

Enacted on January 4, 2021  
Amended on May 27, 2021  
Amended on June 29, 2023

# **Audit Committee Regulations**

**June 29, 2023**



# **Audit Committee Regulations**

## **CHAPTER I**

### **GENERAL PROVISIONS**

#### **Article 1. Purpose**

The purpose of Audit Committee Regulations (the “Regulation”) 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 the Regulation, except as otherwise provided in the laws and regulations, the Articles of Incorporation or the Regulations on the Board of Directors.

#### **Article 3. Definitions**

- (1) ‘Internal Control’ means activities controlling all systems and procedures that the executives and employees of the Company shall continuously comply with 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 Management 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 generally carries out internal audits - establishment of internal audit plan, implementation, reporting the result, etc.

## **CHAPTER II**

### **COMPOSITION, APPOINTMENT, and QUALIFICATION**

#### **Article 4. Composition of the Committee**

- (1) The Committee shall consist of three or more directors, and two-thirds or more of the members shall be independent directors.
- (2) One or more members of the audit members (the “Members”) shall be the accounting or financial experts prescribed in the article 542-11 (2) of Commercial Act.

#### **Article 5. Chairperson of the Committee**

- (1) A chairperson of the Committee representing the Committee is to be elected among its independent directors after the composition of the Committee by voting at the Committee. In such a case, the Committee may determine that multiple chairpersons jointly represent the Committee.
- (2) The chairperson is to carry out the affairs of the Committee on the whole, and may assign them to each of the Members in accordance with the resolution of the Committee for efficient operation of the Committee.
- (3) When the chairperson is unable to perform his/her duties, the elder Member is to act on behalf of the chairperson.

#### **Article 6. Appointment of Audit Members**

- (1) The Members are to be appointed at a general meeting of shareholders.
- (2) The independent director candidates to become the Members and the inside director candidates to become the Members are to be selected at the committee recommending independent director candidates in the Board of Directors and the Board of Directors, respectively. The Board meeting for the convocation of a general meeting of shareholders is to resolve the agenda concerning the recommendation of those candidates for the Members.

#### **Article 7. Terms of Audit Members**

It is desirable that the terms of the Members be respected. They may serve consecutive terms and be reappointed.

#### **Article 8. Filling Vacancies of the Committee**

Where the number of independent directors is less than two-thirds of the three or more Members due to the independent director's resignation, death, etc., the requirements shall be satisfied at the first general meeting of shareholders convened after the occurrence of it.

#### **Article 9. Qualifications of the Audit Members**

The Members shall be independent from the Company, and shall not have any special relationship (kinship, etc.) with the director or major shareholder of the Company.

#### **Article 10. Audit Committee Regulations**

- (1) The Committee shall review the Regulation every year with the consideration of changes of the audit circumstances, etc., and revise the Regulation if necessary.
- (2) Amendment or abolition of this Regulation shall be made by the resolution of the Board of Directors.

## **CHAPTER III**

### **OPERATION OF AUDIT COMMITTEE**

#### **Article 11. Preparation of Audit Report**

- (1) The Committee shall prepare an audit report concerning audit.
- (2) The summary of proceedings and results of the audit shall be recorded in the audit report, and the auditor who has conducted the audit shall write his/her name and affix his/her seal or affix his/her signature.

#### **Article 12. Meetings**

- (1) The Committee meetings shall be two types: ordinary and extraordinary.
- (2) The ordinary meeting of the Committee is to be a face-to-face meeting and held once every quarter.
- (3) The extraordinary meeting of the Committee is to be held at any time if necessary.

#### **Article 13. Meeting Attendees**

- (1) The Members, management, and external auditor are to attend at the ordinary meeting; discuss the results and the like of external and internal audits; and prepare and manage documents regarding the number of face-to-face meetings, the identity information of the attendees, the contents of main utterance, etc.
- (2) The Committee may request the management, financial executive, the head of internal control group, etc. to attend the Committee meeting, if it deems it necessary.

#### **Article 14. Convocation of Audit Committee Meeting**

- (1) The chairperson is to convene the Committee meeting.
- (2) Each of the Members may request the chairperson to convene the Committee meeting by stating the agenda and the reason for the convocation. If the chairperson does not convene the meeting without good cause, the Member who has requested for such meeting may convene the meeting.
- (3) In convening the Committee meeting, the meeting date shall be fixed and a written notice shall be sent to each of the Members at least three days prior to the meeting.
- (4) Where there is the consent of all Members, the Committee meeting may be held at any time without the procedure prescribed in the sub-article (3) above.

#### **Article 15. Preparation of the Minutes**

- (1) The Committee shall prepare the minutes containing the substance of proceedings of the meeting.

- (2) The agenda, summary of the proceedings, the results thereof, dissenting Members and the reasons for such dissent are to be recorded in the minutes, and the Members present at the meeting are to write their names and affix their seals or affix their signatures.

#### **Article 16. Method of Resolution**

- (1) The resolution of the Committee shall be adopted in the presence of a majority of the Members by the affirmative votes of a majority of the Members present at the meeting.
- (2) The Committee may allow all or some of the Members to participate in the resolution through the means of communication simultaneously transmitting and receiving all Members' voices without attending the meeting in person. In such a case, the Members shall be deemed present at the meeting.

#### **Article 17. Agenda Items**

The agenda items to be presented to the Committee are as follows:

- (1) Matters concerning a general meeting of shareholders:
  - ① A request for convening an extraordinary general meeting of shareholders; and
  - ② Giving opinion concerning agenda at or documents of the general meeting of shareholders.
- (2) Matters concerning a director or the Board of Directors:
  - ① Report to the Board of Directors;
  - ② Preparation and submission of an audit report;
  - ③ Request for an injunction against a director's illegal act;
  - ④ Requesting directors for sales report;
  - ⑤ Matters delegated by the Board of Directors; and
  - ⑥ Representative at the lawsuit between a director and the Company.
- (3) Matters concerning the audit:
  - ① Investigation on business and asset of the Company;
  - ② Investigation on business and asset of a subsidiary company;
  - ③ Receipt of a director's report;
  - ④ Determination concerning the commencement of a lawsuit where a minority shareholder requests such lawsuit against a director;
  - ⑤ Approval of appointment, change and dismissal of an external auditor;
  - ⑥ Receipt of external auditor's report on any misconduct at the performance of a director's duty or his/her non-compliance with laws or regulations, or Articles of Incorporation;

- ⑦ Receipt of an external auditor's report on the Company's non-compliance with the standards for accounting concerning accounting, etc.;
  - ⑧ Audit plan and results;
  - ⑨ Review of the validity concerning the amendment of important accounting standards or accounting estimates;
  - ⑩ Evaluation of internal control system (including internal accounting management system);
  - ⑪ Evaluation of information management (including an IT audit);
  - ⑫ Evaluation of external auditor's audit activities;
  - ⑬ Checking the actions concerning the correction of audit results; and
  - ⑭ Consent to the appointment or dismissal of the head of an internal audit department.
- (4) Matters concerning a misconduct:
- ① Request for an extraordinary audit;
  - ② Investigation result and the result of corrective actions of the Company; and
  - ③ Appointment of an external expert.

## **CHAPTER IV**

### **ROLES AND RESPONSIBILITIES OF AUDIT COMMITTEE**

#### **Article 18. Duties and Authority**

- (1) The Committee is to audit the performance of director's duties.
- (2) The Committee may exercise the authority set out below:
  - ① Requesting directors, etc. to report business and the investigation concerning the status of affair and asset of the Company;
  - ② Requesting a subsidiary company to report its business and the investigation concerning the status of its affair and asset;
  - ③ Request for the convocation of an extraordinary general meeting of shareholders;
  - ④ Authority to receive assistance of external experts at the expenses of the Company;
  - ⑤ Statement of opinions on the dismissal of the Member of the Committee;
  - ⑥ Receipt of the director's report;
  - ⑦ Request for an injunction against a director's illegal act;

- ⑧ Representative at the lawsuit between a director and the Company;
  - ⑨ Verification of relevant facts and measures, maintaining the confidentiality regarding the whistleblower's identity, etc., and checking the existence of the disadvantageous treatment to the whistleblower, where there is an internal report on accounting fraud;
  - ⑩ Consent to the Board of Directors' approval of financial statements (including consolidated financial statements);
  - ⑪ Approval of enactment or amendment of the regulations on internal accounting management, and the evaluation on management, supervision, and operation reality of internal accounting management system; and
  - ⑫ Appointment of an external auditor.
- (3) The Committee may request the followings and the person who receives the request shall comply with it, unless there is special reasons:
- ① All materials, information and matters relevant to expenses in the Company which are necessary to carry out duties;
  - ② Attendance and response of the Company staff;
  - ③ Matters concerning warehouse, safe, ledger, relevant documents, evidence, goods, etc.; and
  - ④ Other matters necessary to carry out audit.
- (4) The Committee may, if necessary, request to convene the Board meeting by submitting the purpose of the meeting and reason for convocation in writing to a director (the person having the authority to convene it, if there is one).
- (5) If the director does not convene the Board meeting without delay after the request of sub-article (4), the Committee may convene the Board meeting.
- (6) In addition to the sub-articles (1) and (2), the Committee shall handle matters prescribed by the laws and regulations or the Articles of Incorporation and matters delegated by the Board of Directors.
- (7) Where deems necessary for the Members to possess capacity for efficient performance, it may request the Company to provide the education necessary for the performance.

#### **Article 19. Misconduct**

Where the Committee detects the misconduct of executive or employee, it shall, at the expenses of the Company, appoint an external expert, have it be investigated, and request correction, etc. to the representative of the Company according to the result.

#### **Article 20. Internal Report**

- (1) The Committee shall operate a system that employees of the Company may report any damage which may occur in financial reporting or other matters and disadvantageous treatment.

- (2) The Committee shall assure the confidentiality concerning the reporter and the contents of the report, and shall endeavor to prevent any disadvantageous treatment to the reporter in connection with the report.

#### **Article 21. Internal Control System**

- (1) In order to evaluate the adequacy of the internal control system, the Committee shall check the existence of the management system for the protection of the Company asset 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 for assistance of the Committee or use the Company's internal audit department for its efficient performance.
- (2) The Committee may set separate standards for other necessary matters - the installation and operation of a department exclusively for it, the appointment of professional personnel, operation expenses, etc.

## **CHAPTER V**

### **RELATIONSHIP WITH EXTERNAL AUDITORS**

#### **Article 23. Appointment of External Auditor**

- (1) The Committee shall appoint external auditor for each business year before the first date of each business year.
- (2) When it appoints the external auditor, the external auditor to be appointed for every three consecutive business years shall be the same external auditor.
- (3) The Committee shall be reported on the external audit plan from the candidates for the external auditor, and then appoint the external auditor with the consideration of all the quantitative and qualitative factors - the independence and expertise of the candidate, estimated audit time, compensation, the audit plan, history of disciplinary action, etc.
- (4) The Committee shall hold face-to-face meeting to evaluate candidates for external auditors, and document and keep the evaluation result.

#### **Article 24. Execution of the External Audits**

- (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 audits.

- (2) Where the Committee detects a director's misconduct or noncompliance with the laws and regulations or the Articles of Incorporation in connection with the performance of his/her duties, it shall inform auditor of it.
- (3) Where the Committee deems it necessary to investigate auditor's report on his/her findings of a director's misconduct or noncompliance with the laws and regulations or the Articles of Incorporation in the performance of his/her duties or the non-compliance with the standards for accounting concerning accounting, etc., it shall appoint the external expert for the investigation at the expenses of the Company and have them be investigated, and request the representative of the Company to take corrective actions, etc. according to the results thereon.

#### **Article 25. Closure of the External Audit**

- (1) The Committee shall check whether the external audit is conducted in accordance with audit contract.
- (2) The Committee shall confirm 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 the appointment of external auditor.

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

Where the external auditor falls under any of following events, the Committee shall change the external auditor within two months from the occurrence of the event:

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

#### **Article 27. Dismissal of External Auditor**

The Committee may dismiss an external auditor even during the three consecutive fiscal years within three months after the end of each fiscal year, where the external auditor falls under any of followings:

- (1) The external auditor's breach of duty including without limitation revealing confidential information of the Company;
- (2) Causing damage to the Company due to the external auditor's negligence in performing his/her duties;
- (3) The external auditor's unreasonable request or pressure in connection with audit; or

- (4) The occurrence of the reason to dismiss external auditor as provided in the article 13 of the Act on External Audit of Stock Companies occurs.

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

- (1) Where the Committee approves the appointment of external auditor other than the external auditor who has performed audit for the Company in the immediately preceding business year (the "Former External Auditor") or approves the dismissal of an external auditor pursuant to the article 27, the Former External Auditor and the external auditor to be dismissed shall be given the opportunity to state his/her opinions.
- (2) In the case of the sub-article (1), the Company shall provide the Former External Auditor or the external auditor to be dismissed with the opportunity to express his/her opinion orally or in writing to the Committee with a period of 10 days or more. Where no opinion is presented during the period, it shall be deemed no opinion from him/her.
- (3) Where there is the presentation of the opinion, orally or in writing, by the Former 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 the external auditor and may exchange opinions with external auditors regarding the Company's internal accounting control system, the accuracy of the Company's financial statements, etc.
- (4) The Committee may review matters that may affect the independence of the external auditor, including major issues relating to the relationship between external auditor and the Company, and may present appropriate opinions to the Board of Directors to secure independence of the external auditor.

#### **ADDENDUM**

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

#### **ADDENDUM**

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

**ADDENDUM**

(Effective Date) This Regulation shall be amended and come into effect on June 29, 2023.