

KOSÉ Sustainability Plan

Creating Beauty in a Sustainable World



KOSÉ Corporation
April 2020

KOSÉ Sustainability Plan

In 1946, KOSÉ founder Kozaburo Kobayashi started his business with a limitless passion for cosmetics that offer people hopes and dreams.

Our statement of purpose is to create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. We have grown steadily as a company that leads in providing unique value through the creation of beauty for people.

The sharing and caring of many people and the planet Earth, whose benefits support us all, have empowered our growth.

The social environment in which we find ourselves is changing dramatically. We are faced with factors including globalization, changing demographics, diversifying aspirations and needs, global warming due to climate change, and the depletion of natural resources.

Committed to creating new value with a better future in mind, we must make greater use of our sensuousness and intelligence to achieve a sustainable society.

The KOSÉ Group has established the KOSÉ Sustainability Plan to make the future better for people and the environment. We are committed to evolving into a company with a global presence that fulfills its responsibilities as a member of the international community.

Guiding Principle for Sustainability

Our corporate message from 1991 until recently has been Wisdom and Beauty for People and the Earth. However, we have redefined this message as Creating Beauty in a Sustainable World. This message is also the guiding principle for our activities for a sustainable society.

Creating Beauty in a Sustainable World

KOSÉ is a company that delivers new value by creating beauty through sensuousness and intelligence, heart and craftsmanship.

We aspire to build a future where people possess full confidence and vitality, accepting both themselves and others.

In that future, all can live with peace of mind in a wholesome world.

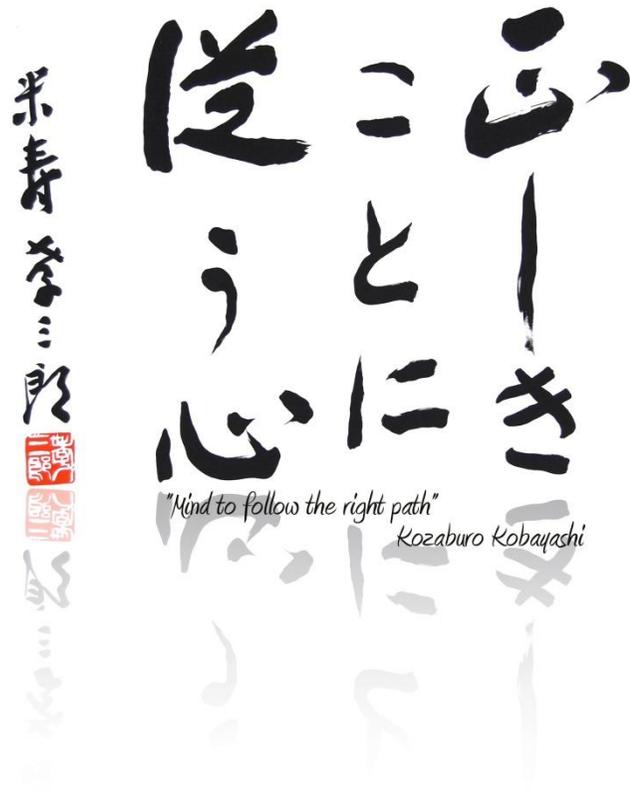
To bring about that future, we pledge to do our utmost through intelligent creation of beauty.

The power of beauty can change the world.

More than anyone, we believe in the power of beauty.

Fundamental Policy

The motto of Kozaburo Kobayashi, the founder of KOSÉ, is Mind to Follow the Right Path. The foundation of our corporate spirit since day one, these words are part of the Behavioral Charter that all KOSÉ Group employees must follow. They also serve as the fundamental policy of the KOSÉ Sustainability Plan.



Mind to Follow the Right Path

To follow the right path requires
Courage
Patience
Wisdom and Effort
Flexibility and Honesty
Each moment, each day,
deepen your commitment
to staying on this path

Kozaburo Kobayashi, Founder of KOSÉ

KOSÉ Sustainability Plan

Synergy with VISION 2026

Together with the formulation of the KOSÉ Sustainability Plan, we made developing a sustainability strategy spanning the entire value chain one of the three foundations of our medium-to-long-term vision, VISION 2026. Incorporating and implementing a sustainability perspective in all activities to achieve VISION 2026 drives growth for the KOSÉ Group and helps to achieve a sustainable society.

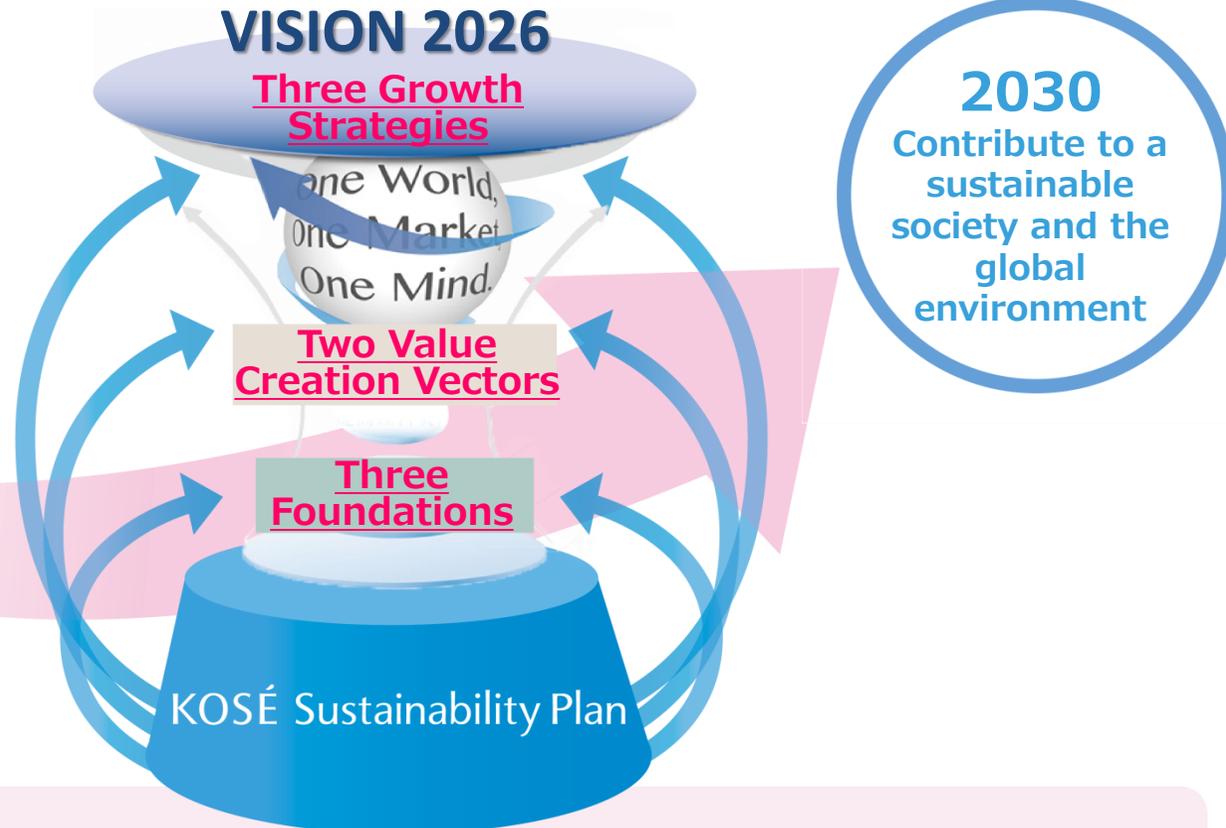
VISION 2026 Evolving into a company with a global presence

A company with diverse brands and human resources that can succeed worldwide

A company that constantly attracts more customers and is a place where people are proud to work

A company that uses foresight for the constant creation of innovative value

A company dedicated to being a source of beauty for everyone



■ Three Growth Strategies

- Accelerate globalization of brands
- Proactively develop unique products
- Explore new growth domains

■ Two Value Creation Vectors

- Use digital technology for more and better personal customer experiences
- Focus on unique forms of value by utilizing external resources and technologies

■ Three Foundations

- Build a sound foundation for the Company's growth
- Promote diversity and inclusion
- Develop a sustainability strategy spanning the entire value chain

Process for formulating and executing the KOSÉ Sustainability Plan

We used the following procedures and methods to identify the material issues that the KOSÉ Group should address, and to set, approve and promote activity themes.

1. Identification of social and environmental issues

Identify issues the KOSÉ Group should address

We identified the issues the KOSÉ Group should address with reference to the following:

- ISO 26000
- GRI Standards
- UN Global Compact
- UN Sustainable Development Goals (SDGs) (17 goals and 169 targets)
- International and social conditions (external evaluation institutions, consumer feedback data from the Customer Service Center, dialogue with NPOs and NGOs)
- Opinions within the Group's Sustainability Promotion Committee (members from a total of 33 departments and operating companies)
- Material issues in our industry and other industries

2. Definition of activity themes

Categorize activities

We evaluated issues identified in Step 1 above on the axes of importance to society (customers, business partners, employees, shareholders, local communities, the international community, NPOs, NGOs, etc.) and importance and relevance to the KOSÉ Group. Next, we applied our guiding principle for sustainability—Creating Beauty in a Sustainable World—to group issues, dividing them into two core categories, one related to people and society and the other related to the Earth. We also defined six main activity themes aligned with our fundamental policy—Mind to Follow the Right Path.

3. Approval

Senior management commitment

Mission formulation processes, activity themes and milestones toward achieving targets were reported to and approved by the Board of Directors and the Sustainability Committee.

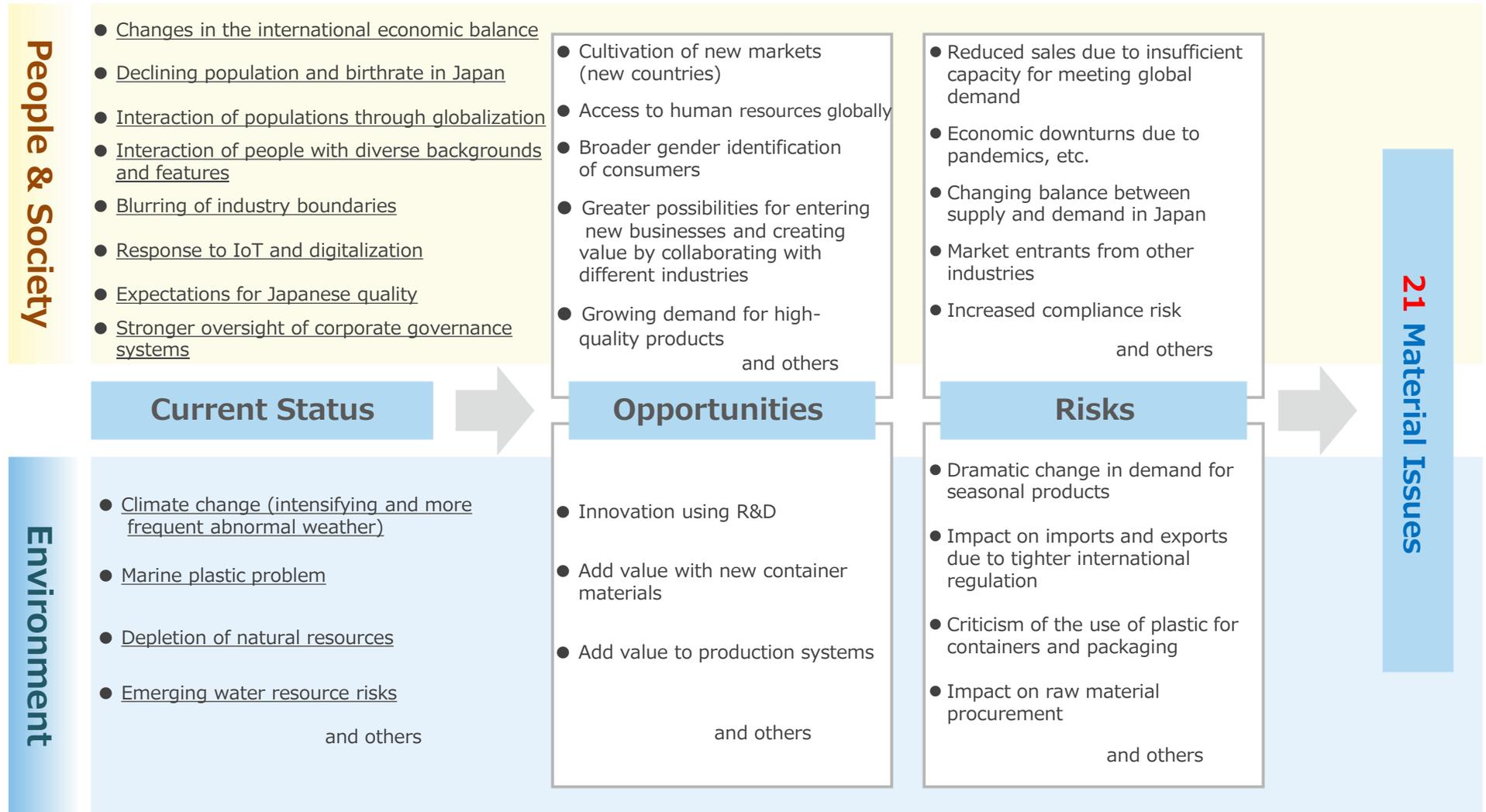
4. System for confirming progress and reviewing activities

System for confirming progress and reviewing activities

The Sustainability Promotion Committee, which is a Group-wide organization that reports to the Sustainability Committee, regularly confirms progress toward targets and reviews activities.

Social and environmental changes and issues relevant to the KOSÉ Group and identification of material issues

We identified 21 material issues by first identifying social and environmental changes and issues relevant to the KOSÉ Group as well as related opportunities and risks.



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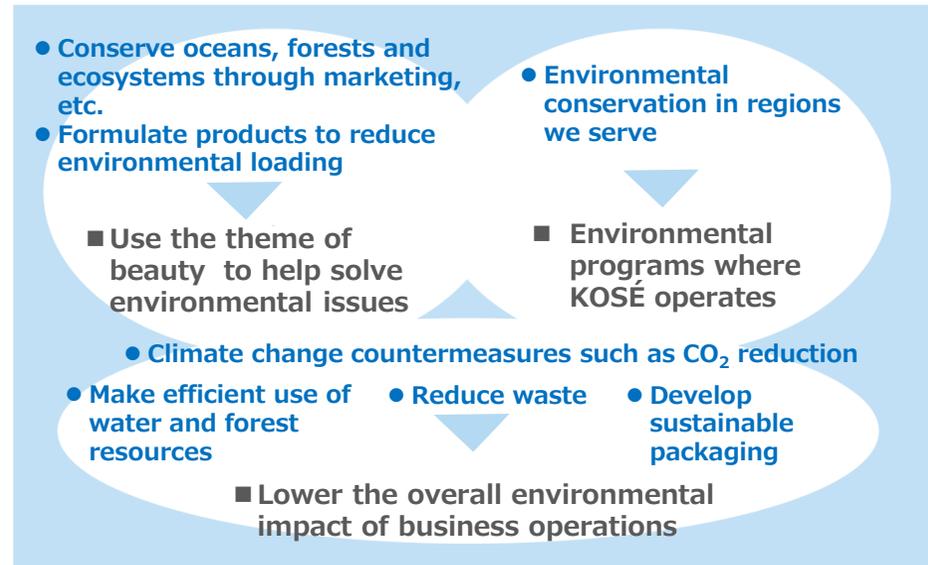
Material Issues and Themes

We checked our 21 material issues against our guiding principle for sustainability and the fundamental policy to define six activity themes and six primary categories divided into the three areas of People, which relates to society and individuals; the Earth, which relates to the environment; and Mind to Follow the Right Path, which relates to our corporate fundamentals.

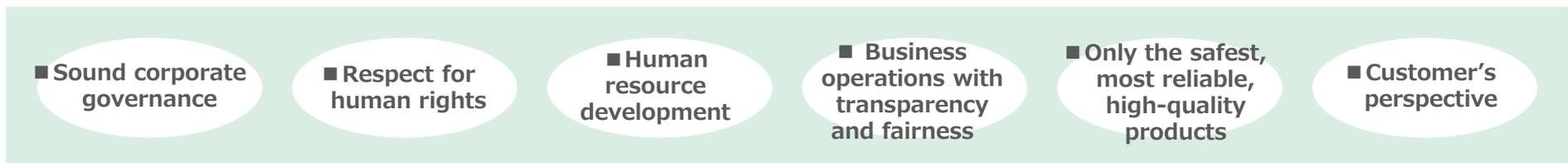
Activity Themes for People



Activity Themes for the Earth



Primary Categories for Mind to Follow the Right Path



KOSÉ Sustainability Plan

Guiding Principle for Sustainability

Creating Beauty in a Sustainable World

For People

Activity Themes

For the Earth

- A source of adaptable products and services

- Support for a beautiful, healthy and happy life

- Help create a world with true gender equality

- Use the theme of beauty to help solve environmental issues

- Environmental programs in areas where KOSÉ operates

- Lower the overall environmental impact of business operations

Fundamental Policy

Mind to Follow the Right Path

Primary categories

- 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

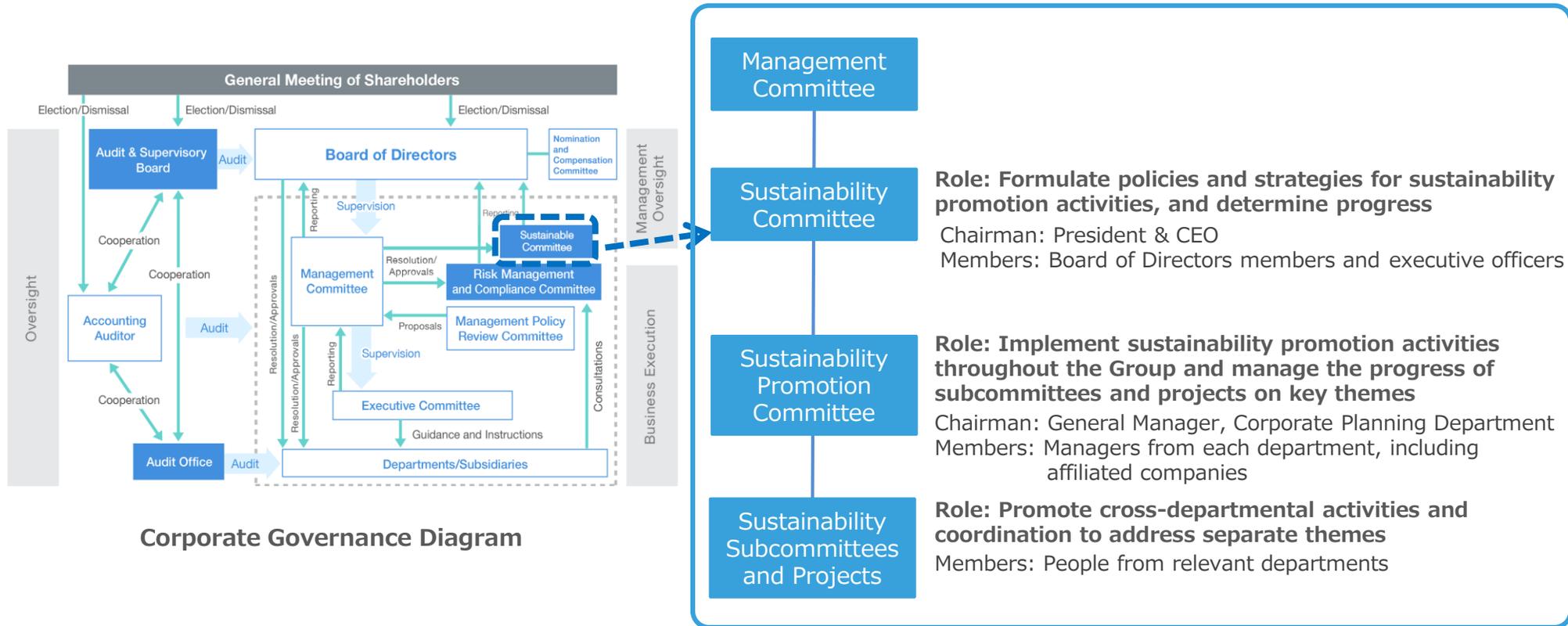
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Sustainability Promotion Systems

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

The Sustainability Committee is chaired by the President & CEO. Supervised by the Board of Directors, this committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors.

The Sustainability Promotion Committee establishes subcommittees and projects for separate themes based on the KOSÉ Group's sustainability strategies to promote cross-departmental activities that are more effective.



Medium-to-Long-term Targets of Activity Themes and Linkage with SDGs (For People)

The KOSÉ Group signed the United Nations Global Compact in July 2017. We support the concept of the Sustainable Development Goals (SDGs) as set forth by the United Nations, and the KOSÉ Group will contribute to their achievement.



Activity Theme	Commitment	Indicators	Target	Achieve by	Examples of Specific Measures	Relevant SDGs	
For People	A source of adaptable products and services	Ratio of products and services reflecting the concept of adaptability	100%	2030	<ul style="list-style-type: none"> Design products for various skin colors and qualities Adopt universal design Improve accessibility by using digital technology Develop beauty techniques that accommodate diversity 		
	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 the awareness of the next generation, and initiatives such as Fair Trade that will enhance the work environment, including in our supply chain.	Implementation of specific activities	30 activities or more	2030	<ul style="list-style-type: none"> Innovate technology development Improve employee health through health and productivity management Support sports to raise health awareness Educate and raise the awareness of the next generation about health issues (UV protection and moisturizing) 	
			Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> Procure and use certified sustainable palm oil Collaborate with suppliers for human rights (responsible procurement; for example, no child labor) 	
	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	100,000 people or more	2030	<ul style="list-style-type: none"> Promote diversity and inclusion in the KOSÉ Group Conduct activities to educate and raise awareness of the gender gap Support education for young women 	

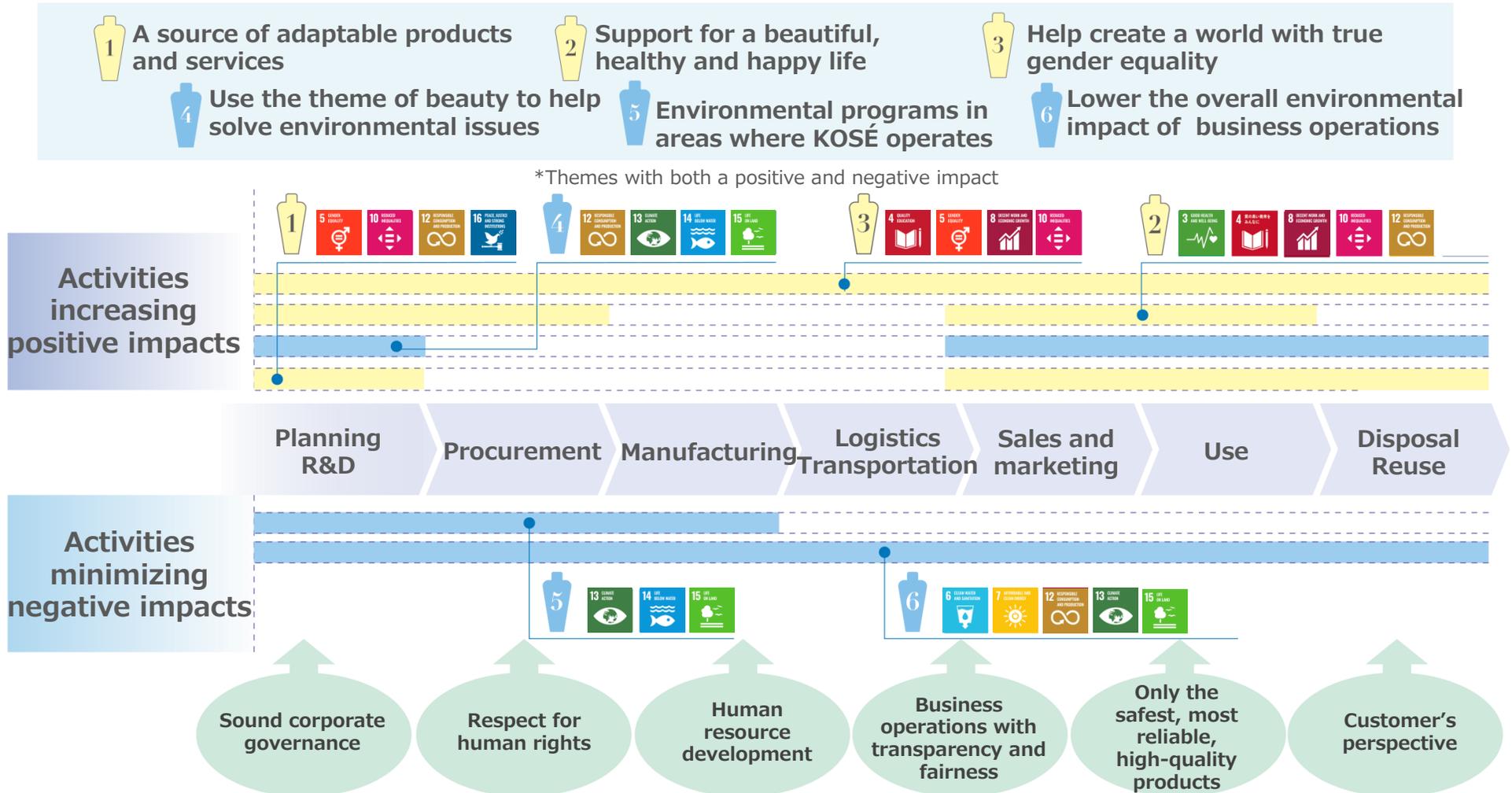
Medium-to-Long-term Targets of Activity Themes and Linkage with SDGs (For the Earth)

Activity Theme	Commitment	Indicator	Target	Achieve by	Specific Measures	Relevant SDGs	
Use the theme of beauty to help solve environmental issues	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	20,000 m ² <small>About 53 times the area of a 25 m regulation-size swimming pool</small>	2030	<ul style="list-style-type: none"> ● Evolve SEKKISEI Save the Blue activities * Target is total area since 2009 	   	
		Increase in awareness of environmental issues through products and services	10 million people or more	2030	<ul style="list-style-type: none"> ● Evolve SEKKISEI Save the Blue activities ● Conserve the environment and raise awareness in each business ● Reduce indirect materials by developing long-selling products 		
Environmental programs where KOSÉ operates	We will coexist and prosper with local communities, conducting environmental conservation activities with a focus on production facilities, which affect the environment.	Local community environmental conservation activities	20 activities or more	2030	<ul style="list-style-type: none"> ● Activities to protect the environment in which KOSÉ operates, such as around Japan's southern Alps, with a focus on areas where the production and R&D facilities of the KOSÉ Group and its affiliated companies are located 	  	
Lower the overall environmental impact of business operations	Reduce CO ₂ emissions	SCOPE 1 and 2	-28% (Target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> ● Use renewable energy ● Install energy-efficient equipment 	 	
	Reduce CO ₂ emissions	SCOPE 3	Set targets by 2021	2021	<ul style="list-style-type: none"> ● Organize information, set goals and determine specific case studies by 2021 		
	Sustainability-conscious design for plastic packaging materials			100%	2030	<ul style="list-style-type: none"> ● Employ the 4 Rs (reduce, reuse, recycle, renewable) for container and packaging materials ● Increase amount of biomass and recycled plastic used to 50% of total plastic used by 2030 	 
	Reduce use of water resources through responsible practices			-12% (Production units vs. 2018)	2030	<ul style="list-style-type: none"> ● Promote the 3 Rs (reduce, reuse, recycle) for water resources 	 
	Procure sustainable palm oil to protect the environment and grow with society.	Responsible palm oil procurement		100%	2030	<ul style="list-style-type: none"> ● Procure and use certified sustainable palm oil ● Collaborate with suppliers to protect the environment 	 

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Activity Themes and Their Impact on the Value Chain

The six activity themes defined in the KOSÉ Sustainability Plan involve the entire product life cycle and value chain from planning, research, development and raw material procurement to disposal or reuse, but we expect them to have the greatest impact on our value chain in the areas shown below. The six primary categories involve the entire value chain.



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KOSÉ Group Stakeholders

In all its activities, the KOSÉ Group places importance on its relationship with all stakeholders, including the next generation. We also think of the global environment, which is the basis of our corporate activities, as an important stakeholder.



Stakeholder Engagement

The KOSÉ Group is deepening engagement with all stakeholders. Where appropriate, we have reflected the opinions and evaluations received from our stakeholders in the sustainability promotion and corporate activities of the KOSÉ Sustainability Plan.

Stakeholder		Communication Contact Point	Frequency	Summary
Customers		Customer Service Center	As needed	Functions for response to customer queries by phone, email, mail and chat, and for sharing customer feedback internally
		Maison KOSÉ (online shop and physical store)	As needed	Communication of Company information and information on businesses, and response to customer feedback
		KOSÉ-managed social network accounts	As needed	Communication of Company information and information on businesses, and collation of comments
Business partners	Stores	Conferences, events, seminars, etc.	As needed	Sharing of Company and business policies and gathering of opinions
	Suppliers	Purchasing policy meeting	Once yearly	Information sharing and collaboration for responsible procurement
		Questionnaire	Once yearly	
	Direct individual dialogue, etc.	As needed		
Employees (Including recruiters)		Labor-management consultation meetings	Multiple yearly	Discussion, negotiation, opinion exchange, mutual understanding
		Employee consulting channel and internal reporting channel	As needed	System for confidential help and support
		Level-specific training for all employees, internship seminars, etc.	Multiple yearly	Information sharing and opinion exchange regarding Company and human resource development policies
Global community	Local communities	Various beauty seminars, sponsorship of local activities, etc.	As needed	Interaction with residents of local communities, sharing of Company and business information, and promotion of understanding
	Various stakeholders	Participation in industry groups, dialogue with NPOs and NGOs, participation in various initiatives, etc.	As needed	Shared recognition of social issues and use of information acquired for internal PDCA cycle
Shareholders and investors		General Meeting of Shareholders	Once yearly	Presentation of business report, consolidated financial statements, financial statements and audit report, and deliberation and resolution
		Results presentations	Twice yearly	Presentation of results, management strategy, business activities, etc.
		Individual dialogue with investors, integrated report, disclosure on sustainability section of corporate website, etc.	As needed	Explanation, communication and disclosure of results, management strategies, business information and other matters