

**KOSÉ Corporation**

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**Notice of Establishment of Restricted Stock Compensation Plan**

The Board of Directors of KOSÉ Corporation reviewed the compensation plan for officers and approved a resolution on May 25, 2020 to establish a restricted stock compensation plan (the "Compensation Plan"). A proposal to establish the Compensation Plan will be submitted at the 78th Annual General Meeting of Shareholders to be held on June 26, 2020 (the "Shareholder's Meeting").

1. Purpose and terms of the Compensation Plan

(1) Purpose of establishing the Compensation Plan

The objective of the Compensation Plan is to further increase the sharing of value with our shareholders by offering incentives to Directors (excluding External Directors) for sustainable growth of corporate value.

(2) Terms of the Compensation Plan

The Compensation Plan will grant Directors (excluding External Directors) restricted stock as compensation in the form of a monetary claim. As a result, the establishment of the Compensation Plan will require the approval of shareholders at the Shareholder's Meeting for the payment of this compensation as monetary compensation claims. At the 65th Annual General Meeting of Shareholders that was held on June 28, 2007, shareholders approved a resolution that limits the annual compensation of Directors to 1.8 billion yen (excluding salaries and bonuses paid to Directors who serve concurrently as employees). At the Shareholder's Meeting, KOSÉ plans to ask shareholders to approve the establishment of an aggregate amount for monetary compensation claims concerning restricted stock as compensation for Directors (excluding External Directors). The amount of these claims takes into account all applicable factors concerning the contributions of Directors (excluding External Directors) and other aspects of their performance and is within the 1.8 billion yen limit on annual compensation.

2. Overview of the Compensation Plan

(1) Allotment of restricted stock and payment

Based on a resolution of its Board of Directors, KOSÉ shall pay monetary compensation claims to Directors (excluding External Directors) within the range of the aforementioned annual compensation concerning restricted stock, and each Director shall be allotted restricted stock through a contribution in kind of all the monetary compensation claims.

Furthermore, the amount of payment for the restricted stock shall be based on the closing price of the KOSÉ common stock on the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors resolution concerning issuance or disposal of the restricted stock (if there are no transactions on that day, the closing price on the most recent trading day before then), and shall be determined by the KOSÉ Board of Directors within a range such that the amount is not particularly advantageous for the Directors who will receive the restricted stock.

In addition, the above monetary compensation claims shall be paid subject to the Directors (excluding External Directors) consenting to the aforementioned contribution in kind, and the conclusion of a contract for allotment of restricted stock including the content set forth in item (3) below.

(2) Total number of shares of restricted stock

The total number of shares of restricted stock, 100,000 shares, to be allotted to Directors (excluding External Directors) shall be the maximum number of shares of restricted stock to be allotted in each fiscal year.

However, in the case of a stock split (including a gratis allotment of shares of the KOSÉ common stock) or consolidation of shares relating to the KOSÉ common stock on or after the date of the resolution of this proposal, or in other cases equivalent to these cases when an adjustment to the total number of shares of restricted stock to be allotted is necessary, KOSÉ may adjust the total number of shares of restricted stock within reason.

### (3) Details of the contract for allotment of restricted stock

When allotting restricted stock, the contract for allotment of restricted stock that shall be concluded between KOSÉ and the Directors who will receive the allotment of restricted stock based on the resolution of the KOSÉ Board of Directors, shall include the following details.

#### i. Details of the transfer restrictions

During the period from the date of allotment of restricted stock to the date of resignation as a Director (hereinafter, the "Transfer Restriction Period"), Directors receiving an allotment of restricted stock shall not be able to transfer the restricted stock allotted to the Director (hereinafter, the "Allotted Stock") to a third party, establish a pledge on it, create a transferable security interest on it, gift it inter vivos, bequest it, or otherwise dispose of it in any way.

#### ii. Acquisition of restricted stock without consideration

In the event that a Director who has received an allotment of restricted stock retires from the position of Director on or after the day of the commencement of the Transfer Restriction Period and until the day prior to the date the first subsequent Annual General Meeting of Shareholders is held, KOSÉ shall, as a matter of course, acquire the Allotted Stock without consideration, excluding cases when the reason for retirement is recognized as fair by the KOSÉ Board of Directors.

In addition, if there are shares among the Allotted Stock for which the transfer restrictions have not been removed based on the grounds for the removal of transfer restrictions in the below item iii. as of the time the Transfer Restriction Period described in the above item i. ends, then KOSÉ shall, as a matter of course, acquire these stock without consideration.

#### iii. Removal of transfer restrictions

KOSÉ shall remove the transfer restrictions on all of the Allotted Stock when the Transfer Restriction Period ends, subject to the Director who received the allotment of restricted stock continuously holding the position of Director from the day of the commencement of the Transfer Restriction Period until the day the first subsequent Annual General Meeting of Shareholders is held.

However, if the Director retires from the position of Director on or after the day of the commencement of the Transfer Restriction Period and until the day prior to the date the first subsequent Annual General Meeting of Shareholders is held owing to a reason recognized as fair by the KOSÉ Board of Directors, then the number of shares of the Allotted Stock for which transfer restrictions shall be removed and the timing of the removal of transfer restrictions shall be adjusted as necessary within reason.

#### iv. Treatment of organizational restructuring, etc.

In the event of a merger agreement where KOSÉ will be the disappearing company, a share exchange agreement or share transfer plan where KOSÉ shall become a wholly owned subsidiary, or other proposal relating to organizational restructuring etc. being approved at the Annual General Meeting of Shareholders during the Transfer Restriction Period (however, this shall be the KOSÉ Board of Directors in cases that do not require approval at the Annual General Meeting of Shareholders in relation to the organizational restructuring, etc.), KOSÉ shall, by resolution of the Board of Directors, remove transfer restrictions prior to the effective date of the organizational restructuring, etc. for a reasonably determined number of shares of the Allotted Stock taking into consideration the period from the day of the commencement of the Transfer Restriction Period to the day of the approval of the organizational restructuring, etc.

In this case, immediately after the removal of transfer restrictions based on the above stipulations, KOSÉ shall, as a matter of course, acquire without consideration the Allotted Stock for which transfer restrictions have still not been removed.