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KOSÉ Corporation

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Stock Code: 4922

<http://www.kose.co.jp/>

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 the Company 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 the public. 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 members of the local community and the public. Furthermore, KOSÉ is committed to enhancing transparency and fairness to support its value as a company. 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] Updated

The Company implements each principle of the Corporate Governance Code as of June 26, 2020.

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

Initiatives for the Company’s corporate governance are disclosed in securities reports, KOSÉ REPORT (integrated report) and other publications, in addition to this report.

Descriptions of the items disclosed based on each principle of the Corporate Governance Code are as follows:

#### [Principle 1.4 Cross-shareholdings]

Except stock holdings that are solely investments, as a rule, the Company 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 dispose of cross-shareholdings based on the medium and long-term economic rationality, future prospects, suitability of the purpose and the risk profile of each investment.

With regard to exercising its voting rights on cross-shareholdings, the Company 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 the Company, and all other applicable factors.

#### [Principle 1.7 Related Party Transactions]

When the Company engages in transactions with its Directors or major shareholders, it confirms such transactions beforehand with External Directors and outside attorneys, based on the importance and characteristics of the transaction, and consults with the Management Committee. Thereafter, Board of Director's approval and other procedures are required.

With regard to transactions between associated companies, the Company endeavors to set reasonable transaction prices, taking into account various taxation and accounting regulations and standards.

[Principle 2.6 Roles of Corporate Pension Fund as Asset Owner]

Through the KOSÉ Corporate Pension Fund, the Company manages the assets of the pension plan of the Company and Group companies in Japan.

The Company 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.

The Company appoints the general managers of the Accounting and Finance, Personnel, 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.

[Principle 3.1 Full Disclosure]

(i) Company Business Principles, Business Strategies and Business Plans

The Company discloses its corporate philosophy, management strategies and management plan on its website, as well as in its securities reports, convocation notices and other materials.

(ii) Basic Stance and Basic Policy on Corporate Governance

The Company discloses its basic policy on corporate governance in this 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, KOSÉ REPORT (integrated report) and other materials.

(iii) Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors

The Company's policies and procedures in determining the remuneration of the senior management and Directors is 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."

(iv) Policies and Procedures in the Appointment and Dismissal of the Senior Management and the Nomination of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

For appointments and dismissals of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members, the Company's 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 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 External Director and consists chiefly of 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.

(v) Explanations of Individual Appointments and Dismissal and Nominations with Respect to Appointments and Dismissal of Senior Management and Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors based on (iv) above

The Company provides the explanations of individual appointments and dismissal of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members by the Board of Directors in its convocation notices.

[Supplementary Principle 4.1.1 Summary of Scope of Matters Delegated by the Board of Directors to the Management]

The Company prepares Board of Directors Regulations and other internal regulations, which clarify matters on which the Board of Directors itself is to make judgments and decisions and matters for judgment and decision by the management. Authority is delegated to the management with regard to matters other than important management execution, according to the scale of transactions and their characteristics.

[Principle 4.9 Independence Criteria and Qualification for Independent Directors]

The Company's Board of Directors selects candidates for election as Independent External Directors who are believed to be effectively independent of the Company, based on independence standards of financial instruments exchanges, and who can be expected to contribute to constructive discussions at the Board of Directors meetings.

[Supplementary Principle 4.11.1 Stance on the Appropriate Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, and also on Diversity and Appropriate Size]

Please refer to disclosure based on Principle 3.1.4.

[Supplementary Principle 4.11.2 Status of Concurrent Appointments of Directors and Audit & Supervisory Board Members]

The status of concurrent appointments of the Company's External Directors and External Audit & Supervisory Board Members is 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."

External Director Yukino Kikuma serves concurrently as an External Director at three other listed companies and External Director Yuko Maeda serves concurrently as an External Director at one other listed company. However, their experience at other companies enables them to effectively fulfill their roles and responsibilities at the Company. In addition, they have the time and commitment needed to perform their duties at the Company. Therefore, the Company judges that they are reasonably fulfilling their roles and responsibilities as an External Director and an Audit & Supervisory Board Member.

Other Directors and Audit & Supervisory Board Members (one External Director, two External Audit & Supervisory Board Members and two Full-time Audit & Supervisory Board Members) do not serve concurrently as executives at another listed company.

[Supplementary Principle 4.11.3 Overview of Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

To increase the objectivity of evaluations of the effectiveness of the Board of Directors and to further improve governance, the evaluation was performed by a third-party organization this time as in the previous year. 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.

The third-party organization was used 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.

### Questions

#### (1) Structure for the operation of the Board of Directors

- 1) Composition of the board
- 2) Operation of the board
- 3) Support systems for the board
- 4) Involvement of Directors in board meetings

#### (2) Supervisory function of the Board of Directors

- 1) Performance of the board's supervisory function
- 2) Risk management system of the board
- 3) Ethics of board operations
- 4) Nominations and remuneration of Directors and Audit & Supervisory Board Members

## 2. Results of evaluation and issues requiring attention

The Board of Directors discussed the results of the questionnaire and concluded that, as in the previous fiscal year, the size of the board and the composition of the Nomination & Remuneration Committee are appropriate and that preliminary explanations received by the External Directors and reports submitted at board meetings are done properly. One issue in the previous fiscal year was the need for more thorough discussions of management strategies. The Directors confirmed that there have been steady improvements concerning the rigorous oversight of progress in accordance with the VISION2026 medium to long-term vision. Consequently, the Directors determined that the overall activities of the Board of Directors are effective.

The Board of Directors recognized that there is room for improvements for further increasing the diversity of the board and upgrading the framework for overseeing subsidiaries. In addition, the Directors believe there is a need for more thorough discussions concerning the structure and implementation of the KOSÉ remuneration system.

Based on these points, the Board of Directors will continue to use numerous measures to further increase its effectiveness and achieve more growth of the corporate value of the KOSÉ Group.

### [Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]

The Company encourages the self-improvement of its Directors and Audit & Supervisory Board Members and provides and arranges training opportunities suited to each Director and Audit & Supervisory Board Member. The Company also provides many types of support for other expenses.

The Company conducts training for newly elected Director candidates and newly elected Audit & Supervisory Board Member candidates concerning their legal rights and obligations, and employs outside institutions to conduct training as necessary.

The Company also provides new External Director candidates and new External Audit & Supervisory Board Member candidates with explanations on industries to which the Company belongs, as well as on the Company's history, business overview, strategies and other matters.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

[Supplementary Principle 5.1.2 Policies for Promoting Constructive Dialogue with Shareholders]

The Company has an officer in charge of investor relations (IR) (a Director or an Executive Officer) and, by using interaction with other departments within the Company, is taking actions for improving IR activities. Dedicated personnel at the IR department serve as the point of contact for dialogue (meetings) with shareholders. In addition, as necessary and within reason, meetings are held with an executive in charge of operations and an executive in charge of research, in addition to the President and the officer in charge of IR (a Director or an Executive Officer).

For analysts and institutional investors, the officer in charge of IR (a Director or an Executive Officer) holds teleconferences 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. The Company also participates in small meetings and conferences for overseas institutional investors. In addition, the Company holds IR seminars several times each year for individual investors, and prepares an IR website that is easy for individual investors to understand. Reports on the results of various conferences and shareholder opinions and concerns ascertained through dialogue are shared with senior management and the Board of Directors. The Company determines the scope of information that it may disclose through dialogue, and engages in dialogue within this scope.

## 2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Kazutoshi Kobayashi	6,511,974	11.42
Takao Kobayashi	6,457,510	11.32
Masanori Kobayashi	6,332,066	11.10
JP Morgan Chase Bank 385632	5,148,343	9.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,332,400	4.09
Kazuo Kobayashi	1,926,888	3.38
Japan Trustee Services Bank, Ltd. (Trust Account)	1,537,100	2.69
Yasukiyo Kobayashi	1,503,018	2.63
The Cosmetology Research Foundation	1,279,655	2.24
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account for Mizuho Corporate Bank, Ltd. Asset Management Re-entrust Services	841,857	1.48

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

### Supplementary Explanation

A Large Shareholding Report that became available for public inspection on March 27, 2020 stated that Capital Research and Management Company and its joint holders, Capital International, Inc., Capital International Sarl and Capital International, Inc. owned the Company's stock as follows on March 20, 2020. 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 March 31, 2020. The contents of the Large Shareholding Report are as follows.

Name/Company Name	Number of Share Certificates, etc. Owned (Thousand shares)	Percentage (%)
Capital Research and Management Company	6,293	10.39
Capital International, Inc.	567	0.94
Capital International Sarl	86	0.14
Capital International, Inc.	63	0.10

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemistry
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 1000
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 Board of Audit & Supervisory Board Members
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	10
Election of External Directors	Yes
Number of External Directors	3
Number of Independent Directors	3

#### External Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukino Kikuma	Attorney												
Norika Yuasa	Attorney												
Yuko Maeda	From other company												

\* 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

External Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yukino Kikuma	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> <li>• Attorney, Matsuo &amp; Kosugi</li> <li>• Director and Audit &amp; Supervisory Committee Member, Takihyo Co., Ltd.</li> <li>• Outside Director, ALCONIX CORPORATION</li> <li>• Outside Director, KITZ CORPORATION</li> </ul>	<p>Ms. Kikuma has highly specialized knowledge as an attorney and has deep insight particularly in corporate legal affairs. The Company believes that, given her experience in mass media related issues, she will give comments and advice to management from a broader perspective and use an independent and objective standpoint to supervise management. 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.</p>
Norika Yuasa	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> <li>• Part-time Professor, Waseda Law School of Waseda University</li> <li>• Attorney and Partner, Miura &amp; Partners</li> </ul>	<p>Ms. Yuasa is an attorney who is highly knowledgeable about legal matters in Japan as well as Asia, Europe and North America. She has considerable professional experience in China. The Company believes that she can use her extensive knowledge to give comments and advice regarding the global business strategies of KOSÉ. 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.</p>
Yuko Maeda	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> <li>• Outside Audit &amp; Supervisory Board Member, Chugai Pharmaceutical Co., Ltd.</li> <li>• Auditor, Japan Agency for Marine-Earth Science and Technology</li> <li>• Director, CellBank Corp.</li> </ul>	<p>Ms. Maeda has a high level of expertise in the realm of applications for corporate intellectual property combined with abundant experience and knowledge particularly when it comes to industry-academia partnerships. Moreover, she also has abundant insight from a managerial perspective underpinned by her experience as a corporate Director and Outside Audit &amp; Supervisory Board Member, combined with her experience serving as a committee member and auditor of an incorporated administrative agency. The Company believes that she can use her experience to give comments and advice to management. Furthermore, the Company believes that there is no concern of Ms. Maeda having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.</p>



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	7	7
Full-time Members	0	0
Inside Directors	2	2
External Directors	3	3
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 autonomy and objectivity of activities by the Board of Directors concerning nominations, remuneration and other matters involving the Directors, Audit & Supervisory Board Members and executive officers and of better fulfilling the obligation to provide explanations for decisions concerning these matters. Committee members classified as "Other" are External Audit & Supervisory Board Members.

**[Audit & Supervisory Board Members]**

Establishment of Board of Audit & Supervisory Board Members	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 at the Board of Audit & Supervisory Board Members, and express opinions as appropriate.

Appointment of External Audit & Supervisory Board Members	Appointed
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) **Updated**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toru Miyama	Attorney													
Kumi Kobayashi	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) **Updated**

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Toru Miyama	○	Important concurrent positions <ul style="list-style-type: none"> <li>Attorney, Miyama Law Office</li> </ul>	Mr. 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. 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.
Kumi Kobayashi	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> <li>• Partner, Sakurai &amp; Co.</li> <li>• Representative Director, Tokyo Athletes Office, Inc.</li> <li>• Director, SPOKACHI, Inc.</li> </ul>	Ms. 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, and the Company judges that she will provide appropriate guidance and advice to increase the effectiveness of audits based on this broad experience and abundant knowledge. Furthermore, the Company believes that there is no concern of Ms. Kobayashi having a conflict of interest with general shareholders and has accordingly designated him an Independent Audit & Supervisory Board Member.

**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	5
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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	
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Supplementary Explanation

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**[Director Remuneration]**

Disclosure of Individual Directors’ Remuneration	Selected Directors
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## Supplementary Explanation

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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 <b>Updated</b>	Established
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### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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The policy for determining the remuneration of the Company's Directors and Audit & Supervisory Board Members (officer remuneration) is based on a remuneration structure that places priority on the consistent growth of sales and earnings in every fiscal year in order to contribute to the medium- to long-term growth of corporate value. Remuneration is first discussed by the Nomination & Remuneration Committee, which consists primarily of External Directors and External Audit & Supervisory Board Members, after which the final decisions are entrusted by a resolution of the Board of Directors to the President and Representative Director.

The calculation of remuneration for Directors (excluding External Directors) is linked to results of operations based on the standard remuneration determined by taking into consideration the responsibilities of each individual's executive position at KOSÉ in accordance with this policy. A summary of this remuneration is shown below.

The amount of remuneration linked to results of operations is determined in accordance with each individual's executive position. Points provided to each Director are calculated based on the evaluation of results of operations.

The evaluation of results of operations is converted into points by using the rate of achievement of the targets for consolidated sales and operating profit, which are the key performance indicators in KOSÉ's medium- to long-term plan. Next, points are calculated based on the sales and operating profit in relation to the targets for the business units that each Director oversees. Finally, points are increased by using the percentage of sales of the business units that each Director oversees to consolidated sales. Standard remuneration is then multiplied by the resulting points to obtain remuneration linked to results of operations. This is added to the standard remuneration to determine the total remuneration.

Remuneration for Directors does not include salaries and bonuses paid to Directors who are also employees of KOSÉ. At the 65th General Meeting of Shareholders held on June 28, 2007, shareholders approved a resolution that limits total annual remuneration for Directors to ¥1,800 million and for Audit & Supervisory Board Members to ¥120 million. As of the date that the Securities Report for the fiscal year that ended in March 2020 was submitted, there were 10 Directors and four Audit & Supervisory Board Members who were eligible to receive this remuneration.

For remuneration linked to results of operations in the fiscal year that ended in March 2020, consolidated sales were ¥327,724 million, 93.1% of the target of ¥352,000 million, and consolidated operating profit was ¥40,231 million, 74.5% of the target of ¥54,000 million.

Remuneration for External Directors is a fixed monthly payment that reflects KOSÉ's financial condition and results of operations as well as comparisons with this remuneration at companies in the same industry or companies of the same size in Japan and other countries.

[Method for determining officer remuneration]

Officer remuneration is divided between Directors and Audit & Supervisory Board members ("officers") for

voting at the General Meeting of Shareholders and allocated to each officer within the total allowed for each officer classification.

To ensure the objectivity and transparency of the allocation of remuneration to individual officers, the suitability of individual remuneration was discussed on May 21, 2019 by the Nomination & Remuneration Committee, which consists primarily of External Directors and External Audit & Supervisory Board Members. On June 27, 2019, 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.

KOSÉ also has a retirement benefit system for officers. An addition is made every fiscal year to a reserve for retirement benefit payments to current officers for the amount of these payments in accordance with the internal regulation on corporate pension fund for officers.

At the General Meeting of Shareholders held on June 26, 2020, shareholders approved a resolution to establish a restricted stock remuneration system as an incentive for Directors (excluding External Directors) to contribute to the consistent growth of corporate value and accordingly, the entire remuneration system for officers was reexamined. The policy for determining officer remuneration beginning with the fiscal year ending in March 2021 is as follows.

#### 1. Basic policy for officer remuneration

For 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.

- (1) A remuneration framework that enables the KOSÉ Group to achieve global and borderless growth
- (2) An appropriately competitive level of remuneration for attracting and retaining highly talented individuals
- (3) 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.

#### 3. Composition of remuneration

##### (1) Directors (excluding External Directors)

Remuneration 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.

There is also remuneration linked to results of operations, 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 ending 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 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 based on the executive position and roles of each Director.

#### [Bonuses]

Bonuses are paid as an incentive to improve results of operations in an individual fiscal year. Consolidated sales and operating profit and sales, operating profit and other performance indicators for a specific business sector are used to evaluate a Director's performance. These performance indicators are key indicators used in medium and long-term plans. The bonus can be between 0% and 200% of the standard amount depending on the difference between actual performance and the performance indicator targets for the fiscal year.

In general, the evaluation weighting for the indicators for sales and operating profit are as follows.

Indicator for sales: 50%

Indicator for operating profit: 50%

The evaluation weighting is higher for the performance of the business sectors supervised by a Director in order to reward Directors who fulfill their obligations in the businesses they oversee.

#### [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 President and Representative Director is as follows.

Basic remuneration: 65%

Bonuses: 25%

Stock remuneration: 10%

For Directors (excluding External Directors) other than the President, the policy is to reduce the percentage of the basic remuneration as the executive position of the Director increases 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.

#### (2) 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.

#### (3) 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 is determined for each Audit & Supervisory Board Member by comprehensively taking into consideration the details, amount and degree of difficulty and responsibility of these members' duties.

#### 4. Method for determining remuneration

Officer remuneration is divided between Directors and Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the total allowed for each officer classification.

To ensure the objectivity and transparency of the officer remuneration system, the suitability of allocations is first discussed by the Nomination & Remuneration Committee, which is composed primarily of External

Directors and External Audit & Supervisory Board Members, after which the final decisions about individual remuneration are entrusted by a resolution of the Board of Directors to the President and Representative Director. Remuneration of Audit & Supervisory Board Members is determined by the mutual agreement of these members.

**[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 Board of Audit & Supervisory Board Members and other meetings. These activities also include the distribution of materials about proposals submitted at Board of Directors meetings to External Directors prior to meetings and the provision of explanations about these proposals to External Directors.

**[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) Updated**

**(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 10 Directors (seven men and three women) and 13 executive officers (12 men and one woman), 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 Management Policy Review Committee are held to consider more specific and detailed matters, thereby facilitating management speed and efficiency.

#### (2) Auditing

The auditing function is fulfilled by the Board of Audit & Supervisory Board Members. 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 (13 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

The Company's Board of Directors decides on the selection of Director and other candidates by taking into comprehensive consideration such factors as candidates' career history, capabilities, personal character and knowledge. The board strives to achieve an overall balance in knowledge, experience and capabilities, and ensure that the Board of Directors is optimal for the Company in terms of diversity and scale.

Senior executives select Director and other candidates and the representative director selects senior executives as required. The Nomination & Remuneration Committee, which consists chiefly of External Directors and External Audit & Supervisory Board Members, examines the suitability of these selections and submits the selections to the Board of Directors for the final selections.

#### (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 March 31, 2020 were as follows.

- Compensation based on audit certification work: ¥101 million (of which portion of consolidated subsidiaries: ¥13 million)
- Compensation based on non-audit work: ¥1 million
- Name of certified public accountant: Mr. Hirofumi Harashina and Mr. Keiji Tanaka, designated limited liability and engagement partners
- Auditing firm to which above individuals belong: Ernst & Young ShinNihon LLC
- Individuals who assisted with the audit: 15 certified public accountants, 11 successful applicants who have passed the Certified Public Accountants examination, etc. and 10 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 three 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 Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	<p>The Company is committed to sending its convocation notices well before meetings. The convocation notice for the 78th General Meeting of Shareholders (the fiscal year ended March 31, 2020) was sent on June 8, 2020, three days ahead of the statutory deadline.</p> <p>The Company also posted this convocation notice on its website prior to the date on which it was sent (June 2).</p>
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 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.</p> <p>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.</p> <p>(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 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 KOSE's material business and financial information that has not been disclosed but has a significant effect on investment decisions, KOSE 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). However, if information has been released unintentionally, the information will, as a rule, be disclosed to the public immediately.</p> <p>3. Quiet Period KOSE designates the period beginning on the day after the end of each fiscal year 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, KOSE 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 KOSE 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: <a href="https://www.kose.co.jp/company/ja/ir/about/disclosure/">https://www.kose.co.jp/company/ja/ir/about/disclosure/</a> English website: <a href="https://www.kose.co.jp/company/en/ir/management-policy/disclosure-policy/">https://www.kose.co.jp/company/en/ir/management-policy/disclosure-policy/</a></p>	
Regular Investor Briefings for Individual Investors	IR seminars for individual investors are held between two and four times each year (irregularly).	No
Regular Investor Briefings for Analysts and Institutional Investors	The officer in charge of investor relations holds teleconferences 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.	Yes
Regular Investor Briefings for Overseas Investors	The Company participates around two to four times each year in conferences held in Japan for overseas investors.	No
Posting of IR Materials on Website	The Company provides quarterly financial reports and other timely disclosure materials, financial information, shareholder	

	<p>newsletters, securities reports, KOSÉ REPORT (integrated report) and earnings presentation materials.</p> <p>Japanese website:  <a href="https://www.kose.co.jp/company/ja/ir/">https://www.kose.co.jp/company/ja/ir/</a></p> <p>English website:  <a href="https://www.kose.co.jp/company/en/ir/">https://www.kose.co.jp/company/en/ir/</a></p>
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.	<p>In accordance with its Sustainability Rules, the KOSÉ Group is dedicated to helping create a sustainable society and, as one element of management strategies, incorporates sustainability activities in the Group’s business strategies.</p> <p>The basic guidelines for all of the KOSÉ Group’s activities are defined by the corporate message “Creating Beauty in a Sustainable World” and the behavioral charter “Mind to Follow the Right Path.”</p> <p>The Sustainability Committee plays a central role in the oversight of activities involving the seven core elements of ISO 26000, an international standard for voluntary guidance on social responsibility. The seven elements are human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development, and organizational governance. Activities are implemented continuously from a medium to long-term perspective throughout the KOSÉ Group and the Board of Directors receives reports about these activities. Once every year, KOSÉ issues a KOSÉ REPORT that contains a variety of financial and other data.</p> <p>The President and Representative Director chairs the Sustainability Committee and the Corporate Strategy Department, as the secretariat for this committee, is responsible for creating and implementing sustainability strategies for the entire KOSÉ Group.</p> <p>In 2017, the KOSÉ Group became a signatory of the UN Global Compact. Group companies are dedicated to the 10 principles of this compact as well as to activities involving the Sustainable Development Goals.</p> <p>In April 2020, KOSÉ announced the KOSÉ Sustainability Plan, which includes targets for 2030.</p> <p>The KOSÉ sustainability website has more information about these activities and other sustainability initiatives.</p> <p>KOSÉ Sustainability website:  <a href="https://www.kose.co.jp/company/en/sustainability/">https://www.kose.co.jp/company/en/sustainability/</a></p>
Development of Policies on	The Group has formulated the Group Code of Conduct, which establishes its

Information Provision to Stakeholders	responsibility as a company enhancing the transparency of management and business activities to stakeholders and disclosing corporate information accurately and swiftly.
Other	<p>1. Promote diversity and inclusion  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 and inclusion” is one of the three business foundations of VISION2026. 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 VISION2026.  <a href="https://www.kose.co.jp/company/ja/sustainability/employee/">https://www.kose.co.jp/company/ja/sustainability/employee/</a></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"> <li>• Started a dual-pathway compensation system that gives beauty consultants more options for their future advancement (since the fiscal year ended March 2020)</li> <li>• Using digital technologies to increase the flexibility of working styles in order to reflect new lifestyles (the fiscal year ended March 2020)</li> <li>• A new support program for fathers (the fiscal year ending March 2021)</li> </ul> <p>2. Health and Productivity Management  KOSÉ is constantly using a broad range of activities for health management. In 2020, KOSÉ was again recognized as one of the “Excellent Health Management Corporations of 2020” by Japan’s Ministry of Economy, Trade and Industry.  <a href="https://www.kose.co.jp/company/ja/sustainability/employee/">https://www.kose.co.jp/company/ja/sustainability/employee/</a></p> <p>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 in Japan upon its inception. Today, individuals with a disability account for about one-third of the workforce. These people work side-by-side with other ADVANCE employees in accordance with the normalization principle.  <a href="https://www.kose.co.jp/company/ja/sustainability/employee/normalization/">https://www.kose.co.jp/company/ja/sustainability/employee/normalization/</a></p>

## 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 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 both internal and external channels for internal reports in order to maintain a framework for responding to these reports and consultations from Directors and employees.

[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 and 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. In addition, this 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 a manual for activities concerning compliance. In accordance with this manual, 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

The Company has in place the following internal structures related to the appropriate disclosure of corporate information.

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.

The Company has in place the following structures for information disclosure.

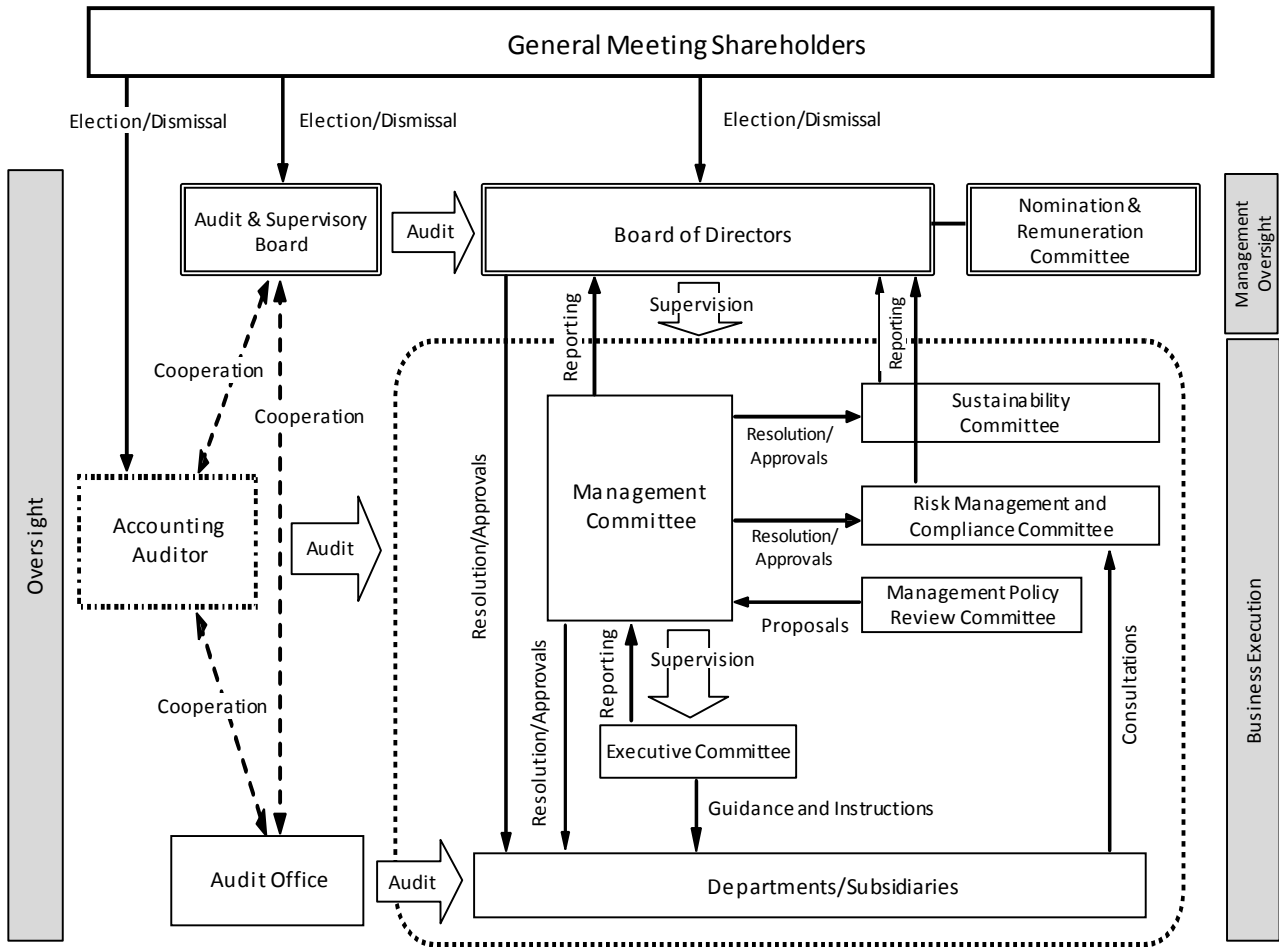
#### 1. Departments and personnel responsible for managing insider information

- 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

#### 2. Information management and disclosure processes

- 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

