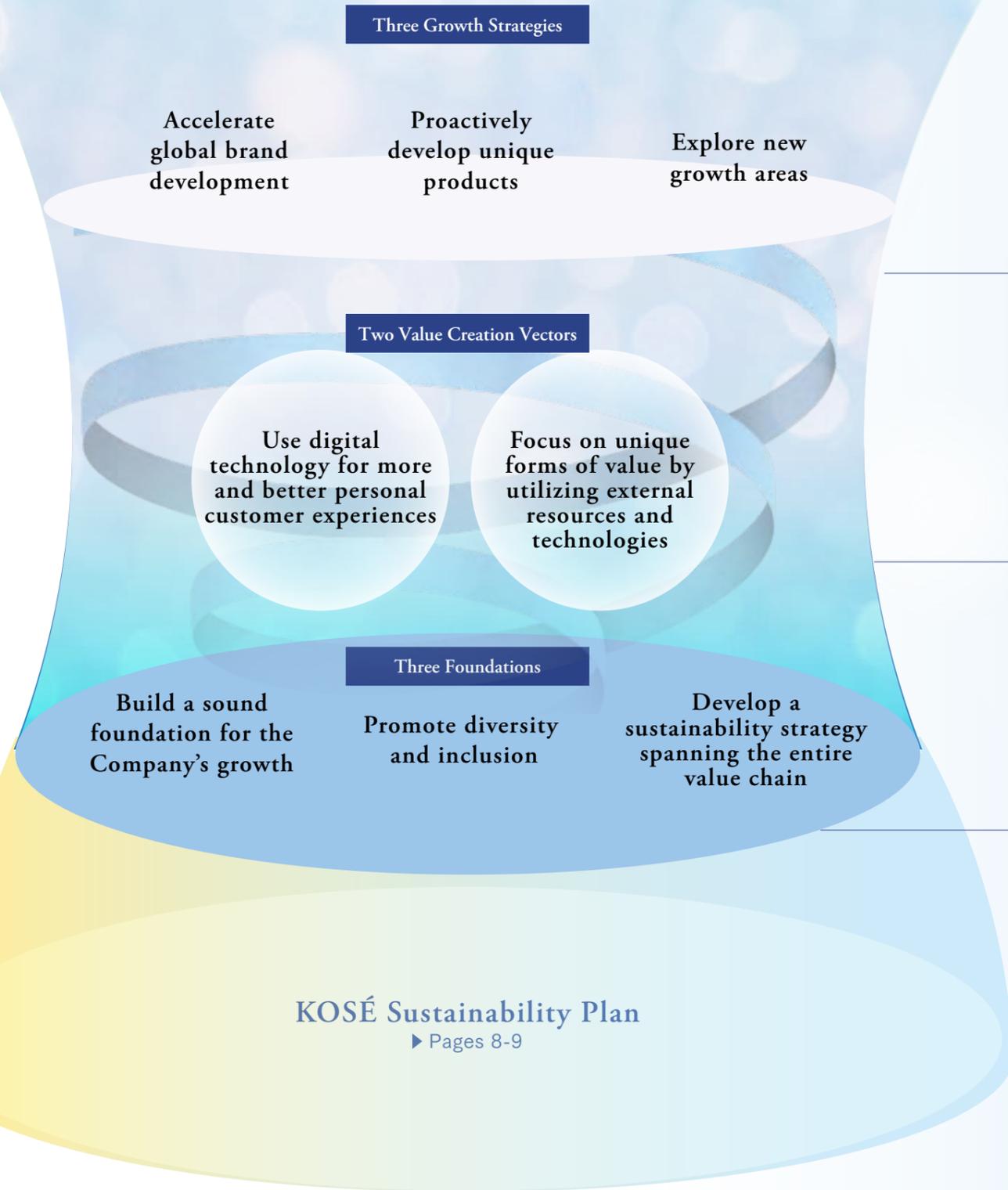


Overview of Growth Strategies

By incorporating a perspective of sustainability in all activities for VISION 2026, the KOSÉ Group will grow its business as it helps to achieve a sustainable society.

VISION 2026 Basic Strategies



Fiscal 2020 Progress and Initiatives Going Forward

Three Growth Strategies	
Fiscal 2020 Progress	Fiscal 2021 Initiatives
<ul style="list-style-type: none"> Conducted rebranding of <i>SEKKISEI</i> Developed functional cosmetics adapted to mask-wearing <i>Carté HD</i> created a market by providing medicinal value 	<ul style="list-style-type: none"> Make strategic investments in the growing Chinese and travel retail markets Expand the presence of global brands
Two Value Creation Vectors	
<ul style="list-style-type: none"> Provided beauty attractions and digital experiences at Maison KOSÉ Collaborated with companies in other industries (blueqat, Sunshine Delight, Casio, Panasonic) 	<ul style="list-style-type: none"> Provide new value in customer service through an online counseling system Utilize external resources and technologies in manufacturing
Three Foundations	
<ul style="list-style-type: none"> Carried out organizational changes to strengthen the sales infrastructure in Japan Promoted digital transformation in marketing 	<ul style="list-style-type: none"> Build a sustainable production system including the Minami Alps Factory Invest resources in growth areas in conjunction with improved human productivity

Sustainability Initiatives

	Fiscal 2020 Progress	Fiscal 2021 Initiatives
For People	<ul style="list-style-type: none"> Codified adaptability concept Formulated systems for diverse work styles Received external recognition for promoting women's participation and advancement in the workforce 	<ul style="list-style-type: none"> Start development of products and services based on adaptability Conduct in-house training on diversity and inclusion, respect for human rights and other topics
For the Earth	<ul style="list-style-type: none"> Procured renewable energy as a climate change countermeasure Revised CO₂ emissions reduction targets and acquired international certification Conducted various resource recycling measures including container collection 	<ul style="list-style-type: none"> Conduct scenario analysis in line with TCFD recommendations and disclose information on business risks and opportunities from climate change Reduce volume of waste and promote resource recycling measures

Strategies by Region

Japan

- Review**
 - Used the COVID-19 pandemic as an opportunity to conduct reforms and made meaningful investments
 - Created unique value in cooperation with Milbon Co., Ltd. and Maruho Co., Ltd.
 - Growth in the e-commerce channel as people voluntarily refrained from going out
- Key Initiatives**
 - Rapid recovery of mainstay brands
 - Reinforce domestic sales infrastructure to prepare for a full-scale recovery

Sales in Japan



Strategies Going Forward

Despite uncertainty, we forecast a gradual recovery in the Japanese economy. In the third quarter of fiscal 2020, *DECORTÉ* and *ALBION* made a rapid recovery in the specialty cosmetics store channel, and fourth-quarter sales at department stores also rebounded. We aim to improve profitability by continuing to reinforce our sales infrastructure to prepare for a full-scale recovery.

E-commerce sales were strong in fiscal 2020, due in part to the COVID-19 pandemic, and we will continue to make strategic investments in this area in fiscal 2021 and thereafter. In addition to existing e-commerce sites for *Maison KOSÉ*, *ADDICTION* and *JILL STUART*, an official *SEKKISEI* online shop opened on April 13, 2021. We aim to communicate and spread understanding of brand value by projecting brand strategies through these sites.

In addition, the *KOSÉ* e-commerce platform we launched on April 20, 2021 has been introduced primarily in the specialty cosmetics store channel, while *DECORTÉ* can also be purchased online. We plan to expand the platform's functions and are promoting introduction at more locations.

We will provide new value in customer service by offering more personalized customer experiences both in the digital world and in physical stores by building new lines of communication through online counseling, among other measures.

For our domestic sales infrastructure, we will work to reinforce our business foundation through measures including promoting the *KOSÉ* e-commerce platform, establishing a new operating structure and wide-area organizational structure, and facilitating diverse work styles among our Beauty Consultants.

In May 2021, we rebranded the *FASIO* makeup brand, making it our first effort for a rapid recovery of mainstay brands that faced tough conditions during the COVID-19 pandemic. We will make further advances in product performance for the brand, which primarily targets women in their twenties, for a major transformation and evolution into a brand that faithfully conveys the user's individuality and unique appeal.



New *DECORTÉ* fragrance series *KIMONO*



The *FASIO* brand faithfully conveys the user's individuality

Highlights

Carté HD Addresses Market Needs and Improves Customer Quality of Life

A high-performance skin care brand launched in September 2020, *Carté HD* brings together the technologies and expertise of *KOSÉ* and *Maruho Co., Ltd.* for a new approach to skin care that utilizes the sensuous value of cosmetics and the functional value of medicinal products. The lineup includes lotions and emulsions with high moisturizing performance to provide total, meticulous care for each customer's symptoms, concerns and everyday skin condition. The brand name, derived from the phrase "à la carte," reflects its purpose of providing skin care tailored to specific customer concerns.



Carté HD high-performance skin care line

Asia

- Review**
 - Substantial growth centered on e-commerce and travel retail in China
- Key Initiatives**
 - DECORTÉ*: Further expansion of presence in China
 - Tarte*: Advance into China through cross-border e-commerce
 - Rollout of new travel retail counters

Sales in Asia



Strategies Going Forward

The Asian market grew substantially in fiscal 2020, centered on e-commerce and travel retail, as economic activity returned to normal in China, where COVID-19 was suppressed at an early stage. In the rest of the region, conditions remain severe although sales have bottomed out.

We have been working to expand our presence in the Greater China market and will continue our focus there as a pillar of our growth strategy. Specifically, we have set our sights on China and the travel retail market, and we will revamp a portion of our portfolio of flagship global brands as we invest proactively for further growth.

Specific measures for fiscal 2021 will include stepping up our rollouts at department stores of *DECORTÉ* and *SEKKISEI* as

well as *KOSÉ* global sales counters that feature *INFINITY*. In the travel retail business, in addition to increasing the number of counters for *DECORTÉ* and *SEKKISEI* on Hainan Island and in cities, we plan to open a retail outlet for *ALBION* on Hainan Island.

We rebranded and relaunched *SEKKISEI* in September 2020 as a sustainable brand, and will step up our rollout of the *SEKKISEI CLEAR WELLNESS* series as a "clean products" brand at Sephora outlets. Together with *SEKKISEI MIYABI*—the *ne plus ultra* of the lineup—and the current *SEKKISEI*, the new series will enhance the brand's presence and added value.

E-commerce rollouts for both *DECORTÉ* and *ALBION* will focus on Tmall.com. We also plan to open a flagship store on

Tmall in August 2021, featuring *INFINITY*, *ONE BY KOSÉ* and other prestige KOSÉ brands. In addition, we plan to begin sales

of *Tarte* in China through cross-border e-commerce with the aim of maximizing the demand we attract in China.



SEKKISEI CLEAR WELLNESS series

Rollout in China (as of December 31, 2020)

	DECORTÉ	ALBION	SEKKISEI	ADDICTION	KOSÉ
Department stores* and others	38	9	11		74 (including 6 global sales counters)
Online	Tmall (focused rollout)	Started sales on Tmall in fiscal 2020	Tmall, JD.com and others	Tmall Global	
Travel retail*	Hainan Island: 8 Cities: 16		Cities: 2		

Plan for Fiscal 2021

	DECORTÉ	ALBION	SEKKISEI	ADDICTION	KOSÉ
Department stores* and others	Up to 50	Focused rollout at prominent stores	Up to 15 (increase sales at Sephora outlets as a "clean products" brand)		74 (including 12 global sales counters)
Online	Tmall (focused rollout)	Tmall (focused full-scale rollout)	Tmall, JD.com and others	Tmall Global	Plan to open flagship prestige KOSÉ store on Tmall in August 2021
Travel retail*	Hainan Island: About 11 Cities: 17 or more	Start sales on Hainan Island	Hainan Island: 1 Cities: 2		

* Number of counters

Highlights

Stepping Up Sales of *DECORTÉ* in the Global Market

DECORTÉ celebrated its 50th anniversary in December 2020. The brand is currently sold in 14 countries and regions including China, which is driving sales. For the 50th anniversary, we positioned *DECORTÉ* at the core of KOSÉ's high-prestige strategy in the global market under the brand message "Embrace your true beauty" with the aim of gaining the support of affluent customers worldwide who seek high added value.



U.S. actor Brie Larson, the *DECORTÉ* brand muse

North America & Others

Review

- E-commerce sales grew substantially
- Almost all stores that had temporarily closed due to the pandemic reopened and sales began recovering

Key Initiatives

- Develop new sales channels for *Tarte* in the United States
- Expand the sales network for *Tarte* in Europe

Sales in North America & Others



Strategies Going Forward

In fiscal 2020, e-commerce sales in North America and other markets were strong, but a second wave of COVID-19 infections forced many stores to close temporarily or shorten their business hours, which had a significant impact on business performance.

In fiscal 2021, the spread of infection is slowing in the United States and personal consumption is recovering, supported by the government's economic measures and by vaccinations.



splash into SEA must haves set

We will continue to aim for further growth for *Tarte* through its e-commerce site *tarte.com* as well as retailers and the 24-hour TV shopping channel QVC.

We will also continue to expand the sales network for *Tarte* in fiscal 2021 and beyond. Specifically, we aim to grow by expanding distribution in the United States and selling products at more Sephora outlets in Europe. In addition, we intend to accelerate growth by focusing on the skin care category, among other measures, to further enhance our global presence.



tartelette™ in bloom clay palette

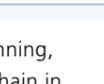
Progress of the KOSÉ Sustainability Plan

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

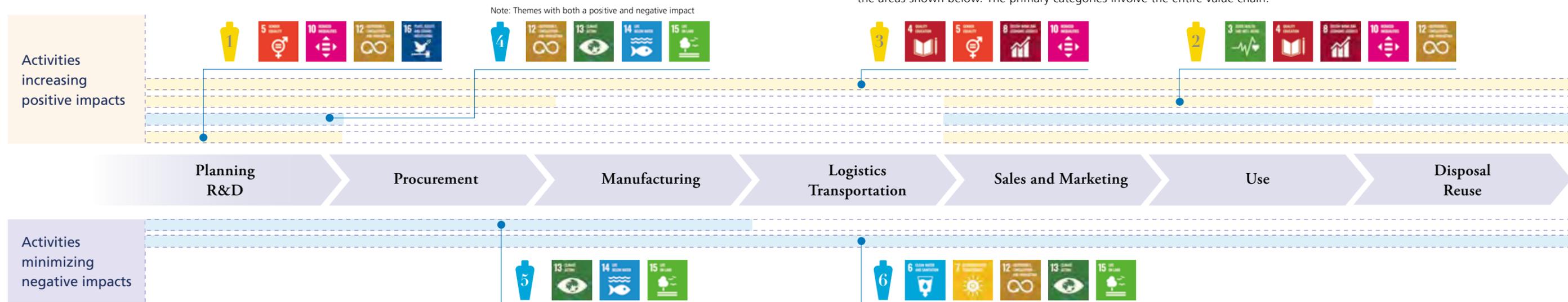
For People: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2020 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2020 Progress	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"> Defined three concepts of adaptability Established "Adaptability∞" ("Adaptability Eight") Carried out specific activities for individual products and services 	
 Support for a beautiful, healthy and happy life	Implementation of specific activities	30 activities or more	2030	<ul style="list-style-type: none"> Conducted demonstration trial for establishing the habit of applying sunscreen from early childhood Supported sports through participation in professional dance league Launched KOSÉ Maruho Pharma Co., Ltd. products Supported medical professionals and care workers 	
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> Promoted purchase of certified sustainable palm oil (RSPO* Credits through Book and Claim model) <small>* Roundtable on Sustainable Palm Oil</small>	
 Help create a world with true gender equality	Gender equality awareness	100,000 people or more	2030	<ul style="list-style-type: none"> Launched "KOSÉ IKUPAPA Support System," to encourage male employees to take paternal leave Conducted seminars for building career awareness Provided tuition support (scholarships) at a girls' junior high school in Tanzania and commemorative gifts to graduates (SEKKISEI) 	

For the Earth: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2020 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2020 Progress	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"> Promoted the SEKKISEI SAVE the BLUE project 	
	Increase in awareness of environmental issues through products and services	10 million people or more	2030	<ul style="list-style-type: none"> Activities involving the SEKKISEI brand Provided shopping baskets made from recycled marine plastic under the SEKKISEI brand 	
 Environmental programs in areas where KOSÉ operates	Local community environmental conservation activities	20 activities or more	2030	<ul style="list-style-type: none"> Environmental conservation activities at overseas sites Cleanup activities in communities where KOSÉ production bases are located 	
 Lower the overall environmental impact of business operations	Reduce SCOPE 1 and 2 CO ₂ emissions	-35% (target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> Switched all purchased electricity at Gunma Factory to electricity from renewable energy sources Conducted fundamental review of number of sales vehicles used 	
	Reduce SCOPE 3 CO ₂ emissions	-30%	2030	<ul style="list-style-type: none"> Began collection of used product containers 	
	Sustainability-conscious design for plastic packaging materials	100%	2030	<ul style="list-style-type: none"> Began use of biomass plastic in SEKKISEI CLEAR WELLNESS Reduced use of plastic containers 	
	Reduce use of water resources through responsible practices	-12% (Production units vs. 2018)	2030	<ul style="list-style-type: none"> Promoted the 3 Rs (reduce, reuse, recycle) for water resources 	
	Responsible waste reduction/recycling	20 activities or more	2030	<ul style="list-style-type: none"> Repurposed trial-run cosmetics for making paint Began collection of used product containers 	
	Non-recyclable waste	0%	2025	<ul style="list-style-type: none"> Assessed Company-wide waste situation at production bases 	
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> Promoted purchase of certified sustainable palm oil (RSPO Credits through Book and Claim model) 	

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.



For People

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” while 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 tone and hair color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully.

Our Three Concepts of Adaptability

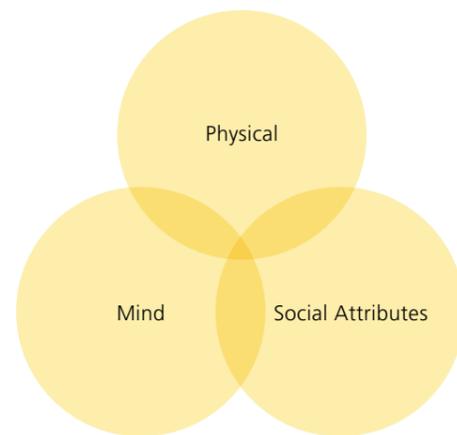
To become even closer to customers around the world, the KOSÉ Group has summarized its global and universal approach to customers in one word: adaptability. Adaptability in our products and services enables customers to experience beauty in the best way for them. At the core of such adaptability is embracing diversity—in other words, being a source of beauty for everyone, as stated in VISION 2026.

Our approach is based on three concepts for describing the diversity at the core of our adaptability, and we are carrying out initiatives for each. The first is “physical.” We create value tailored to the physical attributes of each individual, such as gender, biological sex, age, and skin and hair type. The second is “mind.” We create value that respects diverse ideas, beliefs and gender identities, and it is not confined to specific ideas or values. The third is “social attributes.” We create value from social and global perspectives that transcend race, language and country.

Based on these three concepts, we have established eight initiatives. These are 1) Excluding no one, 2) Blending diverse cultures, 3) Adapted to all skin and hair types, 4) User-friendly and simple, 5) Unfettered by gender, 6) Respectful expression, 7) Harmonizing with personal beliefs, and 8) Transcending age

constraints. We call these themes “Adaptability∞” (“Adaptability Eight”). We will focus on these key concepts as the basis of the value we create in our activities and initiatives as we develop and provide products in our dedication to being a source of beauty for everyone.

Our Three Concepts of Adaptability



Eight Initiatives

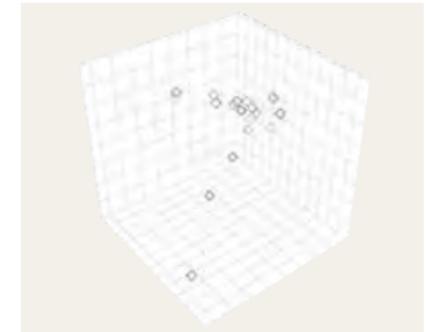
Adaptability ∞

-  Excluding no one
-  User-friendly and simple
-  Harmonizing with personal beliefs
-  Blending diverse cultures
-  Unfettered by gender
-  Transcending age constraints
-  Adapted to all skin and hair types
-  Respectful expression

Developing Foundation to Bring Out the Beauty in Each Individual's Skin

Foundation development at the Makeup Product Development Laboratories of KOSÉ Product Development Laboratory is one example of product design tailored to various skin tones and types, and is based on the latest global skin tone research.

Latent needs are shifting away from foundations that simply match skin tone toward those that achieve each individual's ideal look and complement the person's natural skin tone and texture. KOSÉ's unique perspective came from noticing that the same skin tone could appear dramatically different depending on ambient light and lighting. This led us to begin research focusing on the relationship between skin tone and light. First, to capture the characteristics of diverse skin tones around the world, we gathered data on the optical properties of the skin of approximately 700 people, and used statistical analysis to group skin tones/types with similar optical properties. At this stage, we found that the skin concerns of people with similar skin characteristics were often similar, so we analyzed the optical properties that made skin tone/type look beautiful within each group. In addition to this approach, we studied preferences and conducted sensitivity research to better understand what kind of finished appearance and ideal look customers from around the world desire. Based on the insights we obtained, we are developing technologies for foundation that will bring out the beauty in each individual's skin.



Data map of optical properties of skin



Interview to investigate tonal preferences

Examples of Adaptability Initiatives in Products

Braille Packaging

KOSÉ Cosmeport Corp. has adopted universal design including Braille labels, to make products that are more user-friendly for everyone, starting with people with visual impairments. In fiscal 2020, we launched disinfectant products with Braille labelling.



Genderless Concept *Magnifique*

KOSÉ Cosmeport has introduced a new genderless concept brand that goes beyond conventional ideas of gender, while still being based on high-quality standards that come from ongoing research into women's beauty.



Use of Universal Design Font

For descriptions on the outer packaging of products, primarily KOSÉ's prestige brands, we switched to a font and font size that are easier for anyone to read, thus enhancing usability for all customers.*

* Introduced for certain new products released September 2020 or later



Please visit our website for information about our adaptability initiatives.

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

2 Support for a Beautiful, Healthy and Happy Life

The achievement of health and happiness is one of life's fundamental goals. KOSÉ's efforts to support this goal reflect our consideration 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, promoting health awareness through support for sports, raising the awareness of the next generation and promoting responsible procurement that includes respect for human rights.

Education on UV Protection in Preschool Facilities

According to the World Health Organization, roughly half of an average person's lifelong exposure to ultraviolet radiation from the sun comes before the age of 18. To establish and promote the habit of applying sunscreen from early childhood, we are therefore collaborating on a project to protect beauty and health from UV rays based on a proposal from Sunshine Delight, Inc. that was chosen by the KOSÉ Accelerator Program* in fiscal 2019.

In Japan, clear understanding of UV protection from early childhood is not widespread, and adequate conditions for practicing sun safety are not well established. Proper UV protection beginning in early childhood can help prevent future skin problems. According to a questionnaire survey of 500 parents and guardians conducted by KOSÉ, 86% said that if sunscreen were available in preschool facilities, they would want their children to use it. Based on these comments and the opinions of nursery teachers, we produced educational materials to help children learn the importance of sun safety, and collaborated with Sunshine Delight to develop a gentle-formula sunscreen in a large-volume pump bottle. A demonstration trial conducted in fiscal 2020 confirmed that the use of educational tools such as songs and picture books was effective in getting children to adopt the habit of applying sunscreen themselves. Therefore, we made the decision to start a full-fledged business introducing educational materials and sunscreen as a set for preschool facilities.

This kind of sun protection awareness program for preschools helps teach the importance of using sunscreen, and encourages and supports children in practicing sun safety for themselves. At the same time, we will actively work to create new value that contributes to solving future skin problem issues.

* A program that solicits ideas and technologies from startup companies with the aim of creating new value. Under the program, participants from startup companies and employees of KOSÉ recruited via the Link in-house venture system, form collaborative teams to take on the challenge of new businesses.



Awareness-raising activities at a preschool

Preventing the Spread of COVID-19 Free Distribution of Alcohol-Containing Hand Sanitizer to Preschools

As part of our measures to prevent the spread of COVID-19, we provided alcohol-based hand sanitizer free of charge to preschools. Starting April 2020, we provided more than 30,000 bottles of hand sanitizer through Childsha Co., Ltd., which does business with many preschools, enabling nursery teachers and children to help prevent the spread of infection.

We will continue to take various measures to prevent the spread of COVID-19 and respond quickly to the changing pandemic situation.



Alcohol-containing hand sanitizer

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 Initiatives at KOSÉ

Workplaces in which employees can work energetically and in their own way are tied to the vitality of the whole company. Therefore, we offer flexible work arrangements to accommodate the life events of individual employees, regardless of gender, and have established workplace environments that empower all employees to perform to their full potential.

■ Career Planning Seminar to Help Employees Be Who They Want to Be

Proactively designing a career plan is important for employees to realize their aspirations and to become who they want to be. To help in that process, we conducted a career planning seminar focused on mid-level female employees that is aimed at cultivating employees who act independently from a management perspective, with external director Yukino Kikuma as a lecturer. By encouraging employees to look at their careers from new angles and fostering the awareness and climate for them to build their own careers and grow, we will cultivate people who build experience and succeed while planning for their future career positions.

We conduct a wide range of programs, including training designed to build motivation, seminars on the importance of diversity in the workplace and career plan development, and promote people to leadership positions based on appropriate employee evaluations.



More than 800 employees participated in the career planning seminar, online or in-person

■ Introduction of "KOSÉ IKUPAPA Support System" for Men

We believe that active participation in childcare by fathers is important for both fathers and mothers to be active in the workplace. So, in addition to supporting female employees, we have introduced a paternal leave system. In FY2020, the "KOSÉ IKUPAPA Support System," which is a system to support fathers of newborn babies, was introduced to encourage male employees to take paternal leave. In order to raise awareness among employees and their superiors, KOSÉ provides individual support, such as advice on how to use the system, and provides support grants to male employees taking paternal leave.



KOSÉ's support system for childcare leave for men is aimed at promoting equality of participation by men and women both at home and in the workplace.

Please visit our website for information about other diversity and inclusion initiatives.

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



For the Earth

4 Use the Theme of Beauty to Help Solve Environmental Issues

It is important to us to provide all kinds of value related to beauty through our business activities, beyond just cosmetic products 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 such as the *SEKKISEI* brand, with beauty as the central theme. 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 under the theme of beauty.

Rebranding of *SEKKISEI* to Incorporate Sustainability

At KOSÉ, we believe that showing consideration for the environment in the products we provide is not only important, but that it also provides an opportunity to increase customer awareness of environmental issues. That is why our development makes a conscious effort to address various environmental issues from the product design stage. *SEKKISEI* recently underwent its first rebranding since its launch 35 years ago, and for the new *CLEAR WELLNESS* product series, we incorporated many sustainability-related elements. Specifically, we made changes to containers and packaging materials that will contribute to reduced CO₂ emissions. These changes include adopting biomass plastic containers, reducing plastic usage in packaging materials, and discontinuing the use of clear plastic film on outer packaging. For outer packaging, we began using corrugated cardboard, which has a recycling rate above 90% in Japan. Furthermore, for the

printing on products, we adopted biomass ink, which is more biodegradable and thus has less environmental impact, and on outer packaging, we have adopted the universal design font that we have selected for use throughout KOSÉ. We replaced package inserts and pamphlets with QR codes that link to digital versions. We will continue to broaden our sustainability promotion activities¹ with *SEKKISEI* as the representative brand driving those activities.



Outer packaging made of corrugated cardboard

1. KOSÉ Sustainability Plan (announced in April 2020) https://www.kose.co.jp/company/en/content/uploads/2021/05/210430_kose_sustainability_plan_EN.ver4_.pdf

Promoting Recycling with Plastic Container Collection Program

To help reduce the use of plastic, an issue of international concern, we are also focusing our efforts on collection and recycling of used containers. With *SEKKISEI*, we will expand the *SEKKISEI* Earth Beauty Program,² a plastic container collection program. Customers can support the program by depositing used KOSÉ brand skin-care containers³ into an original collection box.⁴ For recycling, we partner in a collection program operated by TerraCycle Japan in which collection partners earn redeemable points according to the amount collected. We donate our points to SeaSeed, a partner of the *SEKKISEI* SAVE the BLUE project, to cover the cost of growing corals in Okinawa, thereby helping to protect the natural environment. Through this recycling program, we are helping to take care of valuable finite resources and contribute even more to the realization of a sustainable circular economy. In the future, we will consider expanding this program internationally.

In addition, we are a partner in the Loop circular shopping platform operated by Loop Japan. We are currently developing a reusable cosmetics container, and aim to begin sales using the Loop platform.

2. Name changed from *SEKKISEI* Recycling Program (August 2020)
3. Plastic containers only
4. In KOSÉ sales areas of 33 AEON and AEON Style stores throughout Japan



Original collection box

Environmental Conservation Activities through the *SEKKISEI* SAVE the BLUE Project

KOSÉ is conducting the *SEKKISEI* SAVE the BLUE project, which focuses on environmental conservation and awareness-raising activities. In this project, we donate a portion of sales from selected *SEKKISEI* brand products purchased by customers during seasonal campaigns to environmental conservation efforts. Since 2009, funds from the summer campaign have been donated to a coral-planting program in Okinawa, and in 2018, the tenth year of the project, we also launched a winter campaign to fund forest conservation activities in the Tohoku region, further developing this as a project to protect our blue planet. Globally, we are developing activities in nine countries and regions⁵ that are based on the unique features of each area.

5. China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States



Fiscal 2021 campaign poster

Summer Campaign

Fiscal 2020 Number of corals planted: 636
Area: 3,878,493 sq. cm (approx. 1.03 times the area of a regulation-size short-course 25-meter pool)

Fiscal 2009-2020 total Number of corals planted: 17,978
Area: 109,072,619 sq. cm (approx. 29.0 times the area of a regulation-size short-course 25-meter pool)

Winter Campaign

Fiscal 2020 Donated a portion of sales to fund tree planting
Note: Tree planting was not done due to the COVID-19 pandemic.

Fiscal 2018-2020 total Number of trees planted: 418

From Cosmetics to Paint: Recycling Initiatives

In the quality control process, some cosmetic products never reach the market. For that reason, we are supporting a cosmetics recycling business conducted by MĀNGATA Corporation, a company that creates new value and enjoyment through initiatives such as making paint from unused or unwanted cosmetics. As a cosmetics company that creates beauty for people, KOSÉ supports the establishment of systems such as this one for repurposing cosmetics that are no longer useful, and sharing the importance of sustainable resource use with the general public.



Paints made from recycled cosmetics

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 manufacture products or offer services, and to give back to those regions. We strive to protect the environment and work in partnership with stakeholders in the regions where KOSÉ operates.

Overseas Environmental Conservation and Donation Activities

The *SEKKISEI* SAVE the BLUE project, which KOSÉ initiated in Japan in 2009, was expanded to various other countries and regions starting in 2011. For a limited time each year, we donate a portion of sales from selected *SEKKISEI* products to environmental conservation programs according to the needs of each area. Employees of local subsidiaries also participate in activities such as tree planting and removing marine plastic from beaches.*

* In 2020, employees refrained from participating in activities due to the COVID-19 pandemic.



Environmental activities overseas (2019)

China	We donate a portion of sales from selected products to NPO-Green Life to cover the costs of desert greening in Inner Mongolia.	Thailand	We donate a portion of sales from selected products to the Marine and Coastal Resources Research and Development Center, Eastern Gulf of Thailand to help protect sea turtles and preserve coral reefs around Koh Mannai, Rayong Province.
Taiwan	We donate a portion of sales from selected products to Taiwan Eco-Angel Environment Conservation Association to cover the costs of coral cultivation.	Singapore	We donate a portion of sales from selected products to the charity Garden City Fund to cover coral reef conservation costs.
Hong Kong	In support of a coral planting project in Okinawa, Japan, we donate a portion of sales from selected products to cover the costs of coral cultivation.	Malaysia	We donate a portion of sales from selected products to the NGO Reef Check Malaysia for conservation of coral reefs off Terengganu.
South Korea	In cooperation with Tree Planet, an NPO that provides forest-building services, we plan to carry out “ <i>SEKKISEI</i> forest-building” at Noeul Park (Sunset Park) in Seoul, and will continue to support tree planting activities.	Indonesia	Charitable activities were not carried out in 2020 due to COVID-19.
		United States	We donate a portion of sales from selected products to the Coral Reef Alliance, an NGO.

Environmental Conservation Activities around Production Bases in Japan

In Japan, we are actively engaged in environmental conservation activities around production bases. Reflecting the importance we place on harmony with local communities, production departments carry out cleanup activities every month. We will continue this cleanup program to help beautify communities and conserve the environment as part of our overall contribution to society.



Cleanup activities

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. We are now accelerating our initiatives to respond to the particularly pressing issue of climate change.

Initiatives to Address Climate Change

The KOSÉ Group conducted a material analysis of sustainability-related issues. As a result, in the KOSÉ Sustainability Plan, we positioned addressing the environment and climate change as an essential management issue in our efforts to drive business growth while helping achieve a sustainable society. In October 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and joined the TCFD Consortium, an organization of Japanese companies and other institutions that support the TCFD recommendations.

Based on the TCFD recommendations, we will disclose information to stakeholders on the business risks and opportunities caused by climate change from the four perspectives of governance, strategy, risk management and indexes/goals. We will also continue to make Group-wide efforts to reduce CO₂ emissions.

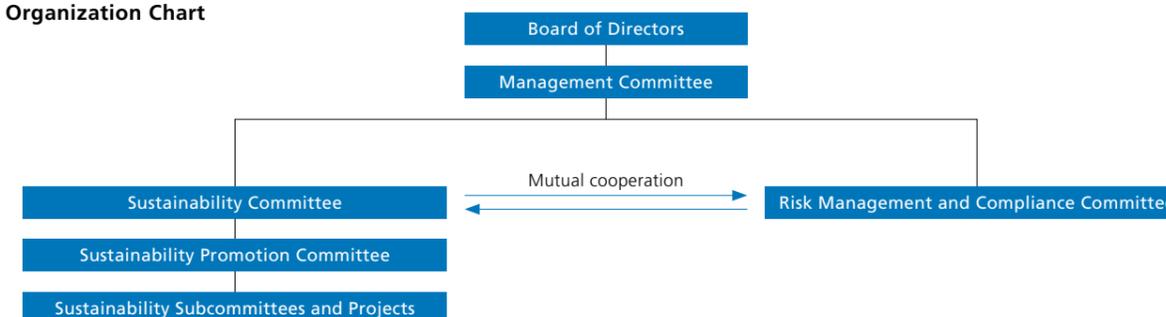


Governance and Risk Management

The KOSÉ Group views sustainability-related issues as management issues, and has established a system for promoting solutions to such issues. Specifically, we established the Sustainability Committee chaired by the President & CEO. This committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. As chairperson, the President & CEO is also responsible for evaluation and monitoring related to climate change. In addition, in fiscal 2020 we established subcommittees and projects for CO₂ emission reduction and other individual themes to promote more effective cross-departmental activities.

For organizational risks related to climate change, the Risk Management and Compliance Committee is in charge of enterprise risk management and leads the identification and assessment of risks at the corporate level. Among them we have made climate change an essential factor in our consideration of energy usage, CO₂ emissions, water consumption, and waste water. We take into account climate change-related physical risks in many areas of planning, including in our business continuity plan. The Sustainability Committee and the Risk Management and Compliance Committee are monitoring climate change-related issues based on these frameworks.

Organization Chart



■ Strategy (Scenario Analysis)

The KOSÉ Group is conducting scenario analysis in accordance with the TCFD recommendations to examine the transition risks and physical risks associated with climate change. In this analysis, companies evaluate the financial impact of climate change under the TCFD's scenarios of a 2°C and a 4°C rise in average global temperatures, and disclose information on their initiatives. We are also using the TCFD scenarios as a reference in examining business strategies to realize the KOSÉ Group's envisioned future for society and the planet. In the scenario analysis, we identify risks and opportunities in procurement

and demand for our products and services not just in the short term, but also with a medium-to-long-term view toward 2030 and beyond, based on the KOSÉ Sustainability Plan, which outlines the Group's sustainability initiatives and targets to achieve by 2030. We then prioritize and evaluate important factors. Furthermore, of these factors, we identify those with the greatest physical and transition impact as a measure for evaluating the potential impact of climate change on the KOSÉ Group. We also analyze the degree of financial impact of risks and opportunities.

■ Specific Activities

At the Gunma Factory, one of our main production facilities, we switched all of the electricity we purchase to electricity from renewable energy sources from January 2021. Over a full year, this will be equivalent to approximately 23% of the amount of greenhouse gas emissions from energy and purchased electricity at all KOSÉ Group locations, using fiscal 2018 as the base year.

At KOSÉ SALES CO., LTD., we are promoting car sharing to reduce the number of sales vehicles used. We also conducted a fundamental review of sales operations, and are taking steps to achieve further reductions.



KOSÉ Gunma Factory

The KOSÉ Group's Risks and Opportunities

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

* —: minimal impact +: some impact ++: substantial impact

■ Indicators and Targets

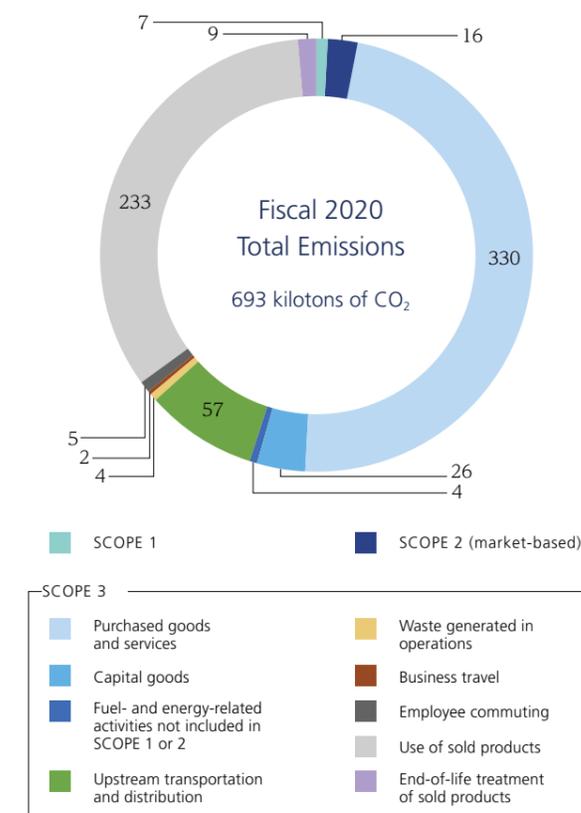
Based on the results of the scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO₂ emission reduction in its operations to contribute to keeping the rise in average atmospheric temperatures within 2°C.

Accordingly, we set targets for the reduction of CO₂ greenhouse gas emissions as one of the activity themes in the KOSÉ Sustainability Plan, because CO₂ is a greenhouse gas that the KOSÉ Group is likely to emit. In March 2021, we revised the reduction target for CO₂ emissions from the energy we use and from generation of the electricity we purchase (SCOPE 1 and 2) to 35% from 28%, and set a new target of a 30% reduction for emissions across the value chain (SCOPE 3) (both targets vs. fiscal 2018). Each has been approved as a Science Based Target by the international Science Based Targets initiative.

The KOSÉ Group is now carrying out ambitious initiatives to curb CO₂ emissions with a broad perspective, from our own business activities to the entire value chain.

We remain dedicated to taking effective action on climate change and a range of other social issues, and thereby help realize a healthy future for the Earth in which everyone can live with peace of mind.

Breakdown of 2020 Greenhouse Gas Emissions by SCOPE (Kilotons of CO₂)



Note: See For the Earth: Environmental KPIs on page 61 for a detailed breakdown.

See the following section of the KOSÉ website for information disclosed in accordance with TCFD recommendations.

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

See the following section of the KOSÉ website for other initiatives to reduce our environmental impact.

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