Corporate Governance Report

KOSÉ Corporation

Last Update: June 29, 2021

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 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 29, 2021.

[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. For assessments of the economic rationality of investments, decisions about whether or not to retain an investment reflect the actual return based on the Company's cost of capital and business transactions with companies where investments have been made.
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]
Transactions with Directors, and major shareholders (transactions with related parties) are examined by the Legal Department and other departments involved with the transaction to prevent any negative effects on the interests of the Company and its shareholders due to conflicts of interest. The opinions of external attorneys and other specialists are received as necessary, External Directors receive an explanation of the transaction in advance and these directors submit their opinions, and the transaction is examined by the Management Committee. The transaction must then receive the approval of the Board of Directors based on a resolution of the board as specified by the rules of the Board of Directors. Significant items concerning related-party transactions are reported to the Board of Directors and these procedures are used to oversee these transactions.
With regard to transactions between associated companies, the Company establishes 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, External Director Norika Yuasa serves concurrently as an External Director at two other listed companies, External Director Yuko Maeda serves concurrently as an External Director at one other listed company and External Director Toru Miyama 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 Audit & Supervisory Board Members (one External Audit & Supervisory Board Member 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 effectiveness of the Board of Directors, the Directors evaluate the board's effectiveness at least once every year for the purposes of identifying issues and making improvements. In the fiscal year that ended in March 2021, as in the prior fiscal year, a third-party organization was used for assessing the board's effectiveness in order to increase the objectivity of the analysis of the assessment process. The method used for this evaluation and the results are as follows.

1. Evaluation method
Directors and Audit & Supervisory Board Members were asked to complete questionnaires with the following items.
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.

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

2. Results of evaluation and issues requiring attention
The Board of Directors discussed the results of the questionnaire and concluded that materials for board meetings are distributed in advance and explained appropriately and that the preparation of agenda for board meetings and the verification of the appropriateness of cross-shareholdings are done properly. One issue in the previous fiscal year was to ensure further increasing the diversity of the board. The Directors confirmed that there have been steady improvements by increasing the ratio of women on the board and upgrading the framework for overseeing subsidiaries by setting up opportunities for direct discussions between outside directors and subsidiary directors. Consequently, the Directors determined that the overall activities of the Board of Directors are effective.
On the other hand, the results of the questionnaire indicated that setting up opportunities for information sharing and exchange of opinions among outside directors and providing feedback on opinions identified in dialogues with shareholders are issues that need to be addressed.
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 earnings presentations for first and third quarter results of operations and the President and this officer hold earnings presentations for first half and fiscal year results of operations. 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%

[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Kazutoshi Kobayashi	6,514,412	11.42
Takao Kobayashi	6,458,079	11.32
Masanori Kobayashi	6,332,473	11.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,944,300	5.16
Kazuo Kobayashi	1,926,888	3.38
JP Morgan Chase Bank 385632	1,652,900	2.90
Custody Bank of Japan, Ltd. (Trust Account)	1,637,800	2.87
Yasukiyo Kobayashi	1,503,018	2.63
KOSÉ Cosmetology Research Foundation	1,279,655	2.24
State Street Bank and Trust Company 505223	1,180,222	2.07

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

Supplementary Explanation Updated

A Large Shareholding Report that became available for public inspection on April 6, 2021 stated that Massachusetts Financial Services Company and its joint holders, MFS Investment Management K.K. owned the Company's stock as follows on March 31, 2021. 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, 2021.

The contents of the Large Shareholding Report are as follows.

Name/Company Name	Number of Share Certificates, etc. Owned (Thousand shares)	Percentage (%)
Massachusetts Financial Services Company	3,591	5.93
MFS Investment Management K.K.	118	0.19

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End Updated	December
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 Updated	One year
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)

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	○	Important concurrent positions ・Attorney, Matsuo & Kosugi ・Outside Director and Audit & Supervisory Committee Member, Takihyo Co., Ltd. ・Outside Director, ALCONIX CORPORATION ・Outside Director, KITZ CORPORATION	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 on management reform issues related to sustainability and diversity 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.
Norika Yuasa	○	Important concurrent positions ・Partner, Miura & Partners ・Part-time Professor, Waseda Law School of Waseda University ・Outside Audit & Supervisory Board Member, TOKYO ELECTRON DEVICE LIMITED ・Outside Director, SAINT-CARE HOLDING CORPORATION	Ms. Yuasa is an attorney who is highly knowledgeable about legal matters in Japan as well as Asia, Europe and North America. With her extensive knowledge, the Company believes that she will supervise and give comments and advice on our global strategy, mainly from a legal perspective and use an independent and objective standpoint to supervise management. 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.
Yuko Maeda	○	Important concurrent positions ・Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. ・Auditor, Japan Agency for Marine-Earth Science and Technology ・Director, CellBank Corp. ・Executive Director, Kyushu University	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 & Supervisory Board Member, combined with her experience serving as an officer of a national university and National Research and Development 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.

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	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)

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 ・Attorney, Miyama Law Office	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

		・Outside Audit & Supervisory Board Member, Ozu Corporation	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	○	Important concurrent positions ・Partner, Sakurai & Co. ・Representative Director, Tokyo Athletes Office, Inc. ・Director, SPOKACHI, Inc.	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 her an Independent Audit & Supervisory Board Member.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	5

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

Supplementary Explanation

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

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors

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 **Updated**	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

1. Basic policy for officer remuneration
For the remuneration of the Company's Directors and Audit & Supervisory Board Members (officer remuneration), the basic policy is designed and implemented based on the following goals in order to achieve medium to long-term growth of corporate value.
- A remuneration framework that enables the KOSÉ Group to achieve global and borderless growth
- An appropriately competitive level of remuneration for attracting and retaining highly talented individuals
- A highly independent, objective and transparent remuneration framework that is able to fulfill the responsibility of providing explanations to business partners, customers, shareholders, employees and all other stakeholders

2. Remuneration level
A suitable level of remuneration is determined by taking into account KOSÉ's business climate as well as a survey and analysis using external databases and other sources of remuneration at companies in the same industry and of the same size.
At the 65th General Meeting of Shareholders that was held on June 28, 2007, shareholders approved a resolution that limits the annual compensation of Directors to ¥1,800 million (excluding salaries and bonuses paid to Directors who serve concurrently as employees).

3. Composition of remuneration
a. Directors (excluding External Directors)
The remuneration of KOSÉ Directors (excluding External Directors) consists of basic remuneration and performance-based remuneration linked to results of operations, the stock price or other items. The purpose is to increase the motivation of these Directors to achieve short, medium and long-term performance targets and the sustained growth of corporate value. 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 ended in March 2021. Every year, eligible Directors receive KOSÉ common stock that cannot be sold for a designated period and has other restrictions. These Directors are allowed to sell the stock after they are no longer KOSÉ Directors.
Remuneration for Directors does not include salaries and bonuses paid to Directors who are also employees of KOSÉ.

1) Remuneration categories
[Basic Remuneration]
Basic remuneration is fixed monthly remuneration that is paid every month and based on the executive position and roles of each Director.

[Bonuses]

Bonuses are paid as an incentive to improve results of operations in a specific fiscal year. As a rule, bonuses are paid within three months of the end of the 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.

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

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

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

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 and other characteristics of the allocation to each Director is first discussed by the Nomination & Remuneration Committee, which is composed primarily of External Directors and External Audit & Supervisory Board Members. Using the results of these discussions as the premise for remuneration, the final decisions about individual remuneration are entrusted by a resolution of the Board of Directors to the President and Representative Director.
The Representative Director has the authority to determine for each Director the basic remuneration and the bonus and stock remuneration based on results of operations of the business overseen by each Director. The Representative Director is given this authority because, as the executive who oversees all business operations, the Representative Director is best suited for evaluating the business units that are the responsibilities of individual Directors.
Remuneration of Audit & Supervisory Board Members is determined by the mutual agreement of these members.

Remuneration for Directors does not include salaries and bonuses paid to Directors who are also employees of KOSÉ. The limit for total annual remuneration for Directors is ¥1,800 million in accordance with a resolution approved at the 65th General Meeting of Shareholders held on June 28, 2007. There were 10 Directors at the close of this shareholders meeting. At the same shareholders meeting, a resolution was approved that limits total annual remuneration for Audit & Supervisory Board Members to ¥120 million. There were four Audit & Supervisory Board Members at the close of this shareholders meeting.
For remuneration linked to results of operations in the fiscal year that ended in March 2021, consolidated sales were ¥279,389 million, 97.5% of the target of ¥286,600 million, and consolidated operating profit was ¥13,294 million, 77.3% of the target of ¥17,200 million.

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 14, 2020 by the Nomination & Remuneration Committee, which consists primarily of External Directors and External Audit & Supervisory Board Members. On June 26, 2020, the Board of Directors approved a resolution authorizing the President and Representative Director to determine individual remuneration. Remuneration of Audit & Supervisory Board Members is determined by the mutual agreement of these members.
As of the date that the Securities Report for the fiscal year that ended in March 2021 was submitted, there were 10 Directors and four Audit & Supervisory Board Members who were eligible to receive this remuneration.
On May 25, 2020, the KOSÉ Board of Directors approved a resolution to terminate the retirement benefit system for Directors and other officers.

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

The General Administration Department serves as the secretariat for calling meetings of the Board of Directors, the 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

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 12 executive officers (10 men and two women), who work proactively on initiatives to enhance management efficiency.

The Company's Board of Directors meets once each month, in principle, to decide on matters provided in laws and regulations and the Articles of Incorporations and important management-related matters, as well as to supervise the execution of duties by Directors. To deliberate important management-related matters and provide overall control over the execution of business, the Company has established a Management Committee, which is chaired by the President and composed mainly of Directors with specific titles. Furthermore, the Executive Committee meets as necessary to share information about the everyday execution of business, and meetings of the 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 (14 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, 2021 were as follows.

・ Compensation based on audit certification work:	¥98 million (of which portion of consolidated subsidiaries: ¥15 million)
・ Compensation based on non-audit work:	-
・ Name of certified public accountant:	Mr. 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:	16 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	The Company is committed to sending its convocation notices well before meetings. The convocation notice for the 79th General Meeting of Shareholders (the fiscal year ended March 31, 2021) was sent on June 7, 2021, seven 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 1).
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	1. Basic Policy KOSÉ discloses information in a fair and transparent manner in accordance with the Financial Instruments and Exchange Act, the timely disclosure rules of securities exchanges and other guidelines. The objective is to maintain long-term relationships rooted in trust with shareholders and investors in Japan and other countries, and all other stakeholders. KOSÉ also discloses information that is not covered by the timely disclosure rules by using the KOSÉ website and other methods in order to ensure the greatest possible fairness. 2. Disclosure Methods Methods used to handle and disclose material information about the KOSÉ Group comply with the Rules on the Prevention of Insider Trading established by KOSÉ. (1) Information subject to timely disclosure rules Material information (information about decisions, events, performance and other activities of KOSÉ and its subsidiaries) that must comply with the timely disclosure rules is defined as information about business operations, results of operations and other subjects that has a significant effect on decisions concerning securities investments. KOSÉ discloses this information by using the TDnet (Timely Disclosure Network) of the Tokyo Stock Exchange and, as needed, the KOSÉ website.	

	(2) Material information subject to fair disclosure rules When providing KOSÉ's material business and financial information that has not been disclosed but has a significant effect on investment decisions, KOSÉ discloses this information on its website in accordance with the fair disclosure rules (Article 27-36 of the Financial Instruments and Exchange Act and the Cabinet Office Order on Disclosure of Material Information). However, if information has been released unintentionally, the information will, as a rule, be disclosed to the public immediately. 3. Quiet Period KOSÉ 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, KOSÉ will not provide any comments or responses to inquiries concerning results of operations. However, information will be disclosed in accordance with the timely disclosure rules if there is an event during the quiet period that requires timely disclosure. 4. Forward-looking Statements Information disclosed by KOSÉ may include plans, outlooks, strategies and other forward-looking statements. These statements are based on certain assumptions that were believed to be reasonable at the time the information was disclosed. As these statements incorporate risks and uncertainties, actual results of operations may differ from these plans, outlooks, strategies and other information. Japanese website: https://www.kose.co.jp/company/ja/ir/about/disclosure/ English website: https://www.kose.co.jp/company/en/ir/management-policy/disclosure-policy/	
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 earnings presentations for first and third quarter results of operations and the President and this officer hold earnings presentations for first half and fiscal year results of operations.	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, KOSÉ REPORT (integrated report) and earnings presentation materials. Japanese website: https://www.kose.co.jp/company/ja/ir/ English website: https://www.kose.co.jp/company/en/ir/
Establishment of Department and/or Manager in Charge of IR	The Company has the IR Department in place.

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	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. 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." 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. 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. 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. In April 2020, KOSÉ announced the KOSÉ Sustainability Plan, which includes targets for 2030. The KOSÉ sustainability website has more information about these activities and other sustainability initiatives. KOSÉ Sustainability website: https://www.kose.co.jp/company/en/sustainability/

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	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. https://www.kose.co.jp/company/ja/sustainability/newnormal/ 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. (Recent actions) ・ Started a dual-pathway compensation system that gives beauty consultants more options for their future advancement (since the fiscal year ended March 2020) ・ Using digital technologies to increase the flexibility of working styles in order to reflect new lifestyles (the fiscal year ended March 2020) ・ A new support program for fathers (the fiscal year ended March 2021) 2. Health and Productivity Management KOSÉ is constantly using a broad range of activities for health management. https://www.kose.co.jp/company/ja/sustainability/employee/ 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. https://www.kose.co.jp/company/ja/sustainability/employee/normalization/

IV. Matters Related to the Internal Control System

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

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 internal and external channels for reporting problems. These channels are used for responding to reports from Directors and employees and performing consultations. In addition, there is a framework for responding to reports of problems submitted by business partners and performing consultations.

[System for the storage and management of information about the performance of Directors' duties]
Minutes of shareholders meetings and Board of Directors meetings, and important documents and information involving decisions made about business operations are stored and managed properly as stipulated in laws and regulations and internal regulations. Directors and Audit & Supervisory Board Members can see these materials at any time.
The Company has a department that is responsible for the timely disclosure of important information and other disclosure activities. In addition, Directors collect information that should be disclosed in a rapid and comprehensive manner and then, in accordance with laws, regulations and other guidelines, this information is disclosed in an appropriate and timely manner.

[Regulations and systems for the risk management of losses for the Company]
In order to respond to sources of risk, including a broad range of risk factors that pose a threat to the sustainability of the Company's business operations, particularly problems involving compliance, quality, information security 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

Supplementary Explanation
-

2. Other Matters Concerning Corporate Governance System

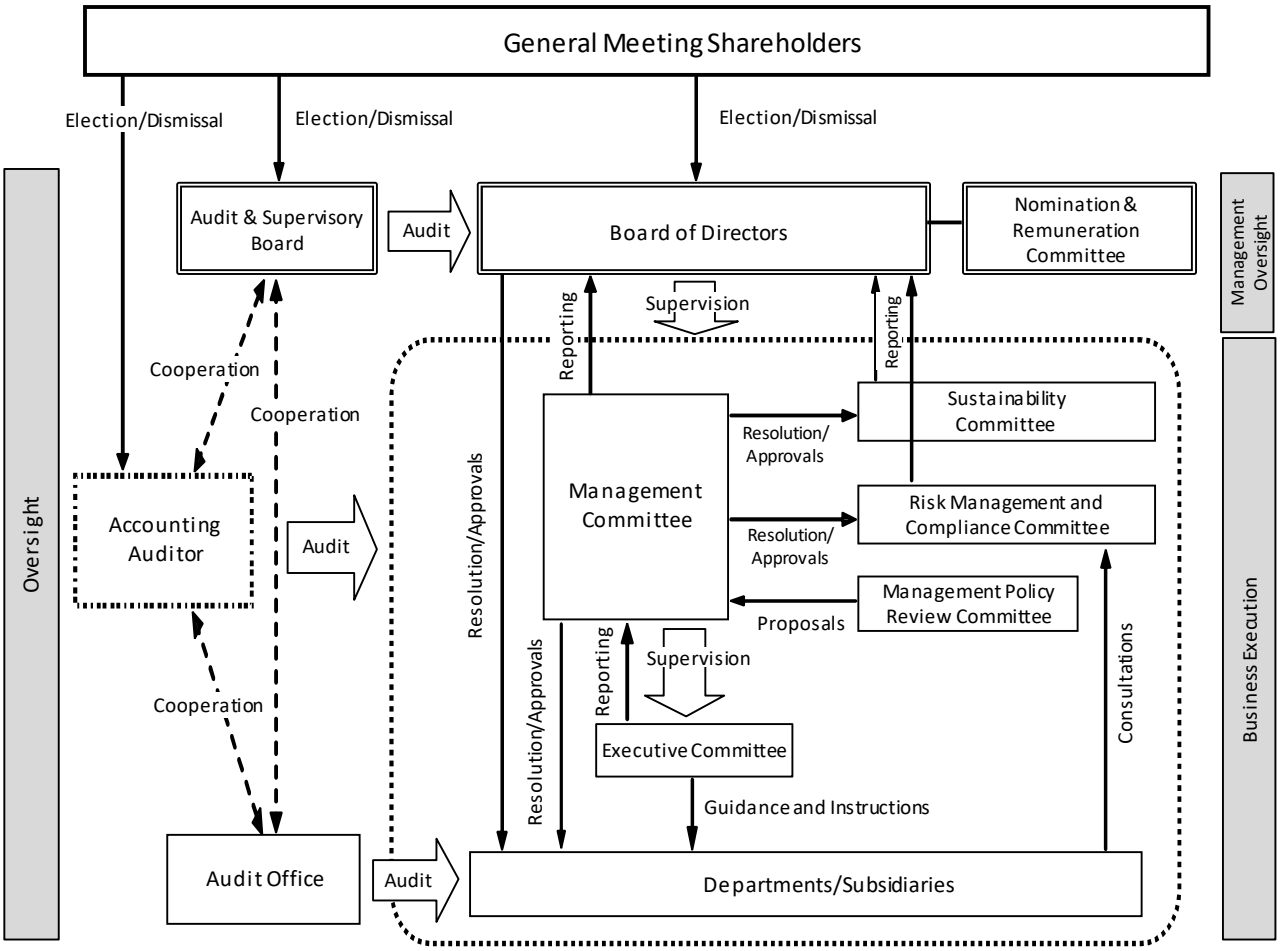
The Company has in place the following internal structures related to the appropriate disclosure of corporate information.

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

