

March 9, 2020

To Shareholders

Michio Takahashi  
President & Chief Executive Officer  
KH Neochem Co., Ltd.

Supplemental Information of the Proposal No. 3 of the 10<sup>th</sup> Ordinary General Meeting  
of Shareholders

We received information that Institutional Shareholder Services Inc. ("ISS") has recommended to vote against the proposal for the election of the candidate No.2, Mr. Kazuhiro Kawai in the Proposal No. 3 (Election of Three Audit & Supervisory Board Members) of the 10<sup>th</sup> Ordinary General Meeting of Shareholders of KH Neochem Co., Ltd. ("the Company") to be held on March 26, 2020.

Accordingly, the Company would like to take this opportunity to provide supplemental information of the Proposal for your better understanding.

1. Recommendation by ISS

On the ISS Report, Mr. Kazuhiro Kawai is classified as "Affiliated Outsider" and voting against the proposal for election of Mr. Kazuhiro Kawai has been recommended. The company supposes the reasoning of ISS's recommendation is based on their view that Mr. Kazuhiro Kawai once worked for a bank that is one of the shareholders and principal lenders of the Company and accordingly he does not meet the independence criteria set by ISS.

2. Reasons the Company judges Mr. Kazuhiro Kawai as an eligible candidate of Outside Audit & Supervisory Board Member

The Company would like to emphasize that although until April 2014 Mr. Kazuhiro Kawai had been working for Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd., "the Bank"), that is one of the shareholders and principal lenders of the Company, already more than five years have passed since he left the bank\*. Also, the bank's shareholding ratio as of December 31, 2019 is only 1.98%, and there is no relationship between the Bank and the Company by which the Bank has an impact on any decision-making of the Company. Therefore, the Company judges that there is no concern for conflict of interests with general shareholders.

Consequently, the Company does not judge that Mr. Kazuhiro Kawai lacks independence as an Outside Audit & Supervisory Board Member, only with the fact that he worked for the Bank in the past.

\*The above-mentioned information was already provided in "Notice of the 10<sup>th</sup> Ordinary General Meeting of Shareholders" of the Company. See also attached Appendix)

We would like you to confirm the supplemental information above and comprehend the Proposal No. 3 (Election of Three Audit & Supervisory Board Members) of the 10<sup>th</sup> Ordinary General Meeting of Shareholders of the Company.

Thank you very much for your attention, understanding and continued support of KH Neochem Co., Ltd.

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## <Appendix>

The followings are extracted from page 15 and page 16 of “Notice of the 10th Ordinary General Meeting of Shareholders” of the company.

### **Candidate No.2: Mr. Kazuhiro Kawai (born on May 16, 1959)**

#### Career summary, position and responsibility in the Company

##### (Significant concurrent positions outside the Company)

- Apr. 1983    Joined The Industrial Bank of Japan, Limited. (now Mizuho Bank, Ltd.)
- Apr. 2009    General Manager of Credit Review Division of Mizuho Corporate Bank, Ltd.  
(now Mizuho Bank, Ltd.)
- Apr. 2012    Executive Officer, General Manager of Corporate Credit Division of Mizuho  
Corporate Bank, Ltd. (retired in April 2014)
- May 2014    Managing Executive Officer of Nippon Steel Kowa Real Estate Co., Ltd.
- Jun. 2014    Managing Director of Nippon Steel Kowa Real Estate Co., Ltd.
- Apr. 2018    Director of Nippon Steel Kowa Real Estate Co., Ltd. (retired in June 2018)
- May 2018    Outside Audit & Supervisory Board Member of Kiraboshi Bank, Ltd. (to present)
- May 2019    Corporate Auditor of Japan Management Systems, Inc. (to present)

##### [Significant concurrent positions outside the Company]

Outside Corporate Auditor of Kiraboshi Bank, Ltd.

Corporate Auditor of Japan Management Systems, Inc.

#### Reason for nomination as candidate for Outside Audit & Supervisory Board Member

The Company deems that Mr. Kazuhiro Kawai will conduct appropriate audits in the Company from a fair and objective standpoint because he possesses abundant experience regarding examination practices and management at financial institutions, and advanced knowledge of accounting. Accordingly, the Company proposes the election of Mr. Kazuhiro Kawai as an Outside Audit & Supervisory Board Member

Notes: (Note 2 and 3 are omitted)

1. There is no special interest between any of the candidates for Audit & Supervisory Board Member and the Company.
4. If this proposal is approved and adopted, the Company will notify Tokyo Stock Exchange of the designation of Mr. Kazuhiro Kawai and Ms. Keiko Tamura as Independent Audit & Supervisory Board Members as provided for by the stock exchange.

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