil procurement in order to grow together with society.	Reduction of CO <sub>2</sub> emissions	Reduce Scope 1 and 2 CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Set new medium-to-long-term CO<sub>2</sub> reduction targets</li> <li>Formulated a low-carbon transition plan</li> <li>Scope 1 and 2 CO<sub>2</sub> emissions reduction: <b>33.0%</b> (total emissions reduction vs. 2018, before verification by third parties)<sup>4</sup></li> <li>Emissions: 17,191.7t-CO<sub>2</sub></li> </ul>	-55% (target for total emissions reduction vs. 2018)	2030	
			Reduce Scope 3 CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Calculated carbon footprints of products</li> <li>Scope 3 CO<sub>2</sub> reduction: <b>31.6%</b> (total emissions reduction vs. 2018, before verification by the third parties)<sup>4</sup></li> </ul>	-30% (target for total emissions reduction vs. 2018)	2030	
		Sustainability-conscious design for plastic packaging materials	<ul style="list-style-type: none"> <li>Promoted plastic usage reduction and adoption of products made from sustainable materials</li> <li>4Rs<sup>5</sup> compliance rate: <b>29.0%</b><sup>6</sup></li> </ul>	100%	2030		
		Reduce use of water resources through responsible practices	<ul style="list-style-type: none"> <li>Promoted 3 R<sup>7</sup> activities for water resources</li> <li>Reduced water use (water intake): <b>5.9%</b><sup>4,8</sup> (per production unit, total reduction vs. 2018, before verification by third parties)</li> </ul>	-12% <sup>8</sup> (Production units vs. 2018)	2030		
		Responsible waste reduction/recycling	<ul style="list-style-type: none"> <li>Participated in horizontal recycling verification test for refillable containers for products such as shampoo and cosmetics</li> <li>Collected used product containers</li> <li>Supported upcycling initiatives using makeup products that have been fully used</li> </ul> Number of initiatives conducted: <b>14</b>	At least 20 new initiatives for waste reduction and resource recycling	2030		
		Non-recyclable waste	<ul style="list-style-type: none"> <li><b>100%</b> recycling rate at Group production factories</li> </ul>	Zero non-recyclable waste <sup>8</sup>	2025		
We will promote environmental protection and realize sustainable palm oil procurement in order to grow together with society.	Responsible palm oil procurement	<ul style="list-style-type: none"> <li>Procured RSPO<sup>3</sup> certified oil</li> <li>Procurement ratio of RSPO certified materials and purchase ratio of RSPO Credits through the Book and Claim supply chain model: <b>20.7%</b></li> </ul>	100%	2030			

## Activity Themes and Their Impact on the Value Chain



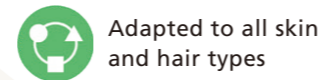
The activity themes defined in the KOSÉ Sustainability Plan involve the entire product lifecycle and value chain from raw material procurement to disposal, but we expect the activities to have the greatest impact on our value chain in the areas shown below. The underlying activities involve the entire value chain.

# For People

## 1 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 type and hair color, as well as gender, age, sociocultural and geographical background such as country or region, living environment, religion and creed—can live confidently and beautifully. The Sustainability Promotion Committee (as a subcommittee) manages the progress of Adaptability<sup>∞</sup> initiatives being promoted by each brand.

### Development of DECORTÉ Products for Diverse Skin Types



DECORTÉ is a high-value-added brand that brings together KOSÉ's advanced technologies. Research and development is ongoing, with the goal of providing products that suit all skin types.

We launched ZEN WEAR Fluid liquid foundation in 40 different shades, based on global research into the diverse characteristics of skin and designed to make individual skin tones glow beautifully. We also launched Liposome Advanced Repair Serum, a product designed for diverse skin types and that has benefits for everyone.

We will continue to further enhance our global presence as a truly innovative brand supported by everyone.



[More details](#)

### Proposing Beauty Unconstrained by Gender or Generation

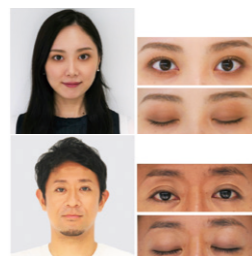


Under the themes of the 3 Gs ("Global," "Gender," and "Generation"), KOSÉ is exploring new possibilities for beauty with the aim of developing new customer bases and creating unique value. To drive these activities, we are planning and developing products with global appeal, and hiring models to promote them.

Moving forward, we will continue to contact a very wide range of customers and understand their needs, regardless of nationality or location, gender, or age, providing comfort and vibrancy both mentally and physically through beauty to help realize a society where everyone can shine in their own way.



We entered into a global advertising contract with Shohei Ohtani, a U.S. Major League baseball player with the Los Angeles Angels



We launched Visée eyeshadow that elegantly highlights the eyes, regardless of gender, when applied above and under the eyes



A new commercial for our SEKKISEI skincare brand features Yuzuru Hanyu, an Olympic medal-winning figure skater

## 2 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. We strive to realize better lifestyles through measures such as improving quality of life, supporting sports, and raising awareness for the next generation. In particular, we are focusing on initiatives aimed at future generations, to coordinate with "Generation" as part of the 3 Gs. The value that the KOSÉ Group offers to stakeholders is created through the efforts of various divisions and projects, and this in turn is generating new initiatives.

### Opening of BEAUTY STUDIO at KidZania Tokyo

We put forward "Generation" as an ideal, as one aspect of the 3 Gs and of our approach to create new customers. We are supporting the growth of the next generation from the perspective of creating healthy skin through cosmetics, such as promoting skincare and UV care habits from early childhood.

In October 2022, we opened the BEAUTY STUDIO pavilion at KidZania Tokyo. With the concept of "making beauty freely available to all," the gender-neutral interior and contents are designed to eliminate the general belief that cosmetics and

beauty are only for adult women, and to enable the next generation of children to experience cosmetics without preconceptions. We aim to provide each child with their own unique experience of beauty, bring them into contact with diverse values and nurture their sense of inclusiveness to accept said values.



[More details](#)

### Initiatives to Form Good Skincare Habits from Early Childhood

Helping children independently form good skincare habits is the aim of demonstration testing called "Support to Start and Maintain Skincare." The testing began in October 2022 at Takasago School Otaka no Mori, a certified childcare center, in cooperation with a pediatric allergy specialist team (Chiba Aiyukai Kinen Hospital).

Practicing skincare from early childhood is expected to improve quality of life over a lifetime, in terms of keeping skin healthy and helping to prevent atopic dermatitis and allergies. However, amid an increase in the number of households in which both parents work and other factors, skincare routines for children can be difficult to maintain in an environment where parents have less time for childcare. With this in mind, we trialed our first initiative at childcare centers, where children

spend a lot of their time. We produced the *My First Skincare Kit* (lotion, a skincare guide, and a skincare picture book) and found that when lotion application and reading aloud from the skincare picture book was incorporated into the time children spent at kindergarten, they naturally developed an interest in skincare. This confirmed that independent skincare habits can be established from the age of two onward, when other lifestyle habits such as tooth brushing are first learned.

Going forward, results and opinions obtained from this demonstration testing will be used to popularize good skincare habits for children and to develop products that children can use safely.



[More details](#)

For People

### 3 Help Create a World with True Gender Equality

The growth of the KOSÉ Group will require the capabilities of every one of our 13,179 employees worldwide. In the early days following the Company's foundation, its business was supported by female customers. Now, we consider it our duty to support society from a genderless perspective. Aiming to realize a society where diversity is respected and every person's individual talents can be recognized, we will work both within and outside the Company to eliminate the gender gap in society.

#### 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.

We conduct employee awareness surveys and 360-degree assessments, including reviews of these initiatives. In our fiscal 2022 survey, we found that Company loyalty and job

satisfaction among employees tended to be higher than the average for the working population as a whole. In addition, compared to the previous survey, we found that the level of satisfaction with the Company among female employees had significantly improved.

- Promotion of system to encourage male employees to take childcare leave (Rate of taking leave in fiscal 2022: 88.2%) (domestic Group companies)
- Launched an internal information sharing website to disseminate information on topics such as balancing a career with childcare/nursing care
- Conducted seminars led by female executives



#### KPI Targets Related to Gender Diversity (Excerpt)

Ratio of Female Managers **33%** Ratio of Female Employees in Leadership Positions **50%**

Scope: KOSÉ Group  
Target period: By fiscal 2026

[More details](#)

#### Initiatives to Eliminate the Gender Gap Outside the Company

Each brand is promoting activities to support women in line with its own policies. In our efforts to eliminate the

gender gap, we are also promoting support for active roles for women throughout the Company.



#### INFINITY Share the Bloom Campaign

[More details](#)

Contributed to improving living conditions for people working on rose farms in Ethiopia



#### DECORTÉ PURPLE RIBBON PROJECT

[More details](#)

Conducted awareness-raising activities to resolve social issues for women



#### COSME BANK Project

[More details](#)

Participated in a project that delivers cosmetics and daily necessities donated by cooperating companies to people in single-parent households who are unable to access cosmetics due to various reasons

For the Earth

### 4 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 social issues. The Sustainability Promotion Committee (as a subcommittee) coordinates with each brand in promoting their sustainability initiatives and managing their progress.

#### SEKKISEI SAVE the BLUE Snow Project—A New Snow Protection Activity

The SEKKISEI SAVE the BLUE project focuses on environmental conservation and awareness-raising activities. A portion of sales during the campaign period is donated to environmental conservation activities.

In recent years, the amount of snowfall is said to have been decreasing due to global warming. SEKKISEI was named to invoke beautiful skin with the translucent quality of snow, and has started activities to "protect the snow" in response to this situation.

The winter campaign, SEKKISEI SAVE the BLUE Snow Project, started in fiscal 2022. A portion of sales from selected SEKKISEI brand products purchased by customers during the campaign period will be donated for use in projects related to the conversion to renewable energy for electric power

generation in Hakuba Valley (Nagano Prefecture), thereby helping to reduce CO<sub>2</sub> emissions.

We will boost our "protect the snow" activities in collaboration with the Winter Industry Revitalization Agency, the Ski Association of Japan, and the Japan Para-Ski Federation, as well as by working directly with winter sports athletes.



[More details](#)

### 5 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. The Sustainability Promotion Committee (as a subcommittee) manages the progress of environmental conservation activities at each business site. We also work in partnership with stakeholders.

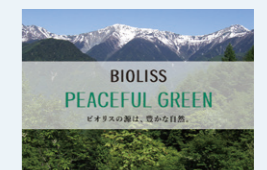
#### KOSÉ Cosmeport Donates a Portion of BIOLISS Profits to Environmental Conservation Activities in Minami-Alps City

BIOLISS, a haircare brand developed by KOSÉ Cosmeport Corp., is based on the concept of creating sustainability-conscious products. In January 2021, KOSÉ Cosmeport launched the BIOLISS PEACEFUL GREEN project to support tree-planting activities, and is working to broaden its environmental conservation initiatives.

Through the project, a portion of product sales was donated to the Satoyama Restoration Project at the UNESCO ECO Park in Minami-Alps City, using the corporate version of

Japan's hometown tax donation system.

We will continue to collaborate and coordinate with Minami-Alps City in Yamanashi Prefecture, while promoting the development and revitalization of local communities and the conservation of the beautiful natural environment.



[More details](#)



For the Earth

## 6 Lower the Overall Environmental Impact of Business Operations

Our beautiful global environment is the source of healthy lives for all of us. In addition, because many of the ingredients in cosmetics are obtained from 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. In addition, to further strengthen our response to climate change, we revised our 2030 CO<sub>2</sub> emissions reduction<sup>1</sup> targets upward in July 2022, in line with the SBT target of 1.5°C,<sup>2</sup> with the aim of achieving carbon neutrality<sup>3</sup> by 2040.

- CO<sub>2</sub> is the only greenhouse gas that the KOSÉ Group targets for emissions reductions in relation to its business activities.
- A target consistent with the level required by the Paris Agreement, advocated for by the Science Based Target initiative (SBTi). Set based on scientific evidence to limit the overall rise in the average global temperature to 1.5°C above pre-Industrial Revolution levels.
- Carbon neutral: Balancing the amount of greenhouse gas emissions against their absorption and removal, to effectively achieve zero emissions

### Governance

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.

### Strategy (Scenario Analysis and Countermeasures)

The KOSÉ Group conducts 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 also use the scenarios as a reference in examining business strategies to realize our envisioned future

for society and the planet. 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> emissions reduction in its operations, formulated a Low Carbon Transition Plan in July 2022, and is promoting initiatives to realize a non-carbon society.

### Risk Management

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.

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

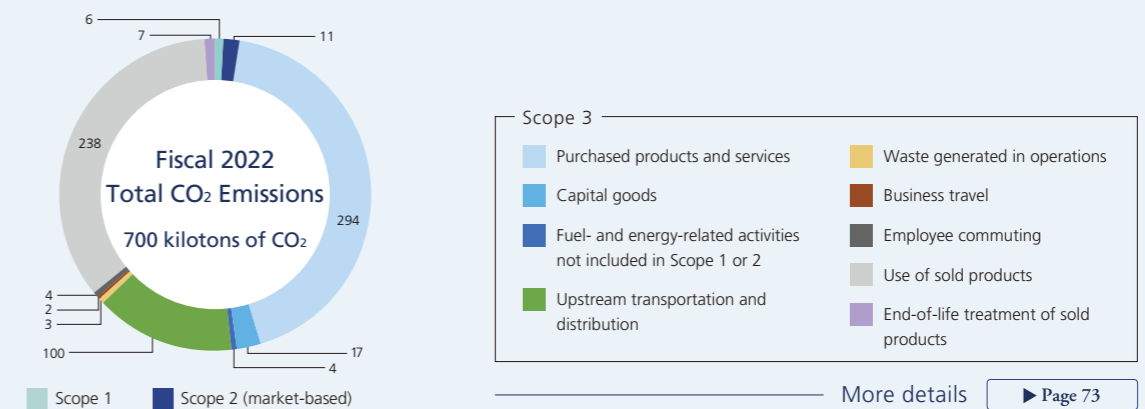
### Indicators and Targets

Based on the results of the climate change scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO<sub>2</sub> emissions reduction in its operations. Accordingly, we set CO<sub>2</sub> greenhouse gas emissions reduction targets for 2030 (based on FY2018 levels) as one of the activity themes in the

KOSÉ Sustainability Plan. The targets are 55% for Scope 1 and Scope 2 emissions (in line with the SBT of 1.5°C<sup>1</sup>), and 30% for Scope 3 emissions throughout the value chain (to achieve SBT validation<sup>2</sup>).

- A target consistent with the level required by the Paris Agreement, advocated for by the international Science Based Target initiative (SBTi). Set based on scientific evidence to limit the overall rise in the average global temperature to 1.5°C above pre-Industrial Revolution levels.
- Targets are assessed and approved by the SBTi.

Breakdown of Fiscal 2022 CO<sub>2</sub> Emissions by Scope (Kilotons of CO<sub>2</sub>)



### The KOSÉ Group's Risks and Opportunities

Type	Risks/Opportunities	Impact	Size of Impact* on KOSÉ		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 the Earth

**Initiatives to Visualize CO<sub>2</sub> Emissions in Numbers, Starting with SEKKISEI Products**

We have started initiatives to visualize the carbon footprint (CFP) of each product—a measure of calculating CO<sub>2</sub> emissions through the product lifecycle, from raw material procurement through to disposal and recycling—in numbers.

These initiatives have begun with the SEKKISEI CLEAR WELLNESS series, and involve calculating the CFP for each product and presenting this information in a way customers can easily understand. The series is part of our flagship SEKKISEI skincare brand, which is a driving force behind our sustainability activities.

Currently, we are pushing forward with decarbonization strategies to meet the CO<sub>2</sub> reduction targets we set for 2030, and are aiming to achieve carbon neutrality<sup>1</sup> by 2040.

We will continue to work with all stakeholders and accelerate Group-wide initiatives to realize a decarbonized society.



1. Carbon neutral: Balancing the amount of greenhouse gas emissions against their absorption and removal, to effectively achieve zero emissions

[More details](#)

**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.

[More details](#)

Other Initiatives to Reduce Our Environmental Impact

[More details](#)

Information Disclosure in Accordance with TCFD Recommendations

[More details](#)

**Mind to Follow the Right Path**

**1 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 is based on international human rights standards and clearly sets out our position on respecting human rights. Based on this policy, we use assessments by third-party organizations to conduct a Human Rights Risk Assessment\* aimed at determining possible negative impacts and issues to be addressed. After the Board of Directors passes a resolution on the assessment, the findings are shared throughout the Company.

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

**Human Rights Due Diligence**

The KOSÉ Group is promoting human rights due diligence in keeping with the United Nations’ “Guiding Principles on Business and Human Rights (UNGPs),” aimed at addressing human rights issues relevant to the Group that may arise and

are identified through the Human Rights Risk Assessment. In addition, we are establishing internal and external contact points for consultation on human rights issues.

**Continuously Monitoring Human Rights Issues in the Raw Materials Procurement Supply Chain**

As the Group uses palm oil, minerals and numerous other natural resources and raw materials in its products, it monitors the supply chain through initiatives that determine the possible existence of negative impacts. We grasp the status of the supply chain and promote initiatives to make corrections through supplier surveys and engagement with workers in areas where materials are sourced.

**Diversity and Inclusion in the Company and Human Rights in the Workplace**

In promoting diversity and inclusion, the Group has judged it necessary to understand gender diversity, including (but not limited to) LGBTQ+, and to gain a deeper understanding of the increasingly varied national and cultural backgrounds of employees. We therefore conduct a number of initiatives, including internal awareness-raising activities, toward realizing a workplace culture where diverse personnel can play a more active part.

**Communication of Information and Our Responses (Public Relations, Advertising, Customer Service, Product Explanations, etc.) with Diversity in Mind**

To avoid unintentionally sowing the seeds of a rigid (potentially restrictive or discriminatory) set of values in society through our public relations, advertising and customer service, we conduct

internal training and awareness-raising activities. We also disseminated messages of respect for diversity, as part of various efforts designed to have a positive impact on society.

Human Rights Policy and Promotion Structure [More details](#)

Human Rights Due Diligence [More details](#)

**2 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.

**Policy for the Development of Skills**

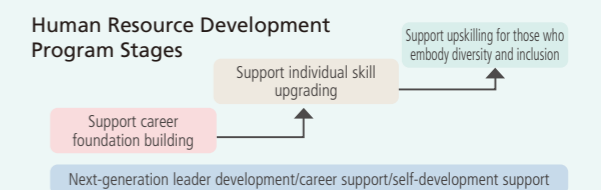
In a rapidly changing market environment, we believe it is important to continue acquiring new skills to be able to adapt to these changes. The KOSÉ Group Code of Conduct clearly states that we will respect the human rights capabilities, individuality, and values of each person. Based on this code, we have formulated the Human Resource Development Policy, which advocates for personal development. To this end, we provide opportunities for various types of training and support for personal development, and are establishing other supportive measures.

We have introduced a mentoring system for new graduate employees, carry out self-review sessions for employees ready to move to the next stage of their careers, and provide upskilling opportunities.

We have maintained a low average employee turnover rate within three years\* of joining, at 7.5% (as of the end of

December 2022), and continue to promote creating a corporate culture of self-directed growth and career development.

KOSÉ also holds skill development training for all responsibility levels and provides opportunities for practical training suited to specific business units and departments, to support personal growth. In addition, we conduct training in the form of projects for generating innovation and provide upskilling and career switch programs for Beauty Consultants. We are also working on initiatives to develop the skills of employees to create new value through diversity and inclusion.



\* Among graduate employees who joined the Company in regular full-time positions in 2020, 2021, and 2022, as of December 2022

Human Resource Development and Career Building [More details](#)

Mind to Follow the Right Path

### 3 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 in the fact 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.



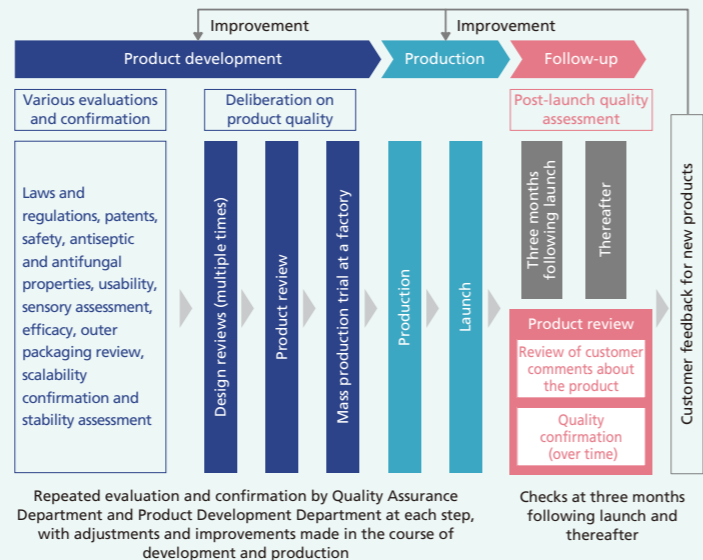
1. An award given in Japan to companies and individuals who have successfully implemented total quality management of industrial products. (Organizer: Union of Japanese Scientists and Engineers) <https://www.juse.or.jp/english/>
2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products

#### Quality Control That Prioritizes Safety and Peace of Mind

Cosmetics are applied directly to the skin and hair, so it is important that we prioritize safety 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.

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



[More details](#)

### 4 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.

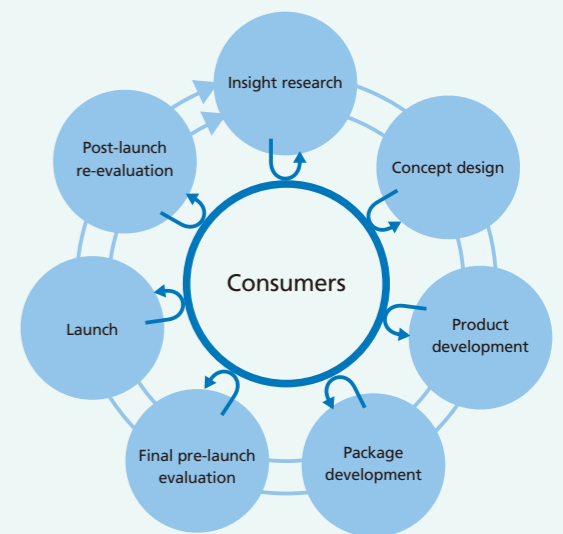
#### Closer to Our Customers—A Product Development Process Based on Design Thinking

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 further evolve our activities from the customer’s perspective, we believe it is important to incorporate not only the feedback from our usual customers, but also from consumers with diverse backgrounds. We have thus established a product development process which reflects the voices of all kinds of consumers (see the figure on the right) and develop a manufacturing system that introduces adaptability at a higher level. 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 development and improvements for better products and services. It 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 is readily accessible. In addition, the Customer Service Center regularly holds meetings with related departments to discuss suggestions for improvement, leading to product refinements and renewals based on customer feedback.

We will continue working to develop products and services that are easy for all customers to use and that take sustainability into consideration.

[More details](#)

#### Case Study of Product Improvement Reflecting Customer Feedback

**DECORTÉ's ROUGE DECORTÉ**  
 Color numbering on the package was made larger and bolder to increase visibility



Mind to Follow the Right Path

## 5 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 KOSÉ Beauty Partnership concept outlined in our medium-to-long-term VISION2026, 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.

[More details](#)

### Promoting Sustainability in the Supply Chain

We conduct sustainable, responsible procurement for raw materials that is considerate of society, the environment, and human rights, 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.

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

#### Monitoring Activities for Responsible Procurement

Every year, we conduct a self-assessment questionnaire (SAQ) for sustainable procurement for our main suppliers in Japan and overseas. In fiscal 2022, we asked 157 suppliers, whose cost of goods procured accounted for 95.9% of the total, to complete the questionnaire, and received responses from 100% of them. We conducted interviews with 28 suppliers with low scores, and as of the end of December 2022 we confirmed that there were no particular CSR procurement risks.

#### Response to Procuring Sustainable Palm Oil

The KOSÉ Group acquired RSPO\* Supply Chain Certification Standard (SCCS) in December 2021 for its head office, related sites, and main factories. In 2022, we renewed our accreditation after passing a follow-up certification assessment. We will continue working hard to actively procure RSPO certified raw palm oil and to promote sustainable procurement with our suppliers.

\* 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. We utilize 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



#### Establishment of Compliance Help Desk

The KOSÉ Group has established a Compliance Help Desk to handle inquiries both internally and externally 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. Whenever we receive either an internal or

external report, we ensure that the anonymity of the reporting party is protected and that they do 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.

[More details](#)

## External Evaluations

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

FTSE4Good Index Series



2022 Constituent MSCI Japan Empowering Women Index (WIN)

2022 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 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 2022 and Supplier Engagement Rating Leaderboard 2022



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



2023 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 2023



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

[More details](#)

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)



Japan Clean Ocean Material Alliance (CLOMA)



Declaration of Consumer Orientation



MATSURI MicroAlgae Towards Sustainable & Resilient Industry



COSME BANK Project



Kobe Plastic Next: Joining Forces to Recycle Refill Packs

