

# Articles of Incorporation

March 24, 2017

Lotte Chemical Corporation

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# Articles of Incorporation of Lotte Chemical Corporation

Enactment 1976.03.08	Amendment 1996.03.08
Amendment 1976.06.15	Amendment 1997.03.07
Amendment 1976.09.06	Amendment 1998.03.20
Amendment 1976.10.12	Amendment 1999.03.19
Amendment 1977.02.24	Amendment 2000.03.17
Amendment 1977.05.24	Amendment 2002.03.15
Amendment 1978.02.02	Amendment 2005.03.18
Amendment 1979.12.20	Amendment 2009.03.20
Amendment 1985.02.28	Amendment 2010.03.19
Amendment 1986.08.14	Amendment 2012.03.23
Amendment 1987.08.14	Amendment 2012.12.13
Amendment 1988.03.18	Amendment 2013.03.22
Amendment 1989.11.15	Amendment 2016.03.18
Amendment 1990.03.27	Amendment 2017.03.24
Amendment 1991.03.22	

## Chapter 1 General Provisions

### Article 1 (Company Name)

This company is called LOTTE CHEMICAL CORPORATION.

<Amendment 2012.12.13>

### Article 2 (Purpose)

The purpose of this company is to carry out the following businesses. <Amendment 2016.03.18>

1. Manufacture and sale of chemical products, rubber products and plastic products and processed goods with the same materials or by products
2. Manufacture and sale of olefins, aromatics and their derivatives such as naphtha, petroleum and ethylene based on bio-mass
3. Manufacture and sale of petrochemical products based on olefins and aromatics
4. Manufacture, processing, and sale of fine chemical products
5. Refining of petroleum and sale of the same products and by products
6. Business for enriching the country with resources and developing and securing petroleum and natural gas resources
7. Joint investment business among member companies regarding the purpose business
8. Manufacture, processing and sale of synthetic fibers

9. Manufacture, processing and sale of polyester and nylon film
10. Manufacture, sale and export of high purity terephthalic acid, phthalic anhydride, phthalic acid plasticizer, isophthalic acid and other related products
11. Export of petroleum chemistry, chemical fiber raw materials, and chemical fiber plant, supply of related services, investment and financing business
12. Design and manufacture of manufacturing equipment and machines for synthetic fiber and petrochemical industry
13. Management, licensing, sale and related services of intangible assets such as knowledge, information, and technology and intellectual property rights that the company owns
14. Manufacture, processing and sale of products and facilities related to environment
15. Business related to installation and operation of supporting facilities such as electric and other "utility" facilities, maintenance center, tank terminal, port, cargo handling facility, etc.
16. Science technology research, technology development research service and mediation of technology information
17. Business related to process, maintenance, operation and other technical services of chemical plant
18. Export-import, agency, and distributor of foreign company
19. Supply to army and government
20. E-commerce and Internet-related business
21. Information processing and other computer operation-related business
22. Property leasing business
23. Food and lodging business
24. Manufacture and sale of products, electricity and other utilities produced incidentally in connection with the businesses of the above subparagraphs
25. Manufacture and sale of energy and water-resource related facility and products and supply of related services
26. Electric works
27. Environment-specialty construction and environmental facility operation management business
28. All businesses related to any of the above subparagraphs

#### Article 3 (Location)

- ① The Company has its head office in Seoul.
- ② The Company may have branches, local offices, offices, and local subsidiaries if necessary by resolution of the board of directors.

#### Article 4 (Method of Announcement)

The announcement of the company shall be posted on the company's Internet homepage (<http://www.lottechem.com>). However, if an announcement cannot be posted on the company's Internet homepage due to computer disability or other unavoidable reasons, it shall be posted in *The Korea Economic Daily* issued in Seoul. <Amendment 2013.3.22>

## Chapter 2 Stock

### Article 5 (Total Number of Shares to be Issued)

The total number of shares to be issued by the company shall be one hundred million shares.

### Article 6 (Amount of One Share)

The face value per share to be issued by the company shall be five thousand won.

### Article 7 (Types of Shares)

The shares to be issued by the company shall be registered ordinary shares and registered preferred shares.

### Article 8 (Number and Contents of Preference Share)

- ① The preference shares that the company will issue shall not have voting rights and the number of shares to be issued shall be within one fourth of the total number of issued shares. <Amendment 2016.03.18>
- ② The preference share shall be at least 1% a year based on the face value and the board of directors shall determine the preferred dividend rate at the time of issuance. <Amendment 2016.03.18>
- ③ Preference shares may be issued independently or in various combinations of participatory, non-participatory, cumulative or non-cumulative dividend preferential right shares. <New Addition 2016.03.18>
- ④ In the event that participatory preference shares are issued pursuant to Paragraph (3), if the dividend rate of ordinary shares exceeds that of preference share, the excess shall be participated at the same rate as the ordinary shares and distributed. <Amendment 2016.03.18>
- ⑤ In case of issuing preferential shares pursuant to Paragraph (3) and in a certain business year, if the prescribed dividend for the preferential shares fails to be paid, the accumulated dividend shall be distributed in the next business year's dividend distribution as a priority. <Amendment 2016.03.18>
- ⑥ If there is a resolution not to make a prescribed dividend for preference shares, it shall be deemed that they have voting rights from the next general meeting of the general meeting where the resolution is made to the end of the general meeting where the resolution that there shall be preferred dividend is made.
- ⑦ If the company conducts capital increase with consideration or free bonus issues, for the assignment of new shares for the preference shares, capital increase with consideration shall be in ordinary shares and free bonus issues shall be the same kind of shares.
- ⑧ The board of directors may set the life span of preference shares at the time of their issuance and when the life span is set, at the same time when this period expires, the preference shares are converted to ordinary shares. However, during this period, if the prescribed dividend is not paid, the period shall be extended until the prescribed dividend is complete. In this case, the provisions of Article 10-2 shall apply to the dividend of the profits on the shares issued due to the conversion. <Amendment 2016.03.18>



## Article 9 (Types of Share Certificate)

The types of share certificate that the company shall issue shall be eight types; one-share certificate, five-share certificate, ten-share certificate, fifty-share certificate, one-hundred share certificate, five-hundred share certificate, one thousand-share certificate, and ten thousand-share certificate.

## Article 10 (Issuance and Assignment of Shares)

① When the company issues new shares by resolution of the board of directors, the following methods shall be followed.

1. A method of granting a shareholder an opportunity to subscribe for new shares to assign new shares in accordance with the number of shares that the shareholder has shareholders
2. In order to achieve the management objectives of the company such as introduction of a new technology and improvement of financial structure within the scope of not exceeding 40/100 of the total number of issued shares, if necessary, it is a method of granting a specific party (including shareholders of this company) an opportunity to subscribe for new shares in a manner other than Subparagraph 1 to assign new shares.
3. Within the scope of not exceeding 50/100 of the total number of issued shares, this method grants unspecified people (including shareholders of the company) an opportunity to subscribe for new shares in a manner other than Subparagraph 1 and assigns new shares to those who subscribe according to this. <Amendment 2016.03.18>

② In case new shares are assigned in the manner set forth in Paragraph (1), Subparagraph 3, with the resolution of the board of directors, new shares shall be assigned in any of the following subparagraphs manners.

1. A method of assigning new shares to unspecified subscribers without classifying types of persons who will be given with the opportunity to subscribe for new shares
2. A method of assigning new shares to the members of employee stock ownership association in accordance with the relevant laws and granting unspecified people an opportunity to subscribe for new shares including the shares not subscribed
3. A method of granting the shareholders preferential opportunities to subscribe for new shares and if there are shares not subscribed, granting unspecified people opportunities to receive new shares
4. A method of giving an opportunity to subscribe for new shares to certain types of persons based on reasonable standards set by related laws such as demand forecasts prepared by an investment trader or an investment broker as an acceptor or a broker  
<Amendment 2016.03.18>

③ If new stocks are to be assigned pursuant to Paragraph (1) 2 and 3, the matters set forth in Article 416, Subparagraphs 1, 2, 2-2, 3 and 4 of the Commercial Act shall be notified or announced to the shareholders by two weeks before the payment deadline. However, the notification and announcement may be omitted by making a public announcement of the main item report to Financial Services Commission and Exchange in accordance with Article 165-9 of Laws on Capital Market and Financial Investment Industry. <New Addition 2016.03.18>

④ When new shares are issued in any method set forth in all Subparagraphs under Paragraph (1), the types and the number of shares to issue, the issue prices, etc. shall be determined by issuance price.

<New Addition 2016.03.18>

⑤ If the company assigns new shares, in the event that the subscription for new shares has not been done or there are shares of which the payments have not been received, the way to process these shall be determined by the board of directors in accordance with related laws on appropriateness of the price for issuance, etc. <New Addition 2016.03.18>

⑥ The way to handle shares whose value is less than 1 share arising from assigning new shares by the company shall be determined by resolution of the board of directors. <New Addition 2016.03.18>

⑦ When the company shall assign new shares in accordance with Paragraph (1) 1, the certificate of pre-emptive right shall be issued to the shareholders. <New Addition 2016.03.18>

#### Article 10-2 (Record Date of Dividend Payout of New Shares)

If the company issues new shares by capital increase with consideration, free bonus issues, and stock assignment, with regard to dividends of profits, it shall be deemed that they were issued at the end of the business year immediately preceding the business year to which the new share issue date belongs.

#### Article 10-3 (Delete 2016.03.18)

#### Article 10-4 (Stock Option)

① The company may grant stock options to the executives and employees (including the executives and employees of the affiliated company as defined in Article 30 of the Enforcement Decree of the Commercial Act. Hereinafter, it applies to this article) within the scope of 15/100<sup>th</sup> of the total number of issued shares by special resolution of the general meeting of shareholders. However, within the scope of 1/100<sup>th</sup> of the total number of issued shares, stock options may be granted to those who are not directors of the company by resolution of the board of directors. In the event that stock options are granted by resolution of the board of directors, the company should receive their approval by the general meeting of shareholders convened for the first time after the grant. Stock options granted by resolution of the general meeting of shareholders or the board of directors may be linked to the performance-based type which is linked to business performance goals or market index.

② Persons who are eligible to receive stock options shall be the persons who contribute or can contribute to the establishment, management, overseas sales or technology innovation of the company,

③ The shares to be issued upon the exercise of stock options (if the difference between the exercise price of the stock option and the real value is issued in cash or treasury stock, they refer to the stocks that become the basis for calculating the difference) shall be determined by a general meeting of shareholders or board of directors that grants the stock option in the stocks of Article 7.

④ The exercise price per share of the shares for exercising stock option shall be not less than the followings. The same shall apply when the exercise price is adjusted after the grant of stock options.

1. When new stocks are issued and distributed, the higher of the following prices
  - A. The actual value of the share based on the granting date of stock options

B. The face value of the corresponding share

2. In the case of transfer of treasury stock, the real value of the share based on the granting date of stock options

⑤ Stock options may be exercised within five years from the date when two years have passed from the date of the resolution referred to in Paragraph 1.

⑥ A person who is granted with the stock option may exercise his/her right only after more than 2 years of employment from the date of the resolution referred to in Paragraph 1. However, if the person granted with the stock option has died within two years from the resolution referred to in Paragraph 1 or has left or retired the company due to the reasons other than his or her own fault, regardless of the employment period, the stock option can be exercised during the exercise period set forth in Paragraph

⑦ The provisions of Article 10-2 shall apply to dividends of profits on new shares issued due to the exercise of stock option.

⑧ In any of the following subparagraphs, the grant of stock options may be cancelled by resolution of the board of directors.

1. If the executive/employee with stock options leaves the company or retires at his/her own discretion

2. If the executive/employee with stock options damages the company intentionally or negligently

3. If the company cannot respond to the exercise of stock options due to bankruptcy or dissolution

4. If other causes for cancellation defined in the contract on the grant of stock options occur

<New Addition 2016.03.18>

Article 11 (Delete)

Article 12 (Agent for Name Change)

① The company may appoint an agent for changing names.

② The agent for name change, his/her place of business handling, and the scope of agency service shall be determined by resolution of the board of directors.

<Amendment 2012.3.23>

③ The company's list of shareholders or its copy shall be displayed at the business handling place of the agent for name change and name change of stock, registration or cancellation of pledge, marking or termination of trust property, issuance of share certificate, reception of reporting, and other administrative work on stock shall be handled by agent for name change.

④ The procedure on handling of the business in Paragraph 3 shall comply with the regulations on agency of name change of securities of agent of name change.

Article 13 (Delete)

Article 14 (Registration of Address, Name, Seal or Signature, etc. of Shareholder, etc.)

① A shareholder and registered pledgee shall report the name, address, seal or signature to the agent for name change of Article 12.

② The shareholder and registered pledgee residing overseas shall designate and report a place for receiving notification and a proxy.

③ The same shall apply in the event of any change in Paragraphs (1) and (2).

#### Article 15 (Closure of the Shareholder's List and Fixed Date)

① The company shall suspend the registration change of the shareholder's list on the right from January 1 to January 31 of each year.

② The shareholders listed on the final shareholder's list as of December 31 of each year shall be the shareholders who will exercise their rights in the ordinary general meeting of shareholders for the fiscal year. <Amendment 2016.03.18>

③ If necessary including the convening of an extraordinary general meeting of shareholders, the company shall set a certain period not exceeding three months by resolution of the board of directors and suspend the content change of the shareholder's list on the rights or may make the shareholders listed in the shareholder's list as of the date set by resolution of the board of directors as the shareholders who can exercise their rights and if the board of directors deems it necessary, the suspension of the change of contents of the shareholder's list and the designation of the fixed date may be done at the same time. The company shall announce it two weeks in advance.

### Chapter 3 Corporate Bond

#### Article 16 (Issuance of Corporate Bond)

① The company may issue bonds by resolution of the board of directors.

② The board of directors shall determine the amounts and types of bonds and may entrust representative director with its execution for a period not exceeding a year.

<New addition of this article 2016.03.18>

#### Article 17 (Issuance of Convertible Bond)

① If the company falls under any of the following subparagraphs, the company may issue convertible bonds to a person other than a shareholder by resolution of the board of directors to the extent that the total face value of the bonds does not exceed 2 trillion won.

1. If necessary to achieve the management purposes of the company such as introduction of new technology and improvement of financial structure, in order to assign bonds to a specific person (including shareholders of the company) in a manner other than Article 10 (1) 1, when convertible bonds are issued in a manner to grant an opportunity to subscribe for the purchase of bonds

2. In the event that convertible bonds are issued in a way to grant unspecified people (including the shareholders of the company) with an opportunity to subscribe for the purchase of the bonds in the method other than that set forth in Article 10 (1) 1 and then, assign the bonds to the subscribers accordingly.

3. Pursuant to Article 165-16 of the Capital Market and Financial Investment Services, in the event that

convertible bonds are issued overseas

4. In the event that convertible bonds are issued to domestic and overseas financial institutions for the supply of urgent fund

5. In the event that convertible bonds are issued to attract foreign investment

<Amendment 2016.03.18>

② In the event of assigning bonds in the manner prescribed in Paragraph 1, Subparagraph 2, by resolution of the board of directors, bonds shall be assigned in one of the following methods.

1. The method of assigning bonds to unspecified subscribers without classifying types of persons who will be given with the opportunity to subscribe for the purchase of bonds

2. The method of granting shareholders with preferential opportunities to subscribe for the purchase of bonds and if there are unsubscribed bonds, granting unspecified people with an opportunity to receive bonds

3. The method of giving an opportunity to subscribe for purchase of bonds to a certain type of person based on reasonable standards set by related laws such as demand forecasts prepared by an investment trader or an investment broker as an acceptor or a broker

<New Addition 2016.03.18>

③ For the convertible bonds in Paragraph 1, with the resolution of the board of directors, they may be issued under the condition of granting the right of conversion only to part of them.

④ The shares issued due to conversion shall be ordinary shares or preference shares and the conversion price shall be the par value of the share or more and shall be determined by the board of directors at the issuance of the bonds.

⑤ The period for which conversion can be claimed shall be from the date of one month after the issuance of the applicable bonds until a day before the repayment deadline. However, the conversion claim period may be adjusted by resolution of the board of directors within the above period.

⑥ The provisions of Article 10-2 shall apply to the dividend of the profit for the shares issued due to conversion and the payment of interests for the convertible bonds.

#### Article 18 (Issuance of Corporate Bonds with Warrant)

① The company may issue bonds with warrants to non-shareholders by resolution of the board of directors, if applicable in any of the followings, within the scope of the face value of the bonds not exceeding 2 trillion won.

1. If necessary to achieve the management purposes of the company such as introduction of new technology and improvement of financial structure, in order to assign bonds to a specific person (including shareholders of the company) in a manner other than Article 10 (1) 1, when convertible bonds are issued in a manner to grant an opportunity to subscribe for the purchase of bonds

2. In the event that convertible bonds are issued in a way to grant unspecified people (including the shareholders of the company) with an opportunity to subscribe for the purchase of the bonds other than the method set forth in Article 10 (1) 1 and then, assign the bonds to the subscribers accordingly.

3. Pursuant to Article 165-16 of the Capital Market and Financial Investment Services, in the event that convertible bonds are issued overseas

4. In the event that convertible bonds are issued to domestic and overseas financial institutions for the supply of urgent fund

5. In the event that convertible bonds are issued to attract foreign investment

<Amendment 2016.03.18>

② In the event of assigning bonds in the manner prescribed in Paragraph 1, Subparagraph 2, by resolution of the board of directors, bonds shall be assigned in one of the following methods.

1. The method of assigning bonds to unspecified subscribers without classifying types of persons who will be given with the opportunity to subscribe for the purchase of bonds
2. The method of granting shareholders with preferential opportunities to subscribe for the purchase of bonds and if there are unsubscribed bonds, granting unspecified people with an opportunity to receive bonds
3. The method of giving an opportunity to subscribe for purchase of bonds to a certain type of person based on reasonable standards set by related laws such as demand forecasts prepared by an investment trader or an investment broker as an acceptor or a broker

<New Addition 2016.03.18>

③ The amount of claim for the pre-emptive right shall be determined by the board of directors within a scope not exceeding the total face value of the bonds.

④ The shares issued by the exercise of the pre-emptive right shall be common stock and the value at the issuance shall be the par value of the share or more and shall be determined by the board of directors at the issuance of the bonds.

⑤ The period for exercising the pre-emptive right shall be from the date one month after the issuance of the applicable bonds to a day before the repayment deadline. However, the period of the exercise of the pre-emptive right may be adjusted by resolution of the board of directors within the period above.

⑥ The provisions of Article 10-2 shall apply to the dividend of the profits for the shares issued by the exercise of pre-emptive right.

Article 18-2 (Applicable Regulations on Issuance of Corporate Bonds)

The provisions of Articles 12 and 14 shall apply in the case of issuance of bonds.

## Chapter 4 General Meeting of Shareholders

Article 19 (Convocation Period)

① The general meeting of shareholders of the company shall be ordinary general meeting of shareholders and extraordinary general meeting of shareholders.

② The ordinary general meeting of shareholders shall be convened within three months after the closing of each business year and the extraordinary general meeting of shareholders may be convened as necessary.

Article 20 (Convening Person)

- ① A general meeting of shareholders shall be convened by representative director by resolution of the board of directors except where there are other provisions in accordance with laws.
- ② In the case of an accident of representative director, the provision of Article 36 (2) shall apply. <Amendment 2016.03.18>

#### Article 21 (Convocation Notification and Announcement)

- ① In convening a general meeting of shareholders, the date, place, and meeting agendas shall be notified to the shareholders two weeks before the general meeting date in writing or via electronic document with each shareholder's consent. <Amendment 2016.03.18>
- ② For the convocation notice for the shareholders who own less than 1/100<sup>th</sup> of the total number of issued shares with the voting rights, the convening of a general meeting and the meeting agendas shall be announced in *Korea Economic Daily* and *Maeil Business News Korea* issued in Seoul more than twice, two weeks prior to the meeting or on the electronic notification system operated by Korea Exchange and these may substitute the convocation notice in writing.

#### Article 22 (Convocation Place)

The general meeting of shareholders shall be held in the city of the head office and if necessary, may be held in its neighboring area.

#### Article 23 (Chairperson)

- ① The representative director shall be the chairperson of the general meeting of shareholders.
- ② The provisions of Article 36 (2) shall apply to the case of accident of the representative director. <Amendment 2016.03.18>

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

The chairperson of the general meeting of shareholders may order a person who speaks or behaves in the general meeting of shareholders for the purpose of interfering with the proceeding of the meeting intentionally or disturbs the order strikingly to stop the speech or to exit the room.

#### Article 25 (Voting Right of Shareholder)

For the voting right of shareholder, one is limited to one share.

#### Article 26 (Limitation of the Voting Right on Mutual Shares)

If the company, its parent company, or its subsidiary has shares of other company in excess of 1/10<sup>th</sup> of the total number of issued shares of the other company, the shares of the company held by such other company shall not have voting rights.

#### Article 27 (Exercise of Voting Right in Disunity)

- ① If a shareholder who has more than two voting rights intends to exercise the voting rights

in disunity, its intention and reasons shall be notified in writing or in electronic document to the company three days prior to the meeting.

<Amendment 2016.03.18>

- ② The company may refuse the shareholder's exercise of voting rights in disunity. However, this shall not apply if the shareholder has acquired the trust of the share or holds the shares for others.

#### Article 28 (Proxy Exercise of Voting Right)

- ① A shareholder may have his/her proxy exercise his/her voting right.
- ② The proxy in Paragraph (1) shall submit a written document (power of attorney) that certifies the power of attorney prior to the opening of the general meeting of shareholders. <Amendment 2016.03.18>

#### Article 29 (Resolution Method of General Meeting of Shareholders)

Resolutions of general meeting of shareholders shall be made by a majority of the voting rights of the shareholders present and a quarter or more of the total number of issued shares, except where otherwise regulated by the laws.

#### Article 30 (Minutes of General Meeting of Shareholders)

The proceedings and the results of the general meeting of shareholders shall be written in the minutes and it shall be stamped with the names or signed by the chairperson and the attending directors and be displayed in the head office and branches.

## Chapter 5 Director·Board of Directors·Committee

#### Article 31 (Number of Directors)

- ① The number of directors of this company shall be more than 3 and less than 9. <Amendment 2016.03.18>
- ② The number of outside directors of this company shall be more than 3, and shall constitute a majority of the total number of directors. <New addition 2016.03.18>

#### Article 32 (Appointment of Director)

- ① Directors shall be appointed by the general meeting of shareholders.  
However, outside directors shall be appointed among the nominees recommended by nominating committee for outside directors.
- ② The appointment of directors shall be made by a majority of the voting rights of the attending shareholders and by more than 1/4<sup>th</sup> of the total number of issued shares except where otherwise specified in the relevant laws and regulations.



- ③ In appointing more than two directors, the concentrated voting system prescribed in Article 382.2 of the Commercial Act shall not apply.

#### Article 33 (Term of Director)

The term of directors shall be until the end of the ordinary general meeting of shareholders on the final fiscal year within 2 years from the inauguration.

<Amendment 2012.3.23>

#### Article 34 (By-Election of Director)

① When a director's position is vacated, the position is appointed at the general meeting of shareholders. However, this is not the case if the number of directors is not under the quota specified in Article 31 and does not have any obstacle in the performance of the duties.

<Amendment 2016.03.18>

② The term of the director appointed by by-election shall be the remaining term of the predecessor.

③ If the quota specified in Article 31 of the articles of incorporation is not met due to reasons such as resignation or death of outside directors, in the general meeting of shareholders convened for the first time after the occurrence of the reason, the conditions should be met. <New Addition 2016.03.18>

#### Article 35 (Appointment of Representative Director)

The company may appoint representative director by resolution of the board of directors.

#### Article 36 (Duties of Director)

① The representative director shall represent the company and oversees the business and directors shall assist representative director. <Amendment 2016.03.18>

② In the event of the absence of the representative director, a director appointed by the board of directors shall act on behalf of the representative director and execute the duties. <Amendment 2016.03.18>

#### Article 36-2 (Director's Reporting Duty)

If a director finds any fact that may cause significant damage to the company, the director shall report it to the audit committee immediately.

#### Article 37 (Reduction of Director's and Auditor's Responsibility for the Company)

① With the special resolution of the general meeting of shareholders (with the number of two-thirds or more of the voting rights of the shareholders present and the number of one-third or more of the total number of issued shares), for the acts responsible pursuant to Article 399 of the Commercial Act of Directors or Auditors, the amount exceeding six times (three times in the case of outside directors) of the last one-year salary (including profits, etc. due to bonus) before the day of the responsible act may be exempt.

② If the director or the auditor causes damages intentionally or with significant faults and a director falls under Article 397 (Prohibition of outside work), Article 397-2 (Prohibition of Use of Company Opportunity) and Article 398 (Prohibition of Self-Dealing) of the Commercial Act, the provision of Paragraph 1 shall not apply.

<New Addition 2016.03.18>

#### Article 38 (Composition and Convening of the Board of Directors)

① The board of directors shall consist of directors and resolve important matters of the company.

② The representative director (or if there is a director appointed by the board of directors, the director) shall notify the meeting to each director by the day before the meeting and convene the board of directors. However, when there is a consent from all directors, the convening procedure may be omitted.

<Amendment 2016.03.18>

③ The chairperson of the board of directors shall be the party to convene the board of directors pursuant to Paragraph 2.

#### Article 39 (Committee)

① With the resolution of board of directors, the company may set up the committees of the following Subparagraphs within the board of director. <Amendment 2016.03.18>

1. (Deleted on March 18, 2006)
2. Audit Committee,
3. Nominating Committee for Outside Director
4. Committee of Transparent Management <New Addition 2016.03.18>
5. Other committee deemed necessary by the board of directors

② The composition, authority, operation, etc. of each committee shall be determined by resolution of the board of directors except the cases where they are specified by other laws and regulations.

<Amendment 2016.03.18>

③ The provisions of Article 38 and Articles 40 – 42 shall apply to the committee. <Amendment 2016.03.18>

#### Article 39-1 (Delete 2016.03.18)

#### Article 39-2 (Delete 2016.03.18).

#### Article 39-3 (Nominating Committee of Outside Director)

① By resolution of the board of directors, the nominating committee for outside director can be established pursuant to Article 39 (1). <Amendment 2016.03.18>

② The details of the composition and operation of the nominating committee for outside director shall be determined by the board of directors.

#### Article 40 (Entrust)

Except as otherwise specified by statutes or articles of incorporation, any decision to be taken by the board of directors may be entrusted to the representative director and the committee by resolution of the board of directors.

#### Article 41 (Resolution Method of the Board of Directors)

- ① The resolution of the board of directors shall be made by a majority of the directors and the majority of the directors present. However, resolutions of the board of directors on matters falling under Article 397-2, 398, and 415-2 (3) of the Commercial Act shall be made by more than two-thirds of the directors. <Amendment 2016.03.18>
- ② The board of directors may allow all or part of directors not to attend the meeting directly but allow all directors to participate in resolutions via communication means that transmit and receive voices simultaneously. In this case, the applicable directors shall be deemed directly present. <New Addition 2016.03.18>
- ③ Any person who has a special interest in the resolution of the board of directors shall not exercise the voting right. In this case, the applicable directors shall not be included in the number of present directors.

#### Article 42 (Minutes of Board of Directors)

- ① Minutes shall be prepared with regard to the proceeding of the board of directors.
- ② The minutes shall state agenda of the proceeding, procedures, results, objectors and reasons for the objection and the directors present shall stamp it with name or sign it.

#### Article 43 (Remuneration and Severance Pay of Director)

- ① Remunerations of directors shall be determined by resolution of the general meeting of shareholders.
- ② The payment of the severance pay for directors shall be subject to the provisions for severance pay for executives by resolution of the general meeting of shareholders.

#### Article 44 (Delete)

## Chapter 6 Audit Committee

#### Article 45 (Composition of Audit Committee)

- ① The company shall have the audit committee pursuant to Article 39 in place of the auditor.
- ② The audit committee shall consist of three or more directors.
- ③ More than two-thirds of the committee members shall be outside directors and the members not outside directors shall meet the requirements set forth in Article 542-10 (2) of the Commercial Act.
- ④ Shareholders who hold more than 3/100s of the total number of issued shares with the voting rights shall not exercise the voting rights for the exceeding shares in appointing members of the audit

committee who are outside directors.

⑤ In appointing or dismissing members of the audit committee who are not outside directors, with regard to the shares of the largest shareholder, his/her specially related person, a shareholder who will hold shares by the calculation of the largest shareholder or his/her specially related person, and the shares with the voting rights of a person who delegated the voting rights to the largest shareholder or his/her specially related person, if the total shares with voting rights exceeds 3/100<sup>th</sup> of the total number of issued shares with voting rights, the shareholders shall not exercise the voting rights for the exceeding amount of shares.

⑥ The audit committee shall select the representative person of the committee by resolution. In this case the chairperson of the committee shall be an outside director.

<New Addition of This Article 2016.03.18>

#### Article 46 (Duties of the Audit Committee)

① Audit committee shall audit the accounting and the business of the company

② If necessary, the audit committee may request the convening of the board of directors by submitting a written document stating purposes of the meeting and reasons for its convening to the representative director.

③ While the request in Paragraph (2) is made, if the representative director does not convene the board of directors without delay, the requesting audit committee may convene the board of directors.

④ The audit committee may request the convening of the general meeting of shareholders by submitting a written document stating purposes of the meeting and reasons for its convening to the board of directors.

⑤ The audit committee may demand the subsidiary for the reporting of the sales, if necessary for conducting the duties. In this case, when the subsidiary does not report promptly or there is a need to verify the contents of the report, the committee may investigate the business and the asset status of the subsidiary.

⑥ The audit committee shall approve the appointment of an outside auditor.

⑦ The audit committee shall deal with matters that the board of director delegates other than Paragraphs 1-6.

⑧ The board of directors cannot resolve the resolution of the audit committee again.

⑨ The audit committee may acquire professional help with the expense of the company.

<New Addition of This Article 2016.03.18>

#### Article 47 (Audit Report)

The audit committee makes an audit report on the audit and the audit report should include the execution proceedings of the audit and the results and the audit committee member who conducted the audit should stamp it with the name or sign it.

<New Addition of This Article 2016.03.18>

## Chapter 7 Calculation

### Article 48 (Business Year)

The business year of the company shall be from January 1 to December 31 of each year.

### Article 49 (Preparation and Display of Financial Statements and Sales Report, etc.)

- ① The representative director of the company shall, before six weeks before the ordinary general meeting of shareholders, prepare the following documents, the appendix statements and sales reports and have them audited and submit the following documents and the sales report to the ordinary general meeting of shareholders.

1. Balance sheet
2. Income statement
3. Consolidated financial statements <New 2012.3.23>
4. Documents stipulated by the Enforcement Decree of the Commercial Act as indicating the financial status and business performance of the Company  
<Amendment 2012.3.23>

② The audit committee shall submit an audit report to the representative director no later than one week before the ordinary general meeting of shareholders.

③ Notwithstanding Paragraph 1, if the company meets all requirements of the following subparagraphs, by the resolution of at least two-thirds of the directors, this can be approved.

1. When there is an outside auditor's opinion that each document of Paragraph 1 is properly indicating the company's financial status and management performance pursuant to the laws and articles of incorporations
2. When all members of the audit committee agree  
<New Addition 2016.03.18>

④ If the board of directors gives an approval pursuant to Paragraph 3, the representative director shall report the content of each document of Paragraph 1 to the general meeting of shareholders. <New Addition 2016.03.18>

⑤ The representative director shall display the documents of each Subparagraph of Paragraph 1 and their appendix statements together with sales reports and audit report for five years at the head office and for three years at branches from a week before the ordinary general meeting of shareholders.

⑥ When the representative director obtains the approval of the documents of each Subparagraph of Paragraph 1 from the general meeting of shareholders or the approval by Paragraph 3 from the board of directors, the representative director shall announce the balance sheet and the outside auditor's audit opinion without delay.

<Amendment 2016.03.18>

#### Article 49-2 (Appointment of Outside Auditor)

An outside auditor shall be appointed after its approval by Auditor Selection Committee in accordance with the regulations of laws on the outside inspection of corporation, and then, the fact shall be reported to the firstly convened ordinary general meeting of shareholders or notified via writing or electronic documents to the shareholders as of the latest shareholder's list closing date or posted on the company's Internet homepage.

<Amendment 2012.3.23>

#### Article 50 (Dividend of Profit)

The company shall dispose of retained earnings before disposal at the end of each business year.

1. Profit reserves
2. Other legal reserves
3. Dividends
4. Optional reserves
5. Other appropriated retained earnings

#### Article 51 (Dividend of Profit)

① Dividend of profit may be done in money, stocks and other properties. However, dividends by share shall not exceed the amount equivalent to 1/2 of the total amount of profit dividend.

② In case the dividend of the profit is paid in stock, the company may issue shares of a different kind by resolution of the general meeting of shareholders when the company has issued a number of shares.

③ The dividends under Paragraph (1) shall be paid to the shareholders listed in the shareholder's list or registered pledgees as of the end of each fiscal period.

#### Article 51-2 (Interim Dividend)

① The company may pay interim dividend to the shareholders as of 0 o'clock, July 1 pursuant to Article 462-3 of the commercial act.

② The interim dividend of Paragraph 1 shall be done by resolution of the board of directors, but the resolution shall be made within 45 days after the fixed date of Paragraph 1.

③ The interim dividend shall be limited to the amount subtracting the amounts under the following sections from the net asset value on the balance sheet of the immediately preceding fiscal year.

1. Amount of capital of the immediately preceding settlement period
2. Total amount of the capital reserves and the profit reserves accumulated until the immediately preceding settlement period
3. Unrealized profits determined by the Enforcement Decree of the commercial act
4. The amount set for profit dividend at the ordinary general meeting of shareholders of the immediately preceding settlement period
5. Voluntary reserve accumulated for a specific purpose in accordance with regulations of the articles of incorporation or resolution of the general meeting of shareholders until the immediately preceding

settlement period

6. Profit reserves to be accumulated in the relevant fiscal year according to the interim dividend

④ In the event that new shares are issued before the fixed date of the Paragraph 1 after the start date of the business year (including the cases of capitalization of reserve, dividend of stock, conversion request of the convertible bonds, and exercise of the preemptive right of the bonds with warrant), for the interim dividend, the new shares of the applicable year shall be deemed to be issued at the end of immediately preceding business year.

<New Addition of This Article 2016.03.18>

Article 52 (Extinction of Dividend Payment Claim Right)

① The claim right of the dividend payment shall expire if it is not exercised for 5 years.

② The dividends resulting from the completion of extinctive prescription of Paragraph 1 shall belong to the company.

### Supplementary Provisions (1991.03.22)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 22, 1991.

### Supplementary Provisions (1996.03.08)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 8, 1996.

However, the amended regulations of Articles 10-2, 14, 29, 32, 35-2, 36, 37, 40 and 46 shall be effective as of October 1, 1996.

Article 2 (Example of Application of Issuance of Bonds with Warrants for Convertible Bonds)

The amended provisions of Article 16 and Article 17 shall apply from the effective date of the articles of incorporation.

### Supplementary Provisions (1997.03.07)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 7, 1997.

### Supplementary Provisions (1998.03.20)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 20, 1998.

Supplementary Provisions (1999.03.19 )

Article 1 (Effective Date) This articles of incorporations shall be effective from March 19, 1999.

Supplementary Provisions (2000.03.17)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 17, 2000.

Supplementary Provisions (2002.03.15)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 15, 2002.

Supplementary Provisions (2005.03.18)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 18, 2005.

Supplementary Provisions (2009.03.20)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 20, 2009.

Supplementary Provisions (2010.03.19)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 19, 2010.

Article 2 (Scope of Application) The term of the director appointed before the amendment of the articles of incorporation shall be subject to the articles of incorporation before the amendment.



Supplementary Provisions (2012.03.23)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 23, 2012. However, the amendment of Article 44 shall be effective as of April 15, 2012.

Supplementary Provisions (2012.12.13)

Article 1 (Effective Date) This articles of incorporations shall be effective from December 27, 2012.

Supplementary Provisions (2013.03.22)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 22, 2013.

Supplementary Provisions (2016.03.18)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 18, 2016.

Supplementary Provisions (2017.03.24)

Article 1 (Effective Date) This articles of incorporations shall be effective from March 24, 2017.