

Sustainability Activities

In conducting activities to help achieve a sustainable society, the KOSÉ Group identifies issues it should address based on ISO 26000 and other guidelines, external ESG assessments and other methods, and prioritizes them while taking into consideration the changing international situation. In July 2017, we signed the United Nations Global Compact (UNGC), and have selected a focused set of SDGs that we believe we can help address.

Process for the Selection of Sustainability Activity Targets



Review of Activity Themes and Targets with Reference to the SDGs

We believe that the cosmetic products the KOSÉ Group manufactures and sells benefit our customers worldwide by helping them play an active role in society and contributing to an improvement in their quality of life (QOL). In addition, all of our corporate activities, including consideration of human

rights in the procurement of raw materials and reduction of environmental burden, are closely related to the SDGs. Accordingly, we have reorganized and reviewed the individual sustainability activity themes we have been engaged in, with reference to the 17 SDGs and their 169 targets issued in 2016.

- Alignment of previous sustainability activity targets with the 169 SDG targets
- Confirmation of the order of priority for activity themes and setting of high-priority themes

For details, see pages 38-39.

Signing the UNGC

In July 2017, we signed the UNGC. Based on the basic sustainability principles underpinning our corporate message of “Wisdom and Beauty for People and the Earth” and the “Mind to Follow the Right Path” motto of the Company’s founder, we support and put into practice the 10 Principles of the UNGC in the four areas of human rights, labor, environment and anti-corruption, as we work to achieve a sustainable society as a member of the global community.

► For details: <https://www.kose.co.jp/company/en/csr/target/>



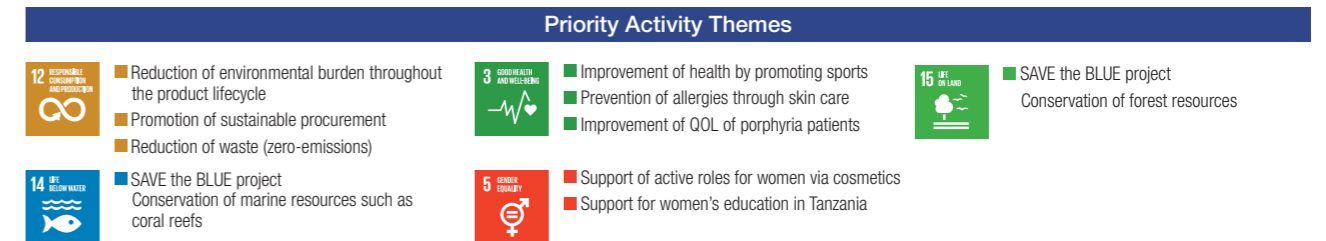
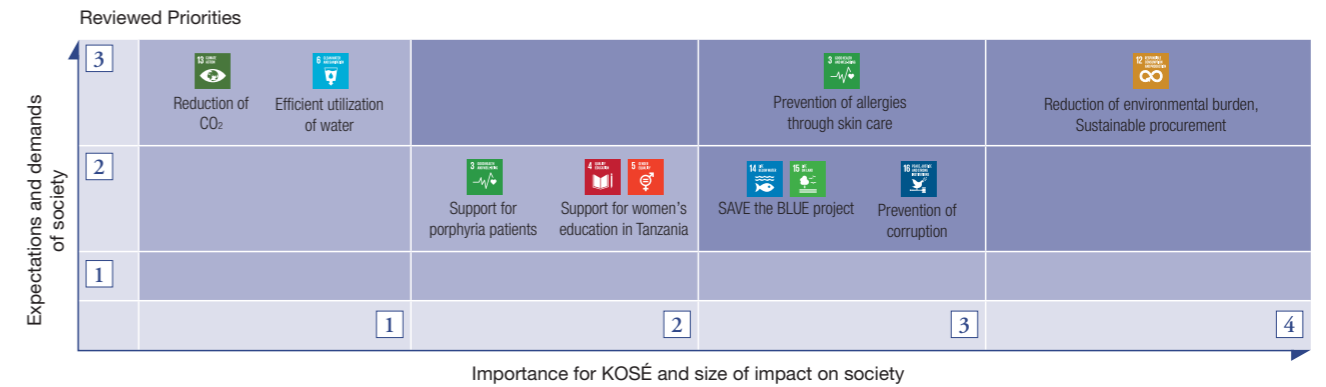
Identification of Priority Activity Themes

KOSÉ has established activity themes and mid-term goals by organizing its corporate activities using ISO 26000 and other guidelines and external ESG assessments. In fiscal 2017, we referenced the SDGs to identify priority themes from the mid-term goals. To establish priority activity themes, we made assessments based on the two axes of “Expectations and demands from society” and “Importance for KOSÉ and size of impact on society.” We believe that each is relevant and can contribute to achieving the SDGs. We have announced our

intention to continue increasing our focus on sustainability, with measures including the issuance of our first integrated report in fiscal 2018, the establishment in fiscal 2019 of a dedicated in-house organization, and the renaming of the CSR Committee as the Sustainability Committee.

We will continue to review these priority activity themes as necessary to meet the changing expectations and demands of society.

► For details: <https://www.kose.co.jp/company/en/csr/target/>



About the UN SDGs

In September 2015, the 193 member states of the UN adopted the 2030 Agenda for Sustainable Development, a plan to end severe poverty, inequality and injustice, protect the planet, and ensure prosperity for all in the next 15 years. This agenda comprises Sustainable Development Goals (SDGs). The SDGs are an expansive challenge for the entire world to engage in efforts to ensure that no one is left behind. Encompassing 17 goals and 169 targets, they cover issues that were not fully addressed in the Millennium Development Goals, as well as the worsening environmental issues discussed in Rio+20.*

* Rio+20: The United Nations Conference on Sustainable Development, which took place in Rio de Janeiro, Brazil in 2012

► Translation of quote from Global Compact Network Japan www.ungcn.org/sdgs/index.html



Activity Targets



Stakeholder	Important Issue	Activity Theme	Medium-Term Target	Fiscal 2018 Results	SDGs
Customer	Reliability We will provide high-quality products and services that prioritize peace of mind and safety as a company that creates beauty for people. + Adaptability We will work to satisfy diverse customers around the world.	Peace of mind, safety and quality	Enhance quality assurance system throughout the entire Group	<ul style="list-style-type: none"> Formed project to introduce ISO 22716 Strengthened efforts to reduce number of complaints regarding quality, and standardized voluntary recall procedures 	3 8
		R&D from a customer perspective	Enhance safety assurance system throughout the entire Group	<ul style="list-style-type: none"> Disseminated information on KOSÉ's safety assurance by posting it on the R&D section of the Company website Promoted establishment of a safety assurance system for addressing expanding business areas such as new distribution channels and countries 	
			Work to satisfy diverse customers around the world (region, tastes, age, gender, LGBT, religion, people with disabilities, etc.) through cosmetics	<ul style="list-style-type: none"> Implemented and announced Declaration of Consumer Orientation (April 2018) Announced a policy of enhancing adaptability as a company that meets the needs of diverse customers around the world through craftsmanship 	5
		Promote development of products and packaging that improve usability	<ul style="list-style-type: none"> Promoted development of product packaging that is easy for all to use and to refill Introduced pouches with tactile identification features 	3	
Communication with customers	Deepen the relationship with the fields of cosmetic medicine, preventative medicine and health promotion, and improve QOL	<ul style="list-style-type: none"> Continued to support research on skin care and allergies through an endowed course at Keio University School of Medicine Provided foundation as the first step in creating an in-house scheme to improve the QOL of porphyria patients 	3		
	Improve our capability to respond to customer expectations and requests	<ul style="list-style-type: none"> Publicized Declaration of Consumer Orientation (April 2018) 			
Environment	We will engage in resource and energy conservation in consideration of biodiversity and environmental protection.	Energy and resource conservation throughout the entire value chain	Understand and reduce greenhouse gas emissions	<ul style="list-style-type: none"> Expanded the scope of calculation of CO₂ emissions (subsidiaries, business locations) and streamlined data aggregation 	12 13
			Understand and reduce water resources used/wastewater volume	<ul style="list-style-type: none"> Collected data on water consumption/wastewater and promoted efficiency improvements 	6
			Understand and reduce waste volumes	<ul style="list-style-type: none"> Collected data on waste volume and promoted efficiency improvements 	12
			Consider the environment in product containers and packaging	<ul style="list-style-type: none"> Strengthened efforts to reduce the amount of plastic used in products Began using FSC-certified paper for product outer boxes 	12
			Consider the environment in product contents	<ul style="list-style-type: none"> As of January 2018, ended all shipments of cleansers containing plastic microbeads Formulated and announced policies for using sustainable palm oil 	14 15
		Promote environmental policy and disclosure of environmental benchmarks	<ul style="list-style-type: none"> Expanded the scope of disclosure of environmental benchmarks 	14	
Preserving biodiversity	Continue and expand our SAVE the BLUE project and contribute to the global environment	<ul style="list-style-type: none"> With the 10th year of the SAVE the BLUE project and the International Year of the Reef as milestones, conducted various activities to preserve coral reefs and to publicize those activities. Expanded activities to include 10 countries and regions. Started new winter activities for forest conservation 	13 14 15		
Business partner	We will carry forward the idea of "co-existence and co-prosperity" passed down since our foundation, to promote sustainability activities throughout the entire supply chain.	Raw material procurement	<ul style="list-style-type: none"> Promote sustainable procurement throughout the entire supply chain Implement fixed-point observation based on the Basic CSR Policy 	<ul style="list-style-type: none"> Adopted Global Compact Network Japan (GCNJ) standards for supplier surveys to strengthen human rights considerations (overseas child labor and working conditions, etc.) and other matters 	12
		Sustainable palm oil procurement	Begin sustainable palm oil procurement by fiscal 2020	<ul style="list-style-type: none"> Formed in-house task force for sustainable palm oil procurement and announced policies for future initiatives 	12
Employee	We will strive to develop human resources and create a working environment to enable each employee to fully demonstrate their abilities.	Respect for human rights	Promote human rights education and awareness	<ul style="list-style-type: none"> Conducted training for newly appointed managers to encourage consideration of employee diversity (LGBT, etc.) 	5
		Promotion of diversity and working-style reform	Promote diversity and flexible, diverse ways of working	<ul style="list-style-type: none"> Formed an executive committee on work-style reform. Conducted a study of measures to create a corporate culture that empowers women by proposing flexible and diverse ways of working. Introduced a work-at-home system for Head Office as one such measure. 	8
			Employ people with disabilities and rehire retired employees	<ul style="list-style-type: none"> Introduced system for re-employment of retirees (February 2019) Maintained a stable employment rate for people with disabilities throughout the year in accordance with the law 	
		Human resource development	Improve and raise employee health awareness	<ul style="list-style-type: none"> Certified as an Excellent Enterprise of Health and Productivity Management (White 500) for the third consecutive year 	
Local community	We will promote social contribution through cosmetic products with the aim of coexisting in harmony with local communities.	Academic support	Provide academic support focused on universities	<ul style="list-style-type: none"> Continued to develop global human resources Clarified development policies according to class and role Conducted measures to develop core human resources for the future with the Accelerator Program 	3
		Improvement of quality of life (QOL) through promotion of sports (health promotion)	Promote various sports that include elements such as beauty, art and fashion	<ul style="list-style-type: none"> Held the second term (second year) of the KOSÉ Endowed Course for Skin Care and Allergy Prevention at Keio University School of Medicine Continued to support the advancement of cosmetology through support for The Cosmetology Research Foundation 	3
			Promote health and regional development through sponsorship of amateur sports events	<ul style="list-style-type: none"> Continued to provide support as an official partner of the Japan Skating Federation (13th year) and the International Skating Union (7th year), and as official cosmetics partner of "Mermaid Japan," which represents Japan in international artistic swimming competitions (13th year) Signed an official sponsorship contract with the Ski Association of Japan (SNOW JAPAN) and started providing support (October 2018) 	3
		Cultural inheritance	Promote culture and art	<ul style="list-style-type: none"> Provided support for Arukimedesu walking events in locations throughout Japan, the Iwai Masakado Half Marathon in Bando City, Ibaraki Prefecture, and the Koedo Kawagoe Half Marathon in Saitama Prefecture; cosponsored the Ishigaki Island Marathon through the Sports Beauty brand, etc. 	
		Assistance to disaster affected areas	Support disaster affected areas continuously through Fukushima Sakura Project, etc.	<ul style="list-style-type: none"> Sponsored the 15th World Ballet Festival and the Fox Parade (Kitsune no Gyoretsu), a New Year's Eve festival held in Oji, Kita-ku, Tokyo 	
		Supporting education and women	Provide and support high-quality education for women around the world	<ul style="list-style-type: none"> Continued participating in the Fukushima Sakura Project, and cosponsored projection mapping. Planted cherry tree seedlings from Fukushima at a childcare facility. 	4 5
Sustainability management	Building sustainability foundations	Build a foundation and activity system for sustainability throughout the entire Group, and raise awareness within the Company	<ul style="list-style-type: none"> Continued supporting Sakura Girls Junior High School in Tanzania in Central Africa (3rd year) 		
	Corporate governance	Sound management and building a system to maintain social trust	<ul style="list-style-type: none"> Continued to review our direction and identify issues based on ISO 26000 Continued to participate in the UNGC and incorporated SDGs into our priority activity themes (2nd year) 		
	Stakeholder engagement	Actively disclose information to and dialogue with stakeholders	<ul style="list-style-type: none"> Increased the number of external directors from 1 to 2 		
			<ul style="list-style-type: none"> Continued to disclose issues and status of activities based on ISO 26000 Disseminated policy on contributing to achievement of the SDGs Strengthened communication of various sustainability information to stakeholders 		
	Compliance	Promote compliance activities	<ul style="list-style-type: none"> Published KOSÉ Report 2018, our first integrated report combining an IR report, corporate brochure and sustainability report (September 2018) 		
Information security	Strengthen personal information protection system and preventative measures	<ul style="list-style-type: none"> Conducted e-learning on fundamentals of compliance, displayed compliance awareness posters in-house, etc. Enhanced security using SSL on the Company website Implemented security countermeasures in connection with the expansion of digital business 	16		