

# ARTICLES OF INCORPORATION

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## CHAPTER 1 GENERAL PROVISIONS

### Article 1 (Company Name)

The Company shall be called HSD Engine Co., Ltd. (hereinafter “company”).

### Article 2 (Objective)

The Company shall engage in the following businesses:

1. Design, manufacturing, sale, installation and remodeling of engine and engine mounting facility
2. Design, manufacturing, sale, installation and remodeling of power transmission system
3. Design, manufacturing, sale, installation and remodeling of shipbuilding materials
4. Design, manufacturing, sale, installation and remodeling of offshore plant materials
5. Design, manufacturing, sale, installation and remodeling of valve and pipe

- machined parts
6. Electrical work
  7. Engineering work
  8. Export and import business
  9. Sale and leasing of real estate
  10. Design, manufacturing, sale, installation and remodeling of environmental pollution control facilities
  11. All businesses accompanying the above items

#### Article 3 (Address of Head and Branch Office)

The Company shall have its head office at Changwon City, Gyeongnam Province. The Company can establish, move and close the branch offices by a resolution of the Board of Directors.

#### Article 4 (Public Notice)

The public notice of the Company shall appear in its web site (<http://www.hsdengine.com>). If it is impossible due to computerized system error or other unavoidable reason, however, the public notice shall be published in a daily newspaper in Seoul, "Maeil Economic Daily".

## CHAPTER 2 SHARES

#### Article 5 (Total Outstanding Shares)

- (1) The total outstanding shares of the Company shall be 120,000,000. (Hereinafter "shares authorized")
- (2) The outstanding shares at the date of establishment shall be 1,000,000.

#### Article 6 (Types and Prices of Shares)

- (1) The Company shall issue registered common shares and registered classes of shares.
- (2) The classes of shares issued by the Company shall be preference shares for dividend, redeemable shares, convertible shares, shares for exclusion or restriction of voting right, and shares mixing part or whole shares mentioned above.
- (3) The price per share shall be 1,000 won.

#### Article 6-2 (Dividend Preferred Share)

- (1) The Company can issue the preference shares for dividend (hereinafter “preference share”) within a half of the total number of issued shares.
- (2) When preference shares are issued, the stimulated dividend rate shall be determined more than 1% per year from the nominal value by a resolution of the Board of Directors.
- (3) In case the dividend rate of common share exceeds that of preference share, the excess can be considered as participating or non-participating share.
- (4) In case dividend for preference share has not been paid in a certain business year, the share can be considered as cumulative or non-cumulative share in the next business year.
- (5) In case the Company issues new shares to be purchased or for free: for the former, the Company can issue the same or different kind of shares by a resolution of the Board of Directors; for the latter, the Company shall issue the same kind of shares. For redeemable shares, however, the Company can have new shares not allocated in both cases.

#### Article 6-3 (Convertible Share)

- (1) When issuing the class of shares, the Company can designate a half of the total number of issued shares as shares (hereinafter “convertible shares”) which shareholders or the Company can convert into a different kind of shares by a resolution of the Board of Directors.
- (2) The price of new share issued due to conversion shall be the same as that of share before conversion.
- (3) The conversion reasons, conditions, and the number and contents of shares to be issued due to conversion shall be determined by a resolution of the Board of Directors.
- (4) The period when the shareholder of convertible shares or company can ask for conversion shall be determined within 10 years by a resolution of the Board of Directors.
- (5) In case of profit-sharing for shares issued due to conversion, the provisions of Item 4 of Article 8 shall apply.

#### Article 6-4 (Redeemable Share)

- (1) When issuing the class of shares, the Company can designate a half of the total number of issued shares as shares (hereinafter “redeemable shares”) which

- shareholders can ask for redemption or the Company can write down depending on the Company's selection by a resolution of the Board of Directors.
- (2) The amount of redeemable share shall be the price of share issued plus additional value (if any). The additional value shall be determined by a resolution of the Board of Directors in consideration of dividend rate, interest rate, market situations, and other matters about issue of redeemable shares. In case redeemable shares of which the amount can be adjusted, however, the Board of Directors shall determine the adjustable amount of redemption, the reasons, the record date and method.
  - (3) The redemption period of redeemable shares shall be determined within 10 years from the date of issue by a resolution of the Board of Directors.
  - (4) In case redeemable shares are written down by the Company's selection, the whole redeemable shares can be redeemed at a time or by installments. In case of redemption by installments, however, the Company can determine the shares to be redeemed by lot or proportional distribution. Any odd lots resulted from proportional distribution are not paid back.
  - (5) The Company shall announce that the intention to redeem shares, the shares to be redeemed and share certificate will be submitted within a period more than a month. The Company shall notify the shareholders and pledge registrants separately. Redemption shall be forcibly done after the expiration of the above period.
  - (6) If shareholders have the right of recourse, the shareholder can ask for redemption of redeemable shares at a time or by installment at discretion. At this time, the shareholder shall notify the Company of the intention to redeem and the shares to be redeemed. If the profit available for dividend at that time is not enough to redeem all shares to be redeemed at once, however, the Company can redeem the shares by installment. In this case, the Company can determine the shares to be redeemed by lot or proportional distribution. Any odd lots resulted from proportional distribution are not paid back.
  - (7) In case the Company decides to issue convertible shares per Article 6-3 as redeemable shares, the priority between redemption by exercise of shareholder's conversion right and that by the Company's selection may be set.

#### Article 6-5 (Non-voting Share)

- (1) When issuing the class of shares, the Company can exclude voting rights from within a half of the total number of issued shares as long as related law permits.

- (2) In case non-voting shares are issued as preference shares, with the resolution of no dividend for the preference shares, the voting rights exist from the next general meeting to termination of the general meeting including the resolution of preferential dividend.

#### Article 7 (Share-certificates)

Shares issued by the Company shall all be registered common shares, and share certificates shall be of eight types, namely 1-share certificate, 5-share certificate, 10-share certificate, 50-share certificate, 100-share certificate, 500-share certificate, 1,000-share certificate, and 10,000-share certificate.

#### Article 8 (Preemptive Right)

- (1) Shareholders shall have the right to get new shares in proportion to the numbers of shares they hold when new shares are issued.
- (2) Notwithstanding the provision of subsection 1 above, the new shares may be issued to any third person(s) other than the Company's existing shareholders, if the Company:
  1. Offers new shares to the public or has an underwriter subscribe for such public offering, to the extent that the number of such new shares does not exceed 50/100 of the total number of issued and outstanding shares
  2. Issues new shares to domestic and foreign financial institution, affiliated concerns, domestic and foreign joint ventures, and investors for urgent financing, improvement of financial structure, the introduction of technology and other requirements in management, to the extent that the number of such new shares does not exceed 50/100 of the total number of issued and outstanding shares
  3. Issues new shares to members of the Employees Share Ownership Association pursuant to Article 165-7 of Financial Investment Services and Capital Markets Act
  4. Issues new shares in the manner of capital increase by ordinary public offering pursuant to Article 165-6 Financial Investment Services and Capital Markets Act, to the extent that the number of such new shares does not exceed 50/100 of the total number of issued and outstanding shares
  5. Issues new shares in accordance with issuance of depositary receipts (DR) pursuant to Article 165-16 Financial Investment Services and Capital Markets Act, to the extent that the number of such new shares does not exceed 50/100 of the total number of issued and outstanding shares

6. Issues new shares as a result of the exercise of stock options, pursuant to Article 340-2 and Article 542-3 of Commercial Act
- (3) If a shareholder(s) waives or forfeits his/her preemptive rights to subscribe for new shares or any fractional shares are made in the course of allotting new shares, the method of dealing with such new shares or fractional shares shall be determined by a resolution of the Board of Directors.
- (4) When the Company issues new shares for paid-in capital increase, no-paid capital increase or share dividend, it is considered that new shares are issued at the end of previous business year for the dividend of new shares.

#### Article 8-2 (Stock Option)

- (1) The Company may grant its officers and employees (including directors, auditors and employees prescribed in Article 542-3-1 of Commercial Act) stock options pursuant to Article 542-3 of Commercial Act by a special resolution of a meeting of shareholders, to the extent of not exceeding 20/100 of the total number of issued and outstanding shares. Notwithstanding the foregoing provision, such stock options may be granted by a resolution of the Board of Directors, to the extent of not exceeding 10/100 of the total number of issued and outstanding shares.
- (2) In case stock options are granted according to the above provision, the approval of the general meeting convened for the first time after the date of grant shall be obtained.
- (3) Those eligible for a stock option shall be the Company's officers or employees who contribute or are capable of contributing to the Company's management, overseas operation or technological innovation, etc., but excluding:
1. The Company's largest shareholder (hereinafter, having the meaning defined in Article 542-8-2(5) of Commercial Act) and the said shareholder's related person(s) (hereinafter, having the meaning defined in Article 34-4 of the Enforcement Ordinance of the Commercial Act), except a person who comes to fall in the category of such a related person by taking office as the Company's officer (including an officer of the Company's affiliated company defined in Article 542-3-1 of the Commercial Act), including a non-standing officer of any of the Company's affiliated companies.
  2. The Company's principal shareholder(s) (hereinafter, having the meaning defined in Article 542-8-2(6) of the Commercial Act ) and the said shareholder's related person(s), except a person who comes to fall in the category of such a

related person by taking office as the Company's officer (including an officer of the Company's affiliated company defined in Article 542-3-4-1 of the Commercial Act), including a non-standing officer of any of the Company's affiliated companies.

3. A person who becomes a principal shareholder of the Company as a result of exercising his/her stock options, or

4. A director of the Company's affiliated company in case stock options are granted pursuant to the above provision in subsection 1.

- (4) The shares to be delivered as a result of the exercise of stock options hereunder (or, if the difference between the share price at which such stock options are exercised and the market value of relevant share is paid in cash or treasury share, the share on the basis of which such difference is calculated) shall be common shares in registered form.
- (5) The per-share price at which stock options are exercised ("stock option exercising price") shall not be lower than either of the following prices and this provision shall also apply to where the relevant stock option exercising price is adjusted subsequently after the grant of stock options
1. If new shares are to be issued and delivered, the higher of the following prices: the market value of relevant shares evaluated, as of the date of such stock options granted, or face value of relevant shares
  2. If shares are to be transferred, the market value of relevant shares evaluated, as of the date of such stock options granted
- (6) A stock option granted hereunder may be exercised within 10 year(s) from the date when the resolution mentioned in subsection 1 above is adopted.
- (7) A person who is granted a stock option is entitled to exercise the stock option only if he/she has been in office in the Company or employed by the Company at least for two (2) years from the date of the resolution mentioned in subsection 1 above; provided, however, that, if the said grantee dies or resigns from the Company within two (2) years from the date of the resolution mentioned in subsection 1 above due to the age limit or any other reason not attributable to him/her, such stock option may be exercised within the period originally set for exercising the same.
- (8) The provision of Article 8-4 hereof shall apply, mutatis mutandis, with respect to payment of dividends on the shares issued as a result of the exercise of stock options hereunder.
- (9) The grant of a stock option may be cancelled by a resolution of the Board of

Directors, if:

1. After the grant of such a stock option, the grantee thereof has resigned voluntarily from the Company;
2. The grantee has caused material damages to the Company by willful acts or negligence; or
3. There has occurred any event constituting a cause of cancellation thereof as provided in relevant stock option agreement or relevant laws.

#### Article 9 (Report of Addresses, Names and Seals or Specimen Signatures, etc)

- (1) Shareholders and pledge registrants shall report to the Company their names, addresses, seals or specimen signatures, etc. If there is any change, they shall also report it to the transfer agent.
- (2) Each of the shareholders and pledge registrants residing abroad shall designate and report to the Company his/her provisional address to which and his/her agent to whom notices may be given by the Company within the Republic of Korea. If there is any change, they shall also report it.

#### Article 10 (Non-bearing of Share Certificates)

Upon the request of shareholder, the Company shall not issue share certificates for all or part of his or her shares.

#### Article 11 (Transfer Agent)

- (1) The Company shall appoint a transfer agent in relation to the transfer of its shares.
- (2) The transfer agent, its office and the scope of services shall be determined by a resolution of the Board of Directors.
- (3) The transfer agent can keep the shareholder register of the Company or a copy in its office, and manage affairs including transfer of shares, registration or cancellation of the right of pledge, indication or cancellation of an estate in trust, issue of shares, receipt of report, and other affairs about shares.
- (4) The procedures for the above subsection 3 shall be in accordance with the provisions about agency business of share transfer.

#### Article 12 (Suspension of Altering Entry in the list of shareholders and Record Date)

- (1) The Company shall deem those shareholders whose names appear in the list of



shareholders on December 31 of each year to be the shareholders who are entitled to exercise their rights as shareholders at the annual meeting of shareholders to be convened in respect of the said period for the settlement of accounts.

- (2) The Company can close the shareholder register or set up the base date for less than three months after two-week prior notice if it is required for the calling of special general meeting or other purposes. If required by the Board of Directors, both the closure of shareholder register and the base date can be set up simultaneously.

## **CHAPTER 3 BONDS**

### **Article 13 (Issuance of Bonds)**

- (1) The Company can issue bonds by a resolution of the Board of Directors.
- (2) The Board of Directors can commission the representative director to determine the amount and kind of bond and to issue the bond within the period that does not exceed a year.

### **Article 14 (Issuance of Convertible Bonds)**

- (1) The Company may issue convertible bonds to any person(s) other than the Company's shareholders by a resolution of the Board of Directors to the extent that their aggregate par value does not exceed 500,000,000,000 Won, if such convertible bonds are issued:
  1. Through public offering pursuant to the provisions of the Financial Investment Services and Capital Markets Act.
  2. To domestic and foreign financial institution, affiliated concerns, domestic and foreign joint ventures, and investors for urgent financing, improvement of financial structure, the introduction of technology and other requirements in management.
  3. Abroad pursuant to Article 165-16 of the Financial Investment Services and Capital Markets Act.
  4. By the Board of Directors with reasonable judgment for the Company's managerial reasons.
- (2) As for the convertible bonds referred to in subsection 1 above, the Board of Director may also issue such bonds on condition that only a part thereof be

granted the right to convert to capital shares.

- (3) The shares to be issued as a result of conversion of such bonds shall be common shares or the class of shares determined in the Articles of Incorporation and the applicable conversion price shall be equal to or higher than the par value per share of such new shares, as determined by the Board of Directors at the time of issuance of such bonds.
- (4) The period in which holders of convertible bonds are entitled to make a request for conversion hereunder shall begin on the day after a month have elapsed from the date of issuance thereof and end on the day immediately preceding the maturity date thereof provided, however, that the period for requesting conversion may be adjusted by a resolution of the Board of Directors within the aforementioned period.
- (5) As for payment of dividends on the new shares to be issued as a result of conversion hereunder and the payment of interest on such convertible bonds, the shares are considered to be issued in the end of the business year just before the year of conversion request.

#### Article 14-2 (Issuance of Bonds with Warrant)

- (1) The Company may issue bonds with warrant to any person other than the Company's shareholders by a resolution of the Board of Directors to the extent that their aggregate par value does not exceed 500 billion Won, if such bonds with warrant are issued:
  1. Through public offering pursuant to the provisions of the Financial Investment Services and Capital Markets Act.
  2. To domestic and foreign financial institution, affiliated concerns, domestic and foreign joint ventures, and investors for urgent financing, improvement of financial structure, the introduction of technology and other requirements in management.
  3. Abroad pursuant to Article 165-16 of the Financial Investment Services and Capital Markets Act.
  4. By the Board of Directors with reasonable judgment for the Company's managerial reasons.
- (2) The amount within which a holder of such bonds with warrant is entitled to request issuance of new shares shall be determined by the board of director, to the extent of not exceeding the aggregate face value of such bonds.
- (3) The shares to be issued as a result of the exercise of such warrant hereunder

shall be common shares or the class of shares as set forth herein and the applicable price thereof shall be equal to or higher than the par value per share of such new shares, as determined by the Board of Directors at the time of issuance thereof.

- (4) The period in which holders of bonds with warrant are entitled to exercise such warrant hereunder shall begin on the day after 1 month has elapsed from the date of issuance thereof and end on the day immediately preceding the maturity date thereof provided, however, that such a period for exercising warrant may be adjusted by a resolution of the Board of Directors within the aforementioned period.
- (5) With regard to payment of dividends on the new shares to be issued as a result of the exercise of such warrant hereunder, such new shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year to which the time of issuance thereof belongs.

#### Article 15 (Application of Provisions concerning Issuance of Bonds)

The provisions of Articles 9 and 11 hereof shall apply mutatis mutandis to the issuance of bonds

### **CHAPTER 4 SHAREHOLDERS' GENERAL MEETING**

#### Article 16 (Types and Call Period)

- (1) There are two types of general meeting such as regular and special general meetings.
- (2) The regular general meeting shall be held within three months from the end of every business year by a resolution of the Board of Directors.
- (3) The special general meeting shall be held by a resolution of the Board of Directors or in accordance with other Korean laws and ordinances, as the need arises.

#### Article 17 (Personal and Public Notice of Convening a Shareholders' General Meeting)

- (1) Unless otherwise provided in relevant laws and regulations, the shareholders' general meeting shall be convened by the representative director of the Company or other director separately appointed by the Board of Directors with

a resolution of board of directors. The meeting shall be held in the place where the head office of the Company is located and may also be held in any other place adjacent to it or in Seoul, whenever circumstances require.

- (2) In convening a meeting of shareholders, the Company shall give notice in writing to each shareholder of the date, time and place of the meeting and the list of agenda to be dealt with at the meeting, at least 2 weeks prior to the date set for such a meeting.
- (3) For shareholders holding one percent 1% or less of the total number of issued and outstanding shares with voting rights, the Company may insert twice or more in the Maeil Economic Daily and Korea Economic Daily a public notice of its intention to convene such a meeting and the list of agenda to be dealt with at the meeting or insert electronically as determined by the relevant laws and regulations, in lieu of giving such notice mentioned in subsection 1 above.

#### Article 18 (Chairman of General meeting of Shareholders)

Unless otherwise specified in the articles of corporation or the laws, the chairman of a general meeting of shareholders is occupied by the representative director. In case of the representative director's absence, the person selected by the Board of Directors should carry out as a proxy.

#### Article 19 (Resolution Method)

Unless otherwise provided in the relevant laws and regulations, all resolutions of general meeting of shareholders shall be passed by the affirmative votes of a majority of the shares represented by the shareholders present at the general meeting of shareholders, which shall not be less than a quarter of the total number of issued and outstanding shares of the Company.

#### Article 20 (Voting Rights)

- (1) A shareholder shall have one voting right per share.
- (2) Each shareholder may exercise his/her vote by proxy. In such a case, the proxy shall present to the Company an appropriate document (a power of attorney) evidencing his/her power of representation prior to opening of that meeting.
- (3) If a shareholder having more than 2 votes wishes to split his/her votes at general meeting of shareholders, the said shareholder shall give the Company notice in writing of his/her intention to do so and the reason therefor at least three (3) days prior to the date set for such a meeting.

(4) The Company may refuse to allow a shareholder to split his/her votes, except for the case where the said shareholder has shares in trust or hold shares on behalf of a third party.

#### Article 21 (Limitation on the Voting Rights of Cross-held Shares)

If the Company, its parent company and subsidiary, or a subsidiary of the Company owns more than 10% shares of a third company, then the shares of the Company held by that third company shall have no voting rights.

#### Article 22 (Postponement or Adjournment of General Meeting)

The general meeting can be postponed or adjourned by a resolution of general meeting. In this case, Item 2 of Article 17 shall not be applied. The general meeting, however, cannot be postponed or adjourned for more than 14 days.

#### Article 23 (Proceedings)

The contents and results of general meeting shall be recorded in the proceedings and the chairman and directors attending the meeting shall sign and seal the proceedings. The proceedings shall be kept in the head and branch offices.

#### Article 24 (Chairman's Authority to Maintain Order)

The chairman of general meeting of shareholders may stop a person who significantly disturbs order in such a meeting (including with speech or behavior to interfere with the proceedings of the meeting intentionally) from speaking or may order such a person out of the meeting. The chairman also may limit the duration and/or the number of times of speech by each shareholder.

## **CHAPTER 5 DIRECTORS AND BOARD OF DIRECTORS**

#### Article 25 (Number of Directors)

The Company shall have not less than 3 directors, but not more than 15 directors, and some of them shall be outside directors as determined by the related laws.

#### Article 26 (Election of Directors)

- (1) Directors shall be elected by a meeting of shareholders.
- (2) A resolution for electing directors shall be passed by the affirmative votes of a

majority of the shares represented by the shareholders present at the meeting of shareholders, which shall not be less than a quarter of the total number of issued and outstanding shares.

- (3) In case 2 directors or more are elected at a meeting of shareholders, the cumulative vote stipulated in Article 382-2 of the Commercial Code shall not apply.

#### Article 27 (Term of Directors)

- (1) The term of directors shall be 3 years; however, such term of office may be shorter than 3 years according to decision at a meeting of shareholders.
- (2) If the term is terminated before the general meeting of shareholders for the final setting term, it shall be extended until the general meeting is closed.

#### Article 28 (Election to Fill a Vacancy)

- (1) If there is a vacancy in the number of directors, a director shall be elected at a meeting of shareholders to fill such a vacancy; provided, however, that the foregoing provision shall not apply if the number of the existing directors in office is not less than the number of directors set forth in laws and no hindrance is caused to carrying on the Company's business thereby.

#### Article 29 (Duties of Directors and Officers)

- (1) The representative director shall be selected among directors by board of directors.
- (2) The representative director shall represent the Company and oversee all work done by the Company in accordance with the resolution of the Board of Directors and general meetings.
- (3) The board of directors can elect a chairman, a vice-chairman and a president out of directors or non-directors as the need arises, and authorize the representative director to nominate vice-president, senior managing director, managing director and other executives.
- (4) If the representative director cannot perform his duty, the director whose order was fixed in the Board of Directors shall carry out as proxy.

#### Article 30 (Directors' Obligations to Report)

If a director finds anything that is likely to cause material damages to the Company, he/she shall immediately report the same to auditors.

### Article 31 (Composition of Board of Directors and Convening of Meetings)

- (1) The board of directors shall be composed of directors and make major decisions on the Company's business.
- (2) Chairman or other director separately appointed by the Board of Directors for this purpose, if any, shall convene all meetings of the Board of Directors by giving notice thereof to each director 1 day prior to the date set for each of such meetings; provided, however, that, if all directors unanimously consent to holding a meeting of the Board of Directors, the procedure of convening a meeting may be omitted.
- (3) The chairman of the Board of Directors shall be elected by the board decision. Provision of Article 29, Item 4 shall apply mutatis mutandis to the case that the chairman is not able to perform his/her duty.

### Article 32 (Resolution Method)

- (1) A quorum for holding a meeting of the Board of Directors shall be a majority of all directors in office and all resolutions of the Board of Directors shall be adopted by the affirmative votes of a majority of directors present at the meeting unless otherwise specified in the Commercial Code or related laws.
- (2) The board of directors may allow all directors or a part thereof to participate in resolutions of the Board of Directors through the means of communication transmitting and receiving voices simultaneously, in lieu of attending such a meeting in person. In such a case, such directors shall be deemed to have attended such a meeting in person.
- (3) No directors having a specific interest in any resolution of the Board of Directors shall be allowed to exercise their vote upon such a resolution.

### Article 33 (Proceedings of Board of Directors)

- (1) The board of directors shall record the proceedings of every meeting of the Board of Directors.
- (2) The minutes shall include the agenda, procedure and results of the proceedings of the meeting, names of the directors against each resolution and the reason for their objection thereto and all directors present at the meeting shall sign and seal the same or affix their signatures thereto.

### Article 34 (Committees)

- (1) The Company shall establish committees in the Board of Directors, as described below:
  1. Committee for recommending candidates for outside directors
  2. Audit committee
  3. Other committee required by the Board of Directors.
- (2) The details concerning the composition, power and operation of each of such committees shall be determined by resolutions of the Board of Directors.
- (3) Provisions of Articles 28, Item 2 and 3 of Article 31, Article 32 and 33 hereof shall apply mutatis mutandis to such committees; provided, however, that, if the Board of Directors decides to strengthen resolution requirements set forth in Item 1 of Article 32 hereof, such requirements shall apply.

#### Article 35 (Pay and Retirement Grants for Directors)

The limit of pay (including salary, bonus, retirement grants) of directors and auditors shall be fixed through the resolution of the general meeting, and payment shall be in accordance with the board management regulations which are fixed through the Board of Directors.

## **CHAPTER 6 AUDIT COMMITTEE**

#### Article 36 (Composition of Audit Committee)

- (1) The Company shall establish an audit committee pursuant to Article 39 hereof, in lieu of auditors.
- (2) The audit committee shall be composed of 3 or more directors.
- (3) Two-thirds or more of the total number of audit committee members shall be outside directors. An audit committee member, who is not an outside director, shall meet the qualifications under Article 54-6(3) of the Act.
- (4) In electing the audit committee members none of whom is an outside director, if the aggregate total number of shares held by the largest shareholder who will exercise his/her voting rights and his/her related person, those who possess shares for account of the largest shareholder or his/her related person and those to whom the largest shareholder or his/her related person have delegated their votes exceeds 3/100 of the total number of issued and outstanding shares with voting rights, such shareholders may not exercise their voting rights with respect to the shares in excess of such 3/100.



- (5) By a resolution, the audit committee shall appoint the person who will represent the audit committee. One or more personnel may represent the audit committee.
- (6) If, as a result of resignation or death of an outside director, there is a vacancy in the number of directors as provided in subsection 3 above, the requirements concerning such a vacancy shall be met at the first meeting of shareholders convened after such a cause of vacancy has occurred.

#### Article 37 (Duties of Audit Committee)

- (1) The audit committee shall audit the Company's accounting and general operations.
- (2) The audit committee may request the Board of Directors to convene a special meeting of shareholders in writing, stating the agenda to be dealt with at the meeting of shareholders and the reason for convening such a meeting of shareholders.
- (3) The audit committee may request the Company's subsidiary to make a report on its operations, if the audit committee deems it necessary to perform its duties. In such a case, if the subsidiary fails to immediately make such a report as requested or the audit committee deems it necessary to verify the content of the report made by the subsidiary, the audit committee shall have the right to inspect that subsidiary's operations and status of assets.
- (4) In electing an independent auditor, the audit committee shall approve such an independent auditor duly elected.
- (5) In addition to the matters in subsection 1 through 4 above, the audit committee shall deal with the matters delegated to it by the Board of Directors or set forth in laws.

#### Article 38 (Minutes of Audit)

The audit committee shall prepare minutes of audit with respect to the audit conducted by it. The minutes of audit shall be signed and sealed by or shall bear the signatures of, the audit committee members who have conducted such audit.

## **CHAPTER 7 ACCOUNTS**

#### Article 39 (Business Year)

The business year of the Company shall be from January 1 to December 31. But the

first business year of the Company shall be from the Company established date to December 31.

#### Article 40 (Preparation and Maintenance of Financial Statements and Business Report)

- (1) The representative director of the Company shall prepare and submit to auditors for audit the following documents (including consolidated financial statements, if applicable) and their supplementary schedules together with an business report, 6 weeks prior to the date set for the annual meeting of shareholders convened for the fiscal year to which such documents are related and, upon auditors' audit, shall submit the aforementioned documents and the business report to the annual meeting of shareholders:
  1. Balance Sheet
  2. Income Statement
  3. Other documents defined in the Act or Enforcement Decree of the Act, stating financial status and managerial performance of the Company
- (2) Audit committee shall submit an audit report to representative director at least by 1 week prior to the date set for such annual meeting of shareholders.
- (3) Representative director shall maintain the documents referred to in subsection 1 above and the audit report in the head office of the Company for 5 years and their copies in the branch office of the Company for 3 years respectively, starting from 1 week prior to the date set for the annual meeting of shareholders convened for the fiscal year to which such documents are related.
- (4) Upon approval of the annual meeting of shareholders with respect to the documents referred to in subsection 1 above, representative director shall promptly give public notice of the Company's balance sheet and independent auditor's report.

#### Article 41 (Disposition of Profit)

The Company shall dispose of the unappropriated retained earnings of each fiscal year in the following order of priority:

1. Legal reserve
2. Other statutory reserves
3. Dividends
4. Voluntary reserves
5. Others

#### Article 42 (Dividends)

- (1) Dividends may be paid in cash and shares.
- (2) If dividends are paid in shares and when the Company has issued more than two classes of shares, dividends may also be paid in any class of shares (including convertible share and redeemable share in Item 3 and 4 of Article 6) and by a resolution of a meeting of shareholders.
- (3) The dividends referred to in subsection 1 above shall be paid to the shareholders or pledgees whose names appear or are duly registered in the list of shareholders as of the end of each fiscal year.

#### Article 43 (Quarterly Dividends)

- (1) The Company may pay quarterly dividends under Article 165-12 of the Financial Investment Services and Capital Markets Act to its shareholders whose names appear in the list of shareholders as at the end of the 3rd, 6th and 9th months, respectively, of each fiscal year. Quarterly dividends shall be paid in cash.
- (2) Quarterly dividends referred to in subsection 1 above shall be paid by a resolution of the Board of Directors; provided, however, that such a resolution shall be made within 45 days from the record date in subsection 1 above.
- (3) Quarterly dividends shall be paid within the limit of not exceeding the amount of the net worth shown on the balance sheet as of the end of the immediately preceding period for the settlement of accounts less the amount of the following items:
  1. The amount of capital, as of the end of the immediately preceding period for the settlement of accounts
  2. The aggregate sum of the capital reserves and legal reserves appropriated up to the immediately preceding period for the settlement of accounts
  3. The amount appropriated for dividends by a resolution adopted at the annual meeting of shareholders convened for the immediately preceding period for the settlement of accounts
  4. The amount of voluntary reserves appropriated for specific purposes in accordance with the provisions of the Articles of Incorporation or by a resolution of the meeting of shareholders up to the immediately preceding period for the settlement of accounts
  5. The amount of legal reserves to be appropriated for the current period for the

settlement of accounts, as a result of such quarterly dividends and

6. The aggregate amount of quarterly dividends paid during the current fiscal year, if any.
- (4) If any new shares have been issued prior to the respective record dates specified in subsection 1 above following the commencement date of the current fiscal year (including as a result of capitalization of reserves, stock dividends, requests for conversion of convertible bonds to the capital stock and the exercise of warrant with respect to bonds with warrant), such new shares shall be deemed to have been issued at the end of the immediately preceding fiscal year with respect to quarterly dividends hereunder.

#### Article 44 (Statute of Limitation to the Claim for Dividends)

- (1) If a claim for dividends has not been exercised for five years, the statute of limitation applicable thereto shall expire.
- (2) The dividends with respect to which the statute of limitation has expired shall become vested in the Company.

#### Article 45 (Retirement of Share)

The Company may retire shares by a resolution of the Board of Directors, to the extent of not exceeding the amount of profit to be distributed to shareholders as dividends. The details shall be determined by a resolution of the Board of Directors in accordance with the relevant provisions of applicable laws.

## **CHAPTER 8 SUPPLEMENTARY REGULATION**

#### Article 46 (Application of Regulations)

The Company can make its regulation for company management by the approval of the Board of Directors.

#### Article 47 (Application of Commercial Law)

The matters not mentioned in these articles shall be subject to commercial laws and other regulations.



**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Dec. 30, 1999.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Jun. 13, 2000.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Aug. 11, 2000.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 26, 2002.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 30, 2005.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Apr. 28, 2005.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 23, 2007.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Jan. 11, 2008.

**SUPPLEMENTARY PROVISIONS**

**Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 31, 2009.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Nov. 12, 2009.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Dec. 9, 2009.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 26, 2010.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 30, 2010; provided, however, that provisions of Article 8-2, 13(1)1, 13(1)4, 14(1)1, 14(1)4, 17(3), 40(2), 43, and 45 hereof shall take effect on the date upon which company becomes a listed company if the Company issues new shares as a result of the exercise of stock options, pursuant to Article 542-3 of the Act as in Article 8(2)4, 8(2)5 and 8(2)6 hereof.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 25, 2011.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Apr. 15, 2012.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Mar. 28, 2014.

## **SUPPLEMENTARY PROVISIONS**

### **Article 1 (Date of Enforcement)**

These articles of incorporation shall take effect beginning Jun. 8, 2018.