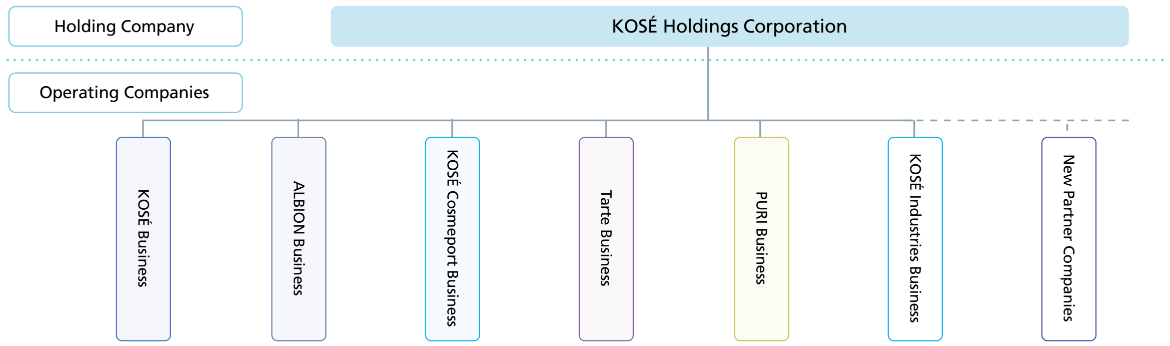
Business Structure Following the Transition to a Pure Holding Company Structure

Under the new structure, we will establish a framework in which robust governance and strategy formulation by the holding company serve as the foundation, while each operating company is empowered to maximize the unique creativity of its brands. By striking a high-level balance between a firm management philosophy underpinned by ownership and the distinctive individuality of a diverse brand portfolio, we will enhance the competitiveness of the Group as a whole and drive the maximization of customer value and sustainable growth.



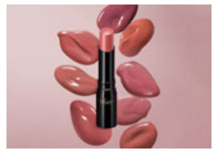
KOSÉ Business

KOSÉ


DECORTÉ


雪肌精 SEKKISEI


ONE BY KOSÉ


Visée

ALBION Business

ALBION


ALBION


Elégance


IGNIS


PAUL & JOE

KOSÉ Cosmeport Business

KOSÉ COSMEPORT


softymo ソフティモ


CLEAR TURN クリアターン


SUNCUT


GRACE ONE

Tarte Business

tarte high-performance naturals


tarte

PURI Business

PAÑPURI


PAÑPURI

KOSÉ Business

Top Message

Maximizing Corporate Value through Strong Brand Building and Improving Earning Power

The two main pillars of my management policy are contributing to the Group by building strong brands that earn customer support and by improving our earning power.

Leveraging the strength of our diverse brand portfolio, we will further strengthen initiatives aimed at sustainable growth with *DECORTÉ* at the core while strategically nurturing brands that will become the next pillars of earnings. We will thoroughly refine the unique value of each brand and work to sustainably enhance brand strength through focused investment in hero products and the strengthening of customer touchpoints.

At the same time, we will further evolve our channel strategy in the Japanese market by integrating online and offline channels. We will also ensure disciplined cost management that leads to higher productivity while steadily advancing our overseas business through sustainable growth in China and expansion in the Global South. By optimizing our business portfolio and upgrading our earnings model with a strong awareness of capital efficiency, we will aim to maximize corporate value over the medium to long term.

Fiscal 2025 Results

■ Record-high domestic sales of *DECORTÉ* and Company-wide improvement in profitability

In terms of net sales, *DECORTÉ* achieved record-high sales in the Japanese market for the third consecutive year, driven by the launch of high-profile new products. In addition, *ONE BY KOSÉ* and *MAKE KEEP* series remained strong throughout the year, contributing to higher sales across the Group as a whole. In terms of profitability, results benefited from the optimization of the domestic cost structure, centered on the KOSÉ business, as well as the rebuilding of the business foundation in China following structural reforms. As a result of these initiatives, both KOSÉ and KOSÉ China returned to operating profitability, and the Group's overall earning power improved significantly.

Challenges Toward Fiscal 2026

■ Sustaining *DECORTÉ*'s growth and establishing the next earnings pillars

In addition to sustaining the growth of *DECORTÉ* in Japan, our highest priority issues are nurturing the second and third earnings pillars to follow the brand and enhancing our presence by revitalizing the makeup category. At the same time, we will promote global expansion to further accelerate growth while continuing to optimize our earnings structure and drive the transformation to a highly profitable business structure.

Initiatives for Fiscal 2026

■ Promoting brand growth strategies and global expansion while strengthening earning power

In 2026, we will advance the growth of each brand and global expansion in order to strengthen our management foundation. For *DECORTÉ*, we will further enhance its image of high quality backed by science and encourage retention among affluent customers in their 40s and older who have greater purchasing power by highlighting the anti-aging benefits of the *AQ* and *LIPOSOME* series.

As the second and third pillars following *DECORTÉ*, we will focus on *SEKKISEI* and *ONE BY KOSÉ*. For *SEKKISEI*, we will aim to expand market share through investment in the Brightening series and *SEKKISEI BLUE*. For *ONE BY KOSÉ*, we will strengthen customer loyalty by promoting cross-selling centered on serums and leveraging membership programs. For our makeup brands, meanwhile, we will seek to restore market presence by concentrating investment in the categories that represent each brand's particular strengths.

In our global expansion efforts, the top priority for the China business will be stabilizing earnings. To that end, we will bolster our customer base by enhancing our brand appeal tailored to local needs—leveraging CRM and communication focused on ingredients and supporting evidence—while acquiring and cultivating high-value customers. In the U.S. business, we will expand our customer base by building on the strong performance of the e-commerce channel. In travel retail, we will focus on creating Group synergies by leveraging the advantages of the holding company structure while also developing the Japanese, U.S., and European markets.

In addition, we will improve our earning power by promoting measures such as cost reductions and more efficient marketing investment.

ALBION Busines

Top Message

Establishing an Overwhelming Presence in the Luxury Cosmetics Market

For the past 70 years, ALBION has grown together with its retail partners under the management philosophy of "As a leading company in luxury cosmetics, we remain committed to authenticity and expand a circle of beauty, inspiration, and trust around the world."

Looking ahead to 2030, we aim to establish an overwhelming presence in the luxury cosmetics market by bringing out ALBION's uniqueness more than ever before while focusing on strengthening our competitive advantages. Specifically, we will concentrate management resources on manufacturing and customer service that pursue the qualities that define ALBION. By launching one-of-a-kind products that deliver highly tangible results and providing each customer with a high level of satisfaction through attentive counseling and beauty experiences, we will continue to enhance the value we offer. In addition, by strengthening our digital strategy through initiatives such as the customer loyalty program and online sales to be launched in 2026, we will expand awareness, drive customers to stores, and maximize the value provided at the retail counter.

Over the longer term, we will pursue sustainable growth by taking on the introduction of new brands and global development including M&A.

Shoichi Kobayashi
Representative Director and President
ALBION CO., LTD.

Fiscal 2025 Results

■ Steady performance of core brands and progress in customer development

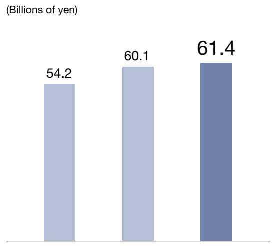
The core *ALBION* and *IGNIS* performed steadily, underpinning the business as a whole. Although *Elegance* experienced a temporary fluctuation in inbound demand due to price revisions, careful customer development efforts proved effective, and sales to domestic customers remained firm across the brands overall.

Challenges Toward Fiscal 2026

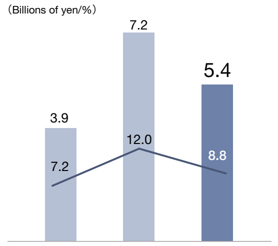
■ Acquiring new customers and increasing store sales

To achieve sustainable growth going forward, it is essential that we cultivate potential customer segments that our traditional store-centered approach has not been able to reach. We therefore view the urgent priorities as further expanding customer touchpoints and increasing lifetime value (LTV).

Net Sales



Operating Profit / Operating Margin



Initiatives for Fiscal 2026

■ Strengthening customer touchpoints and sales capabilities through a focus on digital strategy

In 2026, we will use our digital strategy to expand awareness and deepen understanding of brand value, thereby creating new growth opportunities. To achieve this, we will newly implement ALBION ID, our unified customer ID, and fully launch our direct online sales. Specifically, through the ALBION Beauty Program, a customer loyalty program launched at the same time as ALBION ID in January, we will strengthen communications from the manufacturer to expand awareness and promote understanding. This will be followed in April by the launch of online sales for our major brands, which will strengthen customer touchpoints, improve convenience for existing customers, and broaden our customer base by attracting customer segments that primarily shop online. In this way, advancing our digital strategy will help expand awareness and understanding of brand value while making greater use of our core strength in in-store customer service. This will maximize sales productivity per store and enable a further refinement of our store network and higher profitability.

ALBION Official Online Store: https://albion.co.jp/site/store
(Japanese only)

KOSÉ Cosmeport Business

Top Message

Becoming the No. 1 Self-Selection Cosmetics Company by Strengthening Store-Centric Approaches and Group Synergies

In 2025, the cosmetics market remains on a growth trajectory, supported in part by the recovery in inbound demand. At the same time, consumers are becoming more discerning, and a pattern of selective spending—choosing between high-value-added products and products with strong cost performance—has become firmly established. In this environment, we will further deepen our strength in store-centric approaches and devote ourselves to building a solid foundation for the next stage of growth. With the transition to the holding company structure beginning this year, we also intend to maximize synergies through Group collaboration.

On the business front, we will concentrate investment in our Global 4 Brands—centered on *Softymo* and *CLEAR TURN*, both of which have surpassed ¥10 billion in sales, and joined by *SUNCUT*® and *GRACE ONE*—in order to stay ahead of increasingly diverse consumer needs and achieve further growth and market share expansion.

Takao Kobayashi
Representative Director and President
KOSÉ Cosmeport Corp.

Fiscal 2025 Results

■ Achieving record-high sales and maintaining high profitability

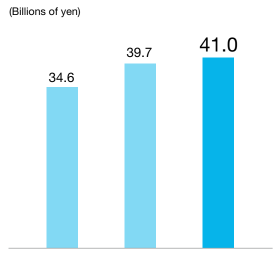
Net sales reached a record high. Even in a challenging business environment marked by soaring raw material prices, we thoroughly implemented measures such as reducing returns through supply chain optimization and ensuring the strategic and efficient use of sales promotion expenses. As a result, we maintained an operating margin at the 10% level, achieving both expanded sales scale and high profitability and contributing to higher earnings for the Group as a whole.

Challenges Toward Fiscal 2026

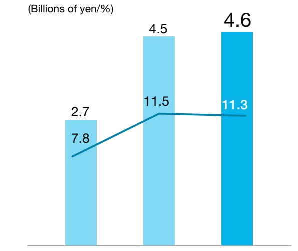
■ Maintaining domestic market share and expanding overseas sales

As competition in the domestic market intensifies, we recognize the need to strengthen brand equity that is not swayed by price competition in order to maintain and expand market share. In addition, we believe it is essential to accelerate our expansion into global markets and the development of our overseas business in order to secure sustainable growth over the medium to long term.

Net Sales



Operating Profit / Operating Margin



Initiatives for Fiscal 2026

■ Promoting the "Category Leadership" strategy and accelerating global expansion

In 2026, we will work to expand brand share through the creation of category leadership items while maintaining a highly profitable business structure.

In Japan, we will concentrate management resources on our four core brands with strong market positions—*Softymo*, *CLEAR TURN*, *SUNCUT*®, and *GRACE ONE*. For *CLEAR TURN*, we will launch a new high-functionality line, *CLINI SHOT*, while for *SUNCUT*®, we will introduce high-profile new products, aiming to increase sales and market share.

In overseas markets, in addition to Greater China, we will accelerate expansion into high-growth regions such as ASEAN in order to increase the overseas sales ratio. On the earnings front, we will absorb the impact of rising raw material costs by improving the product mix through the launch of high-value-added products and by enhancing efficiency in logistics and sales. Even in the mass market, by advancing these brand strategies in parallel with cost control, we aim to build a structure capable of generating sustainable profits under any market conditions.

Tarte Business

Top Message

Driving Group Growth through Product Line Expansion and Digital Acceleration

With over 25 years of brand heritage, Tarte has established itself as a leading prestige makeup brand in North America, anchored by category-defining franchises in concealer and mascara. The brand's long-term vision is centered on disciplined growth driven by franchise expansion and digital acceleration. Tarte will continue to strengthen its leadership in core categories while selectively expanding into adjacent makeup segments aligned with brand equity and consumer demand.

Digital channels represent an important long-term growth driver. Tarte has built strong social-commerce engagement and will continue to scale the marketplace alongside established retail relationships. Tarte complements the KOSÉ Group portfolio by strengthening its exposure to prestige makeup categories and digitally native consumer segments in North America.

Fiscal 2025 Results

■ **Maintained No.1 share in core categories and achieved strong e-commerce performance**

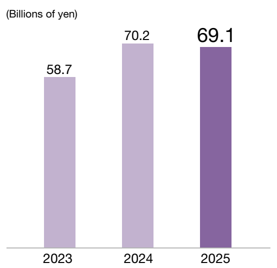
In the North American market, in addition to our core concealer category, we also achieved the No.1 market share in mascara in the U.S., demonstrating a strong brand presence across our core categories. Furthermore, even amid deteriorating consumer sentiment in North America, our strategically expanded e-commerce channel continued to perform well, securing sales on par with the previous year on a local currency basis. As a result, we maintained our market share despite the challenging market environment, underscoring the brand's strong customer loyalty.

Challenges Toward Fiscal 2026

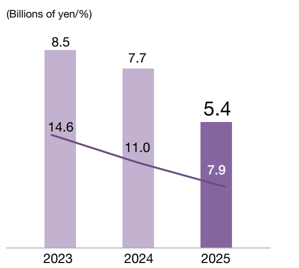
■ **Optimizing the balance between marketing investment and profitability**

In fiscal 2025, amid a continued challenging market environment, we viewed the situation as an opportunity to maintain and strengthen our brand presence and therefore implemented proactive marketing investments. Although consumer spending trends in North America are expected to remain cautious in fiscal 2026, we will prioritize the optimization of growth investments, building on the strong brand awareness and support we have established to date. Through the efficient digital marketing initiatives leveraging social media, as well as rigorous management of return on investment (ROI), we will work to further enhance brand value.

Net Sales



Operating Profit / Operating Margin



Initiatives for Fiscal 2026

■ **Strengthening core categories and cultivating new growth drivers**

In fiscal 2026, to solidify our position in the North American prestige market, we will accelerate product portfolio expansion and deepen strategic marketing investments.

On the product front, while maintaining category share in concealers and mascaras, we will cultivate categories like face and cheek as our next growth drivers. Concurrently, we will expand distribution channels for the brand's signature concealer series, shape tape™, enhancing customer touchpoints.

In marketing, through collaborations with brands and content creators, we will maximize engagement on social media to stimulate demand both online and in-store.

For earnings, although rising costs due to tariffs remain a concern, we will offset the pressures by improving our product mix through high-value-added items, maintaining our gross profit margin at the previous year's level.

Through these initiatives, we aim to achieve steady business growth and improved profitability even in a challenging market environment.

PURI Business

Top Message

Expanding Thai Luxury Holistic Wellness across Asia

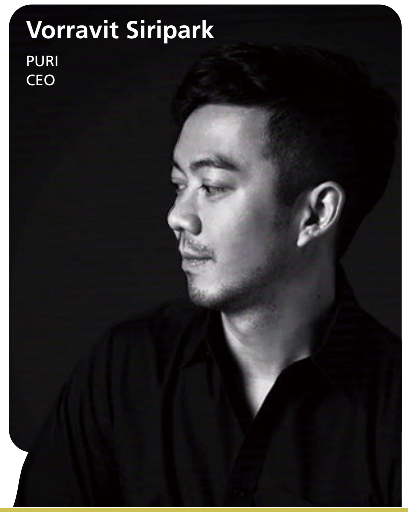
PAÑPURI aspires to become the first Thai global luxury wellness brand, dedicated to awakening the senses through refined craftsmanship and holistic well-being. Our long-term ambition is to expand across Asia and international markets, tripling revenue from USD 37 million to USD 100 million by 2029 with more than 70 stores opening planned.

To achieve this, we focus on four strategic pillars:

1. Elevating global luxury campaigns and impactful product launches
2. Scaling retail and e-commerce globally while building sustainable profitability in key markets
3. Strengthening market leadership in Thailand through renovations, selective expansion, and advanced customer relationship management
4. Expanding the wellness ecosystem across Asia to drive luxury property partnerships

2026 marks a pivotal year of expansion into priority markets—Japan, China, Hong Kong/Macau, and Singapore—with plans to open 16 stores. Simultaneously, we will reinforce our leadership in Thailand through growth in Bangkok and core cities.

On the product front, we will emphasize unique and niche fragrance categories such as perfume oils while introducing water-based EDP as a key new product line.

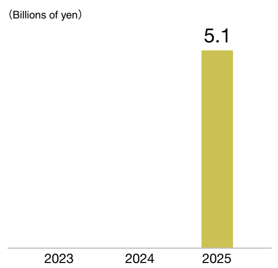


Fiscal 2025 Results

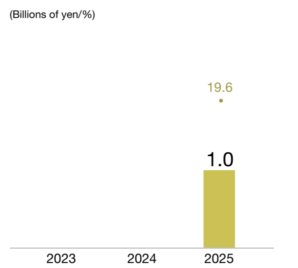
■ **Proactive development of local customers contributed to performance**

In fiscal 2025, although we faced external challenges in the Thai market, including a decline in the number of Chinese tourists, strategic initiatives such as the rollout of pop-up shops and collaborations with local influencers proved effective, enabling us to successfully acquire new customers among local residents. In particular, in the fourth quarter, we successfully captured demand during the holiday sales season. As a result, sales, which had stagnated mid-year, turned positive, achieving approximately a 10% year-on-year increase on a quarterly basis. Performance recovered in the second half of the fiscal year, providing tangible momentum toward accelerating growth in the next fiscal year.

Net Sales



Operating Profit / Operating Margin



Note: Newly included in the scope of consolidation from fiscal 2025

Challenges Toward Fiscal 2026

■ **Reducing dependence on sales to Chinese tourists**

Reducing our reliance on tourist demand, which is highly susceptible to external factors, is an urgent priority. To achieve stable growth, we must further strengthen the capture of demand from local residents, thereby diversifying our revenue sources and stabilizing our customer portfolio.

Initiatives for Fiscal 2026

■ **Enhancing brand value in Thailand and accelerating globalization through expansion into Japan and Asia**

In fiscal 2026, we will further solidify our market presence in Thailand while advancing full-scale expansion into Japan and other Asian markets.

In Thailand, we will leverage strong-performing products such as perfume oils as key drivers to reinforce brand value and accelerate new customer acquisition. By strengthening sales to local residents and expanding domestic demand, we will build a robust earnings base that is less susceptible to external factors.

With respect to global expansion, we will accelerate store openings in Japan and major cities across Asia to broaden brand recognition. Beyond simply increasing scale, we will position high-margin direct-to-consumer and e-commerce channels at the core of our strategy, cultivating the business into a new growth driver that contributes to the Group's profit growth.

Manufacturing Strategy

To respond to expanding cosmetics demand in Japan and overseas, we have transformed our manufacturing structure around the state-of-the-art Minami Alps Factory, which utilizes pristine water resources and clean electricity. By ensuring the reliable and timely supply of competitive products that combine environmental consideration with high quality, we will drive sustainable growth.

Top Message

Transforming Manufacturing around Three Core Production Sites

As the Group's source of product and value creation, KOSÉ Industries has launched its new KIC-VISION, PIONEER. This vision consists of seven elements (Perfect, Innovation, Original, Network, Eco, Engagement, and Result) with particular emphasis on strengthening P ("the best products and production sites") and R ("a commitment to results"). Guided by our belief in providing "good products, in abundance," we will thoroughly safeguard the quality of every single item that reaches the customer while transforming our manufacturing structure around three core sites: the Gunma Factory in Gunma Prefecture as our central technology hub, the Sayama Factory in Saitama Prefecture as the home of people and craftsmanship, and the state-of-the-art Minami Alps Factory in Yamanashi Prefecture. By balancing environmental consideration with higher added value, we will help drive the realization of a sustainable society and the evolution of quality that can compete on a global scale.

Hiromichi Mayuzumi

President and Representative Director
KOSÉ Industries CO., LTD.

Investment Effects of the Minami Alps Factory

By strengthening our manufacturing foundation, we will build a production system that supports the transition to a highly profitable business structure and sustainable growth.

Strengthening the Manufacturing Foundation

- Expand production capacity to support the Group's medium- to long-term sales growth (to approximately 1.4 times the current level).
- Consolidate skincare product manufacturing functions to curb dispersed investment and maintenance costs.

+

Improving Profitability and Capital Efficiency

- Reduce outsourcing costs by promoting in-house production.
- Improve productivity through the introduction of automated equipment, including AGVs.*
- Reduce inventory through shorter manufacturing lead times.

+

Realizing a Sustainable Manufacturing Model

- Establish a sustainable production site that takes both people and the environment into consideration.
- Convert high environmental added value into quality and brand strength.
- Mitigate the future risk of labor shortages through advanced automation.

*Automatic Guided Vehicle

Five Features of the Minami Alps Factory

1. Rapid response to demand fluctuations and labor saving: Automation of in-plant logistics through AGVs and an automated warehouse

We have established an automated transport line that links an automated warehouse for the high-speed receiving and dispatch of materials, rail-guided carts that run on track rails, and AGVs. The AGVs automatically deliver designated materials directly to the work area, enabling seamless, labor-saving, just-in-time supply. We have also mechanized the task of stacking heavy product cartons onto pallets, thereby achieving both reduced employee workloads and higher productivity.

Automated warehouse

2. Fusion of craftsmanship and digital technology: Eliminating reliance on individuals and passing on technical expertise

As one example, we have introduced an automated program control system in the emulsification plant, which is a core component of cosmetics manufacturing. This has enabled the automation of tasks such as adjusting agitation speed and temperature control, which were previously fine-tuned manually by skilled operators. The system incorporates manufacturing know-how cultivated at our existing plants, making it possible to produce highly uniform cosmetic contents for a wide range of products, including emulsions, creams, and facial cleansers while minimizing quality variation to the greatest possible extent.

Emulsification plant

3. Differentiation in manufacturing: A commitment to water

Water is an extremely important factor in cosmetics manufacturing. It is essential not only as an ingredient in high-quality cosmetics but also in every stage of the manufacturing process, including the precise cleaning of production equipment and temperature control in plants. By selecting Yamanashi Prefecture, which is blessed with abundant supplies of clear, pure water, as the site for our new factory, we have established a stable and sustainable production system for the future.

4. Reforming workstyles on the production floor: "Human-first" equipment that reduces workloads

As a human-first factory designed around the people who work there, we have thoroughly mechanized physically demanding tasks. For used containers and emulsification plants that were previously cleaned internally using hot water and other manual methods, we introduced a new container washing machine and clean-in-place (CIP) system, thereby automating these operations and achieving both improved safety and higher productivity. In addition, on the facial cleanser production line, where large-scale production is required, we introduced assist equipment such as cranes for the large-volume raw material input process. This has reduced operators' physical burden and enabled the establishment of a safe and highly efficient production system.

Container washing machine

5. Leading the transition to a decarbonized society: Realizing a zero-emission factory through renewable energy and green hydrogen

From the construction stage, we have used 100% CO_2-free electricity generated by Yamanashi Prefecture-operated hydropower. This represents an advanced initiative in factory construction even within Japan. After operations begin, we will continue to use renewable electricity, including solar power generation that takes full advantage of Yamanashi Prefecture's location, which enjoys some of the longest sunshine hours in the country. In addition, for thermal energy used in manufacturing, we will gradually introduce green hydrogen, produced from Yamanashi's abundant water resources and solar-derived electricity, in place of conventional fossil fuels.

Working in collaboration with Yamanashi Prefecture's green hydrogen initiative.

Financial Strategy

With the transition to a pure holding company structure as an opportunity, the KOSÉ Group will deepen its management approach by placing greater emphasis on capital costs based on ROIC. By achieving both higher business profitability and improved capital efficiency, and by pursuing an optimal balance between growth investments and shareholder returns, we aim to maximize corporate value on a sustainable basis.

Group CFO Message

Enhancing Corporate Value by Rebuilding Earning Power

Shinichi Mochizuki
Executive Director & Group CFO
KOSÉ Holdings Corporation

In fiscal 2025, on a consolidated basis, both net sales and operating profit increased year on year, supported by record-high domestic sales of *DECORTÉ* within the KOSÉ business, record-high sales in the KOSÉ Cosmeport business, and the positive outcomes of structural reforms in Asia. However, due to the struggles of makeup brands in Japan, sluggish inbound sales, and a higher cost of sales ratio, both net sales and operating profit fell short of the initial plan.

Based on these results, we are approaching fiscal 2026 with a strong determination to achieve net sales of ¥350.0 billion, up 6.0% year on year. In addition to the three major businesses in Japan (KOSÉ, ALBION, and KOSÉ Cosmeport) we aim to achieve record-high consolidated net sales through significant growth in the Tarte business, which primarily operates in North America, and the PURI business in Thailand.

On the profit front, in addition to the increase in net sales that will come with top-line growth, we will carry out fundamental reforms to create a highly profitable business structure. To absorb the higher depreciation burden associated with the Minami Alps Factory, which will begin operations this year, we will work to lower the cost of sales ratio through appropriate price revisions, product and channel optimization, and the reduction of waste. We will also evaluate marketing investments based on return on investment (ROI) while using digital investment and AI to optimize headcount and improve productivity. In addition, through thorough cost control in administrative divisions, we are planning operating profit of ¥20.0 billion, up 8.3% year on year.

The most important theme of this year's financial strategy is to enhance the effectiveness of return on investment following the transition to a pure holding company structure.

At present, our return on invested capital (ROIC) remains below our cost of capital and needs to be raised to over 10%, the target set out in our medium- to long-term vision, Milestone2030. Beginning this year, we will incorporate ROIC into executive compensation metrics and also cascade it down to on-the-ground KPIs for each business division, such as inventory reduction, thereby ensuring governance across the Group that is firmly focused on capital efficiency. In particular, to address the challenge of reducing inventories, we plan to renew our SAP system and introduce a demand forecasting system to optimize inventory levels and shorten the cash conversion cycle (CCC).

Furthermore, we will prioritize the allocation of funds generated through the "rebuilding earning power" to growth investments, including M&A and global expansion, as well as to strengthening our digital infrastructure and marketing capabilities while also enhancing shareholder returns. For fiscal 2026 shareholder returns, in addition to raising the annual dividend to ¥150, including a commemorative dividend for our 80th anniversary, we also carried out a share buyback of approximately ¥3.0 billion for the first time in 14 years. This reflects our unwavering confidence in earnings growth and our strong commitment to fundamentally improving capital efficiency.

We will generate cash through our uncompromising approach and continue to pursue the optimal balance between growth investment and shareholder returns, deepen transparent dialogue with capital market participants, and strive to enhance corporate value beyond expectations.

Fiscal 2026 Plan

Forecast of consolidated financial results for fiscal 2026

(Billions of yen)	Fiscal 2025 results		Fiscal 2026 plan		Change	% Change
	Amount	% of net sales	Amount	% of net sales		
Net sales	330.1	100.0%	350.0	100.0%	+19.8	+6.0%
Japan	215.3	65.2%	–	–	–	Mid-single-digit % increase
Asia	44.1	13.4%	–	–	–	Mid-single-digit % increase
North America/Others	70.7	21.4%	–	–	–	High-single-digit % increase
Operating profit	18.4	5.6%	20.0	5.7%	+1.5	+8.3%
Ordinary profit	21.4	6.5%	21.0	6.0%	-0.4	-2.2%
Profit attributable to owners of parent	15.1	4.6%	12.1	3.5%	-3.0	-19.9%
Net income per share	¥264.84		¥212.67			
ROE	5.4%		4.0%			
ROIC	3.7%		3.5%			
Capital expenditures	21.2		30.0			
Depreciation	10.8		13.0			

Exchange rate (JPY)		
Currency	Fiscal 2025 results	Fiscal 2026 plan
US$	149.7	156.0
CN¥	20.8	22.3
KR₩	0.105	0.109

Regional net sales plan

Japan (Up by the mid-single digits year on year)	We plan to achieve higher sales by strengthening our core brands. In the KOSÉ business, in addition to *DECORTÉ*, we expect growth from *SEKKISEI* and *ONE BY KOSÉ*. In the ALBION business, although inbound sales are assumed to decline by 20%, we still plan higher sales through initiatives including the launch of e-commerce in April. In the KOSÉ Cosmeport business, we will aim for further market share expansion by concentrating investments on our four core brands and introducing new products.
Asia (Up by the mid-single digits year on year)	In the KOSÉ business in China, we aim to achieve steady growth by expanding sales of the *AQ* and *LIPOSOME* series and leveraging CRM. In the KOSÉ Cosmeport business, we will accelerate expansion into ASEAN in addition to Greater China. In the PURI business, in addition to enhancing brand value in Thailand, we will cultivate it as a new growth driver through full-scale expansion into Asian markets including Japan.
North America/Others (Up by the high-single digits year on year)	In the Tarte business, we will promote expanded distribution of the core *shape tape*™ series while cultivating the next growth categories, including cheek and face colors. In the KOSÉ business in the United States, we will expand our customer base by building on the strong performance of the e-commerce channel.

Initiatives for improving our earning power

In 2026, we will simultaneously promote profit growth driven by top-line growth and a review of our earnings structure. Through these initiatives, we will work to improve profitability by more than ¥3.0 billion compared with the previous year.

Higher earnings due to top-line growth: ¥1.5 billion (Sales up ¥8.0 billion)

- **Reinforce ecommerce channels**
  - Push forward with more activities on major ecommerce platforms
  - Upgrade CRM by using accumulated customer identifiers
- **Drive forward with global business**
  - More ASEAN activities in the KOSÉ business
  - Improve profitability of Tarte business
  - Increase PURI activities in Japan and the ASEAN region

×

Reexamination of profit structure: ¥2.0 billion

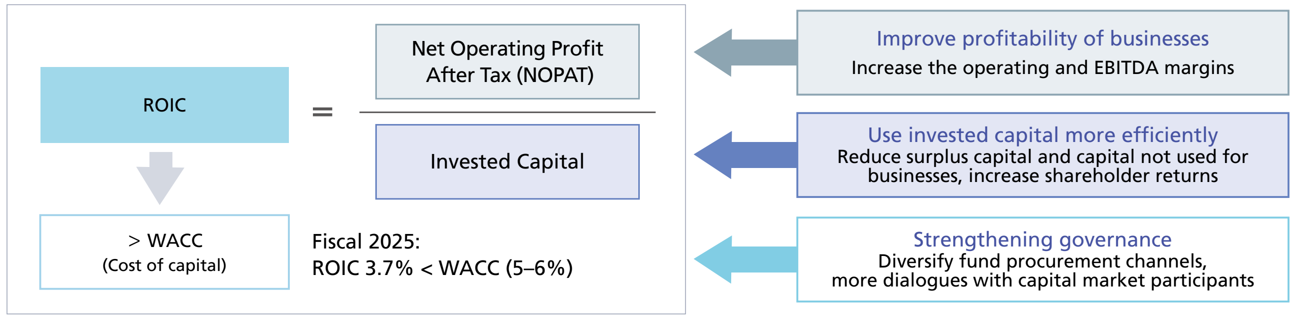
- **Improve gross profit margin**
  - Revise prices to reflect higher procurement expenses
  - Reduce discarded products by more tightly controlling inventories at distributors and stores
  - Higher productivity at KOSÉ Group factories
- **Reexamine marketing activities**
  - Reexamine marketing and advertising expenses
  - Drastic review of profit structures of brands
- **Higher administrative productivity**
  - Continue cost-cutting measures
  - Use the DX and AI to improve business process and to make the size of the administrative workforce appropriate

Management that is Conscious of Cost of Capital and Stock Price

Progress in ROIC management

Using ROIC, which was newly introduced in the medium- to long-term vision announced in November 2024, we are working to visualize management issues in each business.

Although ROIC has recently remained below our cost of capital, we plan to improve it toward our fiscal 2030 target of 10% or higher by completing Phase 1, Completion of Structural Reforms and Rebuilding an Infrastructure, and then moving into Phase 2, Shift to a Continuous and Sound Growth Spiral. Fiscal 2026 is positioned as Phase 1 in our medium- to long-term vision, and we will simultaneously promote profit growth driven by top-line growth and a review of our earnings structure. In addition, through the transition to a holding company structure, we will optimize the earnings structure of the Group as a whole. While working to improve profitability and capital efficiency, we will also strengthen governance.



Improve Profitability of Businesses

Over the past several years, our net sales have remained firm, while profitability has shown a downward trend. This is due in part to persistently high cost of sales and SG&A ratios. In fiscal 2025, we achieved a certain degree of success through a review of the cost structure at KOSÉ. In fiscal 2026, in addition to continuing to review our marketing activities, we will work to improve profitability by improving the cost of sales ratio through price revisions and product and channel optimization, as well as by controlling personnel and administrative expenses through higher productivity.

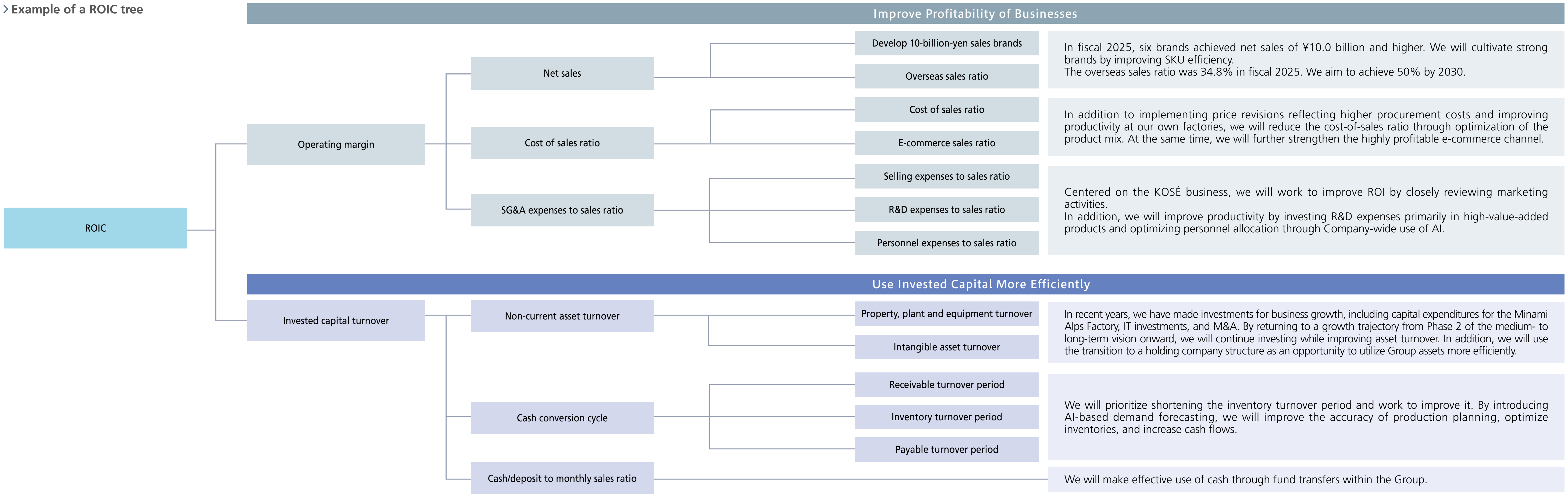
Use Invested Capital More Efficiently

With the start-up of the newly established Minami Alps Factory, we will improve the non-current asset turnover ratio by reorganizing the production structure of existing factories. In addition, with regard to the inventory turnover period, which is one of the factors behind the lengthening of CCC, we will aim to shorten the period by improving SKU efficiency and conducting continuous monitoring through Company-wide committee activities. We will also make proactive investments to improve the accuracy of inventory control and production forecasting.

Strengthening Governance

Beginning in fiscal 2026, ROIC will be newly introduced as a performance metric for executive compensation, and the relevant indicators in the ROIC tree will also be adopted as KPIs in the evaluation of all general managers and managers. By increasing the linkage between ROIC and individual performance evaluations, we will ensure that the entire Company works consciously toward its improvement. In addition, we will promote operations that leverage the holding company structure, including the effective use of cash through the movement of funds within the Group.

> Example of a ROIC tree



Cash Allocation

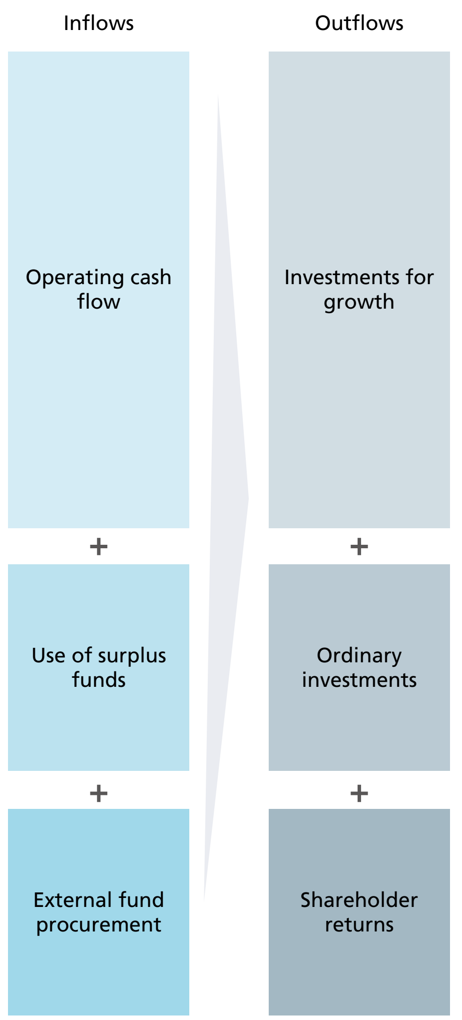
By leveraging the cash generated through the transformation to a highly profitable business structure, together with surplus funds, the KOSÉ Group will create financial resources on a cumulative scale of ¥250.0 billion over the six years from fiscal 2025 through fiscal 2030. We will allocate these resources with top priority to growth investments such as M&A and global expansion while also carrying out flexible and stable shareholder returns, with the aim of increasing corporate value on a sustained basis.

Over the cumulative period from fiscal 2025 through fiscal 2030, we expect cash inflows of approximately ¥250.0 billion in total, consisting of ¥220.0 billion in operating cash flow generated through improved profitability and ¥30.0 billion from the use of surplus funds created through measures such as reviewing liquidity on hand and reducing inventories. In addition, in raising funds for growth investments, we will also flexibly consider the use of interest-bearing debt in order to improve capital efficiency.

We will allocate these investment resources strategically based on priorities aimed at maximizing corporate value. First, in addition to inorganic growth investments such as M&A and capital alliances, we will invest ¥110.0 billion in growth investments for expansion, including raising global brand awareness, digital investment, and the strengthening of R&D. In addition, we will allocate ¥50.0 billion to growth investments (foundation), including upgrading management control, strengthening the supply chain to reduce costs and inventories, and enhancing Group governance, and a further ¥30.0 billion to ordinary investment, including investment in the Minami Alps Factory, which is scheduled to begin operations in July 2026, and the development of IT infrastructure. Through these allocations, we will achieve stable business operations and inorganic growth.

Furthermore, we position improving capital efficiency and returning profits to shareholders as key management priorities, and we plan to allocate more than ¥60.0 billion to shareholder returns on a cumulative basis through fiscal 2030.

Cash allocation (fiscal 2025 to fiscal 2030)



Cash inflows	Scale	Details
Operating cash flow	¥220.0 billion	・Higher earnings
Surplus funds	¥30.0 billion	・Reduce surplus bank deposits ・Reduce working capital (mainly reducing inventories)
External fund procurement		・Use debt to procure funds

Cash outflows	Scale	Details
Growth investments for expansion	¥110.0 billion	・M&A and capital alliances ・Global growth and greater brand awareness ・Digital investments (customer experiences, better CRM, others) ・R&D expenditures (incremental)
Ordinary investments (foundation)	¥50.0 billion	・Sophistication of business management ・Stronger supply chain system to reduce costs and inventories ・Enhancing governance across the global group
Ordinary investments	¥30.0 billion	・Manufacturing upgrades (Minami Alps + existing factories) ・Sound IT infrastructure and enhancement of security measures
Shareholder returns	Over ¥60.0 billion	・Steady dividend growth ・Share buybacks aimed at improving capital efficiency

Shareholder Returns

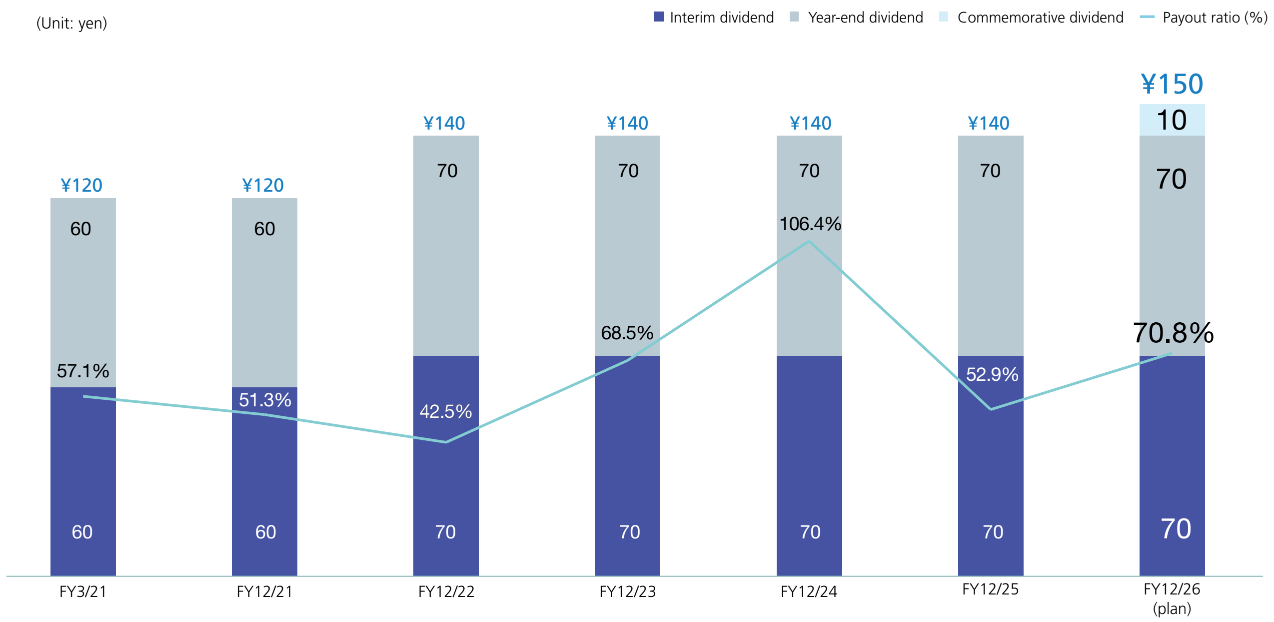
With regard to shareholder returns, our basic policy is to maintain stable dividends. While securing internal reserves for future business expansion, we consider our financial position, business performance, and dividend payout ratio in a comprehensive manner when determining dividend payments. As for share buybacks, we intend to execute them flexibly, taking into account factors such as growth investment opportunities, capital profitability, stock price and other factors. To mark the 80th anniversary of our founding in March 2026, and as an expression of gratitude for the longstanding support of our shareholders, we will pay a commemorative dividend of ¥10 per share. As a result, we plan an annual dividend of ¥150 for fiscal 2026, including an ordinary dividend of ¥140.

As a flexible shareholder return measure, we also acquired our own shares worth ¥3.0 billion (0.89% of total issued shares excluding treasury shares). This decision was made after comprehensively considering liquidity on hand, future funding needs, confidence in a recovery in future performance, and share price trends, and as such, we expect the total payout ratio for fiscal 2026 to be 95%. Going forward, we will continue to practice management that is conscious of capital costs and respond to shareholder expectations through the sustained enhancement of corporate value.

Shareholder returns

Dividends	Our basic policy is to provide stable dividends. However, in determining the dividend amount, we take into account our financial position, business performance, and payout ratio while also giving due consideration to securing internal funds for future business expansion.
Share buybacks	We flexibly consider and implement share buybacks based on growth investment opportunities, capital profitability, share price and other factors.

Trend in dividends and payout ratio



History of share buybacks

Acquisition period	Number of shares acquired (thousand shares)	Amount acquired (¥ million)
November–December 2006	500	1,688
December 2007–January 2008	1,000	2,957
May–June 2008	1,000	2,438
June–August 2012	1,000	1,846
February–April 2026	508	2,999

Digital Transformation Strategy

To achieve the quantitative targets set forth in our medium- to long-term vision, we place particular emphasis on using ROIC to determine investment priorities and effectively allocate limited resources.

IT Management Group Vision and Mission

To realize our medium- to long-term vision, we have established three strategic pillars: capital efficiency, high profitability, and reliability.

In terms of capital efficiency, we aim to shorten the cash conversion cycle (CCC) by utilizing IT and AI while simultaneously adopting an asset-light model for our systems. For high profitability, we will help improve the return on investment (ROI) on marketing investments and reduce costs through data visualization and process intelligence. As a foundation of reliability, we will support business continuity while working on the earlier disclosure of non-financial data, including ESG data.

To achieve this, we have defined the following specific missions: enhancing customer experience by strengthening Online Merges with Offline (OMO), developing talent that contributes to the business, advancing our data utilization infrastructure, implementing business process reengineering (BPR) designed around the use of AI, and improving IT resilience.

VISION	Become a value creation center that drives capital efficiency and profitability through digital technologies — Taking on the challenge of achieving ROIC of over 10% —

Medium- to Long-Term Vision Strategy: Structural Reforms and Stronger Infrastructure	
Capital Efficiency	**Use the power of IT and AI to physically improve capital efficiency, which remains a challenge in comparison with other companies.** ・Shorten the cash conversion cycle (CCC) ・Shift fixed assets to an asset-light approach
High Profitability	**Support the transition to a highly profitable business structure through data visualization and process intelligence.** ・Maximize return on investment (ROI) in marketing and sales promotions ・Accelerate knowledge creation in R&D and reduce costs
Reliability	**Build a foundation of trust that will contribute to improving business process reengineering (BPR) in the future.** ・Strengthen cyber resilience ・Establish real-time governance of ESG data

MISSION: Maximizing Earning Power		
Enhancing competitiveness	Improve customer experience by strengthening OMO	Develop talent that contributes to the business
	Improve IT resilience	
Improving productivity	Advance the data utilization infrastructure	Implement BPR designed around the use of AI

2026 Priority Measures

We have identified eight priority areas for fiscal 2026 in order to strengthen the foundation of value-creating IT powered by AI and data.

These initiatives can broadly be organized into three perspectives: advancing management and business operations, developing IT and data infrastructure, and addressing risks.

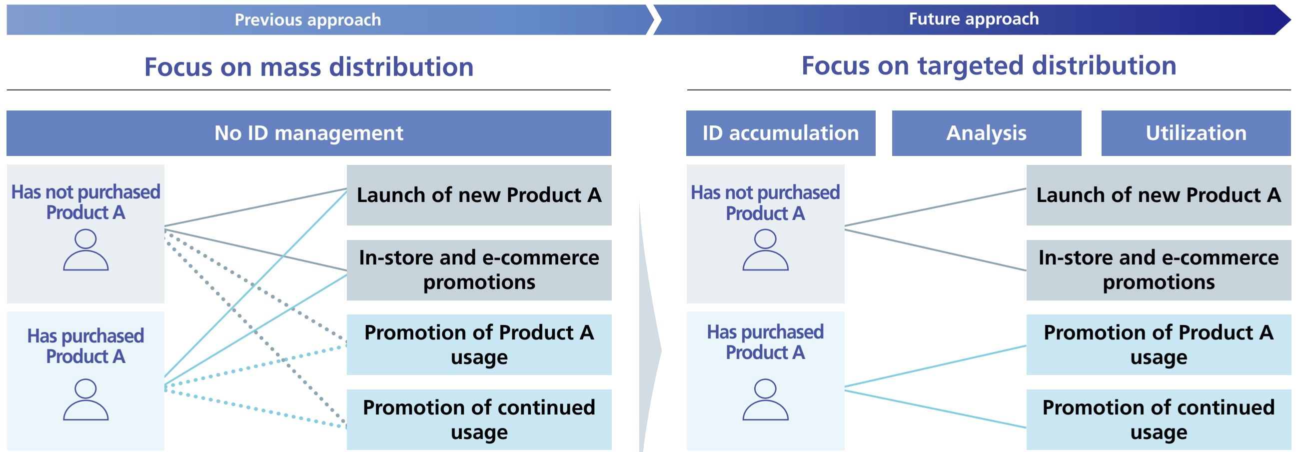
Advancing Management and Business Operations	Upgrading management control	Upgrade SAP to expand the real-time availability and range of data required to advance ROIC management.
	Strengthening D2C	In addition to strengthening e-commerce sites, analyze and leverage the voice of the customer (VOC) to drive top-line growth.
Developing IT and Data Infrastructure	Manufacturing reform	Build master data management (MDM) to integrate and organize dispersed master data.
	AI-ready	To enable AI to utilize unstructured data, which accounts for approximately 90% of internal data (including Excel, Word, and PowerPoint files), consolidate such data into a cloud-based file management system and promote proper document management.
	Strengthening the data infrastructure	Build a data lake using the Google BigQuery (BQ) environment to increase the utilization of owned data.
	System inventory assessment and modernization	To promote an asset-light approach, conduct an inventory assessment of existing systems and carry out modernization, including system renewal and retirement.
Addressing Risks	Strengthening security	Move away from perimeter-based defense (VPN) and transition to zero trust network access (ZTNA).
	IT resilience	Formulate an IT business continuity plan (IT-BCP) and establish a computer security incident response team (CSIRT), with the aim of minimizing damage in the event of an attack and enabling early recovery through the clarification of RTO and RPO.

Initiatives to Promote Digital Transformation

1. Introduction of customer data platform (CDP) and marketing automation (MA)

We will shift from conventional product- and channel-centered marketing to customer-centered marketing built around KOSE-ID.

By introducing CDP and MA, we will centrally manage in-store and e-commerce data, moving away from mass information distribution toward appropriate communication tailored to each individual customer, thereby maximizing lifetime value (LTV) and achieving sustained sales growth.



Information overload and waste

Mass distribution of information not only fails to gain empathy from target customers but also results in wasted communications.

Higher purchase frequency

By delivering messages tailored to each target customer in ways that resonate with them, we will increase opportunities for engagement and encourage purchases.

2. Improving workforce productivity

We will drive improvements in workforce productivity and fundamentally reform our profit structure by promoting a shift in mindset toward an AI-first approach.

By deepening the mutual expertise of IT and business divisions, we will strengthen an autonomous, frontline-led structure capable of making effective use of AI.

In upgrading business processes, we will also leverage AI agents. On the premise that AI will play a proactive role, we will implement business process reengineering (BPR) by redesigning conventional workflows from the ground up. Going beyond mere efficiency, we will fundamentally reengineer our operations to be AI-optimized, thereby driving down fixed costs.

We will then strategically reallocate the workforce capacity created through these efforts to high-value-added areas, maximizing capital efficiency and achieving sustained profit growth.

3. IT resilience

We position the strengthening of IT resilience as an ongoing management issue.

Based on a risk-based approach that assumes malware intrusion through cyberattacks, we are promoting a network transition based on the concept of zero trust, which entails thoroughly strengthened authentication and trusts nothing, as well as reinforcing our backup framework.

In addition, by establishing an IT business continuity plan (IT-BCP) to prepare for unforeseen events, we will, together with management, set targets for recovery time objective (RTO), the target time required to restore systems, and recovery point objective (RPO), the acceptable amount of data loss, and enhance effectiveness through training. By building a resilient IT foundation and ensuring that operations do not stall even in unexpected situations, we will work to sustainably enhance corporate value.

Human Resources Strategy

We aim to build a strong organization that continually creates new value through the coexistence and co-prosperity of strong individuals—independent, self-driven employees with diverse expertise. Through this approach, we will promote Global Growth by Moving Beyond Our Own Resources under our medium- to long-term vision, *Vision for Lifelong Beauty Partner–Milestone2030*, which emphasizes the shift away from doing everything on our own.

Top Message

Human Capital Management as a Foundation for Global Business Growth

At the KOSÉ Group, we have long generated new value through the collective strength of our employees—individuals who support and uplift one another while sharing the founding spirit of "Mind to Follow the Right Path." As we mark our 80th anniversary, it is essential to foster strong individuals and a strong organization capable of executing our management strategy in order to achieve sustainable growth amid a rapidly changing market environment. The source of that execution capability is our people. Going forward, in addition to the spirit of mutual support and mutual growth that we have cultivated over many years, we will mutually reinforce the strength of individuals who continue to refine themselves and take on new challenges and the strength of the organization that creates new value through collaboration and teamwork. In particular, to drive the critical theme of global business growth, we will support on-the-ground decision-making and performance creation by optimizing talent allocation, development, and collaboration across our global network. By creating an environment in which every employee can take pride in their work, find it rewarding, and turn transformation into a positive challenge, we will help enhance corporate value.

Takuya Mochida
Executive Officer, General Manager of Human Resources Department, Engagement Promotion Headquarters
KOSÉ Corporation

What We Aim to Achieve

Your Lifelong Beauty Partner—Embracing each other, we color our lives with beautiful moments through the power of beauty

Outputs in Human Capital

Maximizing the value of human capital and achieving sustainable corporate growth

Talented individuals grow independently and through mutual inspiration, shaping the future of the KOSÉ Group

Strong Individuals
People who continuously develop themselves, leverage their diverse experiences, and demonstrate their unique value

Individuals working in unity under the founding spirit and shared values

Strong Organization
An organization where strong individuals grow through mutual challenges and collaboration, continuously producing new leaders

Activities to Enhance the Value of Human Capital

1 Securing key talent to drive business strategy P.44

2 Supporting individual development and independence P.45

3 Deepening and evolving organizational culture P.46

4 Optimal talent placement P.46

> Value creation through human capital

Input	Key KPIs (*2030 targets)	Output	Outcome	Financial impact
Systems and culture (strong organization) Upgrading business processes Use of the talent management system Support for challenges and cultivating a culture of innovation	Employee engagement score relating to interdepartmental collaboration **3.46** or higher*	**Improving productivity** Higher operational efficiency Faster decision-making Faster and more optimal talent allocation Data-driven operations Greater job satisfaction	**Rebuilding earning power** Optimization of SG&A expenses Optimization of inventory Elimination of overlapping functions	ROIC **10**% or higher
Recruitment, development, and foundation (strong individuals) Recruitment and development of global talent Recruitment and development of leadership talent Development of talent capable of driving digital transformation and leveraging AI Development of talent capable of co-creation with external partners Investment in improving well-being		**Organizational culture that encourages challenges** Sharing knowledge and generating synergies Creation of innovation Building employees' autonomous careers	**Sustainable value creation** Shift toward high-value-added work Higher hit rate for new products and new businesses Shorter time to market	Net sales growth rate CAGR **+5**% or higher
	Global key position fulfillment ratio **2.5**x or higher	**Execution capability for regional optimization** Rapid adaptation to local markets Development and deployment of talent for global key posts	**Acceleration of global expansion** Higher overseas sales ratio	Overseas sales ratio **50**% or higher

* Survey scope: KOSÉ Group companies in Japan, excluding ALBION CO., LTD.

1 Securing Key Talent to Drive Business Strategy

Recruiting and developing global talent to strengthen our international presence

To solidify our global business foundation and advance regional optimization, we aim to continuously develop talent for global key positions* and expand our pool of overseas assignees. With the goal of increasing the talent fulfillment ratio from 1.4x in fiscal 2024 to 2.5x or higher by 2030, in fiscal 2025 we raised it to 1.85x through measures including mid-career hiring of employees with overseas experience and initiatives to improve employees' language skills. Going forward, we will continue to invest in securing and developing talent who can thrive overseas from both short- and long-term perspectives.

Global key position fulfillment ratio

Fiscal 2024	Fiscal 2025	2030 targets
1.4x	1.85x	2.5x or higher

*Key positions at the KOSÉ Group overseas locations

Developing leaders with specialized knowledge, skills, and experience

We are working to accelerate the development of talent and increase the number of specialists by expanding opportunities for managerial candidates as well as young and mid-career employees.

We currently conduct a selective training program each year to support employees in stepping up to managerial roles and to foster future leaders.

In addition, by participating in our new business creation program*, employees gain experience in planning and managing businesses from a management perspective.

In fiscal 2025, we invited companies from other industries to take part in an innovation workshop designed to break down barriers between companies and generations and generate seeds for new businesses.

* An internal venture program originally launched as Business Leader Training (now known as LINK). Open to all employees regardless of age, experience, or department.

Message

I proposed a femtech business through LINK with the theme of "positive aging," and it was selected in the final review. One of the things that prompted me to participate in LINK was hearing from past participants and from people outside the Company who were involved in promoting new businesses, which made me think, "I want to try it too." Through this business, KOSÉ, as a beauty creation company, aims to work with partner companies to realize a well-being society in which all women can view aging positively and live life on their own terms.

Maiko Ando
Corporate Strategy Department
KOSÉ Corporation

Recruiting and retaining diverse, high-caliber talent to lead KOSÉ into the future

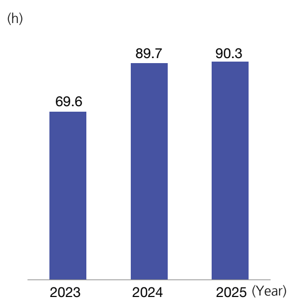
We are enhancing our recruitment processes with a focus on strengthening competitiveness in hiring for key roles that require deep expertise specific to the cosmetics industry, such as marketing, R&D, and production. For the talent we recruit, we will create an environment in which they can fully demonstrate their abilities and sustain long-term career growth and contributions.

2 Supporting Individual Development and Independence

Supporting the development of expertise and independence in individuals

At KOSÉ, we place great importance on a proactive attitude toward learning and have established various support systems, including practical training programs and learning assistance schemes, to encourage this mindset. Through our learning platform, we provide content tailored to factors such as years of service and career aspirations, thereby creating an environment in which each employee can learn independently. In addition to education that deepens expertise specific to the cosmetics industry, we will also invest in training on digital transformation and AI utilization so that employees can focus on work that is more efficient and creative.

Average Training Hours per Employee



Supporting employee well-being

Since fiscal 2017, the “Create a Great Place to Work” committee has been actively engaged in improving employee well-being, with full commitment from senior management for all initiatives. This committee has given rise to a number of systems and initiatives directly tied to making it easier for employees to work, such as the introduction of remote work and the IKUPAPA Support System, which supports employees taking paternity leave.

In fiscal 2025, we also launched Connect Beauty, an internal communication site designed to foster a sense of unity among employees by building on connections among members and to create a virtuous cycle in which higher engagement leads to improved productivity and business performance.

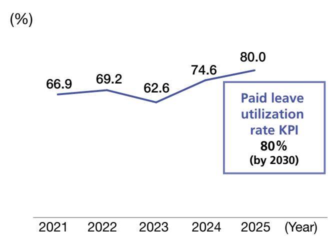
A yoga event announced and opened for participation on Connect Beauty. Employees, including online participants, worked up a sweat together while interacting with one another.

Creating systems in which diverse individuality generates new value

Regardless of gender, age, nationality, or other attributes, we are advancing systems that enable everyone to thrive based on diverse values and choices while responding flexibly to changes in life stages such as child-rearing and caregiving. In fiscal 2025, we introduced a maternity/childcare leave support program under which allowances are paid to employees who take on replacement duties for those on maternity or childcare leave.

We will continue to create a comfortable working environment tailored to each employee’s diverse background.

Average Paid Leave Utilization Rate



KPI for Percentage of Women in Leadership Positions*

50%
(Fiscal 2025: 38.7%)

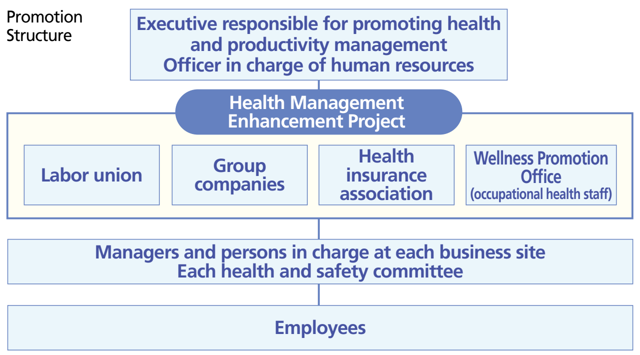
* Includes employees who manage subordinates or hold equivalent positions

Health and safety initiatives

At KOSÉ, we regard employee health risks as management risks and position the promotion of employee health as one of our key management issues. With the Representative Director and President serving as the executive responsible for these efforts, Group companies work together with the health insurance association, labor union, and occupational health staff to strengthen Health and Productivity Management and promote the creation of safe workplaces.

The results of our employee survey revealed that health issues unique to women are affecting job performance. Recognizing this as an important issue, we will continue to put support systems in place.

Promotion Structure



3 Deepening and Evolving Organizational Culture

We conduct regular employee engagement surveys and reflect the results in our efforts to shape our organizational culture. These surveys have shown that while our employees take pride in working for the Company and feel a strong connection to our products, there is still room for improvement in cross-departmental collaboration.

Collaboration with other departments
3.46

Engagement Scores

5-point scale
* Target: a score of 3.46 or higher by 2030
* Scope: KOSÉ Group companies in Japan, excluding ALBION CO., LTD.

Strengthening KOSÉ’s distinctive culture of mutual support and mutual growth

To promote mutual understanding among departments and strengthen collaboration, we created an environment in which each department can produce its own introductory video and post it on the internal website. Information on approximately 50 departments, including overseas subsidiaries, is now available for internal viewing, creating opportunities for employees to build connections both within and beyond their own departments. One result has been a 1.2-fold year-on-year increase in applications for internal job postings.

Under the Second Home Program, an internal family system made up of new graduate hires and employees from a variety of departments and generations, participants build relationships through regular interactions that allow them to consult one another on both work-related and personal matters. As a result, the turnover rate within three years among new graduate career-track employees declined from 10.0% in fiscal 2022, when the program was launched, to 6.4% in fiscal 2025.

Participants in Family Day under the Second Home Program. Employees from a variety of departments and generations gather regularly as part of their internal family groups.

4 Optimal Talent Placement

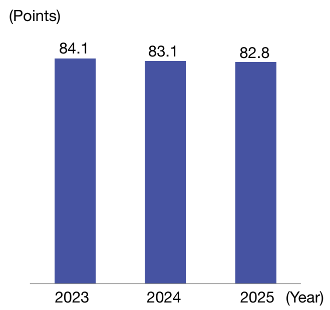
We believe that analyzing each employee’s experience, capabilities, and aspirations—and enabling flexible placement—is essential to executing our management strategy.

Currently, we are working to optimize talent placement that aligns strategic business needs with individual employee preferences.

Improving productivity by visualizing job suitability

We believe that when employees feel a strong sense of suitability for the work they are responsible for, it leads to greater workforce vitality and higher productivity. At KOSÉ, we position improvement in job suitability as one of our key human capital initiatives, and we continuously monitor the job matching score as a key indicator. We will use this score in considering talent allocation and development measures, thereby enhancing productivity.

Job Matching Score



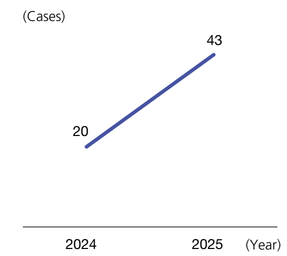
* Scored based on items in self-report questionnaires (out of 100 points)
* Scope: KOSÉ Corporation and KOSÉ SALES CO., LTD.

Systems that encourage autonomous career development

Employees are encouraged to build their careers independently through self-declaration systems, internal job postings, and side-job opportunities within the company. The company, in turn, assesses the aptitudes of employees and supports talent development through initiatives such as job rotation and internal internship programs.

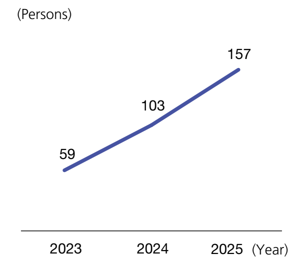
Going forward, we will make greater use of our talent management system to track employees’ skills and positions. This will allow us to propose placements that take into account both individual career aspirations and business needs.

Internal Internship Program: Cumulative Number of Placements



* Applies to employees in their third year after joining KOSÉ Corporation and KOSÉ SALES CO., LTD. as new graduates

Internal Job Posting: Cumulative Number of Applicants



* Domestic Group companies
* This system has been introduced at certain Group companies, and usage figures are aggregated only for companies where the system has been implemented
* Cumulative number from fiscal 2023 onward

Sustainability Strategy

As a responsible member of the global community, the KOSÉ Group aims to become a trusted company with a strong global presence. In 2020, we formulated the KOSÉ Sustainability Plan and have since advanced a range of initiatives. In 2024, we renewed this plan as the Sustainability Strategy, positioned as one of the key functional strategies under our new medium- to long-term vision, Vision for Lifelong Beauty Partner – Milestone2030. We have identified six key material issues related to people and the Earth and are actively working toward their resolution.

Basic Policy

The KOSÉ Group's Sustainability Strategy is designed to strengthen efforts to address material issues in the social and environmental domains by integrating with other strategies that support value creation —such as human resources, manufacturing, and financial strategies— while also enhancing the overall business infrastructure. By caring for people and the Earth and balancing the sustainable growth of both society and business, we aim to become a true "*Your Lifelong Beauty Partner*"—a company that contributes not only to individuals' lives but also to the future of society and the Earth.

For more details on our Sustainability Strategy, please see here.
https://koseholdings.co.jp/en/sustainability/plan/pdf/KOSE_Sustainability_Strategy2026_en.pdf

Promotion Structure

The KOSÉ Group recognizes sustainability issues as management priorities and has established a governance structure to address them. We have established two core bodies: the Sustainability Committee, which reports on and deliberates key sustainability issues under the oversight of the Board of Directors, and the Sustainability Promotion Committee, which advances Company-wide initiatives through dedicated subcommittees.

For more on the sustainability promotion structure, see p.72

Our Approach to Sustainability

At the KOSÉ Group, we have adopted our corporate message, "Creating Beauty in a Sustainable World," as our guiding principles for sustainability and are addressing a broad range of social and environmental issues across the Group while each business division promotes initiatives that leverage its own unique strengths. With the transition to a holding company structure, we will further strengthen collaboration among Group companies, enhance sustainability governance, maximize synergies between our businesses, and accelerate our contributions to society and the environment. In addition, in conjunction with the organizational change, the sustainability function has been integrated into the Engagement Promotion Headquarters. As a result, in addition to our existing strategy formulation and promotion functions, we have established a structure that enables us to engage and co-create more proactively with stakeholders. Through initiatives that stay close to both people and the Earth, we will deepen engagement with all stakeholders and simultaneously realize the creation of social and environmental value and the enhancement of long-term corporate value.

For People

For the Earth

Progress on Material Issues

For People

Material Issues	Commitment	Indicators	Fiscal 2025 Results	Targets	Achieve by	Relevant SDGs
01 Respect the diverse array of beauty	Through adaptability, provide products and services where customers of various backgrounds can experience their own unique beauty	Ratio of products and services provided based on Adaptability ∞ (Eight)	88.8%[1]	100%	2030	5, 10, 12, 16
02 Support the healthy minds and healthy lives	Pursue activities where the people of society can experience well-being through beauty	No. of initiatives for achieving well-being	265 activities Cumulative total since fiscal 2020	500 or more activities	2030	3, 4, 5, 12
		No. of participants in social contribution activities based on hands-on experience	To be disclosed in 2027	50,000 or more people	2030	
		Procurement rate of certified raw materials and purchase of RSPO-certified credits through the Book & Claim (B&C) supply chain model	45.4%	100%	2030	8, 12
03 Help with social opportunities	Raise awareness and provide opportunities to participate in society for people of all diversities	No.of people reached through DE&I awareness initiatives focusing on the 3Gs[2]	993,047 people Cumulative total since fiscal 2020	1 million or more people	2030	4, 5, 8, 10

For the Earth

Material Issues	Commitment	Indicators	Fiscal 2025 Results	Targets	Achieve by	Relevant SDGs
04 Increase awareness of environmental issues	Provide customers with opportunities to become aware of environmental issues through products, services, and information communicated	No. of people reached through environmental awareness initiatives through products, services and information sharing	7,803,684 people Cumulative total since fiscal 2020	10 million people or more	2030	6, 12, 13, 14, 15
		No. of people reached through water conservation awareness initiatives	217,362 people Cumulative total since fiscal 2025	2 million people or more	2030	
05 Play a role in solving environmental issues	Pursue conservation and solving issues in various regions around the world	No. of activities contributing to the global environment	55 activities Cumulative total since fiscal 2020	100 activities or more	2030	
		No. of participants in environmental conservation activities for waterfront areas	To be disclosed in 2027	10,000 or more people	2030	
		No. of initiatives that contribute to the conservation and restoration of ecosystems in raw material cultivation areas	14 activities Cumulative total since fiscal 2025	30 activities or more	2030	
		No. of water source conservation initiatives	4 activities Cumulative total since fiscal 2025	10 activities or more	2030	
		Area planted with coral reefs	13,036m² Cumulative total since fiscal 2009	20,000m² About 53 times the area of a 25 m regulation size swimming pool	2030	
06 Promote reduction of environmental impacts	Reduce CO_2 emissions	Scope 1 and 2	-50.2%[3] Total compared to 2018	-55% Target for total emission reduction vs. 2018	2030	7, 13
			12,772.5t-CO_2[3]	Carbon Neutrality	2040	
		Scope 3	-20.2%[3] Total compared to 2018	-30% Target for total emission reduction vs. 2018	2030	
		Scope 1, 2, and 3	792,687.6t-CO_2[3]	Net Zero	2050	
	Sustainability-conscious design for plastic packaging materials	Usage rate of containers and packaging materials aligned with the 4Rs (Reduce, Reuse, Recycle, Renewable)	4Rs implementation 46.2%[4]	100%	2030	12, 13
		Usage rate of recycled and biomass plastic	28.0%[4]	50%		
		Reduction rate in the use of petroleum-based virgin plastic	-16.9%[5]	-50% Per-unit production vs. 2018		
		Refillable container share	43.4%[6]	50%		
	Waste reduction for the purpose of responsible resource utilization	Waste that is not to sent to landfills	To be disclosed in 2027		2030	12, 13
	Reduce use of water resources through responsible practices	Water usage reduction rate	11.3%[3,7] Per-unit production vs. 2018	-12% Per-unit production vs. 2018	2030	6, 12
	Responsible palm oil procurement	Procurement rate of certified raw materials and purchase of RSPO-certified credits through the Book & Claim (B&C) supply chain model	45.4%	100%	2030	12, 15

Notes:
1. Each brand selects focus areas annually from KOSÉ's eight unique Adaptability ∞ (eight) themes. The overall achievement rate is calculated based on the number of services/products delivered for those selected items.
2. Global, Gender, and Generation
3. Scheduled to be updated in September 2026 following third-party verification.
4. Figures for new products launched within the target achievement year.
5. Actual products shipped in the relevant year.
6. Applies to bottle and jar containers for skincare and haircare products included in the lineup for the relevant year.
7. KOSÉ Group manufacturing departments.

For People —Sustainability Strategy

Under the For People pillar of our sustainability strategy, we promote initiatives and awareness-raising activities aimed at realizing a society in which each individual can embrace beauty in a way that values their own individuality and in which everyone can lead a healthy and fulfilling life.

"For People" Initiatives Creating New Bridges

We want to stay close to each individual around the world and support them in shining in their own unique way—this aspiration lies at the heart of who we are.

As a beauty creation company, we value For People initiatives that listen closely to each individual's voice and apply those insights to our daily work and product creation.

In 2023, we held a makeup seminar for people living with the aftereffects of stroke. After the seminar, employees from the Product Designing Department conducted interviews and heard directly about the inconveniences participants experience in daily life and their sincere desire to enjoy makeup.

Inspired by this feedback, in 2025 we incorporated universal design into the packaging and other elements of the *The Repair* line under *INFINITY*. For example, in response to comments that caps were difficult to open with one hand, we adopted elastomer resin with non-slip and flexible properties on the bottoms of items such as creams. These kinds of design features improve ease of use not only for people with disabilities but also in a wide range of everyday situations.

Going forward, we will continue to listen carefully to the needs and perspectives of our customers, apply what we learn to product creation and services, and connect those insights to the creation of new value. So that each and every person around the world can shine in their own way, we will continue to stay close to them.

Respect the Diverse Array of Beauty

For many years, the KOSÉ Group has been proposing beauty that resonates with each individual—"a source of beauty for everyone." Through adaptable products and services tailored to individuals from diverse backgrounds, we contribute to the realization of a society in which everyone can embrace and celebrate their own unique beauty. This initiative is being promoted under the Sustainability Promotion Committee based on the concept of Adaptability ∞ (eight). Going forward, we will continue to deliver products and services that honor individual beauty, striving to ensure that everyone can experience beauty in a way that is true to themselves.

Hifunic Dry Skin Treatment Brand — Supporting Healthier Daily Lives Through Self-medication for All Ages

The KOSÉ Group is promoting well-being related to health and medical care beyond the boundaries of cosmetics. At KOSÉ Maruho Pharma, we launched the *Hifunic* brand, a Class-2 OTC drug containing heparinoid for the treatment of dry skin. Suitable for use over the entire body by people of all ages, from children to adults, it contributes to healthier skin and a better quality of life through self-medication.

DECORTÉ AQ PORE BLACKHEAD DISSOLVER — Personalized Keratin Plug Care Enabled by Quantum Computing

The KOSÉ Group pursues the possibilities of beauty by addressing all skin and hair types through R&D that leverages advanced technologies. At *DECORTÉ*, we launched *AQ PORE BLACKHEAD DISSOLVER*, a cleansing serum developed using a cosmetic formulation generated by quantum computing to pursue the optimal approach to keratin plugs in pores. It enables anyone to perform gentle yet effective blackhead care at home while minimizing the burden on the skin.

Support the Healthy Minds and Healthy Lives

The KOSÉ Group values the concept of well-being—living a healthy and fulfilling life—and is committed to helping all stakeholders achieve it. As such, we promote a range of initiatives, including improving quality of life (QOL), providing educational and awareness-raising activities for the next generation, and supporting sports development. These efforts are positioned as material issues tied to our core business activities, with a particular focus on advancing initiatives for future generations.

The KOSÉ Group's Next-Generation Awareness-Raising Activities — Protecting Skin from UV Rays and Helping Nurture the Future of Local Communities

As part of SEKKISEI SAVE the BLUE Ocean Project, KOSÉ Travel Retail, with the sponsorship of Hotel Nikko Alivila Yomitan Resort Okinawa and Ryukyu Hotel & Resort Nashiro Beach, co-hosted an experiential program together with Yomitan Village and Itoman City for elementary school to high school students and their parents. The program taught participating children the correct way to use sunscreen and raised awareness of the importance of protecting the skin from UV rays. At the same time, through activities such as coral seedling cultivation and beach cleanups, it also supported local communities and the next generation.

Help with Social Opportunities

At the KOSÉ Group, we believe that the strength of each and every one of our nearly 13,000 employees worldwide is essential to our sustainable growth. We promote DE&I both inside and outside the Company based on the belief that respecting the individuality of each person with a diverse background and embracing differing ideas and values also leads to the creation of new beauty value. Our aim is to create an environment where everyone can participate in society while valuing their authentic selves, ultimately helping to build a world where all people can thrive.

Initiatives with Schools and Local Governments to Promote DE&I — Working Toward the Realization of a Society in Which Everyone Can Shine

Under its DE&I declaration, *Turning Diversity into Strength*, the KOSÉ Group works with educational institutions and local governments to promote DE&I outside the Company as well. In fiscal 2025, we gave lectures at Showa Women's University and Mukogawa Women's University introducing our approach and sustainability initiatives. At Mukogawa Women's University, we also carried out packing volunteer activities together with students for the COSME BANK Project to support single-parent households facing economic hardship. In addition, at a Christmas event in Himeji City, we held a fragrance-based workshop to promote understanding of diversity while in Yao City we conducted training to communicate the importance of DE&I.

For the Earth —Sustainability Strategy

Under the sustainability strategy pillar For the Earth, we place importance on initiatives across the entire value chain, taking into account rising environmental awareness among consumers and a global perspective. While keeping an eye on changes in society and the business environment, we are also reviewing the indicators and targets needed to enhance the effectiveness of our initiatives, and are addressing three key issues toward the realization of a sustainable society.

Shifting to an Environmental Strategy Centered on Water

The KOSÉ Group has updated its environmental strategy to be more effective, clearly identifying the relationship between its business and nature and achieving both the resolution of environmental issues and the creation of long-term corporate value.

For the KOSÉ Group, water is an essential form of natural capital that is indispensable to its business activities. Water is needed for raw material cultivation, manufacturing, and product use by customers while also supporting ecosystems and biodiversity and being closely connected to local communities. Based on this understanding, the KOSÉ Group has positioned water as the central pillar of its environmental strategy and established new targets for sustainable water use. Going forward, we will further strengthen our response to climate change and resource circulation, accelerating our environmental initiatives as a whole.

Increase Awareness of Environmental Issues

Through its business activities, the KOSÉ Group has delivered beauty-related value to society. By using products and services as touchpoints with consumers to communicate environmental issues and initiatives, we aim to foster awareness and build a foundation that encourages society as a whole to think together and take action.

Implementing Resource Circulation Through Recycling and Creating Opportunities for Awareness

The KOSÉ Group positions resource circulation as one of the key issues in its medium- to long-term environmental strategy and works to raise environmental awareness among consumers through its business activities.

As a specific initiative, the "Horizontal Recycling of Cosmetic Plastic Containers"—a collaborative effort among three companies: KOSÉ, Kao Corporation, and AEON Retail Co., Ltd. —promotes the development of a circular model that recycles collected containers into new cosmetic packaging through cross-corporate partnerships.

Furthermore, the "SEKKISEI BLUE / Prédia BLUE Recycle Project" collects used cosmetic containers by leveraging brand and in-store touchpoints. By establishing a framework that encourages environmental consideration even after product use, the project fosters behavioral changes among consumers.

Through these initiatives, we provide each consumer with opportunities to become more aware of environmental issues, encourage sustainable behavior, and contribute to the creation of social value.

雪肌精 BLUE Prédia BLUE
Recycle Project

Play a Role in Solving Environmental Issues

A healthy global environment is essential to the KOSÉ Group's sustainable corporate activities. The KOSÉ Group is promoting initiatives aimed at achieving a nature-positive future through the conservation and restoration of natural capital, including water, forests, and soil. With regard to water resources, which are essential to cosmetics manufacturing, we are working to reduce environmental impacts across the entire value chain and to promote water conservation in collaboration with local communities. Through these activities in various regions, we will contribute to the restoration of the natural environment.

SEKKISEI SAVE the BLUE Ocean Project Initiatives

The KOSÉ Group recognizes the conservation of water resources and the marine environment as one of its key environmental issues and is promoting SEKKISEI SAVE the BLUE Ocean Project. Now in its 18th year, the project continues to support coral conservation through the use of a portion of sales during the campaign period and to carry out awareness-raising activities aimed at deepening understanding of the global environment. In recent years, it has also undertaken initiatives that contribute to the restoration of the natural environment, including the planting of heat-tolerant corals known as miracle coral. In addition, through its Coral Study Abroad employee training program, the Group works to raise environmental awareness through hands-on conservation activities in local areas. Since 2011, the initiative has also expanded overseas, with environmental conservation activities tailored to local characteristics now being carried out in 10 countries and regions.

Clean-Up Activities Along Waterfront Areas That Contribute to Water Conservation

As part of its efforts to protect water resources, the KOSÉ Group carries out clean-up activities along waterfront areas in various locations. KOSÉ Cosmeport contributes to the conservation of the water environment by working to reduce marine debris through coastal cleanups. Members of the *SEKKISEI* team at KOSÉ and members of ALBION's Okinawa Laboratory support activities that deepen understanding of the importance of water and the sea in an enjoyable way through participation in the Clean Pick event, organized by an NPO. Through the accumulation of these familiar, hands-on actions, we contribute to the sustainable use of water resources and the resolution of environmental issues.

ALBION Okinawa Laboratory: Development of Original Ingredients Leveraging Local Resources

ALBION aims to help resolve environmental issues through the conservation and utilization of local resources. In collaboration with a company in Miyakojima City, Okinawa Prefecture, it developed the Okinawa Laboratory's first original cosmetic ingredient. An extract derived from the leaves of heartleaf (Madeira vine), grown in soil originating from Miyakojima's Ryukyu limestone, is used in the emulsion of the *FLARUNÉ* product line. The raw material is cultivated without pesticides on organically certified JAS farmland, and by working with local companies from harvesting through processing, ALBION has ensured traceability and a stable supply. Going forward, it will continue to promote the sustainable development of ingredients that make use of local resources, thereby contributing to the resolution of environmental issues and the creation of social value.

Promote Reduction of Environmental Impacts

The KOSÉ Group's business activities, including cosmetics manufacturing, depend on natural capital such as water and plants used as sources of ingredients while also involving environmental impacts such as energy use, wastewater, and waste. We believe it is our responsibility to minimize these impacts, and we have established clear targets to guide our efforts in addressing climate change, promoting resource circulation and waste reduction, and reducing water usage.

Addressing Climate Change

The KOSÉ Group has identified "Promote reduction of environmental impacts" as one of its key material issues and is actively working to address climate change, including through CO_2 reduction efforts. In response to this issue, which has long been a focus for us, we disclosed information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2021, including an analysis of the risks and opportunities climate change poses to our business, as well as disclosure from four perspectives: governance, strategy, risk management, and metrics and targets. To further strengthen our response to climate change, we have established medium- to long-term greenhouse gas emissions reduction targets[1], certified under the SBT 1.5°C criteria[2], with the goal of achieving net zero[3] by 2050.

Notes:
1. Of the various greenhouse gases, CO_2 has been identified as the primary emission from the KOSÉ Group.
2. A science-based target aligned with the Paris Agreement, developed under the Science Based Targets initiative (SBTi), to limit the global average temperature increase to 1.5°C above pre-industrial levels.
3. Net zero refers to balancing GHG emissions with removal or absorption, effectively reducing them to zero.

Governance

The KOSÉ Group recognizes sustainability issues as management priorities and has established a governance structure to address them. We have set up two key bodies: the Sustainability Committee, which reports and deliberates on material issues and is overseen by the Board of Directors, and the Sustainability Promotion Committee, which addresses specific initiatives through its subcommittees.

Risk Management

Climate-related risks are identified and assessed by the Risk Management and Compliance Committee based on the KOSÉ Group's Enterprise Risk Management (ERM) framework. Ongoing monitoring of climate change issues is conducted by both the Sustainability Committee and the Risk Management and Compliance Committee.

Strategy (Scenario Analysis and Response Measures)

Through scenario analysis, the KOSÉ Group evaluates the potential impact of global temperature increases of 1.5/2°C and 4°C on its business activities. The results are used to inform disclosures and guide management strategy. Recognizing the importance of reduction targets, we are promoting decarbonization efforts under the Low-Carbon Transition Plan formulated in 2022.

Metrics and Targets

As a target for 2030, the KOSÉ Group has set a goal to reduce Scope 1 and 2 emissions by 55% and Scope 3 emissions by 30% (total volume compared to 2018). For the long term, we aim to achieve carbon neutrality for Scope 1 and 2 by 2040 and net zero for Scope 1, 2, and 3 by 2050.

Switching to 100% Renewable Energy at All Domestic Production Sites

As part of efforts to reduce the environmental impact of its production activities, the Group switched all purchased electricity to renewable energy at ADVANCE and ALBION Kumagaya plants in 2025, following the KOSÉ Industries Sayama and Gunma plants. Furthermore, the Minami-Alps Plant, scheduled to start in July 2026, will also utilize solar power and renewable energy, enabling 100% renewable energy use across all domestic production sites.

ALBION's Kumagaya Plant

ADVANCE

Plastic Resource Circulation — Turning Waste Materials into Logistics Materials and Product Containers

ALBION has joined a resource circulation model established by REFINVERSE Group, Inc., Mitsubishi Chemical Corporation, and Japan Polypropylene Corporation. With the additional cooperation of Yoshino Kogyosho Co., Ltd., ALBION has established a system to recycle packaging materials that had previously been discarded at the Kumagaya Plant and convert them into raw materials for cosmetic containers. This system has been adopted for the FLARUNÉ skincare line, enabling the creation of environmentally conscious containers.

KOSÉ, in collaboration with industry partners, recycled cosmetic plastic containers that had not been used for products into pallets used in warehouses for the transport and storage of goods, using raw materials derived from those recycled containers.

Recycled pallets manufactured using recycled raw materials

External Evaluations

Inclusion in ESG Indexes

KOSÉ has been selected as a constituent of the following ESG indexes:

FTSE4Good Index Series

FTSE4Good

FTSE Blossom Japan

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

S&P/JPX Carbon Efficient Index

MSCI Japan Empowering Women Index (WIN)

2026 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

Morningstar
Japan ex-REIT Gender Diversity Tilt Index

MORNINGSTAR GenDi J
Japan ex-REIT Gender Diversity Tilt Index
TOP CONSTITUENT 2026

External Recognition for Sustainability

KOSÉ has received the following evaluations and certifications from external organizations:

Voluntary Declaration of Consumer Orientation
Recipient of the 2024 Consumer Affairs Agency Commissioner's Award Award for Excellence in Consumer-Oriented Management

消費者志向経営 Award 2024

Health & Productivity Management Outstanding Organizations 2026
(Ministry of Economy, Trade and Industry / Nippon Kenko Kaigi)
White 500
Certified for fiscal 2026

2026 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

D&I AWARD 2025
Certified as a Best Workplace
(by JobRainbow)

D&I AWARD BEST WORKPLACE 2025

Climate Change and Water Security Ratings (CDP)
Listed on the Climate Change A List 2025
Listed on the Water Security A List 2025

CDP A List 2025

Eruboshi Certification
(Ministry of Health, Labour and Welfare)

Science-Based Greenhouse Gas Emissions Reduction Targets (SBTi)
Obtained SBT (Science Based Targets) Certification

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Fiscal 2025
Certified as a Water Cycle ACTIVE Company

水循環認証 ACTIVE

We endorse and participate in the following initiatives and organizations:

United Nations Global Compact

SUSTAINABLE DEVELOPMENT GOALS

TCFD
(Task Force on Climate-related Financial Disclosures)

TNFD Forum

TNFD Forum Member

Clean Ocean Material Alliance (CLOMA)

COSME BANK Project

Board Member 2025 COSME BANK PROJECT

Japan Climate Initiative
JAPAN CLIMATE INITIATIVE (JCI)

30by30 (Ministry of the Environment, Japan)

KOBE PLASTIC NEXT
Let's Connect Together. Refill Pack Recycling

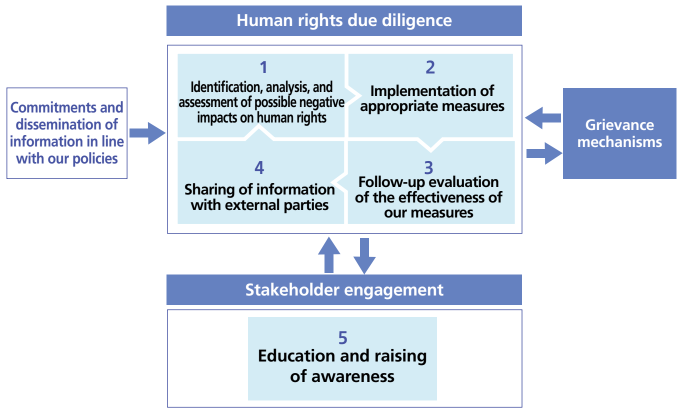
Responsible Initiatives in the Supply Chain

The KOSÉ Group recognizes that respect for human rights and business operations characterized by transparency and fairness are essential in all business activities, and as such, we promote responsible initiatives throughout the entire value chain. Through human rights due diligence, we are advancing efforts to address human rights issues associated with our business while also striving to conduct fair and sincere business activities through ongoing cooperation and dialogue with diverse stakeholders, including suppliers. Going forward, we will continue to fulfill our social responsibilities and work together with all stakeholders to realize a sustainable and equitable society.

Human Rights Due Diligence

Based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), and taking into account the laws and regulations of each country, the KOSÉ Group conducts human rights due diligence on the human rights issues identified through human rights risk assessments as being of particular importance to the Group. In line with the Group's human rights policy, this is an ongoing process that involves: (1) assessing adverse impacts and identifying issues, (2) implementing appropriate measures, (3) monitoring and follow-up evaluations, and (4) disclosing information and engaging in dialogue with external stakeholders.

We have also established consultation channels for both internal and external stakeholders, through which we receive concerns and inquiries regarding human rights and compliance from employees, business partners, and customers. When a report is received, we ensure the anonymity of the reporting party and take care to prevent any disadvantage or retaliation. With guidance from external legal counsel, the Compliance Committee responds fairly and sincerely, working to promptly identify issues and resolve them swiftly.



Key Human Rights Issues and Risk Management

We are moving forward with the following risk management responses to address the key human rights issues we have identified.

Identified Key Human Rights Issues	Status and Response Measures	
Continuously ascertaining human rights issues in the raw materials procurement supply chain	·Ascertain through platforms such as Sedex* and self-assessment questionnaires (SAQs) ·Ascertain through direct dialogue with small-scale palm growers	Supply Chain Management
	Overview: As the Group uses palm oil, minerals, and many other natural raw materials in its products, it closely monitors its supply chain to ensure that no negative impacts are occurring. We assess conditions and promote corrective actions through supplier surveys and direct engagement with workers in the regions where raw materials are sourced.	
Diversity, equity, and inclusion (DE&I) and human rights in the workplace	·Promotion of the KOSÉ Group Code of Conduct among all Group employees ·Employee education on human rights and compliance awareness-raising activities	·Anti-harassment training for management ·Fostering a corporate culture through DE&I awareness raising campaign using internal content
	Risk Management and Compliance Awareness	Diversity, Equity, and Inclusion (DE&I)
	Overview: In promoting diversity, equity, and inclusion (DE&I), the Group recognizes the importance of fostering understanding of gender diversity, including LGBTQ+ identities, as well as the increasingly diverse national and cultural backgrounds of its employees. To support this, we carry out internal awareness-raising initiatives and are working to build a workplace culture in which diverse talent can thrive.	
	Human Rights Policy and Promotional Structure	Human Rights Due Diligence
Promote the communication of information and our responses (public relations, advertising, customer service, product explanations, etc.) with diversity in mind	·Promotion of adaptability as a management strategy and incorporation in business activities ·Implementing unconscious bias training for management across all departments	Adaptability
	Overview: To avoid reinforcing uniform or potentially discriminatory values in society through advertising, promotions, customer service, and other communications, we conduct internal training and awareness-raising activities. In addition, we promote initiatives that aim to create a positive social impact by sharing messages that respect and celebrate diversity.	

Note: The Supplier Ethical Data Exchange (Sedex) is a member-based organization that provides an online platform to strengthen sustainability in supply chains.

Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued management based on coexistence and co-prosperity with all employees, business partners, suppliers, and customers. Guided by the concept of the KOSÉ Beauty Partnership set forth in our medium- to long-term vision, *Vision for Lifelong Beauty Partner – Milestone2030*, we are committed to advancing our business in collaboration with stakeholders while fulfilling our responsibilities as a member of the global community, working toward a better future for people and the Earth. In the supply chain, we practice responsible procurement with due consideration for social, environmental, and human rights issues based on our Basic Procurement Policy and Sustainable Procurement Guidelines. In serving customers, as a beauty creation company, we strive to stay close to each individual's desire to be beautiful and to be well and are committed to providing high-quality products and services with safety and security as our highest priorities.

Examples of Engagement with Suppliers

Monitoring activities for responsible procurement

Each year, we conduct a self-assessment questionnaire (SAQ) to promote sustainable procurement among our key suppliers in Japan and overseas. In fiscal 2025, we requested responses from 161 suppliers—accounting for 94.1% of total procurement value—and received replies from 99.3% of them.

The proportion of suppliers with low scores improved compared to the previous fiscal year. As a result of these monitoring activities and individual meetings, we confirmed that, as of the end of December 2025, there were no particularly high CSR-related procurement risks.

Response to procuring sustainable palm oil

The KOSÉ Group joined the RSPO* in 2019 and has been promoting the adoption of certified oil with the aim of procuring sustainable palm oil. In addition, since 2020, we have participated in JaSPON, the Japan Sustainable Palm Oil Network, and together with other JaSPON members, we have been working toward the procurement and consumption of sustainable palm oil.

In 2021, our head office, related sites, and major plants obtained RSPO Supply Chain Certification (SC Certification), and in 2025 we renewed our licenses after passing the renewal audit. Going forward, we will continue to actively procure RSPO-certified raw palm oil and promote sustainable sourcing in collaboration with our suppliers.

* Roundtable on Sustainable Palm Oil

Examples of Engagement with Customers

Getting closer to customers — Customer Service Center

At KOSÉ, we are expanding new customer touchpoints through LINE and our official X account, in addition to telephone and email, in order to stay close to the increasingly diverse voices of our customers. While broadening the channels through which customers can contact us more easily, we are also working to improve the quality of our responses. Through our official X account, we provide "Active Support," offering solutions tailored to each customer's individual situation. By communicating clearly in an open setting and carefully providing the necessary information, we make our responses more visible and enhance transparency.

As a result of these and other initiatives, we met the standards of the HDI Five-Star Certification Program conducted by HDI-Japan, the Japanese affiliate of the world's largest membership association in the customer support industry, and received Five-Star Certification for the first time.

Hi there! This is the KOSE Customer Service Center.
Thank you for your interest in *#Visee #FLUFFDESIGNEYEBROWCOLOR*.
This highly pigmented eyebrow mascara gives your brows a naturally tinted look with just one swipe.
We'd love to tell you more about the product ☆

Hi there! This is the KOSE Customer Service Center.
Thanks so much for your interest in the BB creams from *#FASIO* and *#SEKKISEI*.
We'd love to tell you a little more about each product ☆

Examples of Active Support