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KOSÉ Corporation

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Stock Code: 4922

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

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

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

1. Basic Views

The nucleus of the KOSÉ Group’s management policy is “consistently managing to heighten corporate value” by pursuing growth and greater efficiency. The Group recognizes corporate governance functions as essential from the standpoint of managing the Company to consistently increase its enterprise value, and positions corporate governance as one of its highest management priorities. Accordingly, the Group is working on establishing the necessary organizational systems and frameworks to ensure sound management and consistently earn the trust of the public. KOSÉ believes strongly in managing the Group so as to maintain harmonious relations with all stakeholders, including shareholders, investors, creditors, customers, business partners, employees and members of the local community and the public. Furthermore, KOSÉ is committed to enhancing transparency and fairness to support its value as a company. The Company strives to communicate sincerely with its stakeholders and considers building trust-based relationships to be fundamental.

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

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

The Company’s Board of Directors has appointed two Independent External Directors to facilitate thorough discussions by exchanging objective and highly specialized opinions.

In addition, materials concerning agenda items are distributed in advance and the External Directors and External Audit & Supervisory Board Members receive explanations prior to meetings. This ensures that there will be adequate deliberations concerning important matters.

For the analysis and evaluation of the effectiveness of the Board of Directors as a whole, the Company performs a thorough study to determine the most suitable methods in order to start analysis and evaluation activities.

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

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

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

[Principle 1.4 Cross-shareholdings]

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

The policy is to reduce all other investments.

Every year, the Board of Directors decides whether to retain or dispose of cross-shareholdings based on the

medium and long-term economic rationality, future prospects, suitability of the purpose and the risk profile of each investment.

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

[Principle 1.7 Related Party Transactions]

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

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

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

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

The Company assigns people with the required skills to the pension fund and appoints external advisers to provide supplementary professional skills and knowledge. There are announcements of fund performance and meetings to study the fund's management to provide for the periodic monitoring and evaluation of asset management.

An Asset Management Committee is established for its operation. This Committee makes decisions about the status of asset management, policies for the asset mix and other important items.

The Company appoints the general managers of the Accounting and Finance, Personnel, and Corporate Strategy departments as well as other suitable individuals to this committee. The committee also includes labor union officers in order to appropriately reflect beneficiaries' opinions and facilitate proper oversight for the prevention of conflicts of interest.

[Principle 3.1 Full Disclosure]

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

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

(ii) Basic Stance and Basic Policy on Corporate Governance

The Company discloses its basic policy on corporate governance in this report in "Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information, 1. Basic Views," as well as in its securities reports, KOSÉ REPORT (integrated report) and other materials.

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

The Company's policies and procedures in determining the remuneration of the senior management and Directors is disclosed in this report in "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

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

For appointments and dismissals of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members, the Company's Board of Directors makes decisions that take into consideration each individual's character, background, capabilities, knowledge and all other applicable items. For the Board of Directors, the goal is to maintain the balance of knowledge, experience and skills, degree of diversity, including gender and nationality, and size that is optimal for the Company.

As for the procedures in appointments and dismissals of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members, senior management determines proposals and submits these proposals to the Nomination and Remuneration Committee, which is chaired by an External Director and consists chiefly of External Directors and External Audit & Supervisory Board Members. The committee submits the results of its discussions to the Board of Directors, which then makes final decisions.

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

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

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

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

[Principle 4.9 Independence Criteria and Qualification for Independent Directors]

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

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

Please refer to disclosure based on Principle 3.1.4.

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

The status of concurrent appointments of the Company's External Directors and External Audit & Supervisory Board Members is disclosed in this report in "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation."

The Company's one External Director and one External Audit & Supervisory Board Member serve concurrently as an External Director and an External Audit & Supervisory Board Member at two other listed companies, respectively. However, their experience at other companies enables them to effectively fulfill their roles and responsibilities at the Company. In addition, they have the time and commitment needed to perform their duties at the Company. Therefore, the Company judges that they are reasonably fulfilling their roles and responsibilities as an External Director and an Audit & Supervisory Board Member.

Other Directors and Audit & Supervisory Board Members (one External Director, one External Audit & Supervisory Board Member and two Full-time Audit & Supervisory Board Members) do not serve

concurrently as executives at another listed company.

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

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

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

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

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

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

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

For analysts and institutional investors, the officer in charge of IR (a Director or an Executive Officer) holds teleconferences for first and third quarter results of operations and the President and this officer hold earnings presentations for first half and fiscal year results of operations. The Company also participates in small meetings and conferences for overseas institutional investors. In addition, the Company holds IR seminars several times each year for individual investors, and prepares an IR website that is easy for individual investors to understand. Reports on the results of various conferences and shareholder opinions and concerns ascertained through dialogue are shared with senior management and the Board of Directors.

The Company determines the scope of information that it may disclose through dialogue, and engages in dialogue within this scope.

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Kazutoshi Kobayashi	6,694,974	11.74
Takao Kobayashi	6,640,510	11.64
Masanori Kobayashi	6,515,066	11.42
JP Morgan Chase Bank 380055	2,534,745	4.44
Kazuo Kobayashi	1,926,888	3.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,805,900	3.17
Yasukiyo Kobayashi	1,503,018	2.63
Japan Trustee Services Bank, Ltd. (Trust Account)	1,332,100	2.34
The Cosmetology Research Foundation	1,279,655	2.24
State Street Bank and Trust Company	887,862	1.56

Controlling Shareholder (except for Parent Company)	-
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Parent Company	None
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Supplementary Explanation **Updated**

A Large Shareholding Report that became available for public inspection on July 23, 2018 stated that Capital Research and Management Company and its joint holders, Capital International, Inc. , owned the Company's stock as follows on July 13, 2018. These companies are not included in this list of major shareholders because the Company was unable to confirm the number of shares effectively held by them as of September 30, 2018. The contents of the Large Shareholding Report are as follows.

Name/Company Name	Number of Share Certificates, etc. Owned (Thousand shares)	Percentage (%)
Capital Research and Management Company	2,928	4.83
Capital International, Inc.	125	0.21

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemistry
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1,000 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

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

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

External Directors' Relationship with the Company (1)

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

* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary company of the Company

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

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

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

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

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

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

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

k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Iwao Toigawa	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> • Attorney, Hibiya T&Y Law Office • External Director, Nihon Nohyaku Co., Ltd. • External Audit & Supervisory Board Member, Tohto Suisan Co., Ltd. 	<p>Mr. Toigawa has highly specialized knowledge as an attorney and extensive knowledge concerning corporate management. As a result, the Company believes he can provide guidance and advice concerning management and use an independent and objective standpoint to supervise management. Furthermore, the Company believes that there is no concern of Mr. Toigawa having a conflict of interest with general shareholders and has accordingly designated him an Independent Director.</p>
Yukino Kikuma	○	<p>Important concurrent positions</p> <ul style="list-style-type: none"> • Attorney, Matsuo & Kosugi 	<p>Ms. Kikuma has highly specialized knowledge as an attorney and has deep insight particularly in corporate legal affairs. The Company believes that, given her experience in mass media related issues, she will give comments and advice to management from a broader perspective and use an independent and objective standpoint to supervise management. Furthermore, the Company believes that there is no concern of Ms. Kikuma having a conflict of interest with general shareholders and has accordingly designated her an Independent Director.</p>

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

Established

Committee's Name, Composition, and Attributes of Chairperson **Updated**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Committee	Nomination & Remuneration Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
External Directors	2	2
External Experts	0	0
Other	2	2
Chairperson	External Director	External Director

Supplementary Explanations **Updated**

The Nomination & Remuneration Committee examines proposals concerning nominations, remuneration and other matters that are submitted by the President to the Board of Directors. This committee exists for the purposes of reinforcing the autonomy and objectivity of activities by the Board of Directors concerning nominations, remuneration and other matters involving the Directors, Audit & Supervisory Board Members and executive officers and of better fulfilling the obligation to provide explanations for decisions concerning these matters. Committee members classified as “Other” are External Audit & Supervisory Board Members.

[Audit & Supervisory Board Members]

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

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

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

For coordination with internal audit departments, the Audit Office submits and explains the content of the annual internal audit plan to full-time Audit & Supervisory Board Members. The Audit Office submits copies of and reports to the full-time Audit & Supervisory Board Members on the internal audit results report and internal control report, which the office also submits and reports on to the President. The External Audit & Supervisory Board Members receive content reports and explanations at the Board of Audit & Supervisory Board Members, and express opinions as appropriate.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

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

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Minoru Murakami	Attorney													
Nobuo Iwafuchi	Certified public accountant													

* Categories for “Relationship with the Company”

- * “○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- * “△” when the Audit & Supervisory Board Member fell under the category in the past
- * “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- * “▲” when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary

- b. Non-executive Director or accounting advisor of the Company or its subsidiaries
- c. Non-executive Director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

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

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Minoru Murakami	○	Important concurrent positions <ul style="list-style-type: none"> • Attorney, Murakami Law Firm 	Mr. Murakami has many years of experience as an attorney and extensive knowledge of corporate legal affairs. He can use this background to perform audits using an independent and objective standpoint. Furthermore, the Company believes that there is no concern of Mr. Murakami having a conflict of interest with general shareholders and has accordingly designated him an Independent Audit & Supervisory Board Member.
Nobuo Iwafuchi	○	Important concurrent positions <ul style="list-style-type: none"> • Certified public accountant, Certified Public Accountant Nobuo Iwafuchi Office • Full-time External Auditor, Business Brain Showa-Ota Inc. • External Auditor, Willplus Holdings Co., Ltd. 	Mr. Iwafuchi has many years of auditing experience as a certified public accountant and specialized knowledge concerning finance and accounting. He can use this background to perform audits using an independent and objective standpoint. Furthermore, the Company believes that there is no concern of Mr. Iwafuchi having a conflict of interest with general shareholders and has accordingly designated him an Independent Audit & Supervisory Board Member.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	4
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Matters relating to Independent Directors/Audit & Supervisory Board Members

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

[Incentives]

Incentive Policies for Directors	Not introduced
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Supplementary Explanation

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

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation

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

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company's policy on determining the remuneration of Directors is based primarily on a system of remuneration linked to medium- to long-term growth in corporate value.

Director remuneration is apportioned to individual Directors within the scope of the total amount determined by the General Meeting of Shareholders. This allocation is determined by the Board of Directors after its appropriateness is deliberated by the Nomination & Remuneration Committee, which is composed chiefly of External Directors and Audit & Supervisory Board Members.

This remuneration, which comprises monthly remuneration and a bonus, aims to strengthen the link between increasing corporate performance and executive performance and takes into consideration Directors' responsibilities for augmenting performance in each fiscal year and increasing corporate value over the medium to long term. Monthly remuneration is in accordance with each Director's position, and remuneration amounts take into account such factors as the management environment. Bonuses are determined on the basis of Group performance during the fiscal year under review, the performance of the departments of which

Directors are in charge and evaluations of individual performance. The Company also has in place a retirement benefit system for Directors. The Company has set standards for the amount of these payments and sets aside a reserve for each fiscal year during the Director's term of office.

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

The General Administration Department serves as the secretariat for calling meetings of the Board of Directors, the Board of Audit & Supervisory Board Members and other meetings. These activities also include the distribution of materials about proposals submitted at Board of Directors meetings to External Directors prior to meetings and the provision of explanations about these proposals to External Directors.

[Retired Representative Directors, Presidents, Etc.]

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

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

**Number of senior advisors, etc. who are former
representative directors/presidents, etc.**

1

Other Matters

As a former representative director of the Company, Mr. Kobayashi has many years of management experience and extensive knowledge of the cosmetics industry. He is Honorary Chairman for the purpose of using his insight to provide a variety of advice to the current management.
Mr. Kobayashi's remuneration is determined upon consultation by taking into consideration his duties and other factors.

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

(1) Business Execution

To clarify the scope of management by Directors in the execution of business, the Company employs a small number of Directors to enable swift decision-making. The Company has introduced an executive officer system, under which executive officers appointed by the Board of Directors execute business appropriately for their assigned departments in accordance with the basic management policy determined by the Board of Directors. This structure currently comprises 10 Directors (nine men) and 13 executive officers (all men), who work proactively on initiatives to enhance management efficiency.

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

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

(2) Auditing

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

The Audit Office (14 people) exists as an organization independent of departments that execute business and audits overall business activities based on the interim and the annual audit plans. The Audit Office reports the results of internal audits to the President and Audit & Supervisory Board Members, notifies the heads of audited departments and checks the status of improvement.

(3) Selection of Director and Other Candidates

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

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

(4) Overview of Liability Limitation Agreements

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

(5) Accounting Audit

The accounting auditors hold regular discussions with managers, and exchange applicable information and opinions with the Audit & Supervisory Board Members when auditing reports are submitted. In addition, information concerning summaries of internal audit reports is shared with the accounting auditors. Through this mutual collaboration, the Company is working on executing effective audits. The certified public accountants who performed these services and payments to these certified public accountants in the fiscal year ended March 31, 2018 were as follows.

- Compensation based on audit certification work: ¥100 million (of which portion of consolidated subsidiaries: ¥13 million)
- Compensation based on non-audit work: ¥- million
- Name of certified public accountant: Mr. Hirofumi Harashina and Mr. Yoshiaki Morita, designated limited liability partners
- Auditing firm to which above individuals belong: Ernst & Young ShinNihon LLC
- Individuals who assisted with the audit: 18 certified public accountants, 6 successful applicants who have passed the Certified Public Accountants examination, etc. and 12 others

In addition, the Company has a Risk Management and Compliance Committee to ensure that business activities comply with laws and regulations and are fair and ethical. A Compliance Desk is also in place to

field consultations and internal reports from the Company's employees. Through organizations such as these, the Company endeavors to preserve a sound operating framework.

3. Reasons for Adoption of Current Corporate Governance System

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

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

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

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company is committed to sending its convocation notices well before meetings. The convocation notice for the 76th General Meeting of Shareholders (the fiscal year ended March 31, 2018) was sent on June 8, 2018, five days ahead of the statutory deadline. The Company also posted this convocation notice on its website prior to the date on which it was sent (June 4).
Allowing Electronic Exercise of Voting Rights	The Company uses an electronic voting service provided by Mizuho Trust & Banking Co., Ltd., for the electronic exercise of voting rights.
Participation in Electronic Voting Platform and Other Measures for Greater Ease of Voting by Institutional Investors	The Company uses the Electronic Voting Platform operated by ICJ, Inc., from the fiscal year ended March 31, 2016 (with the 74th General Meeting of Shareholders).
Providing Convocation Notice in English	The Company provides convocation notices and reference materials in English on its website.

2. IR Activities Updated

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

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

Overseas Investors	year in conferences held in Japan for overseas investors.	
Posting of IR Materials on Website	<p>The Company provides quarterly financial reports and other timely disclosure materials, financial information, shareholder newsletters, securities reports, KOSÉ REPORT (integrated report) and earnings presentation materials.</p> <p>Japanese website: http://www.kose.co.jp/company/ja/ir/</p> <p>English website: http://www.kose.co.jp/company/en/ir/</p>	
Establishment of Department and/or Manager in Charge of IR	The Company has the IR Office in place.	

3. Measures to Ensure Due Respect for Stakeholders Updated

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

IV. Matters Related to the Internal Control System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Risk Management Committee supervises risk management. Discussions and activities of this committee

are reported to the Board of Directors on a regular basis. In addition, this committee establishes risk management policies, inspects responses to risk factors and performs follow-up activities, discusses responses to problems that have occurred, and performs other activities for making further improvements to the risk management system.

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

[System for ensuring that Directors perform their duties efficiently]

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

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

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

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

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

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

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

[System for ensuring the reliability of financial information]

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

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

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

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

The Company has a manual for activities concerning compliance. In accordance with this manual, when a Director or employee of the Group makes a compliance violation report, there will be no negative

consequences for that individual because of the submission of the report. In addition, information about the individual who submits the report and the contents of the report are handled in accordance with strict rules.

[Other systems for ensuring that audits by the Audit & Supervisory Board Members are performed effectively]

The Audit Office and Audit & Supervisory Board Members exchange information periodically and work together in other ways concerning formulation of an internal auditing plan for each fiscal year, internal audit results and other matters.

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

2. Basic Views on Eliminating Anti-Social Forces

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System **Updated**

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

The Company has formulated rules on handling the insider information of the KOSÉ Group (information about decisions, facts, finances and other important matters) and the internal regulation on trading the Company stock “Rules on the Prevention of Insider Trading.” The Company thoroughly manages such information and strives to prevent insider trading that violates laws and regulations.

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

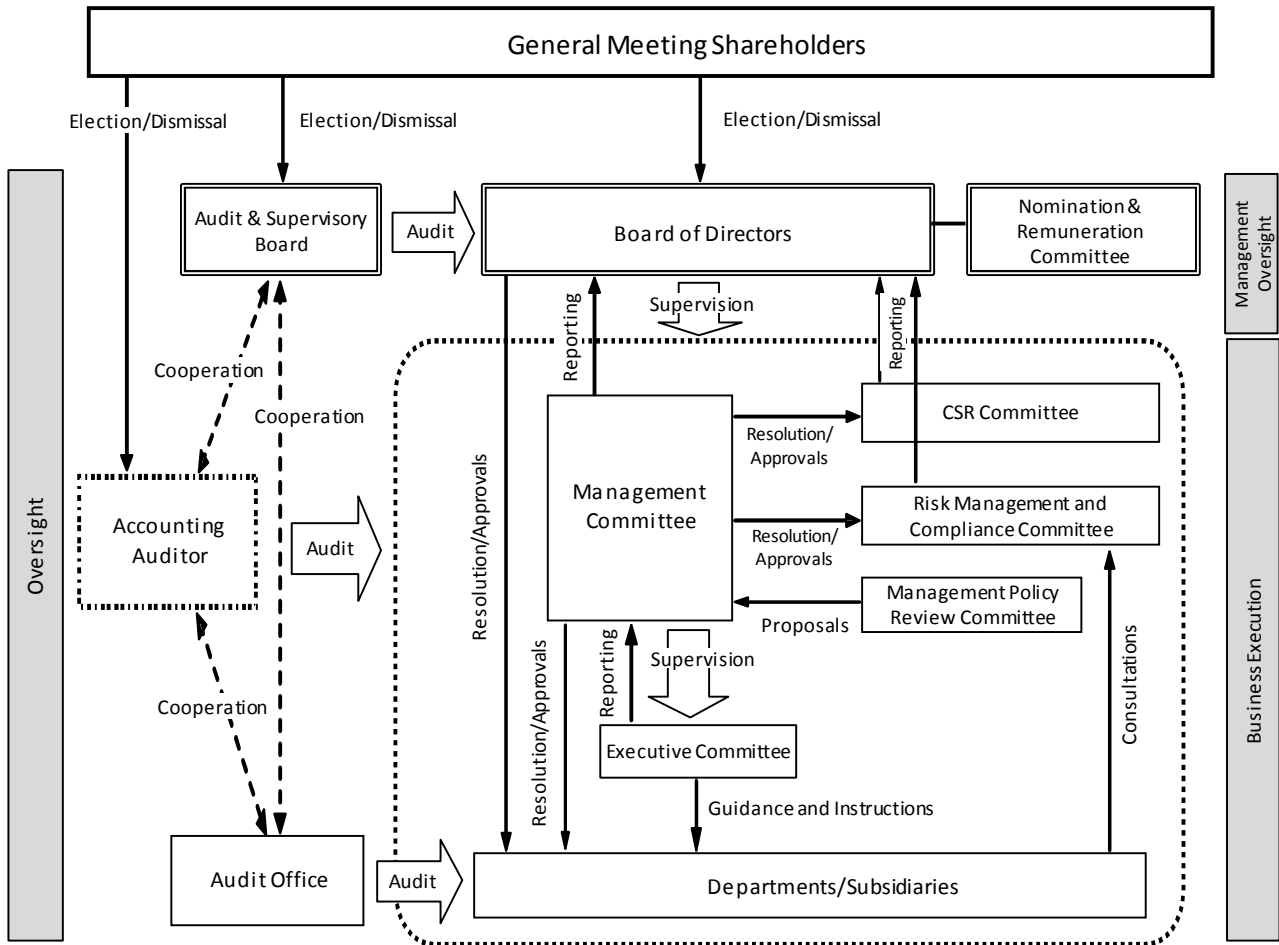
1. Departments and personnel responsible for managing insider information

- Personnel responsible for handling information: Directors and executive officers in charge of information disclosure
- Department in charge of information disclosure: IR Office
- Department in charge of information management: General Administration Dept.

2. Information management and disclosure processes

- In the event that insider information on the Company or Group companies materializes, this information is reported to personnel responsible for handling information and the general manager of the General Administration Dept.
- Personnel responsible for handling information discuss with the President and other individuals they deem necessary whether such information corresponds to Corporate Information Required for Timely Disclosure.
- If determined as corresponding to Corporate Information Required for Timely Disclosure, personnel responsible for handling information coordinate with the general manager of the General Administration Dept. to prevent information leaks.
- In principle, the publication of information occurs following Board of Directors approval, and information is disclosed by the IR Office in accordance with Securities Listing Regulations formulated by the Tokyo Stock Exchange.

Corporate Governance Organization



Timely Disclosure System

