

# Rules for the Operation of Audit Committee

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## Chapter 1. General Rules

### Article 1 (Objective)

These Rules are enacted to decide the standard of performance of the Audit Committee (hereinafter, 'the Committee')'s duties and any articles required to operate the Committee in order to make the Committee perform the auditing properly and effectively.

### Article 2 (Applicable Scope)

- ① Any article with regard to the Committee shall conform to these Rules unless otherwise stipulated in a law, the Articles of Incorporation, etc.
- ② These Rules may be applied even to the auditing of the subsidiary company by the Committee.

### Article 3 (Definitions of Terms)

- ① 'Internal Control System' herein shall mean a series of process consistently carried out by the Company's Board of Directors, the management, and other members in order to offer reasonable confidence for security of the efficiency and effectiveness on the company operation, security of the reliability on the financial information, whether or not a relevant law and regulation and policy is observed, etc.
- ② 'Internal Accounting Control System' herein shall mean a process consistently carried out by the member(s) of the organization such as the Company's Board of Directors, the management, and so on for the purpose of securing the reliability on the financial statements which is a part of Internal Control System.
- ③ 'Internal Accounting Controller' herein shall mean a person prescribed in Article 8-(3)「*Act on External Audit of Stock Companies, Etc.*」(Hereinafter, 'the Act').
- ④ 'Executive Directors' herein shall mean a person prescribed in Article 408-2 to Article 408-9 of 「*Commercial Act*」.

- ⑤ 'Internal Audit Department' herein shall mean a department on the internal organization chart, which generally and collectively carries out audit works such as establishment of the Company's internal audit plan, the execution of the audit plan, and report of the audit results, etc. pursuant to the Company's Internal Audit Rules.

#### **Article 4 (Fundamental Attitude)**

- ① A member of the Audit Committee (hereinafter, 'the Auditor') shall carry out its duties with each attitude of followings:
1. He/she shall recognize to monitor the Company's management as a person entrusted by the Company and make an effort for the healthy management of the Company, protection of shareholders' rights and interests, and maintenance and improvement of social trust of the Company; and
  2. He/she shall always take a fair attitude in fact-finding and expressing and representing his/her judgment and opinion thereon.
- ② The Auditor shall pay attention to each of followings:
1. He/she shall smoothly exchange opinions with the Company's directors with interest in the progress of business performance and changes of management environment and make an effort to organize the audit environment by collecting information and data from the official and/or employee of the relevant department and understanding the actual status of the business;
  2. He/she shall make an effort to acquire any knowledge required to carry out his/her audit duties, research the relevant theories, and improve audit skills;
  3. He/she shall pay sharp attention to and watch out the possibility of dishonesty, an error/mistake, non-efficiency, dissipation, inadequacies of a policy, and/or conflict of interest; and
  4. He/she shall make an effort to make the Internal Audit Control System be operated smoothly by evaluating the actual status on the operation of Internal Audit Control System, reporting the evaluation report to the Board of Directors and making to correct it.
- ③ The Auditor shall carry out his/her duties based on a fact and evidence pursuant to the relevant rules and regulations, etc. and secure sufficient records and documentary evidences for auditing.

#### **Article 5 (Principles of Independence and Objectivity)**

- ① The Committee shall carry out its audit duties at the independent position from the Board of Directors and Executive Body, and other departments.
- ② The Committee shall retain objectivity in carrying out its audit duties.

## **Article 6 (Duties and Rights)**

- ① The Committee shall monitor and inspect the director's execution of duties.
- ② The Committee may exercise any right to carry out followings:
  1. Ask a director, etc. for reporting his/her operation and investigate the Company's business and property state;
  2. Ask any of subsidiaries for reporting its operation and investigate the subsidiary's business and property state;
  3. Claim to convene an extra-ordinary shareholders' meeting;
  4. Ask assistance of an expert at the Company's expense;
  5. State its opinion for dismissal of an auditor;
  6. Receive a report from a director;
  7. Claim to injunction for a director's illegal act;
  8. Represent the Company in a litigation between a director and the Company;
  9. For internal report or notification of accounting fraud/irregularity, check the fact and any action taken to correct it, confidentiality for the identity of the reporter and/or the person who notifies it, etc., and disadvantageous treatment of the reporter and/or the person who notifies it;
  10. Give its consent for the Board of Directors' approval on the financial statements (including the consolidated financial statements);
  11. Approve enactment and revision of the Internal Accounting Control System and evaluate the actual status of the operation thereof; and
  12. Appoint/Select an external auditor
- ③ The Committee may request any of followings and the person who is asked shall accept the request unless there is any special reason:
  1. All or any data, information and matters concerning costs in the Company required to carry out its duties;
  2. Attendance and reply of the persons concerned;
  3. Matters concerning a warehouse, a strongbox, a book, relevant documents, documentary evidences, goods, etc.; and
  4. Other matters require to carry out its accounting duties
- ④ The Committee may ask every head of department for reporting an illegal act or gross negligence of an official and/or employee without delay. In this case, the Committee shall undertake a special inspection without delay.

## **Article 7 (Obligations)**

- ① The Auditor shall carry out his/her duties with the Fiduciary Duty for the Company.

- ② The Auditor shall not disclose and/or release, during his/her term of office and even after retirement, the Company's business secrets that he/she has known and acquired.
- ③ When the Committee deems that a director committed any act contrary to a law or the Articles of Incorporation or is feared to commit the act, it shall report the illegal act to the Board of Directors.

#### **Article 8 (Responsibilities)**

- ① If the Auditor intentionally and/or negligently commits any act contrary to a law or the Articles of Incorporation or is negligent in carrying out its duties, he/she shall be responsible for indemnifying the Company for damage in solidum: Provided that, the responsibility of the Auditor may be reduced and/or mitigated by what prescribed in the Articles of Incorporation.
- ② If the Auditor neglects its duties with malice or gross negligence, he/she shall indemnify a third party for damage in solidum.

#### **Article 9 (Representation of the Audit Committee's Opinion)**

- ① The Committee may represent its opinion such as suggestion, advice, recommendation, etc. in any case of followings:
  - 1. If it has any opinion for proper operation of the Company's business and the rationalization, etc.;
  - 2. If it discovers a fact that may cause severe damage or gross accident, etc. on the Company; or
  - 3. If it discovers a fact that the business execution by the Company violates or is feared to violate a law, the Articles of Incorporation, the Accounting Standard, etc.
- ② If the Committee suggests its opinion, gives advice or recommend, a director or executive director shall sufficiently investigate the fact relevance and background, etc. with responsibility.

## **Chapter 2. Organization of Audit Committee and the Operation**

#### **Article 10 (Organization)**

- ① The Auditor shall be appointed at the shareholders' meeting.
- ② The Committee shall consist of three (3) directors or more and two-third (2/3) of auditors or more shall be independent directors.
- ③ One (1) auditor or more shall be an accounting or financial specialist/expert prescribed in Clause 2 of Article 542-11 of 「*Commercial Act*」, and an auditor who is not an independent director shall be qualified the requirements prescribed in Clause 3 of Article 542-11 thereof.
- ④ If the component ratio of independent directors set forth in clause ② above or the organization requirements of the Committee set forth in clause ③ above is not met by the resignation, death,

etc. of an auditor who is an independent director, such vacancy shall be filled at the shareholders' meeting which will be held firstly after occurrence of the reason of the vacancy.

- ⑤ The Committee may appoint an assistant administrator, which takes charge of the office work of the Committee.

#### **Article 11 (Chairman)**

- ① The Committee shall appoint the chairman among independent directors under the resolution set forth in Article 15 hereof and the chairman shall represent the Committee. In this case, it may decide that several auditors jointly represent the Committee.
- ② The Chairman generally and collectively directs the Committee's duties and may assign the duties of auditors for the purpose of efficient operation of the Committee.
- ③ If the Chairman is absent, a member designated at the Committee shall take the chairman's duties by proxy.

#### **Article 12 (Term of Office)**

The Auditor's term of office shall be same as the director's term of office.

#### **Article 13 (Meetings)**

- ① The meetings of the Committee shall consist of a regular meeting and an extra-ordinary meeting.
- ② The regular meeting shall be held before the Board of Directors which is held firstly after closing the settlement.
- ③ The extra-ordinary meeting shall be held occasionally as necessary.

#### **Article 14 (The Person Entitled to Convene)**

- ① The Committee's meeting shall be convened by the Chairman.
- ② Every auditor may ask the Chairman for convening the meeting by submitting the bill(s) and the reason. If the Chairman does not convene the meeting without a just reason, the auditor who asked to convene it may convene the meeting directly.

#### **Article 15 (Procedure to Convene)**

- ① When convening the meeting, the Committee shall decide the date to convene and notify it to each auditor two (2) days before.
- ② The meeting may be held at any time under common consent of all auditors without the procedure to convene set forth in clause ①

## **Article 16 (Resolution)**

- ① The resolution of the Committee shall be adopted by a majority attendance of members registered and a majority vote of the members present.
- ② The Committee may allow all or a part of auditors to participate in the resolution by a communication means which all auditors transmit and receive voice simultaneously without personal attendance to the meeting, and In this case, the auditors shall be deemed personally attended the meeting: Provided that notwithstanding the text hereof, the Committee may allow all auditors to participate in the resolution by only a remote video conference at different places where are equipped with the simulcast transmit-receive device of a video and voice if the Act requires a face-to-face meeting.
- ③ Any person who is specially concerned in the bill shall not exercise his/her voting right(s). In this case, the number of non-voting rights shall not be added up to the number of voting rights of the auditors present in person.

## **Article 17 (Matters referred to the Committee)**

The matters to be referred to the Committee are as follows :

- ① Matters for Resolution
  1. Matters for Shareholders' Meeting
    - (1) Claim to convene an extra-ordinary shareholders' meeting; and
    - (2) Confirmation of the bill(s) referred to the shareholders' meeting and document investigation
  2. Matters for Directors and the Board of Directors
    - (1) Submission and Approval of Audit Report;
    - (2) Injunction for Illegal Act(s) by a director;
    - (3) Request a director to report the business operation;
    - (4) Matter(s) entrusted by the Board of Directors;
    - (5) If a minority shareholder asks to file a suit against a director, whether or not the decision to file a suit; and
    - (6) Representation for the suit filed between and by a director and the Company
  3. Matters for External Audit
    - (1) Appointment and dismissal of an external auditor;
    - (2) Enactment and revision of standards required to appoint an external auditor;
    - (3) Receipt of the report from an external auditor that the Company violates the accounting standards, investigation on such violation, and request the representative director to correct it;
    - (4) If the Company intends to ask the Securities and Futures Commission for appointing an external auditor, the approval for the asking; and

(5) If the Company intends to ask the Securities and Futures Commission for appointing another auditor other than an auditor designated, the approval for the asking

#### 4. Matters for Internal Audit

(1) Auditing superintended by the Audit Committee;

(2) Consent to the appointment and dismissal of the responsible person of the organization exclusively affiliated to the Audit Committee; and

(3) Evaluation on the Internal Control System (including the Internal Accounting Control System)

5. Other matters prescribed in a law

### ② Matters to be reported

#### 1. Matters for Auditors

(1) Receipt of the report by a director;

(2) Report of Inspection/Audit Plan and the Results (the organization affiliated to the Committee/ Internal Inspection/Audit Organization / Internal Exclusive Accounting Organization(actual state on the operation);

(3) Checking the action(s) taken for the matter(s) to be corrected as a result of inspection/audit superintended by the Audit Committee;

(4) Reviewing the adequacy of important accounting standards and the validity of changes in accounting estimates;

(5) Post-evaluation for the external auditor appointed; and

(6) Enactment and revision of matters for auditing remuneration of an external auditor, audit time, and personnel required for auditing

2. Other matters prescribed in a law

### **Article 18 (Minutes)**

① Minutes shall be recorded for the proceedings of the Committee.

② The Minutes shall include the bill(s) subject to proceedings, the progress, the result, and the objector(s) and the reason(s), and the auditors present shall sign or seal thereto.

### **Article 19 (Obligation to Report)**

The Committee shall resolve the bill referred thereto and report the result to the Board of Directors which will be held firstly after the resolution.

## **Chapter 3. Classification of Audit and the Method**

## **Article 20 (Functional Classification of Audit)**

The Committee may carry out the Operating Audit, the Financial Audit, etc. using the organization exclusively affiliated thereto as follows (revised Apr/30/2012) :

1. The Operating Audit shall mean a series of process to inspect and analyze the job process and system in the organization other than financial and compliance audit in order to analyze the structure of the organization or evaluate the job distribution method, etc.
2. The Financial(accounting) Audit shall mean a series of process to evaluate the adequacy of the accounting policies, courses and/or accounting standards and assess the accuracy, reliability and usefulness of the accounting information and financial report, etc. (revised Apr/30/2012).

## **Article 21 (Audit Method)**

The Committee may carry out the Integrated Audit and the Special Audit as follows:

1. Integrated Audit
  - a. The Integrated Audit shall mean a regular audit every year for the whole business by business units such as headquarters, factories, etc.
  - b. The Integrated Audit is carried out in the ways of i) carrying out an audit by functions such as business management, operation, finance, compliance, IT, etc. pursuant to the regular audit plan, ii) evaluating the effectiveness of the business performance systems by functions and the processes, and iii) preparing and submitting the comprehensive audit report to remove a problem and propose an improvement plan.
2. The Special Audit shall mean an irregular audit, which is carried out for special issues if the Committee deems necessary to hold a meeting or the representative director requests for special issues.

## **Article 22 (Countermeasures for Illegal Acts)**

- ① If any gross misconduct (including any act contrary to a law or the Articles of Incorporation and other inappropriate act that may cause social condemnation, etc.) is generated, the Committee may ask a director or executive director, etc. for investing and/or reporting it or may directly investigate it.
- ② The Committee shall monitor and verify the countermeasures of a director and executive director, etc. with reference to verification of the fact relevance of the misconduct, understanding the cause(s), prevention of further damage, early handling, prevention of re-occurrence, and public announcement, etc. according to the result of the investigation set forth in clause ① above.
- ③ If the countermeasures of the director and executive director set forth in clause ② above are inappropriate in the view point of the independence, objectivity, and transparency, etc., the



Committee shall look for a proper action such as asking for an advice of an external expert, and so on at the Company's expense.

- ④ If the Committee is notified the Company's violation of the accounting standards from an external auditor, it shall appoint an external expert at the Company's expense, make the expert to investigate the violation, and ask the representative of the Company for correcting it according to the investigation result.

## **Chapter 4. Affiliated Organization**

### **Article 23 (Affiliated Organization)**

- ① The Committee may establish an organization which is exclusively affiliated to the Committee in order to carry out its duties efficiently and smoothly: Provided that the Committee may carry out the audit business using the Internal Audit Department, the Internal Exclusive Accounting Organization and an external expert, etc. if it is difficult to establish an affiliated organization under the Committee.
- ② The responsible person and employees (hereinafter, 'Internal Audit Personnel') of the organization exclusively affiliated to the Committee shall support the Committee's duties and carry out its duties under the direction and instruction of the Committee.
- ③ The appointment and/or dismissal of the responsible person of the affiliated organization shall have the consent of the Committee.
- ④ The Company's representative director, directors, and the management shall support and cooperate as required in order that the Committee and the Board of Directors establish and operate an affiliated organization. If it fails to establish an affiliated organization, the Company shall support and cooperate for a department to carry out audit, the organization, an expert, etc. as requested by the Committee.

### **Article 24 (Behavior Rules of Internal Audit Personnel)**

The Internal Audit Personnel shall comply with any of following behavior rules in carrying out audit, and the Internal Audit Personnel shall :

1. carry out the audit fairly;
  2. not voluntarily release any secret acquired in carrying out its duties or use it for any reason other than the purpose of the duty;
  3. comply with a relevant law and instructions and carry out its duties based on the fact and evidence;
- and

4. be careful not to be intimidated the occupational creativity and activities of the auditee in carrying out audit

## **Chapter 5. Execution of Audit**

### **Article 25 (Establishment of Audit Plan)**

- ① The Committee shall establish an audit system which is a rational substance in relation to the performance of auditor's duties consisting of audit strategies, audit courses, audit goals, audit resources, audit process, audit standards, audit assessment, etc.
- ② The Committee shall make its affiliated organization prepare and report an annual audit plan including audit/investigation time, audit scope, etc.
- ③ If the Committee does not establish its affiliated organization, it shall be reported the annual audit plan from the Company's Internal Audit Department.

### **Article 26 (Execution of Audit)**

- ① The Committee may ask the head of the department to be audited for supporting by the affiliated employee thereof in performing its duties. In this case, the head of the department to be audited shall cooperate for such request.
- ② If the Company modifies or amends its accounting system or accounting method, the Committee shall ask a director for reporting the reason of the modification/amendment and the influence on the modification/amendment. If changes in accounting policies or accounting estimates are unfair or other accounting method is inappropriate, the Committee shall propose its opinion to a director.
- ③ The Committee shall review and check any of followings in carrying out audit:
  1. Reliability on the records of transactions;
  2. Adequacy on the facts entered in each account;
  3. Validity on presentation of the financial statements;
  4. Whether the financial statements comply with the accounting standard and fair and just accounting practices or not;
  5. Continuity of the accounting policies; and
  6. Whether the financial statements fairly present the Company's financial status and management performance or not
- ④ The Committee shall audit whether the consolidated financial statements are prepared by the relevant law(s) or not.

### **Article 27 (Request to report for Directors)**

- ① If there will be any urgent matter that may cause gross damage in preserving the Company's properties, the Committee shall ask a director for reporting or notifying, orally or in writing, the matter without delay.
- ② If the Committee is reported from a director that it is feared to generate severe damage on the Company, it shall investigate expected influence on the Company and look for any necessary action to take such as advice or recommendation, etc.

### **Article 28 (Exchange of Opinions among Auditors)**

- ① The Auditor shall deliver other auditors the business information reported from a director, executive director or employee and/or acquired by investing the daily business.
- ② Each auditor shall sufficiently exchange their opinions each other for preparation of audit plan, preparation of audit report, and exercise of right as a member of the Committee.
- ③ If two (2) auditors or more share the businesses, each duties and responsibilities per auditor shall be clearly classified.
- ④ The Committee may hold a discussion meeting in order to exchange the information and opinions concerning its duties. In this case, the discussion meeting shall not be deemed as the meeting of the Committee set forth in Article 12 hereof.

### **Article 29 (Connection with the Internal Audit Department)**

- ① The Committee shall keep the close cooperative tie with the Company's Internal Audit Department and make an effort to accomplish the audit purpose using the Internal Audit Department's audit plan, procedure and results.
- ② The Committee may ask the Internal Audit Department for investing any special matter(s).

### **Article 30 (Internal Accounting Control System)**

- ① The Committee shall i) assess the actual state on the operation of Internal Accounting Control System by holding a face-to-face meeting, ii) report the assessment report for the Internal Accounting Control System to the Board of Directors face-to-face one (1) week before the annual meeting of shareholders, and iii) place the assessment report at the head office for five (5) years. If it has any opinion to correct the management and operation of the Internal Accounting Control System, it shall include it on the report.
- ② The assessment report of the Internal Accounting Control System shall include following items:
  1. The report title 'Evaluation Report by the Audit Committee';
  2. The addressees 'Shareholders and the Board of Directors';

3. The fact that the effectiveness of design and operation of the Internal Accounting Control System for the period to be assessed is assessed as of the assessment date;
4. The fact that the Company's management including the representative director and internal accounting officer shall be responsible for the design and operation the Internal Control System and the Internal Accounting Control System adopted by the Company's management and the Committee shall be responsible for supervision of the management thereof;
5. The fact that the assessment was made based on the Operation Report of Internal Accounting Control System and the fact that the Committee carries out any additional review (if any);
6. The result whether the Internal Accounting Control System actually contributes to reliable preparation of accounting information and the public disclosure or not, and corrective opinions;
7. The result of the review whether there is anything falsely stated or indicated and/or missed in the Operation Report of Internal Accounting Control System or not, and the corrections;
8. The result of the review whether the corrective plan of the Operation Report of Internal Accounting Control System actually contributes to the improvement of the Internal Accounting Control System or not, and the counterplan;
9. The fact that the assessment, report and the Best Practices of the Internal Accounting Control System are used based on the assessment standard of the design and operation thereof;
10. The conclusion of the assessment of the Internal Accounting Control System based on the assessment, report, and the best practices thereof in the view point of materiality;
11. For any significant vulnerability, the explanation thereof in designing and operating the Internal Accounting Control System;
12. For any significant vulnerability, the corrective plan thereof or the procedure which is already in progress;
13. Reporting Date;
14. The Auditor(s)' signatures and seals; and
15. Miscellaneous
  - a. The Brief of the Matters reported by the Representative Director (conclusion of the assessment, significant imperfection(s), corrective action(s) and future plan, etc.);
  - b. As a result of the assessment, additionally discovered matter(s); or
  - c. Recommendation(s)

### **Article 31 (Assessment on Adequacy of Internal Control System)**

The Committee shall monitor and assess the operation of the Company's Internal Control System once a year. If any problem is discovered, the Committee may propose its assessment opinion for the Internal Control System to the Board of Directors using the organization exclusively affiliated to the

Committee or an external expert in order to recommend and request to prepare for the improvement plan.

### **Article 32 (Attendance to Major Conference)**

- ① The Auditor may attend a directors' meeting and other major conference and state his/her opinion in order to understand the decision and progress of management policies, business management, and business status.
- ② If the Auditor fails to attend the meeting set forth in clause ① above, he/she may be reported the deliberation and read the minutes and materials, etc.

### **Article 33 (Reading of Document, etc.)**

- ① The Committee shall read any important documents for business execution in time and may ask a director or employee for explaining the business execution as necessary.
- ② The Committee shall decide the scope of documents to read under mutual agreement with a director.
- ③ The Committee shall investigate the managerial status of maintenance and preservation of important records and other materials and data, etc. and may ask a director or employee for explaining the records and materials.

### **Article 34 (Investigation of Properties)**

The Committee shall investigate management, purchase, disposal and special transaction of the Company's major properties. If it discovers any fact contrary to a law or the Articles of Incorporation or severely unfair fact, it shall report it to the Board of Directors.

### **Article 35 (Investigation of Transactions)**

If the Company grants major interest(s) on property(ies) free of charge or makes a specific transaction with its subsidiary or shareholder(s), the Committee shall ask the director in charge of it for reporting such transaction(s) in advance under mutual agreement. If the Committee discovers any violation of a director against his/her duties, it shall report such violation to the Board of Directors.

### **Article 36 (Field Investigation)**

- ① If necessary, the Committee may investigate the Company's head office, branches, local offices, etc., understand the actual state of the overall business and check whether the businesses have been legally and properly performed or not.
- ② As the result of the investigation of the Company's head office, branches, and local offices, etc., the Committee shall, in principle, propose an opinion, make an advice or recommendation to a director.

## Chapter 6. Connection with an External Auditor, Etc.

### Article 37 (Connection with External Auditor)

- ① The Committee shall maintain a close tie with an external auditor and make an effort to accomplish the goal of audit using the audit plan, procedure and result of the external auditor.
- ② The Committee shall adjust the audit plan by listening to the overview of audit plan from an external auditor and explaining its audit plan.
- ③ The Committee shall make a discussion with an external auditor for the progress or situation of the auditing from time to time.
- ④ If an external auditor discovers any illegal act or gross fact contrary to a law or the Articles of Incorporation in performing his/her duties and/or that the Company violates the accounting standards, the Committee ask the external auditor for notifying them to the Committee.
- ⑤ If the Committee discovers any illegal act or gross fact contrary to a law or the Articles of Incorporation with reference to a director's performance of duties, it shall notify it to an external auditor.
- ⑥ If the Committee is notified the Company's violation of the accounting standards from an external auditor, it shall report the result of the investigation on the violation and the result of the Company's correction, etc. to the Securities and Futures Commission and the external auditor without delay.

### Article 38 (Appointment of External Auditor, etc.)

- ① The Committee shall appoint an external auditor. If the Company replaces or dismisses the external auditor, the Committee shall check whether the external auditor during the previous period or the dismissed external auditor has any opinion or nor and give an opportunity to state his/her opinion orally or in writing.
- ② The Committee shall decide the matters for auditing remuneration of an external auditor, the audit time, and personnel required for auditing in writing.
- ③ The Committee shall prepare for, in advance, the standard and procedure to appoint an external auditor including following items:
  1. The adequacy of audit time, audit personnel, remuneration, and audit plan;
  2. The independence and specialty of an external auditor;
  3. The opinion(s) of the external auditor of the previous period, and following items:
    - a. the result of assessment whether the external auditor of the previous period faithfully implemented the audit time, audit personnel, remuneration, audit plan, etc. agreed when appoint him/her or not;

- b. if the external auditor of the previous period asked the Company for consulting with an external agency for the interpretation of the accounting standards, assessment on the values of properties/assets, etc. with reference to auditing, the contents agreed between the Committee and the external auditor of the previous period for the external consultation, the result of external consultation, and the application of the result;
  - c. the number of face-to-face meetings held by and between the Committee of the pertinent year and the external auditor of the previous period, personal information of the attendees to the face-to-face meetings, and major remarks, etc.; and
  - d. Other matter(s) designated by the Financial Services Commission as the standard required to secure the objectivity and reliability on the appointment of an external auditor
- ④ The Committee shall hold a face-to-face meeting in order to appoint an external auditor and prepare and manage any of followings:
- 1. the results of reviews on each item set forth in clause ③ above; and
  - 2. the number of face-to-face meetings, personal information of attendees, major remarks, etc.
- ⑤ The Committee shall assess the audit report submitted by an external auditor every business year and prepare and manage the result of assessment in writing.

#### **Article 39 (Independence of External Auditor)**

The Committee may review with an external auditor any matter that may influence on the independence of the external auditor including major issues concerning the Company and other high-conflict matters and then state proper opinions to the Board of Directors.

#### **Article 40 (Exchange of Opinions with External Auditor)**

The Committee may exchange opinions with an external auditor with reference to the Company's Internal Control System and the adequacy of the financial statements, etc. under a close ties with him/her. (revised Apr/30/2012)

## **Chapter 7. Report of Audit Results**

#### **Article 41 (Preparation of Audit and Inspection Record)**

- ① The Committee shall prepare and place an audit and inspection record for the auditing performed.
- ② The audit and inspection record shall include the procedures of auditing and the results and each auditor shall sign and seal thereto.

#### **Article 42 (Preparation of Audit Report and the Submission)**

- ① The Committee shall prepare the audit report for consolidated financial statements.
- ② The Committee shall enter the preparation date on the audit report set forth in clause ① and the chairman of the Committee shall sign or seal thereto.
- ③ The Committee shall submit the audit report to the Company's representative director.
- ④ The method to fill in the audit report shall conform to what prescribed in a law.

#### **Article 43 (Report to Shareholders' Meeting, etc.)**

- ① The Committee shall investigate the bill(s) and document(s) that a director intends to submit to the shareholders' meeting and state its opinions at the shareholders' meeting whether they violate a law or the Articles of Incorporation or have considerably unfair matter(s) or not.
- ② The Committee shall faithfully make a reply within its scope of duties for any question given by a shareholder at the shareholders' meeting.

## **Chapter 8. Supplementary Rules**

#### **Article 44 (Revision of Rules)**

These Rules shall be opened and/or closed by resolution of the Board of Directors.

## **Addendum**

#### **Article 1 (Effective Date)**

1. These Rules shall come into effect from March 27, 2009.
2. These Rules shall be revised and come into effect from August 12, 2015.
- 3. These Rules shall be revised and come into effect from March 27, 2019.**