



To deliver the true value of cosmetics that make the world a brighter place and bring a glow to people's hearts, we will go beyond the borders of Global, Gender, and Generation. We will closely support each individual customer as we work to create original value.

Kazutoshi Kobayashi  
President & CEO

## An Era of Diversity That Calls for Adaptable Products and Services

In 2022, we started to see a gradual recovery from the effects of the COVID-19 pandemic in many parts of the world. Amid this trend, I had the strong sense that diversity-based beauty awareness had further taken hold in society. Words and phrases such as “genderless” and “diversity and inclusion” have been in the public consciousness for some time now, and in 2022 I truly felt the increasing acceptance of these concepts by individuals and society as a whole. There has been an increase in skincare and makeup routines that are influenced by gender equality in beauty, and we have seen increasing demand for adaptable products and services from our markets.

The outlook for the market environment remains as unclear as ever, due partly to the situation in Ukraine and the resulting drastic increase in the cost of raw materials, among other factors. Even so, demand for travel retail in Asia is on the rebound, and cosmetics markets in the United States are also growing steadily, supported by reliable consumer spending. In Japan, demand for inbound tourism is returning, but rather than simply placing our expectations on such demand, we should recognize inbound tourism as an opportunity to make contact with new customers. Even after customers who discover our products and services return to their home countries, we see it as very important that we continue to develop their brand loyalty to KOSÉ by urging them to use our products on a daily basis. Now that activities that were delayed during the pandemic are resuming, we will endeavor to anticipate consumer behavior and, through our products and services, present society with the opportunity to stimulate such behavior, and promote building a solid customer base.

Looking at our results for fiscal 2022, sales in Japan rose year on year, driven by the favorable performance of high-prestige brands such as *DECORTÉ*, *ADDICTION*, and *JILL STUART*, showing that the cosmetaries business is basically recovering. Overseas, while we saw higher sales for *Tarte*, for which operations have developed mainly in the United States, sales in Asia only rose marginally due to the impact of China's prolonged zero-COVID policy. Looking ahead,

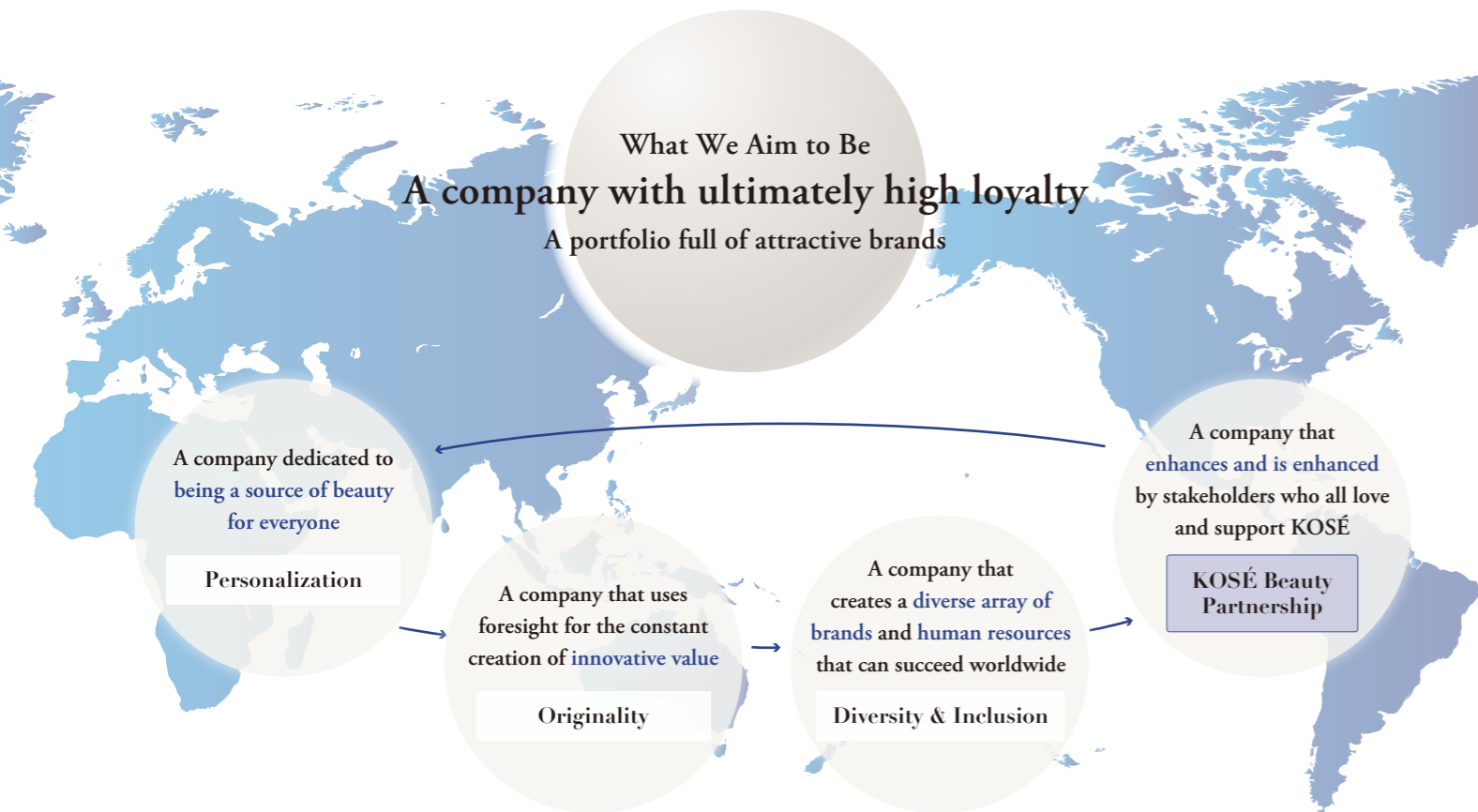
we will enhance our global presence by investing mainly in the United States and Europe as well as making further investments in Asia, including ASEAN and India, as well as China. In addition, the Company took advantage of an easing of the Japanese government's policy for wearing a face mask in public, quickly launching a “Don't let your lips be naked.” campaign in March 2023 to encourage people to enjoy their own lip makeup in line with individual choices. As such, we will continue to propose ways to make the world a brighter place through cosmetics while staying closely attuned to the diverse values of customers.

As a medium-to-long-term initiative, fiscal 2022 was also the first year of VISION2026 Phase II, “Increase KOSÉ's global presence and improve the customer experience.” During the year, we reorganized our “Mission, Vision, and Values,” and defined the KOSÉ Beauty Partnership as a representation of the values that we have nurtured since KOSÉ was founded and our mutually beneficial relationships with stakeholders. In addition, we defined the 3 Gs (“Global,” “Gender,” and “Generation”) as themes to pursue in terms of strengthening our ongoing efforts to build a new customer base, while in terms of enhancing the customer experience we have been rethinking our activities from a well-being perspective. We are now promoting new initiatives to provide value not just in the conventional area of beauty, but also in the health and cure areas.

Looking back on our progress toward the performance targets for VISION2026, we made progress in terms of our overseas sales ratio and in building a portfolio of new sales channels including e-commerce and travel retail. On the other hand, we recognize that we have underperformed in our progress toward the targets we established for net sales and profit margin. Our most important goal for VISION2026 is to evolve into “a company with ultimately high loyalty” and to become a company with a global presence. In fiscal 2023, we will build on the groundwork we have laid by ramping up our marketing investments and continuing our growth toward fiscal 2026, the plan's final year.

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Message from the President



**Demonstrating the Superiority of a Rich Brand Portfolio**

We live in an era where people long for peaceful daily lives and a sense of happiness, and as such cosmetics and beauty play an increasingly important role in making the world a brighter place and bringing a glow to people’s skin and hearts. In a diversifying market, KOSÉ considers it important to demonstrate its strength of owning multiple highly unique brands, and to stay close to its customers and attentive to their individual beauty.

Incorporating diversity into our brand development has earned us high praise and high expectations from customers. For example, under our high-prestige brand *DECORTÉ*, we developed *Zen Wear Fluid*, a new liquid foundation in 40 shades to suit diverse skin tones globally. When we conducted

an early launch of 18 shades in Japan in April 2022, we received high praise from existing customers, and were also able to meet the needs of new customers who found that the previous color selection did not appeal to them. Marketing communications for our prestige brand *SEKKISEI*, positioned as the genderless and ageless brand (designed for everyone), received noticeably positive reactions and attracted male customers.

KOSÉ’s unique strength lies in its diverse brand portfolio that covers a broad spectrum of price ranges. We will continue evolving into “a company with ultimately high loyalty” by responding to diverse customer needs and delivering an extensive lineup of cosmetics.

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**Succeeding with Integrated Brand Management, Winning Customer Support and Making Positive Changes**

In fiscal 2022, the Company’s sales grew in step with the recovery in market demand. For example, *DECORTÉ*’s long-selling moisturizing beauty serum, *MOISTURE LIPOSOME*, was relaunched in September 2021 as *Liposome Advanced Repair Serum*, and cumulative sales exceeded 1.2 million units in little over a year. The night repair cream *Liposome Advanced Repair Cream*, which went on sale in September 2022, also achieved its sales target for the month in just four days. In addition to these leading skincare products, we have seen strong sales in other categories such as makeup and fragrances.

It is not a coincidence that these products are hits; it can be attributed to two main factors. The first is that we have created an organization that can thoroughly implement branding at all stages from planning to promotion. The second is that we have conducted manufacturing with innovative thinking and technologies that differ from our conventional approach. The KOSÉ Group has always placed importance on the combination of a comfortable feel on the skin with strong product benefits and high effectiveness. In addition, I believe it will be helpful to widen the scope of ideas for providing value in relation to such diverse customer needs, so as to succeed in delivering products that exceed customers’ expectations. In a bid to achieve success with such high-prestige brands, we often carry out an organizational restructure of our prestige brands, as we have done for *SEKKISEI*. As I mentioned before, integrated

business management from planning through to promotion means that all employees responsible for the project can share the brand’s beliefs with equal enthusiasm, which has made it possible to convey the brand’s image in more concrete terms than ever before. We will expand this brand management approach to other brands, and further develop related business activities.

In addition to conducting manufacturing with innovative ideas, which is the second main factor, our strong performance was also supported by successfully taking on new challenges related to our sales activities. Our counseling brands suffered under COVID-19, based as they are on personal contact. Even so, we were able to push through this difficult period by opening up new sales channels, such as by introducing e-commerce and building an online counseling system. While improving customer convenience and brand experiences by establishing new sales channels, we have also continued with channel development in the belief that we are sure to generate synergy between physical stores and e-commerce. These numerous initiatives were the result not only of our own efforts and challenges, but of the relationships of trust and collaborations we have with distributors and retailers under the KOSÉ Beauty Partnership. We will continue to deepen the KOSÉ Beauty Partnership so that it enhances and is enhanced by stakeholders who all love and support KOSÉ.

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**In FY2023, We Will Focus on Creating New Customers with the 3 Gs as Keywords**

In fiscal 2023, in order to clarify our target areas for expanding customer creation, we will begin with initiatives that use the 3 Gs. In addition to our conventional perspective of capturing global customers in all of our business areas, we will expand our target demographic to include early childhood and the older generation, and will also propose diverse values from a genderless perspective and drive customer creation forward by identifying their finer needs in even more detail.

KOSÉ does not currently have a brand exclusively for men. Previously (roughly 40 years ago), we launched cosmetics for

men that appealed to their sense of masculinity. However, the values of that era were vastly different to those of today. From the perspectives of gender and generation, the important focus for society going forward is that companies do not pursue a uniform and rigid (potentially restrictive or discriminatory) set of values but rather provide attractive, innovative products that meet diverse needs. We consider it our duty to society to continue to propose ways for customers to choose these products freely and enjoy the experience of beauty in their own way.



## Message from the President

We have already begun creating new customers based on our 3 Gs approach. In October 2022, we opened the BEAUTY STUDIO pavilion at KidZania Tokyo, a social and vocational experience center for children. Through experiences “working” as a hair and makeup artist and a perfumer, children can come into contact with diverse forms of beauty, and experience the fun of beauty and the appeal of cosmetics. On one of my recent visits to the pavilion, I witnessed boys’ eyes light up and their delighted expressions as they were engrossed in trying makeup, and how satisfied children looked with the makeup they had applied for each other. It gave me a renewed sense that the joy of experiencing beauty has absolutely nothing to do with age or gender. Through this initiative, we will contribute to the creation of a society where there is mutual respect for the diversity that is vital to the coming era. I also want to make use of children’s innovative ideas and values gleaned from this initiative in our business activities.

For our Visée brand, we have appointed new male and

female brand models to convey the message that we want everyone, regardless of gender, to enjoy seasonal makeup. As I mentioned, we have started to promote *SEKKISEI* as a global brand of products that do not target a specific age or gender, and this initiative has been well received. Furthermore, we have entered into a global advertising contract with U.S. Major League baseball player Shohei Otani (currently signed to the Los Angeles Angels), someone who embodies the 3 Gs, who is active globally and whose popularity transcends generations and gender.

As our 3 Gs initiatives progress, it is becoming more important to train our Beauty Consultants in customer service and to have respect for diversity as required skills, in addition to their beauty knowledge and techniques. Accordingly, we have formulated new diversity guidelines for dealing with a wide variety of customers. With the new Beauty Consultant training based on these guidelines, we are pursuing a level of customer service that is closely attuned to the needs of all customers, regardless of gender, generation or nationality.

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## Accelerating Sustainability Strategies across Our Business Activities

KOSÉ’s commitment to the beauty of each individual customer goes without saying, and we are also sincerely committed to contributing to the healthy future of society and the global environment through our business activities. In the KOSÉ Sustainability Plan, we have set “Lower the overall environmental impact of business operations” as one of our activity themes, and have been working on Company-wide initiatives. As one such initiative, in July 2022 we formulated a low-carbon transition plan in order to strengthen our response to the global issue of climate change and with the goal of carbon neutrality (effectively zero CO<sub>2</sub> emissions) by 2040. From fiscal 2023, we are switching the electricity supply at our Gunma Factory and our Sayama Factory to renewable energy sources. In 2021, we agreed to collaborate with Kao Corporation in the field of sustainability, and since February 2022 we have been promoting initiatives for the horizontal recycling of plastic bottles for cosmetics and the upcycling of cosmetics into art paints and other materials. The two companies will continue to strengthen these initiatives going forward, given the societal significance of this collaboration.

\* “Protect the snow” refers to our support for and activities linked to reducing CO<sub>2</sub> emissions that cause global warming.

We are also actively working on sustainability promotion activities by each of our brands. *DECORTÉ* has announced a new sustainability message, and is working to realize a society where there is no gender gap and in which everyone can take pride in themselves. In December 2022, *SEKKISEI* started SAVE the BLUE Snow Project activities to “protect the snow\*,” focused on the fact that the amount of snowfall is decreasing due to global warming. This is a new aspect of *SEKKISEI*’s global environmental conservation project SAVE the BLUE, which has been ongoing since 2009.

KOSÉ is actively promoting ESG-related activities. In the Supplier Engagement Ratings of CDP, a non-governmental organization (NGO) that evaluates companies’ business-related environmental initiatives, KOSÉ has received the highest rating of A in the Climate Change category for three consecutive years. Furthermore, we obtained an A rating for Water Security in fiscal 2022. KOSÉ was also selected as a Nadeshiko Brand (an initiative jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange) in 2022, as a company that is outstanding in terms of encouraging women’s success in the workplace.

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## Strengthening the Foundations of Management Operations to Support the Penetration and Growth of the KOSÉ Beauty Partnership

KOSÉ aims to be “a company with ultimately high loyalty,” and to that end we consider it important that the KOSÉ Beauty Partnership is not only implemented effectively but that it also achieves acceptance both inside and outside the Company. This concept is by no means new, but rather a further development of the spirit of co-existence and co-prosperity that the Company has honored since its founding. It is a way for us to innovate and resolve social issues through cooperation with partners, and is defined as the mutually beneficial relationships we have established with all of our stakeholders through the unique concept of “Creating Beauty,” a representation of the knowledge we each possess. Going forward, we will accelerate internal permeation of the KOSÉ Beauty Partnership through measures such as in-house training and incentives, so that each individual employee can use these values as the basis for their work.

Moreover, to strengthen our corporate governance system with the aim of building the management base to support growth, in fiscal 2023 we appointed one new female internal director and one new female external director. We have been actively working to implement diversity and inclusion

in management. In this regard, we will take measures to hire and train global human resources and to improve individual productivity. Moreover, we are also working to create an environment in which diverse human resources can play an active role and to generate greater job satisfaction.

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## Aiming to be “A Company with Ultimately High Loyalty” by Becoming a Source of Beauty for Everyone

Since its foundation, KOSÉ has been devoted to cosmetics and has continued its search for the essence of beauty, based on the belief that “What we want most of all is to inspire hopes and dreams, building a brighter world.” In doing so, we have always emphasized the importance of “beauty for everyone.” We take “individuality” seriously, and we believe that we can draw out the unique beauty of each customer by listening carefully to each customer and becoming closely attuned to their needs. When attempting to unravel what “individuality” really means, the unique background of each person (their perspective), which includes gender, age, country and region, skin color and values, is an important consideration. Based on these perspectives, we see adaptability as the act of continuing to constantly offer new value to society based on flexible thinking. Specifically,

we consider diversity from three angles: physical, mental and spiritual, and social attributes. We classify the value creation needed to adapt to that diversity into the eight initiatives of Adaptability<sup>∞</sup>, and reflect them in our products, services and communications. This forms the foundation of customer creation in relation to the 3 Gs that I mentioned earlier.

For the KOSÉ Group to become a company with a global presence, it is essential that we consider what is needed to ensure that the next generation, who will support the future, benefits from an abundant society and global environment, and that we take action accordingly. Through cooperation with various partners, the KOSÉ Group will strive to embody its Corporate Message of “Creating Beauty in a Sustainable World,” aiming to become a source of beauty for everyone by becoming a company with ultimate loyalty.

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# The KOSÉ Group's Sustainable Growth Process

To better live up to its Statement of Purpose, the KOSÉ Group is working to achieve medium-to-long-term VISION2026, and is taking on the material issues of the KOSÉ Sustainability Plan, which was formulated in 2020. 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.

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

<p>Number of employees: <b>13,179</b></p> <p>Hours of training per employee:<sup>1</sup> <b>17.8</b> hours</p> <p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>Professional human resources capable of working around the world</li> <li>Recruitment and development of diverse human resources based on diversity and inclusion management</li> </ul> <p>▶ Page 58   ▶ Page 63</p>	<p>Capital expenditures: ¥ <b>6.8</b> billion</p> <p>Production sites: <b>5</b></p> <p><b>Manufactured capital</b></p> <ul style="list-style-type: none"> <li>Integrated in-house production system to ensure stable supply of a wide variety of products</li> <li>Sustainable and responsible value chain</li> </ul> <p>▶ Page 64   ▶ Page 66</p>	<p>R&amp;D expenses: ¥ <b>6.0</b> billion</p> <p>Number of brands: <b>37</b></p> <p>Number of registered patents:<sup>2</sup> Japan: <b>805</b> Overseas: <b>230</b></p> <p>Number of registered trademarks:<sup>2</sup> Japan: <b>4,656</b> Overseas: <b>3,534</b></p> <p><b>Intellectual capital</b></p> <ul style="list-style-type: none"> <li>Basic research and R&amp;D at seven sites that leads to creation of unique value</li> <li>Manufacturing from the customer's perspective that combines sensuousness and intelligence (theory)</li> <li>DX initiatives for creating new customer experiences</li> <li>Accumulation of marketing expertise from global development of a variety of brands</li> </ul> <p>▶ Pages 24-25   ▶ Pages 50-53 ▶ Page 56   ▶ Pages 64-65</p>	<p>Number of countries and regions where we operate: <b>68</b></p> <p>Overseas sales ratio: <b>43.6%</b></p> <p><b>Social and relationship capital</b></p> <ul style="list-style-type: none"> <li>Engagement activities with various stakeholders based on the KOSÉ Beauty Partnership</li> <li>Active cooperation with other companies, academic institutions, governments and other organizations for value creation in new fields</li> </ul> <p>▶ Pages 20-23</p>	<p>Total energy consumption: <b>425</b> (1,000 GJ)</p> <p>Water intake:<sup>3</sup> <b>303.8</b> (1,000 m<sup>3</sup>)</p> <p><b>Natural capital</b></p> <ul style="list-style-type: none"> <li>Product manufacturing using raw materials derived from natural resources</li> <li>Investment in energy needed for all business activities</li> </ul> <p>▶ Pages 59-62</p>	<p>Shareholders' equity (total):<sup>4</sup> ¥ <b>258.9</b> billion</p> <p>Equity ratio <b>72.0%</b></p> <p><b>Financial capital</b></p> <ul style="list-style-type: none"> <li>Selection and concentration of investments according to the optimal business portfolio</li> <li>Investment in new value creation and new business domains</li> <li>Investment in non-financial capital, including promotion of DX, to strengthen the business foundation</li> </ul> <p>▶ Pages 48-49</p>
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1. Figure for Group companies in Japan  
2. Excluding Tarte  
3. KOSÉ Group production departments  
4. Shareholder equity = Net assets minus stock acquisition rights, minus non-controlling interests



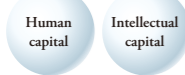
# KOSÉ's Unique Value Creation Cycle

The KOSÉ Group has provided unique value by continuously offering appealing products and services that help our customers' beauty shine forth from within, created by the fusion of sensuousness and intelligence. We will continue to conduct environmentally conscious business activities from a sustainability perspective, as well as manufacturing that is based on adaptability, in our quest to build a portfolio full of appealing brands and to be a source of beauty for everyone.

## Building Brands That Adapt to the World

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For each brand, we design products tailored to the markets where they are sold and to customer characteristics. We aim to use each brand's image to create brands that cater to a diverse customer base. For the *DECORTÉ* brand, which has a presence in 15 countries and regions, we conducted product design for the renewal of *LIPOSOME Advanced Repair Serum* based on surveys of users' habits and skin types in various parts of the world.



## Highly Trustworthy Manufacturing Based on the Sophisticated Fusion of Sensuousness and Intelligence

Since its foundation, KOSÉ has pursued safety, reliability and high product quality, and delivered cosmetics with a focus on effectiveness. However, we also emphasize sensory elements such as ease of use and scent, which lead to trust from customers who want to keep using products over the long term. To further increase that trust, we are carrying out product manufacturing with lower environmental impact and in compliance with global regulations. One example is the development of a *SEKKISEI* sunscreen formulated with consideration for marine ecosystems and related social issues.



## Stable Procurement of Raw Materials and a Clean, Efficient Manufacturing System

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To consistently provide high-quality cosmetics, we have set up a global raw material procurement system and established a manufacturing system that can flexibly handle a variety of formulations. We have also switched all electricity used at the KOSÉ Gunma Factory and Sayama Factory to renewable energy sources, with the aim of creating a clean production system, and *ALBION's* Shirakami Laboratory is promoting sustainable procurement in ways such as utilizing nearby abandoned land to cultivate plants for use as raw materials.



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## Creating a Framework to Respond to Customer Feedback and Exceed Expectations



KOSÉ takes the customer's perspective, and reflects feedback from customers and business partners in the creation of new value. There are many real-world examples of products that we have improved based on customer feedback, and with the mail-order brand *MAIHADA* we have taken advantage of the direct connection with customers to establish a community that reflects the opinions of loyal brand users.



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## Circular Product Design That Takes People and the Earth into Consideration



We believe it is important for our customers to use a product comfortably from start to finish when creating long-selling products with a loyal customer base. This is why we develop and manufacture products with consideration not only for the usage stage, but also for the end-of-use and disposal stages. We have introduced container recycling for each brand, and for *ADDICTION* we have launched a limited-edition makeup compact case made from recycled resin material.

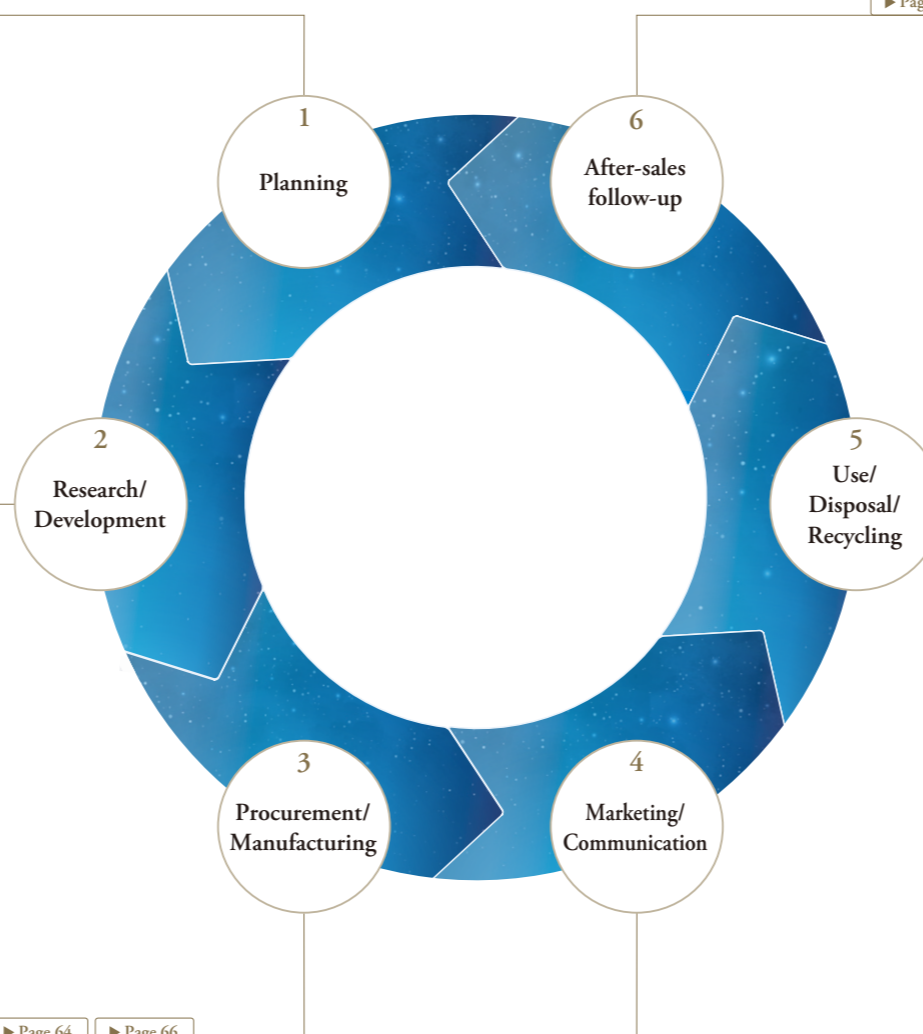
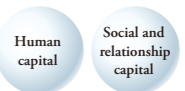


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## Creating New Points of Contact with Customers



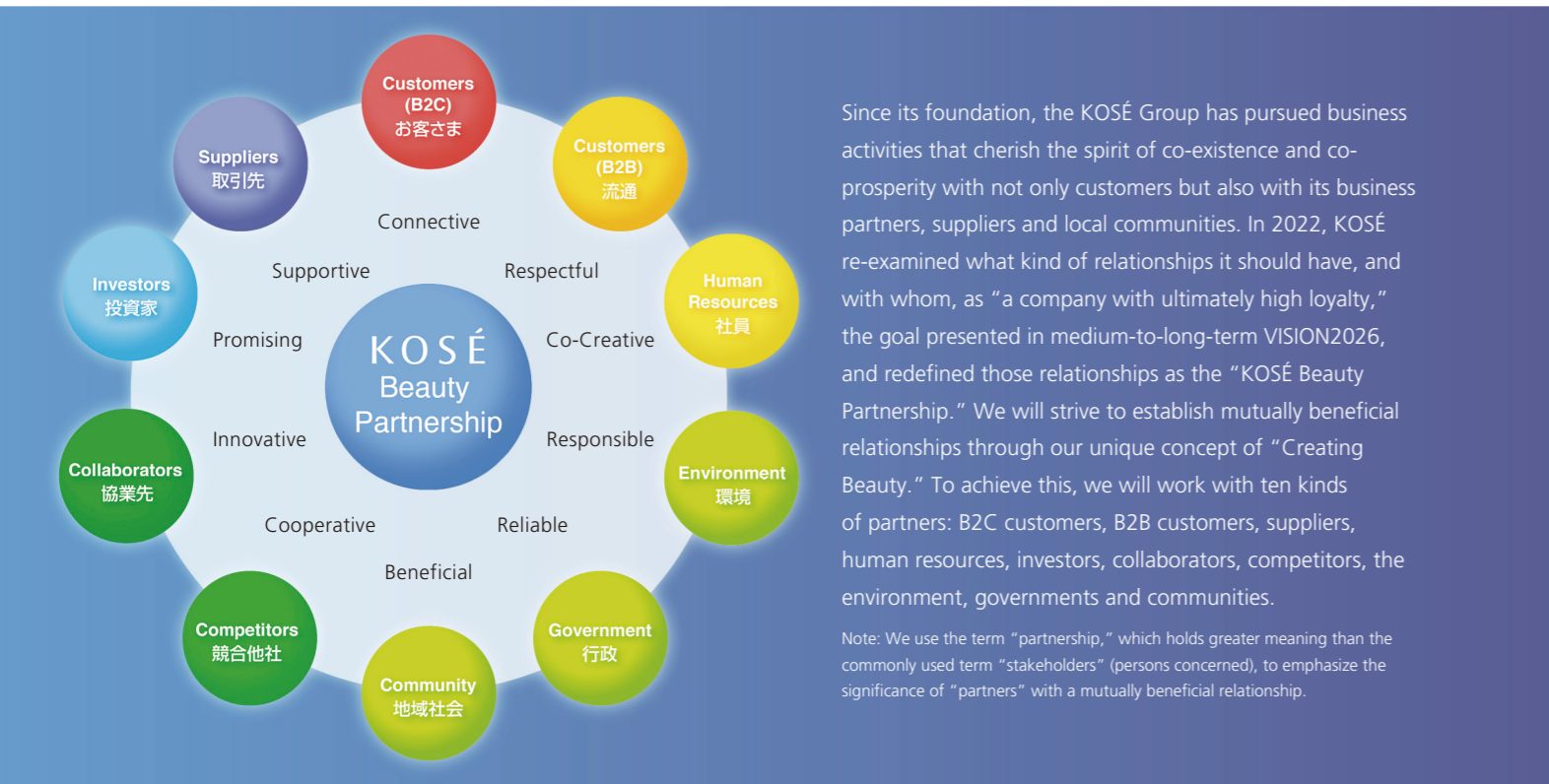
Since KOSÉ's foundation, we have dedicated ourselves to brightening people's hearts through cosmetics. Currently, in addition to improving convenience for customers, we are providing opportunities to interact with and enjoy our brands, with the aim of enhancing the value of customer experiences both online and offline. We are constantly trying new things, including sales through vending machines at KOSÉ Cosmeport Corp., and inviting social media influencers to *Tarte* events.





# Strengths Supporting the Foundation for Value Creation

The KOSÉ Beauty Partnership, set out as part of medium-to-long-term VISION2026, represents the KOSÉ Group's values and is one of the Group's unique strengths. This section looks 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 customers but also with its business partners, suppliers and local communities. In 2022, KOSÉ re-examined what kind of relationships it should have, and with whom, as “a company with ultimately high loyalty,” the goal presented in medium-to-long-term VISION2026, and redefined those relationships as the “KOSÉ Beauty Partnership.” We will strive to establish mutually beneficial relationships through our unique concept of “Creating Beauty.” To achieve this, we will work with ten kinds of partners: B2C customers, B2B customers, suppliers, human resources, investors, collaborators, competitors, the environment, governments and communities.

Note: We use the term “partnership,” which holds greater meaning than the commonly used term “stakeholders” (persons concerned), to emphasize the significance of “partners” with a mutually beneficial relationship.

## Specific Initiatives with Each Stakeholder Type

Stakeholder	Relationship type	Stakeholder expectations and concerns	Specific Initiatives
Customers (B2C)	Connective	<ul style="list-style-type: none"> <li>Provision of high-quality, high-value-added products and services</li> <li>Provision of products and services that meet personal needs</li> <li>Pursuit of radiant and diverse beauty, both visibly and from within</li> </ul>	<ul style="list-style-type: none"> <li>Creation of a system for reflecting customer feedback in products and services, in addition to manufacturing, quality control and production systems that prioritize safety and reliability</li> <li>Planning, design and communication activities based on diverse customer backgrounds, including countries or regions, gender and age</li> <li>Counseling sales system that provides beauty information in order to be a source of beauty for everyone, whether in physical stores or online</li> </ul>
Customers (B2B)	Respectful	<ul style="list-style-type: none"> <li>Support and information sharing for co-existence and co-prosperity</li> <li>Offering unique brands that create life-long customers</li> <li>Stable, efficient and environmentally friendly logistics</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of relationships between the Company and stores, and establishment of a community that connects stores with each other</li> <li>An information sharing system and the reciprocal establishment of sales methods that use offline and online elements tailored to each channel</li> <li>A flexible logistics system that makes use of the modal shift of freight to ships and rail</li> </ul>
Suppliers	Supportive	<ul style="list-style-type: none"> <li>Fair, impartial and equitable relationships created with the aim of co-existence and co-prosperity</li> <li>Ongoing communication for quality maintenance and stabilization of the procurement process</li> <li>Information sharing and cooperation for sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>Hosting of individual information exchange and supplier appreciation events</li> <li>Formulation and sharing of our Basic Procurement Policy, which covers five key points: Ensuring quality and safety, Fairness and impartiality, Compliance with laws, regulations and societal norms, Co-existence and co-prosperity, and Maintaining information security</li> <li>Implementation of surveys and interviews on sustainable procurement</li> </ul>

Stakeholder	Relationship type	Stakeholder expectations and concerns	Specific Initiatives
Human Resources	Co-creative	<ul style="list-style-type: none"> <li>Provision of working style options to suit individual employees</li> <li>Use of diverse human resources and their skills, and creation of opportunities for and places conducive to growth</li> <li>Creation of new value through DX and business reforms</li> </ul>	<ul style="list-style-type: none"> <li>Working systems that accommodate diverse lifestyles, including full-day, half-day and hourly paid leave, and abolition of core time within the flextime system</li> <li>Self-improvement support that embodies the Policy for the Development of Skills, and initiatives to encourage communication within the Company</li> <li>Encouragement of human resource utilization through a talent management system, employee opinion surveys and other measures</li> </ul>
Investors	Promising	<ul style="list-style-type: none"> <li>Sustainable improvement of corporate value</li> <li>Fair stock prices and achievement of shareholder returns</li> <li>Dialogue and fair, impartial and timely disclosure of financial and ESG-related information</li> </ul>	<ul style="list-style-type: none"> <li>Financial results briefings and management meetings (four times a year), General Meeting of Shareholders (once a year)</li> <li>Briefings for individual investors and meetings with institutional investors (as required)</li> <li>Publication of a shareholder newsletter and an integrated report (each once a year)</li> </ul>
Collaborators	Innovative	<ul style="list-style-type: none"> <li>Rapid innovation</li> <li>Expansion into new areas of value creation</li> <li>Permeation of innovative thinking within the Company</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration and joint development with companies in other industries</li> <li>Dispatch of researchers to external research institutions, including the Advanced Technology Laboratory in Lyon (France) and Gladstone Institutes (U.S.)</li> <li>Research into the use of quantum computer technology for rapid development of formulations</li> </ul>
Competitors	Cooperative	<ul style="list-style-type: none"> <li>Creation of a unified industry framework for the benefit of society</li> <li>Collaborations to resolve social issues</li> <li>Communication of the value of “Japan Beauty” to a global audience</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration in the sustainability area of the cosmetics business</li> <li>Establishment of ecosystems in the cosmetics industry, such as a horizontal recycling system for plastic containers</li> <li>Moving forward with environmental impact reductions by promoting joint delivery as a logistics solution</li> </ul>
Environment	Responsible	<ul style="list-style-type: none"> <li>Environmental conservation programs in areas where KOSÉ operates</li> <li>Lower environmental impact throughout our business operations</li> <li>Fostering of environmental awareness in society</li> </ul>	<ul style="list-style-type: none"> <li>Responses to environmental issues, such as climate change and protection of marine resources and biodiversity, in our business activities</li> <li>Reviews of manufacturing methods and product development with the aim of reducing environmental impact</li> <li>Environmental conservation in the areas in which we operate (ALBION's Shirakami Laboratory, protection of mountain forests around the Minami-Alps Factory)</li> </ul>
Government	Reliable	<ul style="list-style-type: none"> <li>Unified industry-government initiatives</li> <li>Social contribution through our businesses</li> <li>Support for the healthy development of the next generation</li> </ul>	<ul style="list-style-type: none"> <li>Solutions to social issues in cooperation with international organizations and governments, in areas such as diversity and reduction of plastic use</li> <li>Promotion of sports as a way to support healthy and happy lives</li> <li>Compliance with laws, regulations and societal norms, and information collaboration through dialogue, etc.</li> </ul>
Community	Beneficial	<ul style="list-style-type: none"> <li>Co-existence and co-prosperity with communities</li> <li>Contribution to job creation and community development</li> <li>Ensuring a permanently habitable regional environment</li> </ul>	<ul style="list-style-type: none"> <li>Activities such as local beauty courses and company tour programs</li> <li>Various collaborations for the revitalization of communities</li> <li>Education of the next generation, including participation in social experiences and educational activities about healthy skin at childcare centers</li> </ul>

# Value Generated through the KOSÉ Beauty Partnership

**Expanding targets**  
**To whom** Provide value in the areas of the 3 Gs (Global, Gender, and Generation), based on the idea of Adaptability<sup>∞</sup>

	Women*	Other Than Women*
Newborn	Expand	
Infant		
Toddler		
Child	Previous targets	Expand
Adolescent		
Prime age adult		
Middle aged		
Elder		
	Expand	

\* Biological women

## Expanding Targets and Business Sectors

Until recently, we believed the main customer base for cosmetics was women aged in their teens and over. However, recently we have seen greater diversification of beauty awareness, regardless of gender differences. In addition, more gender and age groups have started using cosmetics, as people realize the importance of skincare both from early childhood for ensuring healthy skin and for the increasing number of elderly people in their mid-70s and over. Therefore, we will expand our target customer segments into the areas of the 3 Gs based on the eight initiatives of Adaptability<sup>∞</sup>, and will work to create new customers by recognizing and keeping in contact with a wider range of consumers.

**The Eight Initiatives of Adaptability**

[More details](#)

Initiatives [▶ Pages 56-58](#)

Furthermore, we must widen the scope of our value provision from the perspective of our business sectors, as the cosmetics business that has driven KOSÉ's growth to date matures. We will expand our business sectors to include beauty, health and other well-being areas from a broader perspective, as well as the currently operated pharmaceutical and hair salon sectors, while keeping cosmetics as the core. In order to do so, it is vital for us to think flexibly without being bound by traditional beliefs, and to collaborate with partners outside of the cosmetics industry on innovative new products.

## Frameworks and Specific Initiatives for Creating New Value

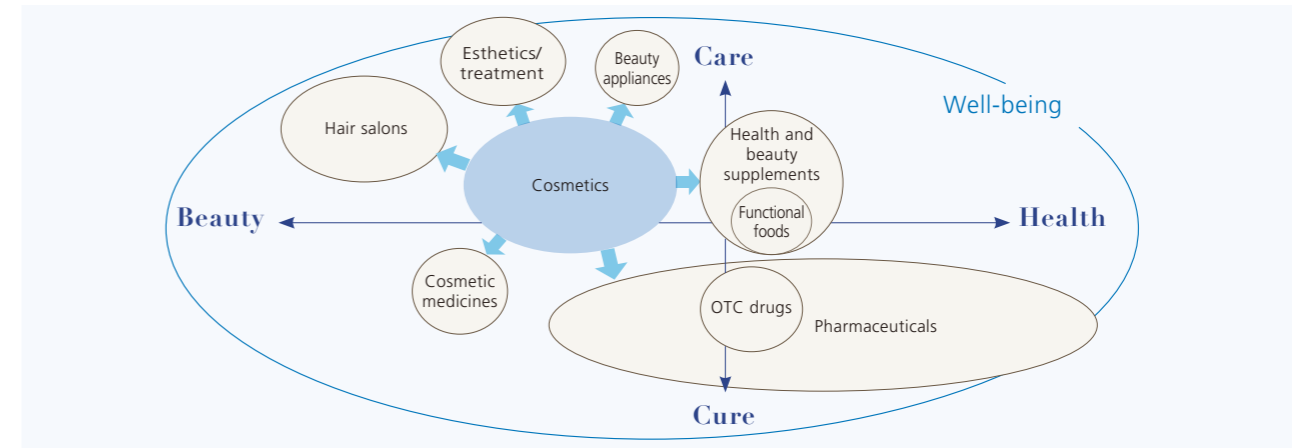
Through our in-house business proposal program Link,\* we work with external resources and technologies to expand into new business areas. The innovative themes chosen for the Link program are already being used to create a number of innovations.

One example is a system of automatically analyzing and formulating components of cosmetics, developed with a hybrid algorithm that utilizes both a quantum computer and conventional computer, through joint research with blueqat Inc. (formerly MDR Co., Ltd.). This system automatically generated cleansing oil formulations designed to have high exfoliation properties, and we were able to obtain a higher-quality formulation than that of commonly used products in a matter of seconds. We also partnered with Sunshine Delight, Inc. in 2019 to promote UV protection for children. This initiative was commercialized in 2021, and we will continue working to firmly establish both products and usage habits to help children protect themselves from UV rays.

Additionally, at our Maison KOSÉ Ginza concept store, visitors can try out technologies that propose the next generation of beauty possibilities. Examples include a nail art printer we developed with Casio Computer Co., Ltd., and the Color Machine, a makeup simulator that was jointly developed using KOSÉ's color correction technology and cutting-edge high-speed projection mapping technology possessed by the Watanabe Laboratory at the Tokyo Institute of Technology. These experiences have led to the creation of new customer relationships.

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

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



## Examples of Innovative Value Creation beyond Traditional Domains

The development of our beauty partnerships is generating innovative value. In the esthetics/treatment domain, the partnership we entered into with the Aman Group in 2021 has led to an original equipment manufacturer (OEM, manufacture of another company's branded products) contract in 2023, and together we have created a pioneering skincare series. The series is designed for all ages and genders, all skin types and all climates, and is fragrance free—a rarity for a luxury product line. Through the Aman brand, we believe this new series of products will ultimately create points of contact with new customers worldwide. In addition, our *IMPREA* brand, jointly developed with hair and scalp research specialist Milbon Co., Ltd., was launched nationwide in 2019 as a brand sold exclusively at hair salons, and is earning high praise from customers. We also developed a high-performance series of skincare products with Maruho Co., Ltd., a leader in skin science, and launched a new line of products in March 2023 designed for both dry and oily skin.



Aman Essential Skin

## Initiatives Focused on the Future

KOSÉ also seeks to expand business domains that incorporate the concept of well-being, encompassing lifelong beauty and mental and physical health, and add greater value. Specifically, we have sent a researcher to the Yamanaka Lab at Gladstone Institutes in the U.S., led by Professor Shinya Yamanaka, where we are promoting research into rejuvenation. In addition, through joint research with Associate Professor Hisashi Noma from the Research Center for Medical and Health Data Science at the Institute of Statistical Mathematics, we have developed the world's first mathematical model for predicting wrinkles based on current age and skin condition. Moving forward, we will work to develop wrinkle prevention services and products with results that customers can truly feel. We are also conducting focused research on hormones that can influence changes in brainwaves, and in mental and physical health. In collaboration with Professor Yasue Mitsukura at the Keio University Graduate School of Medicine, we aim to provide lasting value in personal beauty and health.



Agreement to send a researcher to Gladstone Institutes (October 2022)



# Our Brands

To drive the creation of attractive, valuable brands, KOSÉ aims to create cosmetics that represent two keywords: Sensuousness and Intelligence. We meet the various needs of our customers with two groups of brands: diverse and distinctive “individual brands,” and “KOSÉ brands” bearing the Company’s name. We have also rolled out many brands overseas to establish a global presence.

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

## HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by leveraging all of KOSÉ’s cutting-edge technologies. They are sold at specialty cosmetics stores, department stores and other retail outlets that distribute exclusive brands. KOSÉ’s specially trained Beauty Consultants offer meticulous counseling to help customers select the products that suit them best.

High Added Value  
Cosmetics Business

**Individual Brands**

DECORTÉ AQ

DECORTÉ

JILLSTUART

ADDICTION

INFINITY KOSÉ

雪肌精 SEKKISEI MIYABI

ALBION CO., LTD.

ALBION

IGNIS Elegance PARIS

IN FIORE

PAUL & JOE


ANNA SUI

KOSÉ MILBON COSMETICS CO., LTD.

IMPREA


Tarte, Inc.

tarte high-performance naturals®




DECORTÉ

● ● ● ●




ALBION

● ● ● ●



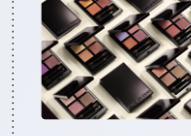
INFINITY KOSÉ

● ●



tarte high-performance naturals®

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ADDICTION

● ●

## PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

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

High Added Value  
Cosmetics Business

ONE BY KOSÉ

雪肌精 SEKKISEI

LECHÉRI

ESPRIQUE

KOSÉ PROVISION CO., LTD.

米肌 MAIHADA

KOSÉ PROFESSIONAL CO., LTD.

ASTALUXE

Dr. PHIL COSMETICS INC.

X-Barrier

ACNEO

KOSÉ Maruho Co., Ltd.

カルテHD



雪肌精 SEKKISEI

● ● ● ●



ONE BY KOSÉ

● ●



ESPRIQUE

● ●



LECHÉRI

●



カルテHD

●

## COSMETARIES Brands

For Daily Life One Step Above

A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products “cosmetaries.”\*\* We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

Basic Value  
Cosmetaries Business

Visée

MAKE KEEP MIST

softymo

Je l'aime

BIOLISS

CLEAR TURN クリアターン

MQ Magnifique

WRINKLE CARE シワケア

FASIO

NAIL HOLTIC

Spawake

STEPHEN KNOLL NEW YORK

**KOSÉ Brands**



Visée

● ●



FASIO

● ●



Je l'aime

● ●



SUNCUT

● ●



STEPHEN KNOLL NEW YORK

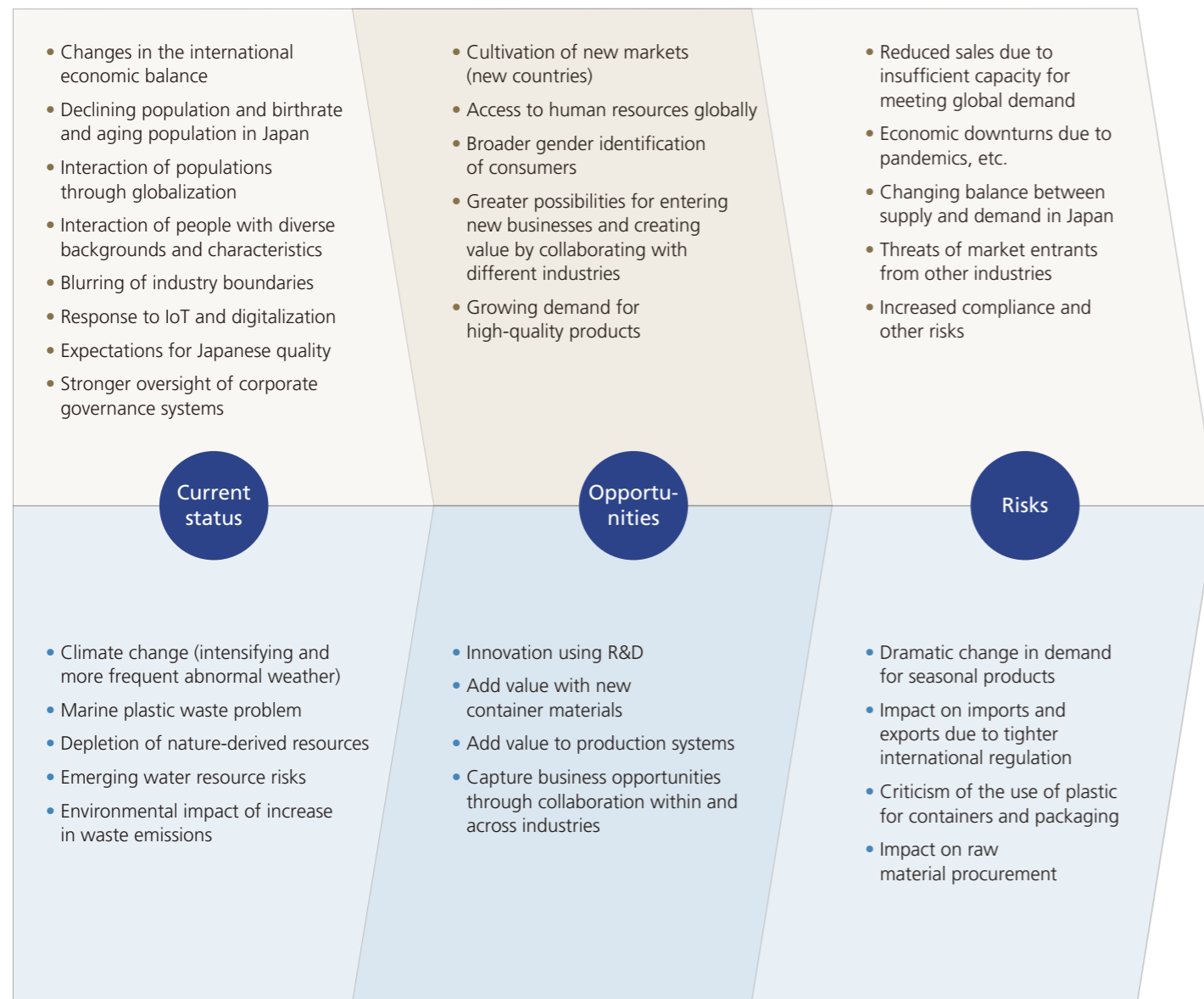
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# Recognition of the External Environment and Identification of Material Issues

## 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. On that basis, 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 rated each issue on a 5-point scale in terms of importance and relevance for each individual Group company and division, and used the average scores to quantify them based on an index of importance and relevance to the KOSÉ Group as a whole.

## People & Society

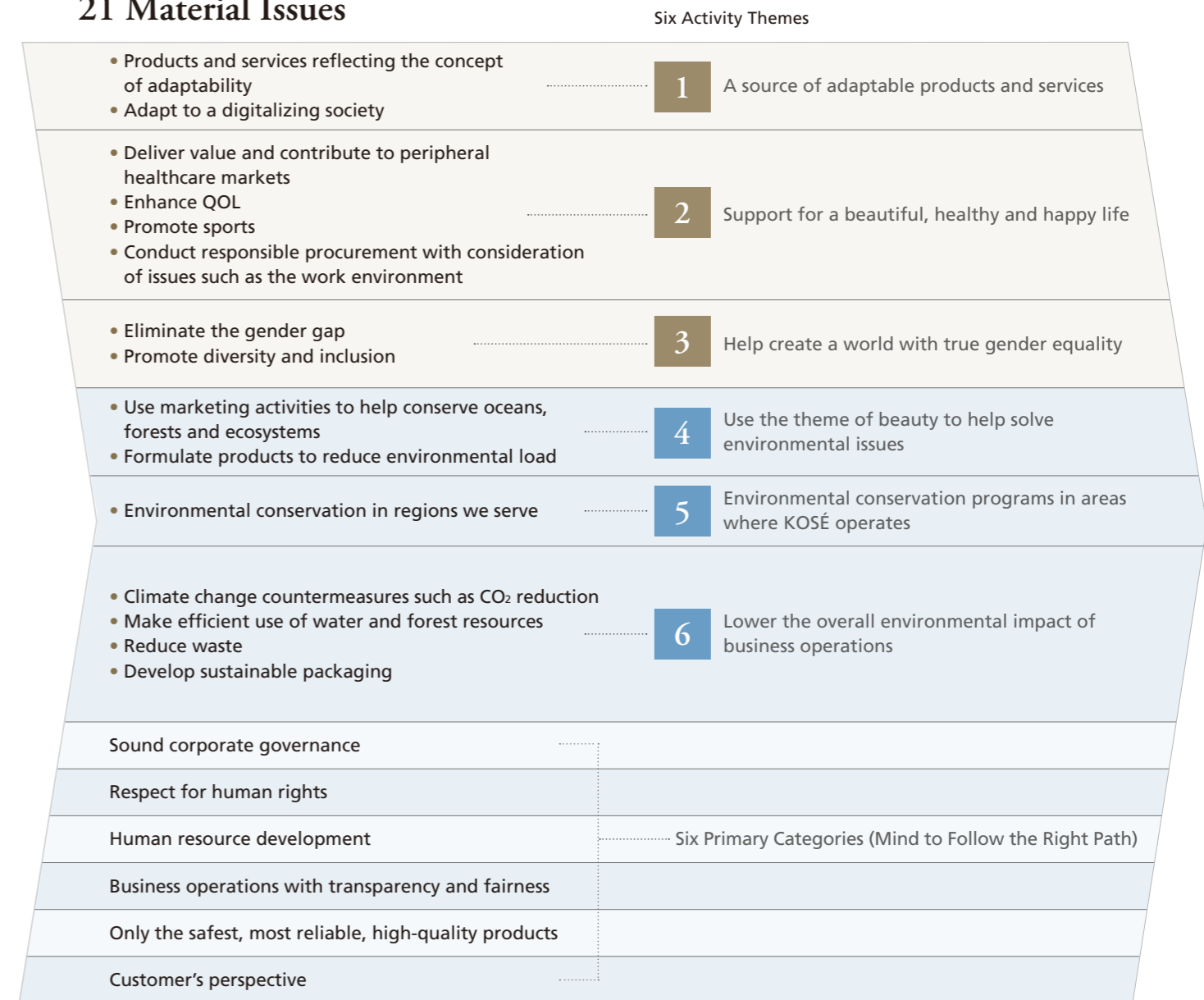


## Environment

## 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 our fundamental policy, and divided the issues into three areas: 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 issues 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.

## 21 Material Issues





# 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 basis 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.

- Sustainability Promotion System [▶ Page 43](#)
- Progress of the KOSÉ Sustainability Plan [▶ Pages 54-66](#)

Details of the KOSÉ Sustainability Plan [More details](#)

Six Activity Themes

## For People

- 1

**A source of adaptable products and services**  
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.

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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.
- 2

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

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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.
- 3

**Help create a world with true gender equality**  
Contribute to a future where there is no gender gap.

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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.

Fundamental Policy

## Mind to Follow the Right Path

Sound corporate governance

Respect for human rights

Human resource development

Business operations with transparency and fairness

Only the safest, most reliable, high-quality products

Customer’s perspective

## For the Earth

- 4

**Use the theme of beauty to help resolve environmental issues**  
We will help resolve environmental issues as a company that creates beauty, through initiatives such as *SEKKISEI*'s SAVE the BLUE project.

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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.
- 5

**Environmental conservation programs in areas where KOSÉ operates**  
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 co-exist and prosper.

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We will co-exist and prosper with local communities, conducting environmental conservation activities with a focus on production facilities, which have a significant impact on the environment.
- 6

**Lower the overall environmental impact of business operations**  
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.

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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.