

Sustainability Activities

The KOSÉ Group's fundamental policy, "Mind to Follow the Right Path," has been the foundation of its corporate spirit since day one. Based on this policy, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. As we strive to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our intelligence and sensuousness with the aim of becoming a unique and trusted company with a global presence.

The KOSÉ Sustainability Plan: Creating Beauty in a Sustainable World



Center photo: Tsukui Sunshine Machida

For People

- 1 A source of adaptable products and services ▶ Page 30**
 As a source of beauty for everyone, we accept differences in skin, values, culture and other diverse characteristics to provide the value of beauty.
 We will help create 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 ▶ Pages 31–32**
 We support lifestyles that allow people to enjoy health and happiness, which is a fundamental goal of life for all stakeholders worldwide, including future generations.
 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.
- 3 Help create a world with true gender equality ▶ Page 33**
 We will actively contribute to a future where there is no gender gap, not just at KOSÉ but throughout Japan and worldwide, as we work to make an impact by communicating our message to society.
 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.

Six activity themes

For the Earth

- 4 Use the theme of beauty to help solve environmental issues ▶ Pages 34–35**
 We will help resolve environmental issues by continuing to exert an impact on society in ways unique to a company that creates beauty for people, such as the *SEKKISEI 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 programs in areas where KOSÉ operates ▶ Page 36**
 In locations where we have business bases for production, services or other purposes, we will work to preserve the environment, considering and giving back to local communities, with which we will coexist and prosper.
 We will coexist and prosper with local communities, conducting environmental conservation activities with a focus on production facilities, which affect the environment.
- 6 Lower the overall environmental impact of business operations ▶ Pages 37–38**
 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.
 The KOSÉ Group is thankful for the blessings of nature, and will continue to evolve its efforts to reduce its environmental impact in order to preserve the global environment.

Mind to Follow the Right Path

Sound corporate governance
▶ Pages 45–55

Respect for human rights
▶ Page 39

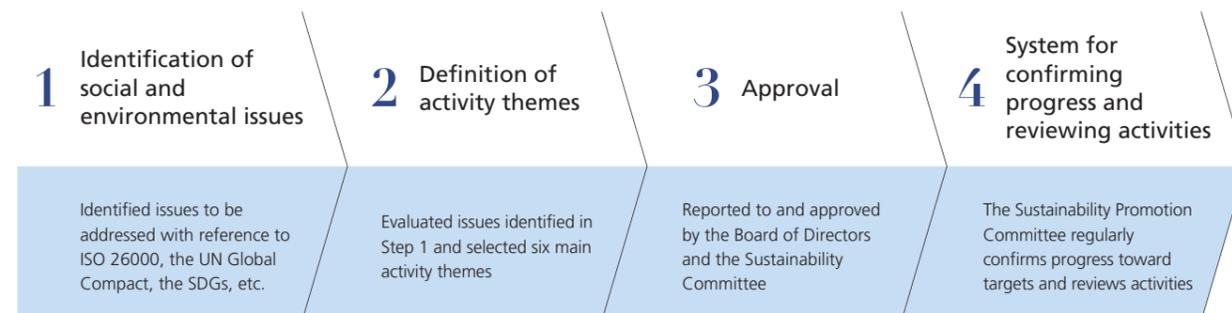
Human resource development
▶ Pages 40–41

Business operations with transparency and fairness
▶ Page 44

Only the safest, most reliable, high-quality products
▶ Page 42

Customer's perspective
▶ Page 43

Process for Formulating the Sustainability Plan



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.

Sustainability Promotion Organization



Fundamental Policy

Implementing the Sustainability Plan

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

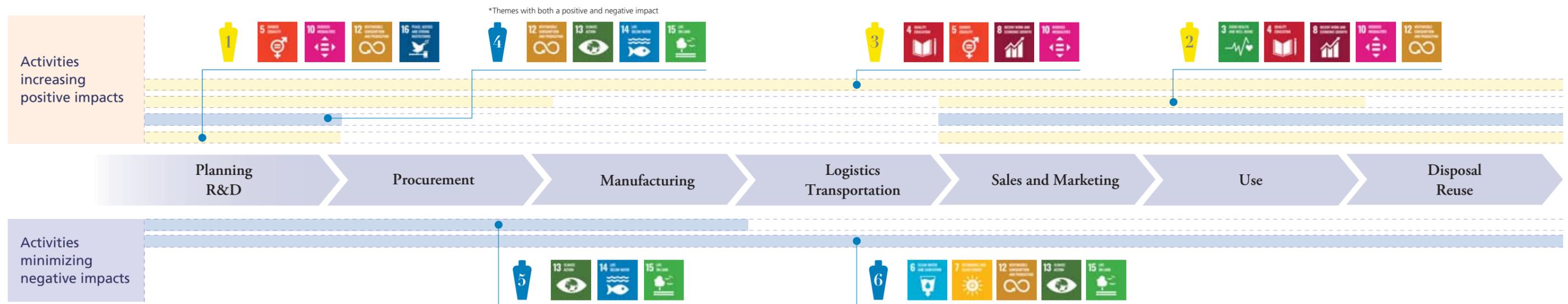
For People: Medium-to-Long-term Targets of Activity Themes and Linkage with SDGs

Activity Theme	Indicators	Target	Achieve by	Examples of Specific Measures	Relevant SDGs
 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	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	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 	

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

Activity Theme	Indicators	Target	Achieve by	Examples of Specific Measures	Relevant SDGs
 Use the theme of beauty to help solve environmental issues	Area planted with coral reefs	20,000 sq. m (About 53 times the area of a 25 m regulation-size swimming pool)	2030	<ul style="list-style-type: none"> Evolve <i>SEKKISEI Save the Blue</i> 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 <i>SEKKISEI Save the Blue</i> activities Conserve the environment and raise awareness in each business Reduce indirect materials by developing long-selling products 	
 Environmental programs in areas where KOSÉ operates	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 SCOPE 1 and 2 CO ₂ emissions	-28% (Target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> Use renewable energy Install energy-efficient equipment 	
	Reduce SCOPE 3 CO ₂ emissions	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 	
	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 	

Activity Themes and Their Impact on the Value Chain



The activity themes defined in the KOSÉ Sustainability Plan involve the entire product life cycle and value chain from planning, R&D 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 primary categories involve the entire value chain.

1 A Source of Adaptable Products and Services

Dedicated to being a source of beauty for everyone, the KOSÉ Group strives to offer the value of “beauty” by continually working to recognize the unique identity and values of each individual. By offering society beauty based on the concept of adaptability that provides a wide range of choices, we will help create a world where people with diverse backgrounds and characteristics—including skin color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully.

► Maison KOSÉ Concept Store Merges the Digital World and Real In-Store Experiences

Under the theme “Find Your Own Beauty,” a new Maison KOSÉ concept store opened in Ginza, Tokyo in December 2019. Featuring a cross-section of the KOSÉ Group’s diverse brands and products, the store offers innovations that allow visitors to be among the first to try out and enjoy new software, hardware and beauty tech spanning the brand lineup.

Consumer values and lifestyles are diversifying, and the individual needs of the people who use cosmetics are as diverse as the very people who use them. At the same time, due to factors such as the spread of social media, the volume of information that people are confronted with is overwhelming, making it all the more difficult for them to find cosmetics that truly suit them. Under these circumstances, we are exploring the potential of next-generation beauty experiences through new types of communication that merge the digital world with real in-store experiences to promote our unique, omnidirectional KOSÉ beauty platform for connecting directly with customers. The first step is Maison KOSÉ. We plan to implement this concept both at physical stores and at our online shop.

Customer feedback obtained at Maison KOSÉ will lead to new product development, optimization of product formulas, applications for research findings and other innovations to support more sophisticated personalized proposals that meet

the most diverse individual needs. Moreover, by analyzing the data and customer feedback we accumulate, we can address diverse needs through linkage with areas such as product formula design.

New Digital Technology Used at Maison KOSÉ Examples of hands-on demonstrations (from December 2019)

- **Nail printer**
Original designs spanning the KOSÉ brand lineup are instantly printed as detailed nail art.
(Partner: Casio Computer Co., Ltd.)
- **Customized sheets**
We use special equipment to diagnose skin tone and create a color sheet to match each customer’s skin.
(Partner: Panasonic Corporation)

Note: Some items are no longer being offered.



Nail printer



Customized sheets

A Manager’s Perspective

Optimizing the Beauty Experience for Each Person

Maison KOSÉ is an integral part of KOSÉ’s beauty platform concept. The KOSÉ Group’s first attempt at providing cross-brand services and merging beauty with digital technologies, it aims to create new customer experiences. Under the “Find Your Own Beauty” theme, the store incorporates our desire to provide diverse and comprehensive beauty proposals. We are making a fundamental shift away from the standard approach to beauty, which tends to be uniform and one-way, and evolving a customer-oriented, interactive approach.

Our aim is to provide seamless, high-value-added beauty proposals that take into account diverse lifestyles and values, proactively using a variety of advanced technologies to optimize the beauty experience for each person.



Maiko Ando
Direct Business Sec.
Digital Marketing Strategy Div.

2 Support for a Beautiful, Healthy and Happy Life

The KOSÉ Group supports people’s health and happiness as one of life’s fundamental goals. Our efforts to support this goal are important not only for the customers who use our products and services, but for all our stakeholders, people in our value chain around the world and the next generation. Through these activities and our business operations, we strive to help solve social issues in ways such as improving quality of life, raising the awareness of the next generation and promoting responsible procurement that takes human rights into consideration.

► Promoting the Next Generation’s Healthy Skin with the Project to Protect Beauty and Health from Ultraviolet Rays

The KOSÉ Accelerator Program, which started in 2018, incorporates an approach of open innovation that combines our in-house resources with external technologies and resources, to create value that we could not achieve on our own. The program was held for the second time in fiscal 2019.

This time, we put out a call for participants to collaborate in omnidirectional innovation under the concept of “applying technology to sensitivity in new experiences in beauty.” We received 86 applications from start-up companies in a wide range of fields. We selected the proposal from Sunshine Delight, Inc.—for research into protecting beauty and health from ultraviolet rays—as a collaborative project involving members from both our companies. In recent years, global environmental problems and the importance of providing protection from UV rays from early childhood have become issues. Against this backdrop, we chose this issue as a matter that KOSÉ should address Company-wide, and a highly meaningful proposal in terms of helping to solve a social issue.

The importance of UV protection is gaining attention globally. In addition to conducting research and development into an eco-friendly sunscreen, KOSÉ and Sunshine Delight are working to raise awareness by combining their expertise to promote accurate understanding of ultraviolet rays and to make the use of sunscreen from early childhood a habit.

Based on reports and other information from international organizations* on the effects of UV rays on the body during early childhood, this project is aimed at establishing a new business model for minimizing the impact of UV rays on skin and health. We will conduct activities to promote beautiful and healthy skin by popularizing the habit of using sunscreen from early childhood.

* The World Health Organization (WHO) INTERSUN Project and others

Our Choice for the Accelerator Program

Sunshine Delight, Inc.

Established in July 2019, when company President Eika Ito was in her senior year of high school. Aiming to create a society where people can have peace of mind despite exposure to UV rays, the company is working to develop large-size environmentally friendly sunscreen products for children, and to establish the habit of using sunscreen from early childhood.



A Manager’s Perspective

Aiming to Be a Leader in Helping to Solve Social Issues

The Project to Protect Beauty and Health from Ultraviolet Rays was launched out of KOSÉ’s desire to take the initiative in providing countermeasures to help the global community solve the issue of UV exposure, which is becoming more serious due to global warming. We are totally committed to making KOSÉ a leader in helping to solve social issues. To begin with, we will be working with Sunshine Delight to raise awareness about the importance of UV protection from early childhood. We are currently using teaching materials and sunscreen made with children and the environment in mind to popularize habits to protect the skin from UV rays. We will carry out the project to create a future where protecting the skin from UV rays is universally understood and done almost without thinking, where KOSÉ is closely associated with UV care, and where children’s earliest memory of skin care is a KOSÉ product.



Kento Takada
Corporate Strategy Office
Corporate Strategy Dept.

Promoting Sports

Wide-Ranging Support for Sports Competitions

To enhance people's quality of life, KOSÉ is involved in the promotion of sports, which are an important part of healthy lifestyles. As a company that creates beauty for people, we continue to cosponsor and support teams and individual athletes in various sports, particularly those that combine beauty, art and fashion.

In July 2019, we entered into the Gold Partner Agreement with the Japan Para-Ski Federation to provide comprehensive support not just for individual competitions, but for all competitions under the federation's jurisdiction. Going forward, we will more actively support Japanese athletes competing on the global stage and support the overall development of snow sports.

In addition, we entered into a sponsorship contract with professional golfers Yui Kawamoto in January 2020 and Erika

Harada, Rei Matsuda and Yuka Yasuda in March of the same year. As a result, we now have a total of 14 contracts for sponsorship and support of female professional golfers who "compete beautifully."

We will continue working to enhance people's quality of life by supporting health and beauty through the promotion of sports.



Para alpine skiing

Close-Up

Makeup Workshop for Mermaid Japan

In February 2020, we held a makeup workshop for swimmers at the Japan Institute of Sports Sciences in Kita-ku, Tokyo as the official sponsor of Mermaid Japan, a team representing Japan in artistic swimming. We taught detailed techniques that athletes can apply themselves, focusing on makeup that stays on in the water during competition. In order to make the swimmers stand out in performances, top makeup artists at KOSÉ are working to create makeup that brings out beauty to match the music and costumes. The sense of unity that these techniques, tips and beautiful makeup foster contributes to the swimmers' grace, self-confidence and concentration. KOSÉ will continue its support for the members of Mermaid Japan.



Makeup workshop

Support for Regional Revitalization and the Health of Local Residents

KOSÉ supports health promotion activities by providing sunscreen products such as the *Sports Beauty* brand at walking events and marathons throughout Japan.

To support regional revitalization and promote the health of local residents, we provided complimentary sunscreen products to more than 34,000 participants in Arukimedesu walking events in approximately 80 locations throughout Japan. We also sponsor events including the Bando Iwai Masakado Half Marathon in Ibaraki Prefecture, the Koedo Kawagoe Half Marathon in Saitama Prefecture and the Ishigaki Island

Marathon in Okinawa Prefecture, to support participants who want reliable protection from the effects of the sun.



Bando Iwai Masakado Half Marathon

3 Help Create a World with True Gender Equality

The growth of the KOSÉ Group will require the capabilities of every one of our more than 14,000 employees worldwide. In addition, as a company that creates beauty for people, we have continued to propose new value for the lives of many people. That is why we believe the messages we communicate to society will help create a future where there is no more gender gap, not only in Japan but all around the world. We promote and proactively engage in awareness-raising activities to help realize a society where everyone can play an active role regardless of gender.

Diversity & Inclusion Declaration

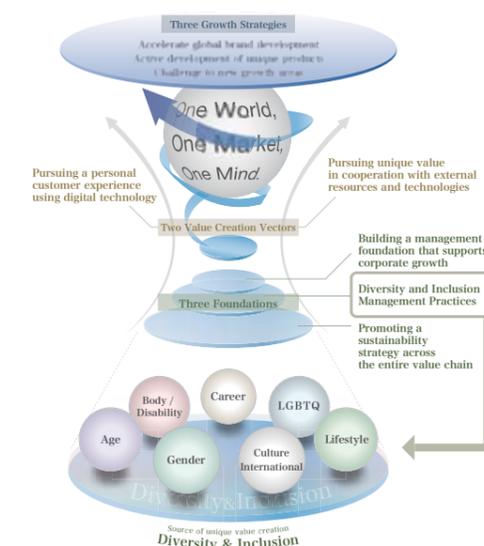
Transforming Diversity into Power

We promote diversity and inclusion as the foundation for creating unique value. We aim to be an organization and an enterprise that generates unique value globally by realizing our full potential through our collective uniqueness comprising the individuality of each employee.

We launched the Company-wide project to "Create a Great Place to Work" in fiscal 2017 and announced our Diversity & Inclusion Declaration as one of its initiatives in November 2019.

We believe that respecting and empowering the diversity of every team member, which is the meaning of "diversity and inclusion," will address changes in global society and markets as a source of continuous creation of unique value for our diverse customers. Therefore, we are promoting diversity and inclusion initiatives throughout the Company as part of our larger corporate management strategy.

We will establish employee benefit and training systems to create a foundation for all employees to fully display their potential and foster a culture of awareness of and mutual respect for individuality and empowerment regardless of gender, age, nationality, lifestyle or other individual characteristics. By doing so, we aim to become a company with a global presence as a leader in providing beauty.



* LGBTQ: Lesbian, Gay, Bisexual, Transgender, Questioning/Queer

A Manager's Perspective

Making KOSÉ a Comfortable Place Where Everyone's Contribution Is Welcome

Our team consists of members with various job titles, career histories and lifestyles. The Diversity & Inclusion Declaration communicates our determination to "generate unique value globally by realizing our full potential through our collective uniqueness comprising the individuality of each employee." There are many women in the KOSÉ Group, and their active participation has a direct bearing on the Group's potential. That is why we initially devised and started support measures for women to develop their careers at the various stages of their lives. We believe that such measures are one aspect of creating a workplace where everyone's contribution is welcome. Our mission as a company is to ensure that the entire spectrum of our human resources—a true treasure—can shine.



A few members of the Diverse Work Styles Executive Subcommittee "Create a Great Place to Work" project

4 Use the Theme of Beauty to Help Solve Environmental Issues

It is important to us to offer all kinds of value related to beauty through our business activities, beyond just making the cosmetics that are an intimate part of consumers' lives. We will continue to conduct activities that help solve environmental issues by providing added value in products and services centered on beauty, including beauty- and lifestyle-related proposals. By communicating these activities to the general public, we will also make more consumers conscious of environmental issues and foster awareness of solving these issues using the theme of beauty.

▶ SEKKISEI SAVE the BLUE Project “A More Beautiful You, a More Beautiful Earth”

The SAVE the BLUE project debuted in 2009, with a portion of sales from SEKKISEI, a brand loved by many customers, directed toward activities to protect the coral reefs in Okinawa. Coral reefs, which provide a habitat for marine ecosystems, are highly susceptible to temperature and other environmental changes and are in need of greater conservation efforts. A portion of sales from select SEKKISEI brand products purchased by customers during our summer campaigns is donated to an organization in Okinawa. The funds are used to cover the cost of growing an amount of corals equivalent to the total surface area of the bottoms* of the containers of project-designated SEKKISEI products, and for transplanting the cultivated corals onto reefs in Okinawa. Over the past 11 years, corals covering a total of 105,194,126 square centimeters, or about 28.1 times the area of a regulation-size short-course (25 m) swimming pool, have been transplanted. In our winter campaign, which began in fiscal 2019, we contributed a portion of sales to activities to preserve mountain forests, and in June 2019 we planted Manchurian oak, katsura, Japanese beech and other seedlings. We are contributing to global environmental preservation activities together with *Mori wa umi no koibito*, a nonprofit organization working to preserve a healthy natural environment for the rivers that feed the oceans by

maintaining woodlands near populated areas, which are home to thriving ecosystems.

* In the case of SEKKISEI lotion regular size: approx. 4 cm x 5 cm = approx. 20 sq. cm

Summer campaign

- Fiscal 2019
Number of corals planted: 1,383
Area: 8,436,805 sq. cm (approx. 2.2 times the area of a regulation-size short-course 25-meter pool)
- Fiscal 2009-2019 total
Number of corals planted: 17,342
Area: 105,194,126 sq. cm (approx. 28.1 times the area of a regulation-size short-course 25-meter pool)



Summer campaign poster

Winter campaign

- Fiscal 2018
Number of trees planted: 300
- * Due to the COVID-19 pandemic, the next count of number of trees planted has been put off until after fiscal 2020.



Winter campaign poster

Fiscal 2030 target

- Area of corals planted: 20,000 sq. m (approx. 53 times the area of a regulation-size short-course 25-meter pool)

Moreover, the SEKKISEI SAVE the BLUE project has spread beyond Japan to locations around the world. Summer and winter campaigns are also currently being conducted in China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States. We also carried out a program for staff to study corals in Okinawa and to present their environmental conservation activities in their respective regions. KOSÉ supports the Sustainable Development Goals (SDGs) advocated by the United Nations, and through the SEKKISEI SAVE the BLUE project it will conduct environmental conservation activities on land and sea and further advance its efforts to make more customers aware of the importance of protecting our blue planet.



A Manager's Perspective

Giving Back to Nature through SEKKISEI

Celebrating its 35th anniversary in May 2020, SEKKISEI is distinguishable by its striking azure packaging. SEKKISEI products contain oriental herbal extracts from Earth's natural bounty. That is where our SAVE the BLUE project originated—from our desire to give back to nature and to protect the blue Earth. Our activities to preserve the oceans and forests have now spread around the world. Going forward, we will broaden the scope of our activities for SEKKISEI. Through efforts to develop eco-friendly containers and reduce water consumption, as well as support activities for gender equality and other issues, we will offer beauty not only to our many customers, but also to the natural environment—to the blue Earth and the people who live on it.



Naoto Ito
Sekkisei Planning Sec.
Consumer Brands Div.

▶ SEKKISEI Sustainable Package Initiatives

In addition to conducting the SEKKISEI SAVE the BLUE project, we are actively working to create eco-friendly products for SEKKISEI, as a representative KOSÉ brand that drives the Group's sustainability promotion activities.

A SEKKISEI limited edition kit launched in September 2019 had a tray made with approximately half the plastic of conventional products as a result of using a new composite material that combines a paper-derived material and plastic. A renewed sunscreen product launched in February 2020 uses biomass PET, an environmentally friendly material, for the packaging. Biomass PET contains a plant-based material made from sugarcane bagasse that replaces some of the primary raw material PET, and has been attracting attention as a sustainable material that does not add to net atmospheric CO₂, even when burned.

We will continue to conduct environmentally conscious manufacturing for SEKKISEI, including the production of sustainable containers and packaging materials, as we also help to raise the environmental consciousness of our customers.



SEKKISEI limited edition kit



Sunscreens gel



UV Tone Up

A Manager's Perspective

With SEKKISEI, A More Beautiful You, a More Beautiful Earth

Since its debut in 1985, the aim of SEKKISEI has been to create beautiful skin by using extracts from oriental plants nurtured by the Earth. Even in our manufacturing, we want to give back to the Earth that provides us with many blessings. Since fiscal 2019, we have therefore been putting greater effort into manufacturing that takes sustainability into consideration. For the new series to be launched in 2020, we made the box from recyclable cardboard to put customers in closer touch with environmental issues. We will continue to promote the evolution of the value of SEKKISEI to deliver cosmetics that offer beauty for both skin and the Earth.



Corrugated cardboard is used for the box

Mai Tokizaki Product Manager, Sekkisei Planning Sec., Consumer Brands Div.

5 Environmental 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 produce products or offer services, and to give back to those regions. We strive to protect the environment in the regions where KOSÉ operates and work in partnership with our stakeholders to coexist and prosper with these regions.

▶ Signing of Location Agreement and Forest Maintenance Agreement with Minami-Alps City and Yamanashi Prefecture

In June 2019, we entered into a location agreement and a forest maintenance agreement with Minami-Alps City and Yamanashi Prefecture for the construction of a new production base. These agreements are aimed at encouraging collaboration and cooperation among the three parties toward achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

The newly planned Minami Alps Factory (provisional name) is located at the foot of Japan's Southern Alps, an area blessed with a beautiful, rich natural environment that is a source of clean water. The area has received international recognition as a Biosphere Reserve by UNESCO. When we begin producing

cosmetics here, we aim to achieve the following five SDGs in areas including coexistence with nature through forest conservation and other means, promoting employment and regional vitalization based on collaboration and cooperation with the local government and residents.

Five Applicable SDGs

- 6 Clean water and sanitation
- 8 Decent work and economic growth
- 11 Sustainable cities and communities
- 15 Life on land
- 17 Partnerships for achieving the goals



▶ The Minami Alps Factory (Provisional Name)

Under its medium-to-long-term VISION 2026, the KOSÉ Group is working to establish a production-supply and quality control system capable of stable medium-to-long-term support. As part of this initiative, we are proceeding with a project to build a new production base, the Minami Alps Factory (provisional name) in Minami-Alps City, Yamanashi Prefecture.

Located in an environment blessed by clean water and lush vegetation at the foot of the Minami Alps, the factory will be compliant with ISO22716 (Cosmetics GMP),* and have advanced production technology and a thorough quality assurance system. The production environment will be eco-friendly and superior in terms of economy and functionality, in addition to adding value. Production facilities will be mainly for

skin care and hair care products, and we intend to be able to use the factory to respond swiftly to future growth in demand.

* Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Artist's rendering of Minami Alps Factory (provisional name)

Construction site location (planned):
Minami-Alps City,
Yamanashi Prefecture
Site area: 111,525 sq. m
Main application: Cosmetics factory
(Mainly large-lot skin and hair care products)
Production capacity: 100 million units or more
Investment: ¥15 billion to ¥25 billion

A Manager's Perspective

Creating a Factory That Coexists with the Blessings of Nature

A key point in selecting Minami-Alps City as the location for our new factory was the purity of its water, which is essential for cosmetics. We are designing the factory to conserve resources and energy so that we can protect this abundant water resource and be able to use it for many years to come. We are promoting the 3 Rs* for water resources and contributing to sustainability by making full use of its potential, including the use of groundwater as a heat source for air conditioning. We will also proactively engage in activities to protect the forests of the Southern Alps that are the source of this clean water.

While conducting environmental conservation activities in cooperation with the local community to coexist with nature, we will strive to make cosmetics with a total commitment to a sustainable approach at the new factory, as well as our existing factories.

* Reduce, reuse, recycle



Naoaki Tsukahara
Assistant Manager
Product Planning Sec.
Administration Div.
KOSÉ INDUSTRIES CO., LTD.

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 nature, we benefit from the natural environment every day we do business. The KOSÉ Group is grateful for this benefit and therefore believes that it has a responsibility to reduce its environmental impact as much as possible to preserve nature—in other words, the global environment. The KOSÉ Group will work to further advance its efforts to lower the overall environmental impact of its business operations.

Activities to Lower Environmental Impact

▶ Making Climate Change Countermeasures a Top Priority Sustainability Issue

We consider it an important theme and our responsibility as a company to ascertain and reduce the amount of energy used at our factories, offices, distribution sites and other locations,

as well as the amount of CO₂ and other emissions that impact the environment. We made climate change countermeasures one of our top priority sustainability issues for fiscal 2019.

Details of Specific Activities

- **Centralized management to visualize the overall amount of energy used by the KOSÉ Group**
Visualized emissions to promote activities to reduce CO₂ emissions throughout the Group
- **Review of scope 1 and 2 reduction targets for 2030**
Launched a cross-divisional Company-wide subcommittee to reduce CO₂ emissions throughout the value chain and reset targets
- **Company-wide seminars on activities to resolve sustainability issues**
Conducted multiple seminars for officers and employees to deepen understanding of sustainability issues including climate change and countermeasures for the problem of plastics and to reflect that understanding in daily business activities (Held a total of five seminars for directors, Audit & Supervisory Board members and other executives, for executive officers and general managers, and for general employees, with a total of 350 attendees)



In-house seminar

Contribution to Achieving Environment-Related SDGs

Through various environmental activities, KOSÉ aims to contribute to the achievement of six SDGs: 6. Clean water and sanitation; 7. Affordable and clean energy; 12. Responsible consumption and production; 13. Climate action; 14. Life below water; and 15. Life on land.



▶ Centralized Management for Visualization of Energy Use

In April 2020, the KOSÉ Group introduced the EcoAssist¹ environmental information management system, which centrally manages and visualizes the amount of energy used in corporate activities.

The system can collect environmental data from multiple locations, including overseas, for centralized management and use. Data collected includes greenhouse gas emissions and total material inputs at factories, offices, distribution sites and other locations. Analysis of the aggregated data over time and

by organization will facilitate the formulation of more effective strategies for lowering environmental impact. We will continue working to lower environmental impact throughout the Company by using EcoAssist as one measure to “develop a sustainability strategy spanning the entire value chain,” as stated in VISION 2026.

1. A solution from Hitachi, Ltd. for visualizing a company's environmental management to support analysis and improvement



Mind to Follow the Right Path

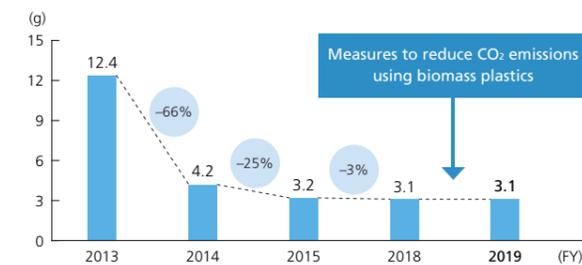
Adoption of Sustainable Materials

Not only does the KOSÉ Group set strict standards for the raw materials and ingredients it selects for its cosmetics, it also takes environmental impact into account in developing containers and packaging. Our considerations include ease of sorting of materials and disposal after use, and reduction of the volume of waste itself. As we meet customer needs for convenience and added value and ensure quality, we are also adopting sustainable materials, and we currently use recycled paper for the outer boxes of almost all our brands, including *COSME DECORTE* and *SEKKISEI*. For paper packaging that does not use recycled paper, we make a point of using certified paper, which is made from lumber harvested from certified forests. We are also focusing on countermeasures for the problem of plastic waste, which has a serious environmental impact. In 2019, we formulated a strategy to promote sustainable design for plastic containers and packaging materials. We will go beyond previous efforts, aggressively reducing the amount of plastics we use and utilizing plant-derived plastics and recycled materials, among

other measures. By 2030, we will use only containers and packaging materials compatible with the 4 Rs.² We also aim to use recycled or biomass plastics for 50% or more of our plastic packaging materials

2. Reduce, reuse, recycle, renewable

Amount of Plastic Used in Our Packaging



In addition to replacing the box with film wrap, we redesigned the packaging for *SEKKISEI Sun Protect Essence Gel* in fiscal 2013. As a result, we have reduced the total amount of plastic used by approximately 75%, a significant improvement.

A Manager's Perspective

Manufacturing That Considers People and the Global Environment

Plastic is a highly versatile material for cosmetics containers because of its ease of use, among other factors. However, marine pollution and other impacts of plastic on the global environment have become a concern in recent years. We have therefore set a target for our Product Designing Department to design all plastic containers and packaging materials with sustainability in mind by 2030. Efforts are under way, and include container planning and design that are compatible with the 4 Rs (reduce, reuse, recycle, renewable) and proactive adoption of materials such as biomass plastics that help reduce environmental impact. Going forward, we will adopt such activities to accelerate the manufacture of eco-friendly and appealing value-added products that are easier for diverse customers around the world to use.



Yasuo Kagawa
 Manager
 Technical Designing Sec. 1
 Packaging Designing Office
 Product Designing Dept.

Sustainable Palm Oil Procurement

Palm oil is a vegetable oil extracted from oil palms. It has diverse applications including in food, and as a raw material for cosmetics. However, there are problems associated with oil palm plantation development, such as destruction of tropical rainforests and human rights violations. Recognizing these problems as high-risk issues for the environment and human rights, the KOSÉ Group became a member of the Roundtable on Sustainable Palm Oil (RSPO)³ in 2019 and is taking measures to procure only sustainable palm oil. We also joined the Japan Sustainable Palm Oil Network (JaSPON)⁴ and started activities to procure, use and consume only sustainable palm oil. Through participation in Sustainable Palm Training conducted by JaSPON

in Malaysia in November 2019, representatives from KOSÉ visited local environmental NGOs, small farms, depots, oil extraction plants, refineries and other locations to deepen mutual awareness of issues through dialogue with the various stakeholders on their situations, issues and needs.



3. A non-profit organization established in 2004 comprised of stakeholders from the seven sectors involved in the palm oil industry
 4. A platform inaugurated in 2019 with the aim of resolving various problems including environmental issues in palm oil production

Respect for Human Rights

In February 2020, the KOSÉ Group established the KOSÉ Group Human Rights Policy in recognition of its potential for directly or indirectly affecting human rights in the course of conducting business and to fulfill its responsibility to respect the human rights of all persons involved in its operations. Based on this policy, the KOSÉ Group will promote efforts to respect human rights.

Basic Stance

As a member of the global community, based on the Group Behavioral Charter, the KOSÉ Group recognizes the importance of respecting human rights in all its activities. The KOSÉ Group views the United Nations Guiding Principles on Business and

Human Rights (UNGPs) as its framework for implementation, and supports and respects various international principles in conducting its business activities.

Process for Formulating the KOSÉ Group Human Rights Policy

In 2005, the KOSÉ Group established the KOSÉ Group Action Guidelines, in which it specified that it shall act with respect for the human rights of all people with whom it is involved. Since then, we have made several revisions in accord with the times while engaging in responsible business activities. In light of changing social demands, we started a project in 2019 to formulate a human rights policy specifically to supplement the Action Guidelines. We considered issues through dialogue inside and outside the Company, including participation in the Human Rights Due Diligence Workshop (Stakeholder Engagement Programme) conducted by the non-profit organization Caux Round Table Japan (CRT Japan). In this program, we exchanged opinions with various experts on human rights issues and with non-governmental organizations and non-profits in the fields of the environment and human rights to raise human rights

issues facing the cosmetics industry and worked with our industry peers to revise the "Consumer Goods (Cosmetics and Daily Goods)" section of CRT Japan's report "Human Rights Issues by Sector, Version 8." Project members from KOSÉ returned to the Company with an awareness of major human rights issues specific to this industry and engaged in further study. To better understand the human rights issues of the KOSÉ Group, they also held a workshop attended by managers of the main related departments (management planning, human resources, legal affairs, purchasing, production and sustainability) and others to identify the future direction of our initiatives. In February 2020, we established the KOSÉ Group Human Rights Policy to promote initiatives for human rights issues as a member of the global community.

Initiatives to Respect Human Rights

2005	Formulated the KOSÉ Group Code of Conduct	The Group Code of Conduct, which stipulates respect for human rights and compliance with laws and regulations, was set forth in the KOSÉ Group Action Guidelines. We made several revisions thereafter in accord with the times, and worked for its penetration and implementation.	
2019	Inaugurated a project to formulate a human rights policy	We inaugurated a project to formulate a human rights policy specifically to supplement the KOSÉ Group Action Guidelines. Sixteen members from seven departments deepened their understanding of human rights through participation in seminars and workshops.	
2019	Formulated the KOSÉ Group Human Rights Policy	After discussions among the project members, we formulated the KOSÉ Group Human Rights Policy, which specifies the Group's stance on respect for human rights.	
2020	Approved the KOSÉ Group Human Rights Policy	The KOSÉ Group Human Rights Policy was approved by the Board of Directors, and publicized both internally and externally. Based on this policy, we will promote human rights due diligence.	

Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of world-class 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 implementing various measures 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.

Promoting Human Rights Education and Awareness-Raising and Diversity Management

Employees are the source of corporate growth and competitiveness. For employees to grow, they must have a healthy workplace environment. As a cosmetics company, the KOSÉ Group aims to cultivate a workplace environment that allows women to realize their full potential and enables diverse human resources to demonstrate their skills. To that end, we promote human rights education and awareness-raising and diversity management. In KOSÉ Group Human Rights policy and the KOSÉ Group Action Guidelines, we stipulate respect for the human rights of all and zero tolerance for any actions

that might lead to discrimination.

We encourage acceptance and understanding in the workplace and endeavor to build a healthy workplace environment where diversity is valued. In management development programs, we conduct training and raise awareness of human rights to ensure respect for such rights regardless of nationality, race, religion, educational background or age. We also promote understanding of gender diversity (LGBTQ* and others) including sexual orientation and gender identity.

* LGBTQ: An acronym for Lesbian, Gay, Bisexual, Transgender and Questioning/Queer

Developing Human Resources Who Generate Innovation

To become a company with a global presence, we must foster a corporate culture in which human resources with diverse individual characteristics continually take on challenges with a flexible approach, and we must build and make practical use of systems to support that culture. We have established an in-house recruitment system to help motivated employees take on new job categories so that all employees can fully demonstrate their individuality. Each year, many employees make use of the system.

In 2018, KOSÉ launched its Accelerator Program, which incorporates the concept of open innovation to create new value that the Company cannot achieve on its own. This program does not employ the typical approach of screening and selecting ideas for collaboration as presented by participating start-up companies. Rather, teams are formed comprising members from start-up companies and employees from various divisions of KOSÉ who have applied through the

Link in-house venture system. The teams then work as a unit across Company boundaries for three months or longer to bring their ideas to fruition. As a result of this distinctive characteristic of the program, employee team members, who are expected to play a role in the next generation of KOSÉ's management, collaborate with external start-up companies as business producers with the aim of commercializing their ideas. Measures such as this are one of our mechanisms for supporting enthusiasm and a spirit of taking on challenges.



Establishing Working Conditions That Promote Work-Life Balance

To achieve a good balance between our employees' professional and private lives, we are making efforts to enhance their health and working conditions. Specifically, we endeavor to accurately track each employee's working hours and set reduction targets for overtime work to optimize time spent on the job. We also offer wellness guidance by industrial doctors based on the results of annual health checks and

respective work situations. In addition, we have introduced childcare/nursing care leave, shortened working hours and other programs tailored to life events in order to help employees balance career and family. All regular employees who took maternity leave also took childcare leave, and more than 90% of these women later returned to work.

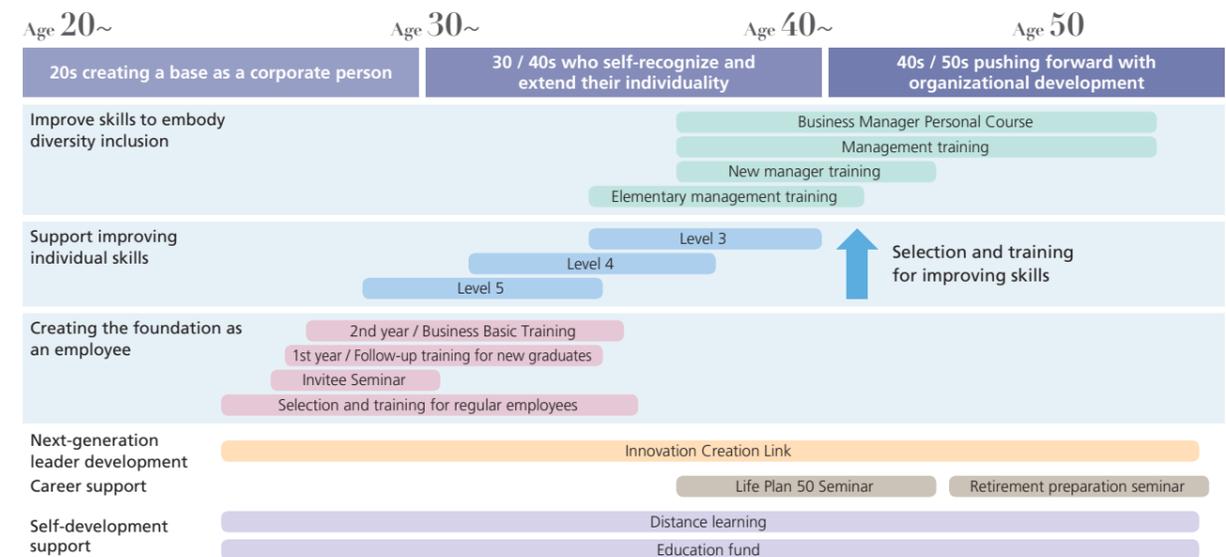
Certified as an Excellent Enterprise of Health and Productivity Management

From a management viewpoint, strategically encouraging employees to manage their own health will lead to higher productivity. The concept of health and productivity management has thus been proposed from the perspective of an investment that will lead to higher profitability. Wholeheartedly embracing this concept, the KOSÉ Group promotes health and productivity management measures for its employees' working environment, particularly in regard to keeping working hours to an appropriate level and helping employees maintain good health. In recognition of these efforts, in 2019 KOSÉ was certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as an excellent corporation that engages in health and productivity management in cooperation with insurers.



Human Resource Development Program

The KOSÉ Group has organized and implemented various types of training and courses in its human resource development program to develop diverse, individual human resources able to play an active role on the global stage.



Developing Global Beauty Professionals

We also emphasize training for Beauty Consultants, who interact most closely with customers, in order to create a group of beauty professionals. In fiscal 2014, we promoted contract employees to regular employee status, and in fiscal 2015, we switched to a practice of hiring new graduates as regular employees rather than contract employees. For mid-career hires, we introduced an exam-based promotion system, with more than 100 Beauty Consultants passing the test each year. As a result of these measures, the proportion of Beauty Consultants who are regular employees has risen to about 90%. In addition, we run a program for Beauty Consultants that gives them the option to change branches and continue their careers in different locations nationwide. Concurrently, our in-house recruitment system enables Beauty Consultants to take on the challenge of working in other roles within the Company. These efforts expand career path options and enhance job satisfaction.

Seeking to improve the technical skills of Beauty Consultants, in fiscal 2014 we complemented an existing training and instruction program with our distinctive KOSÉ Makeup Lesson Examination, which has been approved by Japan's Ministry of Health, Labour and Welfare. The examination contributes to enhancing skills and spurs motivation. It consists of Level Two for base makeup, for which all Beauty Consultants in Japan are eligible, and Level One for makeup highlights, which can be taken by those who pass Level Two. Since the examination was introduced, more than 1,200 Beauty Consultants have passed one of the levels. In the future, we aim to have all Beauty Consultants obtain these qualifications as a preparatory job skill.

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 that KOSÉ is synonymous with quality.

▶ Carrying On Our Founder’s Commitment to Bringing KOSÉ Quality to the World

Kozaburo Kobayashi, who founded KOSÉ in 1946, believed the Company had a duty to develop products of superior quality that would make consumers happy. Amid persistent supply shortages in the postwar years, KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet was able to take pride in being known by 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 our Manufacturing Department won a Deming Prize.¹ In the 1990s, we adopted ISO 9001 international quality standards as well as a cosmetics GMP²-compliant management system in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide, and KOSÉ’s own production volume has expanded considerably to meet demand. We have started operation of a new manufacturing facility at the Gunma

Factory and are increasing production capacity at the Sayama Factory and Kumagaya Factory of ALBION CO., LTD. In addition, we plan to establish the Minami Alps Factory (provisional name) as a new production base. We will proactively enhance our 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
2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Product inspection process



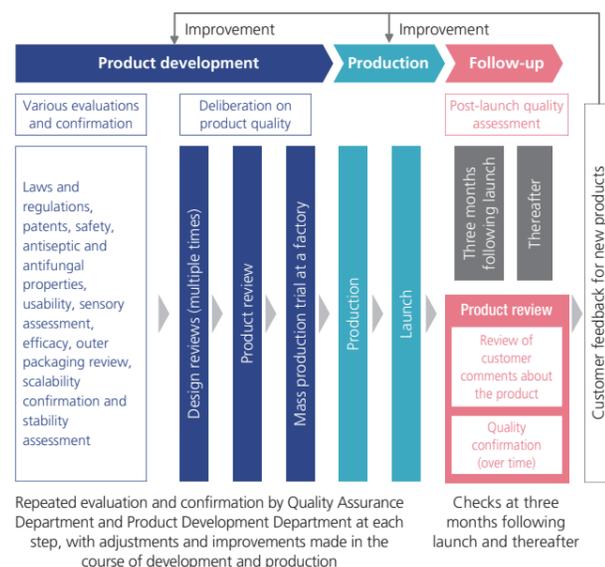
New manufacturing facility at the Gunma Factory

▶ Building a Framework That Prioritizes Peace of Mind and Safety While Valuing Innovation

Because cosmetics come in direct contact with the skin and hair, to ensure that customers can use our products with peace of mind, we prioritize safety in the development of new products through rigorous and repeated evaluations in line with the highest 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 various conditions in which they are expected to be used. 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 new products. This system enables us to rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and imaginative approaches. Furthermore, while giving the highest priority to safety, we develop our cosmetics, including quasi-drugs, under a policy of using testing methods that do not involve animals.

▶ For details: <https://www.kose.co.jp/company/en/sustainability/customer/>

Quality Assurance in the KOSÉ Group’s New Product Development



Customer’s Perspective

We promote engagement to be “closer to our customers” so that they are truly satisfied with every one of our cosmetics. The entire KOSÉ Group takes a thoroughgoing stance of delivering the value customers demand from their perspective.

▶ Our Declaration of Consumer Orientation: “Closer to Our Customers”

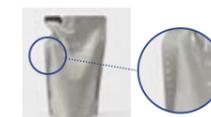
The KOSÉ Group established the slogan “Closer to Our Customers” for internal use and in April 2018 announced its Declaration of Consumer Orientation. It signifies that each employee thoroughly adopts an approach of taking the viewpoint of customers to deliver cosmetics with value, and has been in use since it was set forth as the basic policy of KOSÉ’s medium-term management plan for fiscal 2011. We intend to step up our efforts to further advance a customer viewpoint in the activities of all departments.

We strive to communicate information to our customers in an appropriate and timely matter through shops and websites. Knowledge stored at our Customer Service Center is shared throughout the KOSÉ Group, including affiliated companies, and is used by various departments.

To promptly utilize the valuable opinions and comments of our customers, we share them throughout the Company in real time using the Smile Data System. The content is aggregated, analyzed and regularly reported to the relevant departments,

which use it to improve products and services, thus heightening customer satisfaction.

Examples of Improvements Utilizing Customer Feedback



Notches in the refill pouch make it easy to tell that it contains shampoo.



Labelling on the outer box clearly identifies the different types of SEKKISEI, making it easier to select the desired product.

▶ Note: Declaration of Consumer Orientation

<https://www.kose.co.jp/company/ja/info/customer-oriented/> (Japanese only)



▶ “Closer to Our Customers”: The KOSÉ Beauty Platform Concept

Through the online Maison KOSÉ website, various social media and campaign websites and its concept store Maison KOSÉ, which opened in December 2019, KOSÉ is making progress with its original beauty platform concept for omnidirectional connections with customers. Using this concept, which involves

new types of communication that merge the digital world with real in-store experiences, we are exploring the potential of next-generation beauty experiences as we work to create connections with customers in both physical and digital formats.

The KOSÉ Beauty Platform Concept



Messages from External Directors

Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its business partners. While fulfilling our responsibilities as a member of the global community, we work with our business partners to promote sustainability for a better future for people and the global environment.

▶ Promoting Sustainability in the Supply Chain

We conduct sustainable, socially and environmentally responsible procurement for raw materials in line with our Basic Procurement Policy. We promote detailed information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to track environment-oriented responses and respect for human rights.

KOSÉ's Basic Procurement Policy

1. Quality and safety assurance

Our procurement activities are implemented in line with the "KOSÉ Quality Policy," with the highest priority on quality and safety.

2. Fair and unbiased competition

We offer opportunities for fair and equitable competition to all suppliers, regardless of scale, both in Japan and abroad. Procurement decisions are made in a fair manner based on a comprehensive consideration of quality, price, delivery times, supply capacity, management stability and other factors.

3. Compliance with laws, regulations and social norms

In our CSR-compliant procurement practices, we comply with laws, regulations and social norms of different countries and regions, and give due consideration to the conservation of resources and the global environment, safety, human rights, and other factors in order to fulfill our social responsibility.

4. Co-existence and co-prosperity

Our aim is to ensure the ongoing development of both our suppliers and ourselves by building mutual understanding and trust through our procurement activities.

5. Assurance of information security

Confidential information and personal information related to procurement activities are strictly protected.

Emphasizing a Sense of Partnership with Suppliers

KOSÉ holds a policy meeting with its suppliers once a year to explain the KOSÉ Group's policies, business plan and purchasing policy. A party is also held at this event to show our gratitude and to recognize those suppliers who have contributed significantly to our success, particularly to our business results, improved quality and environmental considerations. In fiscal 2019, we welcomed participants from nearly 100 domestic and international suppliers, including those providing us with raw materials and fragrances, other materials, OEM services and various production work. We asked suppliers to continue to be good partners in our ongoing pursuit of higher quality and sustainability. To assist the increasing number of participants from abroad, interpreters are deployed during the event to provide simultaneous translation.



Disclosure of Guidelines for Suppliers

The KOSÉ Group places great importance on its relationships of trust with its partners in the supply chain, and aims to grow and develop together with them. In November 2019, we established and disclosed our Guidelines for Suppliers to gain their cooperation on items to be considered for social responsibility and the environment. With these guidelines, we have implemented highly transparent supply chain management. Furthermore, in our procurement we also respect the United Nations Global Compact and other laws and regulations, and comply with our Basic Procurement Policy and Guidelines for Suppliers.

▶ For details: <https://www.kose.co.jp/company/en/info/procurement/>



Yukino Kikuma

Director (External)

▶ KOSÉ's Social Responsibilities as a Publicly Traded Corporation

Having served as an external director for two years, I feel very strongly that KOSÉ is proactive in rapidly incorporating what is good for the Company.

With COVID-19 a serious issue worldwide, corporate responsibilities to society are becoming greater. It is important for a corporation to return profits to its shareholders. However, it is also a matter of great importance for KOSÉ to consider how it can contribute to this society in which not only its shareholders, but also its customers, affiliates, employees and other stakeholders live, and to show it can act quickly. If a company cannot fulfill its responsibility to society, it does not deserve to survive.

COVID-19 has changed the way people live. Flexibility, agility and leadership will be required to deal with this new world. I want KOSÉ to continue taking on challenges unafraid of change. As an external director, my approach will be to always analyze risks appropriately in considering how to achieve this objective, and then to provide support for implementation.



Norika Yuasa

Director (External)

▶ Unique Sustainability

Sustainability—considering the limits of the global environment in corporate activities—has gained traction as an important concept in recent years. KOSÉ's VISION 2026 also promotes strategies for sustainability.

KOSÉ is imbued with a spirit that cherishes the ideas of its founder and a desire to take care of its employees, its products and above all, its customers. KOSÉ's true worth lies in going beyond caring for its customers to take good care of its entire value chain, and of the Earth itself—that is what sustainability is all about. I expect KOSÉ to put its unique qualities to work to develop original, sustainable businesses.

Japan is a country with distinctive qualities. I feel that KOSÉ is peerless among Japanese companies in possessing so many of those qualities, including an affinity for sustainability. As an external director, I hope to be of assistance in the global development of KOSÉ as a company representing Japan on the world stage.