

# **Audit Committee Regulations**

Newly Enacted on November 10, 2005

Amended on November 10, 2006

Amended on March 20, 2009

Amended on March 16, 2012

Amended on November 1, 2018

Amended on January 4, 2021

**January 4, 2021**



# **Audit Committee Regulations**

## **CHAPTER I GENERAL PROVISIONS**

### **Article 1. Purpose**

The purpose of these Regulations is to set forth matters necessary for the efficient operation of the Audit Committee (the “Committee”).

### **Article 2. Scope of Application**

Matters regarding the Committee shall be as prescribed by these Regulations, except as otherwise provided in the relevant laws and regulations, the Articles of Incorporation and the Regulations on the Board of Directors.

## **CHAPTER II COMPOSITION**

### **Article 3. Composition**

- (1) The Committee shall consist of three or more directors and two-thirds or more of the members shall be outside directors.
- (2) One or more members of the Committee (the “Members”) shall be an accounting or financial expert pursuant to the article 542-11 (2) of Commercial Act.

### **Article 4. Chairman**

- (1) A chairman of the Committee, who represents the Committee, shall be elected by voting of the Committee from its outside directors after the composition of the Committee. In such case, the Members may appoint multiple Chairmen to represent the Committee.
- (2) The chairman shall oversee the work of the Committee and may assign the work to each Member in accordance with the resolution of the Committee for efficient operation of the Committee.
- (3) If the chairman is unable to perform his/her duties, the oldest Member of the Committee shall act as an acting chairman.

### **Article 5. Members**

- (1) The Members shall be appointed at the general meeting of shareholders.

- (2) The outside directors who are the candidates for the Members shall be selected by the Outside Director Candidate Recommendation Committee, and the inside directors who are the candidates for the Members shall be selected by the Board of Directors. The Board of Directors for convening a general meeting of shareholders shall make a resolution on the nomination of these Members.

**Article 6. Term of Office**

The terms of office of the Member may be respected desirably and, reappointed or reelected.

**Article 7. Election of the Members to fill Vacancy**

If the number of outside directors is less than two-thirds of the three or more Members because of the resignation, death or the like of an outside director who is a Member, the requirements shall be satisfied at the first general meeting of shareholders convened after the occurrence of it.

**Article 8. Qualifications**

The Members shall be independent from the Company and shall not have any special relationship such as family relation with any director or major shareholder of the Company.

**Article 9. Regulations**

- (1) The Committee shall review the Regulations of the Committee yearly, in consideration of changes of the audit circumstance, and revise the Regulations as necessary.
- (2) Amendment or abolition of this Regulation shall be made by the resolution of the Board of Directors.

## **CHAPTER III MANAGEMENT**

**Article 10. Preparation and Retainment of Audit Report**

- (1) The Committee shall prepare a report of audit.
- (2) The substance of proceedings and results of the audit shall be recorded in the report, and the report shall be affixed with the names and seal impressions or signatures of the auditor who conducted the audit.

**Article 11. Commencement of Meeting**

- (1) Meetings of the Committee shall be of two types: ordinary and extraordinary.
- (2) The ordinary meeting of the Committee shall be a face-to-face meeting and convened every quarter.
- (3) The extraordinary meeting of the Committee shall be convened whenever deemed necessary.

**Article 12. Committee attendees**

- (1) At the ordinary meeting, the Members and external auditors attend the meeting to discuss the operation of the internal accounting management system and external audits, and prepare and manage documents regarding the number of face-to-face meetings, the identity information of the participants, the main remarks, and the like.
- (2) If deemed necessary, the Committee may request the Company's management, financial officer, and internal audit manager to attend the meeting.

#### **Article 13. Convocation**

- (1) The Chairman shall convene the meeting of the Committee.
- (2) Each Member may request the Chairman to convene the Committee by stating the agenda and the reason for such convocation. If the Chairman does not convene the Committee without proper reason, the Member who requested for such meeting may convene a meeting of the Committee.
- (3) In convening a meeting of the Committee, a written notice shall be provided to each Member at least three days prior to the meeting.
- (4) A meeting of the Committee may, with the consent of all Members, be held at any time without the procedures referred to in the sub-article (3) above.

#### **Article 14. Minutes of Meeting**

- (1) The Committee shall prepare the minutes containing the substance of proceedings of the meeting.
- (2) The agenda, substance of proceedings, the results, dissenting Members and the reasons for such dissent shall be recorded in the minutes, and shall be affixed with the names and seal impressions or signatures of the Members present at the meeting.

#### **Article 15. Method of Resolution**

- (1) Resolutions of the Committee shall require the presence of majority of the Members and the affirmative vote of a majority of the Members in attendance at such meeting.
- (2) The Committee may permit all or some of the Members to participate in resolutions through the use of communication means that transmits and receives sounds simultaneously, and in such cases, such Members shall be deemed to attend the meeting in person.

#### **Article 16. Matters Requiring Resolution**

The matters that shall be presented to the Committee are as follows:

1. Matters concerning the general meetings of shareholders
  - A. A request for convening an extraordinary general meeting of shareholders; and
  - B. Opinion concerning agenda or documents to be submitted to the general meetings of shareholders.
2. Matters concerning a director or the Board of Directors.
  - A. Report to the Board of Directors;

- B. Preparation and submission of an audit report;
- C. Request for an injunction against a director's illegal act;
- D. Request of sales report to directors;
- E. Matters delegated by the Board of Directors; and
- F. Representative of a lawsuit between a director and the Company.

### 3. Matters concerning Audit

- A. Business and asset investigation;
- B. Investigation of business and asset of a subsidiary company;
- C. Receipt of a director's report;
- D. Whether to commence a lawsuit when a minority shareholder requests such lawsuit against a director;
- E. Approval of appointment, change and dismissal of an external auditor;
- F. Receipt of reports from external auditors regarding any misconduct at the performance of a director's duty or his/her non-compliance with laws or regulations, or Articles of Incorporation;
- G. Receipt of a report from an external auditor about the non-compliance by the Company with the accounting standards and the like;
- H. Audit plan and results;
- I. Review of the feasibility of significant changes to accounting standards or accounting estimates;
- J. Evaluation of internal control system (including internal accounting system);
- K. Evaluation of information management (including an IT audit);
- L. Evaluation of external auditor's audit activities;
- M. Confirmation of actions on audit results correction; and
- N. Consent to the appointment of an internal audit officer.

### 4. Matters concerning a misconduct;

- A. Request for an extraordinary audit;
- B. Findings and results of corrective actions by the Company; and
- C. Appointment of an external expert.

## **CHAPTER IV**

### **ROLES AND RESPONSIBILITIES**

#### **Article 17. Duties and Authorities**

- (1) The Committee shall audit the performance of directors.
- (2) The Committee may, at any time, request a director to report on business or inspect the status of the Company's asset.
- (3) If necessary, the Members may request to convene the Board of Directors by submitting the purpose of the meeting and the reason for convocation in writing to a director (or person authorized to convene, if there is one).
- (4) If a director does not convene the Board of Directors without any delay, the Member who has made a request may convene the Board of Directors.
- (5) The Committee may seek a professional service at the expense of the Company.
- (6) In addition to the sub-articles (1) and (2), the Committee shall handle matters prescribed by statutes or the Articles of Incorporation and matters delegated by the Board of Directors.

#### **Article 18. Misconduct**

When the Committee detects any misconduct of an executive or employee, the Committee shall appoint an external expert at the Company's expense for the investigation of it, and request correction to the representative director of the Company according to the result.

#### **Article 19. Internal Report**

- (1) The Committee shall operate a system that allows employees of the Company to report any damages that may occur in financial reporting or other matters and disadvantaged treatment.
- (2) The Committee shall guarantee the confidentiality of the reporter and the contents of the report, and shall endeavor to avoid any disadvantage to the reporter.

#### **Article 20. Internal Control and Risk Management System**

- (1) In order to assess the adequacy of the internal control system, the Committee shall check the existence of the management system for the protection of the asset of the Company and the effectiveness of the system, and evaluate whether the appropriate checks are being made among the internal departments.
- (2) The Committee shall evaluate the operation status of the internal accounting management system and report it to the Board of Directors to correct any insufficiency or weakness in order to ensure the smooth operation of the internal accounting management system.

#### **Article 21. Internal Audit Department**

- (1) The Committee may install and operate a department exclusively responsible for assisting it or utilize the Company's internal audit department for efficient performance of it.
- (2) The Committee may set separate standards for other necessary matters such as the installation and operation of an exclusively responsible department, the appointment of and service by professional personnel, operation expense, and the like.

## **CHAPTER V**

### **RELATIONSHIP WITH EXTERNAL AUDITORS**

#### **Article 22. Appointment of External Auditor**

- (1) The Committee shall appoint an external auditor for each fiscal year before the first date of each fiscal year.
- (2) When appointing an external auditor, an external auditor for every three consecutive fiscal years shall be appointed as the same external auditor.
- (3) The Committee shall be briefed on the contents of the external audit plan by the candidate of an external auditor, and then appoint external auditors by taking into account all the quantitative and qualitative factors, including the independence and expertise of the candidate, estimated audit time, compensation, the audit plan, any disciplinary action and the like.
- (4) The Committee shall hold face-to-face meetings to evaluate candidates for external auditors and keep records of the results of the evaluation.

#### **Article 23. Execution of External Audit**

- (1) The Committee shall frequently discuss the status of external audit with the external auditor, meet with the external auditor at least once per quarter to discuss the major matters related to the external audit, and recommend reflecting the results of discussion to internal audit work.
- (2) The Committee shall notify the auditor of non-compliance with the laws and regulations, the Articles of Incorporation, or misconduct committed by a director in performing his/her duties.
- (3) The Committee may appoint the external expert for investigation at the Company's expense whenever necessary and shall request the representative director to take corrective action, if it receives report from the auditor regarding non-compliance with the laws and regulations, the Articles of Incorporation, or misconduct committed by a director in performing his/her duties; or non-compliance with accounting estimate.

#### **Article 24. Closure of External Audit**

- (1) The Committee shall check whether the external audit is conducted according to the audit contract.
- (2) The Committee shall verify that the terms and conditions of the audit contract with the external auditor are consistent with the audit performance by the external auditor.
- (3) After the completion of the external audit, the Committee shall evaluate the external auditor and reflect it in establishing the audit plan for the following year and in appointment of an external auditor.

#### **Article 25. Change of External Auditor**

If any of the events below occurs, the Committee shall change the external auditor within two months

from the occurrence:

1. Dissolution of the accounting firm ("Audit Firm") which is an external auditor (excluding the merger);
2. Revocation of registration of the Audit Firm;
3. Impossibility of audit for a relevant fiscal year due to suspension of the Audit Firm (including a case where a member of its audit team is suspended); or
4. External auditor is practically unable to carry out the audit for the relevant fiscal year.

#### **Article 26. Dismissal of External Auditors**

The Committee may dismiss an external auditor even during the three consecutive fiscal years within three months after the end of each fiscal year, if any of following events occurs:

1. Breach of duties including without limitation revealing confidential information of the Company;
2. Negligence of his/her their duties and subsequent damage to the Company;
3. Unreasonable request or pressure in connection with audit;
4. Limitation on the external auditor at a contract for introduction of foreign capital or the like; or
5. In case where the result of the audit report under the article 15(1) of the Act on External Audit of Stock Companies or the result of the audit under the article 8 of the enforcement decree of the same act falls under the reasons prescribed by the Financial Services Commission.

#### **Article 27. Right to state its Opinion in Previous External Audit**

- (1) If the Committee approves the appointment of another external auditor other than the external auditor who has performed audit for the Company in the preceding fiscal year (hereinafter referred to as "Previous External Auditor"), or approve the dismissal of an external auditor under the article 29, the Committee shall allow the Previous External Auditor or the external auditor to be dismissed to state his/her opinions,
- (2) In the case of the sub-article (1), the Company shall allow the Previous External Auditor or the external auditor to be dismissed to express his/her opinion orally or in writing for a period of 10 days or more to the Committee. If no opinion is presented during the period, it shall be deemed to be no opinion from him/her.
- (3) In the case of the presentation of the opinion, orally or in writing, by the Previous External Auditor or the external auditor to be dismissed pursuant to the sub-article (2), the Company shall report the opinions to the Securities and Futures Commission.

## **CHAPTER VI**

### **COMMUNICATIONS WITH STAKEHOLDERS**

#### **Article 28. Communications**

- (1) The Committee shall report the audit results to the Board of Directors at least once a year.



- (2) The Committee shall have the opportunity to present its opinions at the general meeting of shareholders on a crucial agenda.
- (3) The Committee shall maintain close cooperative relations with external auditors and may exchange opinions with external auditors regarding the Company's internal control system, the accuracy of the Company's financial statements and the like.
- (4) The Committee may review matters that may affect the independence of external auditors, including without limitation main issues regarding the relationship between external auditors and the Company, and may present appropriate opinions to the Board of Directors to secure independence of external auditors.

**ADDENDUM**

This Regulation shall come into effect on November 10, 2005.

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This Regulation shall be amended and come into effect on March 20, 2009.

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