

KOSÉ Corporation

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Stock exchange listing: Tokyo Stock Exchange, Prime Market; Stock code: 4922

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Notice of Disposal of Treasury Shares as Restricted Stock for Employee Stock Ownership Plan

The Board of Directors of KOSÉ Corporation approved a resolution today for the disposal of treasury shares to the KOSÉ Employee Stock Ownership Plan (KOSÉ ESOP), which will hold these shares as restricted stock. The disposal of the treasury shares will take place in accordance with the KOSÉ ESOP restricted stock incentive program.

1. Summary of disposal of treasury shares

(1) Deadline	January 7, 2026
(2) Type and number of shares	KOSÉ common stock: 280,620 shares (Note)
(3) Price	6,415 yen per share
(4) Total proceeds	1,800,177,300 yen (Note)
(5) Method (recipient of stock allocation)	KOSÉ will use a third-party allocation of stock, assuming that the KOSÉ ESOP submits an application to purchase this stock, to allocate the number of shares in the application, which is no more than the number in the preceding item (2). The number of shares allocated will become the number of shares sold in item (2). (KOSÉ ESOP: 280,620 shares) Eligible employees (defined below) are not allowed to submit applications for only part of the number of shares granted.
(6) Other	KOSÉ has submitted the Extraordinary Report regarding this disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

(Note) The number of shares sold and total proceeds are calculated by assuming that the maximum number of employees who can participate, which is the 9,354 employees of KOSÉ and its subsidiaries, are granted 30 shares of restricted stock each. The actual number of shares and total proceeds will be determined by the number of KOSÉ and KOSÉ subsidiary employees (maximum of 9,354) who agree to participate in the KOSÉ ESOP restricted stock incentive program ("eligible employees"). The number of employees will be confirmed after measures to encourage people not currently in the KOSÉ ESOP to join this plan and after receiving the consent of KOSÉ ESOP members concerning the KOSÉ ESOP restricted stock incentive program. As is explained in the preceding item (5), the number of shares sold will be the number of shares in the KOSÉ ESOP share purchase application. Total proceeds will be this number of shares multiplied by the price per share. KOSÉ and its subsidiaries will give every eligible employee a monetary claim of 192,450 yen and, using the KOSÉ ESOP, KOSÉ will allocate 30 shares to every eligible employee.

2. Purpose and reasons for the disposal of treasury shares

On November 11, 2024, KOSÉ announced a new medium to long-term vision called Vision for Lifelong Beauty Partner–Milestone 2030 as the basis for the company's strategy for growth.

At the Board of Directors meeting today, the directors approved the KOSÉ ESOP restricted stock incentive program for the purposes of enabling eligible employees of KOSÉ and its subsidiaries who are members of the KOSÉ ESOP to benefit with other shareholders from the growth of shareholder value and have a greater awareness of participation in the company's management for the sustained growth of corporate value. The KOSÉ ESOP will be used to provide additional benefits to eligible employees by creating an opportunity for these people to receive newly issued KOSÉ stock or KOSÉ treasury shares as restricted stock. Receiving this stock will enable eligible employees to accumulate savings and gives them an even greater incentive to contribute to accomplishing the new vision.

The following section provides an overview of the KOSÉ ESOP restricted stock incentive program.

[Overview]

Eligible employees of KOSÉ and its subsidiaries receive a special incentive payment in the form of a monetary claim that is submitted to the KOSÉ ESOP for the purpose of receiving 30 shares of restricted stock. The KOSÉ ESOP then submits these monetary claims to KOSÉ as an investment in kind and KOSÉ distributes restricted stock to employees by either issuing common stock or using treasury shares.

When KOSÉ stock is issued or treasury shares are disposed of for the KOSÉ ESOP restricted stock incentive program, the price will be determined by the KOSÉ Board of Directors within a range that does not result in an advantageous price for the KOSÉ ESOP (and eligible employees). The price will be based on the closing price of KOSÉ common stock on the business day prior to the day of the Board of Directors resolution to issue stock or dispose of treasury shares (or the nearest prior day when KOSÉ stock was traded if the stock was not traded on the day prior to the resolution date).

For the issuance of stock or disposal of treasury shares for the KOSÉ ESOP restricted stock incentive program, KOSÉ and the KOSÉ ESOP will use a restricted stock allocation contract that includes the following terms as well as other items. (1) Individuals who receive this stock are not allowed to transfer ownership, use as collateral or dispose in any other way to a third party this stock during the restriction period. (2) If certain events occur, KOSÉ has the right to acquire at no cost the stock granted to eligible employees. In addition, special incentive payments to eligible employees can be made only after KOSÉ and the KOSÉ ESOP sign a restricted stock allocation contract.

In accordance with the rules and operating guidelines (see note) of the KOSÉ ESOP, eligible employees are not allowed to withdraw their ESOP holdings (restricted stock holdings) during the restriction period corresponding to the restricted stock received in exchange for contributing the monetary claim to the ESOP.

(Note) At a meeting of the directors of the KOSÉ ESOP held immediately after the KOSÉ Board of Directors meeting where this disposal of treasury shares was approved, revisions to the KOSÉ ESOP rules and guidelines as needed concerning the KOSÉ ESOP restricted stock incentive program are to be approved prior to the receipt of the treasury shares by the KOSÉ ESOP. These revisions will become effective two weeks after KOSÉ ESOP members are notified of the revisions approved by the KOSÉ ESOP directors, as stipulated in the rules and regulations. Furthermore, effectiveness of the revisions requires that no more than one-third of the KOSÉ ESOP members object to the revisions.

In the disposal of treasury shares, the KOSÉ common stock ("allotted stock") shall be disposed of to the KOSÉ ESOP as a result of it being the scheduled allottee that contributes to KOSÉ all special incentive payments received from eligible employees by way of in-kind contribution based on the KOSÉ ESOP restricted stock incentive program. A summary of the restricted stock allocation contract signed by KOSÉ and the KOSÉ ESOP is in "3. Summary of restricted stock allocation contract" below. As explained in the preceding note to item 1, the number of treasury shares allocated to eligible employees will be determined afterward. If all 9,354 employees of KOSÉ and its subsidiaries that can participate in the KOSÉ ESOP restricted stock incentive program decide to join the KOSÉ ESOP and agree to the terms of this program, a total of 280,620 treasury shares would be used. Regarding dilution resulting from this disposal of treasury shares, based on 60,592,541 shares issued as of December 31, 2024, this number of treasury shares

corresponds to 0.46% of shares issued (rounded to the second decimal place, same hereafter) and 0.49% of voting rights of 569,385 as of December 31, 2024.

The purposes of the KOSÉ ESOP restricted stock incentive program, which provides additional benefits for employees, are to enable eligible employees of KOSÉ and its subsidiaries who are members of the KOSÉ ESOP to benefit with other shareholders from the growth of shareholder value and have a greater awareness of participation in the company's management for the sustained growth of the corporate value of the KOSÉ Group. This program creates an opportunity for these people to receive newly issued KOSÉ stock or KOSÉ treasury shares as restricted stock. Receiving this stock will enable eligible employees to accumulate savings and gives them an even greater incentive to contribute to accomplishing the new vision. Consequently, KOSÉ believes that the number of treasury shares disposed of and the resulting dilution of stock are reasonable. In addition, based on this level of dilution, KOSÉ believes that this disposal of treasury shares will have only a negligible effect on KOSÉ stock in financial markets.

This disposal of treasury shares will require the effectiveness of revisions to the KOSÉ ESOP rules and guidelines by no later than the day prior to the date of this disposal and the signing of the restricted stock allocation contract by KOSÉ and the KOSÉ ESOP within the designated time.

3. Summary of the restricted stock allocation contract

(1) Mandatory holding period

January 7, 2026 to May 31, 2030

(2) Condition for lifting of the Restriction

Restrictions on transferring ownership of the restricted stock will end after the restriction period if the eligible employee was continuously a member of the KOSÉ ESOP during this period and fulfills other requirements. At that time, eligible employees can sell all allotted stock that corresponds to the restricted stock holdings.

(3) Resignation of eligible employee from the KOSÉ ESOP

If an eligible employee leaves the KOSÉ ESOP during the restriction period for a reason listed in the three items below, KOSÉ will cancel the transfer restriction for the following number of shares of restricted stock based on when the individual resigned or retired and the reason. This number of shares applies to the number of shares of allotted stock corresponding to the restricted stock holdings of the individual on the day the transfer restriction is canceled.

Resignation/retirement date	Number of shares to which the end of the restriction applies
January 2026 to December 2026	5 shares
January 2027 to December 2027	10 shares
January 2028 to December 2028	15 shares
January 2029 to December 2029	20 shares
January 2030 to May 2030	25 shares

1. Voluntary retirement, retirement at full retirement age, completion of employment contract for rehired individuals, and other legitimate reasons (not including personal reasons other than events beyond the control of the eligible employee): First day of the month of the resignation/retirement
2. Resignation due to appointment/election as an executive officer: First day of the month of the planned appointment or election
3. Death: Date of death

(4) Eligible employee no longer a resident of Japan

If KOSÉ or a subsidiary determines that an eligible employee is no longer a resident of Japan during the

restriction period due to a transfer to an assignment in another country or some other reason, the transfer restriction will be canceled for all allotted stock corresponding to the restricted stock holdings of that individual as of the day the individual is no longer classified as a resident of Japan due to the transfer or other reason.

(5) Acquisition of restricted stock with no payment

If an eligible employee violates a law or regulation or is involved in some other act stipulated in the restricted stock allocation contract, KOSÉ can acquire with no payment all allotted stock corresponding to the restricted stock holdings of the individual at the time of the applicable action. Furthermore, at the end of the restriction period or when the restriction is canceled as prescribed in the preceding sections (3) or (4), KOSÉ can acquire with no payment any of the individual's allotted stock for which the restriction has not been canceled.

(6) Custody of restricted stock

To prevent the transfer of ownership, use as collateral or other disposal of the allotted stock, this stock will be held in an account established by the KOSÉ ESOP at Nomura Securities Co., Ltd. during the restriction period solely for this purpose. In addition, in accordance with the rules of the KOSÉ ESOP, this ESOP will register and manage the restricted stock holdings separately from the standard ESOP stock holdings of the eligible employees.

(7) Organizational restructurings and similar events

During the restriction period, if shareholders (or the Board of Directors if the organizational restructuring does not require shareholder approval) approve a resolution for a merger agreement where KOSÉ is dissolved, a share exchange agreement or share transfer plan where KOSÉ becomes a wholly owned subsidiary, or any other organizational restructuring, then based on a resolution by the Board of Directors, the transfer restriction will be canceled immediately before the start of the business day prior to the date the organizational restructuring becomes effective. This cancellation applies to allotted stock held by the KOSÉ ESOP on the date the organizational restructuring was approved but only for all allotted stock corresponding to the eligible employees' restricted stock holdings.

4. Basis of calculating the disposal price and other specific details

For the allocation of treasury shares to the KOSÉ ESOP, eligible employees will submit to the ESOP the special incentive payments as a payment in kind for the purpose of receiving restricted stock. To eliminate any ambiguity about the purchase price of these treasury shares, the price of 6,415 yen is the closing price of KOSÉ common stock on the Tokyo Stock Exchange Prime Market on March 27, 2025, which is the business day before the Board of Directors resolution concerning the disposal of treasury shares. KOSÉ believes this is a reasonable price that is not significantly advantageous because the purchase price is the market price immediately before the Board of Directors resolution.

The percentages of the differences (rounded to the second decimal place) between this purchase price and the average closing prices of KOSÉ common stock on the Tokyo Stock Exchange Prime Market for the following periods are as follows.

Period	Average closing price (rounded down to the nearest yen)	Difference
One month (February 28, 2025 to March 27, 2025)	6,549 yen	-2.05%
Three months (December 30, 2024 to March 27, 2025)	6,622 yen	-3.13%
Six months (September 30, 2024 to March 27, 2025)	7,158 yen	-10.38%

All 4 Audit & Supervisory Board members, including 2 external members, attended today's meeting of the Board of Directors and all of these members stated their opinion that the purchase price complies with laws and regulations. The purpose of the disposal of treasury shares is for the establishment of the KOSÉ ESOP

restricted stock incentive program and the price of the treasury shares is not significantly advantageous for the KOSÉ ESOP, the purchaser of the allotted stock, with respect to the closing price of KOSÉ common stock on the Tokyo Stock Exchange Prime Market on the business day prior to the date of the Board of Directors resolution to determine the price.

5. Procedure concerning corporate code of conduct

Pursuant to Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange, this disposal of treasury shares does not require a third-party opinion or a procedure to confirm the position of shareholders because (1) dilution is less than 25% and (2) there is no change in a controlling shareholder.

(Reference)

[Structure of the KOSÉ ESOP restricted stock incentive program]

- (1) KOSÉ and its subsidiaries give eligible employees monetary claims as special incentive payments that are used to receive restricted stock.
- (2) Eligible employees contribute the monetary claims described in (1) above to the KOSÉ ESOP.
- (3) The KOSÉ ESOP uses the monetary claims contributed in (2) above for a payment to KOSÉ.
- (4) The KOSÉ ESOP receives allotted stock in the form of restricted stock (RS in the following diagram) from KOSÉ.
- (5) The allotted stock is kept in an account at Nomura Securities that was established solely for this purpose by the KOSÉ ESOP. Withdrawals of this stock are restricted during the restriction period.
- (6) When the transfer restrictions end, the allotted stock is transferred to the standard stock holdings of the KOSÉ ESOP or to securities accounts in the names of the eligible employees.

