

Regulations Concerning Performance and Compensation

Chapter 1 General Provisions

Article 1 (Purpose)

The purpose of the regulations is to stipulate general matters concerning performance and compensation for the purpose of clear and appropriate compensation on the basis of accurate performance measurement.

Article 3 (Definition of terms)

The definitions of terms used in these regulations shall be as follows:

1. The term, “management accounting” means the accounting disposal method to measure the unit Department’s profit-and-loss results in accordance with internal measurement criteria.
2. The term, “real profit-and-loss” means the profit-and-loss calculated by assigning the business results by financial accounts to subsidiary Departments according to cause-and-effect relations and management of profits and expenses.

Article 3 (Scope of Application)

The regulations are applicable to all accounting units subject to performance measurement. Those matters not regulated in the regulations shall follow relevant regulation, guidelines or manuals.

Chapter 2 Performance Measurement

Article 4 (Department in charge)

1. Performance measurement shall be implemented by the Department in charge of management accounts for the unit of Sales Department of the Head Office and Branch Offices (Hereinafter referred to as “Sales Department”). The Department in charge shall make an effort to accomplish correct performance measurement in accordance with general criteria related to performance measurement.
2. The Department in charge of management accounts shall share evaluated performance with relevant Departments and corresponding Sales Departments for mutual confirmation to reduce some errors caused in the process of calculation. It can also ask relevant Departments for necessary documents to ensure the accuracy of the performance measurement.

3. The Chief of Planning Division can compose a Cooperative Committee of relevant Departments to improve and address the problems that may occur in the criteria of performance measurement, measuring method and procedure, and measurement result.

Article 5 (Management of Performance Measurement)

1. The Department in charge of Sales Branches shall confirm the suitability of profit and expenses in relation to performance measurement, reflect that into financial accounting, and accurately manage the details of profit-and-loss adjustment between Sales Branches or between Sales Department and supporting Departments.
2. Performance measurement of the Head Office's Sales Department shall confirm and examine whether or not the profit-and-loss reflected in the financial statements is the same as the profit-and-loss data of the Head Office's Sales Division in the Settlement Division, and shall manage the details of profit-and-loss adjustment between Sales Branches or between Sales Department and supporting Departments.

Article 6 (Criteria of Performance Measurement)

1. Matters concerning the criteria to establish reasonable performance target shall be determined at the time of the production of the annual Business Plan.
2. The profit and loss shall be recognized at the time they occur and shall be reflected to actual the results of the Department concerned, but the evaluation of final performance shall reflect the shared risk.
3. In disposal of profit and damage, variable profit and loss of real property value shall be recognized, and adjustment for profit and loss per the Department and capital costs shall revert to the real Department.
4. Distribution of cost shall be assigned to the Department which actually used the cost, but in case the cost can be evidently divided, the amount shall be shared by the Department and Branch Offices that used them. However, in case the cost cannot be divided, it shall be distributed by the criteria of distribution decided in advance.
5. The criteria of performance measurement can be applied differently according to Overseas and Domestic sales environment or through consultation with the corresponding Sales Department. However, details concerning criteria of recognizing profit and loss per composition item and measuring frequency in each fiscal year shall be implemented by that additional manual approved by the G.D.
6. In the case where the transaction takes long time in recognizing the result of performance measurement and where the results per each term are variable, it shall be measured by distributing the recognized profit and loss through the expiration date from the issuance

time.

Article 7 (Method of Measuring Performance and its Procedure)

The Performance Measurement shall be implemented through the following procedure:

1. P/L profit and loss

The profit and loss shall be judged based on the amount after deducting profit and expenses reverted to each Sales Department from the net income of the financial statement.

2. Real profit and loss before deducting common expenses

Real profit and loss shall be made after adjusting profit-and-loss considering opportunity cost (Office rental fee, capital cost), common profit per Sales Department and admission of contribution.

3. Real profit and loss after deducting common expenses

After reverting to the Company the direct profit and cost that occurred in the process of sales activities per each sector (direct profit, replacement for direct cost, adjusted profit and loss), the expenses required in the Company's business activities, selling expenses and management expenses spent for supporting Divisions, and opportunity cost for key money, which are hard to be distributed directly, shall be deducted at the appropriate rate and calculated to final real profit and loss.

4. The Chief of Planning Division shall have a right to implement a mediation process concerning general issues and distribution of profit and loss.

Article 8 (Report of the Results)

1. The Department in charge of Management Accounts shall, after completing the profit-and-damage of financial accounting, calculate the real profit and loss for the Sales Department; prepare the data for regular performance compensation and report to the Planning Department.

2. The Chief of Planning Division shall report the result of measurement to the G.D. and shall examine the suitability of performance measurement once or more each year.

Article 9 (Measurement System for Performance)

1. The Planning Department shall examine the system regularly and establish an evaluation procedure so that the measurement system for performance can be operated reasonably and appropriately.
2. Verification process for measurement of the result of performance shall be implemented through complete work Division and mutual communication and confirmation per the corresponding Department related to performance measurement and.

3. The Chief of Planning Division shall prepare a risk-centered measuring method of performance and criteria through consultation with relevant Department and corresponding Sales Department, in cases where there is demand for a measuring method and criteria for each level of performance measurement or where there is the necessity for a proposed criterion of performance measurement concerning new project.

Chapter 3 Compensation System

Article 10 (Department-In-Charge)

1. The Planning Department is responsible for all duties related to compensation by these regulations, and is engaged in establishing, revising or generating in-depth criteria of compensation.
2. The Planning Department can request the Department Head of the corresponding Sales Department all necessary documents related to re-measurement or measurement of performance, if necessary, for an objective and reasonable compensation system.

Article 11 (Criteria of Compensation)

1. The Planning Department shall calculate the compensation rate on the basis of the compensation considering the risk given according to equality and operation for performance compensation for the same job duty inside or outside the Company, and implement it after receiving an approval of the G.D.
2. Compensation rate shall be applied to the same criteria in principle, but may be differently applied according to sales environment or characteristics, degree of sales effectiveness, and market maturity.
3. The criteria of compensation shall follow a unit of profit-and-loss accumulation in management accounting. Provided, that it can be differently applied under the compensation system (incentive pay system).
4. When establishing or revising the criteria of compensation, the Planning Department shall receive an approval of the G.D.

Article 12 (Payment of Performance Compensation)

1. Performance compensation shall be paid on the 25th day of the following month from the end of every quarter, and in cases of off day or settlement term, the Company may adjust the payment day.
2. In the case where the Company judged the result of performance measurement deficient, it can reserve the total or partial amount of compensation.

Article 13 (Reflection of the Result for Performance Measurement)

The result for performance measurement by Article 6 to Article 9 shall be reflected in the performance compensation by the criteria of compensation of Article 11, but may follow others if there is another way stipulated differently reflecting the results of performance measurement.

Article 14 (Improvement of Compensation System)

The reporting procedure related to performance compensation shall follow the regulation of commission and arbitrary decision. If there is a demand for improvement of compensation system of Sales Department or relevant Department, the Company can improve it in terms of Article 11.