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Creating Beauty in a Sustainable World.

Activity Themes Toward 2030

A source of adaptable products and services

We cherish your unique beauty.
To serve customers with diverse social and cultural backgrounds, genders, ages, skin colors, values and more,
we create products and services that exclude no one.

Support for a beautiful, healthy and happy life

We support lifestyles that allow people to enjoy mental and physical health and happiness, as one of life's fundamental goals.
In addition to our commitment to realizing fulfilling lifestyles for all of our stakeholders, including the next generation of children
and the customers who use our products and services directly, we are committed to tackling social issues.

Help create a world with true gender equality

KOSÉ started in the postwar years, providing various cosmetics to brighten both skin and hearts.
Considering this background, we will contribute to creating a future where there is no gender gap and individuals can
play an active role regardless of gender, both inside and outside of the Company.

Use the theme of beauty to help solve environmental issues

In conducting our business activities that deliver products and services, we have proposed measures
for resolving environmental issues through beauty. We will consider environmental issues together
with everyone, and raise awareness of our work to solve issues in society.

Environmental conservation programs in areas where KOSÉ operates

For us to carry out corporate activities sustainably, it is important that we co-exist and prosper together with the
regions where we manufacture products or offer services. We strive to protect the environment in the regions where
we operate and contribute to the ongoing development of the entire region.

Lower the overall environmental impact of business operations

We benefit from the natural environment every day we do business.
This is because many of the ingredients in cosmetics are obtained from nature. As such, we appreciate the blessings of
nature, and continue to advance efforts to reduce our environmental impact for a sustainable world.

Cover Story 02

The People Who Make KOSÉ Work

To promote recognition of KOSÉ brands among customers globally, we will strengthen our digital marketing from a global perspective.

KOSÉ Travel Retail Co., Ltd.



Creating Beauty in a Sustainable World.



We support wide-ranging business operations, such as management of overseas subsidiaries. Employees in Japan and at overseas subsidiaries are working together to deliver the appeal of KOSÉ's cosmetics, and how they could enrich people's feelings, to the world.

Asia Business Division

We plan and implement content that combines online (e-commerce) and offline (stores) operations, using new forms of marketing to widen the appeal of KOSÉ brands to a large number of customers in Japan and overseas.

KOSÉ PROVISION CO., LTD.



I want customers to have positive encounters with brilliant KOSÉ cosmetics, and to like themselves even more. Such desire gives me a great sense of purpose in my work researching beauty ingredients.

R&D Laboratories

We are working to develop fully optimized Customer Relationship Management (CRM)-related systems that make the most of our strengths, both in stores and online, with the aim of providing even better service to customers.

IT Management Department



KOSÉ provides opportunities for even young researchers to take on challenges on the global stage, such as at international academic conferences. I want to bring the joy of beauty to customers through product development that matches the culture of each country.

R&D Laboratories

We are working to communicate KOSÉ's appeal outside the Company through advertising. We also strive to increase motivation within the Company by creating content that makes employees feel proud of working at KOSÉ.

Corporate Strategy Department



In our richly diverse and changing society, the KOSÉ Group will create a bright future based on belief in the power of cosmetics.



As an engineer, I promote further digital transformation at KOSÉ through the development and operation of analytics systems. I am using our databases to increase customer value.

IT Management Department

Cover Story 03

KOSÉ's History of Value Creation

KOSÉ's founder Kozaburo Kobayashi believed in "co-existence and co-prosperity of manufacturers, distributors, and consumers." This belief has been passed down through generations of the Company, evolving with the times, with the aim of creating mutually beneficial relationships with customers and various stakeholders. Through this KOSÉ Beauty Partnership, we will continue to create new value and build a bright future.

Creation of High-Quality Cosmetics

New Beauty for the Times

Delivering New Value to Customers around the World

1946 Kozaburo Kobayashi founded KOBAYASHI UNLIMITED PARTNERSHIP, the predecessor of KOSÉ

KOSÉ's predecessor, KOBAYASHI UNLIMITED PARTNERSHIP, was founded in March 1946 with the mission of bringing happiness to all stakeholders who manufacture and use cosmetics. KOSÉ introduced a contract sales system based on direct transactions with retail stores, which embodied Kozaburo's ideal of co-existence and co-prosperity as well as joint management of manufacturing and sales. His motto, "Mind to Follow the Right Path," is the foundation of KOSÉ's corporate spirit to this day.



1976 World-leading development of powder foundation

We launched an appealing foundation that acted as a "triple threat": not only creating a beautiful skin tone, but also offering the convenience of quick and easy application and excellent portability. The basis for this invention was the notion that, in an era in which women were taking on various challenges they needed to save time wherever possible, and the product was created to resolve these social issues.



1954 First generation of KOSÉ beauticians

The first KOSÉ beauticians were the predecessors of Beauty Consultants. When KOSÉ advertised for its first applicants for beauticians in newspapers, over 50 times as many people applied as expected. Beauticians played an important role in popularizing beauty knowledge and techniques, contributing to the development of the cosmetics industry. They also raised the image of what a beauty professional was, helping to establish it as a popular job.



1985 Launch of SEKKISEI

The Company has opened up new markets by responding rapidly to diversifying needs and developing and selling products with specific effects. Among these, SEKKISEI, which began as one skin lotion product containing Japanese and Chinese herbal extracts, has grown into a brand with steady long-term sales based on support from an extensive customer base that trusts in its distinctive feel on the skin and reliable effectiveness.



1975 Establishment of a new genre: beauty serum

Before the concept of beauty serum existed, the Company launched ALPHARD R-C Liquid Precious as a pioneering product in the industry. Packed with beauty ingredients, it met the demand for a time-saving product that made skin rich and supple. As it had a distinctive texture and effect, the product was later registered as a new category of cosmetics: beauty serum.



1988 Establishment of KOSÉ Cosmeport Corp.

KOSÉ Cosmeport Corp. was established as a company that sells cosmetics through the general retail sales routes. In addition to cosmetics, the Company sells own-brand products developed based on cosmetics concepts, including toiletries such as shampoo, through a wide range of channels. It has widened its customer base by offering products that reflect customer feedback at affordable prices.



1991 Introduction of corporate identity to increase the Company's global presence

At the 45th anniversary of its founding, it introduced a corporate identity (CI) to strengthen its raison d'être as a business and to communicate an easily understandable message. We revised our corporate image from the ground up, established a total marketing strategy and a visual identity, and relaunched with a new corporate philosophy: "Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence."



1992 Proactive approach to CSR activities and engagement with local communities

After the introduction of our CI, the Company also focused on providing support in areas such as culture, the arts, and sports. In 1992, we established a special subsidiary as part of efforts to support the employment of people with disabilities. The initiative was an industry first at the time, and was the 25th special subsidiary company to be approved in Japan across all industries. In April 2016, we established the Gunma branch of ADVANCE CO., LTD. at our Gunma Plant.



2009 SEKKISEI SAVE the BLUE, KOSÉ's flagship environmental conservation activities

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



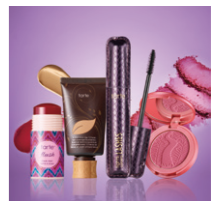
2013 Creating spaces for communicating with customers

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



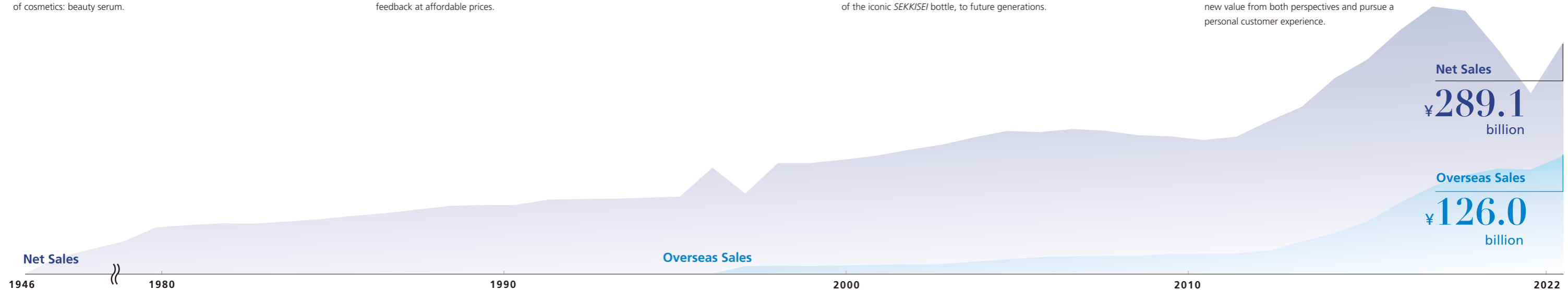
2014 Acceleration of globalization with the acquisition of North American brands

As well as developing its existing global brands, KOSÉ is working to expand its global brand portfolio through measures such as acquiring the U.S. brand Tarte and making the company a subsidiary. KOSÉ's increasing presence in global markets is part of its ongoing commitment to providing unique value.



2019 Communication that evolves with the times

The KOSÉ beauty platform was launched with the goal of shifting from "moving even closer to customers" to "connecting directly with customers." We subsequently opened directly managed stores in Tokyo's Ginza and Omotesando areas, where customers can enjoy all of our brands. Combining digital and real-world experiences, the stores provide new value from both perspectives and pursue a personal customer experience.



Cover Story 04 | KOSÉ at a Glance

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

KOSÉ is devoted to cosmetics, and we have continued our search for the essence of beauty throughout our long history. In this section, we will explore how the KOSÉ Group of today is linked to its past and future.

Net Sales
¥289.1 billion

Operating Margin
7.7%

Overseas Sales Ratio
43.6%

Number of Employees
13,179
(2,182 men and 10,997 women)

Number of Brands
37

Number of Countries and Regions Where We Operate
68

Note: Figure is for the Group and its consolidated subsidiaries for the current period, and includes countries and regions where we have an online presence only.

E-Commerce/Travel Retail Sales Ratio
29.7%

Recycling Rate
100%

Note: KOSÉ Group production departments

ROE
7.5%

Total Area Planted with Coral Reefs (Cumulative)
11,858m²

ROA
6.7%

Ratio of Female Employees in Leadership Positions
35.2%

Leadership position: A position with subordinates, or equivalent

Long-term Vision Sustainability Story

Medium-term Vision Toward VISION2026

Short-term Vision Strategy for the Next Fiscal Year

Cover Story

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What We Want to Communicate via the KOSÉ Report

This report aims to provide stakeholders with a deeper understanding of the KOSÉ Group's activities by presenting not only financial information, but also non-financial information including management policies, strategies and our underlying rationale. Please refer to our website for information related to IR and sustainability.

Forward-Looking Statements

This report contains forward-looking statements about KOSÉ Corporation's future plans, strategies, and performance that are not historical facts. Risks and uncertainties resulting from changes in the business environment may have a significant effect on actual business results. Please also note that we shall not be held responsible for any omissions or errors in data and content in this document.

Scope

The report covers KOSÉ Corporation and its consolidated subsidiaries for the period from January 1, 2022 to December 31, 2022.



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

Kazutoshi Kobayashi
President & CEO

An Era of Diversity That Calls for Adaptable Products and Services

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

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

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

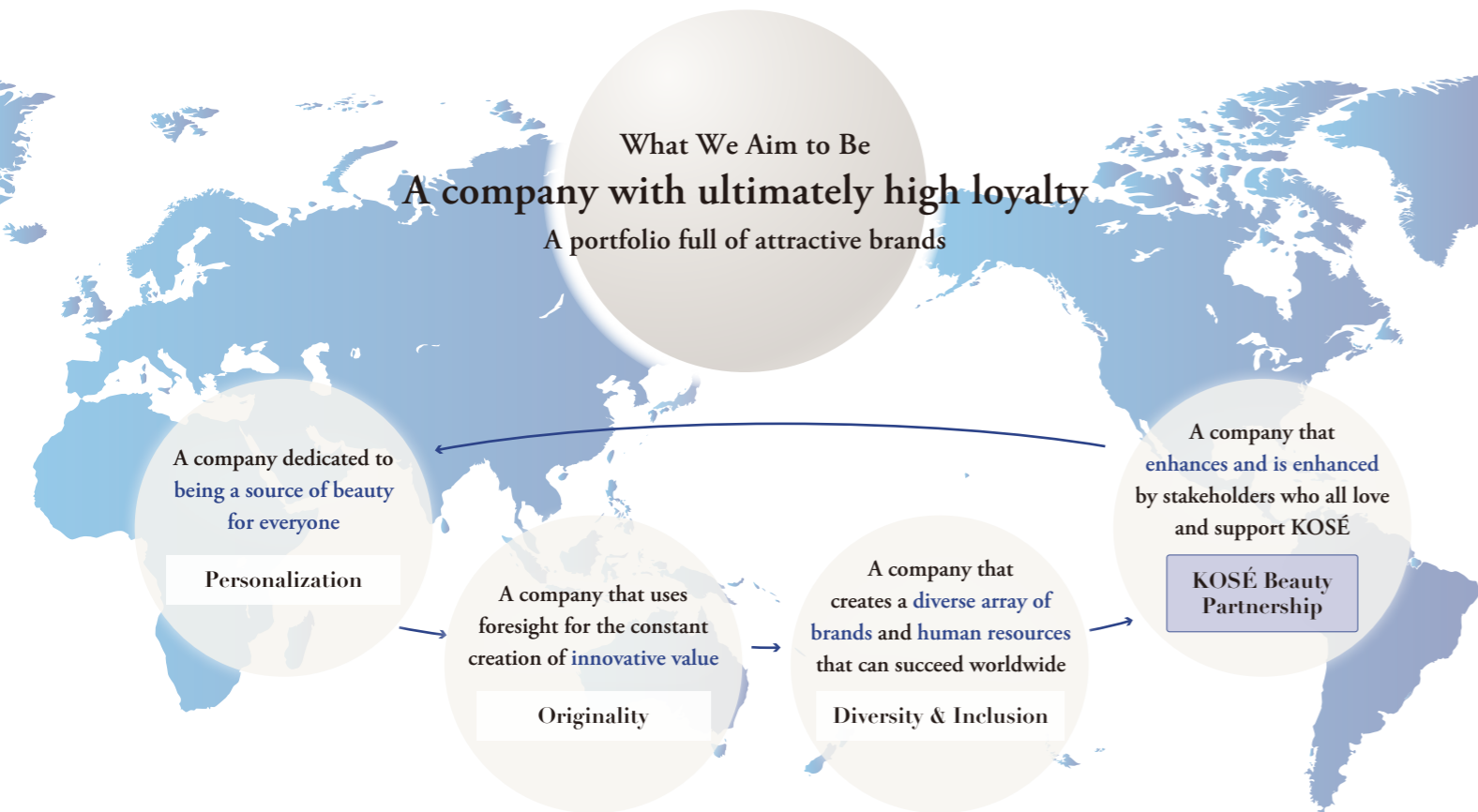
we will enhance our global presence by investing mainly in the United States and Europe as well as making further investments in Asia, including ASEAN and India, as well as China. In addition, the Company took advantage of an easing of the Japanese government's policy for wearing a face mask in public,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

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

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

▶ Pages 46-49

Message from the President



Demonstrating the Superiority of a Rich Brand Portfolio

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

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

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

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

▶ Pages 24-25

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

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

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

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

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

▶ Pages 18-19

▶ Pages 20-21

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

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

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

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

Message from the President

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

For our Visée brand, we have appointed new male and

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

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

▶ Pages 22-23

Accelerating Sustainability Strategies across Our Business Activities

KOSÉ’s commitment to the beauty of each individual customer goes without saying, and we are also sincerely committed to contributing to the healthy future of society and the global environment through our business activities. In the KOSÉ Sustainability Plan, we have set “Lower the overall environmental impact of business operations” as one of our activity themes, and have been working on Company-wide initiatives. As one such initiative, in July 2022 we formulated a low-carbon transition plan in order to strengthen our response to the global issue of climate change and with the goal of carbon neutrality (effectively zero CO₂ emissions) by 2040. From fiscal 2023, we are switching the electricity supply at our Gunma Factory and our Sayama Factory to renewable energy sources. In 2021, we agreed to collaborate with Kao Corporation in the field of sustainability, and since February 2022 we have been promoting initiatives for the horizontal recycling of plastic bottles for cosmetics and the upcycling of cosmetics into art paints and other materials. The two companies will continue to strengthen these initiatives going forward, given the societal significance of this collaboration.

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

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

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▶ Pages 54-62

▶ Page 67

* “Protect the snow” refers to our support for and activities linked to reducing CO₂ emissions that cause global warming.

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

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

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

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

▶ Pages 20-21

▶ Pages 30-31



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

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

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

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

▶ Pages 22-23

The KOSÉ Group's Sustainable Growth Process

To better live up to its Statement of Purpose, the KOSÉ Group is working to achieve medium-to-long-term VISION2026, and is taking on the material issues of the KOSÉ Sustainability Plan, which was formulated in 2020. In fiscal 2022 we revised specific initiatives from the perspective of "Mission, Vision, and Values," and reorganized our sustainable growth process. Going forward, we will establish an unrivaled presence as a "company that creates beauty" while working to deliver unique value and gain the appreciation of customers worldwide.



The KOSÉ Group's Capital Inputs

The KOSÉ Group has cultivated six types of capital since its founding. They underpin the Group's sustainable growth processes and are essential for increasing corporate value.

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

<p>Number of employees: 13,179</p> <p>Hours of training per employee:¹ 17.8 hours</p> <p>Human capital</p> <ul style="list-style-type: none"> Professional human resources capable of working around the world Recruitment and development of diverse human resources based on diversity and inclusion management <p>▶ Page 58 ▶ Page 63</p>	<p>Capital expenditures: ¥ 6.8 billion</p> <p>Production sites: 5</p> <p>Manufactured capital</p> <ul style="list-style-type: none"> Integrated in-house production system to ensure stable supply of a wide variety of products Sustainable and responsible value chain <p>▶ Page 64 ▶ Page 66</p>	<p>R&D expenses: ¥ 6.0 billion</p> <p>Number of brands: 37</p> <p>Number of registered patents:² Japan: 805 Overseas: 230</p> <p>Number of registered trademarks:² Japan: 4,656 Overseas: 3,534</p> <p>Intellectual capital</p> <ul style="list-style-type: none"> Basic research and R&D at seven sites that leads to creation of unique value Manufacturing from the customer's perspective that combines sensuousness and intelligence (theory) DX initiatives for creating new customer experiences Accumulation of marketing expertise from global development of a variety of brands <p>▶ Pages 24-25 ▶ Pages 50-53 ▶ Page 56 ▶ Pages 64-65</p>	<p>Number of countries and regions where we operate: 68</p> <p>Overseas sales ratio: 43.6%</p> <p>Social and relationship capital</p> <ul style="list-style-type: none"> Engagement activities with various stakeholders based on the KOSÉ Beauty Partnership Active cooperation with other companies, academic institutions, governments and other organizations for value creation in new fields <p>▶ Pages 20-23</p>	<p>Total energy consumption: 425 (1,000 GJ)</p> <p>Water intake:³ 303.8 (1,000 m³)</p> <p>Natural capital</p> <ul style="list-style-type: none"> Product manufacturing using raw materials derived from natural resources Investment in energy needed for all business activities <p>▶ Pages 59-62</p>	<p>Shareholders' equity (total):⁴ ¥ 258.9 billion</p> <p>Equity ratio 72.0%</p> <p>Financial capital</p> <ul style="list-style-type: none"> Selection and concentration of investments according to the optimal business portfolio Investment in new value creation and new business domains Investment in non-financial capital, including promotion of DX, to strengthen the business foundation <p>▶ Pages 48-49</p>
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1. Figure for Group companies in Japan
2. Excluding Tarte
3. KOSÉ Group production departments
4. Shareholder equity = Net assets minus stock acquisition rights, minus non-controlling interests



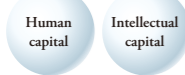
KOSÉ's Unique Value Creation Cycle

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

Building Brands That Adapt to the World

▶ Page 22 ▶ Page 56

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



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

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



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

▶ Page 64 ▶ Page 66

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



▶ Page 65

Creating a Framework to Respond to Customer Feedback and Exceed Expectations



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



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Circular Product Design That Takes People and the Earth into Consideration



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

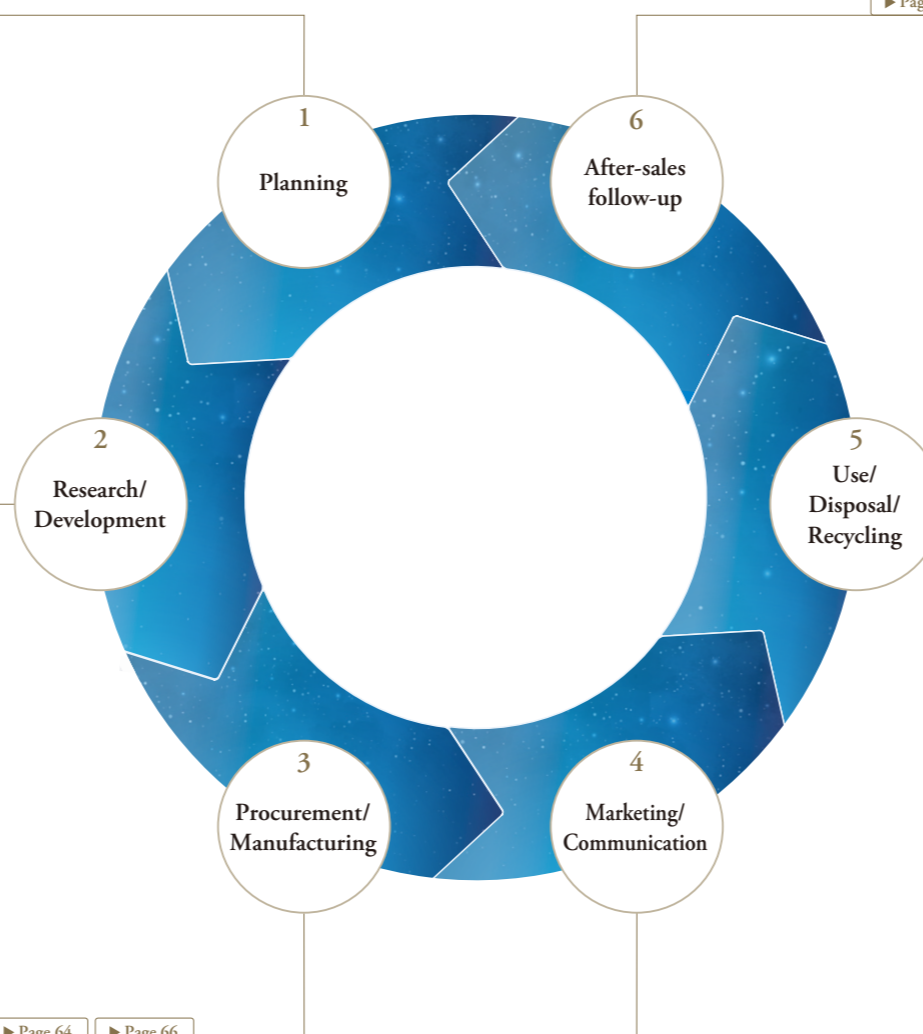
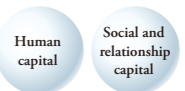


▶ Pages 50-53

Creating New Points of Contact with Customers

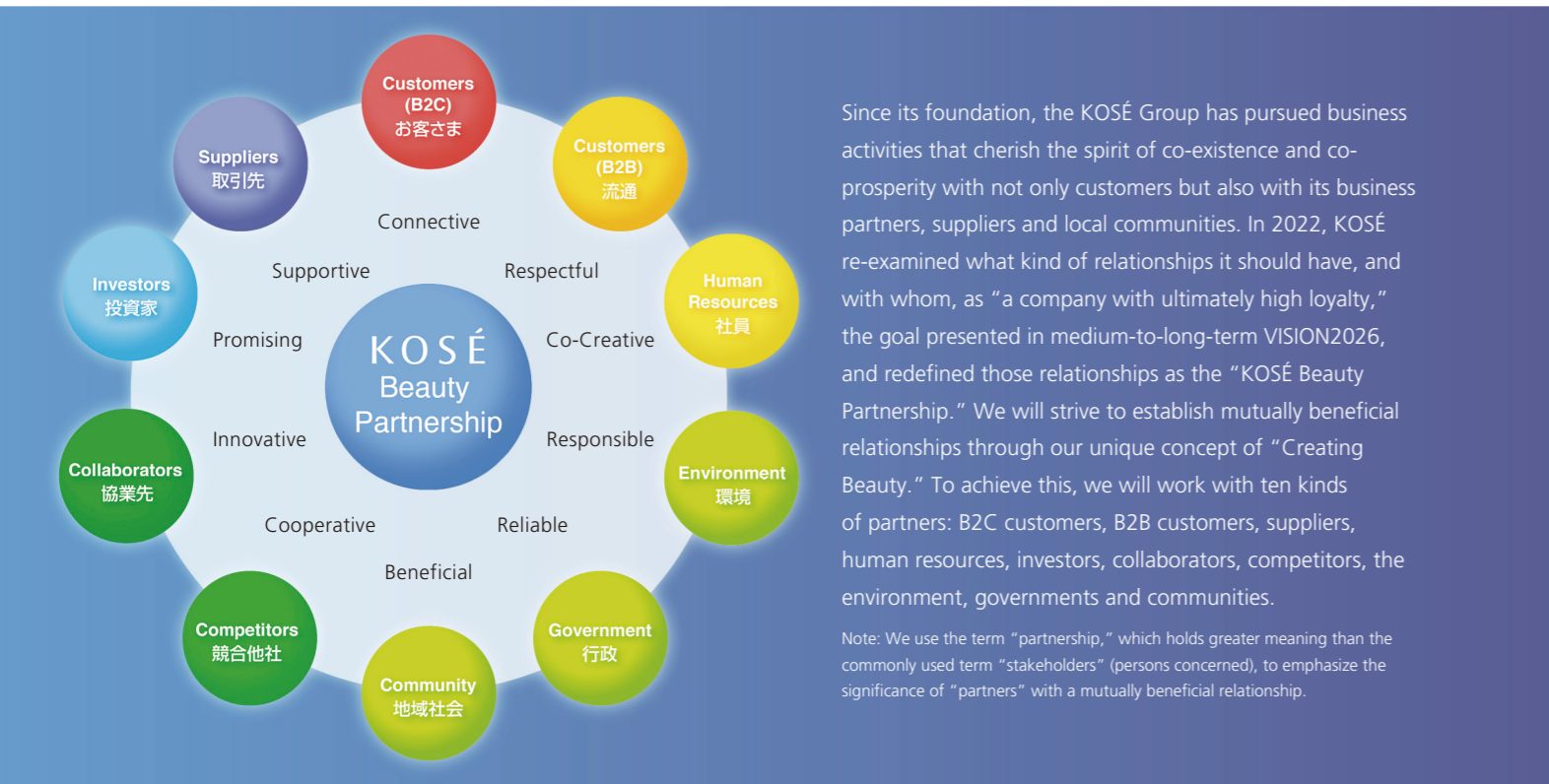


Since KOSÉ's foundation, we have dedicated ourselves to brightening people's hearts through cosmetics. Currently, in addition to improving convenience for customers, we are providing opportunities to interact with and enjoy our brands, with the aim of enhancing the value of customer experiences both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



Strengths Supporting the Foundation for Value Creation

The KOSÉ Beauty Partnership, set out as part of medium-to-long-term VISION2026, represents the KOSÉ Group's values and is one of the Group's unique strengths. This section looks at the KOSÉ Beauty Partnership, from the background of its establishment to its direction going forward.



Since its foundation, the KOSÉ Group has pursued business activities that cherish the spirit of co-existence and co-prosperity with not only customers but also with its business partners, suppliers and local communities. In 2022, KOSÉ re-examined what kind of relationships it should have, and with whom, as “a company with ultimately high loyalty,” the goal presented in medium-to-long-term VISION2026, and redefined those relationships as the “KOSÉ Beauty Partnership.” We will strive to establish mutually beneficial relationships through our unique concept of “Creating Beauty.” To achieve this, we will work with ten kinds of partners: B2C customers, B2B customers, suppliers, human resources, investors, collaborators, competitors, the environment, governments and communities.

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

Specific Initiatives with Each Stakeholder Type

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

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

Value Generated through the KOSÉ Beauty Partnership

Expanding targets Provide value in the areas of the 3 Gs (Global, Gender, and Generation), based on the idea of Adaptability[∞]

To whom

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

* Biological women

Expanding Targets and Business Sectors

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

The Eight Initiatives of Adaptability[∞]

[More details](#)

Initiatives [▶ Pages 56-58](#)

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

Frameworks and Specific Initiatives for Creating New Value

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

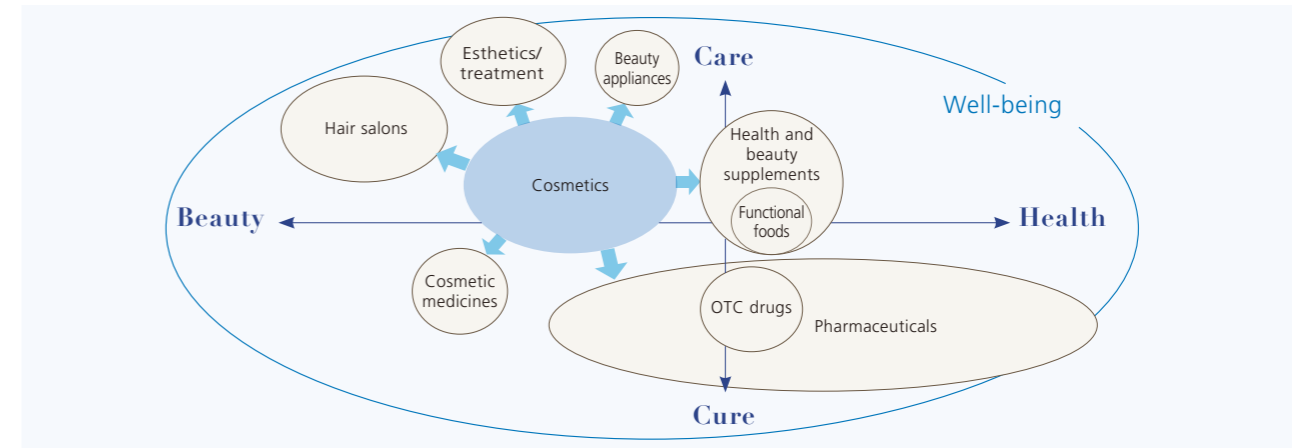
One example is a system of automatically analyzing and formulating components of cosmetics, developed with a hybrid algorithm that utilizes both a quantum computer and conventional computer, through joint research with blueqat Inc. (formerly MDR Co., Ltd.). This system automatically generated cleansing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

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

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

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

What



Examples of Innovative Value Creation beyond Traditional Domains

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



Aman Essential Skin

Initiatives Focused on the Future

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



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

Our Brands

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

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

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

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

High Added Value
Cosmetics Business

Individual Brands

DECORTÉ AQ

DECORTÉ

JILLSTUART

ADDICTION

INFINITY KOSÉ

雪肌精 SEKKISEI MIYABI

ALBION CO., LTD.

ALBION

IGNIS Elegance PARIS

IN FIORE

PAUL & JOE


ANNA SUI

KOSÉ MILBON COSMETICS CO., LTD.

IMPREA


Tarte, Inc.

tarte high-performance naturals




DECORTÉ

● ● ● ●




ALBION

● ● ● ●




INFINITY KOSÉ

● ●



tarte high-performance naturals

● ● ● ●



ADDICTION

● ●

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

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

High Added Value
Cosmetics Business

ONE BY KOSÉ

雪肌精 SEKKISEI

LECHÉRI

ESPRIQUE

KOSÉ PROVISION CO., LTD.

米肌 MAIHADA

KOSÉ PROFESSIONAL CO., LTD.

ASTALUXE

Dr. PHIL COSMETICS INC.

X-Barrier

ACNEO

KOSÉ Maruho Co., Ltd.

カルテHD



雪肌精 SEKKISEI

● ● ● ●



ONE BY KOSÉ

● ●



ESPRIQUE

● ●



LECHÉRI

●



カルテHD

●

COSMETARIES Brands

For Daily Life One Step Above

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

** Cosmetaries: A coined term combining “cosmetics” and “toiletries”

Basic Value
Cosmetaries Business

Visée

MAKE KEEP MIST

softymo

Je l'aime

BIOLISS

CLEAR TURN クリアターン

MQ Magnifique

WRINKLE CARE


FASIO

NAIL HOLTIC

Spawake


STEPHEN KNOLL NEW YORK

KOSÉ Brands




Visée

● ●




FASIO

● ●




Je l'aime

● ●



SUNCUT

● ●



STEPHEN KNOLL NEW YORK

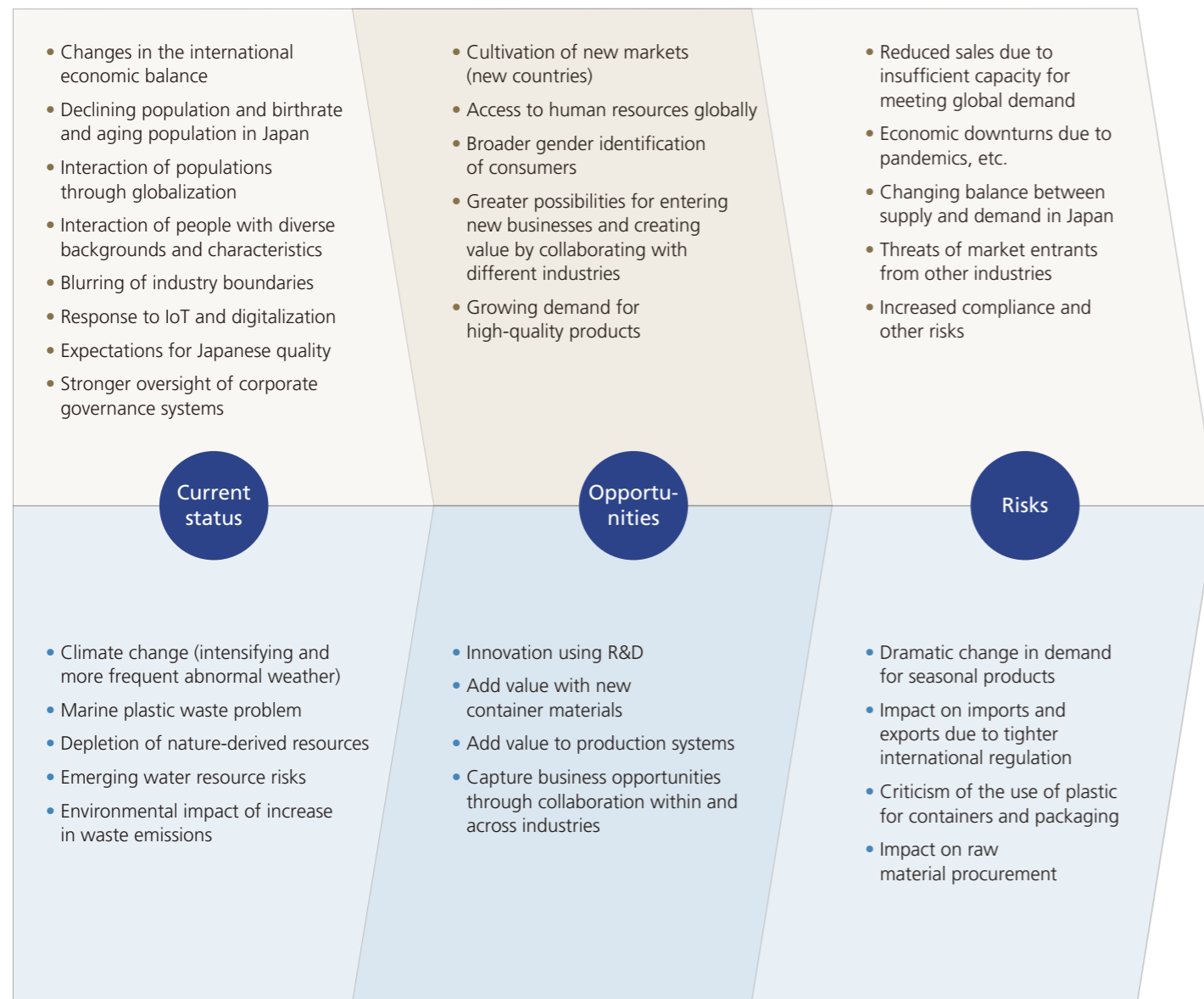
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Recognition of the External Environment and Identification of Material Issues

Identifying Material Issues

To achieve sustainable growth, the KOSÉ Group needs to have an accurate understanding of the relationship between the external environment and the Group. On that basis, in identifying relevant social and environmental changes, as well as risks and opportunities, we referred to ISO 26000, the United Nations Global Compact, the SDGs, and other guidance. We identified 21 material issues that the KOSÉ Group should address. We rated each issue on a 5-point scale in terms of importance and relevance for each individual Group company and division, and used the average scores to quantify them based on an index of importance and relevance to the KOSÉ Group as a whole.

People & Society

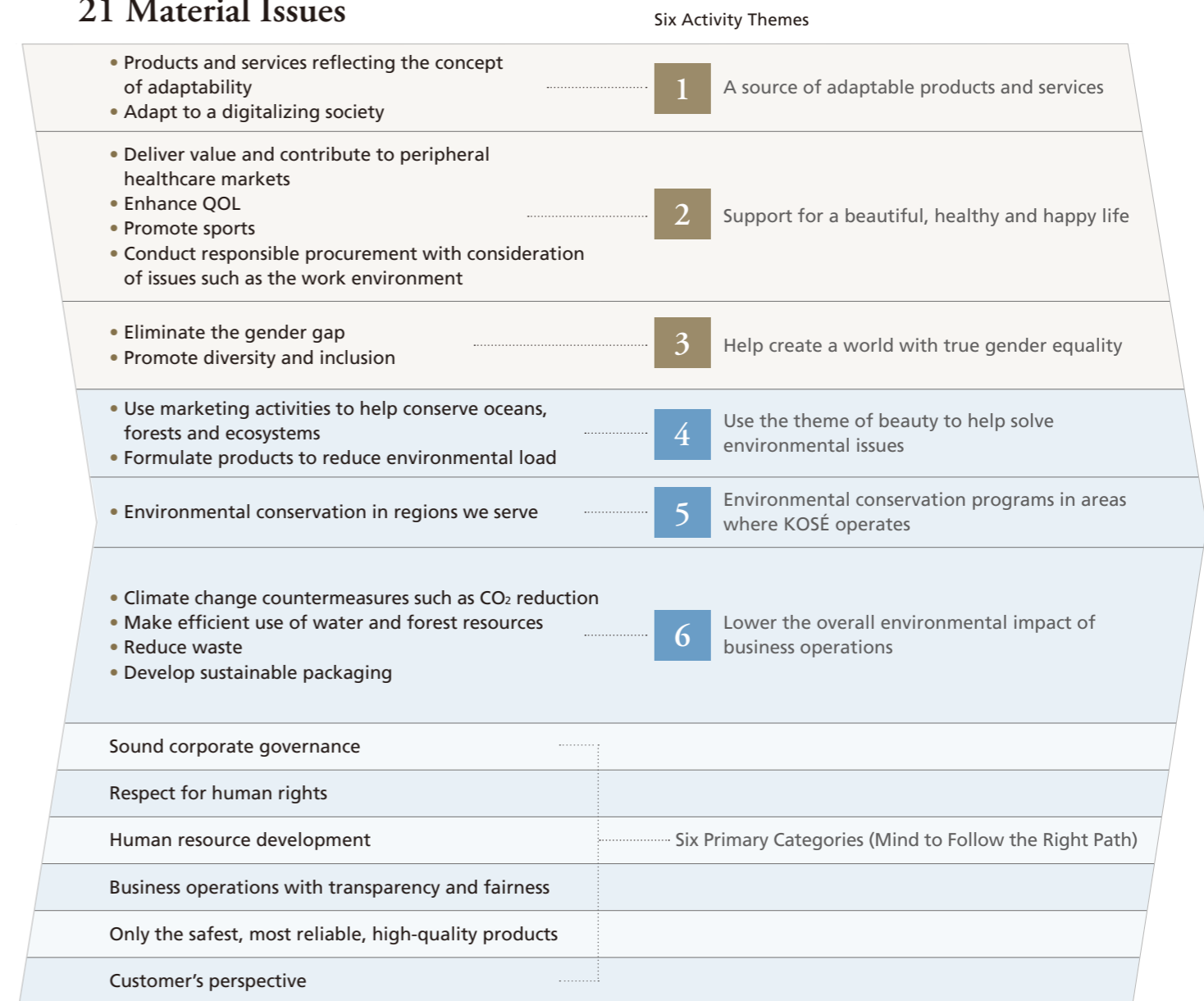


Environment

Setting Material Issues and Themes

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

21 Material Issues



KOSÉ Sustainability Plan

The KOSÉ Group’s Corporate Message, “Creating Beauty in a Sustainable World,” serves as its guiding principle for sustainability, while its fundamental policy, “Mind to Follow the Right Path,” has been the basis of its corporate spirit since its foundation. Based on the above, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. In formulating this plan, we identified material issues that the KOSÉ Group should address and set activity themes, while confirming social and environmental issues and incorporating feedback from external stakeholders. As we work to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our sensuousness and intelligence with the aim of becoming a unique and trusted company with a global presence.

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

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

Six Activity Themes

For People

1

A source of adaptable products and services

As a source of beauty for everyone, we embrace differences in skin color, values, culture and other diverse characteristics to provide the value of beauty.

We will contribute to a world where people with diverse backgrounds and features—including skin color, gender, sociocultural and geographical background, living environment, religion, creed, and physical features—can live confidently and beautifully.

2

Support for a beautiful, healthy and happy life

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

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

3

Help create a world with true gender equality

Contribute to a future where there is no gender gap.

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

Fundamental Policy

Mind to Follow the Right Path

Sound corporate governance

Respect for human rights

Human resource development

Business operations with transparency and fairness

Only the safest, most reliable, high-quality products

Customer’s perspective

For the Earth

4

Use the theme of beauty to help resolve environmental issues

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

We will focus on beauty while promoting activities to resolve environmental issues. We will also communicate these initiatives to the general public to make many consumers aware of environmental issues and expand our network for solving issues using the theme of beauty.

5

Environmental conservation programs in areas where KOSÉ operates

In areas where we have business bases such as production sites and service locations, we will work to preserve the environment, giving back to local communities, with which we will co-exist and prosper.

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

6

Lower the overall environmental impact of business operations

We are thankful for the blessings of the global environment, which is the source of all healthy life, and will carry out activities to lower our environmental impact as much as possible.

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

Management Introduction (As of March 30, 2023)

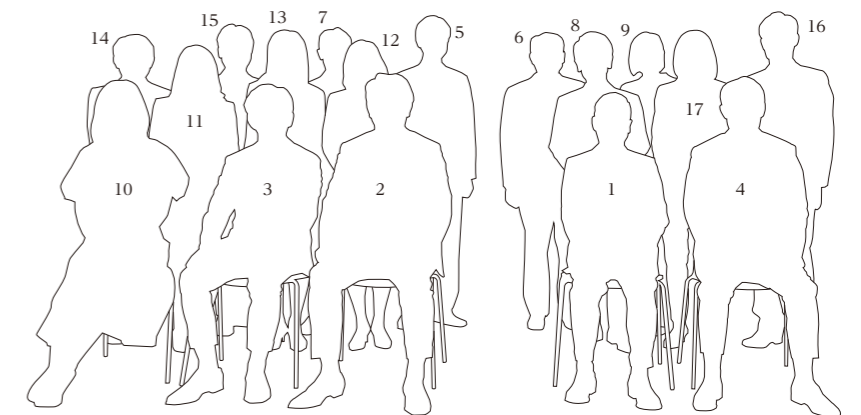


- 1. Yasukiyo Kobayashi**
Honorary Chairman
- 2. Kazutoshi Kobayashi**
President & CEO
- 3. Takao Kobayashi**
Senior Executive Director
- 4. Masanori Kobayashi**
Executive Director
- 5. Koichi Shibusawa**
Executive Director

- 6. Yusuke Kobayashi**
Director
- 7. Shinichi Mochizuki**
Director
- 8. Masahiro Horita**
Director
- 9. Atsuko Ogura**
Director

- 10. Yukino Kikuma**
Director (External)
- 11. Norika Yuasa**
Director (External)
- 12. Yuko Maeda**
Director (External)
- 13. Miwa Suto**
Director (External)

- 14. Shinji Tanabe**
Standing Audit & Supervisory Board Member
- 15. Minoru Onagi**
Standing Audit & Supervisory Board Member
- 16. Toru Miyama**
Audit & Supervisory Board Member (External)
- 17. Kumi Kobayashi**
Audit & Supervisory Board Member (External)



Career Histories (As of March 30, 2023)

Honorary Chairman

Yasukiyo Kobayashi

Honorary Chairman

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

Directors

Kazutoshi Kobayashi

President & CEO

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

Takao Kobayashi

Senior Executive Director

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

Masanori Kobayashi

Executive Director

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

Koichi Shibusawa

Executive Director

Apr. 1984 Joined the Company
 Mar. 2008 Chief Director and General Manager of KOSÉ COSMETICS CO., LTD. (CHINA) and Chief Director and General Manager of KOSÉ COSMETICS SALES (CHINA) CO., LTD.
 Mar. 2010 General Manager of Accounting and Finance Dept. of the Company
 Mar. 2011 Executive Officer and General Manager of Accounting and Finance Dept.
 Jun. 2013 Director and General Manager of Accounting and Finance Dept.
 Jun. 2018 Executive Director (current position)
 (Responsibilities)
 President Office, Corporate Strategy Dept., General Administration Dept., Legal Dept., IT Management Dept., Human Resources Dept., Domestic Consolidated Subsidiaries and Associates of the Company, and Risk Management
 (Significant Concurrent Positions Outside the Company)
 Audit & Supervisory Board Member of KOSÉ SALES CO., LTD.
 Audit & Supervisory Board Member of KOSÉ Cosmeport Corp.
 Director of ALBION CO., LTD.

Yusuke Kobayashi

Director

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

Directors

Shinichi Mochizuki

Director

Apr. 1985 Joined The Mitsubishi Bank, Ltd.
 Sep. 2008 General Manager of Environmental Project Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Jun. 2011 General Manager of Corporate & Investment Banking Credit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Nov. 2015 Joined the Company, General Manager of Global Business Div.
 Mar. 2016 General Manager of Global Business Administration Dept., Global Business Div.
 Mar. 2018 Executive Officer and General Manager of Accounting and Finance Dept.
 Mar. 2020 Senior Executive Officer and General Manager of Accounting and Finance Dept.
 Jun. 2021 Director and General Manager of Accounting and Finance Dept. (current position)
 (Responsibilities) Accounting and Finance Dept.
 (Significant Concurrent Positions Outside the Company)
 Executive Director of KOSÉ SALES CO., LTD.
 Director of Tarte, Inc.

Masahiro Horita

Director

Apr. 1986 Joined the Company
 Mar. 2012 General Manager of Global Product Dept., Global Business Div.
 Mar. 2013 General Manager of Global Business Operations Dept., Global Business Div.
 Mar. 2017 President of KOSÉ COSMETICS CO., LTD. (CHINA)
 Mar. 2019 Executive Officer and General Manager of Product Development Dept. and Beauty Development Dept.
 Mar. 2020 Executive Officer, Deputy General Manager of Marketing Headquarters and General Manager of Product Development Dept.
 Mar. 2021 Executive Officer and General Manager of Product Development Dept.
 Jun. 2021 Director and General Manager of Product Development Dept. (current position)
 (Responsibilities) Product Development Dept., Beauty Development Dept., Advertising Dept., Product Designing Dept., Quality Assurance Dept.
 (Significant Concurrent Positions Outside the Company) –

Atsuko Ogura

Director

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) –

Yukino Kikuma

Director (External)

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

Norika Yuasa

Director (External)

Sep. 2003 Registered as an attorney at law
 Aug. 2011 Registered as an attorney at law in New York State
 Sep. 2017 Part-time Professor of Waseda Law School (current position)
 Jan. 2019 Partner and attorney at law 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

Yuko Maeda

Director (External)

Apr. 1984 Joined Bridgestone Corporation
 Sep. 2003 Director of Technology Transfer Center and Intellectual Property Manager of Intellectual Property Right Department of Tokyo Medical and Dental University
 (Concurrent) Visiting Professor of Tokyo Medical and Dental University
 Oct. 2009 (Concurrent) Visiting Professor of Kyoto Prefectural University of Medicine
 Oct. 2011 (Concurrent) Specially Appointed Professor of Kyoto Prefectural University of Medicine
 May 2013 Vice President and Officer of Bridgestone Corporation
 Apr. 2014 Auditor of Japan Agency for Marine-Earth Science and Technology
 Jan. 2017 Director of CellBank Corp. (current position)
 Mar. 2019 (Concurrent) Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.
 Jun. 2020 Director of the Company (current position)
 Oct. 2020 (Concurrent) Board Member (part-time) of Kyushu University (current position)
 Jun. 2021 (Concurrent) Outside Director of ASahi Kasei CORPORATION (current position)
 (Responsibilities) –
 (Significant Concurrent Positions Outside the Company)
 Director of CellBank Corp.
 (Part-time) Board Member of Kyushu University
 Outside Director of ASahi Kasei CORPORATION

Directors

Miwa Suto

Director (External)

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 & Supervisory Committee Member) of ASICS Corporation (current position)
 Jun. 2021 Outside Director of KATITAS Co., Ltd. (current position)
 Jun. 2021 Executive Board Member of Japanese Olympic Committee (current position)
 Mar. 2023 Director of the Company (current position)
 (Responsibilities) –
 (Significant Concurrent Positions Outside the Company)
 Managing Director of PLANETPLAN, Inc.
 Outside Director (Audit & Supervisory Committee Member) of ASICS Corporation
 Outside Director of KATITAS Co., Ltd.

Shinji Tanabe

Standing Audit & Supervisory Board Member

Apr. 1984 Joined the Company
 Mar. 2015 General Manager of Technical Research Management Dept. of R&D Laboratories
 Mar. 2017 General Manager of Quality Assurance Dept.
 Mar. 2019 Senior Chief Manager of Quality Assurance Dept.
 Jun. 2020 Standing Audit & Supervisory Board Member (current position)
 (Significant Concurrent Positions Outside the Company) –

Minoru Onagi

Standing Audit & Supervisory Board Member

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 (current position)
 (Significant Concurrent Positions Outside the Company) –

Toru Miyama

Audit & Supervisory Board Member (External)

Apr. 1998 Registered as an attorney at law
 Oct. 2006 Established Miyama Law Office (current position)
 Jun. 2019 Audit & Supervisory Board Member 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.

Kumi Kobayashi

Audit & Supervisory Board Member (External)

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

Management Team (As of March 30, 2023)

Name	Position	Reasons for Appointment	Attendance at Board of Directors Meetings Attendance at Audit & Supervisory Board Meetings	Years of Service	Skills Matrix						Committee
					Corporate management	Global	Marketing/ R&D	Sustainability/ ESG	Legal/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, which aims for even greater accomplishments. For these reasons, the Company has appointed him as a director.	15/15 —	32	●	●	●				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 our 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 —	24	●	●	●				
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.	15/15 —	9	●	●	●				
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 —	9				●	●	●	Nomination and Remuneration Committee
Yusuke Kobayashi	Director	Mr. Yusuke Kobayashi has contributed to business expansion of Group company ALBION CO., LTD. as its Senior Managing Director and Chief of Headquarters of the International Business Division. He has amassed many years of experience in overseas operations, particularly as the Chief of Headquarters of the International Business Division, and accordingly possesses a proven track record in that regard. In addition, he has substantial influence in the Group, underpinned by his abundant global insight and knowledge. For these reasons, the Company has appointed him as a director.	14/15 —	8	●	●					
Shinichi Mochizuki	Director	As the general manager of the Global Business Administration Department in the Global Business Division, Mr. Shinichi Mochizuki has contributed to strengthening the management structure of overseas subsidiaries in particular. He has also supervised financial matters. Since becoming a director in 2021, he has played a role in strengthening the functions of the Board of Directors. For these reasons, the Company has appointed him as a director.	15/15 —	1	●	●				●	
Masahiro Horita	Director	Mr. Masahiro Horita has participated in the development and growth of many brands. He has also served as a representative of the Global Business Division, and currently serves as director of the Product Development Department, where he is strengthening manufacturing. He has global business experience and extensive knowledge of marketing. For these reasons, the Company has appointed him as a director.	15/15 —	1	●	●	●				
Atsuko Ogura	Director ●	Ms. Atsuko Ogura has been involved with 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 Department, she has spearheaded the development of IT infrastructure needed to transition to IT systems. Currently, as the Director of R&D Laboratories, she is leveraging her experience and extensive knowledge involving IT and R&D. For these reasons, the Company has appointed her as a director.	— —	—			●	●			
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 an independent director.	15/15 —	4				●	●		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 an independent director.	15/15 —	3		●		●	●		Nomination and Remuneration Committee
Yuko Maeda	Director (External)	Ms. Yuko Maeda has a high level of expertise in the realm of applications for corporate intellectual property in addition to abundant experience and knowledge particularly when it comes to industry-academia partnerships. She also has experience as a corporate director and outside Audit & Supervisory Board member. We expect her to provide advice on strategies related to management and intellectual property as well as R&D. For these reasons, the Company has appointed her as an external director. Furthermore, the Company believes that Ms. Maeda has no conflict of interest with general shareholders and has accordingly designated her an independent director.	15/15 —	2	●		●	●			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 an independent director.	— —	—	●		●			●	Nomination and Remuneration Committee
Shinji Tanabe	Standing Audit & Supervisory Board Member	Mr. Shinji Tanabe has contributed to supervision and management of all technical information related to research. He has also increased the level of product quality assurance and created a system for accurately reflecting customer feedback to the Customer Service Center. Due to his experience and knowledge, the Company has appointed him as an Audit & Supervisory Board member.	15/15 12/12	2				●	●		
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 of research intellectual property and the protection of this property. As a 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.	— —	—					●		
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 an independent auditor.	15/15 12/12	3				●	●		Nomination and Remuneration Committee
Kumi Kobayashi	Audit & Supervisory Board Member (External)	Ms. Kumi Kobayashi has advanced knowledge regarding accounting and finance as a certified public accountant (CPA), and a thorough understanding of the practical operations of M&As and corporate finance. She will provide appropriate guidance and advice related to increasing the efficacy of audits. For these reasons, the Company has appointed her as an external Audit & Supervisory Board member. Furthermore, the Company believes that Ms. Kobayashi has no conflict of interest with general shareholders and has accordingly designated her an independent auditor.	15/15 12/12	2				●		●	Nomination and Remuneration Committee

Note: ● indicates new appointments.

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.

MESSAGE



Yukino Kikuma
Director (External)

Norika Yuasa
Director (External)

Yuko Maeda
Director (External)

Miwa Suto
Director (External)

Moving forward with a Big-Picture Perspective on “Creating Beauty in a Sustainable World”

As we focus our efforts on diversity and inclusion, I would also like people to value the importance of a big-picture perspective on our reasons for promoting these efforts and the kind of society that we are aiming to create. For example, I believe that realizing the active participation of women in the workplace actually necessitates working style reforms for men. When I took up the position of director five years ago, the ratio of childcare leave used by men at KOSÉ was 0%. I proposed encouraging the use of childcare leave by men not just to build understanding and cooperation with women

employees, but also as a way to move toward DX and build a sustainable organization that is not dependent on individuals, and because a comfortable working environment is also linked to improved quality of customer service. In fiscal 2022, the childcare leave usage ratio among men climbed to 88.2%, but I would like KOSÉ to become a company where that number naturally reaches 100%.

Instead of each activity being a stand-alone measure, they should all be connected to KOSÉ's corporate message of “Creating Beauty in a Sustainable World.”

Director (External) **Yukino Kikuma**

KOSÉ's Current Challenges and Opportunities to Become a Company with a Global Presence

I feel that KOSÉ is a “company with ultimately high loyalty,” and one that possesses strong Japanese qualities. Employees are united in a sincere approach that reflects their desire to create products—from products in lower price brackets to our prestige products—that will always be loved by customers, and to bring them to the world. Every director, including myself, loves KOSÉ's products, and I am very confident that the Company's ambitions and the high quality of its products will appeal to overseas customers. As far as our overseas

expansion is concerned, this is just the beginning. We need to ensure we comply with the laws and regulations of different countries, and there are also significant risks that cannot be foreseen. However, the Board of Directors brings a variety of knowledge to the table and engages in lively discussions. We will support the Company in making its products available overseas via the proper channels, and building a global fan base for KOSÉ products so that KOSÉ can become a company with loyal fans worldwide.

Director (External) **Norika Yuasa**

Becoming a Company That Can Bring Beauty and Happiness to Everyone, Everywhere, by Incorporating New Fields

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

The Company has sent a researcher to the world-leading Gladstone Institutes research laboratory (Yamanaka Lab) in the United States, led by Shinya Yamanaka, where the team is moving forward with cutting-edge research into rejuvenation. By bringing together the fields of life science and healthcare, we can pursue not only surface beauty, but also the ability to draw out beauty from within through healthy lifestyles that are full of vitality. Meanwhile, in a joint research project with

Tokyo Institute of Technology, we are developing a makeup simulation system that can be tested on people's faces in real time. The system incorporates color correction technology, and can project suitable makeup colors based on the skin's reflective properties. We have developed environmentally friendly materials and containers as a company that is kind to not only women but to all people and the Earth. We will also utilize digital technology to drive personal customer satisfaction and achieve synergy between new fields as we continue to evolve into a company that can deliver beauty and happiness to everyone.

Director (External) **Yuko Maeda**

My Role and Expectations as a Newly Appointed External Director

My experience in supporting corporate branding strategies led me to notice KOSÉ's excellent branding. Brands are important drivers for improving corporate value, but true appeal cannot be created through superficial approaches. It is essential to take steps to convert brand value into corporate value. KOSÉ's business activities convey strong conviction, in terms of striving to be the best brand, and I can feel the clear intention to leverage brand strength for sustainable growth by becoming

“a company with ultimately high loyalty.” As an external director, I aim to deepen my understanding of the Company while supporting further increases in corporate value. I also intend to focus on strengthening governance and ensuring transparency from the standpoint of ordinary shareholders, and to contribute to the continued progress of the “KOSÉ Beauty Partnership,” which the Company champions as a unique strength.

Director (External) **Miwa Suto**

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, the Management Policy Review Committee, 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.

Initiatives to Strengthen Governance

A new independent external director was appointed at the 81st Annual General Meeting of Shareholders, bringing the ratio of independent external directors to the total number of directors to one third.

In addition, the Company elected two new female directors in consideration of improving the balance of skills and diversity of the Board of Directors, including gender.

Board of Directors

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

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

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

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

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
- Minami-Alps Factory (provisional name)
- Consideration of upward revision of CO₂ reduction targets and establishment of a low-carbon transition plan

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.

Nomination and Remuneration Committee

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

Composition of the Nomination and Remuneration Committee

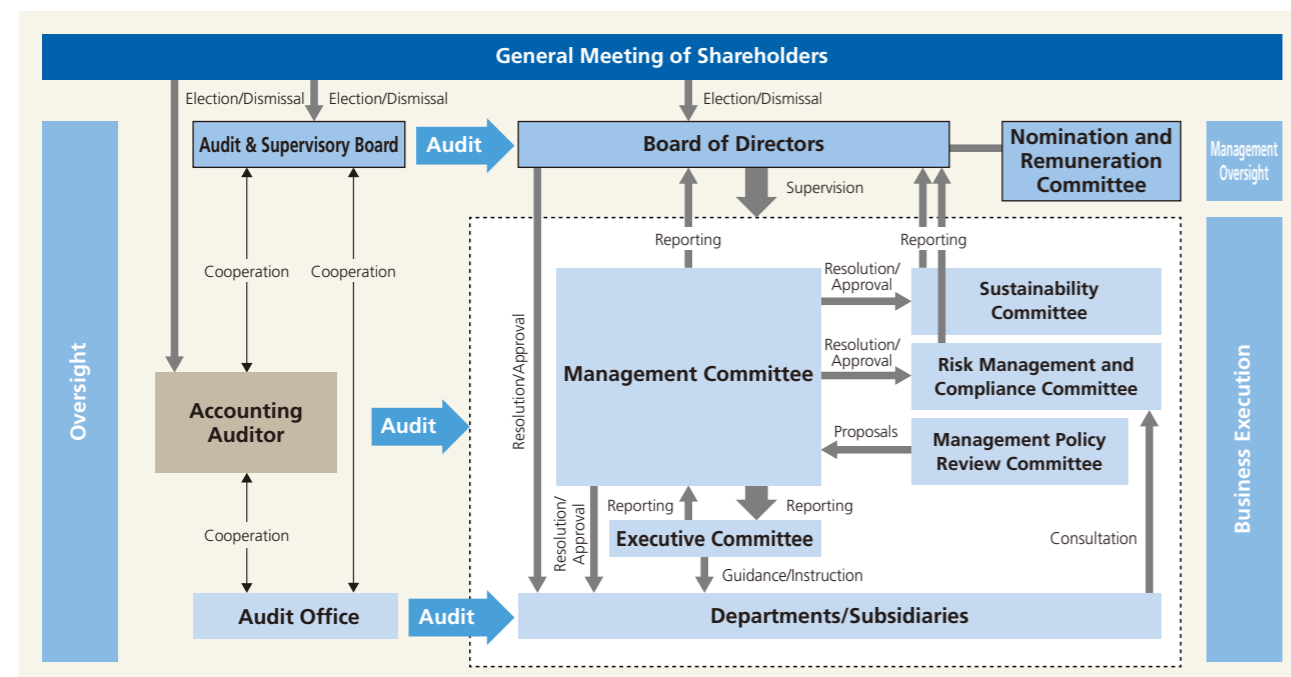
Chairperson	Total Members	(Breakdown)		
		Directors	External Directors	External Audit & Supervisory Board Members
External Directors	8	2	4	2

Chairperson: Yukino Kikuma (External Director)

Main agenda items:

- Officer remuneration for fiscal 2022
- Officer and executive officer appointments, and the officer remuneration plan

Corporate Governance Organization



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 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) the directors are conducting thorough discussions of proposals after receiving appropriate preliminary explanations concerning these proposals, and (2) the directors are performing well-balanced examinations of the internal control system, primarily by using periodic reports from the Audit Office. Last year, reports about the use of the internal reporting system were an issue requiring attention. This year, the evaluation confirmed that processing of these reports has improved, primarily through the receipt of periodic reports from the Risk Management and Compliance Committee about the effective functioning of the

internal reporting system. 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 rules for sharing information with external officers about discussions by the Management Committee and other units, in order to increase the thoroughness of discussions by the Board of Directors, and activities to clarify the Board’s role regarding the establishment and implementation of human resource strategies.

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

Issues to be Addressed

- Consideration of ways to more fully share discussions by the Management Committee and other bodies with external directors, from the perspective of further enhancing discussion
- Clarification of the Board’s role in formulating and carrying out human resource strategies

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.

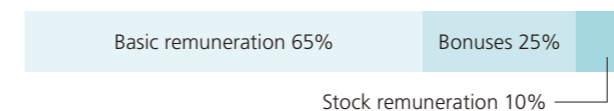
	Fixed remuneration	Performance-linked remuneration	
Directors (Internal)	(A) Basic remuneration	(B) Bonuses	(C) Stock remuneration
Directors (External)	(A) Basic remuneration		
Audit & Supervisory Board Members	(A) Basic remuneration		

	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"> • Directors: Set according to the position of each director, taking the operating environment into account • External directors and Audit & 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
(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"> • Consolidated net sales • Consolidated operating profit • Net sales and operating profit, etc. in each business sector 	Varies from 0 to 200% of the standard amount, depending on the difference between actual achievement and the performance target indicators for the single fiscal year (ratio of net sales indicators to operating profit indicators is 50:50) ¹
(C) Stock remuneration (Stock)	The Company makes annual delivery of a fixed number of shares of its common stock subject to certain stipulations such as those of the restricted period, and lifts the restrictions upon retirement of the recipient	The Company’s stock price ²	—

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

Composition of Remuneration

Composition of Remuneration for the President & CEO



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

Corporate Governance

Method for Determining Officer Remuneration

Officer remuneration shall be classified into (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 officer 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
- An appropriately 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

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 decisions about individual remuneration are entrusted to the President & CEO by the Board of Directors.

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

Total Remuneration by Officer Classification, Amount of Remuneration by Type and Number of Eligible Officers (Fiscal 2022)

Officer Classification	Total Remuneration (Millions of yen)	Amount of Remuneration by Type (Millions of yen)				Number of Eligible Officers
		Basic Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation	
Directors (External directors only)	444 (33)	356 (33)	41 —	— —	46 —	9 (3)
Audit & Supervisory Board members (External Audit & Supervisory Board members only)	68 (22)	68 (22)	— —	— —	— —	4 (2)
Total (External officers only)	513 (55)	425 (55)	41 —	— —	46 —	13 (5)

Persons Receiving Total Remuneration of ¥100 Million or More

Name	Officer Classification	Company	Amount of Remuneration by Type (Millions of yen)				Total Remuneration (Millions of yen)
			Fixed Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation Included in Amounts on the Left	
Kazutoshi Kobayashi	Director	KOSÉ Corporation	205	54	—	25	259

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 holds training and other educational programs for directors and employees. The Company has established internal and external consulting channels, creating a framework for responding to reports and consultations. In addition, to respond to risk factors that pose a threat to the sustainable development of the Company, particularly various risks such as problems involving compliance, quality, information security and markets as well as natural disasters, the Company has established Risk Management and Compliance Regulations and is working to enhance its risk management structure by establishing a Risk Management Promotion Committee. The Company has also created a framework based on its Crisis Management Regulations for minimizing damage in the event a major risk materializes.

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) that proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors.

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

The Sustainability Promotion System [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, we believe that the following risks could have a material impact on the Group's results and financial condition and that the factors described here are of material interest to investors for making investment decisions.

Please note that the forward-looking statements contained herein are based on the Company's judgments regarding main risks made as of March 30, 2023, 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	Price competition Damage to brand value Decrease in market share	The Company conducts product development, marketing and sales taking into account changes in market needs and customer preferences, and works to maintain and improve its competitive advantage by adding functional and emotional value to achieve differentiation.
	Entry of new competitors 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.
	Research and development delays Decrease in brand competitiveness Decline in innovation	The Company conducts basic and applied research using data science at the Advanced Technology Laboratory, and has also opened a branch in Lyon, France to conduct leading-edge dermatological research. The Company is also actively engaged in open innovation using external resources.
	Changes in consumer preferences 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.
	Delays in responding to climate change 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
Business/ Financial Risk	Increase in raw material prices Decline in profitability due to increased raw material prices	The Company conducts procurement globally to minimize market risk. It also strives to procure necessary raw materials and outsourced products at appropriate prices in a timely manner while maintaining good relationships with suppliers. The Company has also established the Cost and Inventory Reduction Promotion Committee, which is working to maintain appropriate costs and secure inventories.
	Discontinuation of raw material supply Obstacles to stable product supply Impact on sales and profit margins Decline in the Company's creditworthiness	
Political/ Economic Risk	Changes in legal regulations and response Demand fluctuation risk Impact on product exports	The Company collects information on a daily basis regarding legal regulations related to its business. In product development, the Company reviews raw material standards in light of changes in legal regulations and responds by effectively utilizing domestic and overseas information networks to secure alternative raw materials.
	Abrupt changes in the political situation in countries and regions where the Company does business Impact on sales due to fluctuations in demand Employee safety risk	The Company takes necessary measures by enhancing cooperation with overseas affiliates and business partners to collect information on economic, political, and social conditions in each country and region in a timely fashion.
Accident/ Disaster Risk	Natural disasters (earthquakes, volcanic eruptions, tsunamis, etc.) Delays or interruption of business activities due to suspension of production and logistics functions	In the event of a disaster or the spread of an infectious disease, the Company will immediately establish an emergency headquarters to discuss and implement countermeasures. To prepare for disasters, the Company has created a crisis management manual. It also confirms workplace safety, corrects deficiencies and ensures alternative methods.
	Spread of highly virulent infectious disease Delays or interruption of business activities including production, supply, and sales	
Personnel/ Labor Risk	Securing outstanding talent Decline in corporate competitiveness	The Company works to create an environment in which diverse human resources can play an active role. In its recruitment activities, the Company secures expert human resources through hiring by job type and outstanding talent through revision of the Beauty Consultant compensation system.
Legal Violation/ Indemnification Risk	Problems related to product accidents 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.
	Leaks of confidential or personal information 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.

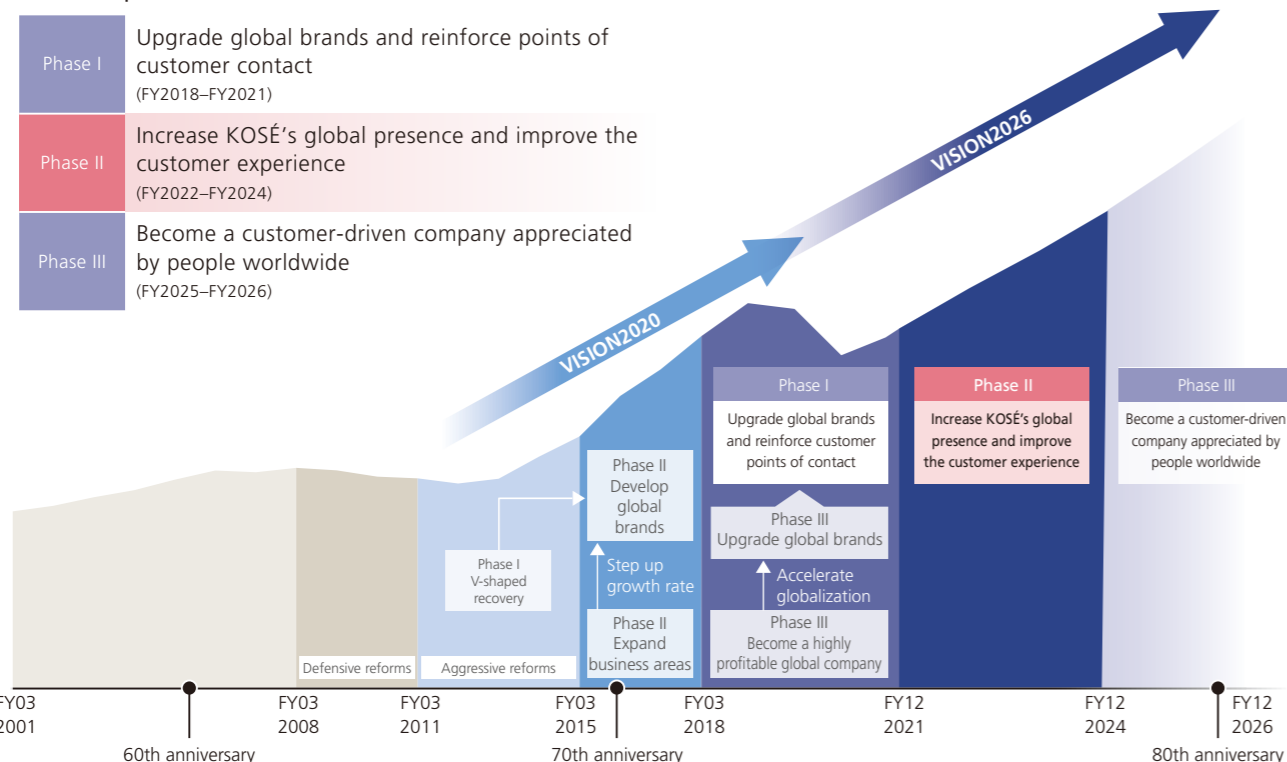
Overview of Growth Strategies

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

Theme and Roadmap

Evolving into a Company with a Global Presence

The three phases of VISION2026



Progress toward Quantitative Targets

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

* Record high net sales and operating profit

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

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

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

Basic Strategies and Initiatives for Fiscal 2023

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

* Lifetime value for customers

Fiscal 2022 Achievements and Challenges

In fiscal 2022, we expanded our presence on multiple e-commerce platforms in China and entered the duty-free business outside of Asia, which led to increased sales in both the China and travel retail markets. In addition, we worked to expand the online and offline markets for *Tarte*, including promotional activities on TikTok and store openings in the United Kingdom and Europe. For *DECORTÉ*, we used the launch of new products as an opportunity to gain wider approval among younger customers. Furthermore, in promoting our sustainability strategy we have made significant progress with our initiatives, including the decision to aim for effectively zero CO₂ emissions and carbon neutrality by 2040 and the acceleration of our collaborations with other companies in the field of sustainability.

Key Initiatives for Fiscal 2023

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

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

Financial Capital Strategy

The KOSÉ Group outlined three growth strategies in its medium-to-long-term VISION2026: 1) accelerate global brand development, 2) proactively develop unique products, and 3) explore new growth areas. Our financial capital strategy for realizing these growth strategies is centered on the basic policy of building a solid financial foundation for the Company's sustainable growth and increasing profitability and efficiency. We will execute our growth strategies as a united Group.

Fiscal 2022 Results and Fiscal 2023 Forecast

(Billions of yen)

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

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

Fiscal 2022 in Review

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

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

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

Forecast for Fiscal 2023

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

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

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

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

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

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

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

Improvement of Operating Efficiency

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

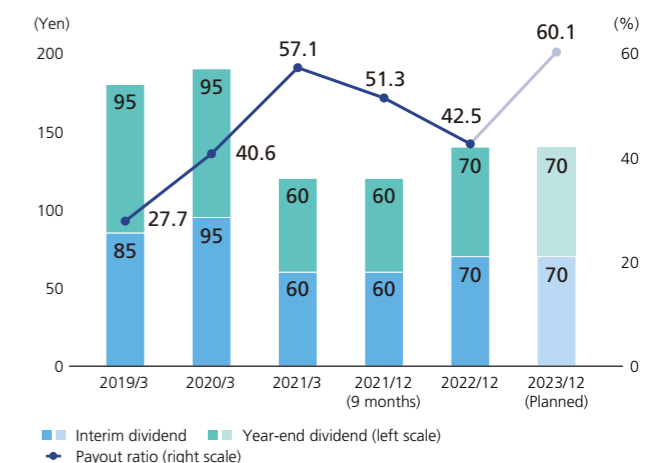
In fiscal 2023, KOSÉ will implement structural reforms based on four main themes. Our distribution channel-based strategy will involve strengthening investment in flagship stores and carrying out a review of the number of stores, and focusing on channel-specific sales strategies to increase sales per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

Stable Shareholder Returns

With regard to shareholder returns, the Company's basic policy is to stably return profits to all shareholders, taking into account financial position, earnings, and the dividend payout ratio, while also considering the need to retain internal funds for future business expansion.

For the fiscal 2022 year-end dividend, the Company paid an ordinary dividend of ¥70 and an interim dividend of ¥70, resulting in a total annual dividend of ¥140. In fiscal 2023, the Company plans to maintain the total annual dividend at ¥140 despite the expected decline in profit. This will result in a payout ratio of 60.1%, a higher level than in previous years.

Dividend/Dividend Payout Ratio



Strategy by Brand

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

HIGH-PRESTIGE Brands

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

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

Initiatives in Fiscal 2022

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

and opening duty-free stores outside of Asia.

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

Initiatives Going Forward

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

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

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

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

Highlight First Exhibition of Mixed Reality Makeup at CES

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

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

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

exhibitions for showcasing technologies



PRESTIGE Brands

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

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

Initiatives in Fiscal 2022

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

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

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

As a result of collaboration with Kao Corporation, we have also started using environmentally friendly chemically recycled PET material in some of our SEKKISEI and Prédia product containers. This is helping to reduce CO₂ emissions in the manufacturing process.

Strategy by Brand

Initiatives Going Forward

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

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

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

* Lifetime value for customers

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

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



COSMETARIES Brands

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

* Cosmetaries: A coined term combining “cosmetics” and “toiletries”

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

Initiatives in Fiscal 2022

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

showed signs of recovery.

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

Initiatives Going Forward

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

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

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

* As of November 2022

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

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

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



Progress of the Sustainability Plan

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

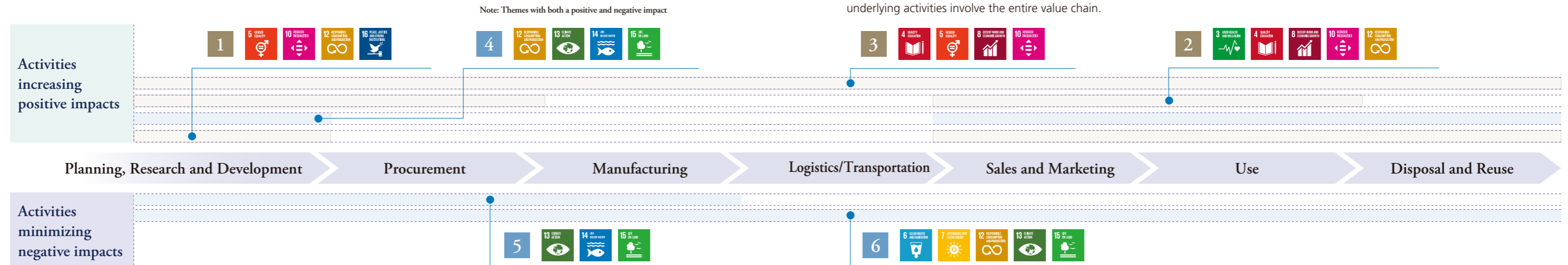
See the KOSÉ website for information regarding progress and results. [More details](#)

For People: Medium-to-Long-term Targets of Activity Themes and Fiscal 2022 Progress						
Activity Theme	Commitment	Indicators	Fiscal 2022 results	Target	Achieve by	Relevant SDGs
1 A source of adaptable products and services	We will contribute to a world where people with diverse backgrounds and features—including skin color, gender, sociocultural and geographical background, living environment, religion, creed, and physical features—can live confidently and beautifully.	Ratio of products and services reflecting the concept of adaptability	<ul style="list-style-type: none"> Ratio of products and services reflecting the concept of adaptability 71.8%^{1,2} Conducted internal awareness-raising activities related to the adaptability concept 	100%	2030	
2 Support for a beautiful, healthy and happy life	We will energetically address social issues so that everyone can lead a healthy and happy life. Activities will include improving quality of life (QOL), educating and raising awareness for the next generation, and enhancing the work environment, including our supply chain, through fair trade initiatives.	Implementation of specific activities	<ul style="list-style-type: none"> Diversity in education for children, including an exhibition at KidZania Started demonstration tests to verify effectiveness of skincare habits from early childhood Held makeup seminars for single mothers Supported promotions of sports: 44 (cumulative since fiscal 2020) 	30 activities or more	2030	
		Responsible palm oil procurement	<ul style="list-style-type: none"> Continued to hold RSPO³ supply chain certification Purchase rate for RSPO certified materials procurement and for RSPO Credits through the Book and Claim supply chain model: 20.7% 	100%	2030	
3 Help create a world with true gender equality	We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.	Gender equality awareness	<p>Activities for society</p> <ul style="list-style-type: none"> Provided tuition support at a girls' junior high school in Tanzania and awarded commemorative gifts to graduates (SEKKISEI) Conducted awareness-raising activities to help resolve social issues, such as supporting women who work on traditional crafts and women who need to be protected from social problems (e.g., domestic violence) via the PURPLE RIBBON PROJECT (DECORTE) <p>Internal activities</p> <ul style="list-style-type: none"> Promoted the "KOSÉ IKUPAPA Support System" to encourage male employees to take childcare leave Conducted various seminars for building career awareness and promoting diversity and inclusion 108,325 people (cumulative since fiscal 2020) 	100,000 people or more	2030	

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

For the Earth: Medium-to-Long-term Targets of Activity Themes and Fiscal 2022 Progress							
Activity Theme	Commitment	Indicators	Fiscal 2022 results	Target	Achieve by	Relevant SDGs	
4 Use the theme of beauty to help resolve environmental issues	We will focus on beauty while promoting activities to resolve environmental issues. We will also communicate these initiatives to the general public to make many consumers aware of environmental issues and expand our network for solving issues using the theme of beauty.	Area planted with coral reefs	<ul style="list-style-type: none"> Promoted the SEKKISEI SAVE the BLUE Ocean Project 11,858 m² (cumulative since fiscal 2009) 	20,000 m ² (About 53 times the area of a 25 m regulation-size swimming pool)	2030		
		Increase in awareness of environmental issues through products and services	<ul style="list-style-type: none"> Activities involving the SEKKISEI brand Expanded KOSÉ Green Bazaar campaign to promote eco-consciousness with customers: 5,947,387 people (cumulative since fiscal 2020) 	10 million people or more	2030		
5 Environmental conservation programs in areas where KOSÉ operates	We will co-exist and prosper with local communities, conducting environmental conservation activities especially at production facilities, which have a significant impact on the environment.	Local community conservation activities	<ul style="list-style-type: none"> Environmental conservation activities at overseas sites Cleanup activities in communities where KOSÉ production bases are located SEKKISEI SAVE the BLUE Snow Project Planted trees in Yamanashi Prefecture through the BIOLISS PEACEFUL GREEN project as a BIOLISS brand initiative (KOSÉ Cosmeport Corp.) Number of initiatives conducted: 11 (cumulative since 2020)	20 activities or more	2030		
6 Lower the overall environmental impact of business operations	We will promote environmental protection and realize sustainable palm oil procurement in order to grow together with society.	Reduction of CO ₂ emissions	Reduce Scope 1 and 2 CO ₂ emissions	<ul style="list-style-type: none"> Set new medium-to-long-term CO₂ reduction targets Formulated a low-carbon transition plan Scope 1 and 2 CO₂ emissions reduction: 33.0% (total emissions reduction vs. 2018, before verification by third parties)⁴ Emissions: 17,191.7t-CO₂ 	-55% (target for total emissions reduction vs. 2018)	2030	
			Reduce Scope 3 CO ₂ emissions	<ul style="list-style-type: none"> Calculated carbon footprints of products Scope 3 CO₂ reduction: 31.6% (total emissions reduction vs. 2018, before verification by the third parties)⁴ 	-30% (target for total emissions reduction vs. 2018)	2030	
		Sustainability-conscious design for plastic packaging materials	<ul style="list-style-type: none"> Promoted plastic usage reduction and adoption of products made from sustainable materials 4Rs⁵ compliance rate: 29.0%⁶ 	100%	2030		
		Reduce use of water resources through responsible practices	<ul style="list-style-type: none"> Promoted 3 R⁷ activities for water resources Reduced water use (water intake): 5.9%^{4,8} (per production unit, total reduction vs. 2018, before verification by third parties) 	-12% ⁸ (Production units vs. 2018)	2030		
		Responsible waste reduction/recycling	<ul style="list-style-type: none"> Participated in horizontal recycling verification test for refillable containers for products such as shampoo and cosmetics Collected used product containers Supported upcycling initiatives using makeup products that have been fully used Number of initiatives conducted: 14	At least 20 new initiatives for waste reduction and resource recycling	2030		
		Non-recyclable waste	<ul style="list-style-type: none"> 100% recycling rate at Group production factories 	Zero non-recyclable waste ⁸	2025		
We will promote environmental protection and realize sustainable palm oil procurement in order to grow together with society.	Responsible palm oil procurement	<ul style="list-style-type: none"> Procured RSPO³ certified oil Procurement ratio of RSPO certified materials and purchase ratio of RSPO Credits through the Book and Claim supply chain model: 20.7% 	100%	2030			

Activity Themes and Their Impact on the Value Chain



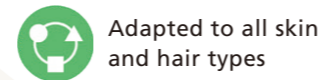
The activity themes defined in the KOSÉ Sustainability Plan involve the entire product lifecycle and value chain from raw material procurement to disposal, but we expect the activities to have the greatest impact on our value chain in the areas shown below. The underlying activities involve the entire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

For People

1 A Source of Adaptable Products and Services

The KOSÉ Group has been committed to being a source of beauty for everyone throughout its history. By developing adaptable products and services, we help create a world where people with diverse backgrounds and characteristics—including physical features such as skin type and hair color, as well as gender, age, sociocultural and geographical background such as country or region, living environment, religion and creed—can live confidently and beautifully. The Sustainability Promotion Committee (as a subcommittee) manages the progress of Adaptability[∞] initiatives being promoted by each brand.

Development of DECORTÉ Products for Diverse Skin Types



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

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

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



[More details](#)

Proposing Beauty Unconstrained by Gender or Generation



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

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



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



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



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

2 Support for a Beautiful, Healthy and Happy Life

The achievement of health and happiness (i.e., well-being) is one of life's fundamental goals. We are making efforts to support this goal for all of our stakeholders. We strive to realize better lifestyles through measures such as improving quality of life, supporting sports, and raising awareness for the next generation. In particular, we are focusing on initiatives aimed at future generations, to coordinate with "Generation" as part of the 3 Gs. The value that the KOSÉ Group offers to stakeholders is created through the efforts of various divisions and projects, and this in turn is generating new initiatives.

Opening of BEAUTY STUDIO at KidZania Tokyo

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

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

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



[More details](#)

Initiatives to Form Good Skincare Habits from Early Childhood

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

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

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

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



[More details](#)

For People

3 Help Create a World with True Gender Equality

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

Diversity and Inclusion Initiatives at KOSÉ

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

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

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

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

KPI Targets Related to Gender Diversity (Excerpt)

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

Scope: KOSÉ Group
Target period: By fiscal 2026

[More details](#)

Initiatives to Eliminate the Gender Gap Outside the Company

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

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



INFINITY Share the Bloom Campaign

[More details](#)

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



DECORTÉ PURPLE RIBBON PROJECT

[More details](#)

Conducted awareness-raising activities to resolve social issues for women



COSME BANK Project

[More details](#)

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

For the Earth

4 Use the Theme of Beauty to Help Solve Environmental Issues

We provide all kinds of beauty-related value to society through our business activities. With beauty as the central theme, we will continue to promote activities that help solve environmental issues through our products and services. Moreover, by communicating these activities to a wide audience, we will make more consumers conscious of environmental issues and foster an awareness of working to solve social issues. The Sustainability Promotion Committee (as a subcommittee) coordinates with each brand in promoting their sustainability initiatives and managing their progress.

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

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

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

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

generation in Hakuba Valley (Nagano Prefecture), thereby helping to reduce CO₂ emissions.

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



[More details](#)

5 Environmental Conservation Programs in Areas Where KOSÉ Operates

For the KOSÉ Group to carry out its corporate activities sustainably, we believe it is important to consider the environment in regions where we manufacture products or offer services, and to give back to those regions. We strive to protect the environment in the regions where we operate and contribute to the ongoing development of the entire region. The Sustainability Promotion Committee (as a subcommittee) manages the progress of environmental conservation activities at each business site. We also work in partnership with stakeholders.

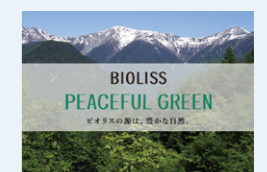
KOSÉ Cosmeport Donates a Portion of BIOLISS Profits to Environmental Conservation Activities in Minami-Alps City

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

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

Japan's hometown tax donation system.

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



[More details](#)

For the Earth

6 Lower the Overall Environmental Impact of Business Operations

Our beautiful global environment is the source of healthy lives for all of us. In addition, because many of the ingredients in cosmetics are obtained from the bounty of nature, such as water, we benefit from the natural environment every day we do business. This is why the KOSÉ Group believes that it has a responsibility to reduce its environmental impact as much as possible. We are now accelerating our initiatives to respond to the particularly pressing issue of climate change.

Initiatives to Address Climate Change

The KOSÉ Group conducted a material analysis in fiscal 2019 of issues related to the social structure and environment in which it operates. As a result of the findings, we positioned addressing the environment and climate change as an essential management issue in our efforts to drive business growth while helping achieve a sustainable society under the KOSÉ Sustainability Plan, which sets out the entire Group's sustainability initiatives and targets up to 2030. In October 2020, we announced our support for

the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and joined the TCFD Consortium, an organization of Japanese companies and other institutions that support the TCFD recommendations. In addition, to further strengthen our response to climate change, we revised our 2030 CO₂ emissions reduction¹ targets upward in July 2022, in line with the SBT target of 1.5°C,² with the aim of achieving carbon neutrality³ by 2040.

1. CO₂ is the only greenhouse gas that the KOSÉ Group targets for emissions reductions in relation to its business activities.
2. A target consistent with the level required by the Paris Agreement, advocated for by the Science Based Target initiative (SBTi). Set based on scientific evidence to limit the overall rise in the average global temperature to 1.5°C above pre-Industrial Revolution levels.
3. Carbon neutral: Balancing the amount of greenhouse gas emissions against their absorption and removal, to effectively achieve zero emissions

Governance

The KOSÉ Group views sustainability-related issues as management issues, and has established a system for promoting solutions to such issues. Specifically, we established the Sustainability Committee chaired by the President & CEO. This committee proposes sustainability strategies to and receives approval from the Management Committee, and then

reports the results to the Board of Directors. As chairperson, the President & CEO is responsible for evaluating and monitoring issues related to climate change. In addition, we have established subcommittees and projects for individual themes to promote more effective cross-departmental activities.

Strategy (Scenario Analysis and Countermeasures)

The KOSÉ Group conducts scenario analysis to examine the transition risks and physical risks associated with climate change. In this analysis, we evaluate the financial impact of climate change under the scenarios of a 2°C and a 4°C rise in average global temperatures and disclose information on related initiatives. We also use the scenarios as a reference in examining business strategies to realize our envisioned future

for society and the planet. Based on the results of the scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO₂ emissions reduction in its operations, formulated a Low Carbon Transition Plan in July 2022, and is promoting initiatives to realize a non-carbon society.

Risk Management

For organizational risks related to climate change, the Risk Management and Compliance Committee, which is in charge of enterprise risk management, identifies and assesses risks at the corporate level.

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

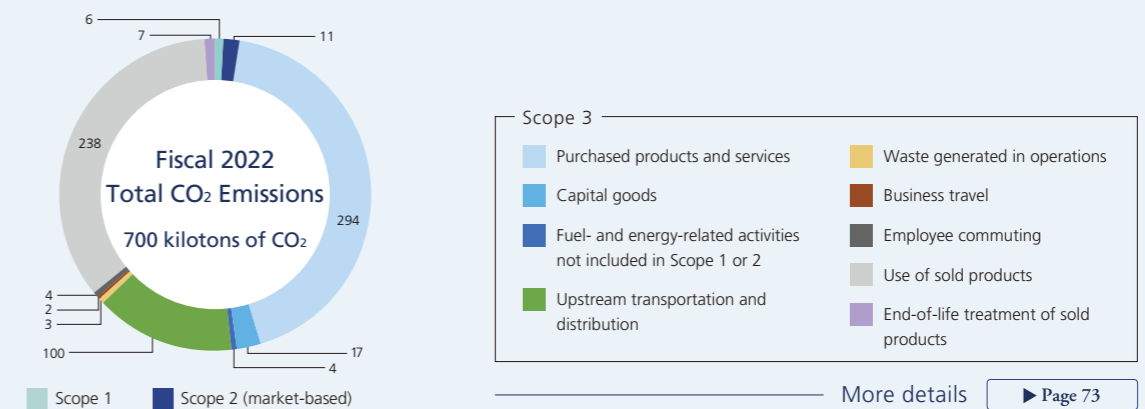
Indicators and Targets

Based on the results of the climate change scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO₂ emissions reduction in its operations. Accordingly, we set CO₂ greenhouse gas emissions reduction targets for 2030 (based on FY2018 levels) as one of the activity themes in the

KOSÉ Sustainability Plan. The targets are 55% for Scope 1 and Scope 2 emissions (in line with the SBT of 1.5°C¹), and 30% for Scope 3 emissions throughout the value chain (to achieve SBT validation²).

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

Breakdown of Fiscal 2022 CO₂ Emissions by Scope (Kilotons of CO₂)



The KOSÉ Group's Risks and Opportunities

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

* - : minimal impact + : some impact ++ : substantial impact

For the Earth

Initiatives to Visualize CO₂ Emissions in Numbers, Starting with SEKKISEI Products

We have started initiatives to visualize the carbon footprint (CFP) of each product—a measure of calculating CO₂ emissions through the product lifecycle, from raw material procurement through to disposal and recycling—in numbers.

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

Currently, we are pushing forward with decarbonization strategies to meet the CO₂ reduction targets we set for 2030, and are aiming to achieve carbon neutrality¹ by 2040.

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



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

[More details](#)

Resource Recycling Initiatives

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

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

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

[More details](#)

Other Initiatives to Reduce Our Environmental Impact

[More details](#)

Information Disclosure in Accordance with TCFD Recommendations

[More details](#)

Mind to Follow the Right Path

1 Respect for Human Rights

The KOSÉ Group recognizes that it could potentially directly or indirectly affect human rights in the course of its business activities. Accordingly, we have formulated the KOSÉ Group Human Rights Policy, which is based on international human rights standards and clearly sets out our position on respecting human rights. Based on this policy, we use assessments by third-party organizations to conduct a Human Rights Risk Assessment* aimed at determining possible negative impacts and issues to be addressed. After the Board of Directors passes a resolution on the assessment, the findings are shared throughout the Company.

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

Human Rights Due Diligence

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

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

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

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

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

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

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

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

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

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

Human Rights Due Diligence [More details](#)

2 Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of human resources who anticipate changes around the world and continue to create unique value. That is why we have made developing human resources one of our material issues and are working to cultivate people of well-rounded character and creativity to support the sustainable growth of the KOSÉ Group from a medium-to-long-term perspective.

Policy for the Development of Skills

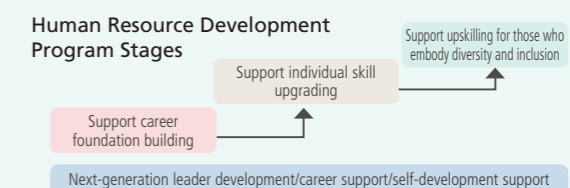
In a rapidly changing market environment, we believe it is important to continue acquiring new skills to be able to adapt to these changes. The KOSÉ Group Code of Conduct clearly states that we will respect the human rights capabilities, individuality, and values of each person. Based on this code, we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

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

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

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

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



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

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

Mind to Follow the Right Path

3 Only the Safest, Most Reliable, High-Quality Products

“Only one product out of millions of cosmetics delivered to the market reaches the customer, so cherish the one.” Based on this belief, the KOSÉ Group aims for unique raw material procurement and production processes that provide customers with safe, reliable cosmetics, taking pride in the fact that KOSÉ is synonymous with quality.

Delivering KOSÉ Quality to the World as Our Founder Intended

Kozaburo Kobayashi, who founded the Company in 1946, believed KOSÉ had a duty to develop products of high quality that would make consumers happy and to supply cosmetics that would make the world a brighter place. Persistent supply shortages in the postwar years meant that KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet KOSÉ took pride in being known to customers as a company that delivered quality. This commitment has been passed down to us today as we pursue the highest quality at each stage of the entire value chain. In the 1970s, we were quick to introduce quality control using scientific methods at our production sites, and in 1980 we marked a domestic cosmetics industry first when we won a Deming Prize.¹ We subsequently acquired quality management standard ISO 9001 and global cosmetics standard ISO 22716 (cosmetics GMP²).

certifications in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide. At the same time, the need for an adaptable approach with sustainable products tailored to each individual customer has increased even further. We also plan to establish a new eco-friendly facility, the KOSÉ Minami Alps Factory (provisional name), as a new production base for handling personalized products. Going forward, we will proactively enhance our sustainable production and supply structure and promote technological innovation to deliver the ultimate in quality.



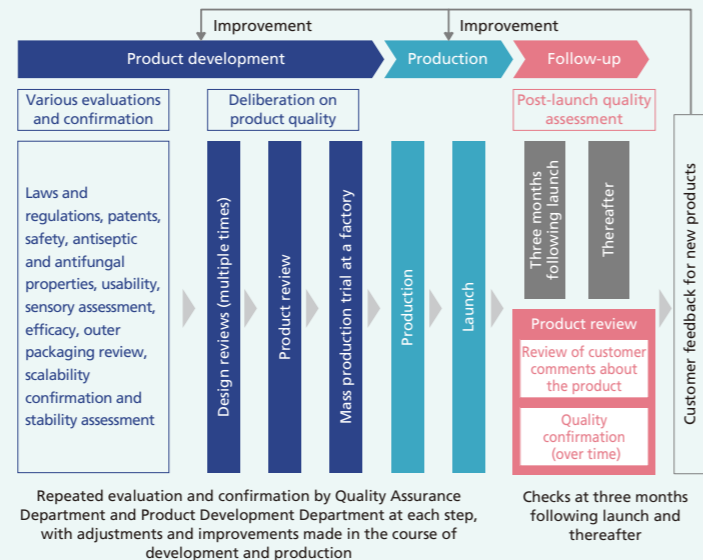
1. An award given in Japan to companies and individuals who have successfully implemented total quality management of industrial products. (Organizer: Union of Japanese Scientists and Engineers) <https://www.juse.or.jp/english/>
2. Cosmetics Good Manufacturing Practices: Technical standards for control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

Quality Control That Prioritizes Safety and Peace of Mind

Cosmetics are applied directly to the skin and hair, so it is important that we prioritize safety through rigorous and repeated evaluations in line with high quality standards at each step from raw materials to finished products. Before putting products on the market, for final confirmation of safety we run them through tests under the conditions in which they are expected to be used by customers.

KOSÉ has built a system in which the Quality Assurance Department and the Product Development Department work together from the initial stage of development to evaluate the safety of products. With this system, we rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and approaches.

Quality Assurance in the KOSÉ Group's New Product Development



[More details](#)

4 Customer's Perspective

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

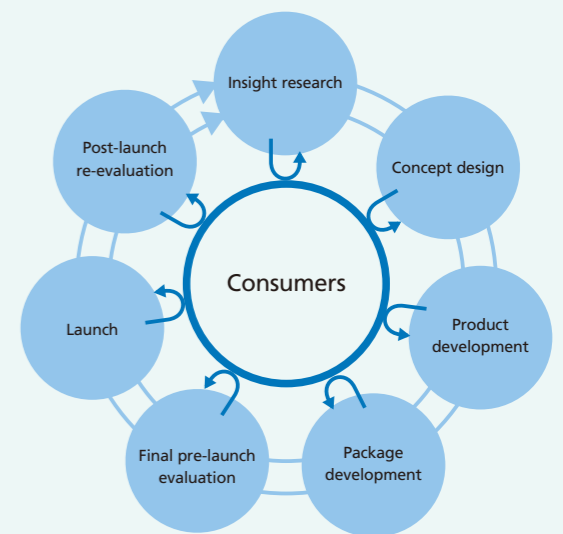
Closer to Our Customers—A Product Development Process Based on Design Thinking

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

In order to further evolve our activities from the customer’s perspective, we believe it is important to incorporate not only the feedback from our usual customers, but also from consumers with diverse backgrounds. We have thus established a product development process which reflects the voices of all kinds of consumers (see the figure on the right) and develop a manufacturing system that introduces adaptability at a higher level. Specifically, we have introduced quantitative and qualitative consumer surveys in each step of the product development process. When initially developing the product itself, we start by conducting consumer surveys on usability, and based on the results we will re-examine the direction of development. By repeating these steps at each stage, we develop products that reflect consumer feedback.

In this way, we will put consumers at the center of our product creation to achieve a true customer perspective that incorporates adaptability.

Product Development Process Applying Design Thinking Techniques



Product Creation in Which Improvements Reflect Customer Feedback

The Quality Assurance Department, which includes the Customer Service Center, takes the lead in development and improvements for better products and services. It promptly and appropriately shares customer feedback with related internal departments in the form of a monthly customer feedback report and has established a feedback database that is readily accessible. In addition, the Customer Service Center regularly holds meetings with related departments to discuss suggestions for improvement, leading to product refinements and renewals based on customer feedback.

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

[More details](#)

Case Study of Product Improvement Reflecting Customer Feedback

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



Mind to Follow the Right Path

5 Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its employees, business partners, and suppliers. Under the KOSÉ Beauty Partnership concept outlined in our medium-to-long-term VISION2026, we will work with our stakeholders to promote business activities while fulfilling our responsibilities as a member of the global community in order to realize a better future for people and the global environment.

[More details](#)

Promoting Sustainability in the Supply Chain

We conduct sustainable, responsible procurement for raw materials that is considerate of society, the environment, and human rights, in line with our Basic Procurement Policy and Sustainable Procurement Guidelines. We also promote detailed

information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to monitor environment-oriented responses and respect for human rights.

Examples of Engagement (Conducting SAQ and Joining Sedex)

Monitoring Activities for Responsible Procurement

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

Response to Procuring Sustainable Palm Oil

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

* RSPO: Roundtable on Sustainable Palm Oil

Joining Sedex

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

* Sedex: Supplier Ethical Data Exchange



Establishment of Compliance Help Desk

The KOSÉ Group has established a Compliance Help Desk to handle inquiries both internally and externally for early detection of illegal acts (including bribery and all other forms of misconduct) and violations of internal rules, including human rights issues such as bullying and harassment. Whenever we receive either an internal or

external report, we ensure that the anonymity of the reporting party is protected and that they do not suffer any disadvantage. The Compliance Committee acts on the reported information fairly and sincerely with advice from external lawyers and works to swiftly ascertain and promptly resolve the problem.

[More details](#)

External Evaluations

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

FTSE4Good Index Series



FTSE4Good

2022 Constituent MSCI Japan Empowering Women Index (WIN)

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF KOSÉ Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOSÉ CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

FTSE Blossom Japan



FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index



External Evaluations for Sustainability KOSÉ has received the following evaluations or certifications from external organizations.



Climate Change Scoring and Supplier Engagement Rating (CDP) Selected for CDP Climate Change A List 2022 and Supplier Engagement Rating Leaderboard 2022



2023 Certified Health & Productivity Management Outstanding Organization (Ministry of Economy, Trade and Industry/NIPPON KENKO KAIGI) Selected as Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) for 2023



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



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

[More details](#)

KOSÉ contributes to sustainability through its support for the following initiatives.

The United Nations Global Compact



Declaration of Consumer Orientation



Task Force on Climate-related Financial Disclosures (TCFD)



MATSURI MicroAlgae Towards Sustainable & Resilient Industry



Japan Climate Initiative (JCI)



COSME BANK Project



Japan Clean Ocean Material Alliance (CLOMA)



Kobe Plastic Next: Joining Forces to Recycle Refill Packs



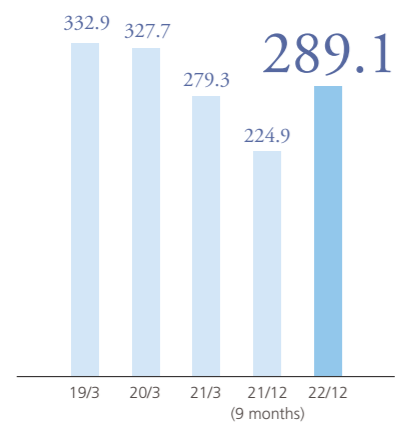
Financial and Non-Financial Highlights

KOSÉ Corporation and Consolidated Subsidiaries¹

Financial

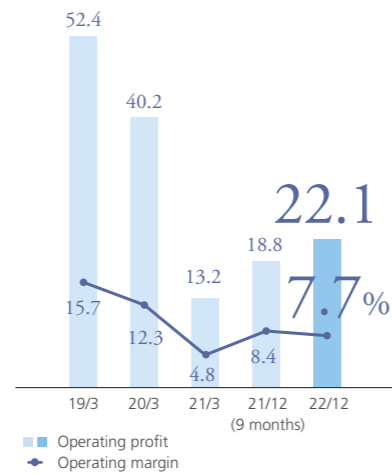
Net Sales

(Billions of yen)



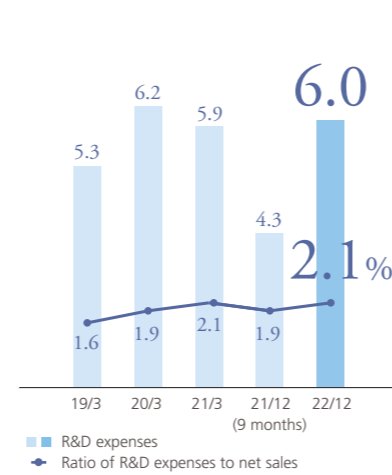
Operating Profit/ Operating Margin

(Billions of yen)



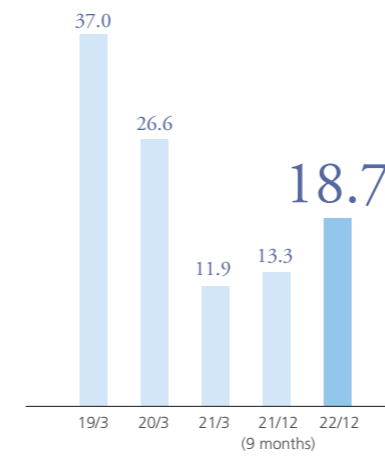
R&D Expenses/Ratio of R&D Expenses to Net Sales

(Billions of yen)



Profit Attributable to Owners of Parent

(Billions of yen)

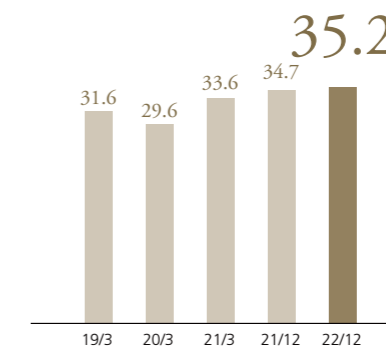


Non-Financial

Ratio of Female Employees in Leadership Positions

We are striving to create a work environment that fulfills women's desire to succeed by enabling them to balance their work with private life while fully leveraging their individuality and capabilities.

(%)

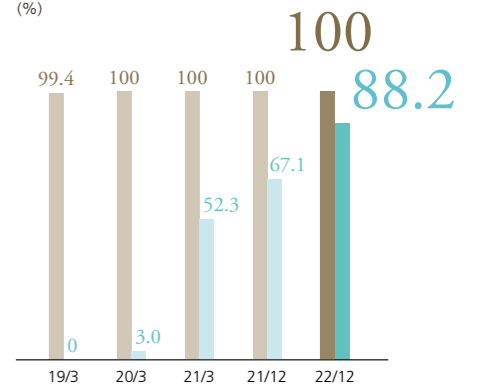


Note: Female employees with subordinates, or equivalent positions. Figures are for KOSÉ Corporation and KOSÉ SALES CO., LTD.

Proportion of Employees Who Took Childcare Leave

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

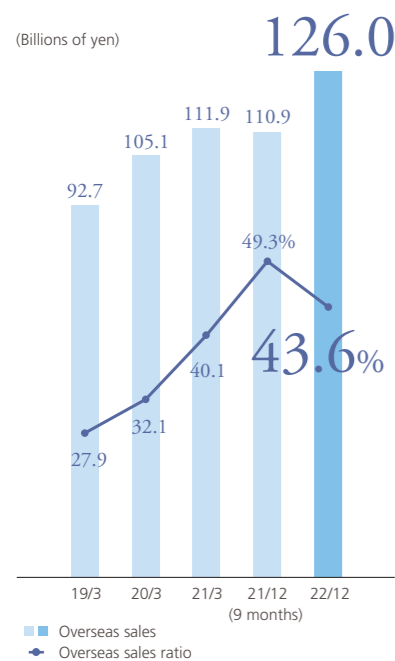
(%)



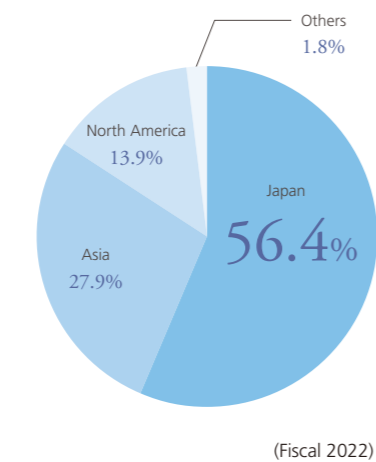
Note: Up to fiscal 2019 (2020/3), proportion of employees in KOSÉ Corporation and KOSÉ SALES CO., LTD. From fiscal 2020 (2021/3), all domestic Group companies.

Overseas Sales/ Overseas Sales Ratio

(Billions of yen)

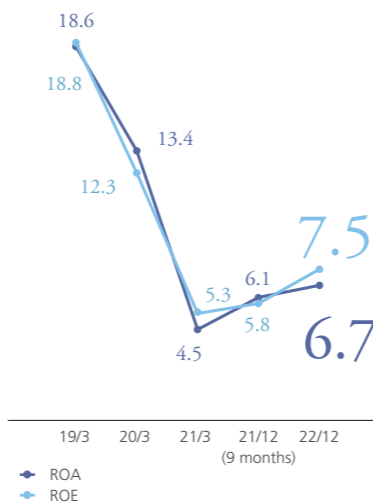


Share of Net Sales by Region



ROA²/ROE³

(%)



Net Income per Share (Basic)

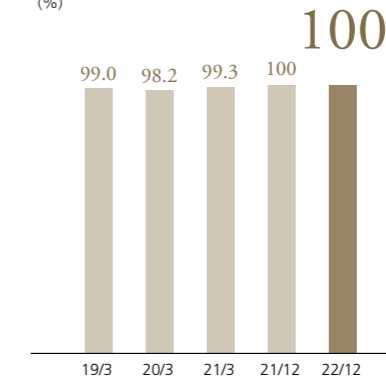
(Yen)



Recycling Rate

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

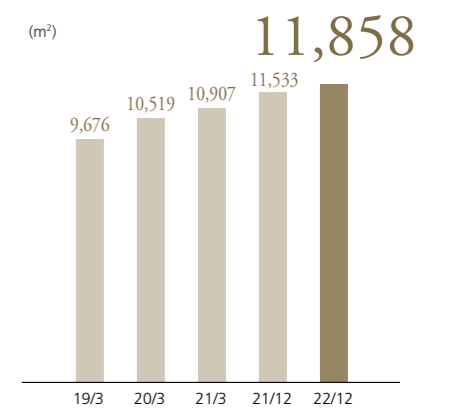
(%)



Area Planted with Coral Reefs

We started the SEKKISEI SAVE the BLUE project in 2009 to protect coral reefs in Okinawa that are in danger of extinction. Every year, we plant an area of coral equivalent to the total area of the bases of all the SEKKISEI bottles sold during the campaign.

(m²)



1. From fiscal 2021, the fiscal year-end changed from March 31 to December 31. Please note that for the previous fiscal year, as a transitional period, financial information covers the nine months from April 1, 2021 to December 31, 2021 and non-financial information covers the 12 months from January 1, 2021 to December 31, 2021.
2. ROA = (Operating profit + Interest and dividends) / Total assets (average at beginning and end of year) X 100

3. ROE = Profit attributable to owners of parent / Shareholders' equity (average at beginning and end of year) X 100

10-Year Summary of Selected Financial Data

KOSÉ Corporation and Consolidated Subsidiaries¹

	2022/12	2021/12 (9M) (Apr.-Dec.)	2021/3	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	Thousands of U.S. dollars ²
Millions of yen											
Performance:											
Net sales	289,136	224,983	279,389	327,724	332,995	303,399	266,762	243,390	207,821	190,049	2,178,869
Gross profit	205,515	156,905	201,923	239,020	244,387	221,852	199,735	183,920	157,057	143,390	1,182,403
Selling, general and administrative expenses	183,395	138,052	188,629	198,789	191,979	173,443	160,574	149,286	134,410	124,456	1,040,331
Operating profit	22,120	18,852	13,294	40,231	52,408	48,408	39,160	34,634	22,647	18,934	142,064
Interest and dividend income	792	405	456	662	651	271	294	347	315	432	3,051
Profit before income taxes	27,867	21,335	19,508	40,365	54,949	48,242	39,425	33,862	23,694	20,757	160,776
Profit attributable to owners of parent	18,771	13,341	11,986	26,682	37,004	30,611	21,657	18,655	12,057	11,132	100,535
Comprehensive income	28,866	20,234	15,228	26,703	36,427	36,908	24,643	13,197	19,688	13,756	152,479
Cash and cash equivalents at end of period	94,063	81,876	80,051	70,284	64,264	63,883	55,622	52,997	50,754	52,755	617,000
Current assets	244,481	217,324	205,031	204,438	205,241	193,164	172,074	161,351	134,476	130,391	1,637,709
Total assets	359,600	320,018	308,386	308,606	300,162	270,370	247,191	233,275	205,006	186,274	2,411,590
Current liabilities	67,580	59,136	61,608	59,676	66,107	62,821	56,033	57,766	45,207	39,877	445,636
Non-current liabilities	16,671	6,614	5,478	8,727	9,213	10,116	14,027	16,965	10,160	13,585	49,841
Shareholders' equity	235,975	224,576	218,107	219,425	203,566	176,263	159,348	143,626	129,203	120,229	1,692,358
Interest-bearing debt	10,178	1,711	8,533	1,654	1,666	1,311	1,629	1,704	1,248	1,386	12,893
Depreciation	9,743	7,827	10,379	8,838	8,018	6,977	5,821	5,744	5,293	4,679	58,982
Capital expenditures	6,847	4,517	10,188	19,286	18,500	10,065	10,770	10,445	21,143	5,750	34,039
Per-Share Data (Yen):											
Net income (basic)	329.03	233.86	210.11	467.76	648.71	536.63	379.66	327.04	211.37	195.15	1.76
Net assets	4,539.45	4,178.06	3,952.94	3,920.41	3,660.77	3,227.07	2,871.60	2,583.76	2,455.34	2,188.59	31.49
Cash dividends	140.00	120.00	120.00	190.00	180.00	148.00	110.00	94.00	64.00	48.00	0.90
Financial Ratios (%):											
Equity ratio	72.0	74.5	73.1	72.5	69.6	68.1	66.3	63.2	68.3	67.0	
ROA ³	6.7	6.1	4.5	13.4	18.6	18.8	16.4	16.0	11.7	10.8	
ROE ⁴	7.5	5.8	5.3	12.3	18.8	17.6	13.9	13.0	9.1	9.4	
Gross profit margin	71.1	69.7	72.3	72.9	73.4	73.1	74.9	75.6	75.6	75.4	
Operating margin	7.7	8.4	4.8	12.3	15.7	16.0	14.7	14.2	10.9	10.0	
Profit attributable to owners of parent to net sales	6.5	5.9	4.3	8.1	11.1	10.1	8.1	7.7	5.8	5.9	
Payout ratio	42.5	51.3	57.1	40.6	27.7	27.6	29.0	28.7	30.3	24.6	

1. From fiscal 2021, the fiscal year-end changed from March 31 to December 31. Data for fiscal 2021 covers the nine months from April 1, 2021 to December 31, 2021.

2. The U.S. dollar amounts are translated, for convenience only, at the rate of JPY 132.7 to USD 1.00, the approximate rate of exchange on December 30, 2022.

3. ROA = (Operating profit + Interest and dividends) / Total assets (average at beginning and end of year) X 100

4. ROE = Profit attributable to owners of parent / Shareholders' equity (average at beginning and end of year) X 100

3-Year Summary of Selected Non-Financial Data

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

For People: Social KPIs

Human Capital	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
Basic Information				
Number of employees (female/male)	12,053/2,350	11,755/2,260	10,997/2,182	KOSÉ Group ¹
Average length of service (years)	11.9	11.4	12.1	Domestic Group companies ²
Number of new graduates hired to regular full-time positions (female/male)	71/47	40/24	22/14	Domestic Group companies ²
Employee turnover among new graduates within 3 years (%)	10.0	7.3	10.0	Domestic Group companies ²
Turnover rate for employees in managerial positions and regular, full-time employees (%)	2.3	3.4	3.7	Domestic Group companies
Turnover rate for Beauty Consultants (%)	8.5	8.3	11.4	Domestic Group companies
Turnover rate for all employees (%)	6.3	6.9	8.7	Domestic Group companies
Diversity and Inclusion³				
Ratio of female employees in managerial positions (%)	26.6	28.8	28.9	KOSÉ Group
Ratio of female employees in leadership positions ⁴ (%)	33.6	34.7	35.2	KOSÉ Group
Proportion of employees who took childcare leave (female/male) (%)	100.0/52.3	100.0/67.1	100.0/88.2	Domestic Group companies ²
Return rate following childcare leave (female/male) (%)	98.7/100.0	96.9/100.0	96.7/100.0	Domestic Group companies ²
Number of employees working shortened hours for childcare	475	501	623	Domestic Group companies ²
Number of employees taking extended leave for family care	4	11	5	Domestic Group companies
Number of employees taking paid leave for family care	5	15	12	Domestic Group companies ²
Number of employees working shortened hours for family care	5	5	3	Domestic Group companies ²
Time spent on ability development and skills training (total hours) (employees in managerial positions and regular, full-time employees)	—	20,624.5	50,386.0	Domestic Group companies ⁹
Total number of participants in ability development and skills training (employees in managerial positions and regular, full-time employees)	—	1,135	2,893	Domestic Group companies ⁹
Time spent on ability development and skills training (average hours/employee) (employees in managerial positions and regular, full-time employees)	—	13.1	17.8	Domestic Group companies ⁹
Ratio of employees with disabilities (%)	2.21	2.22	2.41	Domestic Group companies ⁵
Number of rehired employees	251	261	317	Domestic Group companies ²
Health and Safety				
Annual working hours (average hours/employee)	1,643.5	1,637.4	1,709.4	Domestic Group companies ⁶
Annual overtime (average hours/employee)	44.6	53.9	70.2	Domestic Group companies
Ratio of paid leave taken (%)	64.4	66.9	69.2	Domestic Group companies ²
Number of occupational accidents resulting in a leave of absence	52	31	33	Domestic Group companies ²
Number of occupational accidents resulting in death	0	0	0	Domestic Group companies ²

Quality of Life Improvement	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
Number of general participants in sports events	470 ⁷	0 ⁷	2,448	KOSÉ Corporation
Support for cutaneous porphyria patients (people/number of products provided)	4/20	4/14	10/35	KOSÉ Corporation

Support for Women and Education	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
Number of schools accepted for company tours ⁸ (schools/students)	1/4 ⁷	2/6 ⁷	7/114	KOSÉ Corporation
Number of students provided with tuition support at girls' junior high school in Tanzania (cumulative total since FY2017)	21	30	39	KOSÉ Corporation

- Notes: 1. KOSÉ Group: 39 consolidated companies including KOSÉ Corporation.
 2. Scope expanded to all domestic Group companies as of fiscal 2020 (2021/3).
 3. For more information, please refer to the Ministry of Health, Labor and Welfare's Database on Promotion of Women's Participation and Advancement in the Workplace.
 4. Leadership position: A position with subordinates, or equivalent.
 5. From fiscal 2020 (2021/3), figures for six companies (KOSÉ Corporation, KOSÉ SALES CO., LTD., ALBION CO., LTD., KOSÉ Cosmeport Corp., KOSÉ INDUSTRIES CO., LTD. and ADVANCE CO., LTD.) that are required to hire people with disabilities.
 6. Including paid leave, maternity leave, childcare leave, injury and sick leave, etc.
 7. In fiscal 2020 and fiscal 2021, events were canceled and the number of participants was reduced in order to prevent the spread of COVID-19.
 8. Company tours: Tours given in response to requests from junior high schools and high schools as part of social learning.
 9. Scope expanded to all domestic Group companies as of fiscal 2022.

Database on Promotion of Women's Participation and Advancement in the Workplace [More details](#)

Note: The database contains disclosure information for each company. The information shown on this page is comprised of domestic Group totals. Data has been categorized under main domestic affiliated companies. Individual company data can be found using the 'Company Name Search' function on the database.

For the Earth: Environmental KPIs

Energy	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope	
Scope 1	7,346.9	7,270.0	6,405.8 ²	KOSÉ Group	
CO ₂ (greenhouse gas) emissions (t-CO ₂) ¹	Market-based	16,006.8	12,508.6	10,785.8 ²	KOSÉ Group
	Location-based	16,021.5	15,224.2	14,044.4 ²	KOSÉ Group
Scope 3	669,760.1	720,632.7	668,734.5 ²	KOSÉ Group	
Electricity consumption (MWh)	35,630.2	34,534.1	32,059.0 ²	KOSÉ Group	
Portion generated using renewable energy (MWh)	1,992.6	8,436.9	9,358.2 ²	KOSÉ Group	
Total energy consumption (GJ)	464,334.3	476,556.7	424,559.8 ²	KOSÉ Group	
City gas consumption (km ³)	2,071.6	2,150.5	1,808.1 ²	KOSÉ Group	
LP gas consumption (km ³)	13.8	14.2	14.1 ²	KOSÉ Group	
Gasoline consumption (kL)	770.4	726.5	726.2 ²	KOSÉ Group	
Fuel oil consumption (kL)	280.0	266.0	224.0 ²	KOSÉ Group	
Diesel oil consumption (kL)	9.3	13.6	18.3 ²	KOSÉ Group	
Kerosene consumption (kL)	104.7	57.0	50.9 ²	KOSÉ Group	

Atmospheric Emissions	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
NOx emissions (tons)	5.1	7.4	3.5	KOSÉ Corporation Production Department
SOx emissions (tons)	0.4	0.6	0.2	KOSÉ Corporation Production Department

Waste	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
Volume of waste (tons)	3,134	2,724	2,163 ³	KOSÉ Group Production Departments
Recycling rate (%)	99.3	100	100	KOSÉ Group Production Departments

Water Resources	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
Water intake (1,000 m ³)	290.0	289.0	303.8 ²	KOSÉ Group Production Departments
Wastewater (1,000 m ³)	198.9	203.1	187.0 ²	KOSÉ Group Production Departments
Water intake intensity (m ³ /production volume in dozens)	0.01573	0.01509	0.01784 ²	KOSÉ Group Production Departments
Water intake intensity (% change YoY)	-1.7	-4.1	18.2 ²	KOSÉ Group Production Departments
Pollution load: BOD (tons)	8.6	9.5	7.9	KOSÉ Corporation Production Department
Pollution load: SS (tons)	3.1	2.4	1.8	KOSÉ Corporation Production Department
Pollution load: n-Hex (tons)	1.2	0.5	0.2	KOSÉ Corporation Production Department
Number of violations of water intake/drainage laws and regulations	0	0	0	KOSÉ Group Production Departments

Environmental Contribution and Biodiversity Conservation	2021/3	2021/12 (Jan.-Dec.)	2022/12 (Jan.-Dec.)	Scope
SAVE the BLUE project area planted with coral reefs (m ² /number of corals planted)	388/636	626/1,027	325/533	KOSÉ Corporation
			(Totals as of FY2022: 11,858/19,538)	

1. CO₂ is the only greenhouse gas that the KOSÉ Group targets for emissions reductions in relation to its business activities.
 2. Figures are scheduled to be updated in July 2023, following third-party verification.
 3. Acquired data categories were adjusted as of fiscal 2022.

See the KOSÉ website for other non-financial information and data. [More details](#)

Principal Group Companies (As of December 31, 2022)

Production Related Subsidiaries

Company Name	Country/Region	Paid-in Capital	Ownership
ADVANCE CO., LTD.	Japan	JPY 90 million	100.0%
KOSÉ INDUSTRIES CO., LTD.	Japan	JPY 100 million	100.0%
ALBION CO., LTD.	Japan	JPY 760 million	79.5%
TAIWAN KOSÉ CO., LTD.	Taiwan	TWD 180 million	100.0%

Marketing and Services Related Subsidiaries

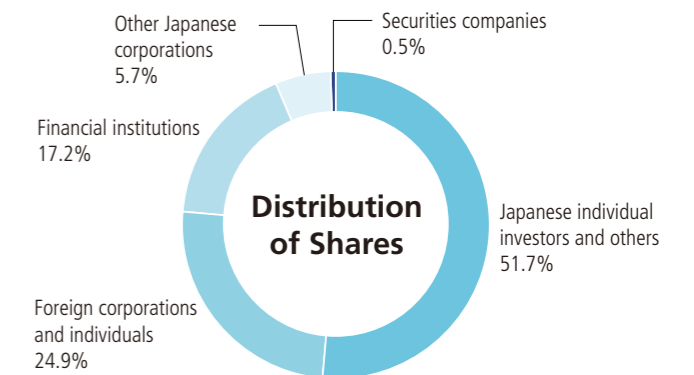
Company Name	Country/Region	Paid-in Capital	Ownership
KOSÉ SALES CO., LTD.	Japan	JPY 300 million	100.0%
KOSÉ COSMENIENCE CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ Cosmeport Corp.	Japan	JPY 30 million	100.0%
KOSÉ PROFESSIONAL CO., LTD.	Japan	JPY 10 million	100.0%
Dr. PHIL COSMETICS INC.	Japan	JPY 40 million	100.0%
KOSÉ PROVISION CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ Travel Retail Co., Ltd.	Japan	JPY 10 million	100.0%
KOSÉ INSURANCE SERVICE CO., LTD.	Japan	JPY 10 million	100.0%
COSME LABO CO., LTD.	Japan	JPY 10 million	100.0%
KOSÉ MILBON COSMETICS CO., LTD.	Japan	JPY 10 million	51.0%
KOSÉ Maruho Pharma Co., Ltd.	Japan	JPY 100 million	51.0%
KOSÉ (HONG KONG) CO., LTD.	Hong Kong	HKD 15 million	100.0%
KOSÉ COSMETICS SALES (CHINA) CO., LTD.	China	CNY 235 million	100.0%
KOSÉ SINGAPORE PTE. LTD.	Singapore	SGD 1 million	100.0%
KOSÉ KOREA CO., LTD.	South Korea	KRW 25,000 million	100.0%
KOSÉ (THAILAND) CO., LTD.	Thailand	THB 5 million	49.0%
KOSÉ (MALAYSIA) SDN. BHD.	Malaysia	MYR 1 million	100.0%
KOSÉ Corporation INDIA Pvt. Ltd.	India	INR 1,300 million	100.0%
PT. INDONESIA KOSÉ	Indonesia	IDR 10,000 million	100.0%
KOSÉ AMERICA, INC.	U.S.A.	USD 2 million	100.0%
KOSÉ BRASIL COMÉRCIO DE COSMÉTICOS LTDA.	Brazil	USD 1 million	100.0%
Tarte, Inc.	U.S.A.	USD 159	100.0%
ALBION COSMETICS (AMERICA), INC.	U.S.A.	USD 2 million	79.5%
ALBION COSMETICS (HK) LTD.	Hong Kong	HKD 71 million	79.5%
ALBION COSMETICS (SHANGHAI) CO., LTD.	China	CNY 37 million	79.5%

Corporate Information (As of December 31, 2022)

Corporate Name: KOSÉ Corporation	IR Section: https://www.kose.co.jp/company/en/ir/
Founding: March 1946	Sustainability Section: https://www.kose.co.jp/company/en/sustainability/
Incorporation: June 1948	Number of Employees (Consolidated): 13,179
Head Office: 3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan Tel: +81-3-3273-1511	Fiscal Year-End: December 31
Website: https://www.kose.co.jp/company/en/	

Stock Information (As of December 31, 2022)

Common Stock (Authorized): 200,000,000 shares
Common Stock (Issued): 60,592,541 shares
Capital: JPY 4,848 million
Number of Shareholders: 15,164
Stock Listing: Tokyo Stock Exchange Prime Market (Code: 4922)
Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation



Stock Data

