

Last Update: November 11, 2024

KOSÉ Corporation

Representative: Kazutoshi Kobayashi, President & CEO

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Stock Code: 4922

<https://corp.kose.co.jp/en/>

The corporate governance of KOSÉ Corporation (“KOSÉ” or the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The nucleus of the KOSÉ Group’s management policy is “consistently managing to heighten corporate value” by pursuing growth and greater efficiency. The Group recognizes corporate governance functions as essential from the standpoint of managing business operations to consistently increase its enterprise value, and positions corporate governance as one of its highest management priorities. Accordingly, the Group is working on establishing the necessary organizational systems and frameworks to ensure sound management and consistently earn the trust of society.

KOSÉ believes strongly in managing the Group so as to maintain harmonious relations with all stakeholders, including shareholders, investors, creditors, customers, business partners, employees and communities.

Furthermore, KOSÉ is committed to enhancing transparency and fairness to earn the support as a company with value. The Company strives to communicate sincerely with its stakeholders and considers building trust-based relationships to be fundamental.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

As of March 28, 2024, KOSÉ complied with every principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

All of the General Principles, Principles, and Supplementary Principles, including items to be disclosed in line with all principles of the Corporate Governance Code, are listed at the end of this report as “KOSÉ Activities Concerning Principles of the Corporate Governance Code.”

Action to Implement Management that Is Conscious of Cost of Capital and Stock Price (English disclosure available) (Update: November 11, 2024)

KOSÉ has established a medium to long-term vision called Vision for Lifelong Beauty Partner-Milestone2030 that is based on its cost of capital. The targeted performance indicators of the vision are the operating profit margin, EBITDA margin and ROIC. Information about this vision and these indicators is provided at financial results meetings and on the KOSÉ website. In particular, ROIC is a new performance indicator that was added when the medium to long-term vision was announced in November 2024. The aim is to use capital more efficiently by making businesses more profitable and using invested capital more efficiently.

In addition, in order to achieve sustainable growth and increase corporate value over the medium to long term, we will allocate management resources to such areas by reviewing our business portfolio and investing in facilities, R&D and human resources.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Kazutoshi Kobayashi	6,429,900	11.27
Takao Kobayashi	6,347,460	11.12
Masanori Kobayashi	6,243,389	10.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,262,800	9.22
Kazuo Kobayashi	1,926,888	3.38
Custody Bank of Japan, Ltd. (Trust Account)	1,599,226	2.80
JP Morgan Chase Bank 385632	1,561,458	2.74
KOSÉ Cosmetology Research Foundation	1,279,655	2.24
Yasukiyo Kobayashi	1,253,018	2.20
State Street Bank and Trust Company 505223	1,196,713	2.10

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

A Large Shareholding Report that became available for public inspection on June 22, 2023 stated that Massachusetts Financial Services Company and its joint holder, MFS Investment Management K.K. owned the Company's stock as follows on June 15, 2023. These companies are not included in this list of major shareholders because the Company was unable to confirm the number of shares effectively held by them as of December 31, 2023.

The contents of the Large Shareholding Report are as follows.

Name/Company Name	Number of Share Certificates, etc. Owned (Thousand shares)	Percentage (%)
Massachusetts Financial Services Company	2,987	4.93
MFS Investment Management K.K.	88	0.15

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	December
Type of Business	Chemistry
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1,000 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	12
Election of External Directors	Yes
Number of External Directors	4
Number of Independent Directors	4

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukino Kikuma	Attorney												
Norika Yuasa	Attorney												
Miwa Suto	From other company												
Kumi Kobayashi	Certified public accountant												

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yukino Kikuma	○	Important concurrent positions <ul style="list-style-type: none"> • Managing Partner, Matsuo & Kosugi • Outside Director and Audit & Supervisory Committee Member, Takihyo Co., Ltd. • Outside Director, ALCONIX CORPORATION • Outside Director, KITZ CORPORATION • External Director, Money Forward, Inc. 	Ms. Yukino Kikuma has advanced expertise as an attorney and extensive knowledge regarding corporate legal affairs and corporate compliance in particular. In addition, she appropriately furnishes guidance and advice regarding management of the Company from a broad-based perspective, drawing on her abundance of experience in relation to mass media. The Company expects her to use her broad knowledge and insight for guidance and advice for management reforms involving sustainability and diversity. Furthermore, the Company believes that there is no concern of Ms. Kikuma having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Norika Yuasa	○	Important concurrent positions <ul style="list-style-type: none"> • Partner, Miura & Partners • Outside Audit & Supervisory Board Member, TOKYO ELECTRON DEVICE LIMITED • Outside Director, SAINT-CARE HOLDING CORPORATION 	Ms. Norika Yuasa has advanced expertise as an attorney that includes Japan as well as Asia, Europe and the United States. She has used this knowledge to provide suitable guidance and advice concerning the Company's management from many perspectives. The Company believes that she will supervise and give comments and advice on KOSÉ's global strategies from the standpoint of an attorney. Furthermore, the Company believes that there is no concern of Ms. Yuasa having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Miwa Suto	○	Important concurrent positions <ul style="list-style-type: none"> • Managing Director, PLANETPLAN, Inc. • Outside Director, KATITAS Co., Ltd. • Outside Director, KANDENKO CO., LTD. • Outside Director, ASICS Corporation 	Ms. Miwa Suto has a high level of specialized knowledge in marketing and extensive experience in investing in and nurturing venture companies. She also has experience in providing management support and human resources development support for major local companies. In addition, Ms. Suto has advanced professional knowledge and abundant insight as a certified public accountant. The Company expects her to oversee the management of the Company and provide advice concerning many subjects. Furthermore, the Company believes that there is no concern of Ms. Suto having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.

Kumi Kobayashi	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> • Representative Partner, Kobayashi CPA Office • Representative Director, Tokyo Athletes Office, Inc. • Director, SPOKACHI, Inc. • Outside Audit & Supervisory Board Member, ITOCHU Corporation 	<p>Ms. Kumi Kobayashi has advanced expertise in accounting and finance as a certified public accountant and has amassed extensive professional experience both in Japan and abroad. Also, she has advanced knowledge of the operation of M&A and corporate finance, The Company expects her to provide oversight and advice that will increase the effectiveness of the Board of Directors based on her diverse experience and expertise. Furthermore, the Company believes that there is no concern of Ms. Kobayashi having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Committee	Nomination & Remuneration Committee
All Committee Members	8	8
Full-time Members	0	0
Inside Directors	2	2
External Directors	4	4
External Experts	0	0
Other	2	2
Chairperson	External Director	External Director

Supplementary Explanations

The Nomination & Remuneration Committee examines proposals concerning nominations, remuneration and other matters that are submitted by the President to the Board of Directors. This committee exists for the purposes of reinforcing the independence, objectivity and accountability of activities by the Board of Directors concerning nominations, remuneration and other matters involving the Directors, Audit & Supervisory Board Members and executive officers. Committee members classified as "Other" are External Audit & Supervisory Board Members.

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

For coordination between the Company's Audit & Supervisory Board Members and accounting auditor, the Company provides for the appropriate exchange of information and opinions through reporting regarding the annual account auditing plan, the auditing conduct report following the settlement of accounts, reports on the results of a review of quarterly financial statements, and the internal control auditing report.

For coordination with internal audit departments, the Audit Office submits and explains the content of the annual internal audit plan to full-time Audit & Supervisory Board Members. The Audit Office submits copies of and reports to the full-time Audit & Supervisory Board Members on the internal audit results report and internal control report, which the office also submits and reports on to the President. The External Audit & Supervisory Board Members receive content reports and explanations from the full-time Audit & Supervisory Board Members at meetings of the Audit & Supervisory Board. In addition, members of internal audit departments and the Audit & Supervisory Board hold meetings on a regular basis to share information and exchange opinions.

Election of External Audit & Supervisory Board Members	Yes
Number of External Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toru Miyama	Attorney													
Nobuko Takagi	Certified public accountant													

* Categories for "Relationship with the Company"

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Toru Miyama	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> • Managing Partner, Miyama Law Office • Outside Auditor, Ozu Corporation • Outside Director (Audit & Supervisory Committee Member), RICOH LEASING COMPANY, LTD. 	<p>Mr. Toru Miyama has highly specialized knowledge as an attorney and has deep insight particularly in corporate legal affairs. He also has considerable knowledge concerning corporate compliance and risk management, and the Company judges that he will provide guidance and advice to management properly using an independent and objective standpoint. Furthermore, the Company believes that there is no concern of Mr. Miyama having a conflict of interest with general shareholders and has accordingly designated him an Independent Audit & Supervisory Board Member.</p>
Nobuko Takagi	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> • Representative Director, COEING AND COMPANY Inc. • Representative, Nobuko Takagi Certified Public Accountants' Office • Outside Director, USS Co., Ltd. • Outside Director, Audit and Supervisory Committee Member, SMS Co., Ltd. 	<p>Ms. Nobuko Takagi is a certified public accountant with experience in accounting audits, planning and promoting management strategies at M&A advisory companies and business companies. She currently manages her own consulting company, where she provides assistance and advice in a position close to senior executives. The Company judges that she will provide an appropriate guidance and advice based on her experience of providing advice concerning management strategies, financial analysis expertise and corporate management experience. Furthermore, the Company believes that there is no concern of Ms. Takagi having a conflict of interest with general shareholders and has accordingly designated her an Independent Audit & Supervisory Board Member.</p>

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	6
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Matters relating to Independent Directors/Audit & Supervisory Board Members

All External Directors/Audit & Supervisory Board Members who qualify as Independent Directors/Audit & Supervisory Board Members are designated as such.

[Incentives]

Incentive Policies for Directors	Performance-linked remuneration
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Supplementary Explanation

The incentive policies for Directors are disclosed in this report in “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods.”

Recipients of Stock Options

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation

The Company discloses total remuneration in its securities reports and convocation notices of General Meetings of Shareholders. Remuneration of individual Directors is disclosed in securities reports only for Directors who receive total remuneration on a consolidated basis of at least ¥100 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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1. Basic policy for officer remuneration

For the remuneration of the Company's Directors and Audit & Supervisory Board Members (officer remuneration), the basic policy is designed and implemented based on the following goals in order to achieve medium to long-term growth of corporate value.

- A remuneration framework that enables the KOSÉ Group to achieve global and borderless growth
- An appropriately competitive level of remuneration for attracting and retaining highly talented individuals
- A highly independent, objective and transparent remuneration framework that is able to fulfill the responsibility of providing explanations to business partners, customers, shareholders, employees and all other stakeholders

2. Remuneration level

A suitable level of remuneration is determined by taking into account KOSÉ's business climate as well as a survey and analysis using external databases and other sources of remuneration at companies in the same industry and of the same size.

At the 65th General Meeting of Shareholders that was held on June 28, 2007, shareholders approved a resolution that limits the annual compensation of Directors to ¥1,800 million (excluding employee salaries and bonuses paid to Directors who serve concurrently as employees).

3. Composition of remuneration

a. Directors (excluding External Directors)

The remuneration of KOSÉ Directors (excluding External Directors) consists of basic remuneration and performance-based remuneration linked to results of operations, the stock price or other items. The purpose is to increase the motivation of these Directors to achieve short, medium and long-term performance targets

and the sustained growth of corporate value. The performance-linked remuneration consists of bonuses and stock remuneration.

Stock remuneration, in which eligible Directors receive KOSÉ common stock, uses a new specified restricted stock scheme that started in the fiscal year ended in March 2021. Every year, eligible Directors receive KOSÉ common stock that cannot be sold for a designated period and has other restrictions. These Directors are allowed to sell the stock after they are no longer KOSÉ Directors.

Remuneration for Directors does not include employee salaries and bonuses paid to Directors who are also employees of KOSÉ.

1) Remuneration categories

[Basic Remuneration]

Basic remuneration is fixed monthly remuneration that is paid every month and based on the executive position and roles of each Director.

[Bonuses]

Bonuses are paid as an incentive for improving the company performance in a specific fiscal year.

The performance of Directors is evaluated based on consolidated sales and operating profit, which are the key performance indicators in the medium and long-term vision, sales and operating profit in the business sectors supervised by each Director, and non-financial indicators such as employee engagement, etc. The amount of bonus varies from 0% to 200% of the standard amount depending on the degree of goal achievement. for the year.

In general, the evaluation ratio for the indicators related to sales and operating profit are approximately 50% each.

[Stock remuneration]

Every year, eligible Directors receive KOSÉ common stock that cannot be sold for a designated period. These Directors are allowed to sell the stock after they are no longer KOSÉ Directors.

The price of KOSÉ common stock is used for evaluations for the purposes of further motivating Directors to achieve medium to long-term growth of corporate value and to further align the interests of Directors with those of shareholders.

There is no target for this indicator because it is the stock price

2) Composition of remuneration

The composition of remuneration for the Representative Director and President is as follows.

Basic remuneration:	65%
Bonuses:	25%
Stock remuneration:	10%

For Directors other than the President, the policy is to reduce the percentage of the basic remuneration as the executive position of the Director becomes higher and to increase the weightings of bonuses and stock remuneration.

To achieve medium to long-term and sustained growth, KOSÉ plans to periodically reexamine the weighting of remuneration with emphasis on a review of stock remuneration.

b. External Directors

External Directors receive only fixed basic remuneration because these Directors are responsible for overseeing management from an independent standpoint. External Directors do not receive bonuses or stock remuneration linked to results of operations.

c. Audit & Supervisory Board Members

Audit & Supervisory Board Members receive only fixed basic remuneration given their duties and do not receive bonuses or stock remuneration. The amount of basic remuneration for each Audit & Supervisory Board Member is determined by the mutual agreement of these members and by comprehensively taking into consideration the details, amount and degree of difficulty, and responsibilities concerning these members' duties.

4. Processes for determining remuneration

The policy for determining the remuneration of individual Directors is determined by a resolution of the Board of Directors.

At the General Meeting of Shareholders, separate resolutions for officer remuneration for Directors and Audit & Supervisory Board Members are determined and submitted to shareholders for approval. Each officer receives remuneration allocated within the total allowed for the corresponding officer classification. To ensure the objectivity and transparency of the officer remuneration system, the validity and suitability of the allocation to each Director are first discussed by the Nomination & Remuneration Committee, which is composed primarily of External Directors and External Audit & Supervisory Board Members. Using the results of these discussions as the premise for remuneration, the final decisions about individual remuneration are entrusted by a resolution of the Board of Directors to the President and Representative Director. The Representative Director has the authority to determine for each Director the basic remuneration and the bonus and stock remuneration based on results of operations of the business overseen by each Director. The Representative Director is given this authority because, as the executive who oversees all business operations, the Representative Director is best suited for evaluating the business units managed by each Director. Remuneration of Audit & Supervisory Board Members is determined by the mutual agreement of these members.

Remuneration for Directors does not include employee salaries and bonuses paid to Directors who are also employees of KOSÉ. The limit for total annual remuneration for Directors is ¥1,800 million in accordance with a resolution approved at the 65th General Meeting of Shareholders held on June 28, 2007. There were 10 Directors at the close of this shareholders meeting. At the same shareholders meeting, a resolution was approved that limits total annual remuneration for Audit & Supervisory Board Members to ¥120 million. There were four Audit & Supervisory Board Members at the close of this shareholders meeting.

At the 78th General Meeting of Shareholders held on June 26, 2020, shareholders approved a resolution to establish an annual limit of 100,000 shares for restricted stock granted to Directors (excluding External Directors) as part of the limit for total annual remuneration for Directors. There were seven Directors (excluding External Directors) at the close of this shareholders meeting.

For remuneration linked to the consolidated sales target in the fiscal year that ended in December 2023, the consolidated sales were ¥300,406 million, 98.5% of the target of ¥305,000 million, and consolidated operating profit was ¥15,985 million, 76.1% of the target of ¥21,000 million.

At the General Meeting of Shareholders, separate resolutions for officer remuneration for Directors and Audit & Supervisory Board Members (“officers”) are determined and submitted to shareholders for approval. Each officer receives remuneration allocated within the total allowed for the corresponding officer classification. To ensure the objectivity and transparency of the allocation of remuneration to individual officers, the suitability of individual remuneration was discussed on March 6, 2023 by the Nomination & Remuneration Committee, which consists primarily of External Directors and External Audit & Supervisory Board Members. On March 30, 2023, the Board of Directors approved a resolution authorizing the President and Representative Director to determine individual remuneration. Remuneration of Audit & Supervisory Board Members is determined by the mutual agreement of these members.

As of the date the Securities Report for the fiscal year that ended in December 2023 was submitted, there were 12 Directors and four Audit & Supervisory Board Members who were eligible to receive this remuneration. On May 25, 2020, the KOSÉ Board of Directors approved a resolution to terminate the retirement benefit system for Directors and other officers.

[Supporting System for External Directors and/or Audit & Supervisory Board Members]

The General Administration Department serves as the secretariat for calling meetings of the Board of Directors, the Audit & Supervisory Board and other meetings.

These activities also include, as a rule, the distribution of materials for Board of Directors meetings to all participating Directors and Audit & Supervisory Board Members prior to meetings and the provision of explanations about these materials to External Directors and External Audit & Supervisory Board Members.

[Retired Representative Directors, Presidents, Etc.]

Profile of Senior Advisors, Etc. Who Are Former Representative Directors/Presidents, Etc.

Name	Position	Job responsibilities	Employment terms (Full time or not, remuneration or not)	Date of resignation as president, etc.	Term
Yasukiyo Kobayashi	Honorary Chairman	Advice and other assistance for current management by using his knowledge	Full-time, with remuneration	June 27, 2014	Two years (may be renewed)

Number of senior advisors, etc. who are former representative directors/presidents, etc.	1
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Other Matters

As a former Representative Director of the Company, Mr. Kobayashi has many years of management experience and extensive knowledge of the cosmetics industry. He is Honorary Chairman for the purpose of using his insight to provide a variety of advice to the current management.

Mr. Kobayashi’s remuneration is determined upon consultation by taking into consideration his duties and other factors.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Business Execution

To clarify the scope of management by Directors in the execution of business, the Company employs a small number of Directors to enable swift decision-making. The Company has introduced an executive officer system, under which executive officers appointed by the Board of Directors execute business appropriately for their assigned departments in accordance with the basic management policy determined by the Board of Directors. This structure currently comprises 12 Directors (seven men and five women) and 10 executive officers (eight men and two women), who work proactively on initiatives to enhance management efficiency.

The Company’s Board of Directors meets once each month, in principle, to decide on matters provided in laws and regulations and the Articles of Incorporations and important management-related matters, as well as to supervise the execution of duties by Directors. To deliberate important management-related matters and provide overall control over the execution of business, the Company has established a Management Committee, which is chaired by the President and composed mainly of Directors with specific titles. Furthermore, the Executive Committee meets as necessary to share information about the everyday execution

of business, and meetings of the Strategy Review Meeting are held to consider more specific and detailed matters, thereby facilitating management speed and efficiency.

(2) Auditing

The auditing function is fulfilled by the Audit & Supervisory Board. Audit & Supervisory Board Members participate in meetings of the Board of Directors and other important meetings related to management execution to audit the Board of Directors and the execution function. The current system comprises four Audit & Supervisory Board Members (three men and one woman).

The Audit Office (12 people) exists as an organization independent of departments that execute business and audits overall business activities based on the interim and the annual audit plans. The Audit Office reports the results of internal audits to the President and Audit & Supervisory Board Members, notifies the heads of audited departments and checks the status of improvement.

(3) Selection of Director and Other Candidates

For appointments and dismissals of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members, the Board of Directors makes decisions that take into consideration each individual's character, background, capabilities, knowledge and all other applicable items. For the Board of Directors, the goal is to maintain the balance of knowledge, experience and skills, degree of diversity, including gender and nationality, and size that is optimal for the Company. As for the procedures in appointments and dismissals of senior executives and nominations of candidates for Directors and Audit & Supervisory Board Members, senior management determines proposals and submits these proposals to the Nomination & Remuneration Committee, which is chaired by an Independent External Director and the majority of members are Independent External Directors and External Audit & Supervisory Board Members. The committee submits the results of its discussions to the Board of Directors, which then makes final decisions.

(4) Overview of Liability Limitation Agreements

Based on Article 427, Paragraph 1, of the Companies Act, the Company enters into agreements with its External Directors and External Audit & Supervisory Board Members to limit their liability for damages to the amounts specified in Article 423, Paragraph 1, of the same Act. The minimum liability amounts stipulated in these agreements are those provided under laws and regulations.

(5) Accounting Audit

The accounting auditors hold regular discussions with managers, and exchange applicable information and opinions with the Audit & Supervisory Board Members when auditing reports are submitted. In addition, information concerning summaries of internal audit reports is shared with the accounting auditors. Through this mutual collaboration, the Company is working on executing effective audits. The certified public accountants who performed these services and payments to these certified public accountants in the fiscal year ended December 31, 2023 were as follows.

- Compensation based on audit certification work: ¥98 million (of which portion of consolidated subsidiaries: ¥15 million)
- Compensation based on non-audit work: -
- Name of certified public accountant: Mr. Nobuhiro Watanabe and Mr. Yuto Kobayashi, designated limited liability and engagement partners
- Auditing firm to which above individuals belong: Ernst & Young ShinNihon LLC
- Individuals who assisted with the audit: 10 certified public accountants, 7 successful applicants who have passed the certified public accountant examination, etc. and 16 others

In addition, the Company has a Risk Management and Compliance Committee to ensure that business activities comply with laws and regulations and are fair and ethical. A Compliance Desk is also in place to field consultations and internal reports from the Company's employees. Through organizations such as these, the Company endeavors to preserve a sound operating framework.

3. Reasons for Adoption of Current Corporate Governance System

The Company's Board of Directors operates so that individual Directors and Audit & Supervisory Board Members can voice their opinions unreservedly and serves an effective mutual supervisory function, thereby enhancing the governance function.

The Company has appointed four External Directors and two External Audit & Supervisory Board Members whose interests are not biased toward the interests of certain shareholders and stakeholders. The External Directors provide advice on the execution of business by Directors and monitor and supervise individual Directors. The External Audit & Supervisory Board Members monitor and supervise the execution of business by Directors from the specialized perspectives of certified public accountants and attorneys.

In addition to a system of mutual supervision by business-savvy executives, the Company judges that this system of employing Independent External Directors/Audit & Supervisory Board Members to fulfill auditing and supervisory functions is appropriate, given the content and scale of the Company's business.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company is committed to sending its convocation notices well before meetings. The convocation notice for the 82nd General Meeting of Shareholders (the fiscal year ended December 31, 2023) was sent on March 11, 2024, two days ahead of the statutory deadline. The Company also posted this convocation notice on its website prior to the date on which it was sent (March 6).
Allowing Electronic Exercise of Voting Rights	Shareholders can submit their votes electronically.
Participation in Electronic Voting Platform and Other Measures for Greater Ease of Voting by Institutional Investors	The Electronic Voting Platform operated by ICJ, Inc. is used.
Providing Convocation Notice (summary) in English	The Company provides convocation notices and reference materials in English on its website.

2. IR Activities

	Supplementary Explanations	Presentation by President
Preparation and Announcement of Disclosure Policy	<p>1. Basic Policy KOSÉ discloses information in a fair and transparent manner in accordance with the Financial Instruments and Exchange Act, the timely disclosure rules of securities exchanges and other guidelines. The objective is to maintain long-term relationships rooted in trust with shareholders and investors in Japan and other countries, and all other stakeholders. KOSÉ also discloses information that is not covered by the timely disclosure rules by using the KOSÉ website and other methods in order to ensure the greatest possible fairness.</p> <p>2. Disclosure Methods Methods used to handle and disclose material information about the KOSÉ Group comply with the Rules on the Prevention of Insider Trading established by KOSÉ. (1) Information subject to timely disclosure rules Material information (information about decisions, events, performance and other activities of KOSÉ and its subsidiaries) that must comply with the timely disclosure rules is defined as information about business operations, results of operations and other subjects that has a significant effect on decisions concerning securities investments. KOSÉ discloses this</p>	

	<p>information by using the TDnet (Timely Disclosure Network) of the Tokyo Stock Exchange and, as needed, the KOSÉ website.</p> <p>(2) Material information subject to fair disclosure rules When providing KOSÉ's material business and financial information that has not been disclosed but has a significant effect on investment decisions, KOSÉ discloses this information on its website in accordance with the fair disclosure rules (Article 27-36 of the Financial Instruments and Exchange Act and the Cabinet Office Order on Disclosure of Material Information).</p> <p>However, if information has been released unintentionally, the information will, as a rule, be disclosed to the public immediately.</p> <p>3. Quiet Period KOSÉ designates the period beginning on the day after the end of each quarter and ending on the scheduled earnings announcement date as a quiet period. The purpose is to prevent leaks of information about results of operations and ensure that this information is disclosed fairly. During the quiet period, KOSÉ will not provide any comments or responses to inquiries concerning results of operations. However, information will be disclosed in accordance with the timely disclosure rules if there is an event during the quiet period that requires timely disclosure.</p> <p>4. Forward-looking Statements Information disclosed by KOSÉ may include plans, outlooks, strategies and other forward-looking statements. These statements are based on certain assumptions that were believed to be reasonable at the time the information was disclosed. As these statements incorporate risks and uncertainties, actual results of operations may differ from these plans, outlooks, strategies and other information.</p> <p>Japanese website: https://corp.kose.co.jp/ja/ir/about/disclosure/ English website: https://corp.kose.co.jp/en/ir/about/disclosure/</p>	
Regular Investor Briefings for Individual Investors	IR seminars for individual investors are held one or two times each year (irregularly).	No
Regular Investor Briefings for Analysts and Institutional Investors	<p>The officer in charge of investor relations holds earnings presentations for first and third quarter results of operations and the President and this officer hold earnings presentations for first half and fiscal year results of operations.</p> <p>The President and the officer in charge will hold the small meetings four times each year.</p>	Yes
Regular Investor Briefings for Overseas Investors	The Company participates around four to five times each year in conferences held in Japan that are also attended by overseas investors.	No

	The President and the officer in charge of investor relations will hold an overseas IR once each year.	
Posting of IR Materials on Website	The Company provides quarterly financial reports and other timely disclosure materials, financial information, shareholder newsletters, securities reports, KOSÉ REPORT (integrated report) and earnings presentation materials. Japanese website: https://corp.kose.co.jp/ja/ir/ English website: https://corp.kose.co.jp/en/ir/	
Establishment of Department and/or Manager in Charge of IR	The Company has the IR Department in place.	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	More information about sustainability and other activities is provided in the KOSÉ website and the KOSÉ REPORT. KOSÉ Sustainability website: https://corp.kose.co.jp/en/sustainability/ KOSÉ REPORT: https://corp.kose.co.jp/en/sustainability/report/
Formulation of Policies on Information provided to Stakeholders	The Group has established the Group Code of Conduct, which defines its responsibility as a company for enhancing the transparency of management and business activities to stakeholders and disclosing corporate information accurately and swiftly.
Other	<p>1. Promote diversity, equity and inclusion</p> <p>KOSÉ launched cross-functional “Create a Great place to Work” project that is responsible for activities for developing the skills of people and providing a workplace environment where people can realize their full potential. “Promote diversity, equity and inclusion” is one of the three business foundations of the medium to long-term vision. The objective is to establish a foundation (remuneration and education systems) that enables everyone at the KOSÉ Group to utilize skills as much as possible regardless of gender, age, nationality, life style and other personal characteristics. Creating this infrastructure as well as a corporate culture (mindset) in which people respect each other’s individuality will play a key role in the achievement of the medium to long-term vision.</p> <p>https://corp.kose.co.jp/en/sustainability/diversity/</p> <p>Specific measures to accomplish this goal include offering a larger selection of flexible working styles that match ongoing changes in society and upgrading every employee benefit program.</p> <p>(Recent actions)</p> <ul style="list-style-type: none"> • KOSÉ Father Support System (time off for child care) (since the fiscal year ended March 2021) • Flexible working time system, including hourly paid time off and the termination of core time for flex-work (since the fiscal year ended March 2021)

- Launched KOSÉ’s unique online customer service platform “WEB-BC SYSTEM” to expand the environment in which beauty consultants can play an active role (since the fiscal year ended December 2021)
- Launched the KoCo Being internal website to support diverse work styles (since the fiscal year ended December 2022)
- Established an employee community called Papa Mama Lounge to help all employees in balancing work and life events (since the fiscal year ended December 2023)
- Started the Partnership System to extend personnel systems and employee benefits, such as time off and various allowances for personal or family requirements, to same-sex partners (since the fiscal year ending December 2024)

2. Health and Productivity Management

At KOSÉ, improving the health of our employees is one of our highest priorities. As part of our “health management” practices, we continuously implement initiatives from various perspectives.

In order to aim for sustainable corporate growth through health management, KOSÉ holds a “Health Management Strengthening Project” conference to oversee activities involving the health of employees. This conference is led by the Director responsible for human resources, representatives of KOSÉ Group companies, health insurance organizations, labor unions and industrial healthcare personnel.

<https://corp.kose.co.jp/en/sustainability/newnormal/healthy-management/>

3. A place where people with disabilities can work with others

KOSÉ is dedicated to creating workplaces where people with disabilities can work alongside others as each individual fulfills his or her own role.

ADVANCE Co., Ltd., a KOSÉ manufacturing subsidiary, was the first special company for employing people with disabilities in Japan’s cosmetics industry and only the 25th company of this type among all industries in Japan upon its inception. Individuals with a disability are about half of the people working on the production lines of ADVANCE. The joint activities of people with disabilities and others result in the manufacture of products at exactly the same level as at other KOSÉ manufacturing locations. In addition, individuals with disabilities play an active role in a variety of tasks such as production planning, inspections of finished products, and even transportation of materials used in production and finished products. We continue to work toward a normalization, where all employees can play an active role without discrimination.

<https://corp.kose.co.jp/en/sustainability/newnormal/normalization/>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company has the following internal control structure to ensure that business operations are conducted properly. The Company strives to enhance its internal control structure covering all Group executives and employees and ensure its effectiveness.

[System for ensuring that Directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation]

Meetings of the Board of Directors are held on a regular basis and additionally as needed in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors Regulations, Regulations for Making Decisions and other guidelines. The Directors supervise each other regarding the performance of their duties. The Directors perform their respective duties in accordance with resolutions approved by the Board of Directors and internal regulations.

Audit & Supervisory Board Members perform audits in accordance with the Audit & Supervisory Board Regulations and Audit & Supervisory Board Member Audit Standards to confirm that Directors are performing their duties properly.

The Audit Office performs internal audits of all business operations based on the Internal Audit Regulations. Audits are performed on a regular basis to verify compliance with laws and regulations, the Articles of Incorporation and internal regulations and the suitability of procedures and other activities for conducting business operations. Results of internal audits are reported to the President and the Audit & Supervisory Board Members.

At the Company, compliance encompasses laws and regulations as well as always behaving in a manner that is consistent with social ethics based on the “Mind to follow the right path.”

The compliance structure and compliance activities are based on Risk Management and Compliance Regulations. The Risk Management and Compliance Committee submits a report about these activities on a regular basis to the Board of Directors.

The Compliance Promotion Committee holds seminars and other training programs for Directors and employees.

The Company has internal and external channels for reporting problems. This structure provides a framework for responding to reports from Directors and employees and performing consultations.

[System for the storage and management of information about the performance of Directors’ duties]

Minutes of shareholders meetings and Board of Directors meetings, and important documents and information involving decisions made about business operations are stored and managed properly as stipulated in laws and regulations and internal regulations. Directors and Audit & Supervisory Board Members can see these materials at any time.

The Company has a department that is responsible for the timely disclosure of important information and other disclosure activities. In addition, Directors collect information that should be disclosed in a rapid and comprehensive manner and then, in accordance with laws, regulations and other guidelines, this information is disclosed in an appropriate and timely manner.

[Regulations and systems for the risk management of losses for the Company]

In order to respond to sources of risk, including a broad range of risk factors that pose a threat to the sustainability of the Company’s business operations, particularly problems involving compliance, quality, information security, markets, natural disasters, and other potential risks, the Company has established Risk Management and Compliance Regulations for properly recognizing and managing the risks. Based on these regulations, the Company designates individuals who are responsible for the oversight of individual risk factors and maintains a risk management system.

The Risk Management and Compliance Committee supervises risk management. Discussions and activities of this committee are reported to the Board of Directors on a regular basis. The Risk Management Promotion Committee establishes risk management policies, inspects responses to risk factors and performs follow-up activities, discusses responses to problems that have occurred, and performs other activities for making further improvements to the risk management system.

The Company has established Crisis Management Regulations and has a framework for rapid and appropriate responses in order to minimize the resulting damage in cases where a significant risk occurs.

[System for ensuring that Directors perform their duties efficiently]

The scope of duties, authority and responsibilities of Directors are clearly defined and the Independent External Directors/Audit & Supervisory Board Members provide supervision and oversight. This results in the proper and efficient management of the Group by the Directors.

The Board of Directors Regulations designate important items that should be submitted for decisions or as reports to the Directors for the purpose of operating the Board of Directors efficiently. In addition, the Company has a Management Committee for the purpose of making decisions about business operations efficiently.

The Company uses the executive officer system in order to make decisions about business operations quickly.

[System for ensuring the suitability of business operations of the corporate group consisting of the Company and its subsidiaries]

The Company assigns personnel responsible for the overall management of affiliated companies. Also, as a rule, the Company sends Directors and Audit & Supervisory Board Members to affiliated companies in order to strengthen the Group's governance and monitor the management of these companies.

The personnel responsible for the overall management of affiliated companies requires all subsidiaries to submit reports about their operations, financial condition and other important items in accordance with the Regulations on Management of Affiliated Companies.

In addition, internal audits by the Audit Office include all of the activities of affiliated companies. In accordance with Internal Audit Rules, the Audit Office performs periodic internal audits regarding compliance with laws and regulations, the Articles of Incorporation and internal regulations and the suitability of procedures and other activities for conducting business operations.

[System for ensuring the reliability of financial information]

To ensure the reliability of financial information, the Company establishes and operates internal controls related to financial reporting as prescribed in the Financial Instruments and Exchange Act and other legislation, and evaluates and reports on the effectiveness of these controls on an ongoing basis. Furthermore, the Company quickly takes actions when revisions or improvements are needed for internal controls.

[System for reporting from Directors or employees to Audit & Supervisory Board Members and for other reporting to Audit & Supervisory Board Members]

Directors and executive officers submit periodic reports about the performance of their duties to Audit & Supervisory Board Members. In addition, executives and employees immediately report to Audit & Supervisory Board Members any serious violation of a law or regulation at the Company or a group company or any other serious matter involving compliance. The Company has a system that allows employees to submit directly to Audit & Supervisory Board Members any information about matters that may cause a significant loss to the Company.

[System for ensuring no negative consequences for individuals who submit reports to Audit & Supervisory Board Members]

The Company has regulations concerning compliance and internal reports. In accordance with these regulations, when a Director or employee of the Group makes a compliance violation report, there will be no negative consequences for that individual because of the submission of the report. In addition, information about the individual who submits the report and the contents of the report are handled in accordance with strict rules.

[Other systems for ensuring that audits by the Audit & Supervisory Board Members are performed effectively]
The Audit Office and Audit & Supervisory Board Members exchange information periodically and work together in other ways concerning formulation of an internal auditing plan for each fiscal year, internal audit results and other matters.

The Audit Office and Audit & Supervisory Board Members monitor and verify the status of implementation and operation of these systems.

2. Basic Views on Eliminating Anti-Social Forces

The Company takes a firm stance against anti-social forces, denying any unreasonable requests. The KOSÉ Group Code of Conduct makes a firm declaration in this regard. In addition to companywide initiatives, the Company has a response framework that includes collaboration with the police, attorneys and other specialized outside organizations. The Company and affiliated companies conduct prior examinations of a business partner as necessary and establish clauses for the elimination of anti-social forces in the business contracts with them.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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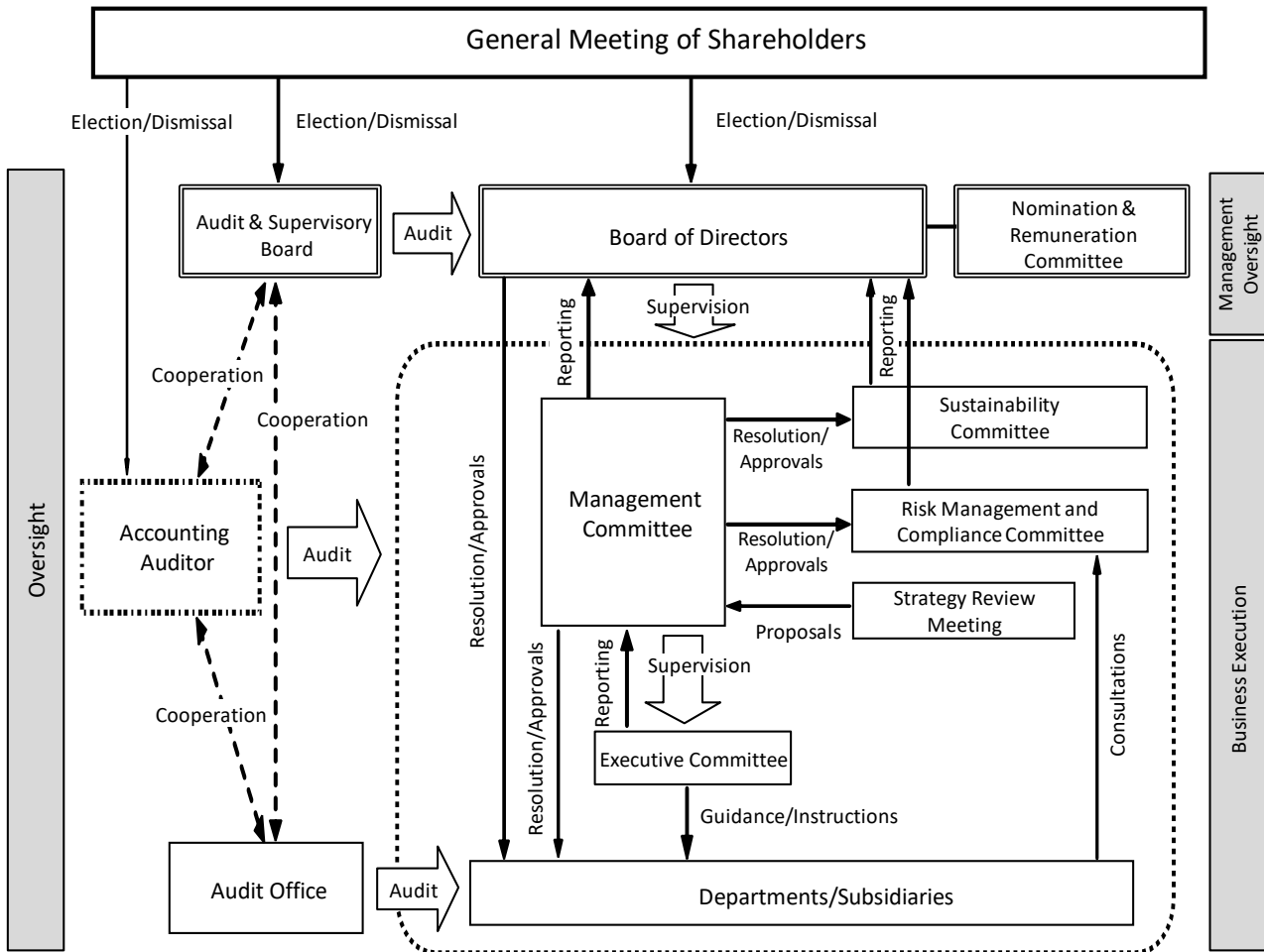
Supplementary Explanation

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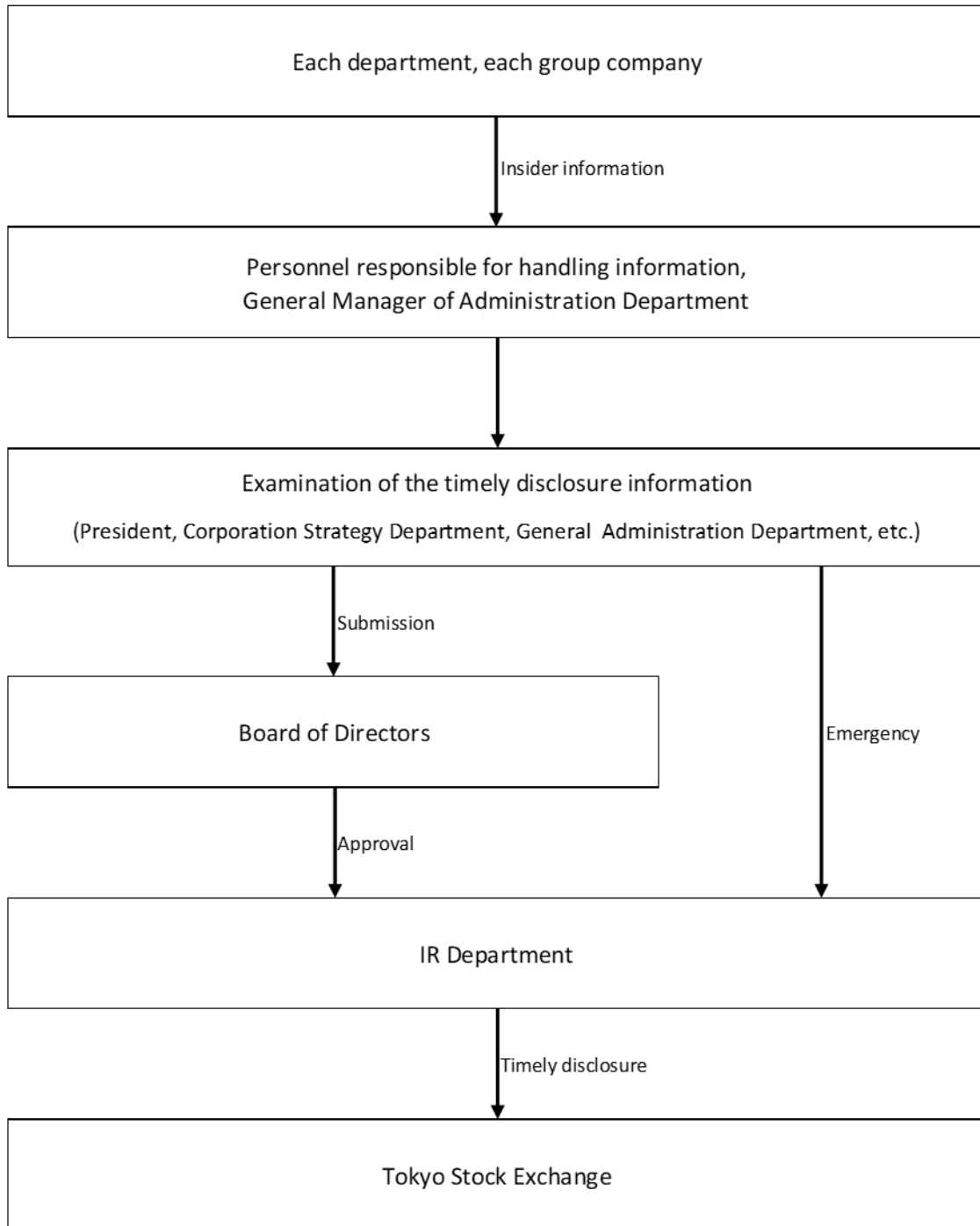
2. Other Matters Concerning Corporate Governance System

<p>The Company has in place the following internal structures related to the appropriate disclosure of corporate information.</p> <p>The Company has formulated rules on handling the insider information of the KOSÉ Group (information about decisions, facts, finances and other important matters) and the internal regulation on trading the Company stock “Rules on the Prevention of Insider Trading.” The Company thoroughly manages such information and strives to prevent insider trading that violates laws and regulations.</p> <p>The Company has in place the following structures for information disclosure.</p> <p>1. Departments and personnel responsible for managing insider information</p> <ul style="list-style-type: none">• Personnel responsible for handling information: Directors and executive officers in charge of information disclosure• Department in charge of information disclosure: IR Department• Department in charge of information management: General Administration Department <p>2. Information management and disclosure processes</p> <ul style="list-style-type: none">• In the event that insider information on the Company or Group companies materializes, this information is reported to personnel responsible for handling information and the general manager of the General Administration Department.• Personnel responsible for handling information discuss with the President and other individuals they deem necessary whether such information corresponds to Corporate Information Required for Timely Disclosure.• If determined as corresponding to Corporate Information Required for Timely Disclosure, personnel responsible for handling information coordinate with the general manager of the General Administration Department to prevent information leaks.• In principle, the publication of information occurs following Board of Directors approval, and information is disclosed by the IR Department in accordance with Securities Listing Regulations formulated by the Tokyo Stock Exchange.

Corporate Governance Organization



Timely Disclosure System



KOSÉ Activities Concerning Principles of the Corporate Governance Code

Section 1: Securing the Rights and Equal Treatment of Shareholders

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

KOSÉ is dedicated to increasing transparency and fairness in order to receive support as a company with value for the purpose of achieving sustained growth and the medium to long-term growth of corporate value. To accomplish this goal, KOSÉ's basic stance is to conduct sincere communications with shareholders and all other stakeholders in order to build relationships based on trust. Based on this policy, KOSÉ maintains an environment that ensures effective equal treatment of all shareholders and the effective assurance of shareholder rights and the suitable exercise of these rights.

Principle 1.1

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

KOSÉ is taking suitable actions to ensure that shareholders can exercise their right to vote at shareholders meetings and to effectively ensure all other rights of shareholders.

Supplementary Principle 1.1.1

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

When there is a significant number of votes in opposition of a proposal that was approved at a shareholders meeting, KOSÉ determines the reason for this opposition and the Board of Directors determines if there is a need for any actions.

Supplementary Principle 1.1.2

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

The KOSÉ Articles of Incorporation delegate certain powers of a shareholders meeting, such as resolutions concerning interim dividends and stock repurchases, to the Board of Directors.

The corporate governance structure reflects the positioning of corporate governance as one of the highest priorities of management. When a proposal is submitted at a shareholders meeting for the delegation of certain powers of the shareholders meeting to the Board of Directors, the proposal is based on the judgment of the Board of Directors that the approval of the proposal would be beneficial to shareholders from the perspectives of the agility and efficiency of management.

Supplementary Principle 1.1.3

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

For rights that are also granted to minority shareholders by the Companies Act, the Share Handling Regulations on the KOSÉ website clearly state the rules and procedures for exercising those rights.

Principle 1.2

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

KOSÉ views shareholders meetings as places for constructive dialogues with shareholders. To supply a sufficient amount of information for these dialogues, shareholder meeting notices include diagrams and other methods to provide explanations in format that is easy to understand, and other measures are used to properly supply information that could be useful for enabling shareholders to make decisions.

In addition, shareholder meeting notices are sent well before meetings and are posted on the Tokyo Stock Exchange website and the KOSÉ website. Shareholders can submit votes using the internet, an electronic voting platform and other channels. These measures create an environment that allows shareholders to exercise their rights at shareholders meetings.

Supplementary Principle 1.2.1

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.

To provide information that is useful for shareholders to make decisions, KOSÉ posts on its website materials for shareholders meetings as well as earnings presentation materials, the KOSÉ Report (integrated report) and other information.

Supplementary Principle 1.2.2

While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.

To give shareholders sufficient time to consider proposals submitted at shareholders meetings, notices of these meetings are sent well before meetings and these notices are disclosed on the Tokyo Stock Exchange website and the KOSÉ website before the notices are sent to shareholders.

Supplementary Principle 1.2.3

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The dates of shareholders meetings are determined by taking into account all applicable factors, such as providing sufficient time for shareholders to reach a decision about proposals and sufficient time for the accounting auditor to

perform an audit of the financial statements. Numerous measures are used to facilitate a constructive dialogue with shareholders, such as sending shareholder notices well before meetings and posting these notices on the KOSÉ website before the notices are sent.

Supplementary Principle 1.2.4

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.

In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

KOSÉ uses an electronic voting service to enable all shareholders to submit their votes with ease. In addition, KOSÉ participates in an electronic voting platform. English language translations of shareholders meeting notices incorporate selected sections of notices and reference documents in consideration of the percentage of voting rights held by foreign investors, the number of voting rights exercised by foreign investors, the wishes of foreign investors and other considerations.

Supplementary Principle 1.2.5

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (shintaku ginko) and/or custodial institutions to consider such possibility.

Only shareholders of record have the right to vote at shareholders meetings. Therefore, as a rule, institutional investors who hold stock in the name of a trust bank or other custodial institutions and other shareholders who do not own their shares directly are not able to attend shareholders meetings or to exercise their voting rights or ask questions at these meetings.

However, if a shareholder who holds KOSÉ stock in the name of a trust bank or other custodial institution asks this institution to request permission to attend a shareholders meeting, KOSÉ will allow the shareholder to attend and audit the meeting.

Principle 1.3 Updated

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

For the effective use of shareholders' equity, KOSÉ's medium to long-term vision includes the operating margin, EBITDA margin and ROIC as performance indicators used as goals.

The policy for shareholder distributions is to use dividends and stock repurchases. The basic policy is to pay a stable dividend while determining the dividend based on the need to maintain sufficient internal reserves for future business expansion, financial position, business conditions, the dividend payout ratio, and all other applicable factors. Stock will be repurchased at suitable times based on opportunities for making investments for growth, the return on capital, the stock price and other items.

Principle 1.4

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the

standards.

Except stock holdings that are solely investments, as a rule, KOSÉ holds the shares of other companies only for business alliances and when there is reason to expect business synergies with the issuing companies. The policy is to reduce all other investments.

Every year, the Board of Directors decides whether to retain or sell cross-shareholdings based on the medium and long-term economic rationality, future prospects, suitability of the purpose and the risk profile of each investment. For assessments of the economic rationality of investments, decisions about whether or not to retain an investment reflect the actual return based on the KOSÉ's cost of capital and business transactions with companies where investments have been made.

With regard to exercising its voting rights on cross-shareholdings, KOSÉ exercises its voting rights appropriately by taking into comprehensive consideration such factors as whether or not the exercise of voting rights will contribute to sustained growth and medium and long-term growth of corporate value, how a voting decision may affect KOSÉ, and all other applicable factors.

Supplementary Principle 1.4.1

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

When a company that holds KOSÉ stock as a cross-shareholding notifies KOSÉ of the desire to sell its KOSÉ stock, KOSÉ consents to the request made by the cross-shareholding company.

Supplementary Principle 1.4.2

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

Transactions with cross-shareholding companies are not conducted randomly but are instead based on qualitative benefits and other considerations. The balance between risk and returns for these transactions is examined periodically.

In addition, irrespective of whether or not a business partner is a cross-shareholding company, the economic justification of transactions is carefully examined to ensure that there are no transactions that are detrimental to the interests of KOSÉ or its shareholders.

Principle 1.5

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

* Kansayaku is translated as Audit & Supervisory Board member in KOSÉ documents

KOSÉ does not have anti-takeover measures and has no plan to establish these measures.

Supplementary Principle 1.5.1

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

If there is a tender offer for the purchase of KOSÉ stock, the Board of Directors will determine how to respond after

considering the interests of shareholders regarding the stance of the party submitting the tender offer. This response will be precisely disclosed to the public and the understanding of shareholders will be requested.

If shareholders decide to accept the tender offer, KOSÉ will take no action to obstruct the right of shareholders to submit their votes.

Principle 1.6

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and kansayaku should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

If KOSÉ takes an action involving capital that results in a change in control or a significant dilution of stock, the Board of Directors and Audit & Supervisory Board members will first thoroughly examine the necessity and justification of this action to protect current shareholders from being unfairly damaged. An appropriate procedure will be used, while reflecting the opinions of the independent external directors and independent external Audit & Supervisory Board members, and shareholders will receive a sufficient explanation.

Principle 1.7

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

Transactions with directors and major shareholders (transactions with related parties) are examined by the Legal Department and other departments involved with the transaction to prevent any negative effects on the interests of KOSÉ and its shareholders due to conflicts of interest. The opinions of external attorneys and other specialists are received as necessary, external directors receive an explanation of the transaction in advance and these directors submit their opinions, and the transaction is examined by the Management Committee. The transaction must then receive the approval of the Board of Directors based on a resolution of the board as specified by the rules of the Board of Directors. Significant items concerning related-party transactions are reported to the Board of Directors and these procedures are used to oversee these transactions.

With regard to transactions between associated companies, KOSÉ establishes reasonable transaction prices, taking into account various factors, including taxation and accounting regulations and standards.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

General Principle 2

Companies should fully recognize that their sustainable growth and the creation of medium to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

KOSÉ believes strongly in managing the Group so as to maintain harmonious relations with all stakeholders, including shareholders, investors, creditors, customers, business partners, employees and communities.

The nucleus of the KOSÉ Group's management policy is "consistently managing to heighten corporate value" by pursuing growth and greater efficiency. To further increase the transparency and fairness of management, KOSÉ has the basic policy of using sincere communications with all stakeholders for the establishment of relationships built on trust.

Principle 2.1

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

KOSÉ has established a management philosophy and action guidelines for compliance with laws and regulations and social guidelines, respect for the human rights of everyone, and remaining a company that earns the support of customers and all others and has a reputation for sincerity.

Principle 2.2

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

KOSÉ has established the KOSÉ Group Action Guidelines and a behavioral charter that all employees shall comply with. Employees receive an action guideline handbook and this information is posted on the KOSÉ website to make employees aware of these guidelines.

Supplementary Principle 2.2.1

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

KOSÉ uses many training programs, internal notifications, its website and other measures to make everyone aware of the importance of complying with the code of conduct.

Reviews are performed by committees or other units that include directors, Audit & Supervisory Board members and executive officers to determine if individuals are observing these standards of behavior.

Principle 2.3 Updated

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

The medium to long-term vision defines core strategies for the KOSÉ Group to maximize corporate value, in terms of both financial and non-financial value, and to contribute to achieving a sustainable society. One is the Sustainability Strategy, which has the goal of creating a better future for people and the global environment.

Supplementary Principle 2.3.1 Updated

The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.

Themes of the Sustainability Strategy encompass the entire life cycle and value chain of products. The strategy covers every step from product planning, R&D and the procurement of raw materials to the disposal of items. KOSÉ has identified value chains that have a particularly significant impact on sustainability and many activities are under way with the aim of medium to long-term growth of corporate value.

The KOSÉ Sustainability Committee examines progress concerning sustainability, determines policies and goals, and provides feedback to business units involved with sustainability activities. This committee is chaired by the president of KOSÉ and includes members of the Board of Directors and executive officers.

Progress regarding the numerical targets in the Sustainability Strategy is announced around April every year on the KOSÉ website.

<https://corp.kose.co.jp/en/sustainability/plan/>

Principle 2.4

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

KOSÉ understands that the diversity of perspectives and values is a valuable strength regarding the ability to grow. Recruiting decisions, reassignments and performance evaluations are conducted based on the capabilities, suitability and accomplishments of individuals and irrespective of gender.

KOSÉ also hires foreigners and mid-career professionals for achieving diversity.

Supplementary Principle 2.4.1 Updated

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

The medium to long-term vision has the goal of taking the KOSÉ Group to a new stage of growth. Ten years after the vision's 2024 announcement, KOSÉ wants to realize Our Vision of being "Your Lifelong Beauty Partner." Furthermore, the vision's business conduct guideline is "embracing each other, we color our lives with beautiful moments." Accomplishing this vision requires the power of people with the skills to constantly create distinctive value that is at the forefront of changes taking place worldwide. Diversity and inclusion are essential for benefiting from the individual characteristics of many different types of people. Equity is needed to ensure that everyone has the same access to a broad range of information and opportunities. This is why diversity, equity and inclusion are central themes of the management of the KOSÉ Group.

Management that places emphasis on diversity, equity and inclusion has two central elements. One is the

establishment of a foundation (including remuneration and training) where all employees can realize their full potential irrespective of gender, age, nationality, length of time at the KOSÉ Group, life style and other characteristics. The other is the maintenance of a corporate culture (mindset) where people respect the individuality of others and encourage this individuality.

[Initiatives for diversity, equity and inclusion]

<https://corp.kose.co.jp/en/sustainability/diversity/>

Establishing a foundation and corporate culture where people can realize their full potential requires a focus on the motivation of all employees while reflecting a broad spectrum of life styles. One step was the creation of an organization overseen directly by senior management that spans the entire company. There are a number of study groups that work closely together for creating a workplace environment where people enjoy their jobs and are motivated, for maintaining sound internal communications, and for other purposes. There are many programs for empowering women. Examples include career planning seminars to make women more interested in advancing to key positions, measures for job flexibility (hourly paid time off, end of core time for flex-work, etc.) to enable women to continue working as major events in their lives happen, a program that encourages men to take time off for child care, and information meetings to give everyone a sound understanding and awareness of the proper atmosphere and behavior for workplaces.

Information about goals concerning the empowerment of women and the current status of the KOSÉ Group workforce is on the KOSÉ website.

[Goals and statistics about the empowerment of women and the current status of the KOSÉ Group workforce]

<https://corp.kose.co.jp/en/sustainability/diversity/action1/>

<https://corp.kose.co.jp/en/sustainability/data/>

There is no goal for the number of foreigners and people hired as mid-career professionals who are placed in key positions. The reason is the absence of any significant differences in the number of people in key positions based on their nationality or length of employment.

Regarding the skill development policy for achieving diversity and progress concerning diversity, the KOSÉ Group Action Guidelines clearly state that everyone must respect the human rights and diverse skills, personal characteristics and values of others. Based on this stance, KOSÉ has established the following Human Resources Philosophy and Policy for the Development of Skills.

[Human Resources Philosophy]

Enabling employees to express rich humanity and express their creativity is an essential component of the progress and growth of KOSÉ.

[Policy for the Development of Skills]

- Self-improvement while reflecting the desire of employees to upgrade skills and take charge of their career paths is the basis for the development of skills.
- Maintain workplace environments that support in many ways people with a desire for self-improvement.
- Constantly provide opportunities for self-improvement that encompass all stages of careers and levels of jobs.
- Every business unit of KOSÉ has practical education and training programs for professional skills.

For the self-improvement that is a core element of the Policy for the Development of Skills, KOSÉ places emphasis on the desire to learn and grow while utilizing the diversity of the workforce and remaining dedicated to KOSÉ's philosophy and goals. To support people with this desire to advance, KOSÉ operates many training programs, online classes, language training, and other programs. Career Development Training extends from when an individual joins



KOSÉ to lessons for specific jobs. There is also Skill Development Training for people who want to advance to leadership positions. In addition, KOSÉ gives people opportunities for practical training that matches the activities of specific business units and departments. Another aspect of training is a project spanning the entire company for coming up with ideas for cosmetics products that provide customers with new types of value. Using of diversity, equity and inclusion for the creation of innovative ideas is the primary objective of this project.

Principle 2.5

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

KOSÉ has an internal reporting system. Negative effects on individuals who submit reports are prohibited, information reported is managed very carefully, and this information is reported to and examined by the Compliance Committee to respond appropriately.

The status of the internal reporting system is reported on a regular basis to the Risk Management and Compliance Committee and a summary is reported to the Board of Directors.

Supplementary Principle 2.5.1

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside kansayaku). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

KOSÉ has points of contacts in the internal audit departments and an external law office solely for internal reports. In addition, there is a framework for protecting the identities of people who submit reports and preventing any negative consequences for submitting a report.

Principle 2.6

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

Through the KOSÉ Corporate Pension Fund, KOSÉ manages the assets of the pension plan of KOSÉ and group companies in Japan. KOSÉ assigns people with the required skills to the pension fund and appoints external advisers to provide supplementary professional skills and knowledge. There are announcements of fund performance and meetings to study the fund's management to provide for the periodic monitoring and evaluation of asset management. An Asset Management Committee is established for its operation. This committee makes decisions about the status of asset management, policies for the asset mix and other important items. KOSÉ appoints the general managers of the Accounting and Finance, Human Resources, and Corporate Strategy departments as well as other suitable individuals to this committee. The committee also includes labor union officers in order to appropriately reflect beneficiaries' opinions and facilitate proper oversight for the prevention of conflicts of interest.

In July 2021, KOSÉ announced its adoption of the Stewardship Code. Activities for improving the pension fund return will be increased while working even harder on confirming activities and performance concerning ESG and the SDGs at asset management companies, primarily for stock holdings in Japan and other countries.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

General Principle 3

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

KOSÉ discloses information in a fair and transparent manner in accordance with the Financial Instruments and Exchange Act, the timely disclosure rules of securities exchanges and other guidelines. The objective is to maintain long-term relationships rooted in trust with shareholders and investors in Japan and other countries, and all other stakeholders. KOSÉ also discloses information that is not covered by the timely disclosure rules by using the KOSÉ website and the KOSÉ REPORT (integrated report) in order to ensure the greatest possible fairness.

Principle 3.1

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and kansayaku candidates; and
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

- i) KOSÉ discloses its corporate philosophy, the medium to long-term vision and management strategies on its website, as well as in its securities reports, shareholder meeting notices and other materials.
- ii) KOSÉ discloses its basic policy on corporate governance in the Corporate Governance Report in “Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information, 1. Basic Views,” as well as in its securities reports, the KOSÉ REPORT (integrated report) and other materials.
- iii) KOSÉ’s policies and procedures in determining the remuneration of the senior management and directors is disclosed in the Corporate Governance Report in “Policy on Determining Remuneration Amounts and Calculation Methods.”
- iv) For appointments and dismissals of senior management and nominations of candidates for directors and Audit & Supervisory Board members, the Board of Directors makes decisions that take into consideration each individual’s character, background, capabilities, knowledge and all other applicable items. Based on the belief that diversity is essential for making the Board of Directors more effective, the goal for the board is to maintain the proper balance of knowledge, experience and skills along with the proper degree of diversity, including gender and nationality, and the size of the board that is suitable for KOSÉ. As for the procedures in appointments and dismissals of senior management and nominations of candidates for directors and Audit & Supervisory Board members, senior management determines proposals and submits these proposals to the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members. The committee submits the results of its discussions to the Board of Directors, which then makes final decisions.
- v) Reasons for appointments and dismissals of individual director and Audit & Supervisory Board member candidates are provided in the reference materials of shareholder meeting notices.

Supplementary Principle 3.1.1

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

KOSÉ has a policy of disclosing information in a format that is easy to understand and contains specific items for the purpose of supplying users with information that is accurate and has substantial added value.

Supplementary Principle 3.1.2

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

KOSÉ posts English-language translations of earnings presentation materials, the KOSÉ Report (integrated report), shareholders meeting notices and other IR materials on its website.

Supplementary Principle 3.1.3 Updated

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies.

They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

All activities for accomplishing the goals of the medium to long-term vision incorporate the perspective of sustainability. The objective is the growth of the businesses of the KOSÉ Group and the establishment of a sustainable society.

Sustainability plan initiatives are disclosed on the KOSÉ website and the KOSÉ REPORT (integrated report).

KOSÉ Sustainability website: <https://corp.kose.co.jp/en/sustainability/>

KOSÉ REPORT (integrated report): <https://corp.kose.co.jp/en/sustainability/report/>

KOSÉ carefully examines the proper allocation of human resources, intellectual property, equipment and other assets, R&D resources and other corporate resources required for the sustained growth of business operations and corporate value. Information about the medium to long-term vision that is based on these allocations of resources is on the KOSÉ website.

Medium to long-term vision

<https://corp.kose.co.jp/en/info/mid/>

Measures to protect the environment and combat climate change are critical for the achievement of the growth of the KOSÉ Group's businesses and the creation of 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 organizations that support the TCFD recommendations. Based on the TCFD recommendations, information is disclosed to stakeholders about business risks and opportunities involving the effects of climate change by using four perspectives: governance, strategies, risk management, and indexes and goals. The entire KOSÉ Group has numerous activities for combating climate change in accordance with

the low-carbon transition plan.

Initiatives to address climate change: <https://corp.kose.co.jp/en/sustainability/environment/tcfd/>

Low-carbon transition plan: <https://corp.kose.co.jp/en/sustainability/environment/actionplan/>

Principle 3.2

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

KOSÉ ensures that the external auditor performs audits properly by using collaboration among the Audit & Supervisory Board, Accounting and Finance Department and other units, and establishing audit schedules and audit frameworks.

Supplementary Principle 3.2.1

The kansayaku board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and
 - ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.
-
- i) The Audit & Supervisory Board establishes evaluation and selection standards for the accounting auditor and policies and procedures for the appointment and dismissal of the accounting auditor. These matters are resolved by the Audit & Supervisory Board.
 - ii) The Audit & Supervisory Board confirms the independence and expertise of the external accounting auditor by exchanging information on a regular basis, receiving reports about audits and using other methods.

Supplementary Principle 3.2.2

The board and the kansayaku board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;
 - ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;
 - iii) Ensure adequate coordination between external auditors and each of the kansayaku (including attendance at the kansayaku board meetings), the internal audit department and outside directors; and
 - iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.
-
- i) The fiscal year audit plan is established after thorough discussions and coordination measures with the external accounting auditor. In addition, sufficient time is provided for these audits in accordance with the fiscal year audit plan.
 - ii) The external accounting auditor and senior management, including the representative director, hold meetings on a regular basis.
 - iii) The external accounting auditor, the Audit & Supervisory Board members and internal audit departments exchange information and opinions as needed to facilitate cooperation. The external directors use the full-time Audit & Supervisory Board members as the line of communication for the provision of information that is required by the external accounting auditor.
 - iv) When the external accounting auditor asks for an action concerning a specific matter, the director overseeing the audit responds immediately and takes actions to determine the cause of the issue and preventive measures. In addition, the Audit & Supervisory Board members supervise these responses to the external accounting auditor's requests.

Section 4: Responsibilities of the Board

General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid-to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including shikkoyaku* and so-called shikkoyakuin) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with Kansayaku Board (where a part of these roles and responsibilities are performed by kansayaku and the kansayaku board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

*Shikkoyaku/Shikkoyakuin is translated as executive officer in KOSÉ documents.

KOSÉ has four independent external directors and two independent external Audit & Supervisory Board members. All of these individuals are performing the role of overseeing and supervising directors.

KOSÉ uses the Company with Audit & Supervisory Board corporate governance structure and performs audits to confirm that directors are performing their duties properly.

In addition, KOSÉ has a Nomination & Remuneration Committee where the majority of members are independent external directors and Audit & Supervisory Board members. This committee holds discussions about the suitability of the remuneration and selection of executives. The Nomination & Remuneration Committee is chaired by an independent external director to secure objectivity.

Principle 4.1

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

For the determination of policies concerning medium to long-term vision, management strategies and other matters, the Board of Directors holds constructive discussions that incorporate the opinions of executives with a thorough knowledge of KOSÉ's business operations as well as the opinions of independent external directors and Audit & Supervisory Board members.

Supplementary Principle 4.1.1

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

At KOSÉ, there are the Board of Directors Regulations in addition to items stipulated by laws and regulations and the Articles of Incorporation. These regulations state that the Board of Directors makes decisions about important matters concerning business operations, such as business plans, the establishment of group companies, the establishment, revision or deletion of significant rules and regulations, and the establishment, revision or termination of significant organizational units. The authority for decisions about other matters involving business operations is delegated to the management in accordance with the size and other characteristics of business transactions.

Supplementary Principle 4.1.2 Updated

Recognizing that a mid-term business plan (chuuki keiei keikaku) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

KOSÉ's medium to long-term vision has financial targets for 2030 for the growth rate of net sales, the operating margin, EBITDA margin and ROIC and information about progress toward achieving these targets is disclosed.

The next management strategies reflects the results of an analysis of differences between the current medium to long-term vision targets and actual results of operations and information about this process is provided at financial results meetings and in other ways.

<https://corp.kose.co.jp/en/info/mid/>

Supplementary Principle 4.1.3

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

KOSÉ believes that the chief executive officer should be an individual who can embrace and pass on the corporate philosophy that spans many generations and who has powerful leadership and business execution skills. Candidates to become the CEO are identified at an early stage and, under the supervision of the Board of Directors, are given opportunities to participate in management in order to acquire skills needed to become the next senior managers of KOSÉ.

The process for the selection of these candidates begins with discussions about the suitability of prospective candidates by the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members, and the selections of this committee are submitted to the Board of Directors for final decisions.

Principle 4.2

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

When the Board of Directors receives a proposal about an important matter that requires a decision, the directors reach a reasonable decision based on the purpose, reason, background and other items concerning the proposal and after reflecting the opinions of independent external directors and Audit & Supervisory Board members and others. For the subsequent implementation of the matter, the directors provide support for decisions made by the senior management while receiving reports as needed.

The remuneration of KOSÉ directors (excluding external directors) consists of basic remuneration and performance-based remuneration linked to results of operations, the stock price or other items. The purpose is to increase the motivation of these directors to achieve short, medium and long-term performance targets and the sustained growth of corporate value.

Supplementary Principle 4.2.1

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.

KOSÉ's policies and procedures in determining the remuneration of the senior management and directors is disclosed in the Corporate Governance Report in "Policy on Determining Remuneration Amounts and Calculation Methods."

Supplementary Principle 4.2.2

The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid- to long- term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

KOSÉ established its corporate message when the corporate identity was introduced in 1991 and redefined the message in 2020 as "Creating Beauty in a Sustainable World."

This message is also the basic policy for activities for sustainability. KOSÉ has identified six key issues from a medium to long-term perspective involving sustainability from the standpoints for "for people" and "for the earth." A framework has been established for activities aimed at creating solutions for these issues.

KOSÉ's Sustainability Committee, which is chaired by the President and Representative Director, submits sustainability strategy proposals to the Management Committee. If the committee approves the proposed strategy, the strategy is reported to the Board of Directors.

In addition, the Board of Directors performs oversight of the activities based on the strategy, such as the allocation of KOSÉ's corporate resources and the composition of the business portfolio.

Principle 4.3

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

The Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members, performs highly fair and transparent evaluations of directors.

For the timely and accurate disclosure of information, KOSÉ has established a disclosure policy to stipulate its process and as needed, disclosure activities are reported to the Board of Directors to enable the directors to supervise these activities.

Information about internal controls and risk management is in Supplementary Principle 4.3.4.

Information about the management of conflicts of interest involving related party transactions is in Principle 1-7.

Supplementary Principle 4.3.1

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.

For appointments and dismissals of the senior management, directors and Audit & Supervisory Board members, the

Board of Directors has established the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members, to perform highly fair and transparent decision-making process.

Supplementary Principle 4.3.2

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

KOSÉ believes that the chief executive officer should be an individual who can embrace and pass on the corporate philosophy that spans many generations and who has powerful leadership and business execution skills. Candidates to become the CEO are identified at an early stage and, under the supervision of the Board of Directors, are given opportunities to participate in management in order to acquire skills needed to become the next senior managers of KOSÉ.

The process for the selection of the CEO begins with discussions about the suitability of candidates by the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members, and the selections of this committee are submitted to the Board of Directors for final decisions.

Supplementary Principle 4.3.3

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

If there is an event for which the CEO should be dismissed, such as a violation of a law, regulation or the Articles of Incorporation or some other event that disqualifies the CEO as a director, the Board of Directors will make a decision after receiving a report on discussions by the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members.

Supplementary Principle 4.3.4

The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.

The Board of Directors has established a basic policy for internal controls and associated rules and there are suitable frameworks for internal controls and risk management. These frameworks are operated and assessed by internal audit departments and the Risk Management and Compliance Committee.

The Board of Directors properly supervises these frameworks and their operation by receiving on a regular basis reports about assessments and audits from internal audit departments and the Risk Management and Compliance Committee.

Principle 4.4

Kansayaku and the kansayaku board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of kansayaku and external auditors, and the determination of auditor remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of kansayaku and the kansayaku board, in order to fully perform their duties, it would not be appropriate for kansayaku and the kansayaku board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management

The Audit & Supervisory Board members and the Audit & Supervisory Board have established standards and guidelines for behavior regarding audits for performing their duties. Proper decisions are made from an independent and objective standpoint.

All Audit & Supervisory Board members positively and proactively exercise their rights in order to express their opinions at the Board of Directors meetings and to the management.

Supplementary Principle 4.4.1

Given that not less than half of the kansayaku board must be composed of outside kansayaku and that at least one full-time kansayaku must be appointed in accordance with the Companies Act, the kansayaku board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, kansayaku or the kansayaku board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

At the Audit & Supervisory Board, the full-time members use their broad range of business experience to proactively collect information within the KOSÉ Group and establish an environment for performing audits. The external members use their independence and professional skills to perform their expected roles. All Audit & Supervisory Board members ask questions and state their opinions with no restrictions at meetings of the Board of Directors.

Opportunities are provided for external Audit & Supervisory Board members and external directors to share information in order to enable these individuals to work together.

Principle 4.5 Updated

With due attention to their fiduciary responsibilities to shareholders, the directors, kansayaku and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Based on the "KOSÉ Beauty Partnership" theme in the medium to long-term vision, the establishment of even stronger relationships among all stakeholders is positioned as a key management issue. The directors, Audit & Supervisory Board members and senior executives are working with all stakeholders in an appropriate manner in the best interests of KOSÉ and shareholders.

Principle 4.6

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

There are currently four independent external directors. To secure effectiveness of the objective supervision of management, these directors state their opinions by using a standpoint that is separate from the perspective of conducting business operations.

Principle 4.7

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

All of the independent external directors of KOSÉ have outstanding professional skills and knowledge. They use their knowledge to provide advice in order to contribute to the sustained growth of KOSÉ and the medium to long-term growth of corporate value.

In addition, the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members, supervises management by holding discussions about appointments and dismissals of directors and Audit & Supervisory Board members and their remuneration.

Principle 4.8

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

KOSÉ appoints four independent external directors, which amounts for one-third of all directors (12). This composition of the board facilitates discussions that incorporate opinions submitted from an independent and neutral perspective.

The independent external directors use their abundant experience and professional knowledge to make statements and provide advice at meetings of the Board of Directors from an objective standpoint that is independent of the management who conduct business operations. KOSÉ believes that these directors are performing this role.

Supplementary Principle 4.8.1

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

KOSÉ provides opportunities for independent external directors and Audit & Supervisory Board members to share information in order to contribute to frank and thorough discussions at meetings of the Board of Directors.

Supplementary Principle 4.8.2

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with kansayaku or the kansayaku board by, for example, appointing the lead independent director from among themselves.

Independent external directors use the General Administration Department as the contact for communications with Audit & Supervisory Board members and the Audit & Supervisory Board.

Supplementary Principle 4.8.3

Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders

KOSÉ does not have a controlling shareholder.

Principle 4.9

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

KOSÉ's Board of Directors selects candidates as independent external directors who are believed to be effectively independent of KOSÉ, based on independence standards of financial instruments exchanges, and who can be expected to contribute to constructive discussions at the Board of Directors meetings.

Principle 4.10

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

KOSÉ has selected the Company with Audit & Supervisory Board corporate governance structure. In addition, KOSÉ has voluntarily established a Nomination & Remuneration Committee for the purpose of further strengthening governance functions.

Supplementary Principle 4.10.1

If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

KOSÉ has a Nomination & Remuneration Committee for the purpose of increasing the independence and objectivity of decisions of the Board of Directors concerning appointments of directors, Audit & Supervisory Board members, and executive officers, the remuneration of these individuals, and other related matters. The committee also better enables KOSÉ to fulfill its responsibility to provide explanations for these decisions. This committee is properly providing support and advice concerning these matters.

There are eight members of the Nomination & Remuneration Committee, including four independent external directors and two independent external Audit & Supervisory Board members. The committee is chaired by an

independent external director. As a result, the committee has sufficient independence.

Members of the Nomination & Remuneration Committee examine and discuss proposals submitted to the Board of Directors from the President concerning nominations, remuneration and related items involving directors, Audit & Supervisory Board members and executive officers. Examinations and discussions include considerations involving gender and other types of diversity and the skills of individuals.

Principle 4.11

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as kansayaku. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as kansayaku.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

KOSÉ's Board of Directors consists of 12 directors, including four independent external directors. Five directors are female directors. KOSÉ takes actions for maintaining the optimum diversity and size of the board with respect to the balance of the directors' knowledge, experience and skills as well as gender, international views, backgrounds and age. In addition, there are four Audit & Supervisory Board members, including two independent external members. One is an attorney and the other is a certified public accountant.

To increase the effectiveness of the Board of Directors, the directors evaluate the board's effectiveness at least once every year for the purposes of identifying issues and making improvements. A third-party organization is used for the analysis and evaluation of these evaluations to increase objectivity. Information about the evaluation method and results is provided in the Corporate Governance Report.

Supplementary Principle 4.11.1 Updated

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.

The Board of Directors has designated the skills that are required of directors for the proper fulfillment of the decision-making and management oversight functions of the board for the purpose of accomplishing the goals of the medium to long-term vision. To select these skills, discussions are held by the Nomination & Remuneration Committee, which is chaired by an independent external director and the majority of members are independent external directors and Audit & Supervisory Board members. The committee submits the results of its discussions to the Board of Directors, which then makes final decisions.

Information about the composition of the Board of Directors and a skill matrix for the directors and Audit & Supervisory Board members is included in the notice of the 80th General Meeting of Shareholders. This information is based on the status as of the date of the submission of the Corporate Governance Report.

<https://corp.kose.co.jp/en/ir/stock/meeting/>

Information about the policies and procedures for the appointment of directors is in Principle 3-1 (iv).

Supplementary Principle 4.11.2

Outside directors, outside kansayaku, and other directors and kansayaku should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and kansayaku also serve as directors, kansayaku or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

Information about concurrent positions of external directors and external Audit & Supervisory Board members is in the Corporate Governance Report in “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation.” KOSÉ believes that the experience of these external directors and external Audit & Supervisory Board members at other companies is useful for the performance of the roles and duties of these individuals at KOSÉ. In addition, KOSÉ believes that these external directors and external Audit & Supervisory Board members have sufficient time and commitment needed to perform their jobs at KOSÉ. As a result, KOSÉ believes that these external directors and external Audit & Supervisory Board members are performing their respective roles and duties properly. The two full-time Audit & Supervisory Board members are not concurrently executives of any listed company other than KOSÉ.

Supplementary Principle 4.11.3

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

To increase the effectiveness of the Board of Directors, the directors evaluate the board’s effectiveness at least once every year for the purposes of identifying issues and making improvements. In the fiscal year that ended in December 2023, as in the prior fiscal year, a third-party organization was used for assessing the board’s effectiveness in order to increase the objectivity of the analysis and assessment process. The method used for this evaluation and the results are as follows.

1. Evaluation method

Directors and Audit & Supervisory Board members were asked to complete questionnaires with the following items. A third-party organization was engaged to determine items included in the questionnaires, collected and analyzed the results of the questionnaires. Based on the results of this process, the Board of Directors performed an analysis and evaluation of the board’s effectiveness and considered actions that should be taken.

[Major evaluation items]

- Composition and operation of the board
- Management and business strategies
- Corporate ethics and risk management
- Performance monitoring
- Evaluation and remuneration of management
- Dialogue with shareholders

2. Results of evaluation and issues requiring attention

Based on the results of the questionnaire, the Board of Directors held discussions that confirmed the following points: The directors are properly receiving preliminary explanations of agenda items in order to facilitate thorough discussions during board meetings and the directors are receiving the effective feedback of opinions through dialogues with shareholders. In addition, in order to clarify the role of the Board of Directors in formulating and implementing human resources strategies, which was an issue last year, it has been confirmed that there will be a constant exchange of opinions regarding the “Human Resources Function Strategy Policy.” As a result, the directors

determined that the overall activities of the Board of Directors are effective.

The results of the questionnaire also identified issues requiring attention. One is the need to clarify the process used to identify and assess risk factors and determine countermeasures for the purpose of strengthening risk management across the entire value chain. There is also a need to examine the reporting process necessary to verify that internal auditing operations are functioning properly.

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

Principle 4.12

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

The Board of Directors has a climate that enables free, open and constructive discussions and exchanges of opinions with no distinctions made between internal and external directors.

Supplementary Principle 4.12.1

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;
- iv) The number of agenda items and the frequency of board meetings are set appropriately;
- v) Sufficient time for deliberations.

- i) As a rule, materials for board meetings are distributed to all participants prior to meetings.
- ii) Additional materials are provided as needed.
- iii) As a rule, the annual schedule of board meetings is determined in advance.
- iv) The frequency of board meetings and number of agenda items are determined appropriately.
- v) KOSÉ believes that board meeting participants have adequate time for discussions.

Principle 4.13

In order to fulfill their roles and responsibilities, directors and kansayaku should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and kansayaku, including providing sufficient staff.

The board and the kansayaku board should verify whether information requested by directors and kansayaku is provided smoothly.

The General Administration Department is the secretariat for the Board of Directors and the Audit & Supervisory Board. The secretariat is functioning properly by distributing board meeting materials in advance to the directors and Audit & Supervisory Board members and providing additional information to these individuals as requested.

Supplementary Principle 4.13.1

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, kansayaku, including outside kansayaku, should collect information appropriately, including the use of their statutory investigation power.

The directors receive additional information as needed for the purpose of making management decisions with transparency, fairness, speed and decisiveness.

The Audit & Supervisory Board members can receive information in an appropriate manner from KOSÉ when this information is required by these members to perform their duties.

Supplementary Principle 4.13.2

Directors and kansayaku should consider consulting with external specialists at company expense, where they deem it necessary.

KOSÉ has a system for enabling directors and Audit & Supervisory Board members to consult with external attorneys, tax accountants and other specialists at company expense as needed.

Supplementary Principle 4.13.3

Companies should ensure coordination between the internal audit department, directors and kansayaku by establishing a system in which the internal audit department appropriately reports directly to the board and the kansayaku board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside kansayaku. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside kansayaku are appropriately processed.

For coordination between the Audit & Supervisory Board members and internal audit departments, internal audit departments submit annual internal audit plans to the full-time Audit & Supervisory Board members and explain the plan, and copies of internal audit reports and internal control reports submitted to the President are also provided and reported to the full-time Audit & Supervisory Board members. As needed, these full-time members provide reports and explanations of these materials to the external members at meetings of the Audit & Supervisory Board.

Members of internal audit departments and the Audit & Supervisory Board hold meetings on a regular basis to share information and exchange opinions.

For communications with directors, the results of internal audits are reported to the President and the director in charge of risk management and internal control reports are submitted periodically at meetings of the Board of Directors.

When an external director or an external Audit & Supervisory Board member asks for internal information that is needed, the General Administration Department will respond to these requests by contacting and working with related departments.

Principle 4.14

New and incumbent directors and kansayaku should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and kansayaku along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

KOSÉ encourages all directors and Audit & Supervisory Board members to acquire and upgrade skills on their own. KOSÉ provides and arranges opportunities for training that matches the needs of individual directors and Audit &

Supervisory Board members and provides support for the associated expenses.

Supplementary Principle 4.14.1

Directors and kansayaku, including outside directors and outside kansayaku, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

KOSÉ gives candidates for new directors and Audit & Supervisory Board members opportunities to participate in training programs of external organizations concerning knowledge about their legal authority and duties and other subjects.

Newly elected external directors and external Audit & Supervisory Board members receive training about the cosmetics industry, KOSÉ's history, the businesses of the KOSÉ Group, business strategies and other subjects when assuming their positions. In addition, these individuals are constantly given opportunities to receive updated information about these subjects.

Supplementary Principle 4.14.2

Companies should disclose their training policy for directors and kansayaku.

KOSÉ has a basic policy of giving newly elected and other directors and Audit & Supervisory Board members a variety of training and study opportunities. One objective is to give these individuals a greater understanding of their roles and responsibilities to properly perform the duties expected of them as part of a key governance body of a listed company. Numerous measures are used to give these individuals the knowledge they require, appropriate updates and other training.

To provide learning opportunities, KOSÉ frequently provides information about external seminars and other forms of training. In addition to receiving business reports at Board of Directors meetings, external directors and external Audit & Supervisory Board members visit research and manufacturing facilities and receive explanations at meetings in order to increase their understanding of the businesses of the KOSÉ Group.

Section 5: Dialogue with Shareholders

General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

KOSÉ believes that maintaining a thorough and constructive dialogue with shareholders and investors is vital for achieving consistent growth and the medium to long-term growth of corporate value. For these dialogues, KOSÉ has an investor relations framework overseen mainly by the officer in charge of investor relations. KOSÉ also provides opportunities for acquiring a better understanding of its management strategies.

Principle 5.1

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

For constructive dialogues with shareholders, KOSÉ has an officer who oversees investor relations and a department responsible for investor relations.

KOSÉ holds financial results meetings every quarter for shareholders and other investors. There are also small meetings where management directly explains to shareholders and other investors business performance and strategies. In addition, KOSÉ participates in conferences held by securities companies and responds to many requests for individual meetings with shareholders and other investors.

In addition, the Company holds IR seminars several times each year for individual investors, and prepares an IR website that is easy even for individuals to understand.

Supplementary Principle 5.1.1

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and kansayaku, should have a basic position to engage in dialogue (management meetings) with shareholders.

Dedicated personnel at the IR department serve as the point of contact for dialogue (meetings) with shareholders. As needed and within reasonable limits, the President, director in charge of investor relations and other internal and external directors and Audit & Supervisory Board members accept requests from shareholders for meetings.

Supplementary Principle 5.1.2

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and
- v) Measures to control insider information when engaging in dialogue.

- i) ii) KOSÉ has an officer in charge of investor relations and there is constantly cooperation among the General Administration Department, Accounting and Finance Department, Corporate Strategy Department and other departments associated with investor relations activities.
- iii) The investor relations section welcomes requests for one-on-one meetings and holds financial results meetings every quarter for shareholders, investors and securities analysts. At these meetings, explanations are given directly by the representative director or an officer in charge of investor relations.
- iv) The Board of Directors receives reports about the results of all types of investor relations events, the feedback of shareholders and other information in order to share this information with the directors and Audit & Supervisory Board members.
- v) At dialogues with shareholders, information is managed in accordance with the Rules on the Prevention of Insider Trading, which stipulate methods to use for the handling and disclosure of important information.

Supplementary Principle 5.1.3

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

KOSÉ monitors the composition of shareholders in the shareholder register as of the end of June and December every year. In addition, KOSÉ asks a survey company to identify the beneficial shareholders. Information received from these surveys is used for general investor relations activities.

Principle 5.2 Updated

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

Action to Implement Management that Is Conscious of Cost of Capital and Stock Price (English disclosure available)
(Update: November 11, 2024)

KOSÉ has established a medium to long-term vision that is based on its cost of capital. The targeted performance indicators of the vision are the operating margin, EBITDA margin and ROIC. Information about this vision and these indicators is provided at financial results meetings and on the KOSÉ website. In particular, ROIC is a new performance indicator that was added when the medium to long-term vision was announced in November 2024. The aim is to use capital more efficiently by making businesses more profitable and using invested capital more efficiently. In addition, in order to achieve sustainable growth and increase corporate value over the medium to long term, we will allocate management resources to such areas by reviewing our business portfolio and investing in facilities, R&D and human resources.

Supplementary Principle 5.2.1 Updated

In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.

KOSÉ's medium to long-term vision has financial targets for 2030 for the growth rate of net sales, the operating margin, EBITDA margin and ROIC.

As goals for assembling a business portfolio capable of achieving these 2030 targets, KOSÉ has established goals for overseas sales and e-commerce sales as percentages of total sales. Information about progress toward these goals is disclosed.

Medium to long-term vision

<https://corp.kose.co.jp/en/info/mid/>