



# PharmaEngine, Inc.

## Audit Committee Charter

Amended and approved by the Board of Directors on November 2, 2020

### **Article 1 Basis for Adoption of the Charter**

This Charter is adopted pursuant to Article 3 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.

### **Article 2 Scope of the Application**

Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by this Company when the Audit Committee (“the Committee”) exercises its powers shall be handled in accordance with this Charter.

### **Article 3 Supervisory matters**

The main function of the Audit Committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring (and dismissal), independence, and performance of certificated public accountants of the Company.
3. The effective implementation of the internal control system of the Company.
4. Compliance with relevant laws and regulations by the Company.
5. Management of the existing or potential risks of the Company.

### **Article 4 The composition of the committee**

The Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The independent director members of the Committee shall serve a 3-year term, and may be re-elected to further terms. When the number of the independent director members on the Committee falls below that prescribed in the preceding paragraph or in the articles of incorporation due to an independent director’s dismissal for any reason, a by-election shall be held at the next shareholders meeting to fill the vacancy. When all the independent directors are dismissed, a special shareholders meeting shall be called within 60 days from the date of the occurrence to hold a by-election to fill the vacancies.

### **Article 5 The exercise of powers by the Audit Committee and independent directors**

Powers conferred by the Securities and Exchange Act, the Company Act, and any other law to be exercised by supervisors, excepting those set forth in Article 14-4, paragraph 4 of the Securities and Exchange Act, shall be exercised by the Committee.



The provisions of Article 14-4, paragraph 4 of the Securities and Exchange Act, regarding the Company Act as concerns the actions of supervisors or their role as representatives of a company, apply mutatis mutandis to the independent director members of the Committee.

#### **Article 6 The contents of powers**

The powers of the Committee are as follow:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
  2. Assessment of the effectiveness of the internal control system.
  3. The adoption or amendment, in accordance with Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
  4. A matter involving the personal interest of a director.
  5. A material asset or derivatives transaction.
  6. A material monetary loan, endorsement, or provision of guarantee.
  7. The offering, issuance, or private placement of any equity-type securities.
  8. The hiring, discharge, or compensation of a certified public accountant.
  9. The appointment or discharge of a financial, accounting, or internal auditing officer.
  10. Annual financial reports signed or sealed by the chairperson, a manager or an accounting chief, and financial reports audited and attested by a certified public accountant.
  11. Business report
  12. Other material matters specified by the Company or the competent authority.
- The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.

Any matter in the paragraph 1, with the exception of subparagraph 10, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire board of directors. "The entire membership," as used herein, shall be counted as the number of members actually in office at the given time.

The convener of the Committee shall represent the Committee to the public.

#### **Article 7 The convening of meetings**

The Committee shall convene at least once quarterly, and may call a meeting at its discretion whenever necessary.

In calling a meeting of the Committee, a notice of the reasons for convening the meeting shall be given to each independent director member at least 7 days in



advance. In emergency circumstances, however, the meeting may be convened on shorter notice.

A member of the Committee shall be elected as the convener and meeting chairperson by and from the entire membership of the Committee. When the convener is on leave or unable to convene a meeting for any reason, the convener shall appoint another independent director member on the Committee as the acting convener; if the convener does not make such an appointment, one independent director member of the Committee shall be elected by and from the other independent director members of the Committee to serve as the convener.

The Committee may request managers of relevant departments, internal audit officers, certified public accountants, legal consultants, or other personnel of the Company to attend the meeting as non-voting participants and to provide relevant and necessary information.

When the Committee calls a meeting, it shall furnish the members of the Committee present at the meeting with relevant materials for reference as necessary.

#### **Article 8 The attendance and method of resolution**

When a meeting of the Committee is held, an attendance book shall be made available for sign-in by the independent director members in attendance for reference.

Independent director members shall attend meetings of the Committee in person; if an independent director member is unable to attend in person, the independent director member may appoint another independent director member as proxy to attend the meeting. Attendance via video conferences is deemed as attendance in person.

A member of the Committee that appoints another independent director member as proxy to attend a meeting of the Committee shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda.

Resolutions at meetings of the Committee shall be adopted with the consent of one half or more of the entire membership. The result of the vote shall be made known immediately and recorded in writing.

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two thirds or more of the entire board of directors. Nevertheless, a written opinion indicating approval or disapproval shall be obtained from each independent director member with respect to the matters under Article 6, paragraph 1, subparagraph 10. The proxy, as stated in Paragraph 2, may only be entrusted by one person.

#### **Article 9 Meeting minutes**

Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:



1. The session, time, and place of the meeting.
2. The name of the meeting chairperson.
3. Attendance of independent director members, including the name and the number of members present, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: For each proposal, the method of resolution and the result, a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting, and any objections or reservations expressed.
8. Extraordinary motions: The name of the mover; the method of resolution and the result for each motion; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting, and any objections or reservations expressed.
9. Other matters required to be recorded.

The attendance book constitutes part of the minutes for each meeting of the Committee and shall be preserved permanently.

The minutes must be signed or stamped by the meeting chairperson and the minute taker, and shall be distributed to each independent director member within 20 days after the meeting. They shall also be included in the important files of the Company and be properly preserved throughout the life of the Company.

The preparation and distribution of the minutes referred to in Paragraph 1 may be done electronically.

#### **Article 10 Meeting agenda**

The Committee's meeting agenda shall be drafted by the convener. Other members may submit motions to the Committee for discussion.

#### **Article 11 Recusal from meetings**

An independent director member of the Committee shall explain the material aspects of the interest he or she has when he or she is an interested party with respect to a given agenda item. When such a relationship is likely to prejudice the interests of the Company, the director shall not participate in the discussion and voting and shall recuse himself or herself therefrom. Also, they shall not exercise the voting right for and on behalf of another independent director member.

Where the spouse or a blood relative within the second degree of kinship of an independent director has interests in the matters under discussion in the meeting of the preceding paragraph, such independent director shall be deemed to have a personal interest in the matter.

If, for the reason stated in the first paragraph, an agenda item cannot be resolved at a meeting of the Committee, it shall be reported to the board of directors to make



resolution.

**Article 12 The appointment of experts**

The Committee may resolve to retain the service of an attorney, a certified public accountant, or other professionals to conduct a necessary audit or to provide advice with respect to matters in connection with Article 6. The costs of their services shall be borne by the Company.

**Article 13 The obligations of committee members**

The Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed in this Charter; they shall be accountable to the Board of Directors and shall submit their proposals to be resolved by the Board.

**Article 14 Periodic review**

The Committee shall conduct periodic reviews of matters relating to this Charter and present the results for amendment by the Board of Directors.

The execution of tasks relating to matters resolved by the Committee may be delegated to the convener or other Committee members for follow-up and handling, with a written or verbal report to be presented to the Committee during the implementation period. When necessary, they shall submit it for ratification, or report it, to the Committee at the subsequent meeting.

**Article 15 Enforcement**

The Charter shall come into effect upon approval by the Board of Directors, and when amended, shall be reviewed by the Audit Committee before being submitted to the Board of Directors for approval and implemented.

The Charter was adopted on June 27, 2016.

The first amendment was made on December 26, 2019.

The second amendment was made on November 2, 2020.