November 5, 2026

Notice Concerning Disposal of Treasury Shares as Restricted Stock Incentive for the Employee Shareholding Association

Tokyo, November 5, 2026 – KH Neochem Co., Ltd. (TSE: 4189, President and CEO: Michio Takahashi, the "Company") hereby announces that, at the meeting of the Board of Directors held today, the Company resolved to introduce an incentive plan (the "Incentive Plan") under which restricted stock will be granted to the Company's employees (the "Eligible Employees") through the KH Neochem Employee Shareholding Association (the "ESA"), and also resolved to dispose of treasury shares as restricted stock by way of a third-party allotment to the ESA as the proposed allottee (the "Disposal" or the "Disposal of Treasury Shares"), as described below.

1. Outline of the Disposal

(1) Date of Disposal	June 1, 2027
(2) Class and Number of Shares to be Disposed of	67,000 shares of the Company's Common Stock (note)
(3) Disposal Price	3,200 yen per share However, if the closing price of the company's common stock on the Prime Market of the Tokyo Stock Exchange on the trading day immediately preceding November 12, 2026 (the "Pricing Date") (or, if no trade is executed on such day, the closing price on the most recent trading day prior thereto) exceeds the above Disposal Price, such closing price shall be the Disposal price.
(4) Total Disposal Amount	214,400,000 yen (note) This amount is an estimate as of today, and the final total disposal amount will be the amount obtained by multiplying the number of shares to be disposed of by the Disposal price determined in the manner set forth in (3) above.
(5) Disposal Method	The shares of restricted stocks will be allotted by the way of a third-party allotment.
(6) Proposed Allottee	KH Neochem Employee Shareholding Association: 67,000 shares
(7) Others	An Extraordinary Report has been submitted in accordance with the Financial Instruments and Exchange Act with respect to the Disposal.

(Note) Following a resolution to be adopted at a meeting of ESA's board to be held promptly after today, the ESA will solicit the Company's employees to join the ESA. Accordingly, the actual total number of shares to be disposed of will be determined based on the results of such solicitation, and the total disposal value will be the amount obtained by multiplying such number of shares by the Disposal price determined in the method set forth in (3) above.

2. Purpose and Reason for the Disposal

At the meeting of the Board of Directors held today, the Company resolved to introduce the Incentive Plan, under which the Company will provide the Eligible Employees with opportunities

to acquire the Company's common stock as restricted stock, whether newly issued or disposed of as treasury shares, through the ESA. The Incentive Plan is intended to assist employees in wealth accumulation, enhance their awareness of involvement in the Company's management, and promote long-term value sharing with the Company's shareholders, thereby contributing to the sustainable enhancement of the Company's corporate value.

Furthermore, in order to make the employees' shareholding program more attractive, the Company resolved to increase the incentive ratio from the current 5% to 10%, effective from June 2027.

The details of the Incentive Plan are as follows:

[Overview of the Incentive Plan]

Under the Incentive Plan, the Eligible Employees will receive monetary claims (the "Monetary Claims") from the Company as special incentive (the "Special Incentive") for the purpose of acquiring the Company's common stock as restricted stock. The Eligible Employees will make a one-time contribution of the Monetary Claims to the ESA. The ESA will consolidate the Monetary Claims contributed by the Eligible Employees and make an in-kind contribution to the Company. As a result, the Eligible Employees will receive an allotment of the Company's common stock as restricted stock through the ESA.

When the Company issues or disposes of common stock under the Incentive Plan, the payment amount per share will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the relevant Board resolution (or, if no transaction is executed on such day, the closing price on the transaction day immediately prior thereto), and shall not be set at a price particularly advantageous to the ESA or the Eligible Employees. The Disposal price shall be the higher of the following two values: the closing price of the company's common stock on the Tokyo Stock Exchange Prime Market on the business day immediately preceding the date of the Board of Directors' resolution, or the closing price of the company's common stock on the same market on the transaction day immediately preceding the Pricing Date.

In connection with the issuing or disposing of the Company's common stock under the Incentive Plan, the Company and the ESA will enter into a Restricted Stock Allotment Agreement (the "Allotment Agreement"), terms of which include (i) restrictions on transfer, pledging, or other disposition of the allotted shares for a certain period (the "Transfer Restrictions"), and (ii) the Company's right to acquire the allotted shares without consideration under certain circumstances. Furthermore, the Monetary Claims will be paid to the Eligible Employees on the condition that the Allotment Agreement is executed between the Company and the ESA.

In addition, until the Transfer Restrictions are lifted, the Eligible Employees will be restricted, in accordance with the ESA rules and operational guidelines (the "ESA Rules") (Note), from withdrawing their member equity interests (the "Restricted Share Equity Interests") corresponding to the restricted stock allocated to them through contributions of the Monetary Claims to the ESA.

(Note)The ESA plans to approve amendments to the ESA Rules to accommodate the Incentive Plan at a meeting of its board to be held promptly after Board of Directors' resolution on the Disposal of Treasury Shares today, and such amendments are expected to become effective after two weeks have elapsed following notice to the ESA members, provided that objections from the ESA members are less than one-third of the total number of

members.

Under the Disposal of Treasury Shares, the ESA, as the proposed allottee, will contribute all of the Special Incentive contributed by the Eligible Employees as in-kind contributed property in exchange for an allotment of the Company's common stock (the "Allotted Shares") in accordance with the Incentive Plan. The outline of the Restricted Stock Allotment Agreement (the "Allotment Agreement") to be executed between the Company and the ESA in connection with the Disposal is described in Section 3, "Outline of the Allotment Agreement," below.

The number of shares to be disposed of under the Disposal will be determined at a later date, as noted in the Note to Section 1 above. Assuming that all 670 employees, the maximum number of employees eligible under the Incentive Plan, join the ESA and agree to participate, the total number of shares to be disposed of is expected to be 67,000 shares. Based on this assumption, the dilution effect of the Disposal would represent 0.18% of the total issued shares of 37,149,400 shares and 0.19% of the total voting rights of 351,101 as of June 30, 2026 (figures are rounded to two decimal places; the same rounding applies to all percentages in this disclosure).

The Disposal is subject to the amended ESA Rules becoming effective prior to the day before the payment date for the Disposal (the "Payment Date") and execution of the Allotment Agreement between the Company and the ESA during the application period.

3. Outline of the Restricted Stock Allotment Agreement

(1) Restriction Period

The Eligible Employees shall be prohibited from transferring, creating any security interest in, making an inter vivos gift of, or otherwise disposing of the Allotted Shares during the period from the Payment Date to May 31, 2030 (the "Restriction Period").

(2) Conditions for Lifting the Transfer Restriction

Provided that the Eligible Employees continuously maintain membership in the ESA throughout the Restriction Period, all transfer restrictions on the Allotted Shares corresponding to the Restricted Stock Interests held by the Eligible Employees will be lifted upon the expiration of the Restriction Period.

(3) Treatment upon Terminating of Membership in the ESA

If an Eligible Employee terminates membership in the ESA during the Restriction Period due to reaching retirement age or other legitimate grounds (excluding voluntary terminating for personal reasons not based on unavoidable circumstances), which includes the loss of membership, the submission of a notice of the termination of membership, or termination due to death, the Company shall lift the Transfer Restrictions on the Allotted Shares corresponding to the Restricted Stock Interests held by such Eligible Employee as of the date on which the ESA accepts the termination application (the "Date of Membership Termination Application Receipt").

(4) Treatment upon Becoming a Non-Resident

If the Company determines that an Eligible Employee shall become a non-resident of Japan due to an overseas transfer or similar reasons during the Restriction Period, all the transfer restrictions on the Allotted Shares corresponding to the Restricted Stock Interests held by

such Eligible Employee will be lifted as of the date of such determination (the "Overseas Transfer Determination Date").

(5) Acquisition without Consideration by the Company

If an Eligible Employee terminates membership in the ESA without valid reasons, acts in violation of laws and regulations, or otherwise falls under any of the circumstances specified in the Allotment Agreement, during the Restriction Period, the Company shall automatically acquire all of the Allotted Shares corresponding to the Restricted Stock Interests held by such Eligible Employee at that time without consideration. In addition, the Company will automatically acquire any Allotted Shares for which the transfer restrictions have not been lifted at the expiration of the Restriction Period or at the time of lifting of transfer restrictions as provided in sections (3) or (4) above.

(6) Management of the Shares

The Allotted Shares will be managed in a dedicated account opened with a securities company proposed by the ESA so that the Allotted Shares may not be transferred, pledged, or otherwise disposed of during the Restriction Period. In addition, the ESA will register and manage the Restricted Stock Interests held by each Eligible Employee separately from any other membership interests held by such Eligible Employee.

(7) Treatment upon Organizational Restructuring, etc.

If, during the Restriction Period, a merger agreement under which the Company shall become the dissolved company, a share exchange agreement or share transfer plan under which the Company shall become a wholly owned subsidiary, or any other matters relating to organizational restructuring, etc. are approved at a general meeting of shareholders of the Company (however, if approval by a general meeting of shareholders of the Company is not required with respect to such organizational restructuring, etc., the Board of Directors of the Company, or in the case of share delivery, at a general meeting of shareholders of the parent company delivering the shares), the Company shall, by a resolution of its Board of Directors, lift the Transfer Restrictions for all of the Allotted Shares held by the ESA on the date of such approval, as of the business day immediately preceding the effective date of the organizational restructuring, etc., in the number corresponding to the Restricted Stock Interests held by the Eligible Employees.

4. Basis for the Disposal Price and Its Specific Details

The Disposal of Treasury Shares to the ESA, the planned allottee, will be carried out through the contribution to the ESA, as contributed property, of the Special Incentive paid to the Eligible Employees for the grant of restricted stock. Under the Incentive Plan, in order to eliminate any arbitrariness, the Disposal price per share has been set at 3,200 yen, which corresponds to the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on November 4, 2026 (the business day immediately preceding the date of the Board of Directors' resolution). However, if the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on the trading day immediately preceding the Pricing Date (or, if no trade is executed on such day, the closing price on the most recent trading day prior thereto) exceeds the above amount, such closing price shall be the Disposal Price. The company believes that this method of determining the Disposal price is reasonable, appropriately reflects the

company's corporate value, and does not constitute a price particularly advantageous to the proposed allotee, the ESA.

Additionally, the deviation rates of the Disposal price of 3,200 yen which is the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on November 4, 2026, relative to the average closing price of the company's common stock on the same market are as follows:

Period	Average Closing Price (rounded down)	Deviation rate
One month (October 5, 2026 to November 4, 2026)	3,387 yen	-5.52%
Three months (August 5, 2026 to November 4, 2026)	3,358 yen	-4.71%
Six months (May 7, 2026 to November 4, 2026)	3,100 yen	3.23%

The three directors who are Audit and Supervisory Committee Members (including two independent outside directors) who attended the meeting of the Board of Directors held today expressed the opinion that the process by which the Company determined that the Disposal Price, as determined in accordance with the above method, does not constitute a price particularly advantageous to the proposed allottee is reasonable, and that such determination is appropriate given that the purpose of the Disposal of Treasury Shares is that of adopting the Incentive Plan, and given that the Disposal price constitutes the higher of either (i) the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Marke on the business day immediately preceding the date of the resolution by the Board of Directors, or (ii) the closing price of the Company's common stock on the same market on the transaction day immediately preceding the Pricing Date.

5. Matters Related to Procedures under the Code of Corporate Conduct

The Disposal of Treasury Shares does not require the obtaining of an opinions from an independent third party or confirmation of shareholders' intent under Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange given that (i) the dilution rate is less than 25%, and (ii) it does not involve changes in controlling shareholders.

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