Corporate Governance Report

KOSÉ Corporation

Last Update: September 19, 2017

KOSÉ Corporation
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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 strives to enhance its levels of 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]

In corporate governance information announced on January 12, 2017, the following principle was listed as an item not yet implemented. From November 2015 to June 2017, the Company's Board of Directors and other entities have discussed this principle and actions have been taken. As a result, the following principle has been deleted from non-compliance principles in this report dated June 29, 2017.

- Supplementary Principle 4.1.2
  Should the Company Fail to Deliver on Its Medium-Term Management Plan, Analytic Findings, Explanation to Shareholders and Reflection into Plan for the Ensuing Years

[Principle 4.8 Effective Use of Independent Directors]
The Company appoints Independent External Directors, allowing for deliberation at the Board of Directors based on opinions from an independent and neutral perspective. Currently, only one Independent Director has been appointed, but the Company believes this ensures sufficient effectiveness. The Company will consider increasing this number in the future.

[Supplementary Principle 4.11.3 Overview of Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]
The Company does not analyze and evaluate the effectiveness of the Board of Directors as a whole. Going forward, the Company plans to consider analyzing and evaluating the effectiveness of the Board of Directors as a whole and disclosing its results.

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

The following items are updated.

- Principle 3.1

Full Disclosure

(ii) Basic Stance and Basic Policy on Corporate Governance

- Supplementary Principle 4.11.2

Status of Concurrent Appointments of Directors and Audit & Supervisory Board Members

- Principle 5.1

Policy for Constructive Dialogue with Shareholders

- Supplementary Principle 5.1.2

Policies for Promoting Constructive Dialogue with Shareholders

Initiatives for the Company's corporate governance are disclosed in securities reports, annual reports 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]
The Company holds shares in its business partners on a policy basis for purposes other than investment based on anticipated business alliances and business synergies with issuing companies, as well as to maintain or enhance business with issuing companies, and facilitate smooth operations.
The Board of Directors decides whether or not to invest in or continue to hold such shares by taking into overall consideration such factors as the potential profits to be gained by strengthening business relationships and the investment amount. With regard to exercising its voting rights on cross-shareholdings, the Company carefully considers the content of proposals and exercises its voting rights appropriately based on whether proposals contribute to increases in shareholder value.

[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 Directors 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 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 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 Appointing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

The Company's policies and procedures in appointing the senior management and nominating candidates for Directors and Audit & Supervisory Board Members are disclosed in this report in "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), Selection of Director and Other Candidates."

(v) Explanations over Each Individual Appointment and Nomination with Respect to Appointments of Senior Management and Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

The Company describes the reasons with respect to each individual Director and Audit & Supervisory Board Member in its convocation notices.

[Supplementary Principle 4.1.1 Summary of Scope of Matters Delegated from 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 those of 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."

The Company's one External Director and one External Audit & Supervisory Board Member serve concurrently as an External Director/Audit & Supervisory Board Member at two other listed companies. However, their experience at other companies enables them to effectively fulfill their roles and responsibilities at the Company. In addition, they ensure the necessary amount of time and efforts to fulfill their execution of 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.

None of the Company's one External Audit & Supervisory Board Member or two Full-time Audit & Supervisory Board Members serve concurrently as executives at another listed company.

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]
The Company encourages the self-improvement of each 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 broad-ranging support for other expenses.
The Company conducts training for newly appointed Director candidates and newly appointed Audit & Supervisory Board Member candidates related to 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 a Director in charge of investor relations (IR) 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 Director in charge of IR.
Twice each year, the Company holds earnings presentations for analysts and institutional investors. Beginning in the fiscal year ending March 31, 2018, earnings teleconferences are to be held for the first and third quarters. The Company also participates actively 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 even for individuals 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	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Kazutoshi Kobayashi	7,294,974	12.04
Takao Kobayashi	7,240,510	11.95
Masanori Kobayashi	7,115,066	11.74
Kazuo Kobayashi	1,926,888	3.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,582,900	2.61
Yasukiyo Kobayashi	1,503,018	2.48
Japan Trustee Services Bank, Ltd. (Trust Account)	1,459,700	2.41
Michiko Kobayashi	1,279,702	2.11
The Cosmetology Research Foundation	1,279,655	2.11
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account for Mizuho Corporate Bank, Ltd. Asset Management Re-entrust Services	841,857	1.39

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

Supplementary Explanation

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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

[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	12
Election of External Directors	Yes
Number of External Directors	1
Number of Independent Directors	1

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Iwao Toigawa	Attorney											

* 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)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Iwao Toigawa	○	Important concurrent positions ・Attorney, Hibiya T&Y Law Office ・External Director, Nihon Nohyaku Co.,Ltd. ・External Audit & Supervisory Board Member, Tohto Suisan Co., Ltd.	Mr. Toigawa has highly specialized knowledge as an attorney and extensive knowledge concerning corporate management. As a result, the Company believes he can provide guidance and advice concerning management and use an independent and objective standpoint to supervise management. Furthermore, the Company believes that there is no concern of Mr. Toigawa having a conflict of interest with general shareholders and has accordingly designated him an Independent Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Personnel Committee	Personnel Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
External Directors	1	1
External Experts	0	0
Other	2	2
Chairperson	External Director	External Director

Supplementary Explanations

The Personnel 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. Personnel 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 exchange of information and opinions appropriately through reporting regarding the annual account auditing plan, the auditing conduct report following the settlement of accounts, reporting of important accounting policies following the release 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. Full-time Audit & Supervisory Board Members also participate in the audit results reporting meeting, which is held by the Audit Office for audited departments. 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)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Minoru Murakami	Attorney													
Nobuo Iwafuchi	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
Minoru Murakami	○	Important concurrent positions ・Attorney, Murakami Law Frim	Mr. Murakami has many years of experience as an attorney and extensive knowledge of corporate legal affairs. He can use this background to perform audits using an independent and objective standpoint. Furthermore, the Company believes that there is no concern of Mr. Murakami having a conflict of interest with general shareholders and has accordingly designated him an Independent Audit & Supervisory Board Member.
Nobuo Iwafuchi	○	Important concurrent positions ・Certified public accountant, Certified Public Accountant Nobuo Iwafuchi Office ・Full-time External Auditor, Business Brain Showa-Ota Inc. ・External Auditor, Willplus Holdings Co., Ltd.	Mr. Iwafuchi has many years of auditing experience as a certified public accountant and specialized knowledge concerning finance and accounting. He can use this background to perform audits using an independent and objective standpoint. Furthermore, the Company believes that there is no concern of Mr. Iwafuchi 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	3

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	Not introduced

Supplementary Explanation

The Company is considering such policies, but does not plan to implement them in the foreseeable future.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

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

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company's policy on determining the remuneration of Directors is based primarily on a system of remuneration linked to medium- to long-term growth in corporate value.
Director remuneration is apportioned to individual Directors within the scope of the total amount determined by the General Meeting of Shareholders. This allocation is determined by the Board of Directors after its appropriateness is deliberated by the Personnel Committee, which is composed chiefly of External Directors/Audit & Supervisory Board Members.
This remuneration, which comprises monthly remuneration and a bonus, aims to strengthen the link between increasing corporate performance and executive performance and takes into consideration Directors' responsibilities for augmenting performance in each fiscal year and increasing corporate value over the medium to long term. Monthly remuneration is in accordance with each Director's position, and remuneration amounts take into account such factors as the management environment. Bonuses are determined on the basis of Group performance during the fiscal year under review, the performance of the departments of which Directors are in charge and evaluations of individual performance. The Company also has in place a retirement benefit system for Directors. The Company has set standards for the amount of these payments and sets aside a reserve for each fiscal year during the Director's term of office.

[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.

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 12 Directors (all men) and 10 executive officers (all men), 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 (12 people) exists as an organization independent of departments that execute business. This audit 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 Personnel 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, 2017 were as follows.

・ Compensation based on audit certification work:	¥99 million (of which portion of consolidated subsidiaries: ¥13 million)
・ Compensation based on non-audit work:	¥0 million
・ Name of certified public accountant:	Mr. Masashi Hoshino and Mr. Yoshiaki Morita, designated limited liability partners
・ Auditing firm to which above individuals belong:	Ernst & Young ShinNihon LLC
・ Individuals who assisted with the audit:	10 certified public accountants, 21 successful applicants who have passed the Certified Public Accountants examination, etc. and three 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 one External Director and two External Audit & Supervisory Board Members whose interests are not biased toward the interests of certain shareholders and stakeholders. The External Director provides 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, KOSÉ 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 75th General Meeting of Shareholders (the fiscal year ended March 31, 2017) was sent on June 12, 2017, 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 (June 6).
Allowing Electronic Exercise of Voting Rights	The Company uses an electronic voting service provided by Mizuho Trust & Banking Co., Ltd., for the electronic exercise of voting rights.
Participation in Electronic Voting Platform and Other Measures for Greater Ease of Voting by Institutional Investors	The Company uses the Electronic Voting Platform operated by ICJ, Inc., from the fiscal year ended March 31, 2016 (with the 74th General Meeting of Shareholders).
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
Regular Investor Briefings for Individual Investors	IR seminars for individual investors are held three or four times each year (irregularly).	No
Regular Investor Briefings for Analysts and Institutional Investors	Earnings presentations are held twice each year (except for the first and third quarters). Beginning in the fiscal year ending March 31, 2018, earnings teleconferences are to be held for the first and third quarters.	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 newsletters, securities reports, annual reports (English) and earnings presentation materials. Japanese website: http://www.kose.co.jp/company/ja/ir/ English website: http://www.kose.co.jp/company/en/ir/	
Establishment of Department and/or Manager in Charge of IR	The Company has the IR Office in place.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	The Global Environment Committee, established in 1997, was central the Group's formulation of its Fundamental Environmental Policy and Environmental Action Guidelines, as well as its environmental preservation and other CSR activities. In the fiscal year ended March 31, 2014, the Group established the CSR Committee, chaired by the President, to provide a more elaborate CSR promotion structure around the basic precepts of "Wisdom and beauty for people and the earth" and "Mind to follow the right path." Information about policies and activities is disclosed in its Sustainability Report (through fiscal year ended March 31, 2013), CSR Report (from the fiscal year ended March 31, 2014 to 2016), KOSÉ REPORT (from the fiscal year ended March 31, 2017) and on the KOSÉ corporate website. http://www.kose.co.jp/company/ja/csr/
Development of Policies on Information Provision to Stakeholders	The Group has formulated the Group Code of Conduct, which establishes its responsibility as a company enhancing the transparency of management and business activities to stakeholders and disclosing corporate information accurately and swiftly.
Other	The Company has in place the Customer Service Office, which serves as the department for handing responses to customers. Staff at this office strive to respond quickly, accurately and sincerely to customer consultations, complaints and other input via telephone, letter and email.

IV. Matters Related to the Internal Control System

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

The Company strives to enhance its internal control structure covering all Group executives and employees and ensure its effectiveness in accordance with the Company's basic policy on internal control, which was established to ensure operational appropriateness.

As part of its compliance structure, the Company has established behavioral guidelines, which it makes universally known to executives and employees. A Risk Management and Compliance Committee is in place to ensure that business activities comply with laws and regulations and are fair and ethical.

For its risk management system, the Company has formulated crisis management regulations and provides a preventive structure for each relevant department, serving as the structure for communicating information and responding in the event of a crisis. The Company's information management system involves the appropriate storage and management according to regulations of documents on the execution of business and other information.

The Group company management system is based on regulations related to the management of affiliated companies. Reports are received from affiliated companies regularly or as necessary. In addition to managing individual companies' business plans evaluating their operating performance, the Company assigns personnel responsibility for the overall management of affiliated companies. These personnel accumulate information on management matters related to those affiliated companies and report to the Company's Management Committee and other bodies. The Company's Audit & Supervisory Board Members and internal audit departments interact with Audit & Supervisory Board Members and other executives at subsidiaries and conduct investigations directly, as appropriate.

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.

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.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
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2. Other Matters Concerning Corporate Governance System

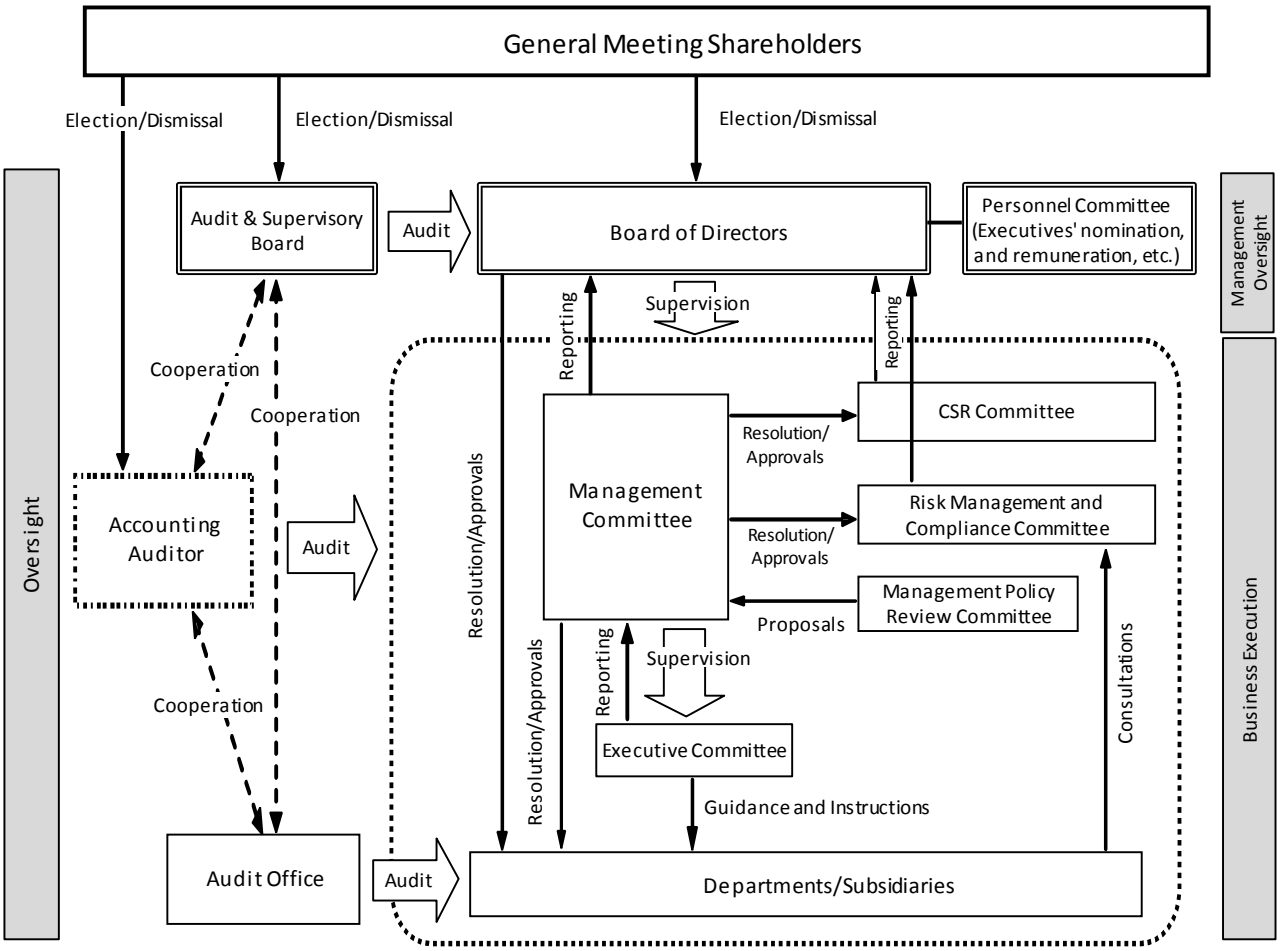
The Company has in place the following internal structures related to the appropriate disclosure of corporate information.

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 Office
   - Department in charge of information management: General Administration Dept.

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 Dept.
   - 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 Dept. to prevent information leaks.
   - In principle, the publication of information occurs following Board of Directors approval, and information is disclosed by the IR Office in accordance with Securities Listing Regulations formulated by the Tokyo Stock Exchange.

Corporate Governance Organization



Timely Disclosure System

