

## CEO Message

We see adaptability as the act of staying closely attuned to diverse backgrounds and values, in order to be a source of beauty for everyone. Based on this concept of adaptability, we will move forward with efforts to expand our areas of customer creation under the “3Gs” initiatives, aiming to evolve into a company with ultimately high loyalty.

### Looking Back on Fiscal 2023

First, I would like to express my deepest sympathies to all those affected by the recent Noto Peninsula Earthquake. I sincerely hope that everyone affected will be able to rebuild their lives and return to normality as quickly as possible. We will continue to provide support, including supplies, in cooperation with the government and regional authorities.

Looking back on fiscal 2023, our sales in Japan grew across all sales channels. Sales of *Tarte* products, which are sold mainly in the United States and Europe, were strong in every region. On the other hand, our businesses in China were heavily impacted by sluggish consumption due to slow economic recovery in the region, and by the impact of the release of treated wastewater into the ocean from the Fukushima nuclear power plant. Furthermore, in the travel retail market, purchases of merchandise by travel retailers were reduced in South Korea and then in China, which led to a drastic reduction in shipments during the second half of the year. As a result, the Group's

overall net sales and operating profit were both significantly lower than initially forecast.

Moreover, in terms of our quantitative targets under VISION2026, our progress in raising net sales and profit margins has been severely delayed as a result of substantial changes in the business environment, including three years of the COVID-19 pandemic and the previously mentioned economic slowdown in China. We aim to achieve stable business growth in mainland China and in the region's travel retail market, even amid these changes. We will focus on customer creation and stronger marketing for end consumers, at the same time aiming to increase brand value and improve profitability. Furthermore, we will work on sales growth and strengthen profitability in Japan, in addition to our focus on developing new markets for KOSÉ brands in the United States, Europe, ASEAN and India. We plan to announce our next vision, which will include a new business strategy, at the earliest opportunity in fiscal 2024.

Kazutoshi Kobayashi



President & CEO





## Message from the President

## Accelerating Initiatives to Create New Customers Using the 3Gs as Themes

In fiscal 2023, we made significant progress with customer creation under the themes of the 3Gs (“Global,” “Gender,” and “Generation”). As an example, we appointed the U.S. Major League baseball player Shohei Ohtani as a global ambassador in our advertising campaigns for *DECORTÉ*'s mainstay beauty serum and for *SEKKISEI* sunscreen. In other promotions, *SEKKISEI* and *Visée* sought to raise consumer awareness of the concept of “genderless.” We have also worked to communicate the importance of skincare and enjoyment of cosmetics and beauty for everyone, from children to elderly people. These efforts included awareness-raising activities aimed at school-age baseball players, under the theme of “protect your skin from UV rays.” At KOSÉ, we value the concept of adaptability, which involves staying closely attuned to customer needs and becoming a source of beauty for everyone. Based on this concept, we have carried out various activities in the areas of the 3Gs, and have received wide-ranging support for KOSÉ's approach to beauty.

As part of our efforts to create new customers, we conduct diversity training that includes consideration of various gender identities, elderly people and people with disabilities. This training, which is reflected in our customer service and Monozukuri (manufacturing), enables us to offer the value of beauty to people with diverse backgrounds.

To elaborate on our “3Gs” initiatives to create new customers,



from fiscal 2024 onward “Global” will be an ongoing issue. We must accelerate our initiatives in this area. As specific initiatives, we established a business branch in France, which leads the EU cosmetics market, to strengthen our marketing capabilities, and an office in Paris to strengthen our global system for responding to pharmaceutical and medical laws. We have also opened a *DECORTÉ* duty-free counter at a department store in Paris looking ahead to the 2024 Paris Olympic and Paralympic Games, which are set to attract people from all over the world. We are also focusing on emerging countries, such as ASEAN countries and India. Rather than simply exporting and selling products from Japan in these regions, we intend to swiftly supply products that appropriately accommodate each country's cultures and needs. Simply using “Made in Japan” as a product's main point of appeal is no longer effective to attract overseas customers. We recognize the importance of distinct marketing for each of our brands and products, based on their efficacy and targeted consumer base.

Turning to “Gender,” there was a clear response to our advertising message that “there are no *SEKKISEI* products for men.” KOSÉ has a long history of manufacturing products that don't simply target customers of a specific gender (e.g. “for women” or “for men”). Following the COVID-19 pandemic, the idea of fixed gender roles has been fading, and the mindset that beauty is not limited by gender-based differences has been growing throughout society. To this end, I truly feel that KOSÉ cosmetics are meeting the exact demands of the times.

With regard to “Generation,” we started a new research initiative in cooperation with a team of pediatric specialists to clarify the relationship between the skin and skincare habits for newborns and children, as well as improvements to quality of life (QOL) and the impact of actively preventing allergies as children grow up. Other initiatives are aimed at appealing to all generations in various ways. We conduct activities to raise children's awareness of the importance of sunscreen and to communicate the importance of skincare from early childhood. Our activities at the BEAUTY STUDIO pavilion at KidZania Tokyo have been ongoing for several years and continue to be enjoyed by many children. We also hold a beauty event held on Japan's Respect for the Aged Day (a national holiday) where grandparents and their grandchildren can have fun experiencing cosmetics together. I am confident that these flexible “3Gs” ideas and initiatives, based on KOSÉ's unique concept of adaptability, will widen our business domains and lead to sustainable growth.

## Initiatives for Fiscal 2024— Reflecting on Our Challenges to Date, Expanding Our Global Presence and Seeking Even Better Customer Experiences

In fiscal 2024, we will continue working to expand our global presence and seeking out even better customer experiences. Expanding our global presence means accelerating the global development of our brands. In Japan, we will increase the presence of our high-prestige brands at department stores and at specialty cosmetics stores. In the mass market, which is centered mainly on drugstores, we will accelerate sales growth with a stronger product lineup for each of our prestige brands and improve the profitability of our cosmetics brands by increasing sales and reducing cost of sales.

Tarte, Inc., which is based in North America, has grown its sales roughly fourfold in the decade since it was merged and became a subsidiary of the KOSÉ Group. On the sales front, we will open more *Tarte* stores in Europe, the Middle East and Asia, and develop new sales channels in North America including a social media-linked online store. On the product front, we will work to maintain *Tarte*'s position as the leading concealer brand and reinforce its position in the lipstick and mascara categories. As part of efforts to increase *Tarte*'s presence in Western markets, we will strengthen our marketing structure to develop other brands managed by KOSÉ in the same markets.

In terms of initiatives in our Asia markets, we will revise our existing sales methods in response to changes in the Chinese market and drive customer creation using our unique strengths in counseling and beauty treatment experiences. By using these experiences to improve *DECORTÉ*'s brand image in the region, we will strengthen sales of its high-end products. In tandem with these marketing investments, we will review promotional expenses for e-commerce sales with the aim of improving profitability. We will also review our Asia business, which has relied heavily on Chinese demand, and strengthen our sales structures in ASEAN and India.

As part of our plan to seek out even better customer experiences, in January 2024 we launched a new feature on the *DECORTÉ* Official Online Boutique that enables customers to

view their in-store purchase history on their online profile page. With initiatives such as this, our plan is to accelerate our OMO<sup>1</sup> measures, including moving forward with customer relationship management (CRM) activities, starting with the unification of KOSÉ customer IDs and centralizing online and offline customer data. These measures are a starting point from which we can offer more personalized customer experiences and maximize LTV.<sup>2</sup> We aim to become “a company with ultimately high loyalty.”

In January 2024, we established the Product Headquarters to build a sound foundation for the Company's growth. To date, we have focused on our strengths in manufacturing, such as our ability to create highly original products with strong customer loyalty backed by advanced R&D capabilities, and our safe, secure and stable quality control. However, we need to build a flexible and agile supply chain that enables us to quickly supply products in response to changes in the competitive environment in the market. For example, as we work to strengthen our global development, we must comply with various local pharmaceutical laws and regulations when entering new countries, and supply products that have been localized for each market. The Product Headquarters has been established as a control tower to resolve these challenges, overseeing all divisions involved in manufacturing operations. We aim to strengthen coordination of functions, enhance global sales systems and ensure that appropriate products are supplied quickly. From the perspective of adaptability, we will deliver products and services suited to the market in each country and will drive the market penetration of diverse brands produced by KOSÉ. In addition, we plan to reinforce our manufacturing system by building the new Minami-Alps Factory (Yamanashi Prefecture) and making effective use of our outsourcing partners.

1. OMO: Online Merges with Offline, a marketing approach that consolidates online and offline distribution channels and customer bases  
2. Lifetime value for customers

## Creating Beauty in a Sustainable World—Promoting Sustainability Activities That Enable the Power of Cosmetics to Flourish

The KOSÉ Group's Corporate Message, “Creating Beauty in a Sustainable World,” serves as its guiding principle for sustainability. To this end, we have established the KOSÉ Sustainability Plan to make the future better for people and the

environment. Based on our six activity themes (our material issues), we are promoting initiatives that aim to balance our business activities with the creation of a sustainable society. One of the six activity themes is support for a beautiful, healthy and



## Message from the President

happy life. As part of sustainability initiatives that express KOSÉ's uniqueness, we see the achievement of well-being as providing an important perspective. The value that cosmetics bring to the people who use them continues to increase, and as such we recognize that our pursuit of well-being is one of the important social contributions that we can make as a cosmetics company.

For example, as one of our initiatives to support the health of future generations, in fiscal 2023 we created the *SEKKISEI SUN BLOCKERS* campaign to promote the importance of UV protection among children who enjoy outdoor sports. The campaign included a special message from Shohei Ohtani and sunscreen products for participants. In fiscal 2024, we plan to distribute our own teaching materials on UV protection measures to junior and senior high schools that request them. We also plan to hold seminars on UV protection, with KOSÉ employees acting as instructors. Our hope is to play a part in ensuring that children have healthy skin and skincare habits.

In addition, we are promoting "Lower the overall environmental impact of business operations" as a theme for initiatives related to the global environment. We announced strategies for decarbonization including net zero-related initiatives, with the aim of achieving zero CO<sub>2</sub> emissions throughout the value chain by 2050. In 2022, we participated in a model project conducted by Japan's Ministry of the Environment on the carbon footprint of products and services. Specifically, this project involved calculating the carbon footprint for the *SEKKISEI CLEAR WELLNESS* series; i.e. the total amount of CO<sub>2</sub> emissions over each product's lifecycle. Based on the results, we formulated an action plan to reduce CO<sub>2</sub> emissions related to the series going forward.

For the renewal of *MEDICATED SEKKISEI BRIGHTENING ESSENCE LOTION*, the first update to the long-selling *MEDICATED SEKKISEI* product lineup, we have reduced the amount of plastic by using FSC-certified paper and biomass plastic for the container and outer packaging. As a result, as little plastic is used in creating the container as possible. This has reduced manufacturing-related CO<sub>2</sub> emissions by around 9% for

## Becoming a Company with Ultimately High Loyalty through Value Creation That Harnesses the Power and Diversity of Each Employee

We aim to evolve into a company with ultimately high loyalty. I am confident that the core of supporting this evolution is the power of every employee. Diverse human resources are truly the source of our unique competitive advantage and of our ability to generate innovation. As such, we are working to further improve

the regular size and 10% for the large size. We will continue working to visualize the environmental impact of our products, and I hope that we can raise environmental awareness together with our customers.

Since its foundation, the Company has cherished the spirit of co-existence and co-prosperity with all of its stakeholders, not only with customers but also with its business partners, suppliers and local communities. These mutually beneficial relationships have been redefined as the KOSÉ Beauty Partnership. In July 2024, construction of the Minami-Alps Factory is scheduled to begin. Based on the Group's Corporate Message and the KOSÉ Beauty Partnership, the plan is to create a factory that meets the needs of both people and the Earth and incorporates sustainable functionality. "For people," we aim to create a welcoming, fulfilling work environment at the new factory that brings out respect for employee diversity. We also want the factory and the Company to be open and welcoming to the local community. We are planning initiatives that include allowing visitors to observe the cosmetics manufacturing process and running workshops. "For the Earth," the factory has been designed with ample consideration for the environment. The building is situated in an area surrounded by the beauty of nature. It incorporates rainwater management and wastewater reuse systems based on the concept of green infrastructure, and solar power generation that takes advantage of Japan's climate of long daylight hours. In addition, we are involved in activities and research related to protecting forests that nurture water resources. Through the theme of water as a vital ingredient in cosmetics, our aim as a Company is to co-exist with the rich natural environment that surrounds the factory and with the local community.

Guided by the concept of adaptability, we completely revised the initial concept of the Minami-Alps Factory so that we can precisely respond to changes in the diverse needs of society. The factory has a flexible high-mix low-volume production system that can respond to substantive changes in demand. Operations are scheduled to begin in the first half of 2026.

job satisfaction among employees, to build a portfolio of excellent human resources and to optimize our use of those human resources, with the aims of creating an environment where individual employees can fully demonstrate their capabilities and increasing employee engagement.

Creating this kind of environment is one thing, but I feel that it is equally important for individual employees to feel empowered to take on challenges without fear. In 2023, I was interviewed for a television program where I, as the President of the Company, reflected on the history of KOSÉ's businesses, which have grown through repeated trial and error. I discussed the challenges that our major brands have faced in the past, from their introduction to their withdrawal from certain markets. I deliberately used the word "failure" when referring to that process. Honestly, I believe that such "failures" are the result of taking risks, and I see those efforts as valuable assets that we can use going forward. I want our employees not to be afraid of failures by seeing our predecessors' history of challenges and withdrawals as past events. To accelerate the new customer creation process, I sincerely hope that each employee will make bold decisions and take on challenges that they have never experienced before. These challenges may include changing their perspective and trying completely different approaches in their work.

As part of our efforts to increase employee engagement, in fiscal 2017 we established the "Create a Great Place to Work" committee, directly below the management team. The committee works to empower employees by promoting initiatives to improve job satisfaction and working conditions. The committee is backed by a strong commitment from senior management and executive officers. Together, we are working to propose and implement measures to instill a sense of purpose in employees. One significant characteristic of the committee is that the members implement various cross-departmental measures, cooperating with the Human Resources Department in making reforms to the personnel system and compensation. We have already created lifestyle support systems related to childcare, and are working to maintain motivation and working comfort for employees

## Taking on Challenges and Demonstrating Bravery in Product Creation That Reflects KOSÉ's Unique Values

We have been living in a so-called VUCA<sup>3</sup> era for some time, and uncertainty in the business environment has been increasing. Under such circumstances, I believe that the KOSÉ Group's adaptable product lineup is one of the reasons that it is cherished and appreciated by many customers. It capitalizes on the Group's unique portfolio of varied and appealing brands, from high-prestige brands to cosmetaries.

We will continue working to create a corporate culture

dealing with lifestyle changes such as pregnancy, childbirth and childcare. I believe that these initiatives played a strong part in the Company's 2023 selection as a Nadeshiko Brand (an initiative jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange). In fiscal 2024, we will continue to strongly promote these initiatives. We will appoint 16 mid-class employees as "Create a Great Place to Work" committee members, and establish a structure to accelerate implementation of bottom-up approaches that are more closely aligned to the real situation and needs of employees.

In terms of employee engagement, between fiscal 2018 and fiscal 2022 we saw an overall increase in employee satisfaction based on results from the employee opinion surveys that we conduct every few years. I believe this increase shows that our initiatives to foster job satisfaction and ensure comfortable working conditions are steadily generating results. We will continue to empower diverse employees to flourish as one of the KOSÉ Group's strengths.



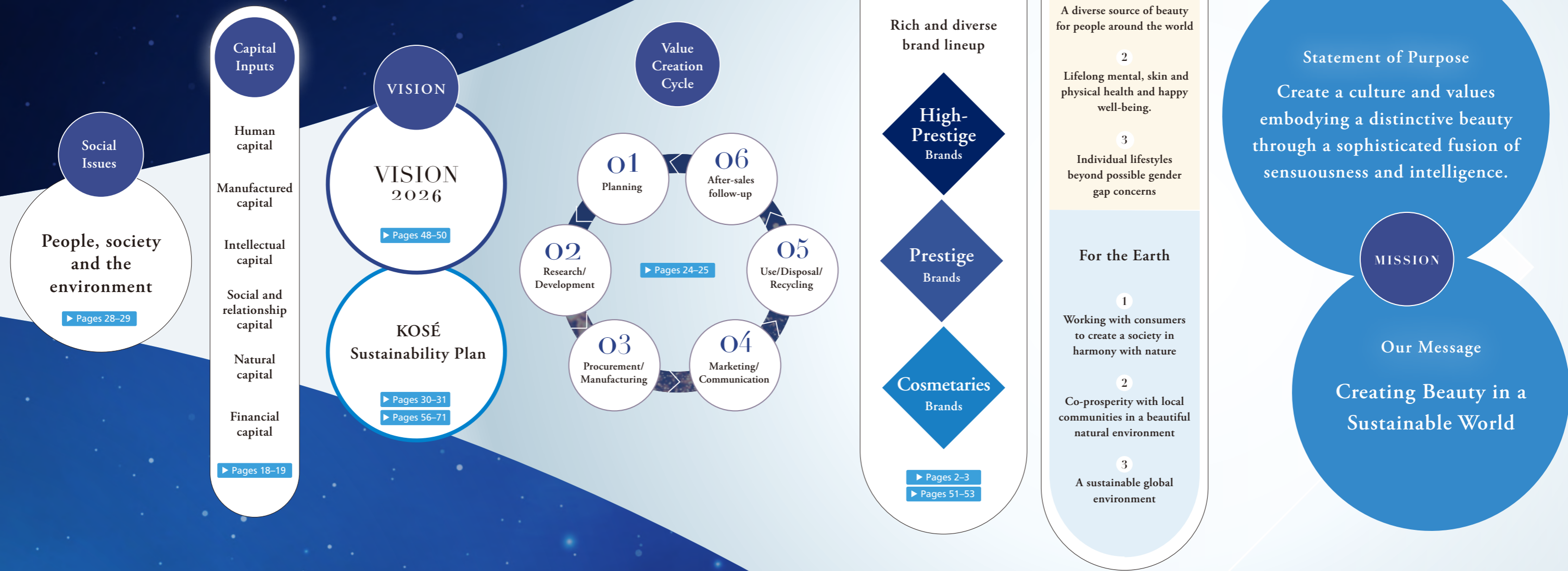
that recognizes the importance of taking on challenges and not being afraid of failure. We will also strive to create products that reflect KOSÉ's unique values and evolve into a company known and loved globally. Please continue to expect great things from the KOSÉ Group going forward.

3. Volatility, Uncertainty, Complexity, and Ambiguity. The acronym refers to a state of rapid change, in which the outlook is uncertain and the future is difficult to predict.



# 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. 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.



|                       |                         |               |
|-----------------------|-------------------------|---------------|
| Values                | KOSÉ Beauty Partnership | ▶ Pages 20–23 |
| Fundamental Strengths | Sustainability          | ▶ Pages 28–31 |
|                       | Adaptability            | ▶ Pages 26–27 |

# 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.

1. Figure for Group companies in Japan  
 2. Excluding Tarte. Registered as of the end of December 2023.  
 3. KOSÉ Group production departments  
 4. Shareholders' equity = Net assets minus stock acquisition rights, minus non-controlling interests



# The KOSÉ Group's Values—The KOSÉ Beauty Partnership

The KOSÉ Beauty Partnership, set out as part of medium-to-long-term VISION2026, reflects 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 order to achieve medium-to-long-term VISION2026, it is essential that we aim to be a source of beauty for everyone, continue to generate world-leading unique value and offer a variety of brands brimming with originality and appeal. In order to do all of these things, we will strive to remain the company of choice for stakeholders who love and support KOSÉ, redefine our mutually beneficial relationships through our unique concept of “Creating Beauty” and define them as the “KOSÉ Beauty Partnership,” and continue to build relationships.

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 respectful relationship.

## Specific Initiatives with Each Stakeholder Type

| Stakeholder | Relationship type | Stakeholder expectations and concerns   | Specific initiatives   |
|-------------|-------------------|---|--|
|             | 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 <a href="#">▶ Page 22</a></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> |
|             | 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 online and offline 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>   |
|             | 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 <a href="#">▶ Page 23</a> </li> </ul>   |

| Stakeholder | Relationship type | Stakeholder expectations and concerns   | Specific initiatives  |
|-------------|-------------------|---|---|
|             | 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>Establishment of working systems that accommodate diverse lifestyles, including full-day, half-day and hourly paid leave, and abolition of core time within the flextime system <a href="#">▶ Page 22</a></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> |
|             | 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>  |
|             | 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 other companies <a href="#">▶ Page 23</a></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 to make rapid development of formulations a reality </li> </ul>  |
|             | 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>   |
|             | 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 <a href="#">▶ Pages 61–65</a></li> <li>Reviews of manufacturing methods and product development with the aim of reducing environmental impact</li> <li>Environmental conservation programs in areas where KOSÉ operates (ALBION's Shirakami Laboratory, protection of mountain forests around the Minami-Alps Factory) </li> </ul>                                       |
|             | 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 carbon footprint and 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>  |
|             | 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 lasting 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 <a href="#">▶ Page 23</a></li> <li>Education of the next generation, including participation in social events and educational activities about healthy skin at childcare centers </li> </ul>   |



# Value Generated through the KOSÉ Beauty Partnership

We are achieving value creation that leverages the synergies created in collaboration with our stakeholders as part of the KOSÉ Beauty Partnership, through our unique concept of “Creating Beauty.” Here, we present some examples of new value creation achieved through mutually beneficial relationships with our stakeholders.

Customers  
(B2C)

KOSÉ

## Connective

**Working to Connect with Every Customer—Developing Products and Services That Are Easy to Use and Understand in Every Way**

KOSÉ strives to use customer feedback in development and improvements for even better products and services. We have been using feedback received by the Customer Service Center and through other channels to develop and improve containers and create products that incorporate principles of universal design.<sup>1</sup> Several of our existing products are made to be color barrier free<sup>2</sup> and/or incorporate embossing and Braille. We also provide free Braille stickers to help customers identify cosmetics products. Furthermore, with the goal of making products that are easy for everyone to use, we launched a working team in the department that plans and designs product containers and are conducting ongoing research. In fiscal 2023, we teamed up with NPO Dream to hold a makeup seminar for stroke patients who have been left with limited mobility in their arms or legs. We conducted interviews during the seminar, and we plan to use the feedback from those interviews in product container development. Looking ahead, we will continue to develop products and services with the aim of making them easy to use and understand in every way.

1. Designs intended to facilitate ease of use for everyone, regardless of language, age, gender, disability, etc.  
2. Use of color schemes and designs that are easy for people with color vision deficiency to recognize.



Community



KOSÉ

## Beneficial

**Contributing to the Growth of the Next Generation with Education Programs That Combine Fun and Learning, with the Aim of Enduring Development of Communities**



KOSÉ aims to achieve co-existence and co-prosperity with the communities in which it operates, and we value our contributions to these communities. In Minami-Alps City (Yamanashi Prefecture), where the Company is planning to build a new factory, we are conducting joint research on water with Yamanashi University and holding events to familiarize local community members with our products. In addition, Group company KOSÉ INDUSTRIES CO., LTD. is a partner organization of the Yamanashi Junior Doctor Training Nature School,<sup>3</sup> which aims to help children—who are the future of Minami-Alps City—understand the environment and society and encourage them to develop a strong interest in science and technology. In fiscal 2023, KOSÉ employees visited the school as lecturers. They helped the children learn about environmental issues in a fun way, through activities including lectures on what cosmetics are and their history and efficacy, and an original room fragrance creation experience. The program was well received not only by the students but also by their parents, who said that they found it very interesting. We will continue these activities in fiscal 2024.

3. An education program operated by Yamanashi University with support from the Japan Science and Technology Agency (JST), that aims to put elementary and junior high school students on the path to becoming future scientists.

Human  
resources

KOSÉ

## Co-creative

**The KOSÉ Family Day—Meet KOSÉ! 2023 Initiative for Increasing Engagement and Mutually Beneficial Relationships with Employees**

At KOSÉ, we regard employees as an important asset and the foundation supporting the enhancement of our corporate value. We believe that increasing employee engagement and employees' willingness to contribute will revitalize the organization and strengthen our competitiveness. In fiscal 2017, we established the “Create a Great Place to Work” committee to promote various initiatives to further increase employee engagement, backed by a strong commitment from the management team. These initiatives include holding lectures led by directors and conducting interviews on job satisfaction at each work location. In addition, in fiscal 2023 we held the KOSÉ Family Day—Meet KOSÉ! 2023 event at KidZania Tokyo, of which we are an official sponsor, for employees and their families throughout Japan. On the day, we set up six special booths including an introduction to working at KOSÉ, a makeup modelling experience and a photoshoot. The booths gave participants opportunities to learn more about KOSÉ, increase their affinity with the Company and create memories. Employee satisfaction with this initiative was 98%, making it a standout opportunity for improving employee engagement.



Suppliers

Collaborators



KOSÉ

## Supportive & Innovative

**With the Aim of High-Quality Manufacturing, a Partnership of Over 20 Years Leads to the Development of Japan's First “Doubly Effective” Product**



Harnessing a broad array of knowledge is essential to achieving high-quality manufacturing that is sustainable, safe and reliable. We have aimed for co-existence and co-prosperity with our business partners since our founding, taking steps to strengthen relationships throughout the supply chain. In fiscal 2023, we launched the medicated moisture sealing balm *ONE BY KOSÉ SERUM SHIELD* containing Rice Power<sup>®</sup> No. 11+<sup>4</sup>, a product created by Yushin Brewer Co., Ltd., who we have collaborated with for many years. In order to stably incorporate Rice Power No. 11 (the first ingredient in Japan to be recognized as having dual functionality for moisturizing and anti-wrinkle) into products as the active ingredient, we conducted repeated research efforts and made full use of our in-house formulation technologies. The resulting product quality makes it ideal for everyday use. Our long-standing collaborative relationship with Yushin Brewer has widened the market for wrinkle-reducing products, which are currently receiving strong customer interest. We held a press conference on this and other collaborations in fiscal 2023.

4. An active ingredient that has been shown to both improve the skin's moisture retention ability and reduce wrinkles. Rice Power<sup>®</sup> No. 11 is the first product in Japan to be recognized as having a single ingredient with dual functionality.

# KOSÉ's Unique Value Creation Cycle

The KOSÉ Group has provided unique value by offering 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 and building a portfolio full of appealing brands, in our quest to be a source of beauty for everyone.



01

## Building Brands That Adapt to the World

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 LOOSE POWDER based on surveys that drew on a wide range of preferences and with a view to marketing the product in various parts of the world.

Human capital Intellectual capital ▶ Pages 26–27 ▶ Page 58



02

## 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. 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. 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.

Human capital Intellectual capital Manufactured capital ▶ Pages 27, 61

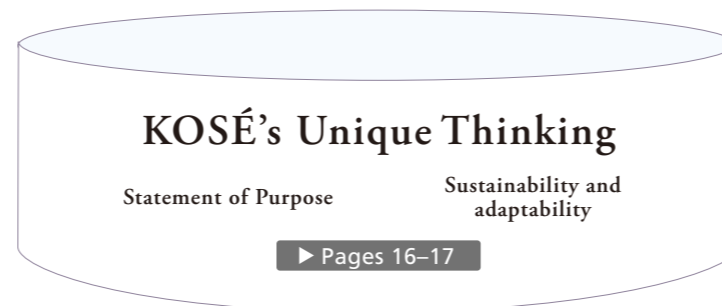
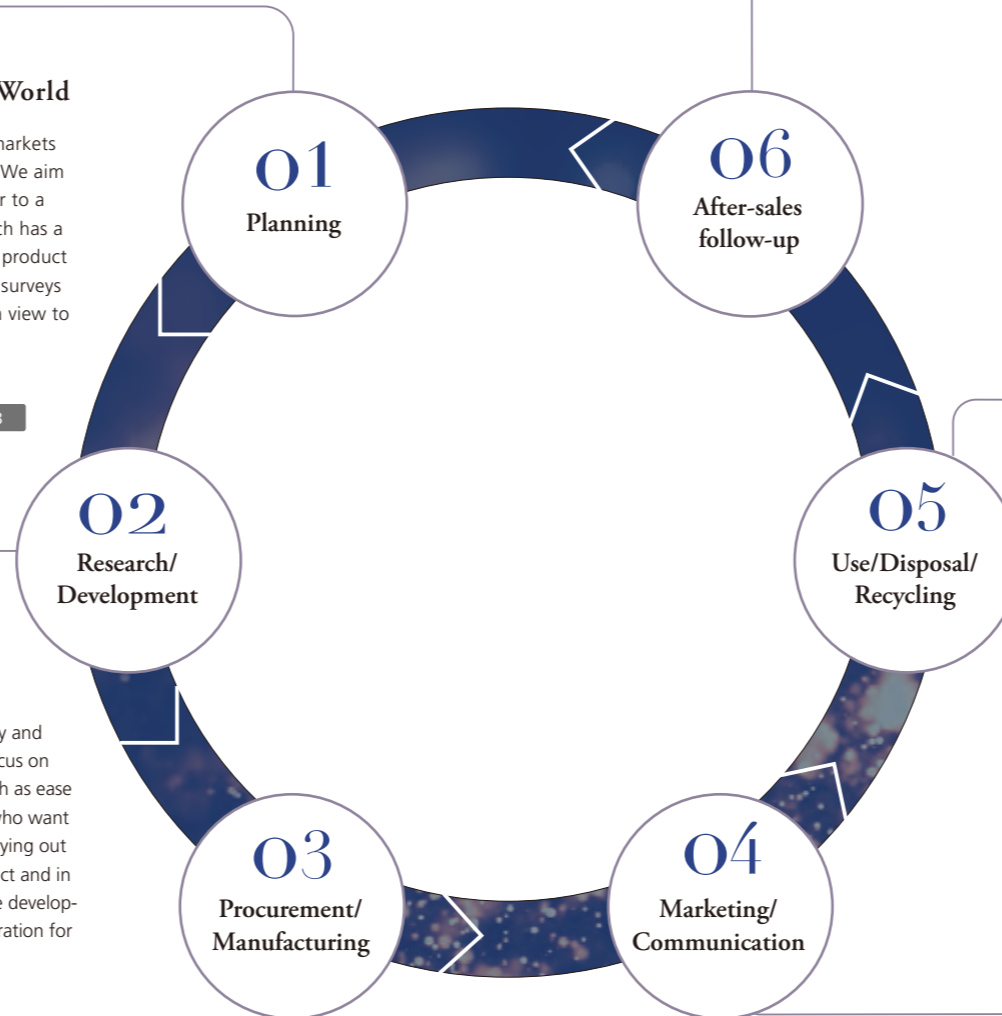


03

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

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 our Gunma Factory, Sayama Factory and at ALBION's Shirakami Laboratory to renewable energy sources with the aim of creating a clean manufacturing system. The Shirakami Laboratory is also promoting sustainable procurement in ways such as utilizing nearby abandoned land to cultivate plants for use as raw materials.

Human capital Intellectual capital Manufactured capital ▶ Pages 68–69



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

KOSÉ takes the customer's perspective, and reflects the opinions of 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. On launching an improved version of our flagship SEKKISEI lotion, we reflected customer feedback in the packaging specifications by taking usability and visual recognition into account.



06

▶ Page 70 Human capital Social and relationship capital

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

When creating long-selling products supported by a loyal customer base, we believe it is important for our customers to use a product comfortably from start to finish. 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 some of our brands, and for ADDICTION we have launched a limited-edition makeup compact case made using 94% recycled resin material.



05

▶ Page 61 ▶ Page 65 ▶ Page 70 Human capital Social and relationship capital Natural capital

## Providing Opportunities to Create New Points of Contact with Customers

Since KOSÉ's founding, 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 beauty, with the aim of enhancing the value of customer experiences both online and offline. In 2023, we provided visitors to CES 2023 in the United States, one of the largest technology expos in the world, with the opportunity to experience a makeup simulator that uses high-speed projection mapping technology. The simulation was tested out by visitors over 1,200 times, and the majority of visitors were impressed and gave positive feedback. We will continue to test out new ideas.



04

▶ Page 27 ▶ Pages 51–53 Human capital Social and relationship capital



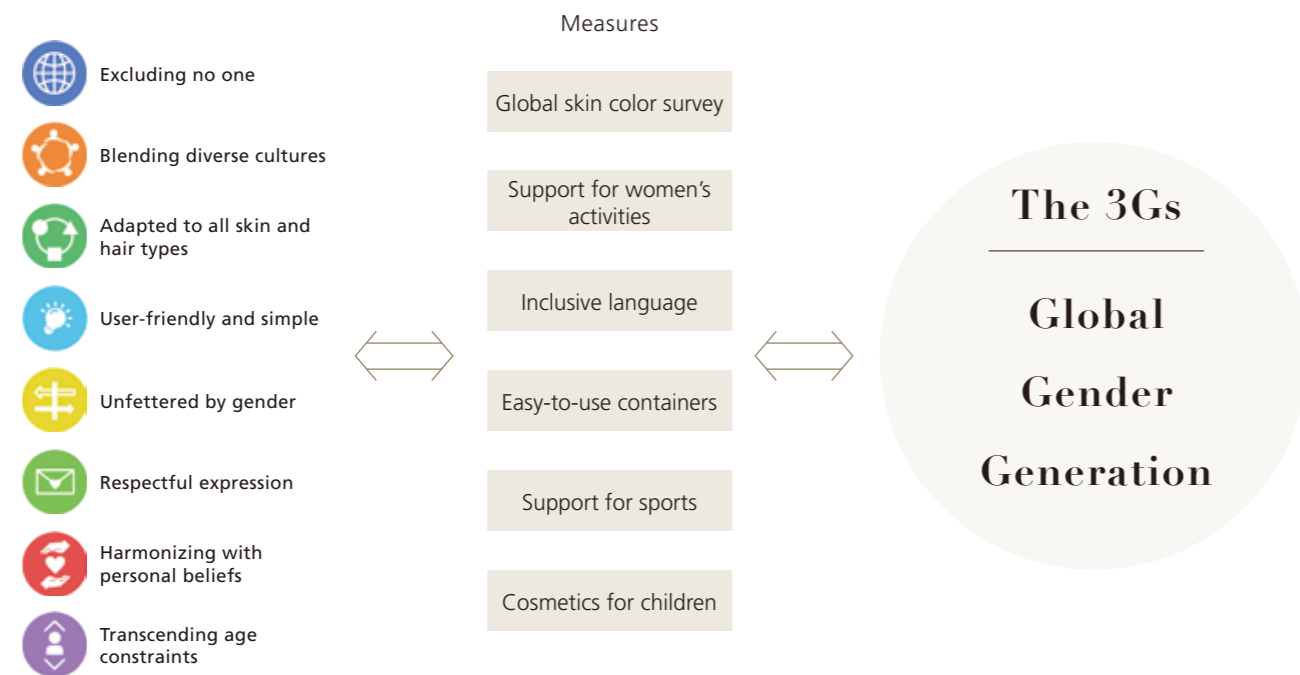
# Value Creation Based on Adaptability

KOSÉ believes it important to become a source of beauty for everyone, and to be a company that is closely attuned to its customers. In order to achieve both of these aims, we use the concept of adaptability as the source of our value creation. Looking forward, we will also widen the scope of the value we provide in the areas of the 3Gs (“Global,” “Gender,” and “Generation”), as presented in VISION2026, with the aim of creating new customers.



Throughout the world, as the declining birthrate and the aging population continue to advance, the average life expectancy is increasing and lifestyles continue to diversify. In the cosmetics industry's operating environment, beauty is becoming genderless and more people of all ages have started using cosmetics, as people realize the importance of skincare both from early childhood and for the increasing number of elderly people in their mid-70s and over. KOSÉ aims to stay attuned to customers' beauty. To this end, we use three perspectives—Physical, Mind, and Social Attributes—as the starting point for value creation. It is adaptability that enables us to universally appeal to customers around the world. To provide people with products, services and communication that reflects their individuality, we engage with them as individuals. Based on the three perspectives described above, we have also established eight more concrete initiatives for Adaptability∞.

## Adaptability ∞

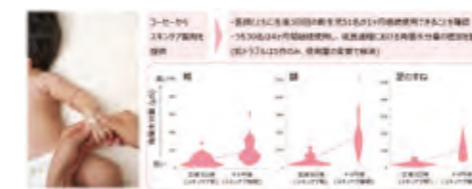


## Examples of New Customer Creation, Based on Adaptability

- Responding to global needs**
  - Spawake*
  - ADDITION*
- Support for society that leverages brand value**
  - SEKKISEI*
  - DECORTÉ*
- Unfettered by gender**
  - Visée*
  - im (KOSÉ MILBON COSMETICS)*
- User-friendly and simple**
  - KOSÉ HADA mite*
  - softymo (KOSÉ COSMEPORT)*
- Responding to the needs of each generation**
  - CARTE HD (KOSÉ Maruho Pharma)*
  - ONE BY KOSÉ*
- Suited to all skin types**
  - DECORTÉ*
  - IC.U (Dr. PHIL COSMETICS)*

Note: Representative examples are shown for each initiative. All KOSÉ brands are implementing various adaptability initiatives.

## Through Years of Skin Research, Achievement of a Skincare Formulation That Is Safe for Use from Early Childhood



In recent years, there has been increasing recognition of the effectiveness of appropriate skincare for children as they grow up. In particular, skincare habits established during early childhood have the potential to prevent atopic dermatitis and other allergies. Practicing skincare from early childhood is expected to improve quality of life (QOL) over a lifetime.

In joint research conducted with a pediatric allergy specialist team,<sup>1</sup> we confirmed that a skincare formulation that we have developed is safe for use on newborn babies aged from three days onward. Furthermore, the research showed that if this formulation is used continuously for four months on newborn skin, which is prone to drying out due to lack of moisture, the amount of moisture in the skin on various parts of the body increases. The skincare formulation used for this study was the result of KOSÉ's 25-plus years of research into sensitive skin.

We will continue our research related to the skin of newborn babies and children, in order to develop products that can be used safely by all customers.

1. Chiba Aiyukai Kinen Hospital (Nagareyama City, Chiba Prefecture) "Study on Prevention of Allergic Reactions in Infants through Educational Intervention for Pregnant Women"

## A Makeup Simulation System for Enjoyment of Diverse Beauty, Using High-Speed Projection Mapping Technology and Color Correction Technology



In a joint research project with the Watanabe Laboratory at the Tokyo Institute of Technology, KOSÉ developed a makeup simulation system that can be tested on people's faces to simulate real makeup. The system incorporates color correction technology that projects suitable makeup colors based on the skin's reflective properties. The COLOR MACHINE, a makeup simulator that uses this technology, has been providing new value as a beauty experience<sup>2</sup> at our Maison KOSÉ Ginza concept store since August 2022. It is not easy to find the one item that suits you from among the myriad of makeup products available. The COLOR MACHINE was developed to address this problem, offering customers opportunities to enjoy the selection process while discovering the makeup that suits them best and to try new makeup products. Through this service, we hope that users will discover their own style of beauty that transcends gender, age, language and other global barriers.

2. Content that offers new beauty experiences

# Recognition of the External Environment and Identification of Material Issues

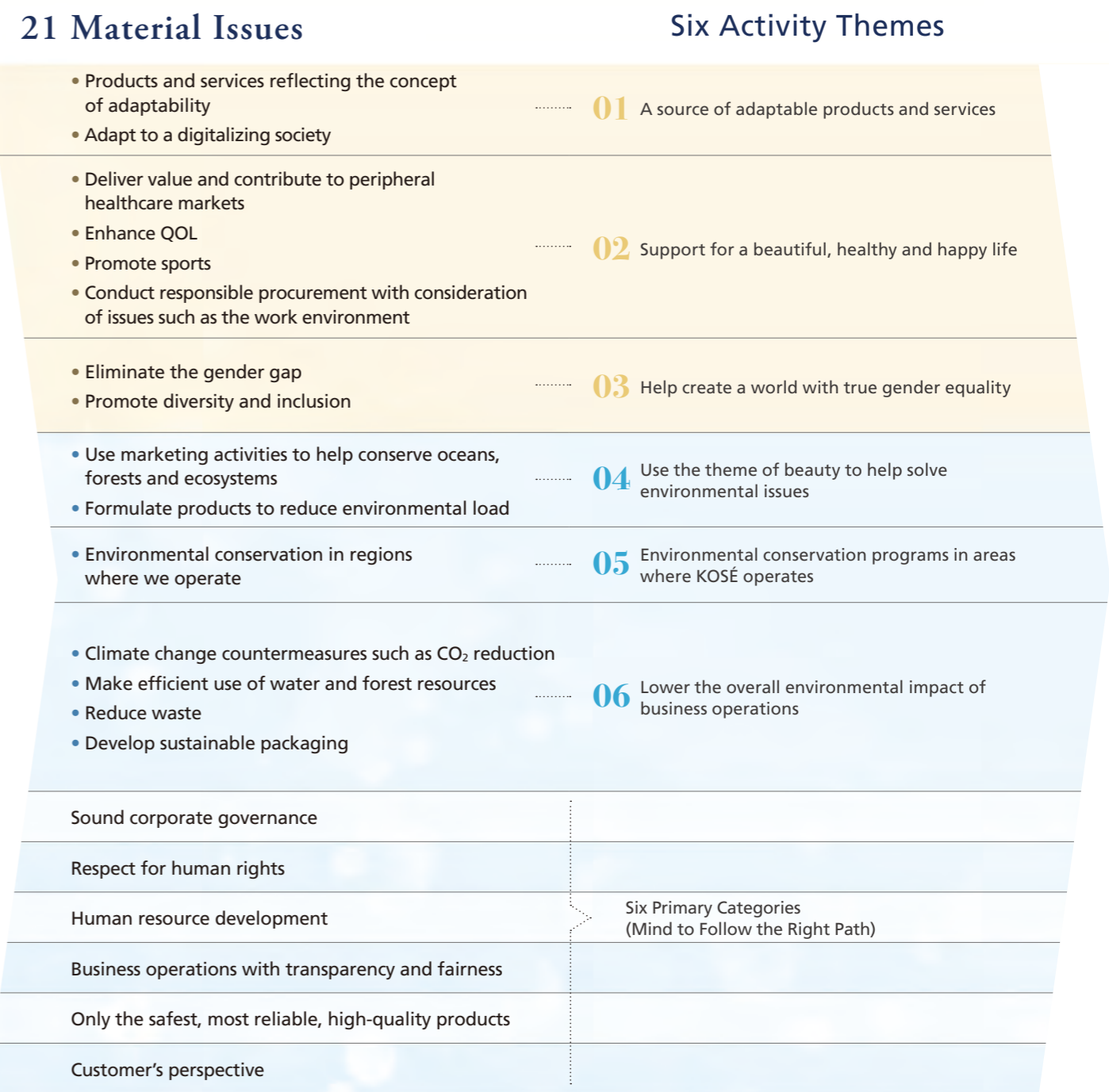
## Identifying Material Issues

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 related 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 Group company and division, and used the average scores to quantify those issues based on an index of importance and relevance to the KOSÉ Group as a whole.



## Setting Material Issues and Themes

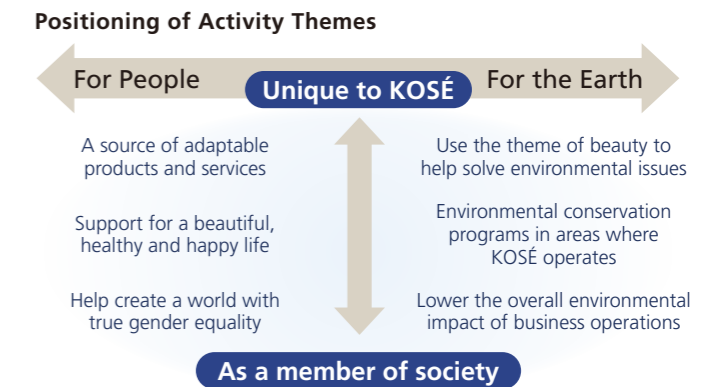
We evaluated the issues identified on the axes of importance to society (customers, business partners, suppliers, shareholders, employees, local communities, the international community, NPOs, NGOs, etc.) and the axes of importance and relevance to the KOSÉ Group. We checked the 21 material issues against 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.



# 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. 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. 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.

These activity themes can be categorized in two ways: those that are vital for enhancing KOSÉ's unique value as part of our business activities, and those under which the Company contributes to solving social issues as a member of society. Please refer to the diagram on the right.



Six Activity Themes

## For People

**01** 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.

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.

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

We will energetically address social issues so that everyone can lead a healthy and happy life. Activities will include improving quality of life (QOL), educating and raising the awareness of the next generation, and enhancing the work environment, including our supply chain, through fair trade initiatives.

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

We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.

## For the Earth

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

We will focus on beauty while promoting activities to solve 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.

**05** 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 the local communities based on the ideal of co-existence and co-prosperity.

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.

**06** 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.

We appreciate the blessings of nature and will continue to advance our efforts to reduce our environmental impact in order to continue sustainable procurement of raw materials, production activities and other business operations within a sustainable range.

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

Sustainability Promotion System  
Progress of the Sustainability Plan

▶ Page 45  
▶ Pages 56–70

Details of the KOSÉ Sustainability Plan



# Management Introduction (As of March 28, 2024)



**1. Yasukiyo Kobayashi**

Honorary Chairman

**2. Kazutoshi Kobayashi**

President & CEO

**3. Takao Kobayashi**

Senior Executive Director

**4. Masanori Kobayashi**

Executive Director

**5. Koichi Shibusawa**

Executive Director

**6. Yusuke Kobayashi**

Director

**7. Atsuko Ogura**

Director

**8. Yoshinori Haratani**

Director

**9. Shinji Tanaka**

Director

**10. Yukino Kikuma**

Director (External)

**11. Norika Yuasa**

Director (External)

**12. Miwa Suto**

Director (External)

**13. Kumi Kobayashi**

Director (External)

**14. Minoru Onagi**

Standing Audit & Supervisory Board Member

**15. Shinichi Mochizuki**

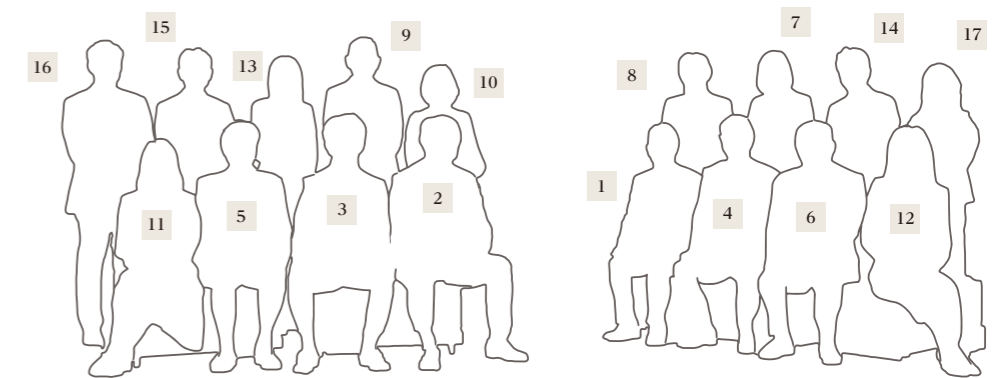
Standing Audit & Supervisory Board Member

**16. Toru Miyama**

Audit & Supervisory Board Member (External)

**17. Nobuko Takagi**

Audit & Supervisory Board Member (External)





# Career Histories (As of March 28, 2024)

## Honorary Chairman

### Honorary Chairman

#### Yasukiyo Kobayashi

Apr. 1964 Joined the Company  
 Jul. 1969 Director  
 Mar. 1976 Executive Director  
 Mar. 1981 Senior Executive Director  
 Jun. 1991 Representative, Senior Managing Director  
 Mar. 1997 Representative Director and President & CEO  
 Jun. 2007 Representative Director and Chairman  
 Jun. 2007 Representative Director and Chairman, KOSÉ SALES CO., LTD.  
 Jun. 2014 Honorary Chairman of the Company (current position)

## Director

### President & CEO

#### Kazutoshi Kobayashi

Apr. 1986 Joined the Company  
 Mar. 1991 Director  
 Mar. 1995 Executive Director  
 Jun. 2004 Representative Director and Vice President  
 Jun. 2007 Representative Director and President & CEO (current position)  
 (Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Director of ALBION CO., LTD.

### Senior Executive Director

#### Takao Kobayashi

Apr. 1993 Joined the Company  
 Jun. 1998 Director  
 Jun. 2013 Executive Director  
 Jun. 2014 Senior Executive Director (current position)  
 (Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Representative Director and President & CEO of KOSÉ Cosmeport Corp.

### Executive Director

#### Masanori Kobayashi

Mar. 2004 Joined the Company  
 Mar. 2008 General Manager of Corporate Strategy Office of President Office  
 Mar. 2009 General Manager in charge of Medium-term Strategy of Corporate Strategy Office of President Office  
 Mar. 2010 General Manager of Global Business Div.  
 Mar. 2011 Executive Officer and General Manager of Global Business Div.  
 Jun. 2013 Director and General Manager of Global Business Div.  
 Jun. 2017 Executive Director and General Manager of Global Business Div.  
 Mar. 2018 Executive Director  
 Mar. 2020 Executive Director and General Manager of Marketing Headquarters  
 Jan. 2024 Executive Director and Chief Product Officer (current position)

(Responsibilities) Product Headquarters  
 (Significant Concurrent Positions Outside the Company)  
 Representative Director of KOSÉ INDUSTRIES CO., LTD.

### Executive Director

#### Koichi Shibusawa

Apr. 1984 Joined the Company  
 Mar. 2008 Chief Director and General Manager of KOSÉ COSMETICS CO., LTD. (CHINA) and Chief Director and General Manager of KOSÉ COSMETICS SALES (CHINA) CO., LTD.  
 Mar. 2010 General Manager of Accounting and Finance Dept. of the Company  
 Mar. 2011 Executive Officer and General Manager of Accounting and Finance Dept.  
 Jun. 2013 Director and General Manager of Accounting and Finance Dept.  
 Jun. 2018 Executive Director (current position)  
 (Responsibilities) President Office, General Administration Dept., Legal Dept., Human Resources Dept., Quality Assurance Dept., Domestic Sales Subsidiaries and Associates, and Risk Management

(Significant Concurrent Positions Outside the Company)  
 Audit & Supervisory Board Member of KOSÉ SALES CO., LTD.  
 Audit & Supervisory Board Member of KOSÉ Cosmeport Corp.  
 Director of ALBION CO., LTD.

### Director

#### Yusuke Kobayashi

Apr. 2000 Joined ALBION CO., LTD.  
 Sep. 2005 Executive Officer of ALBION CO., LTD.  
 Sep. 2006 Director of ALBION CO., LTD.  
 Jun. 2014 Director of the Company (current position)  
 Apr. 2017 Executive Director of ALBION CO., LTD.  
 Mar. 2022 Senior Executive Director of ALBION CO., LTD. (current position)  
 (Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Senior Executive Director of ALBION CO., LTD.

## Director

### Director

#### Atsuko Ogura

Apr. 1988 Joined the Company  
 Mar. 2015 General Manager of IT Management Dept.  
 Mar. 2019 Executive Officer, General Manager of IT Management Dept.  
 Mar. 2021 Executive Officer, Director of R&D Laboratories and General Manager of Advanced Research Laboratories  
 Mar. 2023 Director of the Company, Director of R&D Laboratories (current position)

(Responsibilities) R&D Laboratories  
 (Significant Concurrent Positions Outside the Company) –

### Director

#### Yoshinori Haratani

Apr. 1989 Joined the Company  
 Mar. 2008 General Manager of PR Dept.  
 Mar. 2012 General Manager of Corporate Strategy Dept.  
 Mar. 2018 Executive Officer, General Manager of Corporate Strategy Dept.  
 Mar. 2024 Director and General Manager of Corporate Strategy Dept. (current position)

(Responsibilities) Corporate Strategy Dept., IT Management Dept., and Advertising Dept.  
 (Significant Concurrent Positions Outside the Company)  
 Director of Tarte, Inc.

### Director

#### Shinji Tanaka

Apr. 1989 Joined the Company  
 Mar. 2019 General Manager of SK Brand Office  
 Mar. 2020 General Manager of Strategic Brands Div.  
 Jan. 2023 Executive Officer, General Manager of Strategic Brands Div.  
 Jan. 2024 Executive Officer, Chief Marketing Officer, General Manager of DECORTÉ Div.  
 Mar. 2024 Director, Chief Marketing Officer, General Manager of DECORTÉ Div. (current position)

(Responsibilities) Marketing Headquarters  
 (Significant Concurrent Positions Outside the Company) –

### Director (External)

#### Yukino Kikuma

Apr. 1995 Joined Fuji Television Network, Inc.  
 Dec. 2011 Registered as an attorney at law  
 Joined Law Office of Matsuo & Kosugi  
 Jun. 2018 Director of the Company (current position)  
 May 2020 Outside Director of Takihyo Co., Ltd. (Member of the Audit & Supervisory Committee) (current position)  
 Jun. 2020 Outside Director of ALCONIX CORPORATION (current position)  
 Jun. 2020 Outside Director of KITZ CORPORATION (current position)  
 Jan. 2022 Managing Partner of Law Office of Matsuo & Kosugi (current position)  
 Feb. 2024 External Director of Money Forward, Inc. (current position)

(Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Managing Partner of Law Office of Matsuo & Kosugi  
 Outside Director (Member of the Audit & Supervisory Committee) of Takihyo Co., Ltd.  
 Outside Director of ALCONIX CORPORATION  
 Outside Director of KITZ CORPORATION  
 External Director of Money Forward, Inc.

### Director (External)

#### Norika Yuasa

Sep. 2003 Registered as an attorney at law  
 Aug. 2011 Registered as an attorney at law in New York State  
 Sep. 2017 Part-time Professor of Waseda Law School  
 Jan. 2019 Partner of Miura & Partners (current position)  
 Jun. 2019 Director of the Company (current position)  
 Jun. 2021 Outside Audit & Supervisory Board Member of TOKYO ELECTRON DEVICE LIMITED (current position)  
 Jun. 2021 Outside Director of SAINT-CARE HOLDING CORPORATION (current position)

(Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Partner and attorney at law of Miura & Partners  
 Outside Audit & Supervisory Board Member of TOKYO ELECTRON DEVICE LIMITED  
 Outside Director of SAINT-CARE HOLDING CORPORATION

### Director (External)

#### Miwa Suto

Apr. 1988 Joined Hakuodo Inc.  
 Oct. 1991 Joined Arthur Andersen  
 Apr. 1995 Registered as a certified public accountant  
 Oct. 1996 Joined Schroeder PTV Partners KK  
 Jan. 2001 Partner of Bain & Company  
 Apr. 2006 Managing Director of PLANETPLAN, Inc. (current position)  
 Jun. 2017 Board Member of Japan Volleyball Association (current position)  
 Apr. 2019 Project Professor of Graduate School of Media and Governance of Keio University (current position)  
 Mar. 2020 Outside Director (Audit and Supervisory Committee Member) of ASICS Corporation  
 Jun. 2021 Outside Director of KATTITAS Co., Ltd. (current position)  
 Jun. 2021 Executive Board Member of Japanese Olympic Committee (current position)  
 Mar. 2023 Director of the Company (current position)  
 Jun. 2023 Outside Director of KANDENKO CO., LTD. (current position)  
 Mar. 2024 Outside Director of ASICS Corporation (current position)

(Responsibilities) –  
 (Significant Concurrent Positions Outside the Company)  
 Managing Director of PLANETPLAN, Inc.  
 Outside Director of KATTITAS Co., Ltd.  
 Outside Director of KANDENKO CO., LTD.  
 Outside Director of ASICS Corporation

## Director

### Director (External)

#### Kumi Kobayashi

Mar. 2006 Registered as a certified public accountant  
 Sep. 2006 Joined GCA Corporation  
 Sep. 2015 Representative Partner of Kobayashi CPA Office (current position)  
 Apr. 2017 Representative Director of Tokyo Athletes Office, Inc. (current position)  
 Jun. 2019 Director of SPOKACHI, Inc. (current position)  
 Jun. 2020 Audit & Supervisory Board Member of the Company  
 Jun. 2022 External Auditor of Oisix ra daichi Inc. (current position)  
 Jun. 2023 Outside Audit & Supervisory Board Member of ITOCHU Corporation (current position)  
 Mar. 2024 Director of the Company (current position)

(Significant Concurrent Positions Outside the Company)  
 Representative Partner of Kobayashi CPA Office  
 Representative Director of Tokyo Athletes Office, Inc.  
 Director of SPOKACHI, Inc.  
 External Auditor of Oisix ra daichi Inc.  
 Outside Audit & Supervisory Board Member of ITOCHU Corporation

## Audit & Supervisory Board Members

### Standing Audit & Supervisory Board Member

#### Minoru Onagi

Apr. 1986 Joined the Company  
 Mar. 2018 General Manager of Legal Dept.  
 Mar. 2021 General Manager of Audit Office  
 Jan. 2023 Senior Chief Manager of Audit Office  
 Mar. 2023 Standing Audit & Supervisory Board Member of the Company (current position)

(Significant Concurrent Positions Outside the Company) –

### Standing Audit & Supervisory Board Member

#### Shinichi Mochizuki

Apr. 1985 Joined The Mitsubishi Bank, Ltd.  
 Sep. 2008 General Manager of Environmental Project Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
 Jun. 2011 General Manager of Corporate & Investment Banking Credit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
 Nov. 2015 Joined the Company, General Manager of Global Business Div.  
 Mar. 2016 General Manager of Global Business Administration Dept., Global Business Div.  
 Mar. 2018 Executive Officer and General Manager of Accounting and Finance Dept.  
 Mar. 2020 Senior Executive Officer and General Manager of Accounting and Finance Dept.  
 Jun. 2021 Director and General Manager of Accounting and Finance Dept.  
 Mar. 2024 Standing Audit & Supervisory Board Member of the Company (current position)

(Significant Concurrent Positions Outside the Company) –

### Audit & Supervisory Board Member (External)

#### Toru Miyama

Apr. 1998 Registered as an attorney at law  
 Oct. 2006 Managing Partner of Miyama Law Office (current position)  
 Jun. 2019 Audit & Supervisory Board Member of the Company (current position)  
 Aug. 2020 Outside Auditor of OZU CORPORATION (current position)  
 Jun. 2022 Outside Director (Audit & Supervisory Committee Member) of RICOH LEASING COMPANY, LTD. (current position)

(Significant Concurrent Positions Outside the Company)  
 Managing Partner of Miyama Law Office  
 Outside Auditor of OZU CORPORATION  
 Outside Director (Audit & Supervisory Committee Member) of RICOH LEASING COMPANY, LTD.

### Audit & Supervisory Board Member (External)

#### Nobuko Takagi

Oct. 2002 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
 May 2006 Registered as a certified public accountant  
 Nov. 2007 Joined GCA Corporation (currently Houlihan Lokey Inc.)  
 Mar. 2011 Joined NEC Corporation  
 Jul. 2017 Representative of Nobuko Takagi Certified Public Accountants' Office (current position)  
 Jul. 2017 Outside corporate auditor of I-ne Co., Ltd.  
 Apr. 2018 Representative Director of COEING AND COMPANY Inc. (current position)  
 Jun. 2018 Outside Director of USS Co., Ltd. (current position)  
 Jun. 2022 Outside Director (Audit & Supervisory Committee Member) of SMS Co., Ltd. (current position)  
 Mar. 2024 Audit & Supervisory Board Member of the Company (current position)

(Significant Concurrent Positions Outside the Company)  
 Representative Director of COEING AND COMPANY Inc.  
 Representative of Nobuko Takagi Certified Public Accountants' Office  
 Outside Director of USS Co., Ltd.  
 Outside Director (Audit & Supervisory Committee Member) of SMS Co., Ltd.



# Management Team

(As of March 28, 2024)

| Name                | Position                                      | Reasons for Appointment   | Attendance at Board of Directors' Meetings<br>Attendance at Audit & Supervisory Board Meetings | Years of Service | Skills Matrix        |        |               |                    |                               |                    | Committee                             |
|---------------------|---|---|--|------------------|----------------------|--------|---------------|--------------------|-------------------------------|--------------------|---------------------------------------|
|                     |   |   |  |                  | Corporate management | Global | Marketing/R&D | Sustainability/ESG | Legal affairs/Risk management | Finance/Accounting |                                       |
| Kazutoshi Kobayashi | President & CEO                               | Since assuming the role of Representative Director and President, Mr. Kazutoshi Kobayashi has been engaged in various initiatives such as spearheading management reforms and accelerating global development. He has also shown strong leadership under medium-to-long-term VISION2026. For these reasons, the Company has appointed him as a director.  | 15/15<br>—   | 33               | ●                    | ●      | ●             |                    |                               |                    | Nomination and Remuneration Committee |
| Takao Kobayashi     | Senior Executive Director                     | Mr. Takao Kobayashi has been engaged in management as a director of the Company for many years. He has made significant contributions to achieving rapid growth in the Company's share of the cosmetics market. He has also contributed to management throughout the Group. For these reasons, the Company has appointed him as a director.   | 13/15<br>—   | 25               | ●                    | ●      | ●             |                    |                               |                    |                                       |
| Masanori Kobayashi  | Executive Director                            | Mr. Masanori Kobayashi has contributed to the rapid growth of the global business by implementing reforms. He also has many years of global marketing experience and extensive knowledge of management. For these reasons, the Company has appointed him as a director.   | 13/15<br>—   | 10               | ●                    | ●      | ●             |                    |                               |                    |                                       |
| Koichi Shibusawa    | Executive Director                            | Mr. Koichi Shibusawa has experience in marketing and the supervision of global business operations, and has served as general manager of investor relations. He has made contributions to improving the Company's management and increasing corporate value. Currently, he is involved in strategies for the entire Group, and has a wealth of experience and knowledge of management in general. For these reasons, the Company has appointed him as a director.   | 15/15<br>—   | 10               |                      |        |               | ●                  | ●                             | ●                  | Nomination and Remuneration Committee |
| Yusuke Kobayashi    | Director                                      | Mr. Yusuke Kobayashi has contributed to business expansion of Group company ALBION CO., LTD. as its Senior Executive Director. He has many years of experience in overseas operations, particularly as the Chief of Headquarters of the International Business Div., and accordingly possesses a proven track record. In addition, he has substantial influence in the Group, underpinned by his abundant global insight and knowledge. For these reasons, the Company has appointed him as a director.   | 13/15<br>—   | 9                | ●                    | ●      |               |                    |                               |                    |                                       |
| Atsuko Ogura        | Director                                      | Ms. Atsuko Ogura has been involved in product development and basic research activities and has contributed to the management of research technologies and the development of IT systems. Since 2015, as General Manager of the IT Management Dept., she has spearheaded the development of the data infrastructure needed to transition to IT systems. Currently, as the Director of R&D Laboratories, she is leveraging her experience in and extensive knowledge of IT and R&D. For these reasons, the Company has appointed her as a director.  | 11/11<br>—   | 1                |                      |        | ●             | ●                  |                               |                    |                                       |
| Yoshinori Haratani  | Director ●                                    | Mr. Yoshinori Haratani was first assigned to basic research and product management operations at the R&D Laboratories, followed by IT system development in the IT Management Dept. As General Manager of the PR Dept. from 2008, Mr. Haratani assumed overall control of public relations issues and worked with senior management to create an effective PR framework. Subsequently, as General Manager of the Corporate Strategy Dept., he was involved in formulating medium-to-long-term VISION2026, establishing the foundation for KOSÉ's sustainability strategy, and in corporate-level decision-making, among other activities. He therefore has broad operational experience and extensive knowledge of management. For these reasons, the Company has appointed him as a director.  | —<br>—   | —                |                      |        |               | ●                  | ●                             |                    |                                       |
| Shinji Tanaka       | Director ●                                    | Mr. Shinji Tanaka was involved in marketing for many years. He was named General Manager of the SK Brand Office in 2019 and of the Strategic Brands Div. in 2020, and played important roles in the progress of these business operations. Mr. Tanaka has abundant experience and knowledge of marketing as well as extensive experience in business management, including nurturing brands while expanding his assigned brand domains and developing business management. For these reasons, the Company has appointed him as a director.  | —<br>—   | —                |                      |        | ●             |                    |                               |                    |                                       |
| Yukino Kikuma       | Director (External)                           | Ms. Yukino Kikuma has a high level of expertise as an attorney at law and abundant experience in mass media. Accordingly, she is expected to use her broad knowledge and insight for guidance and advice related to management reforms involving sustainability and diversity. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Kikuma has no conflict of interest with general shareholders and has accordingly designated her as an independent director.   | 15/15<br>—   | 5                |                      |        |               | ●                  | ●                             |                    | Nomination and Remuneration Committee |
| Norika Yuasa        | Director (External)                           | Ms. Norika Yuasa has a high level of expertise as an attorney at law that includes work in Japan and other parts of Asia, Europe and the United States. We expect her to provide oversight and advice concerning the Company's global strategies mainly from a legal standpoint. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Yuasa has no conflict of interest with general shareholders and has accordingly designated her as an independent director.  | 15/15<br>—   | 4                |                      | ●      |               | ●                  | ●                             |                    | Nomination and Remuneration Committee |
| Miwa Suto           | Director (External)                           | Ms. Miwa Suto has expert knowledge and practical experience as a certified public accountant, in addition to experience in supporting the development of start-up companies. We expect her to provide supervision and advice from a broad perspective regarding corporate management. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Suto has no conflict of interest with general shareholders and has accordingly designated her as an independent director.  | 11/11<br>—   | 1                | ●                    |        | ●             |                    |                               | ●                  | Nomination and Remuneration Committee |
| Kumi Kobayashi      | Director (External) ●                         | Ms. Kumi Kobayashi has a high level of expertise in accounting and finance as a certified public accountant, and a broad range of work experience in Japan and overseas. She has a thorough understanding of the practical operations of M&As and corporate finance, on the basis of which we expect her to provide appropriate oversight and advice that will increase the effectiveness of the Board of Directors. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Kobayashi has no conflict of interest with general shareholders and has accordingly designated her as an independent director.  | 15/15<br>12/12   | —                |                      |        |               | ●                  |                               | ●                  | Nomination and Remuneration Committee |
| Minoru Onagi        | Standing Audit & Supervisory Board Member     | Mr. Minoru Onagi uses his knowledge and many years of experience as a patent attorney and his involvement in R&D and intellectual property strategies to contribute to the creation and protection of research-related intellectual property. In comprehensively managing legal affairs to protect intellectual property, and as General Manager of the Audit Office since 2021 he has contributed to improving internal controls and internal audits. Due to this experience and knowledge, the Company has appointed him as a standing Audit & Supervisory Board member.  | 11/11<br>12/12   | 1                |                      |        |               |                    | ●                             |                    |                                       |
| Shinichi Mochizuki  | Standing Audit & Supervisory Board Member ●   | In his previous position at The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mr. Shinichi Mochizuki was assigned to the Europe Department and International Credit Department and served as Deputy Manager of the Investment Banking Credit Department and General Manager of the Corporate Investment Credit Unit. After joining KOSÉ in 2015, Mr. Mochizuki managed the Global Business Div. and the Administration Dept., where he strengthened accounting at overseas subsidiaries to expedite announcements of financial results. As a Director and General Manager of the Accounting and Finance Dept. from 2021, he has overseen the operations of this department while dealing with rapid changes in the business climate. Based on his extensive global experience and knowledge, the Company has appointed him as an Audit & Supervisory Board member. | 15/15<br>—   | —                | ●                    | ●      |               |                    |                               | ●                  |                                       |
| Toru Miyama         | Audit & Supervisory Board Member (External)   | Mr. Toru Miyama has a high level of expertise as an attorney at law, and a thorough understanding of corporate compliance and risk management, and will provide appropriate guidance and advice from an independent, objective standpoint. For these reasons, the Company has appointed him as an external Audit & Supervisory Board member. Furthermore, the Company believes that Mr. Miyama has no conflict of interest with general shareholders and has accordingly designated him as an independent auditor.  | 15/15<br>12/12   | 4                |                      |        |               | ●                  | ●                             |                    | Nomination and Remuneration Committee |
| Nobuko Takagi       | Audit & Supervisory Board Member (External) ● | Ms. Nobuko Takagi is a certified public accountant with experience in financial audits and in planning and implementing management strategies for M&A advisory firms and operating companies. She currently manages her own consulting company, where she provides assistance and advice in a position close to senior executives. Ms. Takagi has experience providing advice concerning management strategies, financial analysis expertise and corporate management experience. For these reasons, the Company has appointed her as an external Audit & Supervisory Board member. Furthermore, the Company believes that Ms. Takagi has no conflict of interest with general shareholders and has accordingly designated her as an independent auditor.   | —<br>—   | —                |                      |        | ●             |                    |                               | ●                  | Nomination and Remuneration Committee |

Notes: ● indicates new appointments. The attendance at Board of Directors' Meetings shown for Ms. Ogura and Ms. Suto is for meetings held after March 30, 2023, when they were appointed as directors. The attendance at Board of Directors' Meetings shown for Mr. Onagi is also for meetings held after March 30, 2023, when he was appointed as an Audit & Supervisory Board member.



# Message from External Directors on Realizing Our Sustainability Story

For KOSÉ to achieve unique value creation going forward, more sustainable systems and initiatives that make use of pioneering concepts are essential.

Our four external directors discussed KOSÉ's strengths and current challenges, based on their diverse experience in their respective fields.

## Aiming to Be a Company That Brings Positive Change to the Lives of Many

Since its foundation, KOSÉ has pursued the value of "making the world a brighter place by adding color and richness to people's lives." In an era of information overload driven by advances in technology and the spread of AI, this value is becoming even more important. Self-realization—being the person you want to be—is closely linked to well-being, and I feel that it can be a way to positively transform one's daily life. KOSÉ is determined to create value that has a positive impact on people's lives. It shares this commitment throughout its entire supply chain, and is promoting initiatives to create new value on a large scale through the KOSÉ Beauty Partnership. As an external director, I support KOSÉ's initiatives to resolutely update its value creation process in response to changes in society and values. I want KOSÉ to be a company that continues to positively transform the lives of as many people as possible.

### Kumi Kobayashi

Director (External)



## Becoming a Company with a Global Presence through Unity between Management and Front-line Personnel

In 2023, the Company conducted compliance training for a total of 300 management personnel at its research laboratories, factories, head office, and subsidiaries. It was a great opportunity to communicate with the next generation of Company leaders. I provided feedback to the Board of Directors regarding employees' issues and problems raised during this communication. Recently, incidents at several companies have shaken people's faith in Japanese manufacturing. Many people have identified a lack of communication between management and employees as a core issue. KOSÉ's Remuneration Committee decided to incorporate the engagement scores of department employees in the remuneration criteria for the internal directors supervising them, starting from 2023. Working for unity between management and employees, KOSÉ will evolve into a company with a global presence. I am confident that the Company will achieve this goal.

### Yukino Kikuma

Director (External)



## Introducing the Excellence of KOSÉ Products to the World

KOSÉ has been accelerating its overseas expansion into a wider area including the United States, Europe, and Asia, beyond the areas in which Japanese cosmetics companies have conventionally operated. New countries and regions don't necessarily accept KOSÉ products and sales methods in the same way Japan does. However, this is where KOSÉ's true capabilities come into play. I am confident that the employees who go to new countries and regions as pioneers will communicate the excellence of KOSÉ products to customers while complying with the various laws and regulations of each country and responding to risks and trading customs that may be completely different from those in Japan. The Board of Directors discusses the best way to expand business operations in each overseas country while making strict risk assessments. At the same time, KOSÉ supports employees who go overseas and is working to build a global fan base for its products, aiming to become a company that enjoys brand loyalty worldwide.

### Norika Yuasa

Director (External)



## Realizing an Increase in Corporate Value by Embracing the Unique Beauty of Each Individual

KOSÉ prioritizes its approach of embracing and drawing out each individual's unique beauty, which it considers to be the essence of the value its cosmetics deliver. The Company is working as a unified organization to realize this approach through its products and services. Adaptability—sincerely embracing diverse backgrounds and values—is the foundation of KOSÉ's brand originality and is expected to drive global growth. Meanwhile, careful management judgment is needed for working on how to balance initiatives for diversity with efficiency. The Board of Directors is discussing this matter from multiple perspectives, and I intend to further stimulate discussion, because producing a clear roadmap for increasing corporate value is going to become even more important going forward.

### Miwa Suto

Director (External)



# Corporate Governance

## Basic Policy

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

## Corporate Governance Structure

KOSÉ has adopted a Company with an Audit & Supervisory Board corporate governance structure and performs audits to confirm that directors are performing their duties properly.

For the swift and efficient execution of business, the Company employs the Board of Directors, the Management Committee chaired by the President & CEO, Strategy Review Meeting, the Executive Committee, and other bodies, as necessary.

The Company has also voluntarily established the Nomination and Remuneration Committee, a majority of which is composed of independent officers, and which is chaired by an independent external director, to deliberate on the appropriateness of officer remuneration and officer appointments. The Company has determined that it is appropriate to have independent external directors and Audit & Supervisory Board members to provide audit and supervisory functions in addition to a system of checks and balances by officers familiar with the business.

## Board of Directors

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

The Company has appointed external directors with a high level of expertise and extensive insight to provide advice on business execution, as well as to monitor and supervise each director.

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

The Company’s Board of Directors meets once each month, in principle, to decide on matters stipulated in laws and regulations and the Articles of Incorporation and important management-related matters, as well as to supervise the execution of duties by directors.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee examines proposals concerning nominations, remuneration and other matters that are submitted by the President & CEO to the Board of Directors. The purpose of the committee is to reinforce the independence, objectivity and accountability of activities by the Board of Directors concerning nominations, remuneration and other matters involving the directors, Audit & Supervisory Board members and executive officers. The committee is chaired by an external director to ensure objectivity.

### Composition of the Nomination and Remuneration Committee

| Chairperson | Total Members | (Breakdown) |                    |  |
|-------------|---------------|-------------|--------------------|--|
|             |               | Directors   | External Directors | External Audit & Supervisory Board Members |
| Directors   | 8             | 2           | 4                  | 2  |

**Chairperson: Yukino Kikuma (External Director)**

#### Main agenda items:

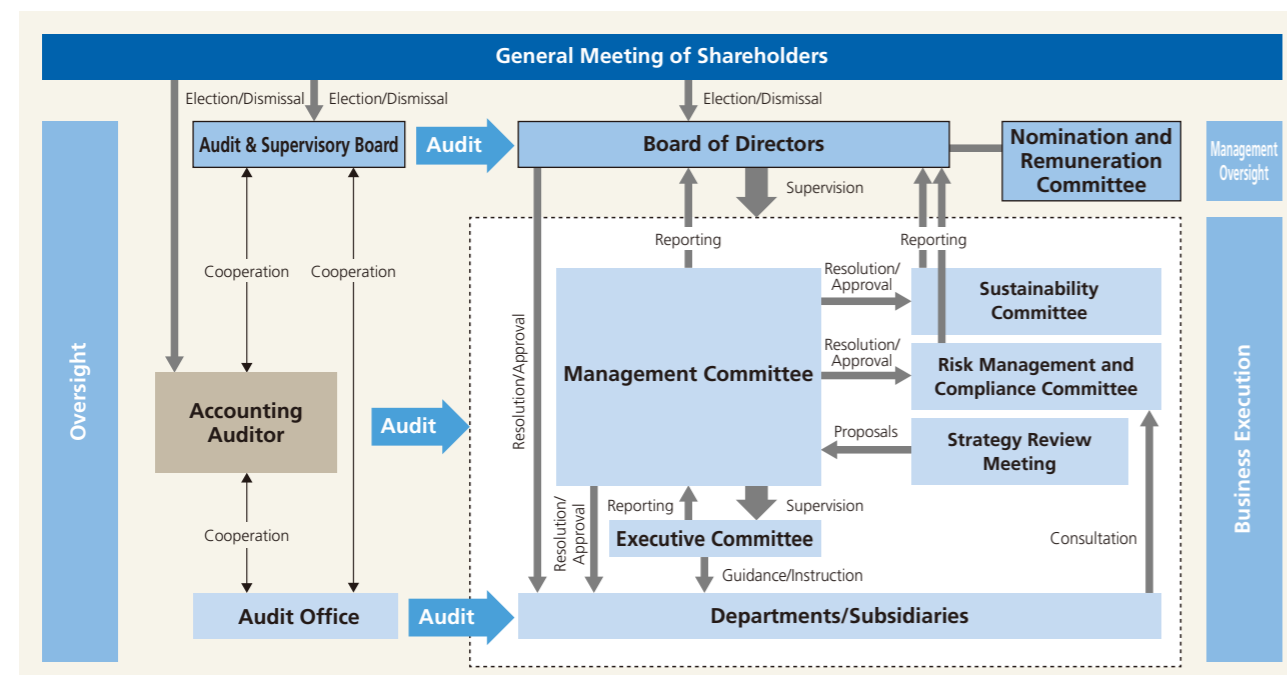
- Officer remuneration for fiscal 2023
- Officer and executive officer appointments, and the officer remuneration plan

**Chairperson: President & CEO**

#### Main agenda items:

- Compensation of directors
- Key personnel
- Establishment and revision of internal regulations
- Appropriate evaluation of cross-shareholdings
- Allocation of surplus

## Corporate Governance Organization



## Audit & Supervisory Board

For the Audit & Supervisory Board, the Company has appointed an attorney at law and a certified public accountant with high-level expert knowledge and abundant insight to monitor and supervise the execution of business by directors.

Audit & Supervisory Board members attend important meetings such as Board of Directors meetings and Management Committee meetings, communicate with Audit & Supervisory Board members of domestic Group companies as appropriate, exchange information and opinions with internal audit departments and the accounting auditor, and conduct internal audits of departments within the Company and of its subsidiaries regularly as required.



Corporate Governance

### Evaluation of the Effectiveness of the Board of Directors

To further strengthen corporate governance, the directors evaluate the Board's effectiveness once every year. The method used for this evaluation and the results are as follows.

#### 1. Evaluation Method

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

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

#### Main Evaluation Items

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

#### 2. Results of Evaluation and Issues Requiring Attention

Based on the results of the questionnaire, the Board of Directors held discussions that confirmed the following points: (1) information provided in advance of Board of Directors' meetings is being provided appropriately and enhancing deliberations at the meetings themselves, and (2) feedback obtained through dialogue with shareholders is being communicated effectively.

Additionally, as part of efforts to clarify the Board's role in formulating and implementing human resources strategies—an issue raised in the previous year—it was confirmed that the Board is continuing to exchange opinions on the Human Resources Functional Strategy Policy. As a result, the directors determined that the overall activities of the Board of Directors are effective.

The results of this questionnaire identified issues requiring attention that need to be addressed. They include the clarification of the process used to identify and assess risks and determine countermeasures, and examination of the reporting process for internal auditing operations. These initiatives will strengthen risk management across the entire value chain.

Based on these points, the Board of Directors will continue to take proactive measures to further increase its effectiveness and achieve further growth in the KOSÉ Group's corporate value.

#### Issues to Be Addressed

- Clarification of the process used to identify and assess risk factors and determination of countermeasures for the purpose of strengthening risk management across the entire value chain
- Examination of the reporting process necessary to verify that internal auditing operations are functioning properly

### Overview of Officer Remuneration

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

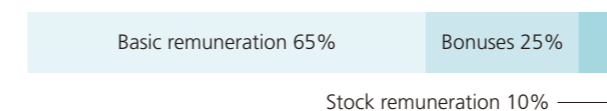
|                                   | Fixed remuneration     | Performance-linked remuneration |                        |
|-----------------------------------|------------------------|---------------------------------|------------------------|
| Directors (Internal)              | (A) Basic remuneration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

|                                | Payment Method   | Evaluation Indicators   | Calculation Method  |
|--------------------------------|--|---|---|
| (A) Basic remuneration (Cash)  | Paid in the form of fixed remuneration on a monthly basis, the amount of which is determined based on the position and role of each officer  | —   | <ul style="list-style-type: none"> <li>• Directors: Set according to the position of each director, taking the operating environment into account</li> <li>• External directors and Audit &amp; Supervisory Board members: Set based on comparisons with other domestic companies in the same industry or of the same size, as well as on the Company's financial condition and business results</li> </ul> |
| (B) Bonuses (Cash)             | Paid as an incentive to improve the Company's business performance in a single fiscal year   | <ul style="list-style-type: none"> <li>• Consolidated net sales</li> <li>• Consolidated operating profit</li> <li>• Net sales and operating profit, etc. in each business area</li> <li>• Non-financial indicators (such as employee engagement, etc.)</li> </ul> | Varies from 0 to 200% of the standard amount, depending on the difference between actual achievement and the performance target indicators for the single fiscal year   |
| (C) Stock remuneration (Stock) | Each year, the Company allots a fixed number of shares of its common stock subject to certain stipulations such as those of the restricted period, and lifts the restrictions upon retirement of the recipient | The Company's stock price*  | —   |

\* The Company's stock price is used for evaluations for the purposes of further motivating directors to achieve medium-to-long-term growth of corporate value and to further align the interests of directors with those of shareholders. There is no target for this indicator because it is the stock price.

#### Composition of Remuneration

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



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

Corporate Governance

Method for Determining Officer Remuneration

Officer remuneration shall be classified into (1) directors and (2) Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the total amount allowed for each classification. The Nomination and Remuneration Committee, which is composed mainly of external officers, discusses the appropriateness and validity of remuneration, and the Board of Directors has resolved to re-entrust the final decision on remuneration to the President & CEO, premised on the results of this discussion.

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

1. Basic Policy for Officer Remuneration

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

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

2. Remuneration Levels

A suitable level of remuneration is determined by taking into account KOSÉ's business environment as well as a survey and analysis using external databases and other sources to ascertain

remuneration at companies in the same industry and of the same size.

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

3. Process for Determining Remuneration

Officer remuneration shall be classified into (1) directors and (2) Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the total amount allowed for each classification. To ensure the objectivity and transparency of the officer remuneration system, the appropriateness and validity of the allocation to each director are first discussed by the Nomination and Remuneration Committee, which is composed mainly of external officers.

Using the results of these discussions as the premise for determining remuneration, the final decision about individual remuneration is entrusted to the President & CEO by the Board of Directors.

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

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

Total Remuneration by Officer Classification, Amount of Remuneration by Type and Number of Eligible Officers (Fiscal 2023)

| Officer Classification   | Total Remuneration (Millions of yen) | Amount of Remuneration by Type (Millions of yen) |                                 |   |   | Number of Eligible Officers |
|--|--------------------------------------|--|---------------------------------|---|---|-----------------------------|
|  |                                      | Basic Remuneration                               | Performance-Linked Remuneration | Provision for Officers' Retirement Benefits | Non-Monetary Compensation Included in Amounts on the Left |                             |
| Directors (Excluding External Directors)   | 565                                  | 368  | 196                             | —   | 55  | 7                           |
| Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members) | 50                                   | 50   | —                               | —   | —   | 3                           |
| External Officers  | 63                                   | 63   | —                               | —   | —   | 6                           |

Persons Receiving Total Remuneration of ¥100 Million or More

| Name                | Officer Classification | Company          | Amount of Remuneration by Type (Millions of yen) |                                 |   |   | Total Remuneration (Millions of yen) |
|---------------------|------------------------|------------------|--|---------------------------------|---|---|--------------------------------------|
|                     |                        |                  | Fixed Remuneration                               | Performance-Linked Remuneration | Provision for Officers' Retirement Benefits | Non-Monetary Compensation Included in Amounts on the Left |                                      |
| Kazutoshi Kobayashi | Director               | KOSÉ Corporation | 220  | 123                             | —   | 29  | 343                                  |

Risk Management, Compliance, and Sustainability

Risk Management and Compliance Organization



For the Company, compliance encompasses compliance with laws and regulations as well as behavior consistent with social ethics based on "Mind to Follow the Right Path." The compliance promotion structure and activities are regularly reported to the Board of Directors via the Risk Management and Compliance Committee. The Compliance Promotion Committee conducts education activities, such as training for directors and employees. The Company has established internal and external consulting channels, creating a framework for responding to reports and consultations. In addition, to respond to risk factors that pose a threat to the sustainable development of the Company, particularly various risks such as problems involving compliance, quality, information security and markets as well as natural disasters, the Company has established Risk Management and Compliance Regulations and is working to enhance its risk management structure by establishing a Risk Management Promotion Committee. The Company has also created a framework based on its Crisis Management Regulations for minimizing damage in the event a major risk materializes.

Overview of Sustainability Committee



The Board of Directors deliberates and makes decisions about material issues related to sustainability strategies and is responsible for supervising the sustainability promotion activities of the Company.

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

Chairperson: President & CEO

Main agenda items:

- Consider and move forward with countermeasures relating to social issues such as climate change and human rights
- Company-wide information sharing on the status of sustainability promotion activities

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

We established the Sustainability Committee (chaired by the President & CEO), which proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors.

Corporate governance, risk management and compliance [More details](#)

Sustainability promotion structure [More details](#)



## Corporate Governance

## Business and Other Risks

Among matters related to the state of the KOSÉ Group, including the status of its business and finances reported in the Securities Report, we believe that the following risks could have a material impact on the Group's results and financial condition and that the factors described here are of material interest to investors for making investment decisions.

Please note that the forward-looking statements contained herein are based on the Company's judgments regarding main risks made as of March 28, 2024, and are not limited to those presented here.

To ensure business continuity and stable growth going forward, the Company has established the Risk Management Promotion Committee as a cross-divisional Company-wide organization to conduct qualitative analysis and evaluation to comprehensively identify risks, and to take necessary

countermeasures for those risks that may have a substantial impact. Specifically, each year the Company selects risk items using a questionnaire sent to persons in charge of affiliated companies and departments, and prioritizes them along two evaluation axes: impact on business performance and other factors if the risk materializes; and likelihood of the risk materializing.

The risks selected through the risk assessment are aggregated by risk category: strategy risk, business/financial risk, political/economic risk, accident/disaster risk, personnel/labor risk, or legal violation/indemnification risk. The Company has established and operates a system to monitor the current status and progress of each of its risk countermeasures on a regular basis.

## Responding to Risks

| Risk Category | Main Risks   | Main Measures   |
|---------------|--|---|
| Strategy Risk | <b>Price competition</b><br>Damage to brand value<br>Decrease in market share  | The Company conducts product development, marketing and sales taking into account changes in market needs and customer preferences, and works to maintain and improve its competitive advantage by adding functional and emotional value to achieve differentiation.  |
|               | <b>Entry of new competitors</b><br>Decrease in market share due to entrants from other industries and expansion into new channels by competitors | In addition to constantly keeping track of information from its business partners and sales and marketing sites, the Company works to remain abreast of market information in a timely manner through regular consumer surveys. It also strategically pursues unique value through active cooperation with companies in other industries and linkages with external resources and technologies. |
|               | <b>Research and development delays</b><br>Decrease in brand competitiveness<br>Decline in innovation   | The Company conducts basic and applied research using data science at the Advanced Technology Laboratory, and has also opened a branch in Lyon, France to conduct leading-edge dermatological research. The Company is also actively engaged in open innovation using external resources.   |
|               | <b>Changes in consumer preferences</b><br>Decrease in brand value due to deviation from consumer needs   | In addition to regularly conducting market surveys to properly obtain consumer information and conducting consumer surveys in Japan, the Company is also stepping up its surveys in countries outside Japan where it does business. It is also actively deploying digital technologies in pursuit of new customer experiences.  |
|               | <b>Delays in responding to climate change</b><br>Decline in business profitability due to inability to accommodate a low-carbon society          | The Company is proactively engaged in various efforts to mitigate climate change, including reducing greenhouse gases. It also strives to respond to international trends, such as disclosing information about risks and opportunities posed to business by climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).                |

| Risk Category                            | Main Risks  | Main Measures   |
|--|---|---|
| Strategy Risk                            | <b>Delays in addressing human rights issues and employment discrimination</b><br>Decline in business profitability and reputation due to inability to address human rights risk   | In accordance with international standards such as the UN Guiding Principles on Business and Human Rights, we have formulated the KOSÉ Group Human Rights Policy. Under the supervision of the Board of Directors, we conduct an annual assessment of human rights risks at each stage of our supply chain, within the Group, and among consumers and society. After taking appropriate actions, we proactively disclose the results. Furthermore, from a compliance perspective, we conduct education activities to raise awareness of all forms of harassment and individual human rights issues. We have also established internal and external contact points for consultation. |
| Business/<br>Financial Risk              | <b>Increase in raw material prices</b><br>Decline in profitability due to increased raw material prices   | The Company conducts procurement globally to minimize market risk. It also strives to procure necessary raw materials and outsourced products at reasonable prices in a timely manner while maintaining good relationships with suppliers. The Company has also established the Cost and Inventory Reduction Promotion Committee, which is working to maintain reasonable costs and secure inventories.   |
|  | <b>Discontinuation of raw material supply</b><br>Obstacles to stable product supply<br>Impact on sales and profit margins<br>Decline in the Company's creditworthiness  |   |
| Political/<br>Economic Risk              | <b>Changes in legal regulations and response</b><br>Demand fluctuation risk<br>Impact on product exports  | The Company collects information on a daily basis regarding legal regulations related to its business. In product development, the Company reviews raw material standards in light of changes in legal regulations and responds by effectively utilizing domestic and overseas information networks to secure alternative raw materials.  |
|  | <b>Abrupt changes in the political situation in countries and regions where the Company does business</b><br>Impact on sales due to fluctuations in demand<br>Employee safety risk  | The Company takes necessary measures by enhancing cooperation with overseas affiliates and business partners to collect information on economic, political, and social conditions in each country and region in a timely fashion.   |
| Accident/<br>Disaster Risk               | <b>Natural disasters (earthquakes, volcanic eruptions, tsunamis, etc.)</b><br>Delays or interruption of business activities due to suspension of production and logistics functions<br><b>Spread of highly virulent infectious disease</b><br>Delays or interruption of business activities including production, supply, and sales | In the event of a disaster or the spread of an infectious disease, the Company will immediately establish an emergency headquarters to discuss and implement countermeasures. To prepare for disasters, the Company takes various steps, such as creating crisis management rules, disaster preparedness manuals and business continuity plans (BCP). It also works to confirm workplace safety, rectify deficiencies and secure alternative means in the event of an emergency.  |
| Personnel/<br>Labor Risk                 | <b>Securing outstanding talent</b><br>Decline in corporate competitiveness  | The Company works to create an environment in which diverse human resources can play an active role. In its recruitment activities, the Company secures expert human resources through hiring by job type and outstanding talent through revision of the Beauty Consultant compensation system.   |
| Legal Violation/<br>Indemnification Risk | <b>Problems related to product accidents</b><br>Reputation loss among customers and decline in corporate brand value due to serious product accidents   | The Company manufactures products with the highest priority on delivering safe and reliable products to customers. It has articulated its stance on the KOSÉ Group's products through its Quality Policy comprising a quality policy message and five declarations for daily activities.  |
|  | <b>Leaks of confidential or personal information</b><br>Reputation loss and compensation for damage due to information leaks  | In addition to raising awareness of compliance through the Compliance Promotion Committee, the Company has established a Personal Information Management Committee based on laws and guidelines of the Ministry of Economy, Trade and Industry, and is working to build a comprehensive management system by strengthening information security. Furthermore, the Company holds regular training, shares information on risks and conducts thorough prevention measures.  |