

Enacted on January 4, 2021
Amended on May 27, 2021

Audit Committee Regulations

May 27, 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 proceeded 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.

Article 3. Definitions

- (1) ‘Internal Control’ means all systems and activities controlling processes to be continuously complied by all executives or employees in order to ensure the effectiveness and continuity of activities of the Company operation, the accuracy and reliability of financial report, the appropriateness and timeliness of risk management, the compliance with general principles of ethics, and the prevention of corruption and illegality.
- (2) ‘Internal Accounting Control System’ means the process, as a part of the internal control system, continuously carried out by the Board of Directors, management, etc., for the purpose of securing the credibility of financial statements.
- (3) ‘Internal Control Department’ means the department which collectively carries out internal audits such as establishment of internal audit plan, implementation, and reporting the results.

CHAPTER II

COMPOSITION, APPOINTMENT, and QUALIFICATION

Article 4. 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 5. Chairperson

- (1) A chairperson 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 Chairpersons to represent the Committee.
- (2) The chairperson 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 chairperson is unable to perform his/her duties, the oldest Member of the Committee shall act as an acting chairperson.

Article 6. Appointment of 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 candidates of these Members.

Article 7. Term of Office

It is desirable that the terms of offices of the Members be respected. They may reappointed or reelected.

Article 8. 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 9. 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 10. Regulations

- (1) The Committee shall review the Regulations of the Committee yearly, in consideration of changes of the audit circumstances, etc., 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 11. Preparation 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 auditors who conducted the audit shall write their names and affix their seals or affix their signatures.

Article 12. Meetings

- (1) Meetings of the Committee shall be 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 13. Attendees

- (1) At the ordinary meeting, the Members, management, and external auditors attend the meeting to discuss the results of external and internal audits, etc.; 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 by the Committee, it may request the Company's management, financial officer, the head of internal control group, etc. to attend the meeting.

Article 14. Convocation

- (1) The Chairperson shall convene the meeting of the Committee.
- (2) Each Member may request the Chairperson to convene the Committee by stating the agenda and the reason for such convocation. If the Chairperson 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 15. 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 attendees shall write their names and affix their seals or affix their signatures.

Article 16. 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 17. Matters To be Discussed

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. Giving opinion concerning agenda at 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. Requesting directors for sales report;
 - E. Matters delegated by the Board of Directors; and
 - F. Representative at a lawsuit between a director and the Company.
3. Matters concerning Audit
 - A. Investigation on business and asset;
 - B. Investigation on business and asset of a subsidiary company;
 - C. Receipt of a director's report;
 - D. Whether commencing a lawsuit or not 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 auditor 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 control 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 or dismissal 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 18. Duties and Authorities

- (1) The Committee shall audit the performance of directors.
- (2) The Committee may exercise the authorities set out below:
 1. Request directors, etc. for business report and the investigation of operation and asset status of the Company
 2. Request for the report of business and the investigation of operation and asset status of the subsidiary
 3. Request for convocation of extraordinary general meeting of shareholders
 4. Right to receive assistance of external experts at the expense of the Company
 5. Statement of opinions on the dismissal of auditors
 6. Receiving the report of the directors
 7. Request for injunction on the illegality of directors
 8. Representative at a lawsuit between director and the Company
 9. In the event of the internal report of financial fraud, verification of relevant facts and measures, maintaining confidentiality on the whistleblower's identity, etc., and checking the existence of the disadvantageous treatment to the whistleblower
 10. Consent to the approval to financial statements (including consolidated financial statements) by the Board of Directors
 11. Approval for enactment or amendment of the regulations on internal accounting management, and the assessment on management, supervision, and operation conditions of internal accounting management system
 12. Appointment of external auditors
- (3) The Committee may request the followings and the person who receives such request shall comply with the request if and to the extent that there is no special reason not to comply with:
 1. All materials and information which are necessary to carry out duties, and matters relevant to expenses
 2. Attendance and response by the person concerned in the Company
 3. Matters regarding to warehouse, safe, ledger, relevant documents, evidence, etc.
 4. Other matters necessary to carry out inspection
- (4) 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).
- (5) If a director does not convene the Board of Directors without any delay irrespective of the request of sub-article (4), the Member who has made the request may convene the Board of Directors.
- (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.
- (7) The Member may request the Company to provide education necessary for the performance of duties, if he/she judges that it is necessary to equip with capacity to perform duties effectively.

Article 19. Misconduct

When the Committee detects any misconduct of an executive or employee, it 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 20. 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 disadvantageous treatment.
- (2) The Committee shall guarantee the confidentiality of the reporter and the contents of the report, and shall endeavor to prevent any disadvantage to the reporter.

Article 22. Internal Control 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 22. Internal Control 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 professional personnel, operation expense, and the like.

CHAPTER V

RELATIONSHIP WITH EXTERNAL AUDITORS

Article 23. 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 24. 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 relevant 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 25. 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 26. 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 27. 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. In case where any event to dismiss external auditors as provided in the article 13 of the Act on External Audit of Stock Companies occurs.

Article 28. Previous External Auditor's Right to state his/her Opinion

- (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 ("Previous External Auditor"), or approve the dismissal of an external auditor under the article 27, 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 29. 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 on a crucial agenda at the general meeting of shareholders.
- (3) The Committee shall maintain close cooperative relations with external auditors and may exchange opinions with external auditors regarding the Company's internal accounting 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

(Effective Date) This Regulation shall come into effect on January 4, 2021.

(Effective Date) This Regulation shall be amended and come into effect on May 27, 2021.