

Announcement of Transition to a Company with an Audit and Supervisory Committee and Partial Amendments to the Articles of Incorporation

KH Neochem Co., Ltd. (TSE: 4189, President and CEO: Michio Takahashi, the “Company”) announces that it resolved, at the meeting of its Board of Directors held today, to make a transition from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee. The resolution is subject to approval at the 14th Ordinary General Meeting of Shareholders to be held on March 26, 2024. Accordingly, the Company has also resolved to submit a proposal for a partial amendment to the Articles of Incorporation to the Ordinary General Meeting of Shareholders.

1. Transition to a Company with an Audit and Supervisory Committee

(1) Purpose of Transition

In line with the Company’s corporate mission of “Realizing a brighter tomorrow for society through the power of chemistry”, the Company is working to enhance its corporate governance system in order to achieve sustainable growth, improve our corporate value for the mid-to-long term and realize sound management with secured transparency and fairness. In order to strengthen the supervisory function of the Board of Directors, the Company has decided to transition to a company with an Audit and Supervisory Committee.

As a result, the Company will create a structure where the Board of Directors is composed of a majority of independent outside directors, further strengthening the supervisory function. For details on officer appointments after transition to a Company with an Audit and Supervisory Committee, please refer to the announcement dated today titled “Announcement of Organizational Changes, Officer Changes and Personnel Changes.”

(2) Timing of Transition

At the 14th Ordinary General Meeting of Shareholders scheduled to be held on March 26, 2024, the Company plans to shift to a Company with an Audit and Supervisory Committee subject to the approval of the proposal for the amendments to the Articles of Incorporation.

2. Partial Amendment to the Articles of Incorporation

(1) Purpose of the Amendment

In connection with the transition to a Company with an Audit and Supervisory Committee, as described in 1. above, the provisions regarding the Audit and Supervisory Board Members and Audit and Supervisory Board will be deleted, and the provisions regarding the Audit and Supervisory Committee Members and an Audit and Supervisory Committee will be newly established. In addition, the Company will newly establish provisions regarding the delegation of authority to directors and other necessary changes. The Company will also take this opportunity to newly establish provisions concerning the Additional Purchase of Shares Less than One (1) Unit. The details of these changes are shown in the Appendix.

(2) Schedule of Changes

Upon approval at the 14th Ordinary General Meeting of Shareholders scheduled to be held on March 26, 2024, this amendment to the Articles of Incorporation will become effective upon the conclusion of the said Ordinary General Meeting of Shareholders.

Current Articles of Incorporation	Proposed amendments
<p><u>(Newly established)</u></p>	<p>Article 10. <u>(Additional Purchase of Shares Less than One (1) Unit)</u></p>
<p>(Text omitted)</p>	<p><u>A shareholder of the Company may demand that the Company sell shares that are less than one (1) unit to the shareholder to the extent that the shares of less than one (1) unit held by the shareholder constitute one (1) unit share; provided, however, that this shall not apply when the Company does not hold the number of treasury shares that the Company is required to sell to the shareholder.</u></p>
<p>(Text omitted)</p>	<p>(Text omitted)</p>
<p>Article 19. <i>(Number of Directors)</i></p>	<p>Article 19. <i>(Number of Directors)</i></p>
<p>The Company shall have no more than ten (10) Directors.</p>	<p><u>1. The Company shall have no more than ten (10) Directors, excluding those who are Audit and Supervisory Committee Members.</u></p>
<p><u>(Newly established)</u></p>	<p><u>2. The Company shall have no more than five (5) Directors who are Audit and Supervisory Committee Members.</u></p>
<p>Article 20. <i>(Method of Election of Directors)</i></p>	<p>Article 20. <i>(Method of Election of Directors)</i></p>
<p>1. Directors shall be elected <u>by</u> resolution of a general meeting of shareholders.</p>	<p>1. Directors shall be elected <u>through a</u> resolution at a general meeting of shareholders, <u>that distinguishes between those who are Audit and Supervisory Committee Members and those who are not.</u></p>
<p>2. A resolution for the election of Director(s) shall be adopted by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third (1/3) or more of the votes of the shareholders who are entitled to exercise their voting rights are present.</p>	<p>2. A resolution for the election of Director(s) shall be adopted by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third (1/3) or more of the votes of the shareholders who are entitled to exercise their voting rights are present.</p>
<p>3. A resolution for the election of Director(s) shall not be adopted by cumulative votes.</p>	<p>3. A resolution for the election of Director(s) shall not be adopted by cumulative votes.</p>
<p>Article 21. <i>(Term of Office)</i></p>	<p>Article 21. <i>(Term of Office)</i></p>
<p>1. The term of office of a Director shall continue until the conclusion of the ordinary general meeting of shareholders for the last business year ending within one (1) year after his/her election.</p>	<p>1. The term of office of a Director <u>(excluding a director who is an Audit and Supervisory Committee Member)</u> shall continue until the conclusion of the ordinary general meeting of shareholders for the last business year ending within one (1) year after his/her election.</p>

Current Articles of Incorporation	Proposed amendments
<p data-bbox="199 253 785 454">2. <u>The term of office of a Director elected as a substitute for another Director or to increase the number of Directors shall continue until the expiry of the term of office of his/her predecessor or the other Directors then in office.</u></p> <p data-bbox="379 495 608 524"><u>(Newly established)</u></p> <p data-bbox="379 730 608 759"><u>(Newly established)</u></p> <p data-bbox="379 1037 608 1066"><u>(Newly established)</u></p> <p data-bbox="199 1310 785 1373">Article 22. <i>(Representative Directors and Directors with Titles)</i></p> <p data-bbox="199 1379 785 1476">1. The Board of Directors shall appoint one (1) or more Representative Directors by its resolution.</p> <p data-bbox="199 1550 785 1646">2. A Representative Director shall represent the Company and execute the business of the Company.</p> <p data-bbox="199 1686 785 1955">3. The Board of Directors shall appoint one (1) Board Director, President & Chief Executive Officer and may appoint, as necessary, one (1) Board Director and chairman as well as several Board Director and Executive Vice President, Board Director and Executive Corporate Officer and Board Director and Senior Corporate Officer by its resolution.</p>	<p data-bbox="1054 253 1165 282"><u>(deleted)</u></p> <p data-bbox="809 495 1417 692">2. <u>The term of office of a Director who is an Audit and Supervisory Committee Member shall continue until the conclusion of the ordinary general meeting of shareholders for the last business year ending within two (2) years after his/her election.</u></p> <p data-bbox="809 730 1417 999">3. <u>The term of office of a Director who is an Audit and Supervisory Committee Member elected to fill a vacancy left by a Director who is an Audit and Supervisory Committee Member and retires before the expiration of the director's term of office shall continue until the expiration of the term of office of the retiring Director who is an Audit and Supervisory Committee Member.</u></p> <p data-bbox="809 1037 1417 1274">4. <u>The qualification of a Director who is elected as an alternate Audit and Supervisory Committee Member shall be effective until the beginning of the ordinary general meeting of shareholders for the last business year ending within two (2) years after the general meeting of shareholders at which such election is made.</u></p> <p data-bbox="809 1310 1417 1373">Article 22. <i>(Representative Directors and Directors with Titles)</i></p> <p data-bbox="809 1379 1417 1512">1. The Board of Directors shall appoint one (1) or more Representative Directors by its resolution <u>from among Directors (excluding Directors who are Audit and Supervisory Members).</u></p> <p data-bbox="809 1550 1417 1646">2. A Representative Director shall represent the Company and execute the business of the Company.</p> <p data-bbox="809 1686 1417 1989">3. The Board of Directors shall appoint, <u>from among Directors (excluding Directors who are Audit and Supervisory Members),</u> one (1) Board Director, President & Chief Executive Officer and may appoint, as necessary, one (1) Board Director and chairman as well as several Board Directors, Executive Vice Presidents, Executive Corporate Officers, <u>and</u> Senior Corporate Officers by its resolution.</p>

Current Articles of Incorporation	Proposed amendments
<p>Article 23. <i>(Notice of Convocation of Board of Directors)</i></p> <ol style="list-style-type: none"> 1. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and Audit and Supervisory Board Member</u> at least three (3) days prior to the meeting; provided, however, that such period may be shortened in the case of urgent necessity. 2. If the consent of all Directors and <u>Audit and Supervisory Board Members</u> is obtained, a meeting of the Board of Directors may be held without following the procedures for convening <u>the</u> meeting. <p>Article 24. <i>(Omission of Resolution of Board of Directors)</i></p> <p>The Company shall deem that the matters to be resolved by the Board of Directors are adopted by a resolution of the Board of Directors when all the Directors have given their consent thereto in writing or through electromagnetic records; <u>provided, however, that this shall not apply if any Audit and Supervisory Board Member raises an objection thereto.</u></p> <p style="text-align: center;"><u>(Newly established)</u></p> <p>Article 25. <i>(Regulations of Board of Directors)</i></p> <p>Matters relating to the Board of Directors shall be governed by applicable laws and regulations and these Articles of Incorporation as well as the Regulations of the Board of Directors prescribed by the Board of Directors.</p>	<p>Article 23. <i>(Notice of Convocation of Board of Directors)</i></p> <ol style="list-style-type: none"> 1. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director at least three (3) days prior to the meeting; provided, however, that such period may be shortened in the case of urgent necessity. 2. If the consent of all Directors is obtained, a meeting of the Board of Directors may be held without following the procedures for convening <u>a</u> meeting. <p>Article 24. <i>(Omission of Resolution of Board of Directors)</i></p> <p>The Company shall deem that the matters to be resolved by the Board of Directors are adopted by a resolution of the Board of Directors when all the Directors <u>(limited to those who are eligible to participate in the voting on such matters)</u> have given their consent thereto in writing or through electromagnetic records.</p> <p>Article 25. <i>(Delegation of Important Business Execution Decisions)</i></p> <p><u>The Company may, pursuant to Article 399-13, Paragraph 6 of the Companies Act, by a resolution of the Board of Directors, delegate all or part of the decisions on the execution of important business affairs (excluding the matters listed in the items of Paragraph 5 of the same Article) to the Directors.</u></p> <p>Article 26. <i>(Regulations of Board of Directors)</i></p> <p>Matters relating to the Board of Directors shall be governed by applicable laws and regulations and these Articles of Incorporation as well as the Regulations of the Board of Directors prescribed by the Board of Directors.</p>

Current Articles of Incorporation	Proposed amendments
<p>Article 26. (Remuneration) Directors’ remuneration, bonuses and other financial benefits received from the Company as a consideration for the execution of duties (<u>collectively, “Remuneration”</u>) shall be determine by a resolution of the general meeting of shareholders.</p> <p>Article 27. (Exemption of Directors’ Liabilities)</p> <ol style="list-style-type: none"> 1. Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Directors (including former Directors) from their liabilities <u>for their acts provided for in</u> Article 423, Paragraph 1 of the Companies Act, to the extent permitted by applicable laws and regulations. 2. Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with Directors (except for those who are Executive Directors, etc.), which shall limit their liabilities <u>for their acts provided for in</u> Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed by applicable laws and regulations. 	<p>Article 27. (Remuneration) Directors’ remuneration, bonuses, and other financial benefits received from the Company as consideration for the execution of duties shall be <u>determined by a resolution of the general meeting of shareholders. Directors who are Audit and Supervisory Committee Members and the other Directors will be distinguished in regard to consideration.</u></p> <p>Article 28. (Exemption of Directors’ Liabilities)</p> <ol style="list-style-type: none"> 1. Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Directors (including former Directors) from their liabilities <u>of damages under</u> Article 423, Paragraph 1 of the Companies Act, to the extent permitted by applicable laws and regulations. 2. Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with Directors (except for those who are Executive Directors, etc.), which shall limit their liabilities <u>of damages under</u> Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability <u>of damages</u> under such agreement shall be the amount prescribed by applicable laws and regulations.
<p><u>CHAPTER V.</u> <u>AUDIT AND SUPERVISORY BOARD MEMBERS AND AUDIT AND SUPERVISORY BOARD</u></p>	<p>(Deleted)</p>
<p><u>Article 28. (Number of Audit and Supervisory Board Members)</u> The Company shall have three (3) or more <u>Audit and Supervisory Board Members.</u></p>	<p>(Deleted)</p>
<p><u>Article 29. (Method of Election of Audit and Supervisory Board Members)</u></p> <ol style="list-style-type: none"> 1. <u>Audit and Supervisory Board Members shall be elected by resolution of a general meeting of shareholders.</u> 2. <u>A resolution for the election of Audit and Supervisory Board Member(s) shall be adopted by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third (1/3) or more of the votes of the shareholders who are entitled to exercise their voting rights are present.</u> 	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p>3. Pursuant to the provision of Article 329, Paragraph 3 of the Companies Act, the Company may elect substitute Audit and Supervisory Board Members at general meetings of shareholders by way of precaution against cases where there is a vacancy which results in a shortfall in the number of Audit and Supervisory Board Members prescribed in applicable laws and regulations.</p> <p>4. A resolution pertaining to the election of substitute Audit and Supervisory Board Members as provided for in the preceding paragraph shall be effective until the commencement of the ordinary general meeting of shareholders for the last business year which ends within four (4) years after such resolution.</p> <p>5. The provision of Paragraph 2 of this Article 29 shall be applied mutatis mutandis to the method of electing substitute Audit and Supervisory Board Members.</p>	
<p>Article 30. (Term of Office of Audit and Supervisory Board Members)</p>	<p>(Deleted)</p>
<p>1. The term of office of an Audit and Supervisory Board Member shall continue until the conclusion of the ordinary general meeting of shareholders for the last business year which ends within four (4) years after his/her election.</p> <p>2. The term of office of an Audit and Supervisory Board Member elected as a substitute for an Audit and Supervisory Board Member who has resigned prior to the expiry of his/her term of office shall continue until the expiry of the term of office of the Audit and Supervisory Board Member who resigned from office.</p>	
<p>Article 31. (Remuneration)</p> <p>The Remuneration of the Audit and Supervisory Board Members shall be determined by a resolution of the general meeting of shareholders.</p>	<p>(Deleted)</p>
<p>Article 32. (Notice of Convocation of Audit and Supervisory Board Meetings)</p> <p>Notice of convocation of a meeting of the Audit and Supervisory Board shall be sent to each Audit and Supervisory Board Member at least three (3) days prior to the meeting; provided, however, that such period may be shortened if there is an urgent necessity.</p>	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p>Article 33. <i>(Full-Time Audit and Supervisory Board Members)</i></p>	<p><u>(Deleted)</u></p>
<p><u>The Audit and Supervisory Board shall appoint one (1) or more Full-Time Audit and Supervisory Board Members by its resolution.</u></p>	
<p>Article 34. <i>(Regulations of Audit and Supervisory Board)</i></p>	<p><u>(Deleted)</u></p>
<p><u>Matters relating to the Audit and Supervisory Board shall be governed by applicable laws and regulations or these Articles of Incorporation as well as the Regulations of the Audit and Supervisory Board prescribed by the Audit and Supervisory Board.</u></p>	
<p>Article 35. <i>(Exemption of Audit and Supervisory Board Members' Liabilities)</i></p>	<p><u>(Deleted)</u></p>
<p>1. <u>Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Audit and Supervisory Board Members (including former Audit and Supervisory Board Members) from their liabilities for their acts provided for in Article 423, Paragraph 1 of the Companies Act, to the extent permitted by applicable laws and regulations.</u></p> <p>2. <u>Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with Audit and Supervisory Board Members, which shall limit their liabilities for their acts provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed by applicable laws and regulations.</u></p>	
<p><u>(Newly established)</u></p>	
<p><u>(Newly established)</u></p>	
	<p>CHAPTER V. AUDIT AND SUPERVISORY COMMITTEE</p>
	<p>Article 29. <i>(Notice of Convocation of Audit and Supervisory Committee)</i></p>
	<p>1. <u>Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that such period may be shortened in case of urgency.</u></p>
	<p>2. <u>With the consent of all Audit and Supervisory Committee Members, a meeting of the Audit and Supervisory Committee may be held without the convening procedures.</u></p>

Current Articles of Incorporation	Proposed amendments
<p style="text-align: center;"><u>(Newly established)</u></p> <p style="text-align: center;"><u>(Newly established)</u></p> <p>CHAPTER VI. ACCOUNTING Articles <u>36</u> through <u>39</u> (Text omitted)</p> <p>SUPPLEMENTARY PROVISIONS <u>Article 1. (Special Provisions Concerning Executed Contracts for Limitation of Liability)</u> Any contracts for limitation of liability that have been executed with Outside Directors and Outside Audit and Supervisory Board Members on or prior to June 10, 2016 shall be in accordance with the provisions of these Articles of Incorporation which were effective prior to the amendment thereof on June 10, 2016.</p>	<p>3. <u>Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that such period may be shortened in case of urgency.</u></p> <p>4. <u>With the consent of all Audit and Supervisory Committee Members, a meeting of the Audit and Supervisory Committee may be held without the convening procedures.</u></p> <p>Article 30. (Full-Time Audit and Supervisory Committee Members) The Audit and Supervisory Committee may appoint one (1) or more Full-Time Audit and Supervisory Committee Members from among Audit and Supervisory Committee Members by its resolution.</p> <p>Article 31. (Regulations of Audit and Supervisory Committee) Matters relating to the Audit and Supervisory Committee shall be governed by applicable laws and regulations or these Articles of Incorporation as well as the Regulations of the Audit and Supervisory Committee prescribed by the Audit and Supervisory Committee.</p> <p>CHAPTER VI. ACCOUNTING Articles <u>32</u> through <u>35</u> (Text omitted)</p> <p>SUPPLEMENTARY PROVISIONS (Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p><u>(Newly established)</u></p>	<p>Article 1. <i><u>(Transitional Measures Concerning Exemption from Liability of Audit and Supervisory Board Members Prior to Transition to a Company with Audit and Supervisory Committee)</u></i></p> <p><u>The Company may, pursuant to Article 426, Paragraph 1 of the Companies Act, by a resolution of the Board of Directors, exempt Audit and Supervisory Board Members (including those who were formerly Audit and Supervisory Board Members) from liability of damages under Article 423, Paragraph 1 of the Companies Act, concerning acts committed prior to the conclusion of the 14th ordinary general meeting of shareholders to the extent permitted by laws and regulations.</u></p>

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