COMMERCIAL ACT

Act No. 1000, Jan. 20, 1962
Amended by Act No. 1212, Dec. 12, 1962
Act No. 3724, Apr. 10, 1984
Act No. 4372, May 31, 1991
Act No. 4470, Dec. 31, 1991
Act No. 4796, Dec. 22, 1994
Act No. 5053, Dec. 29, 1995
Act No. 5591, Dec. 28, 1998
Act No. 5809, Feb. 5, 1999
Act No. 6086, Dec. 31, 1999
Act No. 6488, Jul. 24, 2001
Act No. 6545, Dec. 29, 2001
Act No. 8582, Aug. 3, 2007
Act No. 8581, Aug. 3, 2007
Act No. 9362, Jan. 30, 2009
Act No. 9416, Feb. 6, 2009
Act No. 9746, May 28, 2009
Act No. 10281, May 14, 2010
Act No. 10366, jun. 10, 2010

PART I GENERAL PROVISIONS

CHAPTER I COMMON PROVISIONS

Article 1 (Applicable Rules to Commercial Matters)

Where this Act does not provide for a particular commercial matter, commercial customary law shall apply; and if no such law exists, the Civil Act shall apply.

Article 2 (Commercial Activities of Public Corporations)

Except as otherwise provided for in any Acts and subordinate statutes, this Act shall apply to commercial activities of a public corporation.

Article 3 (Unilateral Commercial Activities)

If an act of a party, among all related parties, is considered a commercial activity, this Act shall apply to all such parties involved.

CHAPTER II MERCHANTS

Article 4 (Merchant-by Nature of Business)

Any person who carries out commercial activities in his/her own name is called a merchant.

Article 5 (Merchant-by Legal Construction)

(1) Any person who engages in a business in the same manner as a merchant through a store or similar facility shall be deemed to be a merchant, even if he/she does not carry out commercial activities.

(2) The provisions of paragraph (1) shall also apply to a company even if it does not carry out commercial activities.

Article 6 (Business of Incompetent Persons and Registration thereof)

When a minor or quasi-incompetent person engages in a business upon the permission of his/her legal representative, registration thereof shall be required.

Article 7 (Incompetent Persons and Members with Unlimited Liability)

When a minor or quasi-incompetent person has become an unlimited liability member of a company upon the permission of his/her legal representative, he/she shall be deemed to have full legal capacity in respect of acts done in the capacity of such member.

Article 8 (Representation of Business by Legal Representatives)

(1) If a legal representative engages in any business on behalf of a minor, quasi-incompetent or incompetent person, registration thereof shall be required.

(2) No restriction on the rights of representation of a legal representative shall be asserted against a third party acting in good faith.

Article 9 (Petty Merchants)

Provisions relating to managers, trade names, trade books, and commercial registration shall not apply to petty merchants.

CHAPTER III COMMERCIAL EMPLOYEES

Article 10 (Appointment of Managers)

A merchant may appoint a manager and have him/her engage in the business either at the principal office or at a branch office.

Article 11 (Rights of Representation by Managers)

(1) A manager may perform all judicial and extrajudicial acts with respect to the business on behalf of the business owner.

(2) A manager may appoint and dismiss store clerks and other employees who are not managers.

(3) No restriction on the rights of representation by a manager shall be asserted against a third party acting in good faith.

Article 12 (Co-managers)

(1) A merchant may allow several managers to exercise the vicarious authority jointly.

(2) In the case of the preceding paragraph, indications of intent made to any one of the managers shall be effective against the business owner.

Article 13 (Registration of Managers)

Any appointment of a manager or extinguishments of his/her rights of representation shall be registered by the merchant at the place of the principal office or a branch office of the said manager. The same shall apply to matters listed in paragraph (1) of the preceding Article, and to any alteration thereof.

Article 14 (Apparent Managers)

(1) A person with a title of head of the principal office or a branch office, or any other person who holds him/herself out as a manager shall be deemed to have the same authority as a manager at the principal office or a branch office: Provided, That this shall not apply in respect of judicial acts.

(2) The provisions of paragraph (1) shall not apply where the other party has acted in bad faith.

Article 15 (Employees Invested with Partial Comprehensive Agency Authority)

(1) An employee who has been entrusted with certain fields of business or certain matters relating to business may effect all acts other than judicial acts.

(2) The provisions of Article 11 (3) shall apply mutatis mutandis in cases falling under the preceding paragraph.

Article 16 (Employees of Stores which Sell Goods)

(1) An employee of a store which sells goods shall be deemed to have all the authority in regard to the sale of goods at that store.

(2) The provisions of Article 14 (2) shall apply mutatis mutandis in cases falling under the preceding paragraph.

Article 17 (Obligations of Commercial Employees)

(1) Without the permission of a business owner, no commercial employee shall effect any transaction in the same type of business as the business owner for his/her own account or for a third party, or serve as an unlimited liability member or a director of a company, or an employee of another merchant.

(2) In cases where a commercial employee has made a transaction in contravention of the preceding paragraph, and such transaction has been made on his/her own account, the business owner may regard such transaction as having been done on his/her own account, and if it has been made for the account of a third party, the business owner may request the employee to transfer the profit accrued from such transaction to him/herself.

(3) The provisions of the preceding paragraph shall not affect the termination of a contract by the proprietor against an employee or the proprietor's claims for damages against a trade employee.

(4) The right provided for in paragraph (2) shall be extinguished two weeks after the business owner becomes aware of such transaction or after one year has elapsed from the date the transaction is effected.

CHAPTER IV TRADE NAMES

Article 18 (Free Choice of Trade Name)

A merchant may use his/her full name or any other variation as his/her trade name.

Article 19 (Trade Name of Company)

The lettering "partnership company", "limited partnership company", "limited liability company", "stock company" or "limited company" shall be contained in the trade name of a company according to its nature.

Article 20 (Ban on Illegal Use of Trade Name of Company)

No person, other than a company, may use in the trade name any lettering indicating a company. This shall apply in cases where the business of a company has been acquired by transfer.

Article 21 (Unitary Trade Name)

(1) A single trade name shall be used in the same business.

(2) The trade name of a branch office shall expressly show its dependent relationship to the principal office.

Article 22 (Legal Effects of Registration of Trade Name)

No trade name registered by another person shall be registered as a trade name of the same kind of business in the same Special Metropolitan City, Metropolitan City, or Si/Gun. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 4796, Dec. 22, 1994; Act No. 5053, Dec. 29, 1995>*

Article 22-2 (Provisional Registration of Trade Name)

(1) If any person intends to establish a stock or limited company, he/she may apply for provisional registration of the trade name to the registry having the jurisdiction over the place of its principal office.

(2) If a company intends to change its trade name and/or purpose, it may apply for provisional registration of its trade name to the registry having the jurisdiction over the place of its principal office.

(3) If a company intends to relocate its principal office, it may apply for provisional registration of its trade name to the registry having the jurisdiction over the place to which it is to relocate.

(4) For the purposes of Article 22, provisional registration of a trade name shall be deemed registration of the trade name.

(5) Deleted. *<by Act No. 8582, Aug. 3, 2007>*

Article 23 (Prohibition against Use of Trade Names Causing Misconception on Ownership of Business)

(1) No person shall, for any unfair purpose, use any trade name likely to induce others to believe that it represents the business of another person.

(2) In cases where a person has used a trade name in contravention of the provisions of paragraph (1), any person whose interest is likely to be harmed thereby or any person who has registered the trade name may demand cessation of such use. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) The provisions of paragraph (2) shall not prejudice any claim for damages. *<Amended by Act No. 3724, Apr. 10, 1984>*

(4) Any person who uses the registered trade name of another person in the same Special Metropolitan City, Metropolitan City, and Si/Gun, in respect of the same line of business shall be presumed to have done so for an unfair purpose. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 4796, Dec. 22, 1994; Act No. 5053, Dec. 29, 1995>*

Article 24 (Liability of Persons who have Lent their Names)

Any person who has permitted another person to carry on business using his/her name or trade name shall be liable jointly and severally with such borrowing person in respect of any obligations arising from a transaction in favor of a third party who has effected such transaction in the belief that such borrowing person is the business owner.

Article 25 (Transfer of Trade Name)

(1) A trade name may be transferred only in cases where business is discontinued or it is transferred together with the business.

(2) No transfer of a trade name shall be asserted against a third party unless it has been registered.

Article 26 (Legal Effects of Failure to Use Trade Name)

If a person who has registered a trade name has failed to use it for two years without any justifiable reason, the trade name shall be regarded as nullified.

Article 27 (Requests for Cancellation of Registration of Trade Name)

If a trade name has been altered or discontinued, and a person who has registered such trade name has failed to register such alteration or discontinuation within two weeks, any interested person may request for the cancellation of such registration.

Article 28 (Penalties for Illegal Use of Trade Name)

Any person who violates Article 20 or 23 (1) shall be punished by a fine for negligence not exceeding two million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

CHAPTER V TRADE BOOKS

Article 29 (Types of and Principles to Prepare Trade Books)

(1) In order to clarify the assets, profits and losses of the business, each merchant shall prepare books of account and balance sheets.

(2) Except as otherwise provided for by this Act, trade books shall be made in accordance with generally accepted fair and proper accounting practices.

Article 30 (Methods of Preparing Trade Books)

(1) In a book of account, there shall be entered transactions and other particulars having effect on assets of the business.

(2) A merchant shall, at the time of commencement of business and thereafter on a set date, at least once a year, prepare a balance sheet based on the books of account and the preparer shall write his/her name and place his/her seal or sign thereon, whereas a company shall prepare such balance sheet in the same manner as a merchant at the time of its establishment and at the end of each period for the settlement of accounts. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 31 Deleted. *<by Act No. 10281, May 14, 2010>*

Article 32 (Submission of Trade Books)

A court may, on application or by its own initiative, order a party to litigation to submit trade books or any part thereof.

Article 33 (Preservation of Trade Books, etc.)

(1) Every merchant shall preserve trade books and important documents relating to business for a period of ten years: Provided, That the slips or documents similar thereto shall be kept for five years. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) In cases of trade books, the period set forth in the preceding paragraph shall be computed as from the date of closing of the books.

(3) Books and documents referred to in paragraph (1) may be preserved by means of microfilms and other data processing systems. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

(4) Where books and documents are preserved under paragraph (3), the methods of preservation and other necessary matters shall be determined by Presidential Decree. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

CHAPTER VI COMMERCIAL REGISTRATION

Article 34 (General Rules)

Matters to be registered as per the terms of this Act shall, on the application of the relevant party, be registered in the commercial register maintained by the court having jurisdiction over the locality in which the business office is located.

Article 34-2 Deleted. *<by Act No. 8582, Aug. 3, 2007>*

Article 35 (Registration in Localities of Branch Offices)

Matters to be registered in the locality in which the principal office is located shall also be registered in the localities in which branch offices are located, unless otherwise provided for in this Act.

Article 36 Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 37 (Legal Effects of Registration)

(1) Matters to be registered shall not be asserted against any third party acting in good faith until after their registration.

(2) Even after registration is made, paragraph (1) shall apply if a third party fails to be aware of it for any justifiable reason.

Article 38 (Legal Effects of Registration in Localities of Branch Offices)

Where matters to be registered in the locality of a branch office have not been registered, the provisions of the preceding Article shall apply only to transactions at such branch office.

Article 39 (False Registration)

No person who has either intentionally or negligently registered any matter which is not true shall assert such untrue matter against a third party acting in good faith.

Article 40 (Registration of Changes or Extinguishment)

Where there has been any change or extinguishment of registered matters, the relevant party shall register such change or extinguishment without delay.

CHAPTER VII TRANSFER OF BUSINESS

Article 41 (Prohibition against Competition by Transferor of Business)

(1) When a person has transferred his/her business, he/she shall not, for a period of ten years, engage in the same kind of business in the same Special Metropolitan City, Metropolitan City, or Si/Gun, or in any adjacent Special Metropolitan City, Metropolitan City, or Si/Gun, unless the relevant parties have agreed otherwise. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 4796, Dec. 22, 1994; Act No. 5053, Dec. 29, 1995>*

(2) Where a transferor has made an agreement not to engage in the same kind of business, such agreement shall be valid, only in the same Special Metropolitan City, Metropolitan City, Si/Gun and in any adjacent Special Metropolitan City, Metropolitan City, Si/Gun, and only for a period not exceeding 20 years. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 4796, Dec. 22, 1994; Act No. 5053, Dec. 29, 1995>*

Article 42 (Liability of Business Transferee who Continues to Use Trade Name)

(1) If a transferee of a business continues to use the trade name of the transferor, he/she shall also be liable for repayment of the obligations of a third party arising out of the business of the transferor.

(2) The provisions of the preceding paragraph shall not apply in cases where the transferee, without delay after the transfer of the business, registers that he/she shall not be liable for the obligations of the transferor. The same shall apply to a third party to whom both the transferor and the transferee have, without delay after the transfer of the business, given notice to the above effect and who has received such notice.

Article 43 (Repayment to Business Transferee)

In cases falling under paragraph (1) of the preceding Article, repayment to the transferee of claims arising out of the business of the transferor shall be valid only when the obligor effecting the performance has

acted in good faith and without gross negligence.

Article 44 (Liability of Business Transferee who has Made Advertisement of Obligation Acceptance)

If, in cases where the transferee does not continue to use the transferor's trade name, he/she has made an advertisement to the effect that he/she will assume the obligations arising out of the business of the transferor, the transferee shall also be liable to repay such obligations.

Article 45 (Duration of Liability of Business Transferor)

If the transferee is liable for the obligations of the transferor in accordance with Article 42 (1) or the preceding Article, the liability of the transferor in respect of a third party shall be extinguished two years after the transfer of the business or the advertisement.

PART II COMMERCIAL ACTIVITIES

CHAPTER I COMMON PROVISIONS

Article 46 (Basic Commercial Activities)

The following activities which are effected as business are classified as commercial activities: Provided, That this shall not apply to such activities as are effected by persons who manufacture articles or render services solely for the purpose of earning wages: *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10281, May 14, 2010>*

1. Sale of movables, immovables, securities, or any other assets;
2. Lease of movables, immovables, securities, or any other assets;
3. Activities relating to manufacturing, processing, or repair;
4. Activities relating to the supply of electricity, electric wave, gas, or water;
5. Undertaking of subcontracting execution of works or labor services;
6. Activities relating to publishing, printing, or photographing;
7. Activities relating to advertisements, communications, or information;
8. Receiving and giving credit, exchanges, or other financial transactions;
9. Transactions by facilities used by the public;
10. Undertaking of agency for commercial transactions;
11. Activities relating to brokerage;
12. Activities relating to commission agency or any other intermediation;
13. Undertaking of carriages;
14. Undertaking of bailments;
15. Undertaking of trusts;

16. Mutual savings accounts and other similar acts;
17. Insurance;
18. Activities involving the collection of minerals or soil and stones;
19. Activities involving financial lease of machinery, facilities, or any other assets;
20. Activities involving business by consent to the use of a trade name, trademark, etc.;
21. Activities involving purchase, recovery, etc. of business receivables;
22. Undertaking of payment settlement affairs using a credit card, electronic currency, etc.

Article 47 (Appendage Commercial Activities)

(1) Activities of a merchant for the purpose of his/her business shall be deemed commercial activities.

(2) The activities of a merchant shall be presumed effected for the purpose of his/her business.

Article 48 (Methods of Agency)

A commercial activity of an agent shall be effective as against the principal, even if the agent does not disclose that he/she is acting on behalf of the principal: Provided, That when the other party was not aware that the transaction was effected on behalf of the principal, he/she may demand performance as against the agent.

Article 49 (Entrustment)

A person entrusted with commercial activities may engage in activities which he/she has not been entrusted with in so far as such activities are not contrary to the tenor of the entrustment.

Article 50 (Continuation of Agency Rights)

No agency rights granted by a merchant in respect of his/her business shall be extinguished by reason of the death of the principal.

Article 51 (Binding Force of Offer of Contract Inter Presentes)

An offer to enter into a contract made inter presentes, shall lapse, if not immediately accepted by the offeree.

Article 52 Deleted. *<by Act No. 10281, May 14, 2010>*

Article 53 (Duty of Notification of Acceptance or Rejection of Offer)

When a merchant has received an offer to enter into a contract which falls within a sector of his/her business from a person with whom he/she is in regular business transactions, he/she shall send a notice of acceptance or rejection without delay. If he/she has neglected to send such notice, he/she shall be deemed to have accepted the offer.

Article 54 (Statutory Interest Rate in Commercial Activities)

The statutory interest rate on obligations arising out of commercial activities shall be six percent per annum. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 55 (Requests for Statutory Interest)

(1) When a merchant has loaned money to another person in respect of his/her business, the merchant may request for the payment of statutory interest thereon.

(2) If a merchant has made substituted donation for another person within the scope of his/her business, the merchant may request for statutory interest thereon from the date of the substituted donation.

Article 56 (Places for Performance of Obligations Arising out of Transactions at Branch Offices)

If a place for performance of obligations arising out of transactions by a creditor at a branch office has not been specified either by the nature of the activity or by any declaration of intent by the parties, the place for performance of such obligations, other than the delivery of specific articles, shall be deemed the place of such branch office.

Article 57 (Obligations among Multiple Obligors and Guarantors)

(1) If two or more persons assume obligations arising out of transactions that are commercial activities in respect of one or all of them, they shall be jointly and severally liable for the obligations.

(2) Where there is a guarantor, if the guaranty itself is a commercial activity, or if the principal obligation has arisen out of a commercial activity, the principal obligor and the guarantor shall be jointly and severally liable for the obligation.

Article 58 (Mercantile Liens)

If a claim which has arisen from a commercial activity between merchants has become due, the obligee may, until he/she has procured performance thereof, retain things or securities belonging to the obligor which have come into his/her possession through a commercial activity with the obligor. However, this shall not apply in cases where there is any specific agreement between the parties.

Article 59 (Permission for Insecurity Contracts)

The provisions of Article 339 of the Civil Act shall not apply to security pledges established for the purpose of collateral for claims arising out of commercial activities.

Article 60 (Duty to Store Goods in Custody)

In cases where a merchant has received a sample or any other items with an offer to enter into a contract which falls within a sector of his/her business, he/she shall, even though he/she rejects the said offer, store

such goods in his/her custody at the expense of the offeror. This shall not apply, however, in cases where the value of the goods is insufficient to cover the expenses of custody, or where he/she sustains damage by such custody.

Article 61 (Merchant's Right to Demand Compensation)

A merchant who has performed an act on behalf of another person within the scope of his/her business may demand reasonable compensation in respect of such an act.

Article 62 (Liability of Merchants who Accepted Deposit of Goods)

A merchant who has accepted deposit of goods within the scope of his/her business, even though he/she does not receive any compensation thereof, shall exercise the due care of a good manager.

Article 63 (Timing for Transaction and Performance of Obligation or Demand thereof)

Where the time period of transactions has been set by law or custom, the performance of an obligation or demand for such performance shall only be made during such time.

Article 64 (Extinctive Prescription for Commercial Claims)

Except as otherwise provided for in this Act, a claim arising out of a commercial activity shall be extinguished by prescription if it is not exercised within five years: Provided, That if a shorter period for prescription is provided by other Acts and subordinate statutes, such provision shall apply.

Article 65 (Securities and Mutatis Mutandis Application)

(1) With respect to claims for payment of money, claims for delivery of things or securities, or to securities indicating status of employees, unless otherwise provided for by other Acts and subordinate statutes, Article 12 (1) and (2) of the Bills of Exchange and Promissory Notes Act shall apply mutatis mutandisthereto, in addition to the application of Articles 508 through 525 of the Civil Act.

(2) Securities referred to in paragraph (1) may be issued after registration with the electronic registration ledger of the electronic registration authority of Article 356-2 (1). In such cases, Article 356-2 (2) through (4) shall apply mutatis mutandis.

Article 66 (Quasi Commercial Transactions)

The provisions of this Chapter shall apply mutatis mutandis to transactions made by merchants under Article 5.

CHAPTER II SALE

Article 67 (Rights of Sellers for Deposit and Auction of Subject Matters)

(1) If, in cases of a sale between merchants, the buyer refuses or is unable to receive the subject matter of such sale, the seller may deposit it or may sell it by auction after giving peremptory notice within a reasonable period fixed by him/her. In such cases, he/she shall send notice thereof to the buyer without delay.

(2) If, in cases falling under the preceding paragraph, the seller is unable to give peremptory notice to the buyer, or the subject matter is likely to be lost or injured, he/she may sell it by auction without giving peremptory notice.

(3) In cases where the seller has sold an object which is the subject matter of the sale by auction in accordance with the preceding two paragraphs, he/she shall deposit the balance after deducting the cost of auction therefrom: Provided, That he/she may appropriate such proceeds in whole or in part for the purchase price.

Article 68 (Rescission of Contract for Sale at Fixed Time)

In a sale between merchants, if, by the nature of the sale or declaration of the intent of the parties, the purpose of the contract cannot be attained unless it is performed at a fixed time or within a fixed period, and one of the parties has allowed the time to elapse without performance on his/her part, the other party shall be deemed to have rescinded the contract unless he/she immediately demands the performance.

Article 69 (Buyers' Duties to Inspect Subject Matters and to Notify Defects therein)

(1) In cases of a sale between merchants, the buyer shall, upon receipt of the subject matter, inspect it without delay, and immediately give notice thereof to the seller if any defect or deficiency in numbers is found therein; otherwise, he/she has no right to rescind the contract, to demand price cuts or to claim damages thereby. The same shall apply in cases where, within six months, the buyer discovers in the subject matter of the sale a defect which was not immediately discoverable.

(2) The provisions of the preceding paragraph shall not apply to a seller acting in bad faith.

Article 70 (Buyers' Duties to Store or Deposit Subject Matters)

(1) In cases falling under the preceding Article, the buyer shall, even though he/she has rescinded the contract, store or deposit the subject matter of the sale at the seller's expense: Provided, That if it is likely to be lost or injured, he/she shall, with the permission of a court, sell it by auction and store or deposit the proceeds therefrom. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) When the buyer has a public auction in accordance with the provisions of the preceding paragraph, he/she shall give notice thereof to the seller without delay. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) If the place for delivery of goods at issue is in the same Special Metropolitan City, Metropolitan City or Si/Gun as the business office or domicile of the seller, the provisions of paragraphs (1) and (2) shall not apply. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 71 (Idem-Case where Quantity is in Excess)

The provisions of the preceding Article shall apply mutatis mutandis to the difference or excess, if the goods delivered by the seller to the buyer are different from the subject matter of the sale or the volume of the goods delivered exceeds that of the sale.

CHAPTER III ACCOUNT CURRENT

Article 72 (Definition)

An account current is formed when, in cases where there are regular transactions between merchants or a merchant and a non-merchant, they agree to offset the total claims and obligations arising out of transactions within a fixed period and to pay the balance thereof.

Article 73 (Special Provisions concerning Claims and Obligations Represented by Commercial Papers)

In cases where claims or obligations based upon a bill or any other commercial paper are included in the account current, and the obligor on such paper fails to repay, the parties may remove items relating to such obligations from the account current.

Article 74 (Period of Account Current)

If parties have not determined the time period for off-setting, that time period shall be six months.

Article 75 (Approval of and Objections to Statement of Account)

When parties have approved a statement of account containing each of the items of claims and obligations, they cannot thereafter raise objections regarding any such items: Provided, That this shall not apply where there have been errors or omissions therein.

Article 76 (Statutory Interest on Credit Balance)

(1) In regard to the balance arising out of the set-off, the creditor may claim statutory interest thereon from the day of closing of the account.

(2) Notwithstanding the provisions of the preceding paragraph, the parties may agree to stipulate interest on each item from the date of including such item in the account current.

Article 77 (Termination)

Any of the parties may terminate the account current at any time. In such cases, he/she may immediately close the account current and demand payment of the balance.

CHAPTER IV UNDISCLOSED ASSOCIATION

Article 78 (Definition)

An undisclosed association is formed when the parties agree that one of them shall make an investment in the business of the other and they shall divide any profits accruing from such business.

Article 79 (Investments of Association Members)

The investments made in terms of money or property by association members shall be regarded as the property of the business owner.

Article 80 (External Relations of Association Members)

No association member acquires rights or incurs obligations against a third party with regard to the acts of the business owner.

Article 81 (Liability Based on Consent to Use Association Member Name or Trade Name)

If an association member has consented to the use of his/her name in the trade name of the business owner, or to the use of his/her own trade name as that of the business owner, he/she shall be jointly and severally liable with the business owner for any obligations subsequent to such use.

Article 82 (Dividend of Profits and Bearing Losses)

(1) If investment of an association member has been reduced to losses, he/she cannot demand any dividend of profits until such loss has been compensated.

(2) Even if a loss has exceeded the amount of the investment, the association member shall not be bound to return the profits which he/she has taken or to increase the capital.

(3) The provisions of the preceding two paragraphs shall not apply in cases where the parties have agreed otherwise.

Article 83 (Termination of Contracts)

(1) If the term of existence of an undisclosed association has not been determined by a contract of association, or if it has been agreed thereby that such association shall continue to exist during the life of one of the parties, any of the parties may terminate the contract at the end of any business year: Provided, That the termination shall be notified to the other party six months prior to such termination.

(2) In cases of unavoidable circumstances, any of the parties may terminate the contract at any time, irrespective of whether the term of existence of the association has been fixed or not.

Article 84 (Natural Reasons for Ending Contracts)

A contract of an undisclosed association shall end for any of the following reasons:

1. Cessation or transfer of the business;
2. Death of, or adjudication of incompetency against, the business owner;
3. Bankruptcy of the business owner or of an association member.

Article 85 (Legal Effects of Termination of Contracts)

Upon the termination of a contract of an undisclosed association, the business owner shall return to the association members the amount of their investments. When the investment has been diminished to losses, the remaining balance needs to be returned.

Article 86 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 272, 277 and 278 shall apply mutatis mutandis to undisclosed association members.

CHAPTER IV-2 LIMITED PARTNERSHIP

Article 86-2 (Definition)

A limited partnership is formed when general partners who, as managers of the partnership, bear unlimited liability for the partnership's obligations and limited partners who bear limited liability within the amount of their investment agree to make a joint investment and jointly go into a business.

Article 86-3 (Partnership Agreements)

With respect to a partnership agreement for the purpose of establishing a limited partnership, the following matters shall be entered therein and all the partners shall write their names and affix their seals or signs thereon:

1. Objectives;
2. Name;
3. Names or trade names, addresses, resident registration numbers of general partners;
4. Names or trade names, addresses, resident registration numbers of limited partners;
5. Locality of the principal office;
6. Matters on investment of the partners;
7. Matters on distribution of losses and profits to partners;
8. Matters on transfer of shares of limited partners;
9. In the case of having determined that at least two general partners jointly execute affairs of or act as an agent for the limited partnership, the regulation;
10. In the case of having determined that only some of the general partners execute affairs of or act as an agent for the limited partnership, the regulation;

11. Matters on distribution of remaining assets upon dissolution of the limited partnership;

12. Matters on the term of existence of the limited partnership or other matters on grounds for dissolution thereof;

13. Effective date of the limited partnership agreement.

Article 86-4 (Registration)

(1) A general partner of a limited partnership shall register the following matters in the locality in which the principal office is located within two weeks after establishment of the partnership:

1. Matters falling under subparagraphs 1 through 5 (in cases falling under subparagraph 4, it shall be limited to cases where a limited partner executes the partnership's affairs), 9, 10, 12 and 13 of Article 86-3;

2. Objectives of partners' capital investment and, in cases of an investment in kind, the amount of such investment and the portion performed.

(2) In cases where any matter referred to in the subparagraphs of paragraph (1) is altered, registration of such alteration shall be made within two weeks thereafter.

Article 86-5 (General Partners)

(1) General partners have the rights and obligations to execute and represent affairs of a limited partnership, unless otherwise provided for in a partnership agreement.

(2) General partners shall execute matters under paragraph (1) with the due care of a good manager.

(3) Unless otherwise provided for in a partnership agreement, in cases where there exist two or more general partners, if a general partner objects to any action taken by another general partner regarding execution of partnership's affairs, such action shall be suspended and follow a resolution adopted by a majority of general partners.

Article 86-6 (Liability of Limited Partners)

(1) A limited partner shall be liable for the partnership's obligations to the extent of the amount obtained by deducting the already invested amount from the amount of capital investment determined in the partnership agreement.

(2) In cases falling under paragraph (1), upon determination of the liability amount, any amount of dividend received where no profit has accrued to the partnership shall be added to the maximum amount of liability.

Article 86-7 (Transfer of Partner's Share)

(1) No general partner may transfer all or part of his/her share to a third party without obtaining the unanimous consent of other partners.

(2) A limited partner may transfer his/her share as provided for in the partnership agreement.

(3) A transferee who acquires the share of a limited partner shall succeed to the transferor's rights and obligations against the partnership.

Article 86-8 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 182 (1), 228, 253, 264 and 285 shall apply mutatis mutandis to a limited partnership.

(2) The provisions of Articles 183-2, 198, 199, 200-2, 208 (2), 209, 212 and 287 shall apply mutatis mutandis to a general partner: Provided, That with respect to Articles 198 and 199, this shall not apply if the partnership agreement provides for otherwise.

(3) The provisions of Articles 199, 272, 275, 277, 278, 283 and 284 shall apply mutatis mutandis to a limited partner if the partnership agreement provides for otherwise.

(4) With respect to a limited partnership, unless otherwise provided for by this Act or by the partnership agreement, provisions concerning partnerships of the Civil Act shall apply mutatis mutandis: Provided, That with respect to limited partners, Articles 712 and 713 of the Civil Act shall not apply mutatis mutandis.

Article 86-9 (Fines for Negligence)

In cases where a general partner of a limited partnership, an agent acting for business management or a liquidator as provided for in Article 183-2 or 253, which applies mutatis mutandis pursuant to Article 86-8, neglects registration as prescribed in this Chapter, he/she shall be punished by a fine for negligence not exceeding five million won.

CHAPTER V COMMERCIAL AGENTS

Article 87 (Definition)

A person who engages in the business of acting on behalf of a particular merchant, not as a commercial employee of any person but as agent or broker in transactions falling within the same line of business as such merchant, is called a commercial agent.

Article 88 (Duty of Notification)

When a commercial agent has acted as agent or broker in any transaction, he/she shall give notice thereof to the principal without delay.

Article 89 (Prohibition against Competition)

(1) Without the permission of the principal, a commercial agent shall not make, for his/her own account or for a third party, any transaction in the same line of business as the principal, or serve as an unlimited

liability member or a director of a company whose purpose is to engage in the same kind of business of the principal.

(2) The provisions of Article 17 (2) through (4) shall apply mutatis mutandis if a commercial agent breaches the provisions of the preceding paragraph.

Article 90 (Authority to Receive Notification)

A commercial agent entrusted with the sale or brokerage of goods shall be entitled to receive notice of defects in the subject matter of the sale or deficiencies in their volume, and any other notice relating to the performance of the contract for sale.

Article 91 (Lien of Commercial Agents)

A commercial agent may retain goods or securities which he/she holds in his/her possession on behalf of the principal, in respect of the obligations which have arisen from his/her agency or brokerage in transactions and which have become due, until he/she receives repayment of such obligations: Provided, That this shall not apply if the parties have agreed otherwise.

Article 92 (Termination of Contracts)

(1) If the parties have not fixed the term of the contract, either of them may terminate the contract by giving two months' notice thereof.

(2) The provisions of Article 83 (2) shall apply mutatis mutandis to commercial agents.

Article 92-2 (Commercial Agents' Right to Request Compensation)

(1) If a principal obtains new customers or his/her business transactions increase substantially through the activities of his/her commercial agent, and he/she gains thereby profits even after the contract is terminated, the agent may request reasonable compensation from the principal, except when the contract is terminated by any reason attributable to him/her.

(2) The amount of compensation pursuant to paragraph (1) may not exceed the average annual remuneration for the last five years before the contract is terminated. If the term of the contract is less than five years, it shall be based on the average annual remuneration for such period.

(3) A claim for compensation pursuant to paragraph (1) shall be extinguished after six months has elapsed from the termination of the contract.

Article 92-3 (Duty of Commercial Agents to Keep Trade Secrets)

A commercial agent shall keep trade secrets of the principal which he/she has become aware of in connection with the contract, even after the contract is terminated.

CHAPTER VI BROKERAGE

Article 93 (Definition)

A person who engages in the business of acting as intermediary in commercial activities between other persons is called a broker.

Article 94 (Brokers' Authority to Receive Payment on behalf of Parties)

A broker may not accept payments or other offerings for the parties in connection with a transaction in which he/she has acted as intermediary: Provided, That this shall not apply if any special agreement or custom provides otherwise.

Article 95 (Duty to Retain Samples)

If a broker has received a sample in connection with an activity in which he/she has acted as intermediary, he shall keep custody of such sample until the completion of the said activity.

Article 96 (Duty to Deliver Contract Documents)

(1) When a transaction has been effected between the parties, the broker shall, without delay, prepare documents stating the name or trade name of each party, the date and a summary of such contract, and after writing his/her name and affixing his/her seal or signing thereon, shall deliver such documents to each party. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) Except in cases where the parties are to perform immediately, the broker shall, after having caused each party to write their names and affix their seals or signs on the documents mentioned in the preceding paragraph, deliver them to the other party. *<Amended by Act No. 5053, Dec. 29, 1995>*

(3) If, in cases falling under paragraphs (1) and (2), one of the parties does not accept, write his/her name and affix his/her seal or sign on the document, the broker shall give notice thereof to the other party without delay. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 97 (Duty to Maintain Books)

(1) The broker shall enter in a book the particulars mentioned in the preceding Article.

(2) Either party may, at any time, request the broker to deliver copies of the said book in connection with the brokerage transactions in which the broker has acted as intermediary for him/her.

Article 98 (Duty of Silence about Name or Trade Name)

If either party requests the broker not to disclose his/her full name or trade name to the other party, the broker shall not enter such full name or trade name in the document mentioned in Article 96 (1) and in the copy mentioned in paragraph (2) of the preceding Article which are to be delivered to the other party.

Article 99 (Obligations of Brokers)

If the broker has not disclosed voluntarily, or in accordance with the provisions of the preceding Article, the full name or trade name of one of the parties to the other party, the latter may request the broker to comply with the contract.

Article 100 (Right to Demand Compensation)

(1) No broker shall demand compensation unless he/she has complied with the formalities prescribed in Article 96.

(2) The broker's compensation shall be borne equally by the parties.

CHAPTER VII COMMISSION AGENCY

Article 101 (Definition)

A person who makes it his/her business to effect sale and purchase of goods or securities using his/her own name for the account of another party is called a commission agent.

Article 102 (Status of Commission Agents)

By a sale or purchase made on behalf of another party, the commission agent directly acquires rights and incurs obligations with regard to the other party to the transaction.

Article 103 (Ownership of Goods Consigned)

Goods or securities received by the commission agent from his/her principal, or goods, securities or claims acquired through sale or purchase by the commission agent, are deemed to belong to the principal so far as the principal and the commission agent or the principal and the commission agent's creditor are concerned.

Article 104 (Duty to Notify Sale or Purchase and to Submit Statement of Account)

If a commission agent has effected a sale or purchase consigned to him/her, he/she shall send notice of a summary of the contract and of domicile and full name of the other party, and he/she shall submit the statement of account thereof to his/her principal without delay.

Article 105 (Liability of Commission Agents to Secure Performance)

If the other party does not perform obligations arising from a sale or purchase which a commission agent has effected for his/her principal, the commission agent shall be liable for the performance thereof: Provided, That this shall not apply where any special agreement or custom provides otherwise.

Article 106 (Duty to Observe Designated Price)

(1) If a commission agent has sold goods, etc. at a lower price or bought them at a higher price than the price designated by his/her principal and the commission agent bears the difference, the sale or purchase shall be binding upon the principal.

(2) When a commission agent has sold goods, etc. at a higher price or bought them at a lower price than the price designated by his/her principal, the difference shall be deemed to be profits of the principal unless otherwise agreed by the parties.

Article 107 (Commission Agents' Right of Intervention)

(1) When a commission agent has received a commission to sell or purchase goods having the exchange quotation or securities, he/she may directly become the buyer or seller. In such cases, the price shall be determined by exchange quotation when the commission agent sends notice of the sale or purchase.

(2) In cases falling under paragraph (1), the commission agent may demand compensation from the principal.

Article 108 (Legal Effects of Damage or Defects, etc. in Consigned Goods)

(1) When a commission agent becomes aware of, after having acquired the subject matter of the sale through a commission agency, any damage or defect in the goods, or there is a fear of decomposition or decay of the goods, or commercial circumstances which show decline of commodity prices, he/she shall without delay send a notice thereof to his/her principal.

(2) In cases falling under the preceding paragraph, if the commission agent is unable to receive the instruction of his/her principal or such instruction is delayed, the commission agent may take an adequate measure for the benefit of his/her principal.

Article 109 (Right to Place Goods in Public Depository or on Auction)

Where a commission agent is commissioned to make a purchase, Article 67 shall apply mutatis mutandis when the principal refuses or is unable to accept delivery of the purchased goods.

Article 110 (Cases Where Consignor of Purchase is Merchant)

If the principal who is a merchant commissions a purchase in connection with his/her business, the provisions of Articles 68 through 71 shall apply mutatis mutandis to the relation between the principal and the commission agent.

Article 111 (Provisions Applying Mutatis Mutandis)

The provisions of Article 91 shall apply mutatis mutandis to a commission agent.

Article 112 (Application of Provisions concerning Mandate)

In addition to the provisions of this Chapter, the provisions relating to mandate shall apply to the relations between a principal and a commission agent.

Article 113 (Quasi-Commission Agents)

The provisions of this Chapter shall apply mutatis mutandis to persons who engage in the business of making transactions other than sale or purchase in their own name for the account of another party.

CHAPTER VIII FORWARDING AGENT BUSINESS

Article 114 (Definition)

A person who engages in the business of intermediation for the carriage of goods in his/her own name is called a forwarding agent.

Article 115 (Liability for Damages)

A forwarding agent shall not be exonerated from liability for damages caused by the loss of, damage to, or delay in delivery of the goods unless he/she proves that neither he/she nor any of his/her employee has neglected due care in connection with the receipt, delivery and custody of the goods, the selection of a carrier or a forwarding agent other than himself, and other matters relating to the carriage.

Article 116 (Right of Intervention)

(1) A forwarding agent may him/herself undertake the carriage, unless otherwise agreed by the parties. In such cases, the forwarding agent shall have the same rights and obligations as a carrier.

(2) When a forwarding agent has produced a bill of lading upon demand of the principal, he/she shall be deemed to have undertaken the carriage of the goods him/herself.

Article 117 (Subrogation of Interceding Forwarding Agents)

(1) In cases where two or more persons act as forwarding agents in succession in the carriage of goods, the succeeding agent is liable to exercise the rights of his/her predecessors in their place.

(2) If, in cases falling under the preceding paragraph, a succeeding agent makes payment to his/her predecessor, he/she shall acquire the rights of such predecessor.

Article 118 (Acquisition of Carriers' Rights)

In cases falling under the preceding Article, when a forwarding agent has made payment to a carrier, he/she shall acquire the rights of such carrier.

Article 119 (Right to Demand Compensation)

(1) A forwarding agent may demand compensation immediately after he/she has delivered goods to a carrier.

(2) Where the amount of freight has been determined by a forwarding agency contract, a forwarding agent shall not demand any other compensation unless otherwise agreed by the parties.

Article 120 (Liens)

A forwarding agent may retain goods only to the extent of the compensation, freight charges, and other substituted donations for another person or advances made for his/her principal in connection with the transport of such goods.

Article 121 (Prescription for Liability of Forwarding Agents)

(1) The liability of a forwarding agent shall be extinguished by prescription upon the lapse of one year from the date the consignee of the goods received the goods.

(2) In cases where all the transported goods have been lost, the period mentioned in the preceding paragraph shall be computed from the date the goods should have been delivered. *<Amended by Act No. 1212, Dec. 12, 1962>*

(3) The provisions of the preceding two paragraphs shall not apply where a forwarding agent or any of his/her employees has acted in bad faith.

Article 122 (Prescription for Claims of Forwarding Agents)

Any claim of a forwarding agent against the principal or the consignee shall be extinguished by prescription if it is not exercised within one year.

Article 123 (Provisions Applying Mutatis Mutandis)

In addition to the provisions of this Chapter, the provisions relating to a commission agent shall apply mutatis mutandis to forwarding agents.

Article 124 (Idem)

The provisions of Articles 136, 140 and 141 shall apply mutatis mutandis to forwarding agencies.

CHAPTER IX CARRIAGE BUSINESS

Article 125 (Definition)

For the purposes of this Act, the term "carrier" means a person who engages in the business of carrying goods or passengers by land or on lakes and rivers, and in ports and bays.

SECTION 1 Carriage of Goods

Article 126 (Waybills)

(1) A consignor shall, upon the request of a carrier, issue a waybill. *<Amended by Act No. 8581, Aug. 3, 2007>*

(2) The following particulars shall be entered in a waybill, and a consignor shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 8581, Aug. 3, 2007>*

1. The type of the transported goods, and their weight or dimensions, as well as the description and number of packages and markings thereon;
2. The destination;
3. The name or trade name, place of business, or domicile of the consignee and the carrier;
4. The freight charge and the distinction between advance payment and payment after arrival;
5. The place and date where the waybill was prepared.

Article 127 (Liability for False Entries in Waybills)

(1) When a consignor has entered a false or inaccurate statement in a waybill, he/she shall be liable for damage resulting therefrom to a carrier. *<Amended by Act No. 8581, Aug. 3, 2007>*

(2) The provisions of the preceding paragraph shall not apply in cases where a carrier has acted in bad faith.

Article 128 (Delivery of Bills of Lading)

(1) A carrier shall, upon the request of a consignor, deliver to him/her a bill of lading.

(2) The following particulars shall be entered in a bill of lading, and the carrier shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. The particulars mentioned in Article 126 (2) 1 through 3;
2. The name or trade name, place of business, or domicile of the consignor;
3. The freight charge and any other expenses incurred in relation to the transported goods, and the distinction between advance payment or payment after arrival;
4. The place and date where the bill of lading was prepared.

Article 129 (Exchangeability of Bills of Lading)

If a bill of lading has been prepared, request for delivery of the transported goods is not possible unless the bill of lading is exchanged with the goods.

Article 130 (Bills of Lading as Instrument to Order)

Even where a bill of lading is in the form of the order of a specified person, it may be transferred by endorsement: Provided, That the same shall not apply if the bill of lading contains entries forbidding

endorsement.

Article 131 (Legal Effects of Entries in Bills of Lading)

(1) When a bill of lading has been issued pursuant to Article 128, it is assumed that a contract of carriage has been entered into between the carrier and the consigner, as stipulated in the bill of lading, and the transported goods have been received as such.

(2) In regard to a holder who has acquired a bill of lading in good faith, a carrier is deemed to have received the transported goods, as stipulated in the bill of lading, and shall be responsible for the goods as the carrier, as stipulated in the bill of lading.

Article 132 (Bill of Lading-Disposition of Goods)

Where a bill of lading has been prepared, disposition of the goods is possible only by means of using the bill of lading.

Article 133 (Bill of Lading-Property Rights' Legal Effects)

If a bill of lading has been delivered to a person who is entitled thereby to receive the transported goods, such delivery shall have the same effect as delivery of the goods themselves in respect of the acquisition of rights exercised over the transported goods.

Article 134 (Loss of Goods and Freight Charges)

(1) If transported goods have been lost, in whole or in part, by a reason for which the consignor is not liable, the carrier may not demand freight charges thereof. If the carrier has already received all or some of the freight charges, he/she shall refund such charges.

(2) If transported goods have been lost, in whole or in part, due to their nature or inherent defects or due to the negligence of the consignor, the carrier may demand payment of the full amount of the freight charges.

Article 135 (Liability for Damages)

A carrier shall be liable for damage resulting from the loss of, damage to or delay in the delivery of goods unless he/she proves that the carrier, forwarding agents, his/her employees or other persons employed in respect of the carriage did not fail to give due care in connection with the receipt, delivery, custody and carriage of the goods.

Article 136 (Liability for Valuables)

With respect to money, securities, or other valuables, the carrier shall be liable for damage only if the consignor has expressly stated the type and value thereof when consigning the transport of the carriage.

Article 137 (Amount of Damages)

(1) If transported goods have been totally lost or their delivery has been delayed, the amount of damages shall be determined by the price prevailing at the place of destination on the day they should have been delivered. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) In cases of a partial loss of or damage to goods, the amount of damages shall be determined by the price prevailing at the place of destination on the date of delivery.

(3) Where the loss of, damage to or delay in delivery of goods has arisen from the willfulness or gross negligence of the carrier, he/she shall be liable for all damages.

(4) Any freight charges and other expenses, the payment of which has been obviated by the loss of or damage to the goods, shall be deducted from the amount of the damages mentioned in the preceding three paragraphs.

Article 138 (Joint and Several Liability and Right of Indemnification of Successive Carriers)

(1) If there exist two or more successive carriers, they shall jointly and severally be liable for damage arising from the loss of, damage to, or delay in delivery of the goods.

(2) Where damages have been paid by one of the carriers in accordance with the preceding paragraph, such carrier shall have the right to indemnify against the carrier who has committed an act having caused the damages.

(3) If, in cases falling under the preceding paragraph, a carrier who has committed an act having caused the damages cannot be ascertained, all the carriers shall compensate for the damages in proportion to the amount of the freight charges: Provided, That he/she is not bound to bear apportionment of the damages if he/she has proved that such damages have not incurred in his/her part of the carriage.

Article 139 (Right to Demand Disposition of Goods)

(1) A consignor or the holder of a bill of lading, if the bill of lading is issued, may request the carrier to suspend the carriage, return the goods or take any other measure. In such cases, the carrier may demand payment of freight charges in proportion to the transportation already effected as well as of any substituted donation for another person and other expenses incurred in relation to the measures.

(2) Deleted. *<by Act No. 5053, Dec 29, 1995>*

Article 140 (Status of Consignees)

(1) When the transported goods have arrived at the destination, the consignee shall acquire the same rights as that of the consignor.

(2) When the consignee requests delivery of transported goods after they arrive at the destination, the rights of the consignee shall have the preference to those of the consignor. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

Article 141 (Duty of Consignees)

When the consignee has received the transported goods, he/she is obligated to pay the freight charges and any other expenses incurred in relation to the carriage, as well as any substituted donation for another person, to the carrier.

Article 142 (Right to Deposit or to Refer to Auction in Cases where Consignee is Unknown)

(1) If the consignee cannot be ascertained, the carrier may deposit the goods to the public depository.

(2) In cases falling under paragraph (1), if the carrier gives peremptory notice to the consignor demanding instructions for the disposal of the goods, with a set reasonable period of time, but the consignor fails to give such instructions within said period, the carrier may sell the goods by auction. *<Amended by Act No. 5053, Dec 29, 1995>*

(3) If the carrier deposits or sells by auction the goods under paragraphs (1) and (2), he/she shall give notice thereof without delay to the consignor *<Amended by Act No. 5053, Dec 29, 1995>*

Article 143 (In Cases of Refusal to Receive Goods or where Receipt is Impossible)

(1) The provisions of the preceding Article shall apply mutatis mutandis where a consignee refuses, or is unable to receive transported goods.

(2) For selling goods by auction, a carrier shall give peremptory notice to the consignee demanding receipt of the goods with a reasonable period set before giving such peremptory notice to the consignor. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 144 (Public Notification)

(1) If the consignor, the holder of a bill of lading, or the consignee cannot be ascertained, the carrier shall, for the benefit of the holder of the right over the goods, publicly notify that the right holder should assert his/her right within a prescribed period exceeding six months.

(2) The public notification under the preceding paragraph shall be made twice or more through the Official Gazette or a daily newspaper. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) If, even after public notification under paragraphs (1) and (2) has been made by the carrier, no person asserts his/her right within the prescribed period, the carrier may sell the goods by auction.

Article 145 (Provisions Applying Mutatis Mutandis)

The provisions of Article 67 (2) and (3) shall apply mutatis mutandis to sales by auction mentioned in the preceding three Articles.

Article 146 (Extinguishment of Carriers' Liability)

(1) The liability of a carrier shall be extinguished when the consignee or the holder of a bill of lading has received the goods without reservation and has paid the freight charges and other expenses. This, however, shall not apply where there is damage to or partial loss of goods which are not immediately discoverable and the consignee has given notice thereof to the carrier within two weeks of the date of delivery.

(2) The provisions of the preceding paragraph shall not apply if the carrier or his/her employee has acted in bad faith.

Article 147 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 117, and 120 through 122 shall apply mutatis mutandis to carriers.

SECTION 2 Carriage of Passengers

Article 148 (Liability for Damages to Passengers)

(1) A carrier cannot be exonerated from liability for damage received in the carriage of passengers unless he/she proves that he/she or his/her employees have not neglected due care in connection with the carriage.

(2) In determining the amount of damages, the court shall take into account the conditions of the victim and his/her family.

Article 149 (Liability for Luggage Delivered to Carriers)

(1) A carrier of passengers shall, as regards to luggage received from passengers, bear the same liability as a carrier of goods, even though he/she has not taken freight charges in respect thereto.

(2) If a passenger fails to demand delivery of his/her luggage within ten days of the date of its arrival at the destination, the provisions of Article 67 shall apply mutatis mutandis: Provided, That the notice or peremptory notice needs not to be given to a passenger whose domicile or temporary domicile is not known.

Article 150 (Liability for Luggage not Delivered to Carriers)

No carrier shall be liable for damage caused by the loss of or damage to luggage not delivered to him/her by a passenger unless it was due to the negligence of the carrier or his/her employees.

CHAPTER X HOSPITALITY BUSINESS

Article 151 (Definition)

Any person who engages in the business of making transactions by theaters, hotels, restaurants, or other facilities used by the public is called a hospitality business operator.

Article 152 (Liability of Hospitality Business Operators)

(1) Unless a hospitality business operator proves that he/she has not been negligent in giving due care in the custody of articles deposited from his/her guests to him/her or his/her employee, the hospitality business operator shall be liable for damage resulting from the loss of or damage to the articles kept in his/her custody.

(2) A hospitality business operator shall be liable for damage for the loss of or damage to portable goods brought into his/her establishments, even if not particularly deposited by the guest, when it is due to the lack of due care of the business operator or any of his/her employees.

(3) No hospitality business operator shall be exonerated from liability under paragraphs (1) and (2), even if he/she has informed that he/she is not liable for the loss of or damage to the portable goods of guests.

Article 153 (Liability for Valuables)

With respect to money, securities and other valuables, no hospitality business operator shall be liable for damage resulting from the loss of or damage to such articles unless the guest deposits them to the business operator by expressly stating the description and value thereof.

Article 154 (Prescription of Liability of Hospitality Business Operators)

(1) The liability under Articles 152 and 153 shall be extinguished by prescription if six months have elapsed since a hospitality business operator returned the deposited articles to the relevant guest, or the portables were recovered by the guest.

(2) The period mentioned in paragraph (1) shall be computed from the date the guest left the establishment, if the articles were totally lost.

(3) The provisions of paragraphs (1) and (2) shall not apply where a hospitality business operator or his/her employee has acted in bad faith.

CHAPTER XI WAREHOUSING

Article 155 (Definition)

A person who engages in the business of storing goods in a warehouse for another person is called a warehouse business operator.

Article 156 (Issuance of Warehouse Receipts)

(1) A warehouse business operator shall, upon the demand of the depositor, deliver a warehouse receipt to the depositor.

(2) The following matters shall be stated in a warehouse receipt, and the warehouse operator shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. The type, quality, quantity of the deposited goods, and the type and number of packages and markings thereon;
2. The name or trade name, place of business or domicile of the depositor;
3. The place of storage;
4. The storage fees;
5. The period for storage, if such has been fixed;
6. The amount of insurance, the duration of insurance, the name or trade name, and place of business or domicile of the insurer, in cases where the deposited goods are insured;
7. The place and date of the preparation of the warehouse receipt.

Article 157 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 129 through 133 shall apply mutatis mutandis to warehouse receipts.

Article 158 (Demand of Warehouse Receipt concerning Portion of Goods Divided)

(1) Any holder of a warehouse receipt may return the previous warehouse receipt and may request the warehouse operator to divide the deposited goods and deliver a warehouse receipt for each portion of the goods thus divided.

(2) Expenses incurred in the division of deposited goods and the delivery of warehouse receipts under the preceding paragraph shall be borne by the holder of the receipt.

Article 159 (Pledges by Warehouse Receipt and Removing Portion of Goods from Warehouse)

In cases where the deposited goods have been pledged with a warehouse receipt and the pledgee has given his/her consent, the depositor may demand the return of any portion of the deposited goods even prior to the time for repayment of obligations. In such cases, the warehouse business operator shall enter the type, quality and quantity of the goods thus returned in the warehouse receipt.

Article 160 (Liability for Damage)

No warehouse business operator shall be exonerated from liability for damage resulting from the loss of or damage to the deposited goods unless he/she proves that he/she or his/her employees have not neglected due care in the custody thereof.

Article 161 (Right of Inspection of Deposited Goods, Taking Samples and Disposition for Preservation)

A depositor or the holder of a warehouse receipt may, at any time during its business hours, request the warehouse business operator to inspect the deposited goods, to take samples thereof, or to take any measures necessary for the preservation thereof.

Article 162 (Right to Demand Storage Charges for Storage)

(1) No warehouse business operator shall demand payment of charges for storage, or any other expenses and substituted donation for another person except at the time when the goods bailed are taken out of the warehouse: Provided, That he/she may demand such payment, even prior to the taking out of the warehouse, with the lapse of the period for storage.

(2) In cases where any portion of the goods is removed, the warehouse business operator may demand payment of the storage fees, other expenses and substituted donation for another person in proportion thereto.

Article 163 (Storage Periods)

(1) If a storage period has not been determined by the parties, the warehouse business operator may return the deposited goods any time after six months has elapsed from the date of entry of the goods.

(2) In cases falling under the preceding paragraph, in order to return deposited goods, advance notice shall be given two weeks prior to the return thereof.

Article 164 (Storage Period-Unavoidable Circumstances)

In unavoidable circumstances, a warehouse business operator may return the deposited goods at any time, notwithstanding the provisions of the preceding Article.

Article 165 (Provisions Applying Mutatis Mutandis)

The provisions of Article 67 (1) and (2) shall apply mutatis mutandis where the depositor or the holder of a warehouse receipt refuses, or is unable to receive the deposited goods.

Article 166 (Prescription for Liability of Warehouse Business Operators)

(1) The liability of a warehouse business operator arising from the loss of or damage to the deposited goods, shall be extinguished by prescription after one year has elapsed from the date the goods were taken out of the warehouse.

(2) The period mentioned in the preceding paragraph shall, in cases of total loss of the deposited goods, be computed from the date of giving notice of such loss to the depositor and the holder of the warehouse receipt who is known to him/her.

(3) The provisions of the preceding two paragraphs shall not apply where a warehouse business operator or any of his/her employees has acted in bad faith.

Article 167 (Prescription for Claims of Warehouse Business Operators)

A claim by a warehouse business operator against a depositor or the holder of a warehouse receipt shall be extinguished by prescription unless it is exercised within one year from the date the deposited goods are removed from the warehouse.

Article 168 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 108 and 146 shall apply mutatis mutandis to warehouse business operators. *<Amended by Act No. 1212, Dec. 12, 1962>*

CHAPTER XII FINANCIAL LEASE BUSINESS

Article 168-2 (Definition)

A person who engages in the business of acquiring and borrowing machinery, facilities and other property (hereafter referred to as "article under financial lease" in this Chapter) selected by a financial lessee from any third party (hereafter referred to as "supplier" in this Chapter), and then making financial lessees use such machinery, facilities and other property is called a financial lease business operator.

Article 168-3 (Duties of Financial Lease Business Operators and Financial Lessees)

(1) A financial lease business operator shall ensure that a financial lessee can receive an article under financial lease appropriate for a financial lease agreement at the time specified in the financial lease agreement.

(2) A financial lessee shall pay a financial lease fee as soon as he/she receives an article under financial lease pursuant to paragraph (1).

(3) When the receipt of an article under financial lease has been issued, it shall be assumed that an appropriate article under financial lease has been received between the parties of the financial lease agreement under paragraph (1).

(4) Once a financial lessee has received an article under financial lease, he/she shall maintain and manage the article under financial lease with the due care of a good manager.

Article 168-4 (Duties of Suppliers)

(1) The supplier of an article under financial lease shall deliver the article to the financial lessee at the time specified in the supply agreement.

(2) If an article under financial lease is not supplied at the time and according to the details specified in the supply agreement, the financial lessee may either directly claim for damages, or request for the delivery of the article under financial lease satisfying the details of the supply agreement to the supplier.

(3) A financial lease business operator shall provide a financial lessee with necessary cooperation in exercising the right under paragraph (2).

Article 168-5 (Cancellation of Financial Lease Agreements)

(1) Where a financial lease agreement is cancelled for a cause attributable to the financial lessee, the financial lease business operator may either request the financial lessee to pay an amount equivalent to the

remaining financial lease fees in lump sum or to return the relevant article under financial lease.

(2) The demand of a financial lease business operator under paragraph (1) shall have no influence on a claim for damages filed by a financial lease business operator against a financial lessee.

(3) If a financial lessee is unable to continue to use an article under financial lease due to significant changes in circumstances, he/she may cancel the financial lease agreement by giving three months' prior notice. In such cases, the financial lessee shall compensate for damages suffered by the financial lease business operator due to cancellation of such agreement.

CHAPTER XIII FRANCHISE BUSINESS

Article 168-6 (Definition)

A person who carries on business according to the quality standards and business polices designated by a person (hereinafter referred to as "franchisor") who engages in the business of providing his/her own trade name, trademark, etc. (hereafter referred to as "trade name, etc." in this Chapter) after obtaining a permit for the use of the trade name, etc. from the franchisor is called a franchisee.

Article 168-7 (Duties of Franchisors)

(1) A franchisor shall provide necessary support for the business of his/her franchisees.

(2) Unless agreed otherwise, a franchisor may not engage in the same or similar type of business or enter into a franchise agreement for the same or similar type of business as a franchisee within the business area of the franchisee.

Article 168-8 (Duties of Franchisees)

(1) A franchisee shall ensure that he/she does not infringe on the rights of a franchisor over his/her business.

(2) A franchise shall keep a franchisor's trade secret he/she has become aware of in connection with a franchise agreement even after the franchise agreement is terminated.

Article 168-9 (Transfer of Business by Franchisees)

(1) A franchisee may transfer his/her business to another person with the consent of a franchisor.

(2) A franchisor shall consent to the transfer of business under paragraph (1) except in extenuating circumstances.

Article 168-10 (Cancellation of Agreements)

In unavoidable circumstances, any party to a franchise agreement may cancel such agreement after giving prior notice to the other party within a set reasonable period, regardless of whether a stipulation concerning the period of existence is provided for in the franchise agreement.

CHAPTER XIV BONDS PURCHASING BUSINESS

Article 168-11 (Definition)

A person who engages in the business of purchasing and recovering business bonds (hereafter referred to as "business bonds" in this Chapter) acquired or to be acquired by another person through the sale of goods or securities, provision of services, etc. is called a bonds purchasing business operator.

Article 168-12 (Claims for Redemption by Bonds Purchasing Business Operators)

When a debtor of business bonds fails to settle his/her debt, a bonds purchasing business operator may require the debtor under a bonds purchasing agreement to redeem the amount of the business bonds: Provided, That this shall not apply if separately provided for in the bonds purchasing agreement.

PART III COMPANY

CHAPTER I COMMON PROVISIONS

Article 169 (Definition of Company)

The term "company" used in this Act means a corporation incorporated for the purpose of engaging in commercial activities and any other profit-making activities.

Article 170 (Kinds of Companies)

Companies are categorized into five types, namely, partnership companies, limited partnership companies, limited liability companies, stock companies, and limited companies.

Article 171 (Domicile of Company)

The domicile of a company shall be the location of its principal office.

Article 172 (Incorporation of Company)

A company shall come into existence upon registration for its incorporation at the place of its principal office.

Article 173 (Restrictions on Legal Capacity)

No company shall become an unlimited liability member of another company.

Article 174 (Merger of Companies)

(1) A merger of companies shall be permissible.

(2) In cases where one or both sides of the companies to be merged is a stock company, limited company or limited liability company, the surviving company or the newly incorporated company in consequence of the merger must be a stock company, limited company or limited liability company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) A company after its dissolution may be involved only in a merger whereby it is merged into an existing company and the latter company survives after merger.

Article 175 (Idem-Incorporators)

(1) In cases where a new company is to be incorporated in consequence of a merger, the execution of its articles of incorporation and the performance of any other activities relating to its incorporation shall be effected jointly by incorporators appointed by each of constituent companies.

(2) Articles 230, 434 and 585 shall apply mutatis mutandis to appointment under paragraph (1).

Article 176 (Dissolution Order against Company)

(1) A court may, upon the request of an interested person or a public prosecutor or ex officio, order that a company be dissolved, in any of the following cases:

1. Where the company was incorporated for an illegal purpose;
2. Where a company, without justifiable grounds, failed to commence its business within one year after its establishment or discontinued its business for one year or more;
3. Where a director or a member managing the affairs of the company violated Acts or subordinate statutes or the articles of incorporation of the company, as a result of which it is deemed impermissible for the company to continue its existence.

(2) In cases where a request under paragraph (1) has been filed, the court may, at the request of an interested party or a public prosecutor or ex officio, appoint an administrator or take any other necessary disposition for the preservation of the company's assets, even before issuing the dissolution order.

(3) In cases where a request under paragraph (1) has been filed by an interested person, the court may, upon the request of the company, order such interested person to furnish adequate security.

(4) In order to make a request under paragraph (3), the company shall meet the minimal showing with respect to the fact that the application was filed in bad faith.

Article 177 (Starting Point for Calculation of Registration Period)

If any matter to be registered in accordance with this Part requires a permit or authorization of government authorities, the time period for registration shall be calculated starting from the date of the arrival of the document regarding said permit or authorization.

CHAPTER II PARTNERSHIP COMPANY

SECTION 1 Incorporation

Article 178 (Execution of Articles of Incorporation)

In order to incorporate a partnership company, articles of incorporation shall be executed jointly by at least two members of the company.

Article 179 (Matters Absolutely Required to be Entered in Articles of Incorporation)

The following matters shall be entered in the articles of incorporation of a partnership company, and all members shall write their names and affix their seals or shall sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. Objectives;
2. Trade name;
3. Name, resident registration number and domicile of each member;
4. The subject matter, value, or the basis for valuation of investment by each member;
5. Place of the principal office;
6. Date of execution of the articles of incorporation.

Article 180 (Registration for Incorporation)

In registration for incorporation of a partnership company, it is required to register the following matters: *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

1. Matters listed in subparagraphs 1 through 3 and 5 of Article 179 and the place of a branch office, if any: Provided, That if a member representing the company has been designated, the domicile of other members shall be excluded;
2. The subject matter of investment by each member and, in cases of investment in kind, its value and the part already effected;
3. The time period of existence or reasons for dissolution, if such period or reasons have been determined;
4. The name, address and resident registration number of the member representing the company, if such member has been designated;
5. A provision, if any, to the effect that the company is represented jointly by two or more members.

Article 181 (Registration for Establishment of Branch Offices)

(1) If a branch office is established simultaneously with the incorporation of the company, matters listed in the main body of subparagraph 1 of Article 180 (excluding the places of other branch offices) and in subparagraphs 3 through 5 of the same Article shall be registered at the place of such branch office within

two weeks of the registration for incorporation: Provided, That in cases where a member who is to represent the company has been designated, other members shall not be registered.

(2) If a branch office is established after the incorporation of the company, the place and establishment date of such branch office shall be registered within two weeks at the place of the principal office, and matters listed in the main body of subparagraph 1 of Article 180 (excluding the places of other branch offices) and in subparagraphs 3 through 5 of the same Article shall be registered within three weeks at the place of such branch office: Provided, That in cases where a member who is to represent the company has been designated, other members shall not be registered.

Article 182 (Registration of Transfer of Principal Office and Branch Offices)

(1) If a company transfers its principal office, the new place and the transfer date shall be registered within two weeks at the previous place and matters listed in Article 180 (excluding the places of other branch offices) shall be registered within two weeks at a new place. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) If a company transfers its branch office, the new place and the transfer date shall be registered within two weeks at the place of the principal office and at the previous place of such branch office and matters listed in the main body of subparagraph 1 of Article 180 (excluding the places of other branch offices) and in subparagraphs 3 through 5 of the same Article shall be registered within two weeks at the new place: Provided, That in cases where a member who is to represent the company has been designated, other members shall not be registered. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(3) Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 183 (Registration of Changes)

Where there have been changes in any of the matters listed in Article 180, such changes shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office, respectively.

Article 183-2 (Registration of Temporary Disposition, etc. for Suspension of Business Management)

Where there has been a provisional disposition to suspend the management of business by a member, or a representative of the member has been appointed or where there has been any change in or cancellation of such provisional disposition, the registration shall be made at the registry in the localities where the head and branch offices are located.

Article 184 (Actions for Nullification or Revocation of Incorporation)

(1) Nullification of the incorporation of a company can be asserted only by a member of the company and revocation of the incorporation of a company can be asserted only by a person who has the right to revoke the incorporation, in both cases only by means of an action to be filed within two years after the date of the incorporation.

(2) The provisions of Article 140 of the Civil Act shall apply mutatis mutandis to the revocation of incorporation under paragraph (1).

Article 185 (Actions for Revocation of Incorporation by Creditors)

If a member has incorporated a company with the knowledge that he/she would thereby prejudice his/her creditors, the creditors may demand the revocation of the incorporation of the company by means of an action filed against the member and the company.

Article 186 (Exclusive Jurisdiction)

An action under Articles 184 and 185 shall be subject to the exclusive jurisdiction of the district court having jurisdiction over the place of the principal office of the company.

Article 187 (Public Notice of Filing of Actions)

If an action is filed for nullification or revocation of the incorporation of a company, the relevant company shall give public notice thereof without delay.

Article 188 (Combined Hearings of Actions)

If two or more actions are filed for nullification or revocation of the incorporation of a company, the court shall hear the actions jointly.

Article 189 (Correction of Defects and Dismissal of Actions)

A court may dismiss an action for nullification or revocation of the incorporation of a company, if the defects constituting the cause of action have been remedied in the course of the hearing and the court considers it improper to nullify or revoke the incorporation of the company in light of the present condition of the company and all other circumstances.

Article 190 (Legal Effects of Judgments)

A judgment affirming nullification or revocation of the incorporation of a company shall be effective against any third party: Provided, That it shall not affect the rights and obligations which have arisen between the company and its members as well as a third party before the judgment becomes final and conclusive.

Article 191 (Liability for Losing Plaintiffs)

If plaintiffs in an action for nullification or revocation of the incorporation of a company have lost in such action and it is found that they wilfully or by gross negligence filed such action, they shall be jointly and severally liable for damage against the company.

Article 192 (Registration of Nullification or Revocation of Incorporation)

Where a judgment affirming nullification or revocation of the incorporation of a company has become final and conclusive, such fact shall be registered at the place of the principal office and branch offices of the company.

Article 193 (Effects of Judgment Affirming Nullification or Revocation of Incorporation)

(1) Where a judgment affirming nullification or revocation of the incorporation of a company has become final and conclusive, the company shall be liquidated as if the company had been dissolved.

(2) In cases falling under paragraph (1), the court may appoint a liquidator upon the request of any member of the company or any other interested person.

Article 194 (Nullification or Revocation of Incorporation and Continuation of Company)

(1) If a judgment affirming nullification or revocation of the incorporation of a company has become final and conclusive and the cause of such nullification or revocation rests only with a particular member, the company may remain incorporated with the unanimous consent of all the other members.

(2) In cases falling under paragraph (1), a member in respect of whom the cause of the nullification or revocation rests shall be deemed to have withdrawn from the company.

(3) The provisions of Article 229 (2) and (3) shall apply mutatis mutandis in cases falling under paragraphs (1) and (2) above.

SECTION 2 Internal Relationship of Company

Article 195 (Provisions Applying Mutatis Mutandis)

Unless otherwise provided for by the articles of incorporation or by this Act, provisions concerning partnerships of the Civil Act shall apply mutatis mutandis to the internal relationship of a partnership company.

Article 196 (Investment Contributions via Credits)

A member who uses a credit for the purpose of his/her investment contribution shall be responsible for such payment, if the obligor fails to pay the credit by the due date. In such cases, the member shall not only pay the interest but also shall be liable for damage sustained thereby.

Article 197 (Transfer of Equity Holdings)

No member shall, without the consent of all the other members, transfer his/her equity holdings to other persons in whole or in part.

Article 198 (Prohibition against Competition by Members)

(1) No member shall, without the consent of all the other members, conduct for his/her own account or for the account of a third party any transaction which is in the same line of business as the company or serve as an unlimited liability member or a director of another company the corporate objective of which is the same kind of business as the company.

(2) In cases where any member has effected a transaction in violation of paragraph (1), the company may regard such transaction as effected for the account of the company if such transaction was conducted for that member's own account, and the company may request that member to transfer any profit accrued therefrom if such transaction was effected for the account of a third party. *<Amended by Act No. 1212, Dec. 12, 1962>*

(3) The provisions of paragraph (2) shall not affect any claim for damages by the company against the relevant member.

(4) The claim rights mentioned in paragraphs (2) and (3) shall be exercised by a resolution adopted by affirmative votes of a majority of other members of the company and shall be extinguished two weeks of the date any of the other members has become aware of such transaction or one year from the date of such transaction.

Article 199 (Self-Transactions of Members)

A member may enter into a transaction with the company for his/her own account or for the account of a third party only if a resolution approving such has been adopted by affirmative votes of a majority of other members of the company. In such cases, Article 124 of the Civil Act shall not apply.

Article 200 (Rights and Obligations of Business Management)

(1) Unless otherwise provided for by the articles of incorporation, each member has the rights and obligations to manage the affairs of the company.

(2) If other members raise an objection in respect to the management of affairs by any member, the said member shall immediately suspend such act and follow a decision of a majority of all the members.

Article 200-2 (Authority of Representatives)

(1) Unless otherwise stipulated in the provisional disposition order, no representative under Article 183-2 shall perform any act that is not in the ordinary affairs of the corporation: Provided, That the same shall not apply where a permit has been obtained from the court.

(2) Where the representative has committed an act in contravention of the provisions of paragraph (1), the company shall be liable to bona fide third parties.

Article 201 (Managing Members)

(1) If one or more members have been designated by the articles of incorporation as managing members, those members shall have the rights and obligations to manage the affairs of the company.

(2) If other managing members raise an objection in respect to an act of management by a managing member, that member shall immediately suspend such act and follow a decision of a majority of all the managing members.

Article 202 (Joint Managing Members)

Where several members have been designated by the articles of incorporation to jointly manage the affairs of the company, act of management shall not be taken without the consent of all such joint managing members: Provided, That this shall not apply where there is a fear of delay.

Article 203 (Appointment and Dismissal of Managers)

Unless otherwise provided for by the articles of incorporation, the appointment and dismissal of a manager shall be decided by a majority of all the members, even where managing members have been designated.

Article 204 (Amendment of Articles of Incorporation)

The consent of all the members shall be required in order to amend the articles of incorporation.

Article 205 (Adjudication on Forfeiture of Power against Managing Members)

(1) If a managing member is clearly unfit to manage the company or he/she has breached material duties, a court may, upon the request of a member, adjudicate the forfeiture of the power against such managing member.

(2) When a judgment under paragraph (1) has become final and conclusive, such fact shall be registered at the place of the principal office and branch offices of the company.

Article 206 (Provisions Applying Mutatis Mutandis)

The provisions of Article 186 shall apply mutatis mutandis to actions under Article 205.

SECTION 3 External Relationship of Company

Article 207 (Representation of Company)

If a company has not designated managing members to be in charge of the management of affairs by the articles of incorporation, each of the members shall represent the company. If several managing members were designated to take charge of the management, each of them shall represent the company: Provided, That the company may designate a particular person to represent the company from among the managing members, by the articles of incorporation or with the unanimous consent of all the members.

Article 208 (Joint Representation)

(1) A company may, either by the articles of incorporation or with the unanimous consent of all the members, provide that two or more members shall jointly represent the company.

(2) Even in cases under paragraph (1), any declaration of intent made by a third party to the company shall be effective by giving such declaration of the intent to any one of the joint representative members.

Article 209 (Authority of Representative Members)

(1) A representative member shall be authorized to do all judicial or extra-judicial acts relating to the business of the company.

(2) Any restriction placed on the authority under paragraph (1) cannot be asserted against a third party acting in good faith.

Article 210 (Liability for Damage)

In cases where a representative member has caused damage to another person by his/her act of business administration of the company, the company and such representative member shall be jointly and severally liable for the repayment.

Article 211 (Representation in Legal Actions between Company and Members)

If no representative member has been designated in cases of an action filed by a company against its member or an action filed by a member of a company against the company, a member to represent the company in such action shall be selected by a resolution adopted by a majority of all the other members.

Article 212 (Liability of Members)

(1) If the assets of a company are insufficient to fully repay its all obligations, all the members shall be jointly and severally liable for the repayment of the obligations.

(2) The provisions of paragraph (1) shall also apply if a compulsory execution on the company's assets has proved ineffective.

(3) The provisions of paragraph (2) shall not apply if any member proves that the company is capable of performing its obligations and that the execution can easily be effected.

Article 213 (Liability of New Members)

A member who joined a company after its establishment shall assume the same liability as other members with respect to the obligations of the company arising before he/she joined the company.

Article 214 (Defenses of Members)

(1) In cases where a claim is raised against a member with respect to the obligations of a company, he/she may oppose the claimant by any defense which the company might have asserted.

(2) If a company has a right of set-off, cancellation or rescission against the claimant, members may refuse the performance of obligations in respect of a claim under paragraph (1).

Article 215 (Liability of Members by Estoppel)

Where a non-member of a company has acted in a manner to induce others to mistake him/her for a true member, he/she shall assume the same liability as true members against any person who has engaged in a transaction with the company on the basis of such misconception.

Article 216 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 205 and 206 shall apply mutatis mutandis to the representative member of a company.

SECTION 4 Withdrawal of Members

Article 217 (Members' Right to Withdraw from Company)

(1) Where the articles of incorporation of a company do not specify the time period for the existence of the company or provide that the company shall continue to exist during the life of a particular member, any member may withdraw at the end of any business year: Provided, That he/she shall give notice six months prior to the withdrawal.

(2) Where inevitable reasons exist, a member may withdraw at any time.

Article 218 (Reasons for Withdrawal of Members)

In addition to the provisions of Article 217, a member shall withdraw from the company for any of the following reasons:

1. Occurrence of any event specified in the articles of incorporation;
2. Consent of all members;
3. Death;
4. Incompetency;
5. Bankruptcy;
6. Expulsion.

Article 219 (Notice of Succession to Rights at Death of Members)

(1) Where the articles of incorporation provide that, if a member dies, his/her successors may succeed to the deceased member's rights and obligations against the company to become a member, the successors shall give notice of either succession or renunciation to the company within three months from the date

he/she has become aware of the commencement of succession.

(2) If three months have elapsed without a successors's notice under paragraph (1), the successors shall be deemed to have renounced the right to become a member.

Article 220 (Adjudication on Expulsion)

(1) Where any of the following reasons exists in respect of a member, the company may, by a resolution adopted by a majority of all the other members, seek an adjudication from the court for expulsion of such member:

1. Where such member failed to perform a duty to contribute;
2. Where such member acted in violation of Article 198 (1);
3. Where such member did an inappropriate act with respect to the management of the affairs or the representation of the company, or where such member managed the affairs of the company or represented the company without authority;
4. Where there is any other important reason.

(2) The provisions of Articles 205 (2) and 206 shall apply mutatis mutandis in cases falling under paragraph (1).

Article 221 (Settlement of Accounts between Expelled Members and Company)

The settlement of accounts between an expelled member and the company shall be calculated in accordance with the status of the company's assets at the time of the filing of the action for expulsion, and legal interest shall accrue therefrom.

Article 222 (Refund of Equity Holdings)

A withdrawn member shall be entitled to a refund of his/her equity holdings even where the subject matter of his/her investment was personal services or credibility: Provided, That this shall not apply if it is provided otherwise by the articles of incorporation.

Article 223 (Seizure on Equity Holdings)

A seizure upon the equity holdings of a member shall be effective with regard to his/her right to demand a dividend and refund the equity holdings for the future.

Article 224 (Requests for Withdrawal of Members by Creditors who Seized Members' Equity Holdings)

(1) A creditor who seized a member's equity holdings in the company may cause the member to withdraw at the end of any business year: Provided, That he/she shall give notice to the company and the relevant member six months prior to the withdrawal.

(2) A prior notice under the proviso to paragraph (1) shall lose its effect when the relevant member makes repayment or furnishes an adequate security.

Article 225 (Liability of Withdrawn Members)

(1) A withdrawn member shall be liable, as if he/she continued to be a member, for the obligations of the company arising before the registration of his/her withdrawal at the place of the principal office, for the period of two years subsequent to the above registration.

(2) The provisions of paragraph (1) shall apply mutatis mutandis to a member who has transferred his/her equity holdings in the company to other persons.

Article 226 (Withdrawn Members' Right to Demand Change in Corporate Name)

In cases where the name of a withdrawn member has been used in the company's trade name, such member may request the company to terminate use of such name.

SECTION 5 Dissolution of Company

Article 227 (Reasons for Dissolution)

A company shall be dissolved for any of the following reasons:

1. Expiration of the time of existence of the company or occurrence of any events specified in the articles of incorporation;
2. Consent of all the members;
3. Where there is only one member left;
4. Merger;
5. Bankruptcy;
6. Order or judgment of a court.

Article 228 (Registration of Dissolution)

In cases of dissolution of a company for reasons other than a merger or the initiation of bankruptcy proceedings, such fact shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office, both period starting from the day on which the ground for dissolution arises.

Article 229 (Continuation of Company)

(1) In cases falling under subparagraphs 1 and 2 of Article 227, the company may continue to exist with the consent of all or some of the members: Provided, That the dissenting members shall be deemed to have withdrawn.

(2) In cases falling under subparagraph 3 of Article 227, the company may continue to exist by admitting a new member.

(3) In cases falling under paragraphs (1) and (2), if registration for dissolution was already effected, the continuation of existence of the company shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office.

(4) The provisions of Article 213 shall apply mutatis mutandis to the liability of new members pursuant to paragraph (2).

Article 230 (Resolution for Merger)

The consent of all the members shall be required for a merger of a company.

Article 231 Deleted. *<by Act No. 3724, Apr. 10, 1984>*

Article 232 (Objections by Creditors)

(1) Within two weeks after the date of the resolution for a merger, the company shall make public notice to the effect that the company's creditors with objections to the merger, if any, submit such objections within a specified period of time and shall give peremptory notice to respective creditors known to the company. In such cases the said period shall not be less than one month. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5591, Dec. 28, 1998>*

(2) A creditor who fails to raise an objection within the period set in paragraph (1) shall be deemed to have approved the merger. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) If a creditor has raised an objection, the company shall make repayment to the creditor or furnish adequate security, or entrust assets of reasonable value to a trust company for the objective of repaying the creditor.

Article 233 (Registration of Merger)

In cases of a merger, the registration of alteration concerning the surviving company, registration of the dissolution of the disappearing company and the registration of the company newly incorporated in consequence of the merger shall be made within two weeks at the place of the principal office and within three weeks at the place of each branch office.

Article 234 (Taking Effect of Merger)

A merger of companies shall take effect upon registration under Article 233 of the surviving company or the company newly incorporated in consequence of the merger at the place of its principal office.

Article 235 (Legal Effects of Merger)

A surviving company or a company newly incorporated in consequence of a merger shall succeed to the rights and obligations of the company which disappeared.

Article 236 (Filing of Action for Nullification of Merger)

(1) The nullification of a merger of companies shall be pursued only by an action, the plaintiff of which is limited to the members, liquidators, or bankruptcy administrators of each company or creditors who do not approve such merger.

(2) The action under paragraph (1) shall be filed within six months from the date of registration under Article 233.

Article 237 (Provisions Applying Mutatis Mutandis)

The provisions of Article 176 (3) and (4) shall apply mutatis mutandis where a creditor of a company has filed an action under Article 236.

Article 238 (Registration of Nullification of Merger)

When a court judgment affirming the nullification of a merger has become final and conclusive, registration of the alteration concerning the surviving company, registration of restitution by the disappearing company and registration of dissolution by the company newly incorporated in consequence of the merger shall be made at the place of the principal office and each branch office.

Article 239 (Final Judgment of Nullification and Attribution of Rights and Obligations of Companies)

(1) When a court judgment affirming the nullification of a merger has become final and conclusive, the company executing the merger shall be jointly and severally liable to discharge obligations that the surviving company or the company newly incorporated in consequence of the merger has incurred after the merger.

(2) Any property which has been acquired after the merger by the surviving company or the company newly incorporated in consequence of the merger shall be jointly owned by the companies executing the merger.

(3) If, in cases falling under paragraphs (2) and (3), companies executing a merger have failed to determine the proportions of assuming the liabilities or equity interests, a court shall, upon the request of such companies, determine those proportions, by taking into account the status of the property of each company as at the time of the merger and all other circumstances.

Article 240 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 186 through 191 shall apply mutatis mutandis to actions for nullification of a merger.

Article 241 (Requests for Dissolution by Members)

(1) Where unavoidable grounds exist, any member may request a court to dissolve the company.

(2) The provisions of Articles 186 and 191 shall apply mutatis mutandis in cases under paragraph (1).

Article 242 (Organizational Change)

(1) With the consent of all the members, a partnership company may be converted to a limited partnership company either by making a particular member become a limited liability member or by adding a new limited liability member.

(2) The provisions of paragraph (1) shall apply mutatis mutandis to the continuation of existence of a company under Article 229 (2).

Article 243 (Registration of Organizational Change)

When a partnership company has been converted to a limited partnership company, registration of dissolution by the partnership company and registration of incorporation by the limited partnership company shall be made within two weeks at the place of the principal office and within three weeks at the place of each branch office.

Article 244 (Liability of Persons who Have Become Limited Liability Members in Consequence of Organizational Change)

No former member of a partnership company who becomes a limited liability member in accordance with Article 242 (1) shall be exonerated from unlimited liability with respect to the obligations of the company arising before the registration specified in Article 243 at the place of the principal office, for two years subsequent to the said registration.

SECTION 6 Liquidation

Article 245 (Companies in Process of Liquidation)

To the extent necessary for achieving the objectives of liquidation, a company shall be deemed to continue to exist even after its dissolution.

Article 246 (In Cases where Several Successors of Equity Holdings Exist)

Where there exist two or more successors upon the death of a member after dissolution of a company, they shall designate one person from among themselves to exercise the rights of the member in connection with the liquidation. In the absence of such designation, notice or peremptory notice given by the company to any one of the successors shall be effective as to all the successors.

Article 247 (Voluntary Liquidation)

(1) Methods for disposing of the assets of a dissolved company may be determined by the articles of incorporation or with the consent of all the members. In such cases, an inventory of assets and balance sheets shall be prepared within two weeks from the date of occurrence of the ground for dissolution.

(2) The provisions of paragraph (1) shall not apply in cases of dissolution of a company under subparagraph 3 or 6 of Article 227.

(3) The provisions of Article 232 shall apply mutatis mutandis in cases falling under paragraph (1).

(4) In cases falling under paragraph (1), when there exists a person who has seized the equity holdings of a member of the company, the consent of such person shall be obtained.

(5) The company under paragraph (1) shall register the completion of liquidation within two weeks at the place of its principal office and within three weeks at the place of its branch office after the disposal of its assets. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

Article 248 (Voluntary Liquidation and Protection of Creditors)

(1) If a company has harmed any of its creditors by disposing of its assets in violation of Article 247 (3), such creditor may request the court to nullify such disposal.

(2) The provisions of Article 186 of this Act and the proviso to Article 406 (1), Articles 406 (2) and 407 of the Civil Act shall apply mutatis mutandis to requests for revocation under paragraph (1).

Article 249 (Protection of Creditors who have Seized Equity Holdings)

If a company has disposed of its assets in violation of Article 247 (4), a party who has seized the equity holdings of a member of the company may demand that the company pay an amount equivalent to the value of such equity holdings. In such cases, Article 248 shall apply mutatis mutandis.

Article 250 (Legal Liquidation)

If the method of disposition of the assets of a dissolved company has not been determined pursuant to Article 247 (1), liquidation shall be carried out in accordance with Articles 251 through 265 except for cases of a merger or the initiation of corporate bankruptcy.

Article 251 (Liquidators)

(1) In cases of dissolution of a company, a liquidator shall be appointed by a majority of all the members.

(2) When no liquidator has been appointed, the managing members shall become liquidators.

Article 252 (Liquidators Appointed by Court)

In cases of dissolution of a company pursuant to subparagraph 3 or 6 of Article 227, the court shall appoint a liquidator on the request of members, interested persons or a public prosecutor or ex officio.

Article 253 (Registration of Liquidators)

(1) The following matters shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office, which shall run from the date of appointment of a liquidator if a liquidator has been appointed or from the date of dissolution if a managing member has become a liquidator: *<Amended by Act, No. 5053, Dec. 29, 1995>*

1. The name, resident registration number and address of the liquidator: Provided, That if a representative liquidator has been appointed from among several liquidators, addresses of liquidators other than the representative liquidators shall be excluded;
2. The name of the representative liquidator if such has been appointed;
3. Provisions to the effect that two or more liquidators shall jointly represent the company, if so determined.

(2) The provisions of Article 183 shall apply mutatis mutandis to registration under paragraph (1). *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 254 (Duties and Powers of Liquidators)

(1) A liquidator shall have the following duties:

1. To wind up pending affairs;
2. To collect debts and to repay obligations;
3. To dispose of assets for realization;
4. To distribute surplus assets.

(2) Where two or more liquidators exist, acts in connection with the duties of liquidation shall be determined by a resolution adopted by a majority vote of them.

(3) Liquidators who shall represent the company are authorized to do all judicial or extrajudicial acts in connection with duties set forth in paragraph (1).

(4) The provisions of Article 93 of the Civil Act shall apply mutatis mutandis to a partnership company.

Article 255 (Representation of Company by Liquidators)

(1) In cases where managing members become liquidators, they shall represent the company as heretofore provided.

(2) In cases where a court appoints two or more liquidators, it may designate one who is to represent the company or may decide joint representation by several of them.

Article 256 (Duties of Liquidators)

(1) A liquidator shall, without delay after his/her inauguration, investigate the present condition of the company's assets, prepare an inventory list of assets and a balance sheet and deliver copies thereof to respective members.

(2) A liquidator shall report on the progress of the liquidation at any time upon the request of a member.

Article 257 (Transfer of Business)

In cases where a liquidator intends to transfer, in whole or in part, the business of the company, resolution of a majority vote of all the members shall be required.

Article 258 (Incapacity to Fully Repay Obligations and Requests for Investment)

(1) If the existing assets of a company are insufficient to fully repay its obligations, a liquidator may request the members to make an investment irrespective of the date of repayment of the obligations.

(2) The amount of investment under paragraph (1) shall be determined in proportion to the ratio of investment by respective members.

Article 259 (Repayment of Obligations)

(1) A liquidator may repay the obligations of a company which have not yet come due.

(2) In cases falling under paragraph (1), an obligation in respect of which no interest was stipulated, the amount of the obligation deducted by the statutory interest up to the date of repayment shall be paid.

(3) The provisions of paragraph (2) shall apply mutatis mutandis to an obligation in respect of which the stipulated interest is less than the statutory interest rate.

(4) In cases falling under paragraph (1), conditional obligations, obligations the term of which is undetermined, and any other claims against the company the value of which is undetermined shall be discharged according to the valuation of a court-appointed assessor.

Article 260 (Distribution of Surplus Assets)

No liquidator shall distribute the assets of a company to its members until after all the obligations of the company have been repaid completely: Provided, That the liquidator may distribute the surplus assets after reserving the assets necessary for the repayment of such obligation in dispute.

Article 261 (Removal of Liquidators)

A liquidator appointed by the members may be dismissed by a resolution adopted by a majority vote of all the members.

Article 262 (Idem)

If a liquidator is clearly unfit to perform his/her duties or has breached any of his/her material duties, a court may, upon the request of a member or any interested person, dismiss such liquidator.

Article 263 (Completion of Duties of Liquidators)

(1) When the duties of a liquidator have been completed, he/she shall prepare a statement of account without delay and deliver a copy thereof to each member for approval.

(2) If a member who received the statement of account in paragraph (1) has not raised an objection thereto within one month, he/she shall be deemed to have approved it: Provided, That this shall not apply where a liquidator has committed any dishonest act.

Article 264 (Registration of Completion of Liquidation)

Upon the completion of liquidation, a liquidator shall register such fact within two weeks at the place of the principal office and within three weeks at the place of each branch office from the date of approval of all the members under Article 263.

Article 265 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 183-2, 199, 200-2, 207, 208, 209 (2), 210, 382 (2), 399 and 401 shall apply mutatis mutandis to liquidators.

Article 266 (Preservation of Books and Documents)

(1) Books and records as well as important documents relating to the business and liquidation of a company shall be preserved for ten years from the registration of the completion of liquidation at the place of the principal office: Provided, That the slips or similar documents shall be preserved for five years. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) In cases falling under paragraph (1), a custodian and the methods of preservation shall be determined by a resolution adopted by a majority vote of all the members. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 267 (Extinctive Prescription for Members' Liability)

(1) A member's liability under Article 212 shall extinguish when five years have elapsed from the date of registration of dissolution at the place of the principal office.

(2) Even after the lapse of the period mentioned in paragraph (1), if there remain surplus assets which have not been distributed, creditors of a company may request the repayment of obligations in respect of such surplus assets.

CHAPTER III LIMITED PARTNERSHIP COMPANY

Article 268 (Organization of Company)

A limited partnership company shall be composed of both unlimited liability members and limited liability members.

Article 269 (Provisions Applying Mutatis Mutandis)

Unless otherwise provided for in this Chapter, provisions governing partnership companies shall apply mutatis mutandis to limited partnership companies.

Article 270 (Matters Absolutely Required to be Entered in Articles of Incorporation)

The articles of incorporation of a limited partnership company shall state all the matters listed in Article 179 and shall further specify whether the liability of each member is limited or unlimited.

Article 271 (Matters to be Registered)

(1) When registration for the incorporation of a limited partnership company is made, it shall be recorded whether each partner's responsibility is limited or not, in addition to matters listed in the subparagraphs of Article 180.

(2) When a limited partnership company establishes or relocates a branch office, it shall register, at the place of the branch office or at the new branch office, matters listed in the main body of subparagraph 1 of Article 180 (excluding the places of other branch offices) and in subparagraphs 3 through 5 of the same Article: Provided, That in cases where a limited liability member who is to represent the company has been designated, other members shall not be registered.

Article 272 (Investment by Limited Liability Members)

No limited liability member shall use, as the subject matter for their investments, personal services or credibility.

Article 273 (Rights and Obligations of Business Management)

Unless otherwise provided for in the articles of incorporation, each of unlimited liability members shall have the rights and obligations to manage the business of the company.

Article 274 (Appointment and Dismissal of Managers)

The appointment and removal of a manager shall be made by a resolution adopted by a majority vote of unlimited liability members even where managing members have been specifically designated.

Article 275 (Freedom of Competition for Limited Liability Members)

A limited liability member may, without the consent of the other members, engage in for his/her own account or for the account of a third party any transaction in the same line of business as the company or serve as an unlimited liability member or a director of another company the business objective of which is the same line of business as the company.

Article 276 (Transfer of Equity Holdings of Limited Liability Members)

With the consent of all the unlimited liability members, a limited liability member may transfer to another party his/her equity holdings in whole or in part. The same shall apply even where such transfer requires an amendment to the articles of incorporation.

Article 277 (Right of Inspection of Limited Liability Members)

(1) A limited liability member may, at the end of each business year but only during its business hours, inspect the books of account, balance sheets and other documents of the company and may investigate its business and the state of its assets. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) Where any material ground exists, a limited liability member may, with the permission of a court, conduct an inspection and investigation under paragraph (1) at any time. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 278 (Prohibition against Management and Representation by Limited Liability Members)

No limited liability member shall manage the business of the company or represent the company.

Article 279 (Liability of Limited Liability Members)

(1) A limited liability member shall be liable to repay the obligations of the company to the extent of the amount of his/her investment deducting the amount which he/she has already invested.

(2) If any dividends were distributed regardless of the fact that no profit has accrued to the company, such amount shall be added in determining the liability for repayment.

Article 280 (Liability in Cases of Capital Investment Reduction)

In cases where a limited liability member reduces his/her capital investment, he/she shall not be exonerated from liability under Articles 278 and 279 with regard to the obligations of the company arising before the registration of such reduction at the place of the principal office, for two years after such registration.

Article 281 (Liability of Unlimited Liability Members by Estoppel)

(1) Where a limited liability member has acted in a manner to induce others to mistake him/her for an unlimited liability member, he/she shall assume the same liability as an unlimited liability member against any person who has made a transaction with the company due to such misconception.

(2) The provisions of paragraph (1) shall apply mutatis mutandis where a limited liability member has acted in a manner to mislead others as to the extent of his/her liability.

Article 282 (Liability of Members whose Liability Has been Changed)

The provisions of Article 213 shall apply mutatis mutandis where a limited liability member becomes an unlimited liability member, and the provisions of Article 225 shall apply mutatis mutandis where an unlimited liability member becomes a limited liability member.

Article 283 (Death of Limited Liability Members)

(1) Upon death of a limited liability member, his/her successor shall succeed to the equity holdings of the deceased in the company and shall become a member.

(2) Where, in cases falling under paragraph (1), there exist two or more successors, such successors shall appoint from among themselves one person who shall exercise the right of the member. If no such appointment is made, notice or peremptory notice of the company given to any one of the successors shall be effective upon all the successors.

Article 284 (Incompetency of Limited Liability Members)

No limited liability member shall be subject to withdrawal, even if he/she is adjudged incompetent.

Article 285 (Dissolution and Continuation of Company)

(1) A limited partnership company shall be dissolved if either all the unlimited liability members or all the limited liability members have withdrawn from the company.

(2) The unlimited liability members or limited liability members remaining in cases under paragraph (1), may, with their unanimous consent, continue the existence of the company by adding new limited liability members or unlimited liability members.

(3) The provisions of Articles 213 and 229 (3) shall apply mutatis mutandis in cases falling under paragraph (2).

Article 286 (Organizational Change)

(1) With the consent of all the members, a limited partnership company may be converted to a partnership company and continue to exist.

(2) In cases where all the limited liability members have withdrawn from the company, the unlimited liability members may, with their unanimous consent, convert its organization to a partnership company and continue to exist.

(3) In cases of the preceding two paragraphs, registration of dissolution shall be made by the limited partnership company, and registration for incorporation shall be made by the partnership company, within two weeks at the place of the principal office and within three weeks at the place of each branch office.

Article 287 (Liquidators)

A liquidator of a limited partnership company shall be appointed by a majority vote of the unlimited liability members. If no such appointment is made, the managing member who has been in charge of the

management shall become a liquidator.

CHAPTER III-2 LIMITED LIABILITY COMPANY

SECTION 1 Incorporation

Article 287-2 (Preparation of Articles of Incorporation)

In order to incorporate a limited liability company, members shall prepare the articles of incorporation.

Article 287-3 (Matters to be Entered in Articles of Incorporation)

The following matters shall be entered in the articles of incorporation, and each member shall write his/her name and affix his/her seal or sign thereon:

1. The matters listed in subparagraphs 1 through 3, 5 and 6 of Article 179;
2. The objective and amount of capital investments of the members;
3. The amount of capital;
4. The names (in cases of a corporation, referring to its business name) and addresses of the managers.

Article 287-4 (Execution of Investment upon Incorporation)

(1) No member shall use, as the subject matter for their investments, personal services or credibility.

(2) Members shall complete execution of their capital or other property investments no later than the time of registration of incorporation after drawing up the articles of incorporation.

(3) A member who is to make an investment in kind shall deliver to the limited liability company the property which is the subject matter of the investment without delay by the due date and, if registration, records, or a creation or transfer of rights is required, he/she shall prepare and deliver all the documents therefor.

Article 287-5 (Registration of Incorporation, etc.)

(1) A limited liability company shall come into existence upon registration of the following matters at the place of its principal office:

1. The matters listed in subparagraphs 1, 2 and 5 of Article 179 and the place of a branch office, if any;
2. The matters listed in subparagraph 3 of Article 180;
3. The amount of capital;
4. The name, address and resident registration number of each manager (in the case of a corporation, referring to its business name, address and corporate registration number): Provided, That where a manager who is to represent the limited liability company has been designated, other members shall be excluded;

5. In cases where a person who is to represent the limited liability company has been designated, the name or business name and address of such person;

6. The method of public notification, if such method has been determined by the articles of incorporation;

7. Provisions pertaining to the joint representation of the limited liability company by two or more managers, if so determined.

(2) Where a limited liability company establishes a branch office, the provisions of Article 181 shall apply mutatis mutandis.

(3) Where a limited liability company transfers its principal or branch offices, the provisions of Article 182 shall apply mutatis mutandis.

(4) Where there have been changes in any of the matters listed in paragraph (1), such changes shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office, respectively.

(5) Where there has been a provisional disposition to suspend the management of business by a manager of a limited liability company, or a representative of the manager has been appointed or where there has been any changes in or cancellation of such provisional disposition, the registration shall be made at the registry in the localities where the head and branch offices are located.

Article 287-6 (Provisions Applying Mutatis Mutandis)

With respect to a nullification or revocation of incorporation of a limited liability company, the provisions of Articles 184 through 194 shall apply mutandis mutatis.In such cases, "members" in Article 184 shall be construed as "members and managers".

SECTION 2 Internal Relationship of Limited Liability

Article 287-7 (Liability of Members)

Unless otherwise provided for in this Act, the liability of a member shall be limited to the amount of his/her investment.

Article 287-8 (Transfer of Equity Holdings)

(1) No member may transfer his/her equity holdings, in whole or in part, to a third party without the consent of the other members.

(2) Notwithstanding the provisions of paragraph (1), a member who is not a managing member may transfer to another person his/her equity holdings, in whole or in part, with the unanimous consent of all the managing members: Provided, That in the absence of such managing members, the consent of all the members shall be obtained.

(3) Notwithstanding the provisions of paragraphs (1) and (2), the articles of incorporation may determine matters relating thereto otherwise.

Article 287-9 (Prohibition against Acquisition by Transfer of Equity Holdings by Limited Liability Company)

(1) No limited liability company may acquire by transfer its equity holdings in whole or in part.

(2) In cases where a limited liability company acquires equity holdings, such equity holdings shall extinguish at the time of their acquisition.

Article 287-10 (Prohibition against Competition by Managers)

(1) No manager shall, without the consent of all the members, conduct for his/her own account or for the account of a third party any transaction in the same line of business as the limited liability company or serve as a manager, a director or an executive director of another company the business objective of which is the same kind of business as the limited liability company.

(2) In cases where a manager conducts a transaction in violation of paragraph (1), the provisions of Article 198 (2) through (4) shall apply mutatis mutandis.

Article 287-11 (Transactions between Managers and Limited Liability Company)

A manager may conduct a transaction with the limited liability company for his/her own account or for the account of a third party only when he/she has obtained resolution by a majority of all the other members. In such cases, the provisions of Article 124 of the Civil Act shall not apply.

Article 287-12 (Execution of Affairs)

(1) A limited liability company shall appoint, by its articles of incorporation, a manager from among its members or non-members.

(2) In cases where one or not less than two managers have been appointed, each manager shall have the rights and obligations to execute affairs of the limited liability company. In such cases, the provisions of Article 201 (2) shall apply mutatis mutandis.

(3) In cases where two or more managers have been appointed as co-managers by the articles of incorporation, no action concerning execution of affairs shall be done without the consent of all such managers.

Article 287-13 (Rights, etc. of Representative of Manager)

The provisions of Article 200-2 shall apply mutatis mutandis to the rights of the representative of a manager appointed pursuant to Article 287-5 (5).

Article 287-14 (Rights to Inspection of Limited Liability Members)

The provisions of Article 277 shall apply mutatis mutandis to the right to inspection of members who are not managers.

Article 287-15 (Special Provisions in Cases Where Manager is Corporation)

(1) In cases where a corporate body is a manager, it shall appoint a person to perform duties on behalf of the manager and notify the name and address of such person to the other members.

(2) The provisions of Articles 287-11 and 287-12 shall apply mutatis mutandis to a person who is appointed in accordance with paragraph (1).

Article 287-16 (Amendment to Articles of Incorporation)

In order to amend the articles of incorporation, the consent of all members shall be required, unless otherwise provided for in the articles of incorporation.

Article 287-17 (Adjudication on Forfeiture of Power against Manager, etc.)

(1) With respect to the forfeiture of a manager's power to execute affairs, the provisions of Article 205 shall apply mutatis mutandis.

(2) A legal action under paragraph (1) shall be placed under the exclusive jurisdiction of the district court having jurisdiction over the location of the principal office of a limited liability company.

Article 287-18 (Provisions Applying Mutatis Mutandis)

With respect to the internal relationship of a limited liability company, provisions concerning a partnership company shall apply unless otherwise provided for in the articles of incorporation or in this Act.

SECTION 3 External Relationship of Limited Liability Company

Article 287-19 (Representation of Limited Liability Company)

(1) A manager shall represent a limited liability company.

(2) In cases where there exist two or more managers, a manager to represent the limited liability company may be appointed by the articles of incorporation or with the consent of all the members.

(3) A limited liability company may decide that, by the articles of incorporation or with the consent of all the members, two or more managers jointly represent the limited liability company.

(4) In cases falling under paragraph (3), any declaration of intent made by a third party to the limited liability company shall be effective by giving such declaration of intent to any of the joint representative managers.

(5) The provisions of Article 209 shall apply mutatis mutandis to the manager who represents a limited liability company.

Article 287-20 (Liability for Damage)

In cases where the representative manager of a limited liability company has caused damage to another person by his/her executing affairs of the limited liability company, the company and such representative manager shall be jointly and severally liable for such damage.

Article 287-21 (Legal Actions Between Limited Liability Company and Members)

If no representative member has been appointed in a legal action filed by a limited liability company against one of its members (including managers who are not members; hereafter the same shall apply in this Article) or an action filed by a member against the limited liability company, a member to represent the limited liability company in the legal action shall be appointed by a resolution adopted by a majority of other members.

Article 287-22 (Representative Lawsuits by Members)

(1) A member may request the limited liability company to file a lawsuit against a manager to enforce his/her performance.

(2) With respect to a legal action under paragraph (1), the provisions of Articles 403 (2) through (4), (6), (7) and 404 through 406 shall apply mutatis mutandis.

SECTION 4 Admission and Withdrawal of Members

Article 287-23 (Admission of Members)

(1) A limited liability company may admit new members by amending its articles of incorporation.

(2) The admission of a member under paragraph (1) shall be given validity when the articles of incorporation are amended: Provided, That in cases where a new member fails to make payment for investment or make an investment of his/her property, in whole or in part, at the time of amendment of the articles of incorporation, he/she shall become a member when the payment or investment is completed.

(3) With respect to a member who makes an investment in kind when he/she is admitted to be a member, the provisions of Article 287-4 (3) shall apply mutatis mutandis to such member.

Article 287-24 (Members' Right to Withdraw from Company)

The provisions of Article 217 (1) shall apply mutatis mutandis to the withdrawal of members, unless otherwise provided for in the articles of incorporation.

Article 287-25 (Reasons for Withdrawal of Members)

With respect to reasons for withdrawal of members, the provisions of Article 218 shall apply mutatis mutandis.

Article 287-26 (Notice of Succession to Rights at Death of Member)

When a member dies, the provisions of Article 219 shall apply mutatis mutandis.

Article 287-27 (Adjudication on Expulsion)

The provisions of Article 220 shall apply mutatis mutandis to the expulsion of members: Provided, That a resolution required for the expulsion of members may be determined otherwise by the articles of incorporation.

Article 287-28 (Refund of Equity Holdings of Withdrawn Members)

(1) A withdrawn member shall be entitled to a refund of his/her equity holdings in cash.

(2) The amount of a refund to a withdrawn member shall be determined according to the current status of assets of the limited liability company at the time of withdrawal.

(3) With respect to a refund of equity holdings of a withdrawn member, the articles of incorporation may determine otherwise.

Article 287-29 (Withdrawal of Members by Creditors who Seized Members' Equity Holdings)

In cases where a creditor who seized a member's equity holdings causes the member to withdraw from the limited liability company, the provisions of Article 224 shall apply mutatis mutandis.

Article 287-30 (Refund of Equity Holdings of Withdrawn Members and Creditors' Interests)

(1) In cases where the amount of a refund to a withdrawn member exceeds the surplus under Article 287-37, a creditor of the limited liability company may raise an objection to the company with regard to such refund.

(2) With respect to an objection under paragraph (1), the provisions of Article 232 shall apply mutatis mutandis: Provided, That the provisions of Article 232 (3) shall not apply mutatis mutandis where there is no concern about inflicting loss or damage to the creditor regardless of the refund of equity holdings.

Article 287-31 (Withdrawn Members' Right to Demand Change in Corporate Name)

In cases where the name of a withdrawn member has been used in the name of a limited liability company, such member may request the company to terminate use of such name.

SECTION 5 Accounting, etc.

Article 287-32 (Accounting Principles)

Except as otherwise provided for in this Act and Presidential Decree, the accounting of a limited liability company shall be conducted in accordance with generally accepted fair and proper accounting practices.

Article 287-33 (Preparation and Preservation of Financial Statements)

Managers shall prepare, in each period for settlement of accounts, balance sheets, income statements and other documents determined by Presidential Decree, which indicate financial conditions and management performance of a limited liability company.

Article 287-34 (Keeping and Public Inspection of Financial Statements)

(1) Managers shall keep the documents prescribed in Article 287-33 at the principal office for five years and shall keep copies thereof at the branch offices for three years.

(2) A member or a creditor of the limited liability company may, at any time during the business hours of the company, request inspection and copying of the financial statements prepared in accordance with Article 287-33.

Article 287-35 (Amount of Capital)

The money invested by members or the amount of value of other assets shall be the capital of a limited liability company.

Article 287-36 (Reduction of Capital Investment)

(1) A limited liability company may reduce its capital by amendment of its articles of incorporation.

(2) The provisions of Article 232 shall applymutatis mutandis in cases falling under paragraph (1): Provided, That this shall not apply in cases where the amount of capital after the reduction exceeds the amount of net asset value.

Article 287-37 (Distribution of Surplus)

(1) A limited liability company may distribute a surplus within the limit of the amount obtained by subtracting the amount of capital from the amount of net asset value on the balance sheet (hereafter referred to as "surplus" in this Article).

(2) In cases where a surplus is distributed in violation of paragraph (1), a creditor of a limited liability company may claim that the person who has received the surplus return it to the limited liability company.

(3) Legal actions concerning the claim under paragraph (2) shall be subject to the exclusive jurisdiction of the district court governing the place of the principal office of the limited liability company.

(4) A surplus shall be distributed in proportion to the amount of investment made by each member, unless otherwise provided for by the articles of incorporation.

(5) The method for claiming distribution of a surplus or other matters concerning the distribution of surplus may be determined by the articles of incorporation.

(6) A seizure upon equity holdings of a member shall be further effective with respect to his/her right to claim for distribution of a surplus.

SECTION 6 Dissolution

Article 287-38 (Reasons for Dissolution)

A limited liability company shall be dissolved due to any of the following reasons:

1. In cases falling under matters provided for in subparagraphs 1, 2, 4 through 6 of Articles 227;
2. In cases where no member remains in the company.

Article 287-39 (Registration of Dissolution)

In cases of dissolution of a limited liability company for reasons other than merger or bankruptcy, such fact shall be registered within two weeks at the place of the principal office and within three weeks at the place of each branch office, with both period starting from the day on which the ground for dissolution arises.

Article 287-40 (Continuation of Limited Liability Company)

Out of grounds for dissolution under Article 287-38, the provisions of Article 229 (1) and (3) shall apply mutatis mutandis in cases falling under subparagraphs 1 and 2 of Articles 227.

Article 287-41 (Mergers of Limited Liability Companies)

With respect to merger of a limited liability company, Articles 230, 232 through 240 shall apply mutatis mutandis.

Article 287-42 (Requests for Dissolution)

In cases where a member of a limited liability company requests a court to dissolve the company, the provisions of Article 241 shall apply mutatis mutandis.

SECTION 7 Organizational Changes

Article 287-43 (Organizational Changes)

(1) With the consent of all the shareholders at a general meeting, a stock company may be converted to a limited liability company under this Chapter.

(2) A limited liability company may be converted to a stock company by the consent of all the members.

Article 287-44 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 232, 604 through 607 shall apply mutatis mutandis to the organizational change of a limited liability company.

SECTION 8 Liquidation

Article 287-45 (Liquidation)

The provisions of Articles 245, 246, 251 through 257, and 259 through 267 shall apply mutatis mutandis to the liquidation of a limited liability company.

CHAPTER IV STOCK COMPANY

SECTION 1 Incorporation

Article 288 (Promoters)

In order to incorporate a stock company, promoters shall prepare its articles of incorporation.

Article 289 (Preparation of Articles of Incorporation, Matters Absolutely Required to be Entered Therein)

(1) Promoters shall prepare the articles of incorporation and enter the following matters therein, and each of them shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. Objectives;
2. Trade name;
3. The total number of shares authorized to be issued;
4. Par value per share where par value shares are issued;
5. The total number of shares to be issued at the time of incorporation;
6. The place of a principal office;
7. Method of giving public notice by the company;
8. The name, resident registration number and address of each promoter;
9. Deleted. *<by Act No. 3724, Apr. 10, 1984>*

(2) Deleted. *<by Act No. 10600, Apr. 14, 2011>*

(3) Public notice of a company shall be made in the Official Gazette or in a daily newspaper carrying current events: Provided, That a company may give public notice by electronic means as determined by its articles of incorporation. *<Amended by Act No. 9746, May 28, 2009>*

(4) A company shall continue to give public notice by the period prescribed by Presidential Decree if such public notice is made by electronic means under paragraph (3), and by the period determined under Article 450 if public notice of financial statements is made by electronic means: Provided, That the company shall make the details thereof available for public inspection even after the expiration of the period of public notice. *<Newly Inserted by Act No. 9746, May 28, 2009>*

(5) Where a company gives public notice by electronic means, it shall prove the period and details of such notice. *<Newly Inserted by Act No. 9746, May 28, 2009>*

(6) Matters necessary for giving public notice by a company by electronic means shall be prescribed by Presidential Decree. *<Newly Inserted by Act No. 9746, May 28, 2009>*

Article 290 (Matters on Irregular Incorporation)

The following shall take effect upon entry in the articles of incorporation:

1. Any special benefits to be received by promoters and names of such promoters;
2. The name of a person who is to make an investment in kind, the type, quantity and value of the subject matter of such investment in kind and the class and number of shares to be given in consideration thereof;
3. The class, number and value of the assets agreed to be transferred to the company after its incorporation and the name of the transferor;
4. The expenses for incorporation to be borne by the company and the amount of compensation payable to the promoters.

Article 291 (Determination of Matters concerning Issuance of Shares at Time of Incorporation)

In connection with shares to be issued at the time of incorporation, unless otherwise provided for in the articles of incorporation, the following matters shall be determined with the unanimous agreement of the promoters:

1. Class and number of shares;
2. In cases of par value shares, if the company is to issue shares at the price exceeding the par value, the number of such shares and the price.
3. In cases of issuing no par value shares, the issuance price and the amount to be included in paid-up capital out of the issuance price.

Article 292 (Effectuation of Articles of Incorporation)

The articles of incorporation shall take effect upon being notarized by a public notary: Provided, That where the incorporation of a company, the total capital of which is less than one billion won, is promoted under Article 295 (1), the articles of incorporation take effect after each promoter writes his/her name and affixes his/her seal or sign thereon pursuant to Article 289 (1).

Article 293 (Subscription to Shares by Promoters)

Each promoter shall subscribe to their shares based on paper.

Article 294 Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 295 (Payment of Subscription Price and Performance of Contribution in Kind in Promotion of Incorporation)

(1) Where promoters subscribe to all the shares to be issued at the time of incorporation, they shall without delay make full payment of the subscription price. In such cases, they shall designate a bank or other financial institution at which the subscription price is to be paid as well as the place for payment. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) A promoter who is to make an investment in kind shall, without delay, provide all of the asset which is the subject matter of the investment on the date designated for the payment of the subscription price, and if registration, records, or the creation or transfer of rights is required, he/she shall prepare completely the relevant documents and deliver them to the company.

Article 296 (Appointment of Officers in Promotion of Incorporation)

(1) When the payment of a subscription price and the investment in kind are completed in accordance with Article 295, promoters shall without delay appoint directors and auditors by a majority vote.

(2) Promoters shall have one vote for each share to which they have subscribed.

Article 297 (Preparation of Minutes by Promoters)

Promoters shall prepare and write their names and affix their seals or signs on the minutes of their meeting, in which the proceedings of deliberation and the outcomes thereof shall be entered. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 298 (Investigations and Reporting by Directors and Auditors, and Requests for Appointment of Inspectors)

(1) Directors and auditors shall, without delay after their appointment, investigate whether or not all matters concerning the incorporation of the company were done in compliance with the Acts, subordinate statutes and the articles of incorporation, and report the outcomes thereof to promoters.

(2) Neither director nor auditor who was a promoter, investor in kind or party to a contract whereby the company is to take over assets after its incorporation shall participate in the investigations and reporting under paragraph (1).

(3) If all directors and auditors are governed by paragraph (2), the directors shall have a notary public make the investigation and reporting under paragraph (1).

(4) In cases where the articles of incorporation provide for the matters listed in the subparagraphs of Article 290, the directors shall request a court to appoint an inspector for the purpose of investigating such matter: Provided, That this shall not apply to cases falling under Article 299-2.

Article 299 (Investigation and Reporting by Inspectors)

(1) An inspector shall investigate the matters listed in the subparagraphs of Article 290 and whether or not the investment in kind pursuant to Article 295 has been made and shall report the outcomes thereof to the court.

(2) The provisions of paragraph (1) shall not apply in cases falling under any of the following subparagraphs:

1. In cases where the total amount of assets under subparagarph 2 or 3 of Article 290 does not exceed both one fifth of the amount of capital and the amount determined by Presidential Decree;
2. In cases where the assets under subparagarph 2 or 3 of Article 290 constitute securities for which there is an exchange based market, and the price stated in the articles of incorporation does not exceed the price calculated by the method determined by Presidential Decree;
3. Other cases determined by Presidential Decree as equivalent to those under subparagarph 1 or 2.

(3) An inspector shall, without delay after he/she has prepared a report of investigation under paragraph (1), deliver a copy thereof to each promoter.

(4) Where any statement in the report of investigation is contrary to the facts, promoters may submit an explanatory document thereon to the court.

Article 299-2 (Certification of Investments in Kind, etc.)

With respect to matters listed in subparagraphs 1 and 4 of Article 290, investigations and reporting by a notary public may substitute for the investigation of an inspector under Article 299 (1) and with respect to matters listed in subparagraphs 2 and 3 of Article 290 and the investments in kind pursuant to Article 295, appraisal by a certified appraiser may substitute for the investigation of an inspector under Article 299 (1). In such cases, the notary public or appraiser shall report on the outcomes of the investigation or appraisal to a court. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 300 (Disposition of Alteration by Court)

(1) If a court has found any of the matters listed in Article 290 to be improper after examining reports on investigation by an inspector or notary public or the outcomes of appraisal by an appraiser and an explanatory note of the promoters, it may alter the same and notify each promoter thereof. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) A promoter who objects to an alteration under paragraph (1) may revoke subscription to his/her shares. In such cases, the incorporation procedures may be continued by amending the articles of incorporation. *<Amended by Act No. 5591, Dec. 28, 1998>*

(3) If no promoter revokes subscription to his/her shares within two weeks after the receipt of notification from the court, the articles of incorporation shall be deemed to have been amended in accordance with the notification. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 301 (Solicitation of Shareholders in Cases of Subscriptive Incorporation)

Where promoters do not subscribe to all the shares issued at the time of incorporation, they shall solicit shareholders for subscription.

Article 302 (Application for Share Subscription and Matters to be Entered in Share Subscription Form)

(1) A person who intends to subscribe to shares shall complete a share subscription form in duplicate, in which the class and number of shares for which he/she is to subscribe and his/her address are stated, and shall write his/her name and affix his/her seal or shall sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) Promoters shall prepare a share subscription form in which the following matters are entered: *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

1. The date of notarization of the articles of incorporation, and the name of the notary public;
2. The matters listed in Articles 289 (1) and 290;
3. The period of existence or reasons for dissolution of the company, if determined;
4. The class and number of shares subscribed to by promoters;
5. The matters listed in Article 291;

5-2. Provisions that transfer of shares requires the approval of the board of directors, if so determined;

6. Deleted; *<by Act No. 10600, Apr. 14, 2011>*
7. Retirement of shares out of profits to be distributed to shareholders, if so determined;
8. A statement to the effect that the subscription of shares may be cancelled if the inaugural general meeting is not closed by a fixed date;
9. The bank and any other financial institution in charge of the payment of the subscription price and the place for payment;
10. The name, address and business office of a transfer agent, if any.

(3) The proviso to Article 107 (1) of the Civil Act shall not apply to application for share subscription. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 303 (Duties of Subscribers)

A person who has subscribed to shares is obliged to pay the subscription price in accordance with the number of shares allotted to him/her by the promoters.

Article 304 (Notice or Peremptory Notice to Subscribers, etc.)

(1) Any notice or peremptory notice to a person who has subscribed to shares or who has applied for subscription to shares shall be delivered to his/her address stated in the certificate of share subscription or the share subscription form or to the address notified to the company by such person.

(2) The notice or peremptory notice under paragraph (1) shall be deemed delivered at the time it would normally have arrived.

Article 305 (Payment of Subscription Price for Shares)

(1) When all the shares to be issued at the time of incorporation have been subscribed to, promoters shall, without delay, cause the subscription price to be paid fully by the subscribers.

(2) Payment under paragraph (1) shall be made at the place set in the share subscription form.

(3) The provisions of Article 295 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 306 (Change of Depository, etc. of Payment)

A leave of a court is required to change the depository holding subscription price or the place for payment.

Article 307 (Procedures for Forfeiture of Subscriber's Rights)

(1) In cases where a person who has subscribed to shares fails to make the payment under Article 305, promoters shall determine a date and shall, before two weeks prior to such date, notify such person to the effect that his/her rights shall be forfeited if he/she fails to make the payment by such date.

(2) If a person who has received notification under paragraph (1) fails to make the payment by such date, his/her rights shall be forfeited. In such cases, promoters may make solicitations once more for shareholders.

(3) The provisions of paragraphs (2) and (3) shall not affect any claim for damages against the relevant share subscriber.

Article 308 (Inaugural General Meetings)

(1) Where the payment and the making of investment in kind under Article 305 have been completed, promoters shall, without delay, convene an inaugural general meeting.

(2) The provisions of Articles 363 (1) and (2), 364, 368 (3) and (4), 368-2, 369 (1), 371 (2), 372, 373, 376 through 381 and 435 shall apply mutatis mutandis to inaugural general meetings. <*Amended by Act No. 3724, Apr. 10, 1984*>

Article 309 (Resolutions of Inaugural General Meetings)

Resolutions of an inaugural general meeting shall be adopted by affirmative votes of at least two-thirds of the total votes of attending subscribers and also by affirmative votes representing a majority of the total

number of shares which have been subscribed to.

Article 310 (Investigation in Cases of Irregular Incorporation)

(1) If the matters prescribed in Article 290 have been determined by the articles of incorporation, promoters shall request the court to appoint an inspector to investigate such matters.

(2) A written report of an inspector under paragraph (1) shall be submitted to an inaugural general meeting.

(3) The proviso to Article 298 (4) and Article 299-2 shall apply mutatis mutandis to investigation under paragraph (1). *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

Article 311 (Reporting by Promoters)

(1) Promoters shall report in writing on matters relating to the incorporation of the company, at the inaugural general meeting.

(2) A written report under paragraph (1) shall specify the following:

1. General circumstances concerning subscription of shares and payment of subscription price;
2. Actual conditions regarding the matters listed in Article 290.

Article 312 (Appointment of Officers)

At an inaugural general meeting, directors and auditors shall be appointed.

Article 313 (Investigation and Reporting by Directors and Auditors)

(1) Directors and auditors shall, without delay after their inauguration, investigate whether all matters concerning the incorporation of the company were done in compliance with Acts, subordinate statutes and the article of incorporation and shall report the outcomes thereof to the inaugural general meeting. *<Amended by Act No.1212, Dec. 12, 1962; Act No. 5053, Dec. 29, 1995>*

(2) The provisions of Article 298 (2) and (3) shall apply mutatis mutandis to investigation and reporting under paragraph (1). *<Amended by Act No. 5053, Dec. 29, 1995>*

(3) Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 314 (Changes in Matters concerning Irregular Incorporation)

(1) If an inaugural general meeting finds any of the matters listed in Article 290 to be improper, it may make changes thereof.

(2) The provisions of Article 300 (2) and (3) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 315 (Claims for Damages against Promoters)

The provisions of Article 314 shall not affect any claim for damages against promoters.

Article 316 (Resolutions for Amending Articles of Incorporation and Stopping Incorporation)

(1) At an inaugural general meeting, a resolution for amending the Articles of incorporation or stopping the incorporation of the company may be adopted.

(2) A resolution under paragraph (1) may be adopted even where such matter has not been stated in the convocation notice for the meeting.

Article 317 (Registration for Incorporation)

(1) Registration for incorporation of a stock company shall be made within two weeks from the date of completion of the procedures under Articles 299 and 300 in cases where the promoters subscribed to all the shares issued at the time of incorporation, and within two weeks from the date of closing of the inaugural general meeting or from the date of completion of the procedures under Article 314 in cases where the promoters have offered shares for subscription.

(2) For the registration under paragraph (1), the following matters shall be registered: *<Amended by Act No.1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 6086, Dec. 31, 1999; Act No. 9362, Jan. 30, 2009; Act No. 10600, Apr. 14, 2011>*

1. The matters listed in Article 289 (1) 1 through 4, 6 and 7;
2. The amount of the capital;
3. The total number and class of shares issued and outstanding, and the details and number of each class of shares;

3-2. Provisions that the transfer of shares requires the approval of the board of directors, if so determined;

3-3. Provisions under which stock options are granted, if so decided;

3-4. The place of each branch office;

4. The period of existence or reasons for dissolution of the company, if determined;
5. Deleted; *<by Act No. 10600, Apr. 14, 2011>*
6. Retirement of shares out of profits to be distributed to shareholders, if so determined;
7. The matters listed in Article 347, if convertible shares are issued;
8. The names and resident registration numbers of inside directors, outside directors, other directors who are not engaged in regular business, auditors and executive directors;
9. The name, resident registration number and address of the representative director or executive directors;
10. Provisions that two or more representing directors or representative executive directors shall jointly represent the company, if so determined;
11. The trade name and the principal office of a transfer agent, if any;

12. The name and resident registration number of each auditor of the audit committee, if such committee has been set up.

(3) The matters prescribed in Article 289 (1) 1, 2, 6, 7 and (2) 4, 9 and 10 shall be registered for the registration in cases of establishing or relocating a new branch office at the place of such established or relocated branch office, as the case may be. *<Newly Inserted by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(4) The provisions of Articles 181 through 183 shall apply mutatis mutandis to the registration of a stock company.

Article 318 (Certification and Liability by Depository for Subscription Price Paid)

(1) A bank or other financial institution which has the custody of the subscription price paid shall issue a certificate as to the amount of money which is in its custody, upon the request of promoters or directors.

(2) No bank or financial institution under paragraph (1) may, in respect of the amount of money duly certified to be in its custody, assert against the company that such payment was not fully made or there is a restriction upon the return of such amount .

(3) Where the incorporation of a company, the total capital of which is less than one billion won, is promoted under Article 295 (1), the certificate under paragraph (1) may be substituted by a balance certificate issued by a bank or other financial institutions.

Article 319 (Transfer of Rights Based on Share Subscription)

The transfer of rights based on subscription of shares shall not be effective as against the company.

Article 320 (Restrictions on Asserting Invalidation or Revocation of Share Subscription)

(1) Once a company comes into existence, no subscriber may assert the invalidation of his/her subscription by reason of deficiency in the requirements for the share subscription form, nor may revoke his/her subscription on the ground of fraud, duress or mistake.

(2) The same shall apply even before a company comes into existence, if the subscriber has attended, and has exercised his/her rights at, the inaugural general meeting.

Article 321 (Liability of Promoters for Subscription and Security for Payment)

(1) Where, after a company comes into existence, any shares issued at the time of incorporation of the company are found to have not been subscribed to or the subscription for certain shares has been revoked, promoters shall be deemed to have jointly subscribed to such shares.

(2) Where, after a company comes into existence, shares for which payment of the subscription price under Article 295 (1) or 305 (1) has not been completed, promoters shall make such payment jointly and severally.

(3) The provisions of Article 315 shall apply mutatis mutandis to cases falling under paragraphs (2) and (3).

Article 322 (Liability of Promoters for Damage)

(1) If a promoter has neglected to perform his/her duties in connection with the incorporation of the company, he/she shall be jointly and severally liable for damage to the company.

(2) If a promoter has failed to perform his/her duties wilfully or by gross negligence, he/she shall be jointly and severally liable for damage to a third party.

Article 323 (Joint and Several Liability of Promoters and Officers)

If directors or auditors have neglected to perform their duties under Article 313 (1) and are thereby liable for damage to the company or to third parties and if promoters are also liable therefor, the directors, auditors and promoters shall be liable for such damage jointly and severally.

Article 324 (Release of Promoters from Liability and Representative Suits by Shareholders)

The provisions of Articles 400, and 403 through 406 shall apply mutatis mutandis to promoters.

Article 325 (Liability of Inspectors for Damage)

If an inspector appointed by a court has wilfully or by gross negligence failed to perform his/her duties, he/she shall be liable for damage to the company or to third parties.

Article 326 (Liability of Promoters where Company Fails to Come into Existence)

(1) If a company does not come into existence, promoters shall be jointly and severally liable for all acts conducted in connection with the incorporation of the company.

(2) In cases falling under paragraph (1), promoters shall bear expenses incurred in connection with the incorporation of the company.

Article 327 (Liability of Fake Promoters)

A person who has consented for his/her name and entries to the effect that he/she backed the incorporation of the company to be in the share subscription form and/or in other documents related to the offering of shares for subscription shall assume the same liability as that of a promoter.

Article 328 (Action for Invalidation of Incorporation)

(1) Invalidation of the incorporation of a company may be pursued only by its shareholders, directors or auditors and only by means of an action which shall be filed within two years from the date the company comes into existence. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) The provisions of Articles 186 through 193 shall apply mutatis mutandis to actions under paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

SECTION 2 Shares

Subsection 1 Shares and Share Certificates

Article 329 (Formation of Capital)

(1) In cases where provided for by the articles of incorporation, a company may issue all of its shares with no par value: Provided, That in cases of issuing no par value shares, par value shares may not be issued.

(2) The value of par value shares shall be equal.

(3) The par value per share shall be at least 100 won.

(4) A company may convert its outstanding par value shares into no par value shares, or no par value shares into par value shares, as determined by the articles of incorporation.

(5) In cases falling under paragraph (4), the provisions of Article 440, the main body of Article 441, and Article 442 shall applymutatis mutandis.

Article 329-2 (Share Split)

(1) A company may split shares by a resolution of a general meeting of shareholders under Article 434.

(2) In cases falling under paragraph (1), the par value per share after a split shall not be less than the amount under Article 329 (3). *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Articles 440 through 444 shall apply mutatis mutandis to a share split under paragraph (1).

Article 330 (Restrictions on Issuance of Shares below Par)

Shares may not be issued at a price below the par value: Provided, That this shall not apply to cases falling under Article 417. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 331 (Liability of Shareholders)

The liability of a shareholder shall be limited to the subscription price which he/she has paid for his/her shares.

Article 332 (Liability of Persons who Subscribed to Shares Using False Name or Another Person's Name)

(1) A person who has subscribed to shares using a false name or another person's name without his/her consent shall assume the same liability as a subscriber to shares.

(2) A person who has subscribed to shares by using another person's name with his/her consent shall take a joint and several liability with him/her for the payment of subscription price for shares.

Article 333 (Co-ownership of Shares)

(1) Persons who have subscribed to shares jointly shall be jointly and severally liable for the payment of the subscription price.

(2) Where a share belongs jointly to two or more persons, they shall designate one from among themselves who is to exercise the rights of a shareholder.

(3) Where no one is designated to exercise the rights of a shareholder, notice or peremptory notice required to be given to the co-owners may be given to any one of them.

Article 334 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 335 (Transferability of Shares)

(1) Shares shall be transferable to other persons: Provided, That a company may subject the transfer of shares to the approval of the board of directors, as determined by the articles of incorporation. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(2) Any transfer of shares which is not approved by the board of directors in contravention of the proviso to paragraph (1) shall have no effect against the company. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

(3) Any transfer of shares made before the issuance of share certificates shall have no effect against the company: Provided, That this shall not apply where six months have passed from the date of the establishment of the company or the date of the payment of the subscription price for new shares. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 335-2 (Requests for Approval of Transfers)

(1) In cases where the transfer of shares requires the approval of the board of directors, a shareholder intending to transfer his/her shares may request in writing the company to approve the transfer, by specifying the contemplated transferee and the class and number of the shares to be transferred.

(2) A company shall give written notice to a shareholder of whether or not it approves the transfer of shares, within one month of the request under paragraph (1).

(3) If a company fails to notify the shareholder of its refusal within the period set in paragraph (2), the board of directors shall be deemed to have approved the transfer of shares.

(4) A shareholder in receipt of notification of the refusal to approve the transfer as referred to in paragraph (2) may request the company to designate the alternative transferee or to purchase the shares, within 20 days of receipt of the notification.

Article 335-3 (Requests for Designation of Alternative Transferee)

(1) If a shareholder requests the company to designate an alternative transferee, the board of directors shall designate the alternative transferee and give written notice thereof to the shareholder and the designated person, within two weeks of the request.

(2) If the board of directors fails to notify the shareholder of the designation of the alternative transferee within the period set in paragraph (1), the board of directors shall be deemed to have approved the transfer of shares.

Article 335-4 (Requests for Sale by Designated Transferee)

(1) Any person designated as an alternative transferee under Article 335-3 (1) may make a written request to the shareholder who made the request for such designation to sell the shares to him/herself within ten days of receipt of the notification of such designation.

(2) The provisions of Article 335-3 (2) shall apply mutatis mutandis where a person designated as an alternative transferee fails to make a request for sale within the period set in paragraph (1).

Article 335-5 (Determination of Sales Price)

(1) In cases falling under Article 335-4, the sales price of the relevant shares shall be determined through a negotiation between the shareholder and the person who requests sale. *<Amended by Act No. 6488, Jul. 24, 2001>*

(2) In cases where a negotiation under paragraph (1) is not made within 30 days from the date of receipt of the request under Article 335-4 (1), the provisions of Article 374-2 (4) and (5) shall apply mutatis mutandis. *<Amended by Act No. 6488, Jul. 24, 2001>*

Article 335-6 (Demand for Purchase by Shareholders)

The provisions of Article 374-2 (2) through (5) shall apply mutatis mutandis where a shareholder requests a company to purchase his/her shares under Article 335-2 (4). *<Amended by Act No. 6488, Jul. 24, 2001>*

Article 335-7 (Demand for Approval by Transferee of Shares)

(1) In cases where the transfer of shares is subject to the approval of the board of directors, any person who has acquired the shares may make a written request to the company to approve such acquisition, by specifying the class and number of the acquired shares.

(2) The provisions of Articles 335-2 (2) through (4), and 335-3 through 335-6 shall apply mutatis mutandis in cases falling under paragraph (1).

Article 336 (Methods of Transfer of Shares)

(1) In the transfer of shares, share certificates shall be delivered

(2) The possessor of a share certificate shall be presumed to be the legal holder thereof.

Article 337 (Requirements for Establishing Transfer of Registered Shares against Company)

(1) The transfer of registered shares shall not be asserted against the company, unless the name and address of the transferee have been entered in the register of shareholders.

(2) A company may designate a transfer agent in accordance with the articles of incorporation. In such cases, if the transfer agent has entered the name and address of the transferee in part of a set of the register of shareholders, the entry of changes in holders under paragraph (1) shall be deemed duly effected. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

Article 338 (Pledging of Registered Shares)

(1) In order to make registered shares a subject for a collateral pledge, the share certificates shall be delivered to the pledgee.

(2) No pledgee shall assert his/her pledge against a third party unless he/she continues to hold the share certificates.

Article 339 (Subrogation of Pledge)

Where there has been retirement, consolidation, split or conversion of shares, the pledge rights over the original shares may continue to exist as against the cash or shares which the original shareholder is to receive based thereon. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 340 (Registered Pledge of Registered Shares)

(1) In cases where the subject of pledge rights is a registered share and the company has, at the request of the pledgee, entered the name and address of the pledgee in the register of shareholders and entered his/her name in the share certificate, the pledgee may receive from the company the profit dividends, distribution of residual assets or money mentioned in Article 339, and may apply them to the repayment of his/her own obligations in preference to other creditors. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Article 353 (3) of the Civil Act shall apply mutatis mutandis in cases falling under paragraph (1) above.

(3) A pledgee of paragraph (1) may request the company to deliver the share certificate of the shares mentioned in Article 340.

Article 340-2 (Stock Option)

(1) A company may, as prescribed by its articles of incorporation, grant by a resolution of a general meeting of shareholders as provided for in Article 434 an option for purchasing new shares or its own shares (hereinafter referred to as "stock option") at a fixed price established in advance (hereinafter referred to as "exercising price for stock option") to its directors, executive directors, auditors or other

employees who will, or will be able to contribute to the promotion of its incorporation and management, technological innovation, etc.: in cases where the exercising price for stock option is lower than the substantial price of the relevant stock, the company may compensate for the relevant difference by cash or transfer its own shares equivalent to the relevant difference. In such cases, the substantial stock price shall be appraised as of the date of exercising the stock option.

(2) The stock option referred to in paragraph (1) shall not be granted to any of the following persons:

1. A stockholder who holds 10 percent or more of the total outstanding shares of the company excluding non-voting shares;
2. A person who actually exercises influence over major management matters of the company, such as appointment or dismissal of directors, executive directors, and auditors;
3. The spouse and lineal ascendents or descendents of a person falling under subparagraph 1 or 2.

(3) The number of new shares to be issued or the company's own shares to be transferred under paragraph (1) shall not exceed 10 percent of the total outstanding shares of the company.

(4) The price for exercising a stock option as referred to in paragraph (1) shall exceed a price falling under any of the following subparagraphs:

1. In cases of issuing new shares, the higher amount between their substantial price as of the date of granting the stock option and their face value: Provided, That in cases where no par value shares are issued, the amount of one share, out of the amount to be included in paid-up capital, shall be deemed the face value;
2. In cases of transferring the company's own shares, their substantial price as of the date of granting the stock option.

Article 340-3 (Granting Stock Option)

(1) The following matters shall be stated in the articles of incorporation concerning a stock option as referred to in Article 340-2 (1):

1. An intent that a stock option may be granted in particular cases;
2. Categories and the number of shares to be issued or transferred in cases of exercising the stock option;
3. Qualifications of a person to whom the stock option is to be granted;
4. Exercising period of the stock option;
5. An intent that the granting of the stock option may be revoked by a resolution of the board of directors in specified cases.

(2) In adopting at the general shareholders' meeting a resolution concerning the granting of a stock option as referred to in Article 340-2 (1), the following matters shall be determined:

1. The names of persons who are to be granted the stock option;
2. The methods of granting the stock option;

3. Matters concerning the price for exercising the stock option and an assessment thereof;

4. The period for exercising the stock option;

5. Categories and the number of shares to be issued or transferred, in cases of exercising the stock option, to each of the persons to be granted the stock option.

(3) A company shall enter into a contract with an optionee who has been granted a stock option by a resolution of a general meeting of shareholders as referred to in paragraph (2) and shall prepare a written contract thereon within a reasonable period of time.

(4) A company shall keep a written contract under paragraph (3) in its principal office until the expiration of the period for exercising the stock option so as to ensure that the shareholders are able to peruse it during its business hours.

Article 340-4 (Exercise of Stock Option)

(1) A stock option under Article 340-2 (1) may be exercised only when the stock optionee holds office or post in the company for more than two years of the date when the matters listed in the subparagraphs of Article 340-3 (2) are determined by a resolution of a general meeting of shareholders.

(2) A stock option referred to in Article 340-2 (1) shall not be transferable: in the case of death of the optionee entitled to exercise the stock option, his/her heir thereto may exercise it.

Article 340-5 (Provisions Applying Mutatis Mutandis)

The provisions of Article 350 (2), the latter part of Article 350 (3), Articles 351 and 516-9 (1), (3) and (4), and the former part of Article 516-10 shall apply mutatis mutandis in cases of issuing new shares upon exercising a stock option. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 341 (Acquisition of Company's Own Shares)

(1) A company may acquire its own shares on its own name and account, in accordance with the following methods: Provided, That the total acquisition price shall not exceed the amount obtained by subtracting the amounts prescribed in the subparagraphs of Article 462 (1) from the net assets value on the balance sheet for the immediately preceding period for the settlement of accounts:

1. In cases of shares having market values on the stock exchange, the method of acquisition at the exchange;

2. The methods of acquisition under equal conditions in proportion to the number of shares owned by each shareholder as determined by Presidential Decree, except for the different classes of shares concerning the redemption of shares under Article 345 (1).

(2) A company seeking to acquire its own shares in accordance with paragraph (1) shall determine the following matters in advance by a resolution of a general meeting of shareholders: Provided, That in cases where the articles of incorporation provide that distribution of profits can be made with a resolution of the board of directors, such resolution of the board of directors may substitute for that of the general

shareholders' meeting:

1. The class and number of the shares that can be acquired;
2. Limit on the total acquisition price;
3. The period of not exceeding one year for acquisition of its own shares.

(3) No company shall acquire shares pursuant to paragraph (1) in cases where it is likely that the net assets value on the balance sheet for the period for the settlement of accounts in the relevant business year is less than the sum of the amounts prescribed in the subparagraphs of Article 462 (1).

(4) In cases where a company acquires shares pursuant to paragraph (1) although the net assets value on the balance sheet for the period for the settlement of accounts in the relevant business year is less than the sum of the amounts prescribed in the subparagraphs of Article 462 (1), directors are jointly and severally liable to indemnify the company against the relevant insufficient amount: Provided, That this shall not apply where the directors determined that there was no likelihood mentioned in paragraph (3) and proved that he/she had not neglected his/her duty of care in making such decision.

Article 341-2 (Acquisition of Company‘s Own Shares for Particular Purposes)

In cases falling under any of the following subparagraphs, a company may acquire its own shares, notwithstanding the provisions of Article 341:

1. In the case of merger of the company or acquisition of the entire business of another company;
2. In cases where it is necessary to achieve the objective in the course of exercising the rights of the company;
3. In cases where it is necessary to deal with fractional shares;
4. In cases where a shareholder exercises his/her appraisal rights.

Article 341-3 (Creation of Pledges on Company's Own Shares)

A company may not create a pledge on its own shares in excess of a twentieth of the total number of shares issued and outstanding: Provided, That such ceiling shall not apply in cases falling under subparagraphs 1 and 2 of Article 341-2.

Article 342 (Disposition of Company's Own Shares)

In cases where a company disposes of the shares that it holds, the following matters shall be determined by the board of directors unless the articles of incorporation provide otherwise:

1. The class and number of the shares to be disposed of;
2. The price of the shares to be disposed of and date of payment;
3. Persons to whom the shares are to be transferred and the method of the disposition.

Article 342-2 (Acquisition of Parent Company's Shares by Subsidiary Company)

(1) In cases where a company (hereafter referred to as "parent company") holds more than a half of the total issued and outstanding shares in another company (hereafter referred to as "subsidiary company"), the subsidiary company may not acquire shares in the parent company, except in the following cases: *<Amended by Act No. 6488, Jul. 24, 2001>*

1. In cases of an all-inclusive exchange and all-inclusive transfer of shares, the merger of companies or the acquisition of the entire business of another company;
2. Where it is necessary to do so to achieve the objective in the course of exercising the rights of the company.

(2) In cases falling under paragraph (1), the subsidiary company shall dispose of the shares of the parent company within six months of the acquisition thereof.

(3) If a parent company and its subsidiary company in aggregate hold, or a subsidiary company by itself holds, more than a half of the total issued and outstanding shares in another company, such another company shall be deemed a subsidiary company of the parent company for the purpose of this Act. *<Amended by Act No. 6488, Jul. 24, 2001>*

Article 342-3 (Acquisition of Another Company's Shares)

If a company acquires more than 10 percent of the total issued and outstanding shares in another company, it shall without delay notify such another company thereof.

Article 343 (Retirement of Shares)

(1) Shares may be retired only in accordance with the provisions on reduction of capital: Provided, That this shall not apply to the retirement of shares held by the company in accordance with a resolution of the board of directors.

(2) The provisions of Articles 440 and 441 shall apply mutatis mutandis to the retirement of shares in accordance with the provisions on reduction of capital.

Article 343-2 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 344 (Different Classes of Shares)

(1) A company may issue different classes of shares which are different in respect of their particulars (hereinafter referred to as "different classes of shares") as to the profit dividends, distribution of the surplus assets, exercise of voting rights at a general meeting of shareholders, repayment, conversion, etc.

(2) In cases falling under paragraph (1), the articles of incorporation shall provide for the particulars and number of each class of shares.

(3) If a company issues different classes of shares, special provisions may be made for each class of shares with respect to the subscription to new shares, the consolidation, split, or retirement of shares or the allotment of shares in consequence of a merger or split of the company, even where no such matters have

been provided for in the articles of incorporation.

(4) With respect to a resolution of the general meeting of shareholders of certain classes of shares, the provisions of Article 435 (2) shall apply mutatis mutandis.

Article 344-2 (Different Classes of Shares concerning Profit Dividends, Distribution of Surplus Assets)

(1) In cases where a company issues different classes of shares in connection with profit dividends, it shall determine in the articles of incorporation particulars concerning the dividends of profits such as the types of assets to be distributed for shareholders of different classes of shares, methods of determining the value of such assets, conditions for the distribution of profits, etc.

(2) In cases where a company issues different classes of shares in connection with the distribution of surplus assets, it shall determine in the articles of incorporation particulars concerning the distribution of surplus assets such as the types of surplus assets, methods of determining the value of such surplus assets, and other matters regarding the distribution of surplus assets.

Article 344-3 (Different Classes of Shares concerning Exclusion/Limit of Voting Rights)

(1) In cases where a company issues different classes of shares having no, or limited voting rights, it shall determine in the articles of incorporation matters concerning no exercise of voting rights and particulars such as the conditions for exercise or revival of voting rights, if any.

(2) The total number of different classes of shares pursuant to paragraph (1) shall not exceed a quarter of the total number of issued and outstanding shares. In such cases, if the different classes of shares having no, or limited voting rights are issued and exceed a quarter of the total number of issued and outstanding shares, the company shall without delay take measures necessary to keep the said number of different classes of shares not exceeding the limitation.

Article 345 (Different Classes of Shares concerning Redemption of Shares)

(1) A company may issue different classes of shares that may be retired out of profits in accordance with the articles of incorporation. In such cases, the price, period, and methods of the redemption of shares and the number of redeemable shares shall be stated in the articles of incorporation.

(2) In cases falling under paragraph (1), no later than two weeks prior to the date of acquisition of the redeemable shares, a company shall separately notify the particulars of the said redemption to the shareholders of the redeemable shares and to the interest-holders stated in the register of shareholders, in accordance with the articles of incorporation: Provided, That the said notification may be substituted by public notification.

(3) A company may, as prescribed in its articles of incorporation, issue different classes of shares with which the shareholders may demand redemption of shares against the company. In such cases, the company shall determine in the articles of incorporation the rights of shareholders to demand redemption against the company, and the price, period, and methods of the redemption of shares.

(4) In cases falling under paragraphs (1) and (3), as a consideration for acquisition of shares, a company may provide securities or assets other than cash (excluding other different classes of shares): Provided, That in such cases, the book value of the assets shall not exceed the distributable profits pursuant to Article 462.

(5) The shares provided for in paragraphs (1) and (3) may be issued with a limit to different classes of shares (excluding those concerning redemption and conversion).

Article 346 (Different Classes of Shares concerning Conversion of Shares)

(1) If a company issues different classes of shares, the articles of incorporation may provide that a shareholder may request that shares subscribed to by the shareholder shall be converted into shares of another class. In such cases, the conditions for conversion, the period within which the conversion may be requested, and the number and particulars as to the shares to be issued in consequence of the conversion shall be prescribed.

(2) In cases where a company issues different classes of shares, the company may determine in the articles of incorporation that it may convert the shares subscribed to by the shareholder into shares of another class upon occurrence of certain event. In such cases, the reason of conversion, conditions for conversion, the period within which the conversion may be requested, and the number and particulars as to the shares to be issued in consequence of the conversion shall be prescribed.

(3) In cases falling under paragraph (2), the board of directors shall separately notify the following matters to the shareholders of the relevant shares and to the interest-holders stated in the register of shareholders: Provided, That the said notification may be substituted by public notification:

1. The shares to be converted;
2. A statement to the effect that the share certificates should be submitted to the company within a prescribed period of no less than two weeks;
3. A statement to the effect that the share certificates will become invalidated if they are not submitted to the company within the said period.

(4) Out of the number of shares of different classes under Article 344 (2), the number of shares to be newly issued shall be reserved, with respect to their issuance, during the period for requesting the conversion or the period of conversion.

Article 347 (Procedures for Issuance of Convertible Shares)

In cases falling under Article 346, the following matters shall be stated in share subscription forms or certificates of preemptive rights to new shares: *<Amended by Act No. 3724, Apr. 10, 1984>*

1. A statement to the effect that the relevant shares may be converted into shares of another class;
2. Conditions of conversion;
3. Particulars of the shares to be issued in consequence of the conversion;

4. The period for requesting the conversion, or the period for conversion.

Article 348 (Issuance Price of Shares to be Issued in Consequence of Conversion)

If shares are to be issued in consequence of the conversion, the issuance price of such new shares shall be that of the shares which existed before the conversion.

Article 349 (Demands for Conversion)

(1) A person demanding conversion of shares shall submit to the company two copies of the written demand form together with the share certificates.

(2) The written demand form mentioned in paragraph (1) shall state the classes and number of shares to be converted and the date of the demand and the shareholder demanding the conversion shall write his/her name and affix his/her seal or sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

(3) Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 350 (Taking Effect of Conversion)

(1) Conversion of shares shall take effect at the time it is demanded in cases where a shareholder demands the conversion, and at the time the period of Article 346 (3) 2 elapses in cases where the company has completed the conversion. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The holders of shares converted during the period mentioned in Article 354 (1) may not exercise their voting rights at the general shareholders' meeting held during such period.

(3) With regard to dividends of profits accruing from the shares issued in consequence of conversion, the conversion shall be deemed to have been made when the shareholder demands the conversion or at the end of the business year in which the period mentioned in Article 346 (3) 2 elapses. In such cases, the articles of incorporation may provide that with respect to dividends of profits as to the new shares, the conversion shall be deemed to have been made when the shareholder demands the conversion or at the end of the business year immediately before the business year in which the period mentioned in Article 346 (3) 2 elapses. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 351 (Registration of Conversion)

The registration of changes arising from the conversion of shares shall be made at the place of the principal office, within two weeks from the last day of the month in which the conversion is demanded or the period mentioned in Article 346 (3) 2 elapses.

Article 352 (Matters to Be Entered in Register of Shareholders)

(1) Where registered shares are issued, the following matters shall be entered in the register of shareholders: *<Amended by Act No. 3724, Apr. 10, 1984>*

1. The name and address of each shareholder;
2. The classes and number of shares held by each shareholder;
2-2. The serial number of share certificates when such share certificates have been issued for shares held by each shareholder;
3. The date of acquisition of each share.

(2) If bearer share certificates are issued, the register of shareholders shall state the class, number, serial number and issuance date of such certificates.

(3) If, in cases falling under paragraphs (1) and (2), convertible shares are issued, the register of shareholders shall also state the matters listed in Article 347. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 352-2 (Electronic Register of Shareholders)

(1) A company may prepare a register of shareholders in electronic form (hereinafter referred to as "electronic register of shareholders"), as determined by the articles of incorporation.

(2) Electronic registers of shareholders shall contain e-mail addresses, in addition to matters to be entered under Article 352 (1).

(3) Matters necessary for the methods for keeping, announcing and perusing electronic registers of shareholders shall be prescribed by Presidential Decree.

Article 353 (Legal Effects of Register of Shareholders)

(1) Any notice or peremptory notice to a shareholder or a pledgee may be effective if sent to the address entered in the register of shareholders or other address notified to the company by such person.

(2) The provisions of Article 304 (2) shall apply mutatis mutandis to notice or peremptory notice under paragraph (1).

Article 354 (Closure of Register of Shareholders and Record Date)

(1) In order to designate the person who shall exercise the voting right, receive dividends or exercise other rights as a shareholder or a pledgee, the company may suspend changes of the entries in the register of shareholders for a specified period or it may deem any shareholder or pledgee whose name appears in the register of shareholders on a specified date to be the shareholder or pledgee who shall be entitled to exercise such rights. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) The period mentioned in paragraph (1) shall not exceed three months. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) The date mentioned in paragraph (1) shall be determined as a day within three months before the date the person may exercise the rights as a shareholder or pledgee. *<Amended by Act No. 3724, Apr. 10, 1984>*

(4) If a company has determined the period or the date mentioned in paragraph (1), it shall give public notice two weeks prior to such period or date: Provided, That this shall not apply where such period or date has been designated by the articles of incorporation.

Article 355 (Timing for Issuing Share Certificates)

(1) A company shall issue share certificates without delay after its incorporation or after the date of payment for new shares.

(2) No share certificate may be issued before the incorporation of the company or the subscription date for new shares.

(3) Share certificates issued in contravention of paragraph (2) shall be null and void: Provided, That this shall not affect any claim for damages against the parties who have issued them.

Article 356 (Matters to Be Entered in Share Certificates)

Each share certificate shall state the following matters and the serial number, and the representative director shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. Trade name of the company;
2. Date of incorporation of the company;
3. Total number of shares authorized to be issued by the company;
4. Par value per share where par value shares are issued;
5. Date of issuance of such certificates, if the shares are issued after the incorporation of the company;
6. Particulars and classes of shares, if different classes of shares are issued;

   6-2. Provisions that the transfer of shares shall be subject to the approval of the board of directors, if so determined;
7. Deleted; *<by Act No. 10600, Apr. 14, 2011>*
8. Deleted. *<by Act No. 10600, Apr. 14, 2011>*.

Article 356-2 (Electronic Registration of Shares)

(1) A company may register shares with the electronic registration ledger of an electronic registration authority (referring to the authority designated for handling the affairs of electronic registration of securities, etc.; hereinafter the same shall apply) instead of issuing share certificates, as prescribed by the articles of incorporation.

(2) Transfer or pledge of shares registered with the electronic registration ledger shall become effective when the transfer or pledge is registered with the electronic registration ledger.

(3) A person who has registered shares with the electronic registration ledger shall be deemed to legitimately have the right to the registered shares, and the person who has relied on such electronic registration ledger in good faith and without gross negligence and thereby acquired the right pursuant to registration under paragraph (2) shall validly acquire such right.

(4) Matters necessary for the procedures, methods and effects of electronic registration, designation and supervision of an electronic registration authority, and other matters on electronic registration of shares

shall be determined by Presidential Decree.

Article 357 (Issuance of Bearer Share Certificates)

(1) A bearer share certificate may be issued only if it is so provided for in the articles of incorporation.

(2) A shareholder may at any time request the company to convert a bearer share certificate into a registered share certificate.

Article 358 (Exercise of Rights by Shareholders Holding Bearer Share Certificates)

The holder of a bearer share certificate may not exercise his/her rights as a shareholder unless he/she deposits his/her share certificate with the company.

Article 358-2 (Non-bearing of Share Certificates)

(1) Unless otherwise provided for in the articles of incorporation, any shareholder may declare to the company that he/she will not bear share certificates as to his/her registered shares.

(2) Upon receipt of a declaration mentioned in paragraph (1), the company shall without delay enter in the register of shareholders and part of a set thereof its intent not to issue the share certificates and notify the shareholder accordingly. In such cases, the company may not issue the relevant share certificates.

(3) In cases falling under paragraph (1), any share certificates issued previously shall be submitted to the company and the company shall invalidate them or deposit them with a transfer agent.

(4) Notwithstanding the provisions of paragraphs (1) through (3), a shareholder may request at any time that the company issue or return the share certificates.

Article 359 (Bona Fide Acquisition of Share Certificates)

The provisions of Article 21 of the Check Act shall apply mutatis mutandis to share certificates.

Article 360 (Judgment of Nullification and Re-issuance of Share Certificates)

(1) A share certificate may be invalidated through process of public summons.

(2) No person who has lost his/her share certificate shall request its re-issuance to the company, unless he/she has obtained a judgment of nullification with respect thereto.

Subsection 2 All-Inclusive Share Swap

Article 360-2 (Incorporation of Complete Parent Company by All-inclusive Share Swap)

(1) A company may possess the total number of issued and outstanding shares of another company (hereinafter referred to as "complete parent company") by an all-inclusive share swap under the provisions of this Sub-Section. In such cases, the said another company shall be called "complete subsidiary".

(2) Shares owned by the shareholders of a company becoming a complete subsidiary by an all-inclusive share swap (hereafter in this Sub-Section, referred to as "share swap") shall be transferred to a company becoming a complete parent company by the share swap on the day of the share swap; and the shareholders of the company becoming the said complete subsidiary shall become the shareholders of the company becoming the said complete parent company by receiving the allotment of new shares to be issued by the company becoming the said complete parent company for the share swap.

Article 360-3 (Preparation of Contracts for Share Swap and Approval from General Meeting of Shareholders)

(1) A company which intends to make a share swap shall prepare a contract for share swap and obtain approval thereof from a general meeting of shareholders.

(2) A resolution for an approval under paragraph (1) shall be governed by the provisions of Article 434.

(3) The following matters shall be provided for in the share swap contract: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Where the company becoming a complete parent company amends the articles of incorporation due to the share swap, the relevant provisions;
2. Matters on the total number and classes of new shares to be issued by the company becoming a complete parent company, and the number of such shares by class, and on the allotment of new shares to the shareholders of the company becoming a complete subsidiary;
3. Matters on the amount of capital to be raised for the company becoming a complete parent company, and on the capital reserves;
4. Where the amount to be paid to the shareholders of the company becoming a complete subsidiary is determined, the relevant provisions;
5. Date of the general meeting of shareholders of each company to adopt a resolution under paragraph (1);
6. Date of share swap;
7. Where profits dividends are distributed by each company by the date of share swap, the maxim amount thereof;
8. Where a company transfers its own shares under Article 360-6, the total number and classes of shares to be transferred, and the number of such shares by class;
9. Where the directors, auditors or members of the audit committee to be appointed by the company becoming a complete parent company have been determined, their names and resident registration numbers.

(4) A company shall state the following matters in notification and public notice under Article 363:

1. The major details of a share swap contract;
2. The details of and methods for exercising the appraisal right under Article 360-5 (1);

3. Where one company has a regulation in its articles of incorporation to the effect that a share transfer requires an approval of the board of directors, and the articles of incorporation of the other company do not carry such regulations, the purport thereof.

(5) In consequence of a share swap, in cases where the shareholders of each company involved with the share swap bear increased liabilities, unanimous consent of all the shareholders shall be required in addition to the resolution under paragraph (1) and Article 436. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

Article 360-4 (Public Notification of Share Swap Contracts)

(1) Directors shall keep the following documents at the head office from two weeks prior to the date of a general meeting of shareholders under Article 360-3 (1) to the date on which six months elapse from the date of share swap:

1. Contracts for share swap;

2. Documents carrying the grounds for an allocation of stocks to the shareholders of the company becoming a complete subsidiary;

3. Final balance sheets and profit and loss statements of each company making a share swap prepared on a certain date within six months prior to the date of a general meeting of shareholders under Article 360-3 (1) (in cases of a simplified share swap under Article 360-9, the date of public notice or notification under paragraph (2) of the same Article).

(2) The provisions of Article 391-3 (3) shall apply mutatis mutandis to the documents listed in paragraph (1).

Article 360-5 (Appraisal Rights of Opposing Shareholders)

(1) Shareholders who oppose to a resolution of the board of directors on the matter to be approved under Article 360-3 (1) may, if they informed in writing the company of their intents to oppose to the said resolution prior to a general meeting of shareholders, make a written request to the company for the purchase of shares owned by themselves, indicating the classes and number of such shares, within 20 days from the date of resolution of such general meeting.

(2) Shareholders who have given written notice to the company of their intents to oppose to the share swap within two weeks from the date of public notice or notification under Article 360-9 (2) may make a written request to the company for the purchase of shares owned by themselves, indicating the classes and number of such shares, within 20 days of the expiration of such period.

(3) The provisions of Article 374-2 (2) through (5) shall apply mutatis mutandis to requests for purchase under paragraphs (1) and (2).

Article 360-6 (Transfer of Treasury Shares Substituting Issuance of New Shares)

Any company becoming a complete parent company may, in making a share swap, transfer the treasury shares that it holds which are to be disposed of in a considerable period under Article 342, to the shareholders of the company becoming a complete subsidiary, in place of issuing new shares.

Article 360-7 (Maximum Limit of Capital Increase of Complete Parent Company)

(1) No capital of a company becoming a complete parent company shall be increased in excess of the amount obtained by subtracting the following amounts from the amount of current net assets of the company becoming a complete subsidiary on the date of share swap: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Amount payable to the shareholders of the company becoming a complete subsidiary;
2. Total sum of the book value of the shares to be transferred to the shareholders of the company becoming a complete subsidiary under Article 360-6.

(2) In cases where a company becoming a complete parent company already owns the shares of a company becoming a complete subsidiary prior to share swap, the capital of the company becoming the complete parent company shall not be increased in excess of the limit of amount obtained by subtracting the amounts falling under the subparagraphs of paragraph (1) from the amount derived from multiplying the amount of current net assets of the company becoming the complete subsidiary on the date of share swap by the rate of the number of shares to be transferred to the company becoming the complete parent company due to the share swap with the total number of shares issued by the relevant company. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 360-8 (Procedures for Invalidation of Share Certificates)

(1) A company becoming a complete subsidiary due to a share swap shall, where its general meeting of shareholders has made an approval under Article 360-3 (1), give public notice on the following matters one month before the date of share swap, and notify the shareholders listed in the register of shareholders and the pledgees respectively:

1. The purport of an approval under Article 360-3 (1);
2. The purport that the share certificates shall be submitted to the company by the day preceding the date of share swap;
3. The purport that the share certificates shall become invalidated on the date of share swap.

(2) The provisions of Articles 442 and 444 shall apply mutatis mutandis where an approval has been made under Article 360-3 (1),

Article 360-9 (Simplified Share Swaps)

(1) In cases where all the shareholders of a company becoming a complete subsidiary give their consent or where a company becoming a complete parent company owns 90 percent or more of the total number of issued and outstanding shares of the company becoming the complete subsidiary, the approval of a general

meeting of shareholders of the company becoming the complete subsidiary may substitute for the approval of the board of directors.

(2) A company becoming a complete subsidiary shall, in cases falling under paragraph (1), give public notice to the effect that a share swap is to be made without the approval of a general meeting of shareholders within two weeks of the preparation of a share swap contract, or notify the shareholders thereof: Provided, That this shall not apply where all the shareholders give their consent thereto.

Article 360-10 (Small-Scale Share Swaps)

(1) In cases where the total number of new shares issued for a share swap by a company becoming a complete parent company does not exceed 5 percent of the total number of issued and outstanding shares of the relevant company, the approval of a general meeting of shareholders mentioned in Article 360-3 (1) of the relevant company may substitute for the approval of the board of directors: Provided, That this shall not apply where the amount to be paid to the shareholders of a company becoming a complete subsidiary, if so determined, exceeds 2 percent of the value of current net assets of a company becoming a complete parent company on its final balance sheet as provided for in Article 360-4 (1) 3.

(2) Shares to be transferred to the shareholders of a company becoming a complete subsidiary under Article 360-6 shall be deemed new shares to be issued for a share swap, for the purposes of paragraph (1).

(3) In cases falling under the main body of paragraph (1), a share swap contract shall state the purport that the company becoming a complete parent company may make a share swap without obtaining the approval of a general meeting of shareholders provided for in Article 360-3 (1), and shall not state the matters listed in paragraph (3) 1 of the said Article.

(4) A company becoming a complete parent company shall give public notice on the business title and the head office of the company becoming a complete subsidiary, the date of share swap and the purport that a share swap is to be made without obtaining an approval under Article 360-3 (1), or notify the shareholders thereof, within two weeks of the preparation of a share swap contract.

(5) In cases where a holder of shares equivalent to 20 percent or more of the total number of issued and outstanding shares of a company becoming a complete parent company notifies the company in writing of his/her intent to oppose to the share swap under the main body of paragraph (1) within two weeks from the date of public notification or notice under paragraph (4), the share swap under this Article shall not be made. *<Amended by Act No. 10600, Apr. 14, 2011>*

(6) In cases falling under the main body of paragraph (1), where Article 360-4 (1) is applicable to a company becoming a complete parent company, the expression "two weeks prior to the date of a general meeting of shareholders under Article 360-3 (1)" in the part other than the subparagraphs of the same paragraph of same Article, and "the date of a general meeting of shareholders under Article 360-3 (1)" in subparagraph 3 of the same paragraph of same Article shall be "the date of public notice or notification under paragraph (4) of this Article", respectively.

(7) In cases falling under the main body of paragraph (1), the provisions of Article 360-5 shall not apply.

Article 360-11 (Mutatis Mutandis Application of Regulations for Fractional Shares, etc.)

(1) The provisions of Article 443 shall apply mutatis mutandis to the share swaps of a company.

(2) The provisions of Articles 339 and 340 (3) shall apply mutatis mutandis to a pledge for shares of a company becoming a complete subsidiary in cases of a share swap.

Article 360-12 (Post Public Notice of Documents Stating Matters on Share Swap)

(1) Directors shall keep the documents stating the following matters at the head office for six weeks from the date of share swap:

1. The date of share swap;
2. The value of current net assets of the company becoming a complete subsidiary on the date of share swap;
3. The number of shares of a complete subsidiary transferred to a complete parent company due to the share swap;
4. Other matters on the share swap.

(2) The provisions of Article 391-3 (3) shall apply mutatis mutandis to the documents listed in paragraph (1).

Article 360-13 (Tenure of Directors and Auditors of Complete Parent Companies)

Directors and auditors of a company becoming a complete parent company based on a share swap, who have taken office before the share swap, shall retire from office on the closing date of a general meeting of shareholders in a period for the settlement of accounts, which comes first after the date of the share swap.

Article 360-14 (Litigation on Invalidation of Share Swap)

(1) Any shareholder, director, auditor, member of the audit committee or liquidator of each company may claim invalidation of a share swap only by a litigation within six months of the date of such share swap.

(2) A litigation under paragraph (1) shall be under the exclusive jurisdiction of the district court having jurisdiction over the location of the head office of the company becoming a complete parent company.

(3) When a judgment invalidating a share swap becomes final and conclusive, the company becoming a complete parent company shall transfer the shares of the company becoming a complete subsidiary, which have been owned by it, to the shareholders of new shares issued for the share swap or those transferred under Article 360-6.

(4) The provisions of Articles 187 through 189, 190 (text), 191, 192, 377 and 431 shall apply mutatis mutandis to litigations under paragraph (1), and those of Articles 339 and 340 (3) to cases under paragraph (3), respectively.

Subsection 3 All-Inclusive Transfer of Shares

Article 360-15 (Establishment of Complete Parent Company Based on All-inclusive Share Transfer)

(1) A company may establish a complete parent company based on an all-inclusive share transfer under this Sub-Section (hereafter in this Sub-Section, referred to as "share transfer"), and become a complete subsidiary.

(2) Shares of a company becoming a complete subsidiary based on a share transfer, which are owned by its shareholders, shall be transferred to a complete parent company established based on the share transfer, and the shareholders of the relevant complete subsidiary shall become the shareholders of the relevant complete parent company by being allocated shares issued by the relevant complete parent company for the share transfer.

Article 360-16 (Approval of Share Transfer by General Meeting of Shareholders)

(1) A company seeking to transfer shares shall prepare a plan for share transfer stating the following matters, and obtain approval thereof from a general meeting of shareholders: <*Amended by Act No. 10600, Apr. 14, 2011*>

1. Provisions of the articles of incorporation of the complete parent company to be established;
2. The classes and number of shares issued for the share transfer by the complete parent company to be established, and matters on the allotment of shares to the shareholders of the company becoming a complete subsidiary;
3. The amount of capital and capital reserves of the complete parent company to be established;
4. Where the amount to be paid to the shareholders of the company becoming a complete subsidiary is determined, the provisions therefor;
5. The timing for the share transfer;
6. Where profits dividends are distributed by the company becoming a complete subsidiary by the date of share transfer, the maxim amount thereof;
7. The names and resident registration numbers of the directors, auditors or the members of the audit committee of the complete parent company to be established;
8. Where the companies jointly incorporate a complete parent company based on the share transfer, the purport thereof.

(2) A resolution for an approval under paragraph (1) shall be governed by Article 434.

(3) The provisions of Article 360-3 (4) shall apply mutatis mutandis to the approval of a general meeting of shareholders in cases falling under paragraph (1).

(4) In consequence of a share transfer, in cases where the shareholders of each company involved with the share transfer bear increased liabilities, unanimous consent of all the shareholders shall be required in addition to the resolution under paragraph (1) and Article 436. <*Newly Inserted by Act No. 10600, Apr. 14,*

2011>

Article 360-17 (Public Notice of Documents Such as Plans for Share Transfer, etc.)

(1) Directors shall keep the following documents at the head office from two weeks prior to the date of a general meeting of shareholders under Article 360-16 (1) to the date on which six months elapse from the date of share transfer:

1. A plan for share transfer under Article 360-16 (1);
2. Documents stating the grounds for the allotment of shares to the shareholders of the company becoming a complete subsidiary;
3. The final balance sheet and profit and loss statement of the company becoming a complete subsidiary which are prepared on a certain date within six months prior to the date of a general meeting of shareholders under Article 360-16 (1).

(2) The provisions of Article 391-3 (3) shall apply mutatis mutandis to the documents listed in paragraph (1).

Article 360-18 (Limit on Equity Capital of Complete Parent Company)

No equity capital of a complete parent company to be established shall exceed the amount obtained by subtracting the amount to be paid to the shareholders of a company becoming a complete subsidiary on the date of share transfer from the amount of current net assets of the said company. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 360-19 (Procedures for Invalidation of Share Certificates)

(1) A company becoming a complete subsidiary based on a share transfer shall, where it has made a resolution under Article 360-16 (1), publicly notify the following matters, and notify the shareholders listed in the register of shareholders and pledgees, respectively:

1. The purport that a resolution has been made under Article 360-16 (1);
2. The purport that the share certificates must be submitted to the company within a specified period of no less than one month;
3. The purport that the shares shall become invalidated on the date of share transfer.

(2) The provisions of Articles 442 and 444 shall apply mutatis mutandis where a resolution under Article 360-16 (1) has been adopted.

Article 360-20 (Registration Following Share Transfer)

Where a share transfer is completed, the matters provided for in Article 317 (2) shall be registered within two weeks at the location of head office of the complete parent company established, and within three weeks at the location of its branch offices.

Article 360-21 (Effective Period of Share Transfer)

A transfer of shares shall become effective by its registration under Article 360-20 by the complete parent company established based on such transfer at the location of its head office.

Article 360-22 (Mutatis Mutandis Application of Provisions on Share Transfer)

The provisions of Articles 360-5, 360-11 and 360-12 shall apply mutatis mutandis in cases of share transfer.

Article 360-23 (Litigation on Invalidation of Share Transfer)

(1) Any shareholder, director, auditor, member of the audit committee or liquidator of each company may claim invalidation of a share transfer only by a litigation within six months from the date of share transfer.

(2) A litigation under paragraph (1) shall be under the exclusive jurisdiction of the district court having jurisdiction over the location of head office of the company becoming a complete parent company.

(3) When a judgment invalidating a share transfer becomes final and conclusive, the company becoming a complete parent company shall transfer the shares of the company becoming a complete subsidiary, which have been owned by it, to the shareholders of new shares issued for the share transfer.

(4) The provisions of Articles 187 through 193 and 377 shall apply mutatis mutandis to litigations under paragraph (1), and Articles 339 and 340 (3) to cases falling under paragraph (3), respectively.

Subsection 4 Controlling Shareholders' Acquisition of All Shares Owned by Minority Shareholders

Article 360-24 (Controlling Shareholders' Rights to Request Sale)

(1) In cases where necessary to achieve managerial objectives of a company, a shareholder who owns, on his/her own account, 95 percent or more of the total number of issued and outstanding shares of the company (hereinafter referred to as "controlling shareholder") may request other shareholders of the company (hereafter referred to as "minority shareholder" in this Sub-Section) to sell the shares held by them.

(2) In calculating the number of shares held under paragraph (1), the shares held by parent and subsidiary companies shall be aggregated. In such cases, the shares held by a company having shares in excess of a half of the total number of issued and outstanding shares held by a shareholder who is not a company shall be aggregated to the shares held by the said shareholder.

(3) When a request for sale under paragraph (1) is made, the prior approval of a general meeting of shareholders shall be obtained.

(4) When the convocation of a general meeting of shareholders under paragraph (3) is notified, the following matters shall be stated in the notification, and the controlling shareholder requesting the sale of

shares shall explain thereon at the general meeting of shareholders:

1. The status of share-ownership of the controlling shareholder;
2. The objective of requesting the sale of shares;
3. Publicly certified appraiser's evaluation on the ground and adequacy of calculation of the sales price;
4. Payment guarantee for the sales price.

(5) A controlling shareholder shall publicly notify the following matters by no later than one month prior to the date of requesting the sale of shares, and shall separately notify the same to the shareholders listed in the register of shareholders and the pledgees, respectively:

1. The purport that minority shareholders shall submit the share certificates to the controlling shareholder simultaneously with the minority shareholders' receipt of the sales price;
2. The purport that, if minority shareholders fail to submit the share certificates, the share certificates shall become invalidated on the date the minority shareholders receive the sales price or when the controlling shareholder publicly deposits the sales price.

(6) Minority shareholders in receipt of a request for sale under paragraph (1) shall sell their shares to the controlling shareholder within two months from the date of receipt of the request for sale.

(7) In cases falling under paragraph (6), the sales price shall be determined through a negotiation between the minority shareholders who received the request for the sale of shares and the controlling shareholder who requested the sale.

(8) In cases where negotiation regarding the sales price under paragraph (7) is not conducted within 30 days of the date of receipt of the request for sale, the minority shareholders who received the request for the sale of shares or the controlling shareholder who requested the sale may request determination of the sales price to the court.

(9) In cases where the court determines the sales price of shares in accordance with paragraph (8), the court shall compute a fair and reasonable value of the shares based on the status of the company's assets and other circumstances.

Article 360-25 (Appraisal Rights of Minority Shareholders)

(1) A minority shareholder of a company which has a controlling shareholder may, at any time, request the controlling shareholder to purchase the shares held by the minority shareholder.

(2) The controlling shareholder in receipt of the request for purchase under paragraph (1) shall purchase the shares, within two months of the date of the request for purchase, from the shareholder who requested such purchase.

(3) In cases falling under paragraph (2), the sales price shall be determined through a negotiation between the shareholder who requested the purchase of shares and the controlling shareholder who received the request for purchase.

(4) In cases where negotiation regarding the sales price under paragraph (3) is not conducted within 30 days of the date of receipt of the request for purchase, the controlling shareholder who received the request

for purchase of shares or the minority shareholder who requested the purchase may request determination of the sales price to the court.

(5) In cases where the court determines the sales price of shares in accordance with paragraph (4), the court shall compute a fair and reasonable value of the shares based on the status of the company's assets and other circumstances.

Article 360-26 (Transfer of Shares, etc.)

(1) When a controlling shareholder who acquires shares pursuant to Articles 360-24 and 360-25 pays to a minority shareholder the sales price, transfer of the shares shall be deemed to have been made.

(2) In cases where the minority shareholder, to whom the sales price mentioned in paragraph (1) is to be paid, is unknown or the minority shareholder refuses to receive the sales price, the controlling shareholder may publicly deposit the sales price. In such cases, transfer of the shares shall be deemed to have been made to the controlling shareholder on the date of the public deposit.

SECTION 3 Organs of Company

Subsection 1 General Meeting of Shareholders

Article 361 (Authority of General Meeting of Shareholders)

A general shareholders' meeting may adopt resolutions as to matters provided for by this Act or the articles of incorporation.

Article 362 (Decision of Convocation)

A determination to convene a general meeting of shareholders shall be determined by the board of directors, unless otherwise prescribed by this Act.

Article 363 (Notice and Public Notice of Convocation)

(1) When a company convenes a general meeting of shareholders, it shall give written notice or notice in electronic form to each shareholder by obtaining the consent of each shareholder, at least two weeks prior to the date set for such general meeting: Provided, That if such notice has not arrived at the address of a shareholder entered on the register of shareholders for three consecutive years, the company may choose not to give such notice to that shareholder.

(2) Written notice under paragraph (1) shall state the agenda for the meeting.

(3) If a company has issued a bearer share certificate, it shall give public notice stating its intent to hold a general meeting of shareholders and the agenda for the meeting at least three weeks prior to the date set for such meeting.

(4) Notwithstanding the provisions of paragraphs (1) and (3), if a company, the total capital of which is less than one billion won, convenes a general meeting of shareholders, it may give written notice or notice in electronic form to each shareholder by obtaining the consent of each shareholder, at least ten days prior to the date set for such general meeting; if the company has issued a bearer share certificate, it may give public notice stating its intent to hold the general meeting of shareholders and the agenda for the meeting at least two weeks prior to the date set for such meeting.

(5) A company, the total capital of which is less than one billion won, may hold a general meeting of shareholders without undergoing a convocation procedure, if all the shareholders consent to do so, and a resolution of the general meeting may be substituted for by a written resolution. If all the shareholders consent to the subject matter of a resolution in writing, a written resolution shall be deemed made.

(6) A written resolution under paragraph (5) shall have the same effect as a resolution by a general meeting of shareholders.

(7) Provisions concerning a general meeting of shareholders shall apply mutatis mutandis to a written resolution.

(8) The provisions of paragraphs (1) through (5) shall not apply in respect of the holders of nonvoting shares.

Article 363-2 (Shareholders' Rights to Make Proposals)

(1) Shareholders who hold no less than 3 percent of the total issued and outstanding shares excluding nonvoting shares may make a proposal to directors in writing or by an electronic document that certain matters be raised as agenda items for a general meeting of shareholders (hereinafter referred to as "shareholders' proposal") at least six weeks prior to the date set for the general meeting of shareholders (in cases of an ordinary general meeting of shareholders, the date of the year corresponding to the date of the ordinary general meeting of shareholders of the preceding year; hereafter the same shall apply in this Article). *<Amended by Act No. 9362, Jan. 30, 2009>*

(2) Shareholders under paragraph (1) may request that directors enter or record a summary of the proposals submitted by the shareholders in writing or by an electronic document in notice and public notice under Article 363, in addition to the agenda for the meeting, at least six weeks prior to the date set for a general meeting of shareholders. *<Amended by Act No. 9362, Jan. 30, 2009>*

(3) Where a shareholders' proposal has been made under paragraph (1), directors shall report to the board of directors, which shall accept the proposal as an agenda item of a general meeting of shareholders, except where such proposal is in violation of an Act or subordinate statute or the articles of incorporation, and in other cases as prescribed by Presidential Decree. In such cases, the shareholder who made the proposal shall, on his/her request, be given an opportunity to explain the proposal at a general meeting of shareholders. *<Amended by Act No. 9362, Jan. 30, 2009>*

Article 364 (Place for Convocation)

Unless otherwise provided for in the articles of incorporation, a general meeting of shareholders shall be convened at the place of the principal office or at some place adjacent thereto.

Article 365 (Convocation of General Meetings)

(1) An ordinary general meeting of shareholders shall be convened at least once a year at a fixed date.

(2) Where a company has determined the settlement of accounts to take place more than twice a year, a general meeting of shareholders shall be convened with respect to each of such period for the settlement of accounts.

(3) An extraordinary general meeting of shareholders shall be convened from time to time whenever necessary.

Article 366 (Demands for Convocation by Minority Shareholders)

(1) Shareholders who hold no less than 3 percent of the total number of issued and outstanding shares may demand convocation of an extraordinary general meeting of shareholders, by submitting to the board of directors a document or an electronic document stating the subject matter of and the reasons for the convocation of the meeting. *<Amended by Act No. 9746, May 28, 2009>*

(2) If procedures for the convocation of a general meeting of shareholders are not taken promptly after the demand mentioned in paragraph (1), the shareholder who has made such demand may convene such meeting with the leave of the court. In such cases, the chairperson of the general meeting of shareholders may be appointed by the court upon request of any interested person or ex officio. *<Amended by Act No. 5591, Dec. 28, 1998; Act No. 10600, Apr. 14, 2011>*

(3) An inspector may be appointed at a general meeting held in accordance with paragraphs (1) and (2) to investigate the affairs of the company and the current condition of its assets. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 366-2 (Maintenance of Order at General Meetings of Shareholders)

(1) The chairperson of a general meeting of shareholders shall be elected at the general meeting unless otherwise provided for by the articles of incorporation.

(2) The chairperson of a general meeting of shareholders shall exercise control over maintaining order and proceedings at the general meeting.

(3) The chairperson of a general meeting of shareholders may order anyone who notably disturbs the order by intentionally speaking or acting for a filibuster, to stop speaking or to retire from the meeting room.

Article 367 (Appointment of Inspectors)

(1) At a general meeting of shareholders, an inspector may be appointed to examine documents submitted by the directors and auditors' reports.

(2) A company or shareholder who owns one percent or more of the total number of issued and outstanding shares of the company may request a court, before convocation of a general meeting of shareholders, to appoint an inspector in order to examine the legality of procedures for convening the general meeting or the methods of resolutions thereof.

Article 368 (Methods of Adopting Resolutions and Exercise of Voting Rights)

(1) Unless otherwise provided for by this Act or the articles of incorporation, resolutions shall be adopted at a general meeting of shareholders by affirmative votes of a majority of the voting rights of shareholders present thereat and representing at least a quarter of the total issued and outstanding shares. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) Persons holding bearer share certificates shall deposit them with the company one week prior to the date set for the meeting.

(3) A shareholder may appoint a proxy to exercise the voting rights on his/her behalf. In such cases, the proxy shall submit a document proving his/her power of representation at a general meeting of shareholders.

(4) No person who has special interests in a resolution by a general meeting of shareholders shall exercise his/her voting rights thereupon.

Article 368-2 (Exercise of Voting Rights in Disunity)

(1) If a shareholder has two or more votes, he/she may exercise them in disunity. In such cases, he/she shall notify the company, in writing or by an electronic document, of his/her intent to do so and the grounds therefor three days prior to the date set for a general meeting of shareholders. *<Amended by Act No. 9746, May 28, 2009>*

(2) A company may reject the exercise of vote in disunity by a shareholder, unless he/she has accepted a trust of shares or he/she holds the shares on behalf of another person.

Article 368-3 (Exercise of Voting Rights by Writing)

(1) Shareholders may exercise their voting rights in writing, without attending a general meeting of shareholders, pursuant to the articles of incorporation.

(2) Any notice of convocation of a general meeting of shareholders shall be accompanied by documents and reference materials necessary for shareholders to exercise their voting rights pursuant to paragraph (1).

Article 368-4 (Exercise of Voting Rights by Electronic Means)

(1) A company may determine that a shareholder may exercise an absentee vote by electronic means, through a resolution of the board of directors.

(2) Where a company gives notice or public notice about convocation under Article 363, it shall notify or announce that each shareholder may exercise his/her voting rights by such means as referred to in

paragraph (1).

(3) Where a company has determined the exercise of voting rights by electronic means under paragraph (1), each shareholder shall exercise their voting rights, as prescribed by Presidential Decree, including procedures for identifying the shareholders. In such cases, the company shall provide each shareholder with documents and reference materials necessary to exercise their voting rights by electronic means.

(4) Where a shareholder exercises his/her voting right in the same share under paragraph (1) or Article 368-3 (1), he/she shall choose to do so either in writing or by electronic means.

(5) A company shall keep electronic records on the exercise of voting rights for public inspection at the head office for three months from the closing of a meeting of general shareholders and shall preserve the same records for five years from the closing of a meeting of general shareholders.

(6) Procedures for exercising voting rights by electronic means, including procedures for identifying the shareholders, and other necessary matters shall be prescribed by Presidential Decree.

Article 369 (Voting Rights)

(1) Every shareholder shall have one vote for each share.

(2) No company shall be entitled to vote in respect of its own shares.

(3) In cases where a company, its parent company and its subsidiary company together, or its subsidiary company alone holds more than one percent of the total issued and outstanding shares in another company, such another company shall have no voting rights for shares it holds in the company or the parent company. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

Article 370 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 371 (Computation of Quorum and Number of Votes)

(1) In computations with respect to resolutions by a general meeting of shareholders, the number of non-voting shares under Articles 344-3 (1), 369 (2) and (3) shall be excluded from the total number of issued and outstanding shares.

(2) In computations with respect to resolutions by a general meeting of shareholders, the number of votes which cannot be exercised in accordance with Article 368 (4) and the number of votes which cannot be exercised pursuant to Articles 409 (2) and (3), 542-12 (3) and (4) for shares exceeding the ratio prescribed therein shall be excluded from the number of votes of the shareholders present at the meeting.

Article 372 (Resolution to Adjourn or Continue General Meeting of Shareholders)

(1) A general meeting of shareholders may adopt a resolution for adjournment or continuation of the meeting.

(2) In cases falling under paragraph (1), the provisions of Article 363 shall not apply.

Article 373 (Minutes of General Meeting)

(1) Minutes shall be prepared for the proceedings of a general meeting of shareholders.

(2) Minutes shall record a summary of proceedings of the meeting and the outcomes thereof and the chairperson as well as the directors present at the meeting shall write their names and affix their seals or shall sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 374 (Transfer, Takeover or Lease of Business)

(1) A resolution provided for in Article 434 shall be required for a company to engage in any of the following activities: *<Amended by Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. A transfer of the whole or a substantial part of the business of the company;
2. The conclusion, alteration or rescission of a contract for lease of the whole business, entrusting the operations thereof, or for sharing with another person the entire profits and losses from the business or of a similar contract;
3. The acquisition of the whole or any part of business of another company which significantly affects the business of the company;
4. The acquisition of any part of business of another company which significantly affects the business of the company.

(2) In a notice or public notice of the convocation of a general shareholders' meeting in relation to an activity prescribed in paragraph (1), the substance and exercising method of appraisal rights as determined in Article 374-2 (1) and (2) shall be specified. *<Newly Inserted Act No. 5053, Dec. 29, 1995>*

Article 374-2 (Appraisal Rights of Opposing Shareholders)

(1) If a shareholder who opposes to the subject matter of a resolution set forth in Article 374 has notified in writing the company of his/her opposition ahead of a general meeting of shareholders, he/she may make a written request to the company that it purchase the shares held by him/herself, within 20 days of adoption of the resolution at the general meeting and shall specify the classes and number of such shares.

(2) A company shall purchase shares within two months after receiving a request under paragraph (1).

(3) The purchase price of shares under paragraph (2) shall be determined through a negotiation between the shareholder and the company. *<Amended by Act No. 6488, Jul. 24, 2001>*

(4) Where a negotiation under paragraph (3) has not been attained within 30 days of the receipt of a request under paragraph (1), the company or the shareholder who has requested the purchase of shares may request the court to determine the purchase price. *<Amended by Act No. 6488, Jul. 24, 2001>*

(5) Where the court makes a ruling on the purchase price of shares under paragraph (4), it shall compute it by a fair price in view of the current status of assets of the company and other situations. *<Newly Inserted by Act No. 6488, Jul. 24, 2001>*

Article 375 (Ex Post Facto Incorporation)

The provisions of Article 374 shall apply mutatis mutandis to a contract whereby a company acquires, within two years from its existence, certain assets which existed prior to its incorporation and are to be continuously used for its business purposes, for a value of no less than five percent of the capital.

Article 376 (Action for Revocation of Resolutions)

(1) Where the procedures for convocation of a general meeting of shareholders or methods for adopting a resolution are in violation of any Act, subordinate statute, or the articles of incorporation, or are substantially unfair or the details of a resolution are contrary to the articles of incorporation, a shareholder, director or auditor may file an action to revoke such resolution, within two months of the date of such resolution. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

(2) The provisions of Articles 186 through 188, the main body of Article 190 and Article 191 shall apply mutatis mutandis to actions filed under paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

Article 377 (Duty to Provide Security of Shareholder Filing Action)

(1) In cases of a shareholder filing an action for revocation of a resolution, the court may, upon request of the company, order him/her to provide an appropriate amount of security, unless he/she is a director or auditor of the company. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) The provisions of Article 176 (4) shall apply mutatis mutandis to requests made under paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 378 (Registration of Revocation of Resolutions)

When the matter of a resolution has been registered and a judgment revoking such resolution has become final and conclusive, registration thereof shall be made at the place of the principal office and each branch office.

Article 379 (Dismissal of Action by Court at Discretion)

A court may dismiss an action for revocation of a resolution, if it deems the revocation is improper, taking into consideration the details of the resolution, the current status of the company and other circumstances.

Article 380 (Action to Verify Non-validity or Non-existence of Resolution)

The provisions of Articles 186 through 188, 190 (the main body), 191, 377, and 378 shall apply mutatis mutandis to an action to verify the non-validity of a resolution on the ground that the details of the resolution adopted at a general meeting of shareholders are contrary to an Act or subordinate statute and to an action to verify the non-existence of a resolution on the ground that material defects exist in the

procedures for the convocation of a general meeting of shareholders or in the method of adopting a resolution that no resolution of the general meeting of shareholders is deemed to have existed. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

Article 381 (Action for Revocation or Alteration of Improper Resolution)

(1) In cases where a considerably improper resolution is adopted at a general meeting of shareholders where a certain shareholder is unable to vote in accordance with Article 368 (4) and the adoption of such resolution could have been avoided if he/she had exercised his/her voting rights, that shareholder may file an action for the revocation or alteration of such resolution within two months from the date of such resolution.

(2) The provisions of Articles 186 through 188, 190 (the main body), 191, 377 and 378 shall apply mutatis mutandis to actions filed under paragraph (1). *<Amended by Act No. 5591, Dec. 28, 1998>*

Subsection 2 Directors and Board of Directors

Article 382 (Appointment of Directors, Relationship with Company and Outside Directors)

(1) Directors shall be appointed at a general shareholders' meeting.

(2) The provisions of the Civil Act regarding delegation shall apply mutatis mutandis to the relationship between the company and the directors.

(3) Outside directors are directors who are not engaged in the regular business of the relevant company, and do not correspond to any of the following subparagraphs. Where any outside director falls under any of the following subparagraphs, he/she shall be removed from office: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the latest two years;
2. The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
3. Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a corporation;
4. The spouses, lineal ascendants, and lineal descendants of directors, auditors and executive directors;
5. The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company;
6. Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company;
7. Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors.

Article 382-2 (Cumulative Voting)

(1) Where a general meeting of shareholders of a company is convened to appoint two or more directors, shareholders who hold no less than three percent of the total issued and outstanding shares excluding nonvoting shares may request the company to appoint directors based on cumulative voting, except as otherwise provided for by the articles of incorporation.

(2) A request under paragraph (1) shall be made in writing or by an electronic document at least seven days prior to the date set for a general meeting of shareholders. *<Amended by Act No. 9746, May 28, 2009>*

(3) Where a request under paragraph (1) has been made, each shareholder shall have the same number of voting rights per share as directors to be elected, with respect to the resolutions for election of directors, and the voting rights may be exercised based on cumulative voting for one or several candidates for directors.

(4) Where directors are to be elected by a vote under paragraph (3), the directors shall be elected in order of candidates who obtain the most votes.

(5) Where a request under paragraph (1) has been made, the chairperson of the meeting shall inform the members, ahead of adopting a resolution, of the existence of such request.

(6) A written statement under paragraph (2) shall be kept at the principal office until the closing of a meeting of general shareholders and offered for inspection by the shareholders during its business hours.

Article 382-3 (Duty of Loyalty by Directors)

Directors shall perform their duties in good faith for the interest of the company in accordance with Acts, subordinate statutes, and the articles of incorporation.

Article 382-4 (Duties of Directors to Keep Secret)

No director shall divulge any business secret of the company, which has come to his/her knowledge in the course of performing his/her duty, not only while in the office but also after the retirement.

Article 383 (Number, Term of Office)

(1) The number of directors shall be three or more: Provided, That in cases of a company, the total capital of which is less than one billion won, the number of directors may be one or two. *<Amended by Act No. 9746, May 28, 2009>*

(2) The term of office of directors shall not exceed three years. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) The term of office under paragraph (2) may be extended by the articles of incorporation until the closing of an ordinary general meeting of shareholders convened in respect of the last period for the settlement of accounts within the said term of office. *<Amended by Act No. 3724, Apr. 10, 1984>*

(4) In cases falling under the proviso to paragraph (1), "board of directors" shall be construed as "general meeting of shareholders" in Articles 302 (2) 5-2, 317 (2) 3-2, 335 (1) (proviso) and (2), 335-2 (1) and (3),

335-3 (1) and (2), 335-7 (1), and Article 340-3 (1) 5, subparagraph 6-2 of Article 356, and Articles 397 (1) and (2), 397-2 (1), 398, 416 (main body), 451 (2), 461 (1) (main body) and (3), 462-3 (1), 464-2 (1), 469, 513 (2) (main body), and 516-2 (2) (main body) (including where this provision shall apply mutatis mutandis), respectively, and "where the board of directors has adopted a resolution" in Articles 360-5 (1) and 522-3 (1) shall be construed as "where notice of convocation for a general meeting has been given under Article 363 (1)". *<Amended by Act No. 9746, May 28, 2009; Act No. 10600, Apr. 14, 2011>*

(5) In cases falling under the proviso to paragraph (1), the proviso to Article 341 (2), Articles 390, 391, 391-2, 391-3, 392, 393 (2) through (4), 399 (2), 408-2 (3) and (4), 408-3 (2), subparagraph 2 of Article 408-4, 408-5 (1), 408-6, 408-7, 412-4, 449-2, the proviso to Article 462 (2), 526 (3), 527 (4), 527-2, 527-3 (1), and 527-5 (2) shall not apply. *<Amended by Act No. 9746, May 28, 2009; Act No. 10600, Apr. 14, 2011>*

(6) In cases falling under the proviso to paragraph (1), each director (referring to the representative director if the said director has been determined according to the articles of incorporation) shall represent the company and perform the functions of the board of directors under the proviso to Article 343 (1), Articles 346 (3), 362, 363-2 (3), 366 (1), 368-4 (1), 393 (1), 412-3 (1) and 462-3 (1). *<Amended by Act No. 9746, May 28, 2009; Act No. 10600, Apr. 14, 2011>*

Article 384 Deleted. *<by Act No. 5053, Dec. 29, 1995>*

Article 385 (Removal)

(1) A director may be removed from office at any time by a resolution adopted at a general shareholders' meeting under Article 434: Provided, That where the term of office of a director has been determined and his/her removal is made without justifiable grounds before the expiration of his/her term of office, he/she may file a claim for damages caused thereby against the company.

(2) If the removal of a director is rejected at a general meeting of shareholders, despite the director having engaged in inappropriate activities or any grave fact in violation of an Act, subordinate statute, or the articles of incorporation in relation to the performance of his/her duties, a shareholder who holds no less than three percent of the total issued and outstanding shares may request the court to remove the director, within one month from the date of adoption of the above resolution by the general meeting of shareholders. *<Amended by Act No. 5591, Dec. 28, 1998>*

(3) The provisions of Article 186 shall apply mutatis mutandis in cases falling under paragraph (1).

Article 386 (Vacancies)

(1) A director retiring from office due to the expiration of his/her term of office or due to resignation shall continue to have the rights and obligations of a director until a newly elected director takes office, if the directors remaining in office would otherwise become fewer than the minimum number prescribed by Acts or by the articles of incorporation.

(2) A court may, if it deems necessary in cases falling under paragraph (1), appoint a person who is to temporarily perform the duties of a director, upon request of a director, auditor or any other interested person. In such cases, registration thereof shall be made at the place of the principal office. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 387 (Qualification Shares)

If articles of incorporation provide that any director shall have a certain number of shares, the directors shall deposit such number of share certificates with the auditors, unless otherwise provided for by the articles of incorporation.

Article 388 (Remuneration for Directors)

If the amount of remuneration to be received by directors has not been determined by the articles of incorporation, it shall be determined by a resolution of a general meeting of shareholders.

Article 389 (Representative Director)

(1) A company shall appoint, by a resolution of the board of directors, a director who shall represent the company: Provided, That the articles of incorporation may provide that such representative director shall be appointed at a general shareholders' meeting.

(2) In cases falling under paragraph (1), it may be provided that two or more representative directors shall jointly represent the company.

(3) The provisions of Articles 208 (2), 209, 210 and 386 shall apply mutatis mutandis to representative directors. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 390 (Convocation of Board of Directors' Meetings)

(1) A meeting of the board of directors shall be convened by each director: Provided, That this shall not apply where the board of directors has designated a director who is to convene such meeting.

(2) Any director who has not been designated as eligible to convene a board of directors' meeting under the proviso to paragraph (1) may request the director so designated to convene such meeting. Where the director so designated refuses the convocation of the meeting without justifiable grounds, other directors may convene such meeting. *<Newly Inserted by Act No. 6488, Jul. 24, 2001>*

(3) In convening a board of directors' meeting, the date of such meeting shall be fixed and a notice of convocation shall be sent to each director and auditor at least one week prior to such date: Provided, That the said period may be shortened by the articles of incorporation. *<Amended by Act No. 3724, Apr. 10, 1984>*

(4) When there is agreement of all the directors and auditors, a meeting of the board of directors may be held at any time without undergoing procedures set forth in paragraph (3). *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 6488, Jul. 24, 2001>*

Article 391 (Methods of Resolution by Board of Directors)

(1) A resolution of the board of directors shall be adopted in the presence of a majority of directors in office by the affirmative votes of a majority of directors present at the meeting: Provided, That the voting requirement may be increased by the articles of incorporation.

(2) The board of directors may, unless otherwise provided for by the articles of incorporation, allow all or some of the directors to take part in the adoption of a resolution without personal attendance at the meeting by means of a remote communications system that enables all directors' simultaneous transmission and receipt of sounds. In such cases, the relevant directors shall be deemed to have attended the meeting. *<Newly Inserted by Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Articles 368 (4) and 371 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 391-2 (Auditor's Power to Attend Board of Directors and State Opinions)

(1) Auditors may attend meetings of the board of directors and state their opinions.

(2) When any auditor deems that a director acts or is likely to act in contravention of Acts, subordinate statutes or the articles of incorporation, the auditor shall report such to the board of directors.

Article 391-3 (Minutes of Board of Directors' Meeting)

(1) Minutes shall be prepared with regard to the proceedings of a meeting of the board of directors.

(2) The agenda items, summary of the progress and the outcomes thereof, and the objectors and grounds for their objection shall be entered in the minutes, and the directors and auditors present at the meeting shall write their names and affix seals, or sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 6086, Dec. 31, 1999>*

(3) Shareholders may, during office hours, request either to inspect the minutes of the board of directors' meeting, or to copy them. *<Newly Inserted by Act No. 6086, Dec. 31, 1999>*

(4) A company may reject a request made under paragraph (3) with an explanation of grounds therefor. In such cases, shareholders may inspect or copy the minutes of the board of directors's meeting by obtaining a permit from the court. *<Newly Inserted by Act No. 6086, Dec. 31, 1999>*

Article 392 (Postponement and Continuation of Board of Directors)

The provisions of Article 373 shall apply mutatis mutandis to meetings of the board of directors.

Article 393 (Authority of Board of Directors)

(1) A resolution of the board of directors shall be required for dispositions or transfer of major assets, borrowing of large scale assets, appointment or dismissal of managers, and management of affairs such as establishment, transfer or abolition of branch offices. *<Amended by Act No. 6488, Jul. 24, 2001>*

(2) The board of directors shall supervise the performance of duties by directors.

(3) Directors may request that the representative director report on the affairs of other directors or employees to the board of directors. *<Newly Inserted by Act No. 6488, Jul. 24, 2001>*

(4) Directors shall report on the progress of his/her duties to the board of directors more than once every three months. *<Newly Inserted by Act No. 6488, Jul. 24, 2001>*

Article 393-2 (Committees of Board of Directors)

(1) The board of directors may establish committees within the board, as prescribed by the articles of incorporation.

(2) The board of directors may delegate to the committees its power other than the following matters:

1. Proposal of matters subject to approval by a general shareholders' meeting;
2. Appointment or dismissal of the representative director;
3. Establishment of committees and appointment or dismissal of their members;
4. Other matters as prescribed by the articles of incorporation.

(3) The committee shall be composed of two or more directors.

(4) The committee shall notify each director of the resolutions it has adopted. In such cases, any of the directors may, upon receipt of the notification, request the convocation of a meeting of the board of directors, and the board of directors may resolve, once again, on the resolutions of the committee.

(5) The provisions of Articles 386 (1), 390, 391, 391-3, and 392 shall apply mutatis mutandis with respect to committees.

Article 394 (Representation of Litigation between Company and Directors)

(1) When a company has filed an action against a director and vice versa, auditors shall represent the company in connection with such action. The same shall apply where the company receives a request under Article 403 (1).

(2) In cases where a member of the audit committee under Article 415-2 is a party to an action, the audit committee or a director shall request the court to appoint a person to represent the company. *<Newly Inserted by Act No. 6086, Dec. 31, 1999>*

Article 395 (Acts of Apparent Representative Directors and Liability of Company)

A company shall be liable to a third party acting in good faith for any act done by a director who has used titles that can be understood as having authority to represent the company even where said person has no such authority, such as president, vice president, executive director, or managing director.

Article 396 (Obligation to Keep Articles of Incorporation, etc. and Make Available to Public)

(1) Directors shall keep the articles of incorporation and the minutes of the general shareholders' meetings at the principal office and each branch office, and shall keep the register of shareholders and the bond

register at the principal office. In such cases, if there is a transfer agent, the register of shareholders or the bond register or duplicates thereof may be kept in the business office of the transfer agent. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 6086, Dec. 31, 1999>*

(2) Any shareholder or creditor of a company may request, at any time during its business hours, the company to inspect or copy documents prescribed in paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 397 (Prohibition against Competition)

(1) No director shall, without the approval of the board of directors, engage in for his/her own account or for the account of a third party any transaction in the same line of business of the company or become an unlimited liability member or a director of any other company, the business purposes of which are the same as those of the company. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) If any director has engaged in a transaction for his/her own account in contravention of paragraph (1), the company may, by a resolution of the board of directors, deem such transaction as made for the account of the company and if he/she has made a transaction for the account of a third party, the company may request the pertinent director to transfer any interest accrued therefrom. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 5053, Dec. 29, 1995>*

(3) Rights under paragraph (2) shall be extinct upon the lapse of one year after the date such transaction has been made. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 397-2 (Prohibition against Appropriation of Company's Opportunities and Assets)

(1) No director shall use any business opportunity of the company which corresponds to any of the following subparagraphs and may be of present or future benefit to the company, for his/her own account or for the account of a third party, without the approval of the board of directors. In such cases, the approval of the board of directors shall be granted with two thirds or more of the total number of directors:

1. A business opportunity which has become known to the director in the course of performing his/her duty, or a business opportunity taking advantage of information of the company;
2. A business opportunity closely related to the business that is being currently conducted or is to be conducted by the company.

(2) A director who has violated paragraph (1) and thereby incurred damage to the company and the director who approved the same shall be jointly and severally liable for compensation of the damage; and the benefit earned by the director or a third party from the violation shall be presumed to be the damage suffered by the company.

Article 398 (Transactions between Directors, etc. and Company)

When a person falling under any of the following subparagraphs intends to engage in a transaction with the company for his/her own account or for the account of a third party, he/she shall in advance disclose

material facts of the relevant transaction at the board of directors and shall obtain approval therefrom. In such cases, the approval of the board of directors shall be granted with two thirds or more of the total number of the directors, and the relevant transaction shall be fair in terms of its particulars and procedures:

1. A director or a major shareholder under Article 542-8 (2) 6;
2. The spouse and lineal ascendents or descendents of a person falling under subparagraph 1;
3. Lineal ascendents or descendents of the spouse of a person falling under subparagraph 1;
4. A company in which a half or more of the total number of issued and outstanding shares with voting rights is held by a person falling under any of subparagraphs 1 through 3, solely or jointly with others, or its subsidiary company;
5. A company in which a half or more of the total number of issued and outstanding shares with voting rights is held by a person falling under any of subparagraphs 1 through 3, together with a company falling under subparagraph 4.

Article 399 (Liability to Company)

(1) If a director has intentionally or negligently acted in violation of any Act or subordinate statute or of articles of incorporation or has neglected to perform his/her duties, he/she shall be jointly and severally liable for damage against the company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) If any act under paragraph (1) has been done in accordance with a resolution of the board of directors, the directors who have assented to such resolution shall take the same liability.

(3) Directors who have participated in the resolution mentioned in paragraph (2) and whose dissenting opinion has not been entered in the minutes shall be presumed to have assented to such resolution.

Article 400 (Release from Liability to Company)

(1) Liability of a director under Article 399 may be absolved by the consent of all shareholders.

(2) A company may, in accordance with its articles of incorporation, absolve the liability of a director under Article 399 with respect to the amount exceeding six times (in cases of outside directors, three times) his/her remuneration (including bonuses and the profit from exercise of stock option) for the latest one year prior to the date of the act or misconduct of the director: Provided, That this shall not apply where the director has incurred any loss or damage on purpose or by negligence and he/she falls under Article 397, 397-2 or 398.

Article 401 (Liability to Third Parties)

(1) If a director has neglected to perform his/her duties intentionally or by gross negligence, he/she shall be jointly and severally liable for damage against a third party. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Article 399 (2) and (3) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 401-2 (Liability of Person who Instructs Another Person to Conduct Business, etc.)

(1) Any person who falls under any of the following subparagraphs shall be a director for the purposes of Articles 399, 401, and 403 regarding the duties he/she instructs or performs:

1. A person who instructs a director to conduct business by using his/her influence over the company;
2. A person who conducts business in person under the name of a director;
3. A person other than a director who conducts the business of the company by using a title which may give the impression he/she is authorized to conduct the business of the company, such as honorary chairman, chairman, president, vice-president, executive director, managing director, director, or others.

(2) In cases falling under paragraph (1), a director who is liable for damage against the company or third party shall be jointly and severally liable therefor with a person under paragraph (1).

Article 402 (Rights to Injunction)

If a director commits an act in contravention of any Act or subordinate statute or the articles of incorporation, and such act is likely to cause irreparable damage to the company, the auditor or a shareholder who holds no less than one percent of the total issued and outstanding shares may demand on behalf of the company that the relevant director stop such act. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5591, Dec. 28, 1998>*

Article 403 (Representative Suits by Shareholders)

(1) Any shareholder who holds no less than one percent of the total issued and outstanding shares may request that the company file an action against directors to compel them to perform their obligations. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) A request under paragraph (1) shall be made in writing, stating the grounds therefor. *<Amended by Act No. 5591, Dec. 28, 1998>*

(3) If a company fails to file an action within 30 days from the date of receiving the request under paragraph (2), the shareholder mentioned in paragraph (1) may immediately file such action on behalf of the company.

(4) If irreparable damage may be caused to the company upon the lapse of the period set forth in paragraph (3), a shareholder mentioned in paragraph (1) may immediately file such action, notwithstanding the provisions of paragraph (3). *<Amended by Act No. 5591, Dec. 28, 1998>*

(5) The effect of instituting an action shall not be prejudiced even where the number of shares held by a shareholder who files an action under paragraphs (3) and (4) falls below one percent of the total issued and outstanding shares after the institution of the action (excluding where the shareholder no longer holds the issued and outstanding shares). *<Newly Inserted by Act No. 5591, Dec. 28, 1998>*

(6) Where a company files an action pursuant to a request under paragraph (1) or a shareholder files an action under paragraphs (3) and (4), no relevant party shall dismiss the suit, renunciate or admit the claim,

or come to a compromise, without permission from the court. *<Newly Inserted Act No. 5591, Dec. 28, 1998; Act No. 10600, Apr. 14, 2011>*

(7) The provisions of Articles 176 (3) and (4), and 186 shall apply mutatis mutandis to actions under this Article.

Article 404 (Representative Suits and Intervention, and Notice of Actions)

(1) The company may intervene in an action under Article 403 (3) and (4).

(2) A shareholder who has filed an action under Article 403 (3) and (4) shall immediately give notice of the action to the company.

Article 405 (Rights and Obligations of Shareholders Filing Actions)

(1) If a shareholder who has filed an action pursuant to Article 403 (3) and (4) wins the case, he/she may demand reimbursement by the company for the cost incurred in relation to the action and a reasonable amount of other expenses disbursed for the action. In such cases, the company which has paid the expenses for action shall have a right to indemnity against the directors or auditors. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 6488, Jul. 24, 2001>*

(2) If a shareholder who has filed an action pursuant to Article 403 (3) and (4) loses the case, he/she shall not be liable for damage against the company, except for malicious intent.

Article 406 (Representative Suits and Actions for Retrial)

(1) In cases where the plaintiff and defendant in an action under Article 403 have procurred a judgment to be rendered by their collusion for the purpose of fraudulently injuring the rights of the company, which is the subject matter of the case, the company or shareholders may institute an action for retrial against the final and conclusive judgment.

(2) The provisions of Article 405 shall apply mutatis mutandis to actions under paragraph (1).

Article 407 (Suspension of Performance of Duties and Appointment of Acting Directors)

(1) In cases where an action to nullify or revoke a resolution for appointing a director or for removing a director is filed, the court may, upon request of the relevant parties, render a provisional disposition suspending the performance of duties of such director or appointing an acting director. Such disposition may be taken even before the institution of merits, in urgent circumstances.

(2) A court may, upon requests by the relevant parties, alter or revoke a provisional disposition prescribed in paragraph (1).

(3) If any disposition under paragraphs (2) and (3) has been made, registration thereof shall be made at the place of the principal office and each branch office.

Article 408 (Powers of Acting Directors)

(1) No acting director under Article 407 shall do any act outside the ordinary course of business of the company, unless otherwise provided for in the order of provisional disposition: Provided, That this shall not apply where permission has been obtained from the court.

(2) The company shall be liable to a third party acting in good faith, even if an acting director has committed an offence in violation of paragraph (1).

Article 408-2 (Companies with Executive Directors, Relationships between Executive Directors and Companies)

(1) A company may have an executive director. In such cases, no company which has an executive director (hereinafter referred to as "company with executive directors") shall have a representative director.

(2) The provisions of the Civil Act regarding delegation shall apply mutatis mutandis to the relationship between a company with executive directors and its executive directors.

(3) The board of directors of a company with executive directors shall have the following authority:

1. Appointing or removing an executive director and the representative executive director;
2. Supervising the executive directors' performance of duties;
3. Appointing a person who is to represent the company with executive directors in a lawsuit between the company with executive directors and any of its executive directors;
4. Delegating the decision-making affairs concerning performance of duties to executive directors (excluding where such is prescribed as the matter of authority of the board of directors);
5. In cases where there exist more than one executive director, decision-making on allocation of duties, chain of supervision/command, and other matters concerning interrelationship between executive directors;
6. Decision-making on remuneration for executive directors, in cases not provided for in the articles of incorporation or approval thereon has not been made in a general meeting of shareholders.

(4) A company with executive directors shall have a chairperson of the board of directors to chair meetings of the board of directors. In such cases, the chairperson of the board of directors shall be appointed by a resolution of the board of directors, unless otherwise provided for in the articles of incorporation.

Article 408-3 (Term of Office of Executive Directors)

(1) The term of office of an executive director may not exceed two years, unless otherwise provided for in the articles of incorporation.

(2) The term of office mentioned in paragraph (1) may be extended by the articles of incorporation until the closing of an ordinary general meeting of shareholders convened in respect of the last period for the settlement of accounts within the said term of office.

Article 408-4 (Powers of Executive Directors)

Powers of an executive director shall be as follows:

1. Execution of affairs of the company with executive directors;
2. Decision-making on the execution of the affairs delegated in accordance with the articles of incorporation or by a resolution of the board of directors.

Article 408-5 (Representative Executive Directors)

(1) In cases where two or more executive directors have been appointed, a representative executive director who is to represent the company with executive directors shall be appointed by a resolution of the board of directors: Provided, That in cases where there is one executive director, he/she shall be the representative executive director.

(2) With respect to a representative executive director, the provisions concerning the representative director of a stock company shall apply mutatis mutandis, unless otherwise provided for in this Act.

(3) With respect to a company with executive directors, the provisions of Article 395 shall apply mutatis mutandis.

Article 408-6 (Executive Directors' Reports to Board of Directors)

(1) An executive director shall report the status of performance of duties to the board of directors at least once every three months.

(2) In addition to cases falling under paragraph (1), an executive director shall attend the board of directors any time upon request of the board of directors and shall report the matters as requested by the board.

(3) A director may request the representative executive director to report to the board of directors concerning the duties of other executive directors or employees.

Article 408-7 (Executive Directors' Demands for Convening Meetings of Board of Directors)

(1) An executive director may, if necessary, demand convocation of a meeting of the board of directors by filing with directors (in cases where there is a person eligible to convene the board, referring to such person; hereafter the same apply in this Article) a written request which states the subject matter of the meeting and the reasons for which it is to be convened.

(2) After making a demand under paragraph (1), if the directors fail to take procedures without delay to convene a meeting of the board of directors, the executive director who has requested the convocation may convene such meeting with the leave of the court. In such cases, the chairperson of the board of directors may be appointed by the court upon request of any interested person orex officio.

Article 408-8 (Liability of Executive Directors)

(1) In cases where an executive director has acted intentionally or with gross negligence in violation of any Act or subordinate statute or of the articles of incorporation or has neglected to perform his/her duties, he/she shall be liable for damage against the company with executive directors.

(2) In cases where an executive director has neglected to perform his/her duties intentionally or with gross negligence, he/she shall be liable for damage against a third party, if any.

(3) In cases where an executive director is liable for damage against the company with executive directors or a third party, if other executive director, director or auditor is also responsible therefor, the executive director shall be jointly and severally liable for damage with such other executive director, director or auditor.

Article 408-9 (Provisions Applying Mutatis Mutandis)

With respect to executive directors, the provisions of Articles 382-3, 382-4, 396, 397, 397-2, 398, 400, 401-2, 402 through 408, 412 and 412-2 shall apply mutatis mutandis.

Subsection 3 Auditors and Audit Committee

Article 409 (Appointment)

(1) Auditors shall be appointed at a general shareholders' meeting.

(2) No shareholder who holds more than three percent of the total issued and outstanding shares, exclusive of non-voting shares, shall exercise his/her voting rights in respect of such excess shares beyond the above limit, in the appointment of auditors under paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) The articles of incorporation may provide for a lower ratio than that referred to in paragraph (2). *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

(4) A company, the total capital of which is less than one billion won, may choose not to appoint auditors, notwithstanding the provisions of paragraph (1), Articles 296 (1) and 312. *<Newly Inserted by Act No. 9746, May 28, 2009>*

(5) Where a company which has not appointed auditors under paragraph (4) files a lawsuit against a director or a director files a lawsuit against the company, the company, director or any interested person shall request a court to appoint a person to represent the company. *<Newly Inserted by Act No. 9746, May 28, 2009>*

(6) Where no auditor has been appointed under paragraph (4), "auditor" in Articles 412, 412-2, and 412-5 (1) and (2) shall be construed as "general meeting of shareholders". *<Newly Inserted by Act No. 9746, May 28, 2009>*

Article 409-2 (Right to State Opinions in Removal of Auditors)

Auditors may state their opinions on the removal of an auditor at a general shareholders' meeting.

Article 410 (Term of Office)

The term of office of an auditor shall expire upon the closing of an ordinary general meeting of shareholders convened in respect of the last period for the settlement of accounts within three years after his/her inauguration. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 411 (Prohibition against Concurrently Holding of Offices)

No auditor may concurrently hold the office of a director, a manager or an employee of the company or its subsidiary company. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 412 (Auditors' Duties and Authority to Demand Reporting and to Investigate)

(1) Auditors shall audit directors' performance of duties.

(2) Auditors may at any time request a director to report on relevant business and may investigate the affairs and the financial conditions of a company.

(3) Auditors may seek assistance from professionals at the expense of the company. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

Article 412-2 (Directors' Duty of Reporting)

If a director finds any fact that is likely to inflict a substantial loss on the company, he/she shall immediately report such to its auditors.

Article 412-3 (Requests for Convocation of General Meetings)

(1) An auditor may request the board of directors to convene an extraordinary general meeting of shareholders by presenting a written statement specifying the subject matter of the meeting and the grounds for the convocation.

(2) The provisions of Article 336 (2) shall apply mutatis mutandis where an auditor convenes a general shareholders' meeting.

Article 412-4 (Auditors' Demands for Convocation of Board of Directors' Meetings)

(1) An auditor may, if necessary, demand convocation of a meeting of the board of directors by filing with directors (in cases where there is a person eligible to convene the board, referring to such person; hereafter the same apply in this Article) a written request which states the subject matter of the meeting and the reasons for which it is to be convened.

(2) After making a demand under paragraph (1), if the directors fail to convene a meeting of the board of directors without delay, the auditor who has demanded the convocation may convene such meeting.

Article 412-5 (Authority to Investigate Subsidiary Company)

(1) An auditor of a parent company may request its subsidiary company to report on its business, if it is necessary for carrying out his/her duties.

(2) If, in cases falling under paragraph (1), a subsidiary company fails to make a report without delay or it is required to verify the contents of such reports, an auditor of the parent company may investigate the affairs of the subsidiary company and the status of its property.

(3) A subsidiary company may not refuse reporting under paragraph (1) or investigation under paragraph (2), unless there exist justifiable grounds to the contrary.

Article 413 (Duty to Examine and Report)

Auditors shall examine the agenda items and documents to be submitted by directors to a general shareholders' meeting and at the general shareholders' meeting shall state their opinions as to whether such agenda items or documents include any matter contrary to any Act, subordinate statute or the articles of incorporation or any considerably unfair matter.

Article 413-2 (Preparation of Audit Records)

(1) Auditors shall prepare a record pertaining to the audit.

(2) A summary of audit process and the outcomes thereof shall be recorded in the audit record and auditors who have carried out such audit shall write their names and affix their seals or shall sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 414 (Liability of Auditors)

(1) If an auditor has neglected any of his/her duties, he/she shall be jointly and severally liable for damages to the company.

(2) If an auditor has neglected his/her duties wilfully or by gross negligence, he/she shall be jointly and severally liable for damages to a third party.

(3) In cases where an auditor is liable for damages either to the company or to a third party, if a director is likewise liable therefor, the auditor and the director shall be jointly and severally liable for the damages.

Article 415 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 382 (2), 382-4, 385, 386, 388, 400, 401, and 403 through 407 shall apply mutatis mutandis to auditors. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 6488, Jul. 24, 2001>*

Article 415-2 (Audit Committee)

(1) A company may establish an audit committee constituted by a committee under Article 393-2, in lieu of auditors, as prescribed by the articles of incorporation. In the case of the establishment of an audit committee, there shall not coexist any auditor.

(2) Notwithstanding the provisions of Article 393-2 (3), the audit committee shall consist of not less than three directors: Provided, That the ratio of outside directors shall exceed two thirds of the total number of members. *<Amended by Act No. 9362, Jan. 30, 2009>*

(3) A resolution of the board of directors on the dismissal of a member of the audit committee shall require the concurrent vote of two thirds or more of the total number of directors.

(4) The audit committee shall, from among its members, elect a member to represent the committee. In such cases, more than one member may be elected to jointly represent the committee.

(5) The audit committee may obtain professional assistance at the expense of the company.

(6) The latter part of Article 393-2 (4) shall not apply to the audit committee. *<Newly Inserted by Act No. 9362, Jan. 30, 2009>*

(7) The provisions of Articles 296, 312, 367, 387, 391-2 (2), 394 (1), 400, 402 through 407, 412 through 414, 447-3, 447-4, 450, 527-4, 530-5 (1) 9, 530-6 (1) 10, and 534 shall applymutatis mutandis with respect to the audit committee. In such cases, "auditor" in Articles 530-5 (1) 9 and 530-6 (1) 10 shall be construed as "member of the audit committee".

SECTION 4 Issuance of New Shares

Article 416 (Determination of Particulars for Issuance)

In cases where a company issues shares after its incorporation, the following matters, which are not provided for in the articles of incorporation, shall be determined by the board of directors: Provided, That this shall not apply where it is provided for otherwise by this Act, or the articles of incorporation provide that they shall be determined at a general shareholders' meeting: *<Amended by Act No. 3724, Apr. 10, 1984>*

1. The classes and number of new shares;
2. The issuance price of new shares and the date set for the payment thereof;

2-2. In cases of no par value shares, the amount to be included in the paid-up capital out of the issuance price of new shares;

3. The method of subscribing to new shares;
4. The name of a person who is to make an investment in kind and the class, quantity, and value of such property, and the class and number of shares to be given therefor;
5. Matters related to transferability of the shareholder's preemptive right to new shares;
6. An intent that a certificate for preemptive right to new shares is to be issued only upon request of the shareholder and the period within which such request may be made.

Article 417 (Issuance of Shares at Price below Par)

(1) In cases where a company issues shares after two years have elapsed since its incorporation, the company may issue shares at a price below the par value by a resolution adopted at a general meeting of shareholders under Article 434 and with the authorization of the court. *<Amended by Act No. 1212, Dec. 12,*

1962>

(2) The minimum issuance price of shares shall be determined by a resolution adopted at a general meeting of shareholders under paragraph (1).

(3) The court may grant authorization after altering the minimum issuance price by taking into account the present conditions of the company and all the other circumstances. In such cases, the court may appoint an inspector to investigate the status of the company's assets and any other necessary matters.

(4) Shares mentioned in paragraph (1) shall be issued within one month from the date of obtaining the authorization of the court. The court may extend the above period in its authorization.

Article 418 (Terms of Preemptive Rights, Designation and Public Notice of Record Date for Allotment)

(1) Each shareholder shall be entitled to the allotment of new shares in proportion to the number of shares which he/she holds. *<Amended by Act No. 6488, Jul. 24, 2001>*

(2) A company may make an allotment of new shares to other persons than shareholders, as provided for in the articles of incorporation, notwithstanding the provisions of paragraph (1): Provided, That in such cases, it shall be limited to cases necessary for the achievement of the company's operational objectives, such as introduction of new technology, improvement of financial structures, etc. *<Newly Inserted by Act No. 6488, Jul. 24, 2001>*

(3) A company shall fix a record date and shall, at least two weeks before such record date, give public notice to the effect that shareholders entered in the register of shareholders as of such record date shall be entitled to the rights mentioned in paragraph (1) and that such preemptive rights are transferable, if applicable: Provided, That if the above record date is within the period set forth in Article 354 (1), the public notice shall be given at least two weeks before the first day of such period. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

(4) In cases where a company makes an allotment of new shares to other persons than its shareholders pursuant to paragraph (2), the company shall notify the shareholders of the matters set forth in subparagraphs 1, 2, 2-2, 3, and 4 of Article 416 by no later than two weeks before the date of payment of the subscription price, or shall publicly notify the same. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

Article 419 (Peremptory Notice to Holders of Preemptive Rights)

(1) A company shall notify the holders of preemptive rights of the classes and number of shares subject to such preemptive rights and that their rights shall be forfeited if they fail to apply for subscription to new shares on or before a fixed date. In such cases, if the matters set forth in subparagraphs 5 and 6 of Article 416 have been determined, the details thereof shall also be notified.

(2) If a company has issued bearer share certificates, public notice on the matters set forth in paragraph (1) shall be given.

(3) Notification under paragraph (1) and public notice under paragraph (2) shall be given at least two weeks before the date set forth in paragraph (1).

(4) In cases where a holder of preemptive rights fails to apply for subscription to new shares on or before the specified date notwithstanding notification under paragraph (1) or public notice under paragraph (2), his/her rights shall be forfeited.

Article 420 (Share Subscription Forms)

Directors shall prepare a share subscription form containing the following matters: *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 10600, Apr. 14, 2011>*

1. Matters set forth in Article 289 (1) 2 through 4;
2. Matters set forth in Article 302 (2) 7, 9 and 10;
3. Matters set forth in subparagraphs 1 through 4 of Article 416;
4. In cases where the company issues shares in accordance with Article 417, the conditions of such issuance and the amount yet to be amortized;
5. Restrictions on the preemptive rights of shareholders or a provision that the preemptive rights are to be given to a particular third party, if applicable;
6. Date of the resolution on the issuance of shares.

Article 420-2 (Issuance of Certificates of Preemptive Rights)

(1) In cases where a company has provided for matters set forth in subparagraph 5 of Article 416, the company shall issue certificates of preemptive rights in accordance with subparagraph 6 of Article 416, if applicable, or issue them at least two weeks prior to the date under Article 419 (1), as the case may be.

(2) Each certificate of preemptive right shall contain a serial number in addition to the following and directors shall write their names and affix their seals or shall sign thereon: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. A statement to the effect that it is a preemptive right;
2. Matters set forth in Article 420;
3. The class and number of shares subject to the preemptive right;
4. A statement to the effect that the right shall be forfeited if subscription to shares is not applied for on or before the specified date.

Article 420-3 (Transfer of Preemptive Rights)

(1) A preemptive right shall be transferred only by the delivery of the certificate thereof.

(2) The provisions of Article 336 (2) of this Act and Article 21 of the Check Act shall apply mutatis mutandis to certificates of preemptive rights.

Article 420-4 (Electronic Registration of Preemptive Rights)

As prescribed by the articles of incorporation, a company may register preemptive rights with the electronic registration ledger of an electronic registration agency, in lieu of issuing certificates of

preemptive rights. In such cases, the provisions of Article 356-2 (2) through (4) shall apply mutatis mutandis.

Article 420-5 (Applications for Subscription by Certificates of Preemptive Rights)

(1) If a certificate of preemptive right has been issued, subscription to shares shall be applied for by the certificate. In such cases, the provisions of Article 302 (1) shall apply mutatis mutandis.

(2) A person who has lost a certificate of preemptive right may apply for subscription to shares by the share subscription form: Provided, That such offer shall become ineffective if the application for subscription to shares is made by a certificate of preemptive right.

Article 421 (Payment for New Shares)

(1) Directors shall procure persons who have subscribed to new shares to pay the full subscription price with respect to each share allotted to them on or before the date set for such payment.

(2) No person who has subscribed to new shares shall, without the consent of the company, set off his/her liability for payment described in paragraph (1) with his/her creditor's rights against the stock company.

Article 422 (Investigation of Investment in Kind)

(1) In cases of an investment in kind, directors shall request the court to appoint an inspector who is to investigate the particulars set forth in subparagraph 4 of Article 416. In such cases, an appraisal by a certified appraiser may substitute for investigation by an inspector. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) In any of the following cases, the provisions of paragraph (1) shall not apply: *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

1. If the value of assets subject to an investment in kind under subparagraph 4 of Article 416 does not exceed one fifth of the capital and not exceed the amount determined by Presidential Decree;
2. If assets subject to an investment in kind under subparagraph 4 of Article 416 are securities having exchange quotation, in which case the price determined in accordance with the main body of Article 416 does not exceed the market value calculated by the method determined by Presidential Decree;
3. When a pecuniary claim which has become due against the company is to be contributed, in which case the value of the pecuniary claim does not exceed the value stated in the company's ledger;
4. Other cases determined by Presidential Decree, which are equivalent to those described in subparagarphs 1 through 3.

(3) If the court acknowledges the particulars mentioned in paragraph (1) to be improper after examining a report on investigation prepared by an inspector or the outcomes of appraisal conducted by an appraiser, it may make a necessary modification and inform directors and the person who has made the investment in kind, of such modification. *<Amended by Act No. 5591, Dec. 28, 1998; Act No. 10600, Apr. 14, 2011>*

(4) If a person who has made an investment in kind objects to the modification mentioned in paragraph (2), he/she may cancel his/her subscription to shares. *<Amended by Act No. 10600, Apr. 14, 2011>*

(5) If a person who has made an investment in kind does not cancel his/her subscription to shares within two weeks after the court informed him/her of alteration, the particulars mentioned in paragraph (1) shall be deemed to have been modified accordingly. *<Amended by Act No. 5591, Dec. 28, 1998; Act No. 10600, Apr. 14, 2011>*

Article 423 (Timing for Becoming Shareholders and Effects of Failure of Payment)

(1) If a person who has subscribed to new shares pays the subscription price or makes an investment in kind, he/she shall have the rights and obligations of a shareholder from the day immediately after the date set for the payment. In such cases, the latter part of Article 350 (3) shall applymutatis mutandis. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

(2) If a person who has subscribed to new shares fails to pay the subscription price or makes an investment in kind on or before the date set for the payment, his/her right shall be forfeited.

(3) The provisions of paragraph (2) shall not affect any claim for damages against a person who has subscribed to new shares.

Article 424 (Rights to Injunction)

If a company issues shares in violation of an Act, subordinate statute or the articles of incorporation or in a substantially unfair manner and shareholders are likely to suffer disadvantages thereby, the shareholders may request the company to cease such issuance.

Article 424-2 (Liability of Persons who have Subscribed to Shares at Unfair Prices)

(1) A person who has subscribed to shares at a substantially unfair issuance price in collusion with directors shall be liable to pay to the company the amount equivalent to the difference between such issuance price and the fair issuance price.

(2) The provisions of Article 403 through 406 shall apply mutatis mutandis to an action seeking for payment pursuant to paragraph (1).

(3) The provisions of paragraphs (1) and (2) shall not affect the directors' liability to compensate for damages incurred by the company or shareholders.

Article 425 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Article 302 (1) and (3), 303, 305 (2) and (3), 306, 318, and 319 shall apply mutatis mutandis to the issuance of new shares.

(2) The provisions of Article 305 (2) shall apply mutatis mutandis where certificates of preemptive rights are issued. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

Article 426 (Registration of Amounts Yet to Be Amortized)

If shares are issued in accordance with Article 417, the registration of an alteration thereby shall contain the amount yet to be amortized.

Article 427 (Limitation on Assertion for Nullification or Revocation of Subscriptions)

After one year has elapsed from the date of registration of an alteration due to the issuance of new shares, no person who has subscribed to the new shares may assert the nullification of his/her subscription by reason of defects in the requirements as to the share subscription form or certificate of preemptive right, or revoke his/her subscription on the ground of fraud, duress or mistake. The same shall apply where he/she has exercised his/her rights in respect to such shares. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984>*

Article 428 (Directors' Liability to Indemnify for Subscription)

(1) In cases where shares have yet to be subscribed to or the subscription of shares has been revoked after the registration of alteration due to the issuance of new shares was made, directors shall be deemed to have jointly subscribed to such shares.

(2) The provisions of paragraph (1) shall not affect any claim for damages against directors.

Article 429 (Actions for Nullification of Issuance of New Shares)

Nullification of the issuance of new shares can be asserted only by means of an action filed by a shareholder, director, or auditor within six months from the date of the issuance of such new shares. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 430 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 186 through 198, the main body of Article 190, Articles 191, 192 and 377 shall apply mutatis mutandis to actions under Article 429.

Article 431 (Effects of Judgments Nullifying Issuance of New Shares)

(1) When a judgment nullifying issuance of new shares becomes final and conclusive, such new shares shall be invalidated for the future.

(2) In cases falling under paragraph (1), the company shall without delay give public notice to the effect that certificates of new shares must be submitted to the company within a fixed period and shall separately notify each shareholder and pledgee recorded in the register of shareholders of the same: Provided, That such period shall exceed three months.

Article 432 (Judgments of Nullification and Refunds to Shareholders)

(1) When a judgment nullifying issuance of new shares becomes final and conclusive, the company shall refund to each shareholder the amount paid by him/her for new shares.

(2) If an amount mentioned in paragraph (1) is considerably unreasonable in view of the status of the company's assets as at the time a judgment mentioned in Article 431 (1) becomes final and conclusive, the court may order either an increase or decrease in such amount, upon request of the company or of such shareholder mentioned in paragraph (1).

(3) The provisions of Articles 339 and 340 (1) and (3) shall apply mutatis mutandis in cases falling under paragraph (1).

SECTION 5 Amendments to Articles of Incorporation

Article 433 (Method of Amendments to Articles of Incorporation)

(1) Articles of incorporation shall be amended by a resolution at a general shareholders' meeting.

(2) A summary of agenda relating to amendments to the articles of incorporation shall be stated in notice and public notice under Article 363.

Article 434 (Special Resolutions for Amendments to Articles of Incorporation)

A resolution under Article 433 (1) shall be adopted by the affirmative votes of no less than two thirds of the voting rights of the shareholders present at a general meeting of shareholders and of at least one third of the total issued and outstanding shares.

Article 435 (General Meeting of Shareholders of Certain Classes of Shares)

(1) If a company has issued different classes of shares and a certain class of shareholders is to be prejudiced by an amendment to the articles of incorporation, a resolution adopted by a general meeting of such specific class of shareholders shall be required for effecting such amendment in addition to that of a general meeting of shareholders. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) A resolution under paragraph (1) shall be adopted by the affirmative votes of no less than two thirds of the voting rights of the shareholders present at a general meeting of shareholders and of at least one third of the total issued and outstanding shares of such class. *<Amended by Act No. 5053, Dec. 29, 1995>*

(3) Provisions relating to a general shareholders' meeting shall apply mutatis mutandis to a general meeting of shareholders under paragraph (1), except for the provisions relating to non-voting shares.

Article 436 (Provisions Applying Mutatis Mutandis)

The provisions of Article 435 shall apply mutatis mutandis in cases where specifically provided for with regard to the classes of shares in accordance with Article 344 (3) and where the shareholders of certain classes of shares are to be prejudiced by a division or merger after division of the company, swap or

transfer of shares, or a merger of the company.

Article 437 Deleted. *<by Act No. 5053, Dec. 29, 1995>*

SECTION 6 Reduction of Capital

Article 438 (Resolutions for Reduction of Capital)

(1) In order to reduce capital, a resolution passed in accordance with Article 434 shall be required.

(2) Notwithstanding the provisions of paragraph (1), any reduction of capital for recovery from deficit shall be made by a resolution under Article 368 (1).

(3) Major details of the agenda concerning reduction of capital shall be stated in notice and public notice under Article 363.

Article 439 (Methods of Reduction of Capital, and Procedures therefor)

(1) In a resolution for reduction of capital, methods of making such reduction shall be determined.

(2) The provisions of Article 232 shall apply mutatis mutandis to the reduction of capital: Provided, That this shall not apply where the reduction of capital is made for recovery from deficit. *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) A bondholder may raise an objection subject to a resolution passed by a meeting of bondholders. In such cases, upon request by any interested person, the court may extend in favor of the bondholder the period for raising such objection.

Article 440 (Procedures for Consolidation of Shares)

If shares are to be consolidated, a company shall determine a period of not less than one month and shall give public notice to the effect that shares shall be consolidated and that share certificates must be submitted to the company within such period and shall separately give notice to such effect to each of the shareholders and the pledgees recorded in the register of shareholders. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 441 (Idem-Procedures for Consolidation of Shares)

A consolidation of shares shall take effect upon the expiration of the period mentioned in Article 440: Provided, That if the procedures set forth in Article 232 have yet to be completed, it shall take effect upon the completion of such procedures.

Article 442 (Delivery of New Share Certificates)

(1) If, in cases of a consolidation of shares, no person can submit his/her old share certificates, the company may, upon a request by such person, determine a period of no less than three months and give

public notice to the effect that any interested person shall raise an objection, if any, on such certificates within such period and may deliver new share certificates to such person after the lapse of such period.
(2) Expenses incurred in giving public notice mentioned in paragraph (1) shall be borne by the requester.

Article 443 (Dispositions of Fractional Shares)

(1) If shares, the number of which is unfit for a consolidation, exist, new shares issued for such portion unfit for the consolidation shall be sold by means of auction and the proceeds from which shall be delivered to the former shareholders in proportion to the number of shares they formerly held: Provided, That shares for which there is an exchange based market may be sold through such exchange and shares without an exchange quotation may be sold in a manner other than auction with the leave of the court. *<Amended by Act No. 3724, Apr. 10, 1984>*
(2) The provisions of Article 442 shall apply mutatis mutandis to cases falling under paragraph (1).

Article 444 (Idem-Dispositions of Fractional Shares)

The provisions of Article 443 shall apply mutatis mutandis to bearer share certificates not submitted in accordance with Article 440.

Article 445 (Actions to Nullify Reduction of Capital)

Nullification of reduction of capital can be asserted only by means of an action filed only by a shareholder, director, auditor, liquidator, bankruptcy trustee or creditor disapproving such reduction of capital, within six months from the date the registration of alteration due to such reduction of capital has been made.

Article 446 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 186 through 189, the main sentence of Article 190, Articles 191, 192 and 377 shall apply mutatis mutandis to actions under Article 445.

SECTION 7 Accounting of Company

Article 446-2 (Principle of Accounting)

The accounting of a company, other than that provided for in this Act and Presidential Decree, shall be conducted in accordance with generally accepted fair and proper accounting practices.

Article 447 (Preparation of Financial Statements)

(1) In each period for the settlement of accounts, directors shall prepare the following documents and the supplementary statements thereof and obtain approval thereof from the board of directors:
1. Balance sheets;

2. Income statements;

3. Other documents prescribed by Presidential Decree, which indicate financial status and performance of management of the company.

(2) Directors of the company determined by Presidential Decree shall prepare the consolidated financial statements and obtain approval thereof from the board of directors.

Article 447-2 (Preparation of Business Reports)

(1) In each period for the settlement of accounts, directors shall prepare a business report and shall obtain approval thereof from the board of directors.

(2) A business report shall include important matters concerning the business prescribed by the Presidential Decree.

Article 447-3 (Submission of Financial Statements)

Directors shall submit to auditors the documents listed in Articles 447 and 447-2 six weeks prior to the date set for an ordinary general meeting of shareholders.

Article 447-4 (Audit Reports)

(1) Auditors shall submit to directors an audit report within four weeks from the date of receipt of the documents listed in Article 447-3.

(2) An audit report under paragraph (1) shall include the following:

1. Outline of auditing methods;

2. If matters to be entered in books of account are not recorded or are recorded wrongly or entries in balance sheets or income statements do not coincide with those in the books of account, a statement to such effect;

3. If balance sheets and income statements adequately reflect the status of the company's financial conditions and managerial performance according to Acts, subordinate statutes and the articles of incorporation, a statement to such effect;

4. If balance sheets and income statements fail to adequately reflect the status of the company's financial conditions and managerial performance, in contravention of an Act, subordinate statute, or the articles of incorporation, a statement to such effect and the grounds therefor;

5. Whether it is proper to change the accounting method relating to the preparation of balance sheets and income statements and, if so, the grounds therefor;

6. Whether a business report adequately reflects the status of the company in accordance with the Acts, subordinate statutes and the articles of incorporation;

7. Whether appropriation of retained earnings or disposition of deficits has been made in conformity with the Acts and subordinate statutes or with the articles of incorporation;

8. If appropriation of retained earnings or disposition of deficits is obviously improper in the light of the company's financial conditions and other circumstances, a statement to such effect;

9. If supplementary statements mentioned in Article 447 do not include entries to be stated therein or include incorrect records, or include entries that do not conform with books of account, balance sheets, income statements, or business reports, a statement to such effect;

10. If a dishonest act or an act which is in material contravention of an Act, subordinate statute, or the articles of incorporation is found with regard to the performance of duties of a director, a statement to such effect.

(3) In cases where an auditor is unable to conduct an investigation necessary for an audit, the audit report shall include a statement to that effect and the grounds therefor.

Article 448 (Keeping and Public Inspection of Financial Statements, etc.)

(1) Directors shall keep the documents listed in Articles 447 and 447-2 as well as an audit report at the principal office of the company for five years and shall keep copies thereof at the branch offices for three years, from one week prior to the date set for an ordinary general meeting of shareholders. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) Any shareholder or creditor of a company may, at any time during its business hours, inspect the documents listed in paragraph (1) and request the copying of such documents or an abstract thereof, with the payment of fees determined by the company. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 449 (Approval and Public Notice of Financial Statements, etc.)

(1) Directors shall submit the documents listed in Article 447 to an ordinary general meeting of shareholders and shall obtain approval thereof. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 10600, Apr. 14, 2011>*

(2) Directors shall submit the documents listed in Article 447-2 to an ordinary general meeting of shareholders and shall report on the details thereof. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

(3) If directors have obtained approval from a general meeting of shareholders in respect of the documents mentioned in paragraph (1), they shall give, without delay, public notice of the balance sheets. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 449-2 (Special Provisions Concerning Approval of Financial Statements, etc.)

(1) Notwithstanding the provisions of Article 449, a company may approve the documents listed in Article 447 by a resolution of the board of directors as determined by its articles of incorporation: Provided, That in such cases, all of the following conditions shall be satisfied:

1. That an external auditor presents an opinion that each of the documents listed in Article 447 appropriately represents the company's financial conditions and performance of management in accordance with the Acts, subordinate statutes and the articles of incorporation;

2. That all the auditors (in cases of a company which has established an audit committee, referring to the members of the audit committee) give consent thereto.

(2) In cases where a board of directors gives approval pursuant to paragraph (1), directors shall report the details of each document listed in Article 447 to a general meeting of shareholders.

Article 450 (Exoneration from Liability of Directors and Auditors)

If no contrary resolution has been adopted within two years after an ordinary general meeting of shareholders at which an approval under paragraph (1) of the preceding Article was given, the company shall be deemed to have exonerated the directors and auditors from liability: Provided, That this shall not apply to any illegal act of a director or auditor.

Article 451 (Capital)

(1) Unless otherwise provided for in this Act, the capital of a company shall be equal to the total sum of par values of all issued and outstanding shares.

(2) In cases where a company issues no par value shares, the capital of the company shall be the amount of a half or more of the share issuance price and equal to the total sum of amount which the board of directors (in cases of issuance of stock as determined by the proviso to Article 416, referring to a general meeting of shareholders) agrees to include in the capital. In such cases, the amount not to be included in capital out of the issuance price shall be included in the capital reserve.

(3) No capital of a company may be changed by transferring par value shares into no par value shares or by transferring no par value shares into par value shares.

Article 452 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 453 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 453-2 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 454 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 455 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 456 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 457 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 457-2 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 458 (Earned Surplus Reserves)

A company shall accumulate, as its earned surplus reserve, at least 10 percent of the cash dividend in each period for the settlement of accounts until its reserve reaches half of the company's capital: Provided, That this shall not apply in cases of stock dividends.

Article 459 (Capital Reserves)

(1) A company shall accumulate as its capital reserve, the surplus amount accrued from capital transactions, as determined by Presidential Decree.

(2) In cases of a merger, or a division or merger after division as provided for in Article 530-2, the earned surplus reserve and other legal reserves of the disappearing or divided company may be succeeded by the surviving company or the newly incorporated company in consequence of the merger, division, or merger after division.

Article 460 (Use of Legal Reserves)

No legal reserve under Articles 458 and 459 shall be disposed of, except in recovery from a deficit in capital.

Article 461 (Capitalization of Reserves)

(1) A company may capitalize its reserve, in whole or in part, by a resolution of the board of directors: Provided, That this shall not apply where the articles of incorporation provide that such shall be determined at a general shareholders' meeting. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) In cases falling under paragraph (1), the company shall issue shares to the shareholders in proportion to the number of shares which they hold. In such cases, Article 443 (1) shall apply mutatis mutandis to fractional shares.

(3) When a resolution is adopted by the board of directors in accordance with paragraph (1), the company shall fix a date and give public notice two weeks prior to such date to the effect that new shares under paragraph (2) shall be alloted to the shareholders entered on the register of shareholders on that date: Provided, That if the above date falls within the period mentioned in Article 354 (1), such public notice shall be given two weeks prior to the first day of such period.

(4) In cases falling under the proviso to paragraph (1), shareholders shall become those of new shares under paragraph (2) on the date of the resolution of a general shareholders' meeting.

(5) When shareholders become those of new shares pursuant to paragraph (3) or (4), directors shall immediately notify the shareholders allocated with such new shares and the pledgees entered on the register of shareholders of the classes and number of such shares. If bearer share certificates have been issued, public notice of the details of resolution under paragraph (1) shall be given.

(6) The latter part of Article 350 (3) shall apply mutatis mutandis in cases falling under paragraph (1). *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

(7) The provisions of Article 339 shall apply mutatis mutandis to the issuance of shares pursuant to paragraph (2).

Article 461-2 (Decrease of Reserves)

In cases where the total sum of the capital reserve and the earned surplus reserve accumulated exceeds one and a half times the capital of a company, the capital reserve and the earned surplus reserve may be decreased by a resolution adopted at a general meeting of shareholders to that effect within the limit of such excess.

Article 462 (Dividends)

(1) A company may pay dividends within the limit of the value of net assets stated on the balance sheets after deducting the following:

1. The amount of capital;
2. The total amount of the capital reserve and the earned surplus reserve accumulated until the pertinent period for the settlement of accounts of the company;
3. The amount to be accumulated for the pertinent period for the settlement of accounts of the company;
4. Unrealized profits determined by Presidential Decree.

(2) Each payment of dividends shall be resolved by a general meeting of shareholders: Provided, That the same shall be resolved by the board of directors in cases where the board of directors approves financial statements pursuant to Article 449-2 (1).

(3) In cases where dividends have been paid in violation of paragraph (1), any creditor of the company may claim that such dividends be returned to the company.

(4) The provisions of Article 186 shall apply mutatis mutandis to an action relating to a claim under paragraph (3).

Article 462-2 (Stock Dividends)

(1) A company may pay dividends by issuing new shares by a resolution adopted at a general meeting of shareholders: Provided, That such stock dividends may not exceed the amount equivalent to a half of the total amount of dividends.

(2) Dividends under paragraph (1) shall be paid based on the par value of shares and if the company have issued different classes of shares, dividends may be paid in the same classes of shares, respectively. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Article 443 (1) shall apply mutatis mutandis where, out of profits to be distributed as stock dividends, a fraction remains which is less than the par value of a share. *<Amended by Act No. 5053, Dec. 29, 1995>*

(4) A shareholder who has received stock dividends shall become a shareholder of new shares from the time of closing of the general shareholders' meeting at which a resolution mentioned in paragraph (1) is adopted. In such cases, the latter part of Article 350 (3) shall applymutatis mutandis. *<Amended by Act No. 5053, Dec. 29, 1995>*

(5) Where a resolution under paragraph (1) has been adopted, directors shall notify, without delay, the shareholders entitled to receive the stock dividends and the pledgees entered on the register of shareholders of the classes and number of shares to be distributed to them. If bearer share certificates have been issued, public notice of the details of the resolution mentioned in paragraph (1) shall be given.

(6) The right of a pledgee under Article 340 (1) shall extend to shares to be distributed to a shareholder pursuant to paragraph (1). In such cases, the provisions of Article 340 (3) shall apply mutatis mutandis.

Article 462-3 (Interim Dividends)

(1) A company which has a period for the settlement of accounts once per year may determine in its articles of incorporation that the company may pay dividends (hereafter in this Article referred to as "interim dividend") on a specified date set by a resolution of the board of directors to the shareholders on such date only one time during a business year. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) Interim dividends shall be paid within the limit of the amount calculated by deducting the following amounts from the value of net assets on the balance sheets in the immediately previous period for the settlement of accounts: *<Amended by Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. The amount of capital in the immediately previous period for the settlement of accounts;
2. The total amount of the capital reserve and earned surplus reserve accumulated until the immediately previous period for the settlement of accounts;
3. The amount which is to be distributed as a profit or paid at an ordinary general meeting of shareholders in the immediately previous period for the settlement of accounts;
4. The earned surplus reserve which is to be accumulated in the relevant period for the settlement of accounts for the payment of interim dividends.

(3) If the value of net assets on the balance sheets in the relevant period for the settlement of accounts is deemed unlikely to amount to the total sum of amounts listed in the subparagraphs of Article 462 (1), the company shall not pay interim dividends. *<Amended by Act No. 6488, Jul. 24, 2001>*

(4) Where, if the value of net assets on the balance sheets in the relevant period for the settlement of accounts fails to amount to the total sum of the amounts listed in the subparagraphs of Article 462 (1), payment of interim dividends is made, directors shall be jointly and severally liable to compensate for the difference (where the amount of dividend is less than such difference, the amount of dividend) to the company: Provided, That the same shall not apply where the directors prove that they have not been negligent in rendering judgment that the situation described in paragraph (3) is not likely to occur. *<Amended by Act No. 6488, Jul. 24, 2001>*

(5) For the purposes of Articles 340 (1), 344 (1), 350 (3) (including where this shall apply mutatis mutandis under Articles 423 (1), 516 (2), and 516-10: hereafter in this paragraph the same shall apply), 354 (1), 458, and 464 and subparagraph 3 of Article 625, interim dividends shall be deemed dividends under Article 462 (1), and for the purposes of Article 350 (3), a specified date mentioned in paragraph (1) shall be deemed the end of the business year. *<Amended by Act No. 10600, Apr. 14, 2011>*

(6) The provisions of Articles 399 (2) and (3) and 400 shall apply mutatis mutandis with respect to the liability of directors under paragraph (4), and Article 462 (3) and (4), with respect to interim dividends paid in breach of paragraph (3). *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 462-4 (Dividends in Kind)

(1) A company may determine in its articles of incorporation that it may pay dividends with assets other than money.

(2) A company that has determined payment of dividends pursuant to paragraph (1) may further determine the following:

1. In cases where the company determines that a shareholder may claim for payment of money in lieu of a dividend in kind, such amount of money and the period set for such claim;
2. In cases where the company determines that it will pay money to the shareholders who have less than a certain number of stocks, in lieu of a dividend in kind, such number of stocks and the amount of money.

Article 463 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 464 (Standards for Distribution of Profits)

Distribution of profits shall be made in proportion to the number of shares held by each shareholder: Provided, That this shall not apply in cases falling under Article 344 (1).

Article 464-2 (Timing for Payment of Dividends)

(1) A company shall pay dividends under Article 464 within one month from the date of adopting a resolution at a general meeting of shareholders or by the board of directors under Article 462 (2) or from the date of adopting a resolution under Article 462-3 (1): Provided, That this shall not apply where timing for the payment of dividends is determined otherwise by a general meeting of shareholders or the board of directors. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998; Act No. 10600, Apr. 14, 2011>*

(2) A claim for payment of dividends under paragraph (1) shall be extinguished by prescription, if it is not exercised within five years.

Article 465 Deleted. *<by Act No. 3724, Apr. 10, 1984>*

Article 466 (Shareholder's Right to Inspect Books of Account)

(1) Any shareholder who holds shares representing no less than three percent of the total issued and outstanding shares may demand, in writing stating the grounds therefor, the inspection or copying of the books of account and related documents. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) No company shall reject a demand made by a shareholder under paragraph (1) unless it proves that such demand is improper. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 467 (Inspection of Affairs and Status of Company's Assets)

(1) If any ground exists to suspect the occurrence of any dishonest act or material fact in contravention of any Act, subordinate statute, or the articles of incorporation in connection with the management of the company, any shareholder who holds shares representing no less than three percent of the total issued and outstanding shares may request the court to appoint an inspector to investigate the affairs of the company and the status of its assets. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) An inspector shall report to the court on the outcomes of the investigation.

(3) If the court deems it necessary after investigating a report mentioned in paragraph (2), it may order the representative director to convene a general meeting of shareholders. In such cases, the provisions of Article 310 (2) shall apply mutatis mutandis. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 5053, Dec. 29, 1995>*

(4) Directors and auditors shall examine, without delay, as to whether a report of an inspector mentioned in paragraph (3) is accurate and shall report to a general meeting of shareholders on the findings thereof. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

Article 467-2 (Prohibition against Granting Pecuniary Benefits)

(1) No company may grant to any person a pecuniary benefit in connection with the exercise of his/her rights as a shareholder.

(2) If a company has given gratuitously any pecuniary benefit to a specified shareholder, such pecuniary benefit shall be presumed to have been given in connection with the exercise of his/her rights as a shareholder. The same shall also apply where a company has given for value any pecuniary benefit to a specified shareholder, but the benefit obtained by the company is considerably less than the pecuniary benefit granted to the shareholder.

(3) If a company has granted any pecuniary benefit in contravention of paragraph (1), the person who has received such benefit shall return it to the company. In such cases, if the person paid to the company any consideration for such benefit, the company may return such consideration to him/her.

(4) The provisions of Articles 403 through 406 shall apply mutatis mutandis to actions for the return of benefits under paragraph (3).

Article 468 (Employees' Rights to Preferential Payment)

A person who has a claim for the return of money as a guarantee for fidelity of an employee or any other claim arising out of the employment relationship between the company and its employees shall be entitled to preferential payment from all of the company' assets: Provided, That such entitlement shall not be claimed in preference over a pledge, mortgage, or a security interest under the Act on Security over Movable Property, Claims, etc.. *<Amended by Act No. 10366, Jun. 10, 2010>*

SECTION 8 Bonds

Subsection 1 Common Provisions

Article 469 (Offering of Bonds)

(1) A company may issue bonds for subscription by a resolution of the board of directors.

(2) The following bonds shall be included in the bonds mentioned in paragraph (1):

1. Bonds entitling payment of dividends;
2. Bonds that can be exchanged or redeemed with stocks or other securities;
3. Bonds the redemption or payment amount of which is determined by the pre-determined methods that are linked to the fluctuation of such things as securities, currencies, or other assets or indexes determined by Presidential Decree;

(3) Detailed matters necessary for the issuance of bonds pursuant to paragraph (2), such as the nature and the methods of issuance of such bonds, shall be determined by Presidential Decree.

(4) Notwithstanding the provisions of paragraph (1), as prescribed by the articles of incorporation, the board of directors may determine the amount and type of bonds and entrust the representative director with the issuance of such bonds within a period not exceeding one year.

Article 470 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 471 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 472 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 473 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 474 (Public Offering and Bond Subscription Forms)

(1) A person who intends to subscribe to bonds shall prepare a subscription form in duplicate, stating the number of bonds to which he/she intends to subscribe and his/her address, and shall write his/her name

and affix his/her seal or sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) A bond subscription form shall be prepared by directors and contain the following: *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

1. The trade name of the company;
2. The total amount of capital and the reserve;
3. The value of the net assets of the company indicated in the latest balance sheet;
4. The total amount of the bonds;
5. The face amount of each bond;
6. The issue price or minimum issue price of each bond;
7. The rate of interest payable on each bond;
8. Methods and timing for the redemption of bonds and for the payment of interest;
9. The amount of and timing for each payment of the subscription price of the bonds, if payment is to be made in installments;
10. If a determination has been made to restrict the bonds certificates either in bearer form or in registered form, a statement to that effect;

10-2. If the right of a bond holder has been registered in the electronic registration ledger of an electronic registration agency, in lieu of issuing bond certificates, a statement to that effect;

11. If bonds have been previously issued, the amount yet to be redeemed;
12. Deleted; *<by Act No. 10600, Apr. 14, 2011>*
13. If there exists a company commissioned to offer bonds for subscription, the trade name and address of such company;

13-2. If there exists a bond administration company, the name and address of such bond administration company;

13-3. If it has been determined that a bond administration company may conduct an act set forth in Article 484 (4) 2 without obtaining a resolution by a meeting of bondholders, a statement to that effect;

14. If a company mentioned in subparagraph 13 has undertaken to subscribe to any portion of the total amount of bonds which have not been subscribed for through the public offering, a statement to that effect;
15. If a transfer agent has been designated, his/her full name, address and business office.

(3) In cases where the minimum issuance price has been determined, a bond subscriber shall state in the subscription form the amount at which he/she intends to subscribe to.

Article 475 (Methods of Total Subscription)

The provisions of Article 474 shall not apply where total subscription to bonds is made under a contract. The same shall apply to the portion of bonds subscribed for by a company commissioned to offer bonds for subscription.

Article 476 (Payment)

(1) When subscription to bonds is complete, directors shall, without delay, cause bond subscribers to make the full payment or the first instalment payment on each bond.

(2) A company commissioned to offer bonds for subscription may, in its own name, perform an act set forth in Article 474 (2) and paragraph (1) above on behalf of the company.

Article 477 Deleted. *<by Act No. 3724, Apr. 10, 1984>*

Article 478 (Issuance of Bond Certificates)

(1) No certificate may be issued for a bond until its full amount has been paid up.

(2) Each bond certificate shall contain the following particulars and the representative director shall write his/her name and affix his/her seal or shall sign thereon: *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

1. The serial number of each bond;
2. Matters listed in Article 474 (2) 1, 4, 5, 7, 8, 10, 13, 13-2, and 13-3.

(3) Instead of issuing bonds under paragraph (1), a company may register bonds in the electronic registration ledger of an electronic registration agency, as prescribed by the articles of incorporation of the company. In such cases, the provisions of Article 356-2 (2) through (4) shall apply mutatis mutandis. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

Article 479 (Transfer of Registered Bonds)

(1) Transfer of registered bonds shall not be asserted against a company or a third party unless the name and address of the transferee have been entered in the bond register and his/her full name has been entered in the bond certificates.

(2) The provisions of Article 337 (2) shall apply mutatis mutandis to the transfer of registered bonds. *<Newly Inserted by Act No. 3724, Apr. 10, 1984>*

Article 480 (Exchange between Registered Certificates and Bearer Certificates)

A bondholder may, at any time, request a company to change a registered bond certificate into a bearer certificate: Provided, That this shall not apply where the form of a bond certificate is restricted to either in registered or bearer form.

Article 480-2 (Designation and Entrustment of Bond Administration Companies)

In cases of issuing bonds, a company may designate a bond administration company and entrust such affairs as collecting redemption, preserving bonds and other administration of bonds.

Article 480-3 (Eligibility as Bond Administration Companies)

(1) Only a bank, trust company and other person determined by Presidential Decree may become a bond administration company.

(2) No bond underwriter may become a bond administration company of the relevant bond.

(3) No person having special interests, who is determined by Presidential Decree, shall become a bond administration company.

Article 481 (Resignation of Bond Administration Companies)

A bond administration company may resign with the consent of the issuing company and of a meeting of bondholders. It may do so with the leave of the court where there exist unavoidable grounds therefor.

Article 482 (Removal of Bond Administration Companies)

If a bond administration company is unfit to handle relevant administrative affairs or if there exist other justifiable grounds, the court may remove such company from office at the request of the issuing company or of a meeting of bondholders. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 483 (Successors to Affairs of Bond Administration Companies)

(1) In cases where a bond administration company ceases to exist due to resignation or removal of the bond administration company, the company which has issued bonds shall designate another bond administration company to succeed to the affairs and shall entrust the company with affairs regarding bond administration for the bond holders. In such cases, the company shall, without delay, convene a meeting of bondholders and obtain consent thereto. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) If unavoidable grounds exist, any interested person may request the court to appoint a successor to affairs regarding bond administration.

Article 484 (Authority of Bond Administration Companies)

(1) A bond administration company shall have authority to do on behalf of the bondholders all judicial or extra-judicial acts necessary for collecting redemption concerning the bonds or for preservative measures to materialize the bonds.

(2) When a bond administration company collects redemption under paragraph (1), it shall without delay give public notice thereof and give separate notice to each bondholder known to the company.

(3) In cases falling under paragraph (2), a bondholder may claim payment of the relevant redemption amount and the interest accrued thereon against the bond administration company. In such cases, when the bond certificate has been issued, the claim for payment of the relevant redemption amount shall be made in exchange for the bondholder‘s bond certificate, and of the interest accrued thereon, in exchange for the coupon, respectively.

(4) In cases where a bond administration company does any of the following acts (excluding acts necessary for collecting redemption concerning bonds or for preservative measures to materialize bonds), a resolution by a meeting of bondholders is required: Provided, That a bond-issuing company may determine that an act under subparagraph 2 may be done by a bond administration company without a resolution adopted by a meeting of bondholders:

1. Postponement of payment with respect to all the relevant bonds, or exoneration from or settlement of the liability accrued due to nonperformance of an obligation;

2. A legal action with respect to all the relevant bonds, or an act falling under the procedures concerning debtor rehabilitation and bankruptcy.

(5) When a bond administration company has done an act under paragraph (4) 2 without a resolution by a meeting of bondholders, pursuant to the proviso to paragraph (4), it shall without delay give public notice thereof and give separate notice to each bondholder known to the company.

(6) Public notification under paragraphs (2) and (5) shall be made in the same manner as public notification used by the company which has issued bonds.

(7) With respect to bonds, the administration of which has been commissioned to a bond administration company, the bond administration company may investigate the affairs and financial conditions of the bond-issuer company with the leave of the court, if necessary for conducting an act under paragraph (1) or any subparagraph of paragraph (4).

Article 484-2 (Duties and Obligations of Bond Administration Companies)

(1) A bond administration company shall fairly and sincerely administer bonds for and on behalf of bondholders.

(2) A bond administration company shall administer bonds for bondholders in good faith with the due care of a good manager.

(3) When a bond administration company has done an act in violation of this Act or a resolution by a meeting of bondholders, the company shall be jointly and severally liable to the bondholders to compensate the damage sustained due to the said violation.

Article 485 (Authority and Duties in Cases of Two or More Bond Administration Companies)

(1) If there exist two or more bond administration companies, all acts within the scope of their authority shall be jointly performed.

(2) In cases falling under paragraph (1), when a bond administration company collects redemption under Article 484 (1), the company shall be jointly and severally liable to the bondholders to pay the redemption amount.

Article 486 (Defects in Coupons)

(1) If, in cases of redemption of a bearer bond to which a coupon is attached, any defect is found in the coupon, a sum equal to the amount of the coupon shall be deducted from the redemption.

(2) Any holder of a coupon mentioned in paragraph (1) may, at any time, demand payment of the amount deducted in exchange for such coupon.

Article 487 (Extinctive Prescription for Rights to Demand Redemption)

(1) The right to demand redemption of bonds shall lapse by prescription, if not exercised within ten years.

(2) The same shall apply to the rights set forth in Article 484 (3).

(3) The right to demand payment of interest accrued on bonds and the rights mentioned in Article 486 (2) shall lapse by prescription, if not exercised within five years.

Article 488 (Bond Registers)

A company shall prepare a bond register which states the following particulars:

1. The name and address of each bondholder (excluding bondholders of bonds regarding which bearer bonds have been issued);
2. The serial number of each bond certificate;
3. Matters set forth in Article 474 (2) 4, 5, 7 through 9, 13, 13-2 and 13-3;
4. The amount paid for each bond and the date of each payment;
5. The date of issuing the bond, or in cases of registering a bondholder's right in the electronic registration ledger of an electronic registration agency in lieu of issuing a bond certificate, a statement to that effect;
6. The date of acquiring each bond;
7. In cases of issuing a bearer bond, the class, number and serial number thereof, and the date of issuance.

Article 489 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Article 353 shall apply mutatis mutandis to notice and peremptory notice to bond subscribers and to bondholders.

(2) The provisions of Article 333 shall apply mutatis mutandis where bonds are co-owned by two or more persons.

Subsection 2 Meetings of Bondholders

Article 490 (Matters Subject to Resolutions)

A meeting of bondholders may adopt resolutions with respect to matters provided for in this Act and matters which affect the interests of bondholders.

Article 491 (Persons Authorized to Convene)

(1) A meeting of bondholders shall be convened by the company which has issued bonds or by a bond administration company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) A bondholder who has each class of bonds, representing at least one tenth of the total amount of corresponding class of bonds (excluding the amount redeemed) may demand convocation of a meeting of bondholders by submitting to the bond-issuer company or a bond administration company a written statement or electronic document specifying the agenda for the meeting and the grounds for convening such meeting. *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Article 366 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

(4) No holder of bearer bond certificates may exercise rights mentioned in paragraphs (1) and (2) unless he/she has deposited his/her bond certificates.

Article 492 (Voting Rights)

(1) Each bondholder shall have the right to vote in accordance with the sum (excluding the amount redeemed) of the corresponding class of bonds he/she owns. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) No holder of bearer bond certificates may exercise his/her voting rights unless he/she has deposited his/her bond certificates at least one week prior to the date set for a meeting of bondholders.

Article 493 (Attendance, etc. of Representatives of Bond-issuer or Bond Administration Company)

(1) A bond-issuer company or bond administration company may have its representative attend a meeting of bondholders or may submit its opinion in writing. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The convocation of a meeting of bondholders shall be notified to companies mentioned in paragraph (2).

(3) The provisions of Article 363 (1) and (2) shall apply mutatis mutandis to notification under paragraph (2).

Article 494 (Right to Request Issuer Company to Cause its Representative to Attend)

A meeting of bondholders or a person who has convened such meeting may, if deemed necessary, request the issuer company to cause its representative to attend the meeting.

Article 495 (Methods of Resolutions)

(1) The provisions of Article 434 shall apply mutatis mutandis to resolutions adopted by a meeting of bondholders.

(2) Any consent or demand under Articles 481 through 483 and 494 may, notwithstanding the provisions of paragraph (1) above, be decided upon by a majority of the votes of the bondholders present. *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) A bondholder not attending a meeting of bondholders may exercise his/her right to vote in writing. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

(4) To exercise votes in writing, a bondholder shall submit a written application specifying required entries to the convocator of the meeting by no later than the day immediately preceding the date set for the meeting of bondholders. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

(5) The number of voting rights exercised in writing pursuant to paragraph (4) shall be included in the number of votes present. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

(6) The provisions of Article 368-4 shall apply mutatis mutandis to a meeting of bondholders. *<Newly Inserted by Act No. 10600, Apr. 14, 2011>*

Article 496 (Requests for Authorization of Resolutions)

A person who has convened a meeting of bondholders shall request a court for the authorization of a resolution within one week from the date of adoption of such resolution.

Article 497 (Reasons for Non-Authorization of Resolutions)

(1) A court shall not authorize a resolution of a meeting of bondholders in the following cases:

1. If procedures for convening the meeting of bondholders or the manner of adopting the resolution are in contravention of any Act or subordinate statute or of any statement contained in the prospectus for offering of bonds;
2. If the resolution is adopted in an improper manner;
3. If the resolution is considerably unfair;
4. If the resolution is contrary to the general interests of the bondholders.

(2) In cases falling under paragraph (1) 1 or 2, the court may authorize such a resolution by taking into account the details of the resolution and all other circumstances.

Article 498 (Legal Effects of Resolutions)

(1) A resolution of a meeting of bondholders shall take effect by obtaining authorization of a court: Provided, That the said authorization shall not be required if the resolution is made with the consent of all holders of the class of bonds concerned.

(2) A resolution of a meeting of bondholders shall be effective against all the bondholders who have the class of bonds concerned.

Article 499 (Public Notice of Authorization or Non-Authorization of Resolutions)

When a decision has been made either to authorize or not to authorize a resolution of a meeting of bondholders, the company which issued the bonds shall without delay give public notice thereof.

Article 500 (Representatives of Meetings of Bondholders)

(1) A meeting of bondholders may elect one or more representatives from among the holders of bonds representing no less than 1/500 of the total amount of the corresponding class of bonds (excluding the amount repaid) and may delegate a decision concerning matters which are to be dealt with by its resolution to him/her or them. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) If two or more representatives have been appointed, a decision under paragraph (1) shall be made by a majority of their votes.

Article 501 (Execution of Resolutions)

A resolution of a meeting of bondholders shall be executed by a bond administration company and, in the absence of such company, by the representatives mentioned in Article 500: Provided, That it shall not apply where a person has been appointed to execute the resolution by a resolution of a meeting of bondholders.

Article 502 (Two or more Representatives of Meetings or Executors of Resolutions)

The provisions of Article 485 (1) shall apply mutatis mutandis where there exist two or more representatives of a meeting or executors of a resolution.

Article 503 (Execution of Resolutions relating to Redemption)

The provisions of Articles 484, 485 (2) and 487 (2) shall apply mutatis mutandis where either the representatives of a meeting or the executors of a resolution execute a resolution for the redemption of bonds.

Article 504 (Removal, etc. of Representatives of Meetings or Executors of Resolutions)

A meeting of bondholders may adopt a resolution at any time to remove from office any representative of the meeting or executor of the resolution and may alter details of any matter delegated to such person.

Article 505 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 506 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 507 (Remuneration and Expenses for Bond Administration Company, Etc.)

(1) Unless otherwise provided for in a contract concluded with the issuer company, any remuneration payable to a bond administration company, representatives, or executors or any expenses incurred in the execution of their duties may be borne by the said issuer company, with the leave of the court.

(2) A bond administration company, representative or executor may receive remuneration and expenses mentioned in paragraph (1) out of the amount of debt repaid, in preference to bondholders.

Article 508 (Expenses relating to Meetings of Bondholders)

(1) Any expenses relating to meetings of bondholders shall be borne by the issuer company.

(2) Any expenses relating to a demand under Article 496 shall be borne by the company. The court may, however, upon the application of any interested person or ex officio, specially determine a person who shall bear such expenses in whole or in part.

Article 509 (Meetings of Certain Classes of Bondholders)

If two or more classes of bonds have been issued, a meeting of bondholders shall be convened for each class of bonds respectively.

Article 510 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 363, 368 (3) and (4), 369 (2), and 371 through 373 shall apply mutatis mutandis to a meeting of bondholders.

(2) The minutes of meetings of bondholders shall be maintained by the issuing company at its principal office.

(3) A bond administration company and a bondholder may demand inspection of the minutes mentioned in paragraph (2), at any time during its business hours. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 511 (Action for Revocation by Bond Administration Company)

(1) If payment, settlement or any other process made by a company to a certain bondholder is considerably unfair, a bond administration company may demand the revocation thereof, only by means of actions to court. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) An action under paragraph (1) shall be filed within six months from the date the bond administration company becomes aware of the forming the ground for revocation, and within one year from the date such act becomes effective. *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Article 186 of this Act and the proviso to Article 406 (1) and Article 407 of the Civil Act shall apply mutatis mutandis to actions under paragraph (1).

Article 512 (Actions for Revocation by Representatives, etc.)

When a resolution has been adopted by a meeting of bondholders, any representative of a meeting or executor of a resolution may also file an action under Article 511 (1): Provided, That such action shall be filed within one year from the date such act becomes effective.

Subsection 3 Convertible Bonds

Article 513 (Issuance of Convertible Bonds)

(1) A company may issue convertible bonds.

(2) In cases falling under paragraph (1), any of the following matters not provided for in the articles of incorporation shall be determined by the board of directors, unless the articles of incorporation provide that it shall be determined by a general shareholders' meeting:

1. The total amount of convertible bonds;
2. Conditions of conversion;
3. Details on shares to be issued upon conversion;
4. The period within which conversion may be demanded;
5. Details on the preemptive rights of shareholders to subscribe to convertible bonds, and the amount of convertible bonds subject to such rights;
6. Details on issuance of convertible bonds to persons other than shareholders, and the amount of such convertible bonds to be issued.

(3) If, in cases where convertible bonds are issued to those who are not shareholders of the company, the articles of incorporation do not include the amount of convertible bonds to be issued, conditions of conversion, contents of the shares to be issued upon conversion and the period within which the conversion may be demanded, such matters shall be determined by a resolution under Article 434. In such cases, the proviso to Article 418 (3) shall apply mutatis mutandis. *<Amended by Act No. 6488, Jul. 24, 2001>*

(4) In cases of a resolution under paragraph (3), a summary of agenda relating to the issuance of convertible bonds shall be stated in notice and public notice under Article 363.

Article 513-2 (Rights of Shareholders Entitled to Subscribe to Convertible Bonds)

(1) Any shareholder who has the right to subscribe to convertible bonds shall be entitled to the allocation of bonds in proportion to the number of shares which he/she holds: Provided, That this shall not apply to any fractional bond the amount of which is less than the minimum face value of each convertible bond.

(2) The provisions of Article 418 (3) shall applymutatis mutandis where a shareholder has the right to subscribe to convertible bonds. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 513-3 (Peremptory Notice to Shareholders Having Right to Subscribe to Convertible Bonds)

(1) If shareholders have a preemptive right to subscribe to convertible bonds, a company shall notify each shareholder of the amount of convertible bonds which he/she is entitled to subscribe for, issuance price, conditions of conversion, the details of shares to be issued upon conversion, the period within which he/she may demand conversion and a statement to the effect that if he/she fails to subscribe to convertible bonds on or before the specified date, he/she shall lose his/her right.

(2) The provisions of Article 419 (2) through (4) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 514 (Procedures for Issuance of Convertible Bonds)

(1) With regard to convertible bonds, the following particulars shall be stated in the bond subscription form, bond certificates and bond register: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. A statement to the effect that bonds are convertible into shares;
2. Conditions of conversion;
3. Particulars as to shares to be issued upon conversion;
4. The period within which conversion may be demanded;
5. A provision that the transfer of shares should be subject to the approval of the board of directors, if so determined.

(2) Deleted. *<by Act No. 3724, Apr. 10, 1984>*

Article 514-2 (Registration of Convertible Bonds)

(1) When a company has issued convertible bonds, the company shall register them at the place of its principal office within two weeks from the date of completion of payment under Article 476. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) The particulars to be registered under paragraph (1) shall be as follows:

1. The total amount of convertible bonds;
2. The face value of each convertible bond;
3. The amount paid for each convertible bond;
4. Matters set forth in subparagraphs 1 through 4 of Article 514.

(3) The provisions of Article 183 shall apply mutatis mutandis to registration under paragraph (2).

(4) If, in cases where convertible bonds have been issued overseas, matters to be registered occur in a foreign country, the period for the registration shall run from the date of arrival of the notification thereof.

Article 515 (Demand for Conversion)

(1) Any person who demands conversion shall submit to a company a written application form in duplicate together with bond certificates: Provided, That in cases where the right of a bond holder has been registered with the electronic registration ledger of an electronic registration agency, in lieu of issuing bond certificates, evidentiary data that can prove the said right of a bond holder shall be attached thereto and submitted to the company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) A written application form mentioned in paragraph (1) shall state the bonds to be converted and the date of demand, and the person demanding such conversion shall write his/her name and affix his/her seal or sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995>*

Article 516 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 346 (4), 424 and 424-2 shall apply mutatis mutandis to the issuance of convertible bonds. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 339, 348, 350 and 351 shall apply mutatis mutandis to the conversion of bonds. *<Amended by Act No. 5053, Dec. 29, 1995>*

Subsection 4 Bonds with Warrants

Article 516-2 (Issuance of Bonds with Warrants)

(1) A company may issue bonds with warrants to subscribe to new shares.

(2) In cases falling under paragraph (1), any of the following matters which are not provided for in the articles of incorporation shall be determined by the board of directors, unless the articles of incorporation provide that it shall be determined by a general shareholders' meeting: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. The total amount of bonds with warrants;
2. Details of warrants vested in such bonds;
3. The period within which the warrants are to be exercised;
4. A statement on the transferability of the warrants only;
5. A statement to the effect that, upon request of a person who intends to exercise his/her warrant rights, payment of the issuance price of bonds with warrants shall be deemed made under Article 516-9 (1), instead of the redemption of such bonds;
6. Deleted; *<by Act No. 5053, Dec. 29, 1995>*
7. Details on the preemptive rights to subscribe to bonds with warrants and the amount of bonds subject to such rights;
8. Details on issuance of bonds with warrants to persons other than shareholders and the amount of such bonds with warrants to be issued.

(3) The total issuance price of shares to be issued upon the exercise of warrant rights vested in each bonds shall not exceed the total amount of such bonds with warrant.

(4) If, in cases where bonds with warrants are issued to those who are not shareholders, the articles of incorporation do not include the amount of such bonds, the particulars of the warrant rights, and the period within which the warrant rights are to be exercised, these matters shall be determined by a resolution under Article 434. In such cases, the proviso to Article 418 (3) shall apply mutatis mutandis. *<Amended by Act No. 6488, Jul. 24, 2001>*

(5) The provisions of Article 513 (4) shall apply mutatis mutandis in cases falling under paragraph (4).

Article 516-3 (Peremptory Notice to Shareholders Having Right to Subscribe to Bonds with Warrants)

(1) If shareholders have preemptive rights to subscribe to bonds with warrants, the company shall notify each shareholder of the amount of bonds with warrants which he/she is entitled to subscribe for, the

issuance price, the particulars of warrant rights, the period within which he/she may exercise his/her warrant rights and a statement to the effect that if he/she fails to subscribe to the bonds with warrants on or before the specified date, he/she will relinquish his/her right. In such cases, if matters set forth in Article 516-2 (2) 4 or 5 have been determined, the details of such matters shall also be notified.

(2) The provisions of Article 419 (2) through (4) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 516-4 (Particulars to be Entered in Bond Subscription Forms, Bond Certificates and Bond Register)

The following matters shall be entered in bond subscription forms, bond certificates and the bond register in cases of bonds with warrants: Provided, That when the company issues warrant certificates as set forth in Article 516-5 (1), it shall not be required to enter them in the bond certificates: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. A statement to the effect that it is a bond with warrant;
2. The particulars set forth in Article 516-2 (2) 2 through 5;
3. Banks and other financial institutions that will be responsible to receive the payment under Article 516-9 and places where such payments are to be made;
4. A provision that the transfer of shares should be subject to the approval of the board of directors, if so determined.

Article 516-5 (Issuance of Warrant Certificates)

(1) If a company has determined the particulars set forth in Article 516-2 (2) 4, it shall issue warrant certificates in addition to bond certificates.

(2) A warrant certificate shall contain the following particulars in addition to its serial number, and directors shall write their names and affix their seals or signs thereon : *<Amended by Act No. 5053, Dec. 29, 1995>*

1. A statement to the effect that it is a warrant certificate;
2. The trade name of the company;
3. Matters set forth in Article 516-2 (2) 2, 3 and 5;
4. Matters set forth in subparagraph 3 of Article 516-4;
5. A provision that the transfer of shares should be subject to the approval of the board of directors, if so determined.

Article 516-6 (Transfer of Warrant Rights)

(1) If a warrant certificate has been issued, transfer of the warrant right shall be made only by the issuance of such warrant certificate.

(2) The provisions of Articles 336 (2) and 360 of this Act and Article 21 of the Check Act shall apply mutatis mutandis to warrant certificates.

Article 516-7 (Electronic Registration of Bonds with Warrants)

As provided for by the articles of incorporation, a company may register bonds with warrants in the electronic registration ledger of an electronic registration agency, in lieu of issuing warrant certificates. In such cases, the provisions of Article 356-2 (2) through (4) shall apply mutatis mutandis to the registration.

Article 516-8 (Registration of Bonds with Warrants)

(1) When a company has issued bonds with warrants, it shall register the following:

1. A statement to the effect that they are bonds with warrants;
2. The total issuance price of shares to be issued upon the exercise of warrant rights;
3. The face value of each bond with warrants;
4. The amount paid for such bonds with warrants;
5. Matters set forth in Article 516-2 (2) 1 through 3.

(2) The provisions of Article 514-2 (1), (3) and (4) shall apply mutatis mutandis to registration under paragraph (1).

Article 516-9 (Exercise of Warrant Rights)

(1) Any person who intends to exercise a warrant right shall submit to a company a written application form in duplicate and shall pay the issuance price of the new shares in full.

(2) When a written application form is submitted pursuant to paragraph (1), warrant certificates, if they have been issued, shall be submitted together with the application form, but if such certificates have not been issued, bond certificates shall instead be presented: Provided, That in cases where bonds or bonds with warrants have been registered with the electronic registration ledger of an electronic registration agency, in lieu of issuing the bond certificates or the warrant certificates pursuant to Articles 478 (3) or 516-7, evidentiary data that can prove the said bonds or bonds with warrants shall be attached thereto and submitted to the company. <*Amended by Act No. 10600, Apr. 14, 2011*>

(3) Payment under paragraph (1) shall be made to banks or other financial institutions mentioned in bond certificates or in warrant certificates.

(4) The provisions of Article 302 (1) shall apply mutatis mutandis to written application forms mentioned in paragraph (1) and the provisions of Articles 306 and 318 shall apply mutatis mutandis to banks and other financial institutions responsible for receipt of payment mentioned in paragraph (3).

Article 516-10 (Timing for Becoming Shareholders)

A person who has exercised a warrant right pursuant to Article 516-9 (1) shall become a shareholder at the time when he/she makes payment under that Article. In such cases, the provisions of Article 350 (2) and

(3) shall apply mutatis mutandis. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

Article 516-11 (Provisions Applying Mutatis Mutandis)

The provisions of Article 351 shall apply mutatis mutandis to the exercise of warrant rights and Articles 513-2 and 516 (1) shall apply mutatis mutandis to bonds with warrants. *<Amended by Act No. 5053, Dec. 29, 1995>*

SECTION 9 Dissolution

Article 517 (Reasons for Dissolution)

A stock company shall be dissolved on any of the following grounds: *<Amended by Act No. 5591, Dec. 28, 1998>*

1. Grounds set forth in subparagraphs 1, 4 through 6 of Article 227;

1-2. A division or merger after division of the company under Article 530-2;

2. A resolution passed at a general shareholders' meeting.

Article 518 (Resolution for Dissolution)

A resolution for dissolution shall be adopted in accordance with Article 434.

Article 519 (Continued Existence of Company)

Where a company has been dissolved due to expiration of the duration or of the occurrence of any other event specified in the articles of incorporation as a ground for dissolution or by a resolution adopted at a general meeting of shareholders, the company may continue to exist by such resolution as provided for in Article 434.

Article 520 (Judgments for Dissolution)

(1) If, in any of the following cases, there exist unavoidable reasons, any shareholder who holds shares representing no less than 10 percent of the total issued and outstanding shares may request a court to dissolve the company:

1. When the company's business operation continues to be considerably in deadlock and as a result irreparable damage to the company is caused or threatened;

2. When the management or disposal of the company's assets is considerably improper and the existence of the company is thereby at risk.

(2) The provisions of Articles 186 and 191 shall apply mutatis mutandis to applications under paragraph (1).

Article 520-2 (Dissolution of Dormant Company)

(1) If, in cases where the administrator of the Office of Court Administration has given public notice in the Official Gazette that any company whose last registration was made five years ago shall make a report to the effect that it has yet to close its business to the court that has jurisdiction over the place of its principal office, a company for which five years has already lapsed since its last registration as of the date of public notice fails to report within two months from the date of public notice in accordance with Presidential Decree, the company shall be deemed to have been dissolved at the expiration of the period set for such a report: Provided, That it shall not apply where the company has made a registration within the period.

(2) In cases of public notice under paragraph (1), the court shall also give the relevant company separate notice informing that such public notice has been given.

(3) A company deemed to have been dissolved pursuant to paragraph (1) may continue to exist by a resolution under Article 434 for up to three years thereafter.

(4) If a company deemed to have been dissolved pursuant to paragraph (1) fails to continue to exist as a company in accordance with paragraph (3), it shall be deemed to have been liquidated when the period of the above three years has lapsed.

Article 521 (Notice and Public Notice of Dissolution)

Upon the dissolution of a company, except in cases of bankruptcy, directors shall without delay give notice thereof to shareholders and, in cases where bearer share certificates have been issued, shall give public notice thereof.

Article 521-2 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 228 and 229 (3) shall apply mutatis mutandis to the dissolution of a stock company.

SECTION 10 Merger

Article 522 (Written Agreement for Merger and Resolution for Approval)

(1) In order to effect a merger of companies, a written agreement for a merger shall be prepared and be approved by a general shareholders' meeting. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998>*

(2) A summary of the written agreement of a merger shall be stated in notice and public notice under Article 363.

(3) A resolution for approval under paragraph (1) shall be adopted in accordance with Article 434. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 522-2 (Public Notice of Written Agreement for Merger)

(1) Directors of a company shall keep the following documents in its principal office from two weeks prior to a date set for the general shareholders' meeting under Article 522 (1) until six months after the effectuation of the merger: *<Amended by Act No. 5591, Dec. 28, 1998>*

1. A written agreement for the merger;
2. A document specifying grounds for the allotment of shares issued to shareholders of a company which ceases to exist in consequence of the merger;
3. The final balance sheets and statement of profits and losses of each company.

(2) Any shareholder or creditor of the company may, at any time during its business hours, request inspection of the documents listed in the subparagraphs of paragraph (1) or request the delivery of the copies or abstracts thereof with payment of costs determined by the company. *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 522-3 (Appraisal Rights of Shareholders Dissenting Merger)

(1) If, in cases where the board of directors has adopted a resolution on any matter set forth in Article 522 (1), a shareholder dissenting from such resolution has notified in writing the company of his/her intent to dissent prior to the holding of a general meeting of shareholders, he/she may demand in writing that the company purchase his/her shares, with the class and number of such shares specified, within twenty days after the general meeting adopts the resolution.

(2) A shareholder who has given written notification of his/her intent to dissent from a merger to the company within two weeks from the date of public notice or notification under Article 527-2 (2) may request that the company purchase his/her shares in a written statement specifying the classes and number of shares within 20 days after the elapse of the period. *<Newly Inserted by Act No. 5591, Dec. 28, 1998>*

Article 523 (Written Agreement for Merger)

If one of the constituent companies of a merger survives after the merger, a written agreement for such merger shall provide for the following matters: *<Amended by Act No. 5591, Dec. 28, 1998; Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. If the surviving company increases, due to the merger, the total number of shares authorized to be issued, the total number of shares authorized to be increased, the classes and the number thereof;
2. The total amount of capital and reserve of the surviving company to be increased;
3. The total number, classes, number per class of shares to be issued at the time of merger by the surviving company as well as any other particulars relating to the allotment of new shares to the shareholders of the disappearing company;
4. In cases where, notwithstanding the provisions of subparagraph 3, the surviving company provides money or other assets to the shareholders of the disappearing company in consequence of the merger as all or part of consideration for the merger, such particulars and matters concerning the allotment;

5. The date set for the general members' meeting or general shareholders' meeting of each company to adopt the resolution for the approval of the merger;

6. The date on which the merger is to be effected;

7. Matters on amendments to the articles of incorporation to be made by the surviving company in consequence of the merger, if so determined;

8. The limit of amount of distribution of profits where each company makes a profit distribution due to the merger;

9. Where directors, auditors or members of the audit committee who are to take office in the surviving company have been determined, their names and resident registration numbers.

Article 523-2 (Special Provisions where Consideration for Merger is Parent Company's Stocks)

Notwithstanding the provisions of Article 342-2, in cases where assets to be provided to the shareholders of a disappearing company pursuant to subparagraph 4 of Article 523 include the stocks of the parent company of a surviving company, the surviving company may acquire the stocks of its parent company for the purpose of providing the said assets.

Article 524 (Written Agreement for Consolidation)

If a new company is to be incorporated by a merger, a written agreement for such merger shall contain the following matters: *<Amended by Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. With regard to a company to be incorporated, matters set forth in Article 289 (1) 1 through 4, the classes and the number if different classes of shares are to be issued, and the place of its principal office;

2. The total number, classes, number per class of shares which are to be issued by the company to be incorporated as well as any other matters relating to the allotment of shares to the shareholders of each constituent company;

3. The total amount of capital and reserve of a company to be incorporated;

4. The amount payable to the shareholders of each constituent company, if so determined;

5. Matters set forth in subparagraphs 5 and 6 of Article 523;

6. Where directors, auditors or members of the audit committee who are to take office in a company incorporated by the merger have been determined, their names and resident registration numbers.

Article 525 (Written Agreement for Merger of Partnership Company or Limited Partnership Company)

(1) If, in cases where a company surviving after a merger or a company newly incorporated by a merger is a stock company, either or both of the constituent companies is a partnership company or limited partnership company, a written agreement for such merger shall be made with the consent of all the members.

(2) The provisions of Articles 523 and 524 shall apply mutatis mutandis to a written agreement for merger under paragraph (1).

Article 526 (General Meetings of Shareholders for Reporting in Cases of Merger)

(1) If one of the constituent companies survives after a merger, its directors shall without delay convene a general meeting of shareholders to report on matters relating to the merger, after the procedures set forth in Article 527-5 have been completed, or after the consolidation of shares has taken effect if shares have been consolidated in consequence of the merger, or after the disposal mentioned in Article 443 has been effected by the surviving company if shares are not fit for consolidation, or, in cases of a small-scale merger, after the procedures set forth in Article 527-3 (3) and (4) have been completed. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) A person who has subscribed to new shares issued at the time of a merger shall have the same rights as the shareholder at a general shareholders' meeting under paragraph (1). *<Amended by Act No. 5591, Dec. 28, 1998>*

(3) In cases falling under paragraph (1), the board of directors may give public notice in lieu of a report to a general meeting of shareholders. *<Newly Inserted by Act No. 5053, Dec. 29, 1995>*

Article 527 (Inaugural General Meetings in Cases of Consolidation)

(1) If a new company is to be incorporated by a merger, members of the organizing committee shall without delay convene an inaugural general meeting after the procedures set forth in Article 527-5 have been completed, or after the consolidation of shares has taken effect if shares have been consolidated in consequence of the merger, or after the disposal mentioned in Article 443 has been effected if shares are not fit for consolidation. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) At an inaugural general meeting, a resolution for amendments to the articles of incorporation may be adopted: Provided, That the resolution may not contradict the tenor of the agreement for such merger.

(3) The provisions of Articles 308 (2), 309, 311, 312 and 316 (2) shall apply mutatis mutandis to an inaugural general meeting under paragraph (1).

(4) In cases falling under paragraph (1), the board of directors may give public notice in lieu of a report to the general shareholders' meeting. *<Newly Inserted by Act No. 5591, Dec. 28, 1998>*

Article 527-2 (Simplified Merger)

(1) Where one of the constituent companies of a merger survives, if there is consent of the total shareholders of the disappearing company in consequence of the merger or 90 percent or more of the total issued and outstanding shares in such company are held by the surviving company, approval from the general shareholders' meeting of the disappearing company may be replaced by approval from the board of directors of such company.

(2) In cases falling under paragraph (1), a disappearing company in consequence of a merger shall give public notice or make notification to shareholders that the company shall be merged without approval from a general meeting of shareholders within two weeks of the preparation of a written agreement for such merger: Provided, That the same shall not apply where consent from all the shareholders has been obtained.

Article 527-3 (Small-Scale Merger)

(1) Where the total number of new shares issued by the surviving company of a merger does not exceed 10 percent of the total issued and outstanding shares of the company, approval from the general shareholders' meeting of the company may be replaced by approval from the board of directors of such company: Provided, That where an amount payable to the shareholders of the disappearing company in consequence of the merger has been determined, if the amount exceeds five percent of the value of net assets existing on the final balance sheets of the surviving company, this shall not apply. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) In cases falling under paragraph (1), a written agreement for the merger of a surviving company shall provide that the merger shall be effected without approval from a general meeting of shareholders.

(3) In cases falling under paragraph (1), a surviving company shall give public notice or notification to shareholders on the trade name and seat of the principal office of the disappearing company, the date of the merger, and that the merger shall be effected without approval from a general meeting of shareholders within two weeks of the preparation of a written agreement for the merger.

(4) Where shareholders who own no less than 20 percent of the total issued and outstanding shares of a company which continues to exist after a merger give written notice to the company of their intent to dissent from the merger under paragraph (1) within two weeks of the receipt of the public notice or notification mentioned in paragraph (3), the merger shall not be effected under the main body of paragraph (1).

(5) The provisions of Article 522-3 shall not apply in cases falling under the main body of paragraph (1).

Article 527-4 (Terms of Office of Directors and Auditors)

(1) Where one of the constituent companies of a merger survives, a director or auditor of the surviving company who took office before the merger shall be retired upon the closing of an ordinary general meeting of shareholders held in the settlement period which comes first after the merger, except as otherwise provided for by a written agreement for the merger.

(2) Deleted. *<by Act No. 6488, Jul. 24, 2001>*

Article 527-5 (Procedures for Protection of Creditors)

(1) Within two weeks of the adoption of a resolution for approval from a general meeting of shareholders under Article 522, a company shall give its creditors public notice that objection, if any, against the

merger should be raised within a period of no less than one month and shall give peremptory notice to respective creditors known to the company.

(2) For the purposes of paragraph (1), a resolution for approval adopted by the board of directors shall, in cases falling under Articles 527-2 and 527-3, be deemed to be that by a general meeting of shareholders.

(3) The provisions of Article 232 (2) and (3) shall apply mutatis mutandis to cases falling under paragraphs (1) and (2).

Article 527-6 (Ex Post Facto Notice of Documents on Merger)

(1) Directors shall keep in the principal office written documents specifying the progress of procedures under Article 527-5, the date of a merger, the value of assets and obligations inherited from the disappearing company in consequence of the merger, and other matters concerning the merger, for six months from the date of the merger.

(2) The provisions of Article 522-2 (2) shall apply mutatis mutandis to the documents mentioned in paragraph (1).

Article 528 (Registration of Merger)

(1) In cases of a merger, registration of alteration by the surviving company, registration of dissolution by the disappearing company in consequence of the merger and registration under Article 317 by the company which is newly incorporated by consolidation shall be made within two weeks at the place of the principal office and within three weeks at the place of each branch office from the closing of a meeting of general shareholders or the date of public notice in lieu of a report under Article 526, or from the closing of the inaugural general meeting or the date of public notice in lieu of a report under Article 527, as the case may be. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) If a surviving company or a company newly incorporated in consequence of a merger succeeds to convertible bonds or bonds with warrants, the registration of bonds shall be effected simultaneously with the registration under paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 529 (Actions for Nullification of Merger)

(1) The nullification of a merger may be asserted only through an action filed by a shareholder, director, auditor, liquidator or bankruptcy trustee or creditor of each company who has opposed the merger. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) An action under paragraph (1) shall be filed within six months from the date registration under Article 528 is made.

Article 530 (Provisions Applying Mutatis Mutandis)

(1) Deleted. *<by Act No. 5591, Dec. 28, 1998>*

(2) The provisions of Articles 234, 235, 237 through 240, 329-2, 374 (2), 374-2 (2) through (5) and 439 (3) shall apply mutatis mutandis to a merger of a stock company. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998; Act No. 6488, Jul. 24, 2001>*

(3) The provisions of Articles 440 through 444 shall apply mutatis mutandis to the consolidation or split of shares due to a merger of companies. *<Amended by Act No. 5591, Dec. 28, 1998>*

(4) If shares are not consolidated, the provisions of Articles 339 and 340 (3) shall apply mutatis mutandis to pledges created over shares of the disappearing company in consequence of a merger.

SECTION 11 Division of Company

Article 530-2 (Division and Merger after Division of Company)

(1) A company may be divided to form one or more new companies.

(2) A company may merge with one or more existing companies after its division (hereinafter referred to as "merger after division").

(3) A company may be divided to form one or more new companies, which, in succession, may merge with other existing companies.

(4) A company after dissolution may be divided or merged after division only when the existing company becomes the surviving company or a new company is to be incorporated by such division or merger after division.

Article 530-3 (Approval of Division Plan and Written Agreement for Merger after Division)

(1) A company to be divided or merged after division shall prepare a division plan or a written agreement for a merger after division, subject to approval from a general meeting of shareholders.

(2) A resolution for approval under paragraph (1) shall be adopted in accordance with Article 434.

(3) With respect to a resolution under paragraph (2), a shareholder whose voting right is excluded pursuant to Article 344-3 (1) shall also have a voting right. *<Amended by Act No. 10600, Apr. 14, 2011>*

(4) A summary of a division plan or written agreement for a merger after division shall be included in notice and public notice under Article 363.

(5) Deleted. *<by Act No. 10600, Apr. 14, 2011>*

(6) Where the liability of shareholders of each constituent company in a division or a merger after division is to be increased due to such division or merger after division, such division or merger after division shall be subject to agreement from all of such shareholders in addition to a resolution under paragraph (1) and Article 436. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 530-4 (Incorporation of Company by Division)

(1) The provisions of Section 1 of this Chapter concerning the incorporation of companies shall apply mutatis mutandis to the incorporation of companies under Article 530-2.

(2) Notwithstanding the provisions of paragraph (1), a company to be incorporated after division may be so incorporated even through investments made only by the company to be divided. In such cases, the provisions of Article 299 shall not apply where the shares of the company to be incorporated are issued to the shareholders of the company to be divided in proportion to their shares.

Article 530-5 (Entries in Division Plans)

(1) Where a company is to be incorporated in the course of a division, the following matters shall be entered in the division plan: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Trade name, objective, and seat of the principal office of the company to be incorporated, and the methods of public notice;
2. Total number of shares to be issued by the company to be incorporated, and the distinction between par value and no par value shares;
3. Total number, classes, number of different classes, and distinction between par value and no par value of shares to be issued by the company to be incorporated at the time of such division;
4. Matters concerning the allotment of shares by the company to be incorporated to the shareholders of the company to be divided, and the merger or split of shares pursuant to such allotment, if so determined;
5. Amount to be paid to the shareholders of the company to be divided, if so determined;
6. Matters concerning the capital and reserve of the company to be incorporated;
7. Assets to be transferred to the company to be incorporated and the value thereof;
8. Matters determined pursuant to Article 530-9 (2), if any;
9. Name and resident registration number of the director and auditor of the company to be incorporated, if so determined;
10. Other matters to be entered in the articles of incorporation of the company to be incorporated.

(2) Where a company survives after its division, the following matters shall be entered in the division plan with respect to the surviving company: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Amount of the capital and reserve to be decreased;
2. Method of capital reduction;
3. Assets to be transferred due to the division and the value thereof;
4. Total number of shares issued after the division;
5. If the total number of shares to be issued by the company is decreased, the total number, classes, and number per class of shares to be decreased;
6. Other matters which cause any amendments to the articles of incorporation.

Article 530-6 (Entries in Written Agreements for Merger after Division)

(1) Where any part of a company to be divided merges with another company and such another company (hereinafter referred to as the "other party to a merger after division") survives, the following matters shall

be entered in a written agreement for the merger after division:

1. If the other party to the merger after division increases the total number of shares to be issued due to the merger after division, the total number, classes, and number per class of such shares;

2. The total number, classes, and number per class of new shares to be issued by the other party to the merger after division at the time of such merger;

3. Matters concerning the allotment of shares by the other party to the merger after division to the shareholders of the company to be divided, and the merger or split of shares pursuant to such allotment, if so determined;

4. The amount to be paid by the other party to the merger after division to the shareholders of the company to be divided, if so determined;

5. Matters concerning the total amount of the capital and the reserve of the other party to the merger after division to be increased;

6. Assets and the value thereof to be transferred by the company to be divided to the other party to the merger after division;

7. Matters determined pursuant to Article 530-9 (3), if so determined;

8. The date of a general meeting of shareholders at which each company is to adopt a resolution under Article 530-3 (2);

9. The date on which the merger after division is to be effected;

10. The names and resident registration numbers of the directors and auditors of the other party to the merger after division, if so determined;

11. Other matters which cause any amendments to the articles of incorporation of the other party to merger after division.

(2) Where any part of a company to be divided merges with another company or its part after division to incorporate a company, the following matters shall be entered in a written agreement for the merger after division:

1. Matters provided for in Article 530-5 (1) 1, 2, and 6 through 10;

2. The total number, classes, and number per class of shares to be issued by the company to be incorporated at the time of the merger after division;

3. Matters concerning the allotment of shares by each company to their shareholders, and provisions concerning the merger or split of shares pursuant to such allotment, if so determined;

4. Assets and the value thereof to be transferred by each company to the company to be incorporated;

5. The amount to be paid by each company to their shareholders, if so determined;

6. The date of a general meeting of shareholders at which each company is to adopt a resolution under Article 530-3 (2);

7. The date on which the merger after division is to be effected.

(3) The provisions of Article 530-5 shall apply mutatis mutandis to entries on the segments for which each company does not conduct a merger after division in cases falling under paragraphs (1) and (2).

Article 530-7 (Public Notice of Division Balance Sheets, etc.)

(1) Directors of a company to be divided shall keep the following documents in its principal office from two weeks prior to the date set for a general meeting of shareholders under Article 530-3 (1) until six months after the registration of division or the completion of the merger after division:

1. A division plan or written agreement for the merger after division;
2. A balance sheet concerning the segment to be divided;
3. In cases of a merger after division, the balance sheet of the other party to merger after division;
4. A document specifying grounds for the allotment of shares to be issued to the shareholders of a company to be divided.

(2) Directors of the other party to a merger after division under Article 530-6 (1) shall keep the following documents in its principal office from two weeks prior to the date set for a general meeting of shareholders to approve the merger after division, until six months after the registration of the merger after division:

1. A written agreement for the merger after division;
2. A balance sheet concerning the segment subject to division of a company to be divided;
3. A document specifying grounds for the allotment of shares to be issued to the shareholders of the company to be divided.

(3) The provisions of Article 522-2 (2) shall apply mutatis mutandis to the documents listed in paragraphs (1) and (2).

Article 530-8 (Account concerning Division and Merger after Division)

Where a company to be incorporated due to a division or a merger after division or the other party to such merger after division acquires goodwill, the acquisition value may be counted on the assets side of the balance sheet. In such cases, at least an equally divided portion out of such amount shall be amortized in each period of settlement of accounts within five years after the registration of the incorporation or the merger after division.

Article 530-9 (Liability of Company after Division or Merger after Division)

(1) A company incorporated or surviving due to a division or a merger after division shall be jointly and severally liable to satisfy the obligations of the company before the division or the merger after division.

(2) Notwithstanding the provisions of paragraph (1), where a company to be divided incorporates another company by means of a division upon a resolution under Article 530-3 (2), it may be determined that the incorporated company bears only the obligations related to the assets invested thereby, out of the obligations of the company to be divided. In such cases, if the company to be divided continues to exist after the division, the company shall bear only the obligations which the company incorporated due to the division fails to repay.

(3) In cases of a merger after division, a company to be divided may, upon a resolution under Article 530-3 (2), determine that it bears only the obligations, out of the obligations of the company to be divided, related to the assets which an existing company financed due to the merger after division invests. In such cases, the provisions of the latter part of paragraph (2) shall apply mutatis mutandis.

(4) The provisions of Articles 439 (3) and 527-5 shall apply mutatis mutandis to cases falling under paragraph (2).

Article 530-10 (Legal Effects of Division or Merger after Division)

A company incorporated or surviving due to a division or a merger after division shall succeed to the rights and obligations of the company to be divided, as prescribed by a division plan or written agreement for the merger after division.

Article 530-11 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 234, 237 through 240, 329-2, 440 through 444, 526, 527, 527-6, 528, and 529 shall apply mutatis mutandis to division or a merger after division: Provided, That a member of the organizing committee under Article 527 shall be the representative director. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 374 (2), 439 (3), 522-3, 527-2, 527-3 and 527-5 shall apply mutatis mutandis to a merger after division. *<Amended by Act No. 6086, Dec. 31, 1999>*

Article 530-12 (Actual Division)

The provisions of this Section shall applymutatis mutandis where a company to be divided acquires the total number of shares of a company to be incorporated due to a division or a merger after division.

SECTION 12 Liquidation

Article 531 (Appointment of Liquidators)

(1) Upon dissolution of a company, except in cases of dissolution by a merger, division, merger after division, or bankruptcy, directors shall become liquidators: Provided, That this shall not apply if otherwise provided for in the articles of incorporation or if other persons have been appointed at a general shareholders' meeting. *<Amended by Act No. 5591, Dec. 28, 1998>*

(2) If a liquidator under paragraph (1) does not exist, the court shall appoint a liquidator upon request of any interested person.

Article 532 (Liquidators' Reports)

A liquidator shall report on the following matters to the court within two weeks of the date of taking office: *<Amended by Act No. 5053, Dec. 29, 1995>*

1. Grounds for and date of dissolution;
2. The name, resident registration number and address of the liquidator.

Article 533 (Liquidators' Duty to Investigate Company's Assets and to Report)

(1) After a liquidator has assumed office, he/she shall without delay investigate the status of the company's assets and shall prepare an inventory list and a balance sheet and submit them to a general shareholders' meeting for approval.

(2) A liquidator shall, without delay, submit an inventory list and a balance sheet to the court after obtaining an approval under paragraph (1).

Article 534 (Submission, Audit, Disclosure and Approval of Balance Sheets, Business Reports and Supplementary Statements)

(1) A liquidator shall prepare a balance sheet, supplementary statement, and a business report four weeks prior to the date set for an ordinary general meeting of shareholders and submit them to an auditor.

(2) An auditor shall submit to a liquidator an audit report on the documents listed in paragraph (1) one week prior to the date set for an ordinary general meeting of shareholders.

(3) A liquidator shall keep the documents listed in paragraph (1) and the audit report mentioned in paragraph (2) at the principal office of the company from one week prior to the date set for an ordinary general meeting of shareholders.

(4) The provisions of Article 448 (2) shall apply mutatis mutandis to the documents listed in paragraph (3).

(5) A liquidator shall submit a balance sheet and a business report to an ordinary general meeting of shareholders for approval.

Article 535 (Peremptory Notice to Creditors)

(1) A liquidator shall give peremptory notice to creditors of a company, by means of public notice, at least two times within two months after he/she takes office, to the effect that the creditors present their claims within a fixed period and that any creditor failing to do so will be excluded from the liquidation: Provided, That such period shall not exceed two months.

(2) A liquidator shall give peremptory notice demanding presentation of claims individually to each creditor known to the company, and such creditor shall not be excluded from the liquidation, even if he/she has failed to present his/her claim.

Article 536 (Repayment Within Period for Presenting Claims)

(1) No liquidator may repay claims to creditors during the period set for presenting claims pursuant to Article 535 (1): Provided, That the company shall not be exonerated from liability for damages caused by the delay of performance.

(2) Notwithstanding the provisions of paragraph (1), a liquidator may, with the leave of the court, repay small claims, secured claims or any claims the repayment of which is not likely to prejudice any other creditors.

Article 537 (Repayment to Excluded Creditors)

(1) Creditors who have been excluded from a liquidation process may demand repayment only out of the surplus assets yet to be distributed.

(2) If distribution has been made to some of the shareholders, assets which should be distributed to other shareholders in equal proportion thereto shall be deducted from the surplus assets mentioned in paragraph (1).

Article 538 (Distribution of Surplus Assets)

Surplus assets shall be distributed to shareholders in proportion to the number of shares held by each shareholder: Provided, That this shall not apply in cases falling under Article 344 (1).

Article 539 (Removal of Liquidators)

(1) A liquidator, except as appointed by a court, may be removed from office at any time by a resolution adopted at a general meeting of shareholders.

(2) If a liquidator is considerably unfit for administrating the liquidation affairs or has acted in contravention of his/her material duties, any shareholder who holds shares representing no less than three percent of the total issued and outstanding shares may request the court to remove such liquidator from office. *<Amended by Act No. 5591, Dec. 28, 1998>*

(3) The provisions of Article 186 shall apply mutatis mutandis to actions relating to a request under paragraph (2). *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 540 (Completion of Liquidation)

(1) When liquidation affairs have been completed, a liquidator shall without delay prepare a statement of the settlement of accounts and submit it to a general meeting of shareholders for approval.

(2) When an approval under paragraph (1) has been granted, a company shall be deemed to have relieved the liquidator of his/her obligations: Provided, That this shall not apply where the liquidator has done any dishonest act.

Article 541 (Preservation of Documents)

(1) Books of a company and all important documents relating to its business and liquidation shall be preserved for a period of ten years from the time of registration of the completion of liquidation at the place of the principal office: Provided, That the slips and similar documents shall be kept for five years. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) With regard to preservation under paragraph (1), the court shall appoint a custodian and shall determine methods for preservation, upon request by a liquidator or any other interested person.

Article 542 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 245, 252 through 255, 259, 260 and 264 shall apply mutatis mutandis to a stock company.

(2) The provisions of Articles 362, 363-2, 366, 367, 373, 376 and 377, 382 (2), 386, 388 through 394, 396, 398 through 408, 411 through 413, 414 (3), 449 (3), 450 and 466 shall apply mutatis mutandis to liquidators. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984; Act No. 5591, Dec. 28, 1998>*

SECTION 13 Special Cases for Listed Companies

Article 542-2 (Scope of Application)

(1) This Section shall apply to stock companies (hereinafter referred to as "listed companies") which have issued certificates of stock listed in a securities market (referring to a market for purchase and sale of securities) as prescribed by Presidential Decree: Provided, That stock companies determined by Presidential Decree as schemes established for the undertakings for collective investment (referring to acquisition, disposition or management of money or other property having property values collected by soliciting two or more persons to make investment decisions, and distribution and reversion of the outcomes thereof to investors) shall be excluded.

(2) This section shall apply in preference to other sections of this Chapter.

Article 542-3 (Stock Options)

(1) A listed company may grant a stock option to directors, executive directors, auditors or employees of the relevant company determined by Presidential Decree, as well as persons prescribed in the main body of Article 340-2 (1): Provided, That no stock options shall be granted to persons determined by Presidential Decree, including a largest shareholder under Article 542-8 (2) 5. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) Notwithstanding the provisions of Article 340-2 (3), a listed company may grant a stock option within the limit determined by Presidential Decree within the scope of 20 percent of the total number of stocks issued and outstanding.

(3) Notwithstanding the provisons of the main body of Article 340-2 (1), a listed company may grant a stock option to its executive directors, auditors or employees, and the directors, executive directors, auditors or employees of the relevant company mentioned in paragraph (1) by adopting resolutions on the matters listed in the subparagraphs of Article 340-3 (2), within the limit determined by Presidential Decree within the scope of 10 percent of the total number of stocks issued and outstanding, as prescribed by its articles of incorporation. In such cases, a listed company shall obtain the approval thereof from the first

general meeting of shareholders convened after the granting of a stock option. *<Amended by Act No. 10600, Apr. 14, 2011>*

(4) Notwithstanding the provisions of Article 340-4 (1), any person who has been granted a stock option of a listed company may exercise the stock option only after he/she has served in his/her office for more than two years of the date on which a general meeting of shareholders or the board of directors adopts a resolution to grant such stock option, except in cases provided for by Presidential Decree.

(5) The granting and cancellation of stock options of listed companies, and other necessary matters, except for matters prescribed in paragraphs (1) through (4), shall be prescribed by Presidential Decree.

Article 542-4 (Public Notification of Convocation of General Meetings of Shareholders)

(1) In cases where a listed company convokes a general meeting of shareholders, such listed company may give public notice of such intent and purpose of the convocation two weeks prior to the date set for such general meeting, to shareholders who own stocks the number of which does not exceed the number determined by Presidential Decree, in two or more daily newspapers on two or more occasions, respectively, or by electronic means as prescribed by Presidential Decree under conditions provided by its articles of incorporation, which may substitute public notification of convocation under Article 363 (1).

(2) In cases where a listed company announces or notifies convocation of a general meeting of shareholders, the purpose of which is to appoint directors or auditors, the listed company shall announce or notify the name, brief personal history, and references of candidates for directors or auditors, and other matters prescribed by Presidential Decree.

(3) In cases where a listed company announces or gives notice of convocation of a general meeting of shareholders, such company shall announce or give notice of matters determined by Presidential Decree, including activities and salaries of outside directors, or an outline of business; Provided, That this shall not apply where the listed company discloses such matters to the general public by the methods prescribed by Presidential Decree.

Article 542-5 (Methods of Appointment of Directors or Auditors)

In cases where a listed company intends to appoint directors or auditors at a general meeting of shareholders, such directors or auditors shall be appointed from among candidates announced or notified under Article 542-4 (2).

Article 542-6 (Minority Shareholders' Rights)

(1) Any person who has continued to hold stocks equivalent to no less than 15/1,000 of the total number of issued and outstanding shares of a listed company for more than six months may exercise shareholder's rights under Article 366 (including cases where applied mutatis mutandis in Article 542) and Article 467.

(2) Any person who has continued to hold stocks equivalent to no less than 10/1,000 (5/1,000 for listed companies determined by Presidential Decree) of the total number of issued and outstanding shares of a

listed company, except for nonvoting stocks, for more than six months may exercise shareholder's rights under Article 363-2 (including cases where appliedmutatis mutandis in Article 542).

(3) Any person who has continued to hold stocks equivalent to no less than 50/10,000 (25/10,000 for listed companies determined by Presidential Decree) of the total number of issued and outstanding shares of a listed company for more than six months may exercise shareholder's rights under Article 385 (including cases where applied mutatis mutandis in Article 415) and Article 539.

(4) Any person who has continued to hold stocks equivalent to no less than 10/10,000 (5/10,000 for listed companies determined by Presidential Decree) of the total number of issued and outstanding shares of a listed company for more than six months may exercise shareholder's rights under Article 466 (including cases where applied mutatis mutandis in Article 542).

(5) Any person who has continued to hold stocks equivalent to no less than 50/100,000 (25/100,000 for listed companies determined by Presidential Decree) of the total number of issued and outstanding shares of a listed company for more than six months may exercise shareholder's rights under Article 402 (including cases where applied mutatis mutandis in Articles 408-9 and 542). *<Amended by Act No. 10600, Apr. 14, 2011>*

(6) Any person who has continued to hold stocks equivalent to no less than 1/10,000 of the total number of issued and outstanding shares of a listed company for more than six months may exercise shareholder's rights under Article 403 (including cases where applied mutatis mutandis in Articles 324, 408-9, 415, 424-2, 467-2, and 542). *<Amended by Act No. 10600, Apr. 14, 2011>*

(7) A listed company may determine a period for holding shares, which is shorter than the period prescribed in paragraphs (1) through (6) in its articles of association, or a ratio of holding shares, which is below the ratio prescribed in such provisions.

(8) "Shareholder" in paragraphs (1) through (6) and Article 542-7 (2) refers to a person who owns stocks, a person who has been delegated to exercise shareholder's rights, or a person who jointly exercises shareholder's rights of two or more shareholders.

Article 542-7 (Special Cases concerning Cumulative Voting)

(1) In cases where a shareholder requests a listed company to appoint directors based on cumulative voting under Article 382-2, he/she shall make such request to the listed company six weeks prior to the date set for a general meeting of shareholders (in cases of an ordinary general meeting of shareholders, the date of the year that corresponds to the date of an ordinary general meeting of shareholders of the preceding year; hereafter the same shall apply in Article 542-8 (5)), in writing or by an electronic document.

(2) A shareholder who holds no less than one percent of the total issued and outstanding shares, other than nonvoting shares, of a listed company determined by Presidential Decree in light of the scale of assets, may request the listed company to appoint directors based on cumulative voting under Article 382-2.

(3) When a listed company under paragraph (2) intends to exclude cumulative voting by its articles of association or revise the excluded provisions in the articles of association, shareholders who hold stocks

exceeding three percent of the total issued and outstanding shares other than nonvoting stocks shall be prohibited from exercising their voting rights on the stocks held in excess: Provided, That a lower ratio of holding shares may be determined in the articles of association.

(4) When a listed company under paragraph (2) intends to submit a proposal on revision of the articles of association concerning the exclusion of cumulative voting under paragraph (3) as an agenda item for a general meeting of shareholders, the company shall propose and resolve the proposal separately from a proposal on revision of other articles of association.

Article 542-8 (Appointment of Outside Directors)

(1) A listed company shall ensure that outside directors comprise no less than one fourth of the total number of directors except in cases determined by Presidential Decree in light of the scale of assets; Provided, That listed companies determined by Presidential Decree based on the scale of assets, etc., shall appoint three or more outside directors and the number of outside directors shall account for more than half of the total directors.

(2) No outside director of a listed company shall fall under any of the following subparagraphs as well as any subparagraph of Article 382 (3), and if he/she falls under any of the following subparagraphs, he/she shall be removed from his/her office: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. A minor, incompetent, or quasi-incompetent;
2. A person adjudicated bankrupt and who has not yet reinstated;
3. A person for whom two years have not yet elapsed since his or her imprisonment without prison labor or a heavier punishment was completely executed or exempted;
4. A person for whom two years have not yet elapsed since he was dismissed or removed from office after he/she violated an Act separately determined by Presidential Decree;
5. In cases where a shareholder of the listed company and persons who have a special relationship with the shareholder as prescribed by Presidential Decree (hereinafter referred to as "specially related persons") own the largest number of shares, based on the total number of issued and outstanding shares other than nonvoting shares, such shareholder (hereinafter referred to as the "largest shareholder") and his/her specially related persons;
6. A shareholder who owns more than 10 percent of the total number of issued and outstanding shares other than nonvoting shares for his/her own account regardless of in whose name the shares are held, or exerts de facto influence on important matters related to the management of the listed company, including the appointment and dismissal of directors, executive directors or auditors, and his/her spouse, lineal ascendants and lineal descendants (hereinafter referred to as a "major shareholder");
7. A person determined by Presidential Decree, who has difficulty faithfully performing any of his/her duty as an outside director, or who may have an influence on the management of the listed company.

(3) In cases where the number of outside directors does not meet the quorum required for the establishment of the board of directors under paragraph (1) due to any cause such as resignation or death

of any outside director, a listed company under paragraph (1) shall appoint outside directors at the first general meeting of shareholders convened after such cause has occurred, to satisfy the requirements prescribed in paragraph (1).

(4) A listed company under the proviso to paragraph (1) shall establish a committee referred to in Article 393-2 (hereafter referred to as the "committee for recommending candidates for outside directors" in this Article) to recommend candidates for outside directors. In such cases, the committee shall ensure that outside directors comprises a majority of the total number of committee members. <*Amended by Act No. 10600, Apr. 14, 2011*>

(5) When a listed company under the proviso to paragraph (1) intends to appoint outside directors at a general meeting of shareholders, the company shall appoint outside directors from among candidates recommended by the committee for recommending candidates for outside directors. In such cases, when the committee recommends candidates for outside directors, the candidates recommended by a shareholder who is eligible to exercise the rights provided for in Article 363-2 (1), 542-6 (1) and (2) six weeks prior to the date set for a general meeting of shareholders (in cases of an ordinary general meeting of shareholders, referring to the date of the relevant year that corresponds to the date of an ordinary general meeting of shareholders of the immediately preceding year) shall be included. <*Amended by Act No. 10600, Apr. 14, 2011*>

Article 542-9 (Transactions with Interested Persons Including Major Shareholders)

(1) No listed company shall grant credit (referring to lease of property with economic value, including money, guarantees for the performance of obligations, purchase of securities intended for supporting funds, or other direct or indirect transactions determined by Presidential Decree accompanying credit risks on the transactions; hereafter the same shall apply in this Article) to or for a person who falls under any of the following subparagraphs: <*Amended by Act No. 10600, Apr. 14, 2011*>

1. Major shareholders and their specially related persons;
2. Directors (including persons who fall under any of the subparagraphs of Article 401-2 (1); hereafter the same shall apply in this Article) and executive directors;
3. Auditors.

(2) Notwithstanding the provisions of paragraph (1), a listed company may grant credit in any of the following cases:

1. Granting of credit determined by Presidential Decree, such as lending money to directors, executive directors or auditors in order to promote their welfare;
2. Granting of credit allowed under other Acts and subordinate statutes;
3. Other credit granting determined by Presidential Decree, such as money lending that is unlikely to undermine managerial soundness of the listed company.

(3) In cases where a listed company determined by Presidential Decree based on the scale of assets, etc. intends to engage in transactions that fall under any of the following subparagraphs (excluding

transactions prohibited under paragraph (1)) with or for the largest shareholder, his/her specially related persons, and such listed company's specially related persons prescribed by Presidential Decree, the company shall obtain approval thereof from the board of directors:

1. Cases where the scale of a single transaction exceeds the maximum scale determined by Presidential Decree;

2. Cases where the total amount of transactions, including the relevant transactions with specified persons during the relevant business year, exceeds the amount determined by Presidential Decree.

(4) In cases falling under paragraph (3), a listed company shall report the purpose of the relevant transaction, its counterpart, and other matters determined by Presidential Decree during the first ordinary general meeting of shareholders convened after a resolution on the approval has been adopted by the board of directors.

(5) Notwithstanding the provisions of paragraph (3), a listed company may engage in ordinary transactions under the category of business managed by itself, which falls under any of the following subparagraphs, without obtaining approval from the board of directors, and may not report details of transactions to a general meeting of shareholders when the company is engaged in transactions under subparagraph 2:

1. Standardized transactions under the terms and conditions, which are determined by Presidential Decree;

2. Transactions made within the maxim limit of the total amount of transactions approved by the board of directors.

Article 542-10 (Full-time Auditors)

(1) A listed company determined by Presidential Decree shall have one or more auditors (hereinafter referred to as "full-time auditor") who hold a full-time position and conduct audit inspections by a resolution adopted at a general meeting of shareholders: Provided, That this shall not apply where an audit committee has been established under this Section or under any other Act (including cases where a listed company that has no obligation to establish the audit committee has set up an audit committee that satisfies the requirements prescribed in this section). *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) No person who falls under any of the following subparagraphs shall be a full-time auditor for a listed company under the main body of paragraph (1), and he/she shall be removed from his/her position as full-time auditor in any of the following cases: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. A person who falls under Article 542-8 (2) 1 through 4 and 6;

2. Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, executive directors and employees who have engaged in the regular business of the relevant company within two years: Provided, That directors who hold office or have had office as members of the audit committee under this section shall be excluded;

3. A person determined by Presidential Decree who may have an influence on the management of the company, except as provided for by subparagraphs 1 and 2.

Article 542-11 (Audit Committees)

(1) A listed company determined by Presidential Decree in light of the scale of assets, etc. shall establish an audit committee.

(2) The audit committee of a listed company under paragraph (1) shall meet the requirements of Article 415-2 (2) and the following subparagraphs:

1. One or more members of the committee shall be an accounting or financing expert as determined by Presidential Decree;
2. The representative of the committee shall be an outside director.

(3) No person who falls under any of the subparagraphs of Article 542-10 (2) shall be a member of the audit committee who is not an outside director of a listed company under paragraph (1), and he/she shall be removed from office when falling under any of such cases.

(4) In cases where the number of outside directors fails to meet the quorum required for the establishment of an audit committee set forth in the following subparagraphs due to any cause such as resignation or death of any outside director as member of the audit committee, a listed company shall ensure that the requirements are met at the first general meeting of shareholders convened after such cause has occurred;

1. Requirements set forth in the subparagraphs of paragraph (2) and Article 415-2 (2), in cases where the listed company has established the audit committee under paragraph (1);
2. Requirements set forth in Article 415-2 (2), in cases where the listed company has established the audit committee under Article 415-2 (1),

Article 542-12 (Constitution, etc. of Audit Committees)

(1) In cases of a listed company under Article 542-11 (1), notwithstanding the provisions of Article 393-2, a general meeting of shareholders shall have the authority to appoint or dismiss members of an audit committee.

(2) A listed company under Article 542-11 (1) shall appoint members of its audit committee from among directors appointed by a general meeting of shareholders.

(3) In cases where the total amount of voting stocks of a listed company held by the largest shareholder, his/her specially related persons, and other persons determined by Presidential Decree exceeds three percent of the total number of shares issued and outstanding, excluding nonvoting stocks, such shareholder may not exercise his/her voting rights on the stocks in excess when appointing or dismissing members of the audit committee who are neither auditors nor outside directors: Provided, That a lower ratio of holding shares may be determined in the articles of association.

(4) Any shareholder who has stocks in excess of three percent of the total number of issued stocks other than nonvoting rights of a listed company determined by Presidential Decree, may not exercise his/her voting rights on the stocks in excess when appointing members of the audit committee as outside directors: Provided, That a lower ratio of holding shares may be determined in the articles of association.

(5) When a listed company intends to submit a proposal on appointment or remuneration of auditors as an agenda item for a general meeting of shareholders, the company shall propose and resolve the proposal separately from a proposal on appointment or remuneration of directors.

(6) Any auditor of a listed company and an audit committee, notwithstanding the provisions of Article 447-4 (1), may submit an audit and inspection report to directors at least one week prior to the date set for a general meeting of shareholders.

Article 542-13 (Compliance Guidelines and Compliance Officers)

(1) A listed company determined by Presidential Decree in light of the scale of assets, etc. shall establish guidelines and procedures that their employees and directors must observe in order to abide by Acts and subordinate statutes and make their management appropriate when the employees and directors perform their duties (hereinafter referred to as "compliance guidelines").

(2) A listed company under paragraph (1) shall have one or more persons responsible for the work on abiding by the compliance guideline (hereinafter referred to as "compliance officer").

(3) A compliance officer shall check whether the compliance guidelines are complied with and shall report the outcomes thereof to the board of directors.

(4) In order to appoint and remove a compliance officer, a listed company under paragraph (1) shall obtain a resolution of the board of directors.

(5) A compliance officer shall be appointed from among the following persons:

1. A person qualified as an attorney at law;
2. A person who is or was in a position of an assistant professor or higher teaching law at a school as provided for in Article 2 of the Higher Education Act;
3. Other persons with considerable knowledge and experience in law, who are determined by Presidential Decree.

(6) The term of a compliance officer shall be three years, and he/she shall work full time.

(7) A compliance officer shall perform his/her duties with the due care of a good manager.

(8) No compliance officer shall divulge any business secret of the company, which has come to his/her knowledge in the course of performing his/her duty, not only while in office but also after retirement.

(9) A listed company under paragraph (1) shall have its compliance officers independently perform their duties and, if a compliance officer requests submission of data or information in the course of performing his/her duties, the employees and directors of the company mentioned in paragraph (1) shall sincerely comply therewith.

(10) No listed company under paragraph (1) shall unfairly disadvantage a person who was a compliance officer in personnel matters for reasons related to his/her performance of duties.

(11) The provisions of this Act shall apply with respect to a compliance officer, as long as no specific provisions to the contrary exist in other Acts: Provided, That the provisions of paragraph (6) shall preferentially apply in cases where the term of a compliance officer under other Act is shorter than the

term set forth in paragraph (6).

(12) Matters necessary for compliance guidelines and compliance advisers shall be determined by Presidential Decree.

CHAPTER V LIMITED COMPANY

SECTION 1 Incorporation

Article 543 (Preparation of Articles of Incorporation and Matters Absolutely Required to be Entered Therein)

(1) Members shall prepare the articles of incorporation for the incorporation of a limited company. *<Amended by Act No. 6488, Jul. 24, 2001>*

(2) The articles of incorporation shall include the following matters, and each member shall write his/her name and affix his/her seal or sign thereon: *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 6488, Jul. 24, 2001; Act No. 10600, Apr. 14, 2011>*

1. Matters set forth in subparagraphs 1 through 3 of Article 179;
2. The total amount of capital;
3. The amount of one unit of investment;
4. The number of units of investment for each member;
5. The seat of the principal office.

(3) The provisions of Article 292 shall apply mutatis mutandis to limited companies.

Article 544 (Matters on Irregular Incorporation)

The following shall take effect upon entry in the articles of incorporation:

1. The names of persons who are to make an investment in kind and the type, quantity and value of the subject matter of the investment and the number of units of investment to be given in consideration thereof;
2. The type, quantity and value of assets agreed to be transferred to a company after its incorporation and the name of the transferor;
3. Expenses for incorporation to be borne by the company.

Article 545 Deleted. *<by Act No. 10600, Apr. 14, 2011>*

Article 546 (Limits on Amounts of One Unit of Investment)

The amount of one unit of investment shall be no less than one hundred won and shall be equal.

Article 547 (Appointment of First Directors)

(1) Where directors have not been designated by the articles of incorporation, a general meeting of members shall be convened before the incorporation of a company and such directors shall be elected at such meeting.

(2) Any member may convene a general meeting of members under paragraph (1).

Article 548 (Payment for Investment)

(1) Directors shall have members pay the full amount of their investments or furnish all the assets which are the subject matter of the investments in kind.

(2) The provisions of Article 295 (2) shall apply mutatis mutandis to investments in kind made by members.

Article 549 (Registration for Incorporation)

(1) Registration for incorporation of a limited company shall be made within two weeks of the date of completing payment for investment or making an investment in kind set forth in the Article 548. *<Amended by Act No. 5053, Dec. 29, 1995>*

(2) In the registration for incorporation under paragraph (1), it is required to register the following matters: *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

1. Matters listed in subparagraphs 1, 2 and 5 of Article 179 and the place of each branch office, if any;
2. Matters listed in Article 543 (2) 2 and 3;
3. The name, resident registration number and address of each director: Provided, That if a director representing the company has been appointed, the addresses of other directors shall be excluded;
4. The name, address and resident registration number of a representative director, if any;
5. Provisions pertaining to the joint representation of a company by two or more directors, if so determined;
6. Term of existence of a company and grounds for dissolution thereof, if determined;
7. Name and resident registration number of auditors, if any.

(3) When a limited company establishes or relocates a branch office and the registration is made at the place of the branch office or new branch office, matters prescribed in paragraph (2) 3 through 6, subparagraphs 1, 2 and 5 of Article 179 shall be registered: Provided, That when a representative director has been appointed, no other directors shall be registered. *<Newly Inserted by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(4) The provisions of Articles 181 through 183 shall apply mutatis mutandis to the registration of a limited company. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 550 (Liability of Members as of Incorporation concerning Investments in Kind, etc.)

(1) If the actual value of the assets mentioned in subparagraphs 1 and 2 of Article 544 as at the time of the incorporation of a company is substantially less than the value determined in the articles of incorporation, the members as at the time of incorporation shall be jointly and severally liable to pay such shortfall to the company.

(2) No liability of members set forth in paragraph (1) shall be exonerated. *<Newly Inserted by Act No. 1212, Dec. 12, 1962>*

Article 551 (Liability of Members as of Incorporation concerning Unpaid Amount of Investments)

(1) If it is found after the incorporation of a company that paying the amount of investments and making investments in kind have not been completed, the members, directors and auditors as at the time of incorporation shall be jointly and severally liable to pay the amount unpaid or the value of assets which have not been contributed to a company. *<Amended by Act No. 1212, Dec. 12, 1962>*

(2) No liability of members under paragraph (1) shall be exonerated. *<Newly Inserted by Act No. 1212, Dec. 12, 1962>*

(3) No liability of directors and auditors under paragraph (1) shall be exonerated without the consent of all the members. *<Newly Inserted by Act No. 1212, Dec. 12, 1962>*

Article 552 (Actions for Nullification or Revocation of Incorporation)

(1) The nullification of incorporation of a company may be asserted only by means of an action filed by any of its members, directors or auditors, and the revocation of incorporation of a company may be asserted only by means of an action filed by a person having a right to claim revocation, within two years of the date of the incorporation of the company.

(2) The provisions of Articles 184 (2) and 185 through 193 shall apply mutatis mutandis to actions under paragraph (1).

SECTION 2 Rights and Obligations of Members

Article 553 (Liability of Members)

Unless otherwise provided for in this Act, the liability of a member shall be limited to the amount of his/her investment in a company.

Article 554 (Equity Holdings of Members)

Each member shall have equity holdings in a company in proportion to the number of his/her units of investment.

Article 555 (Instruments of Equity Holdings)

No limited company may issue order or bearer instruments with regard to the respective equity holdings of members.

Article 556 (Transfer of Equity Holdings)

A member may transfer his/her equity holdings or have his/her equity holdings inherited, in whole or in part: Provided, That the transfer may be limited by the articles of incorporation.

Article 557 (Requirements for Asserting Transfer of Equity Holdings against Company and Third Parties)

No transfer of equity holdings may not be asserted against a company and third parties unless the full name and address of the transferee and the number of units of investment subject to the transfer have been entered in the register of members.

Article 558 (Common Ownership of Equity Holdings)

The provisions of Article 333 shall apply mutatis mutandis where two or more persons have equity holdings in common.

Article 559 (Pledging of Equity Holdings)

(1) Equity holdings may be pledged.

(2) The provisions of Articles 556 and 557 shall apply mutatis mutandis to the pledging of equity holdings.

Article 560 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 339, 340 (1) and (2), 341-2, 341-3, 342 and 343 (1) shall apply mutatis mutandis to the equity holdings of members. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Article 353 shall apply mutatis mutandis to notice or peremptory notice to members.

SECTION 3 Management of Company

Article 561 (Directors)

A limited company shall have one or more directors.

Article 562 (Representation of Company)

(1) A director shall represent a company.

(2) If a company has two or more directors, a director to represent the company shall be elected at a general meeting of members unless otherwise provided for in the articles of incorporation.

(3) It may be determined by the articles of incorporation or a general meeting of members that two or more directors shall jointly represent a company.

(4) The provisions of Article 208 (2) shall apply mutatis mutandis to cases falling under paragraph (3).

Article 563 (Representation in Legal Actions between Company and Members)

If a company files an action against any of its directors or where a director files an action against a company, a person who shall represent the company with regard to such action shall be elected at a general meeting of members.

Article 564 (Determination on Management of Business, Transactions between Directors and Company)

(1) If a company has several directors, management of the business of the company, appointment or dismissal of managers, and establishment, transfer or closure of branch offices shall be determined by a majority vote of the directors, unless otherwise provided for by the articles of incorporation. *<Amended by Act No. 3724, Apr. 10, 1984>*

(2) A manager may be appointed or removed at a general meeting of members, notwithstanding the provisions of paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

(3) A director may enter into transactions with a company for his/her account or for the account of a third party only if he/she has obtained approval from an auditor, or from a general meeting of members in cases of absence of the auditor. In such cases, the provisions of Article 124 of the Civil Act shall not apply. *<Newly Inserted by Act No. 1212, Dec. 12, 1962>*

Article 564-2 (Rights to Injunction)

In cases where a director acts in violation of an Act or subordinate statute, or the articles of incorporation and thereby an irreparable damage is likely to be caused to a company, an auditor or any member who holds units of investment representing no less than three percent of the total amount of capital may demand on behalf of the company that the director cease to commit such an act. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 565 (Representative Suits by Members)

(1) Any member who holds units of investment representing no less than three percent of the total amount of capital may demand that the company file an action against directors to compel them to perform their obligations. *<Amended by Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 403 (2) through (7) and 404 through 406 shall apply mutatis mutandis to cases falling under paragraph (1). *<Amended by Act No. 5591, Dec. 28, 1998>*

Article 566 (Location and Inspection of Documents)

(1) Directors shall keep at the principal office and at each branch office copies of the articles of incorporation and the minutes of general meetings of members and shall keep the register of members at the principal office.

(2) The full names, addresses and number of units of investment of members shall be entered in the register of members.

(3) Any member or creditor of a company may request, at any time during its business hours, to inspect or copy the documents mentioned in paragraph (1).

Article 567 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 209, 210, 382, 385, 386, 388, 395, 397, 399 through 401, 407 and 408 shall apply mutatis mutandis to directors of a limited company. In such cases, "board of directors" in Article 397 shall be construed as "general meeting of members". *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 5591, Dec. 28, 1998; Act No. 6086, Dec. 31, 1999>*

Article 568 (Auditors)

(1) A limited company may have one or more auditors in accordance with the articles of incorporation.

(2) The provisions of Article 547 shall apply mutatis mutandis where the articles of incorporation provide that a company shall have auditors.

Article 569 (Auditor's Authority)

An auditor may, at any time, investigate the status of the assets and affairs of a company and may request directors to report on the business operation.

Article 570 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 382, 385 (1), 386, 388, 400, 407, 411, 413, 414 and 565 shall apply mutatis mutandis to auditors.

Article 571 (Convocation of General Meetings of Members)

(1) A general meeting of members shall be convened by directors unless otherwise provided for in this Act: Provided, That an extraordinary general meeting of members may be convened by an auditor as well.

(2) In convening a general meeting of members, notice in writing or by an electronic document with the consent of each member shall be given to each member at least one week prior to the date set for such meeting.

(3) The provisions of Articles 363 (2) and 364 shall apply mutatis mutandis to the convocation of a general meeting of members.

Article 572 (Requests for Convocation of General Meetings by Minority Members)

(1) Any member who holds units of investment representing no less than three percent of the total amount of capital may request the convocation of a general meeting of members by submitting to directors a document which states the agenda for such meeting and grounds for convening such meeting. *<Amended by Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of paragraph (1) may be provided otherwise by the articles of incorporation.

(3) The provisions of Article 366 (2) and (3) shall applymutatis mutandis in cases falling under paragraph (1).

Article 573 (Omission of Convocation Procedures)

A general meeting of members may be convened without following procedures set forth in Article 572, with the consent of all the members.

Article 574 (Quorum of General Meetings and Methods of Resolution)

Unless otherwise provided for by the articles of incorporation or this Act, all resolutions of a general meeting of members shall be adopted by the presence of members holding a majority of votes and by a majority of affirmative votes of the members present.

Article 575 (Members' Rights to Vote)

Each member shall have one vote for each unit of investment: Provided, That the articles of incorporation may provide otherwise with regard to the number of votes.

Article 576 (Matters Subject to Special Resolution for Transfer of Business, etc. of Limited Company)

(1) In cases where a limited company intends to conduct an act falling under any of subparagraphs 1 through 3 of Article 374 (1), a resolution thereon shall be adopted at a general meeting of members under Article 585. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of paragraph (1) shall apply mutatis mutandis where a limited company concludes, within two years of its incorporation, an agreement to acquire assets existing from before its incorporation for a value equivalent to no less than one twentieth of its capital, for purposes of its business. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 577 (Resolutions in Writing)

(1) If a resolution by a general meeting of members is required, such resolution may be adopted in writing, if all the members have consented thereto.

(2) If all members have consented in writing to matters constituting the subject matter of a resolution, such resolution shall be deemed to have been adopted in writing.

(3) A resolution in writing shall have the same effect as a resolution by a general meeting of members.

(4) The provisions regarding general meetings of members shall apply mutatis mutandis to resolutions in writing.

Article 578 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 365, 367, 368 (3) and (4), 369 (2), 371 (2), 372, 373 and 376 through 381 shall apply mutatis mutandis to general meetings of members.

Article 579 (Preparation of Financial Statements)

(1) Directors shall, in each period for the settlement of accounts, prepare the following documents and supplementary statements: *<Amended by Act No. 10600, Apr. 14, 2011>*

1. Balance sheets;
2. Income statements;
3. Other documents listed in Article 447 (1) 3 which indicate financial status and managerial performance of a company.

(2) If a company has any auditor, directors shall submit to such auditor the documents listed in paragraph (1) four weeks prior to the date set for an ordinary general meeting of members.

(3) An auditor shall submit an audit report to directors within three weeks from the date of receipt of the documents listed in paragraph (2).

Article 579-2 (Preparation of Business Reports)

(1) Directors shall prepare a business report in each period for the settlement of accounts.

(2) The provisions of Article 579 (2) and (3) shall apply mutatis mutandis to business reports mentioned in paragraph (1).

Article 579-3 (Location and Public Notice of Financial Statements)

(1) Directors shall keep the documents listed in Articles 579 and 579-2 and auditor's reports at the principal office of the company for five years from a week before the date set for an ordinary general meeting of members.

(2) The provisions of Article 448 (2) shall apply mutatis mutandis to the documents mentioned in paragraph (1).

Article 580 (Standards for Profits Dividends)

Unless otherwise provided for in the articles of incorporation, profits dividends shall be distributed in proportion to the number of units of investment of each member.

Article 581 (Members' Right to Inspect Books of Account)

(1) Any member who holds units of investment representing no less than three percent of the total amount of capital may request the inspection or copying of the books of account and related documents. *<Amended by Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) A company may provide in the articles of incorporation that any member may make a request under paragraph (1). In such cases, supplementary statements need not to be prepared, regardless of the provisions of Article 579 (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 582 (Inspection of Business Affairs and Status of Assets)

(1) If any dishonest act or material fact in contravention of any Act, subordinate statute, or the articles of incorporation has occurred in connection with the management of a company, any member who holds units of investment representing no less than three percent of the total amount of capital may request the court to appoint an inspector to investigate the affairs of the company and the status of its assets. *<Amended by Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) An inspector shall report in writing on the outcomes of investigation to the court.

(3) If it deems it necessary after examining the report mentioned in paragraph (2), the court may order an auditor, or directors in the absence of the auditor, to convene a general meeting of members. In such cases, the provisions of Article 310 (2) shall apply mutatis mutandis. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 583 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 449 (1) and (2), 450, 458 through 460, 462, 462-3 and 466 shall apply mutatis mutandis to the accounting of a limited company. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Article 468 shall apply mutatis mutandis to claims arising out of the employment relationship between a limited company and its employees. *<Amended by Act No. 6086, Dec. 31, 1999>*

SECTION 4 Amendments to Articles of Incorporation

Article 584 (Methods of Amendments to Articles of Incorporation)

In order to amend any articles of incorporation, a resolution adopted at a general meeting of members is required.

Article 585 (Special Resolutions for Amendments to Articles of Incorporation)

(1) A resolution under Article 584 shall be adopted by the affirmative votes of a majority of all the members and of three fourths of the total votes.

(2) For the purposes of paragraph (1), a member who is not allowed to exercise his/her vote shall not be added to the number of all the members and the vote which may not be exercised shall not be added to the

number of the total votes.

Article 586 (Resolutions for Capital Increase)

Even where otherwise provided for in the articles of incorporation, any of the followings may be determined by a resolution for capital increase:

1. The name of a person who is to make an investment, the type, class, quantity, and value of the subject matter of such investment in kind and the number of units of investment to be granted in consideration thereof;
2. The type, quantity and price of the asset agreed to be transferred to a company after a capital increase, and the name of the transferor;
3. The name of a person to whom a preemptive right to a capital investment is granted and the substance of such right.

Article 587 (Granting of Preemptive Rights in Cases of Capital Increase)

In cases where a limited company undertakes to give a specified person a preemptive right to a capital investment when the capital increase is made in the future, the resolution mentioned in Article 585 shall be obtained.

Article 588 (Members' Preemptive Rights to Capital Investment)

A member is entitled to subscribe to a capital investment with respect to the capital increase, in proportion to his/her equity holdings: Provided, That this shall apply where subscribers to the capital investment have been determined by the resolutions mentioned in Articles 586 and 587. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 589 (Methods of Subscription to Capital Investment)

(1) In cases of a capital increase, any person who intends to subscribe to the capital investment shall enter the number of units of investment to be subscribed to and his/her address on the instrument certifying such subscription and shall write his/her name and affix his/her seal or sign thereon. *<Amended by Act No. 5053, Dec. 29, 1995; Act No. 10600, Apr. 14, 2011>*

(2) No limited company shall offer subscription to a capital investment by means of advertisement or otherwise.

Article 590 (Status of New Subscribers of Investments)

In cases of a capital increase, any person who has subscribed to the capital investment shall have the same rights as the existing members with regard to profits dividends from the date of payment for the capital investment and of the transfer of the asset which is the subject matter of the investment in kind. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 591 (Registration of Capital Increase)

A limited company shall make a registration of alteration due to a capital increase within two weeks at the place of its principal office, from the date of completion of the payment for the capital investment or the investment in kind in connection with such capital increase.

Article 592 (Effectuation of Capital Increase)

Any increase in capital shall take effect when the registration specified in Article 591 is made at the place of the principal office.

Article 593 (Members' Liabilities concerning Investments in Kind, etc.)

(1) If the actual value of an asset mentioned in subparagraphs 1 and 2 of Article 586 as of a capital increase is substantially less than the value determined in a resolution for the capital increase, members who have agreed to the resolution shall be jointly and severally liable to pay such shortfall to the company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 550 (2) and 551 (2) shall apply mutatis mutandis in cases falling under paragraph (1). *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 594 (Liability of Directors, etc. concerning Unsubscribed Capital Investments, etc.)

(1) If investments which have yet to be subscribed to after a capital increase exist, directors and auditors shall be deemed to have jointly subscribed to such investments. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 10600, Apr. 14, 2011>*

(2) If the full payment of a capital investment or the transfer of the asset which is the subject matter of an investment in kind has not been completed after the capital increase, directors and auditors are jointly and severally liable to pay such incomplete payment or the value of the asset yet to be transferred. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 10600, Apr. 14, 2011>*

(3) The provisions of Article 551 (3) shall apply mutatis mutandis in cases falling under paragraph (1). *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 595 (Actions to Nullify Capital Increase)

(1) Nullification of a capital increase can be asserted only by means of an action filed only by members, directors or auditors within six months from the date the registration described in Article 591 has been made at the place of the principal office. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 430 through 432 shall apply mutatis mutandis in cases falling under paragraph (1).

Article 596 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 421 (2), 548, and 576 (2) shall apply mutatis mutandis to an increase in capital. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 10600, Apr. 14, 2011>*

Article 597 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 439 (1) and (2), 443, 445 and 446 shall apply mutatis mutandis to the reduction of capital. *<Amended by Act No. 10600, Apr. 14, 2011>*

SECTION 5 Mergers and Organizational Changes

Article 598 (Methods for Mergers)

A resolution at a general meeting of members under Article 585 shall be required for a merger involving a limited company.

Article 599 (Appointment of Members of Organizing Committee)

Members of the organizing committee mentioned in Article 175 shall be appointed by a resolution at a general meeting of members under Article 585.

Article 600 (Merger of Limited Company and Stock Company)

(1) A merger between a limited company and a stock company, as a result of which a stock company survives or is newly incorporated, shall not take effect unless it has been authorized by the court.

(2) In cases of a merger between a limited company and a stock company which has not completed the redemption of the bonds, the surviving company or the company which is to be newly incorporated shall not be a limited company.

Article 601 (Real Subrogation)

(1) In cases of a merger between a limited company and a stock company as a result of which a limited company survives or is newly incorporated, the provisions of Article 339 shall apply mutatis mutandis to a pledge over the pre-existing shares of the stock company.

(2) In cases falling under paragraph (1), no pledge over equity holdings shall be asserted against the company or any other third party unless the number of units of investment and the name and address of the pledgee have been entered in the register of members.

Article 602 (Registration of Merger)

In cases of a merger involving a limited company, registration of alteration by the limited company surviving after the merger, registration of dissolution by the limited company which ceases to exist in

consequence of the merger and/or registration specified in Article 549 (2) by the limited company which is newly incorporated by the merger shall be made within two weeks at the place of the principal office and within three weeks at the place of each branch office, from the date of the closing of a general meeting of members held pursuant to Article 526 or 527, which are appliedmutatis mutandispursuant to Article 603.

Article 603 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 232, 234, 235, 237 through 240, 443, 522 (1) and (2), 522-2, 523, 524, 526 (1) and (2), 527 (1) through (3), and 529 shall apply mutatis mutandis to a merger of a limited company. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984; Act No. 5591, Dec. 28, 1998>*

Article 604 (Organizational Change of Stock Company to Limited Company)

(1) By a resolution adopted at a general meeting by the unanimous consent of all the shareholders, a stock company may be converted to a limited company: Provided, That this shall not apply where the redemption of the bonds has not been completed.

(2) In cases of an organizational change under paragraph (1), the total amount of capital shall not exceed the value of the net assets of the company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(3) The articles of incorporation and any other particulars necessary for an organizational change shall be determined by a resolution under paragraph (1).

(4) The provisions of Article 601 shall apply mutatis mutandis to an organizational change under paragraph (1).

Article 605 (Liability of Directors and Shareholders for Shortage in Value of Net Assets)

(1) If, in cases of an organizational change under Article 604, the value of net assets which exist in a company is less than the total amount of capital, directors and shareholders at the time of the resolution mentioned in Article 604 (1) shall be liable to pay jointly and severally such shortfall to the company. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) The provisions of Articles 550 (2), and 551 (2) and (3) shall apply mutatis mutandis in cases falling under paragraph (1). *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 606 (Registration of Organizational Change)

When a stock company has changed its organizational structure in accordance with Article 604, registration of the dissolution by the stock company and registration specified in Article 549 (2) by the limited company shall be made within two weeks at the place of the principal office and within three weeks at the place of each branch office.

Article 607 (Organizational Change of Limited Company to Stock Company)

(1) A limited company may be converted to a stock company by a resolution adopted at a general meeting by the unanimous consent of all the members: Provided, That the company may substitute the said resolution by a resolution at a general meeting of members under Article 585, as determined by the articles of incorporation.

(2) In cases of an organizational change under paragraph (1), the total amount of the issuance price of shares which are to be issued at the time of the organizational change shall not exceed the value of the net assets of the company.

(3) No organizational change under paragraph (1) shall take effect unless it is authorized by the court.

(4) If, in cases of an organizational change under paragraph (1), the value of the net assets of the company is less than the total amount of the issuance price of shares which are issued at the time of the organizational change, directors, auditors and members of the company at the time of the resolution specified in paragraph (1) shall be jointly and severally liable to pay such shortfall to the company. In such cases, the provisions of Article 550 (2), and 551 (2) and (3) shall apply mutatis mutandis.

(5) The provisions of Articles 340 (3), 601 (1), 604 (3) and 606 shall apply mutatis mutandis to an organizational change under paragraph (1).

Article 608 (Provisions Applying Mutatis Mutandis)

The provisions of Article 232 shall apply mutatis mutandis to an organizational change under Articles 604 and 607. *<Amended by Act No. 3724, Apr. 10, 1984>*

SECTION 6 Dissolution and Liquidation

Article 609 (Grounds for Dissolution)

(1) A limited company shall be dissolved due to any of the following grounds: *<Amended by Act No. 6488, Jul. 24, 2001>*

1. Grounds set forth in subparagraphs 1, and 4 through 6 of Article 227;
2. A resolution at a general meeting of members.

(2) A resolution mentioned in paragraph (1) 2 shall be adopted in accordance with Article 585.

Article 610 (Continuation of Company)

(1) Where a company has been dissolved due to any of the grounds mentioned in subparagraph 1 of Article 227 or Article 609 (1) 2, the company may continue to exist by a resolution at a general meeting of members as set forth in Article 585.

(2) Deleted. *<by Act No. 6488, Jul. 24, 2001>*

Article 611 (Provisions Applying Mutatis Mutandis)

The provisions of Article 229 (3) shall apply mutatis mutandis to the continuation of existence of a company under Article 610.

Article 612 (Distribution of Surplus Assets)

Unless otherwise provided for in the articles of incorporation, any surplus assets shall be distributed to members in proportion to the number of units of investment of each member.

Article 613 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 228, 245, 252 through 255, 259, 260, 264, 520, 531 through 537, 540 and 541 shall apply mutatis mutandis to limited companies. *<Amended by Act No. 1212, Dec. 12, 1962>*

(2) The provisions of Articles 209, 210, 366 (2) and (3), 367, 373 (2), 376, 377, 382 (2), 386, 388, 399 through 402, 407, 408, 411 through 413, 414 (3), 450, 466 (2), 539, 562 and 563, 564 (3), 565, 566, 571, 572 (1) and 581 shall apply mutatis mutandis to the liquidator of a limited company. *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984>*

CHAPTER VI FOREIGN COMPANY

Article 614 (Appointment of Representatives, Establishment of Business Offices and Registrations thereof)

(1) A foreign company intending to engage in business in the Republic of Korea shall appoint a representative in the Republic of Korea and shall establish a business office in the Republic of Korea, or have its one or more representatives have his/her address in the Republic of Korea. *<Amended by Act No. 10600, Apr. 14, 2011>*

(2) In cases falling under paragraph (1), a foreign company shall, in respect of the establishment of its business office, make the same registration as that of a branch office of a company incorporated in the Republic of Korea either of the same kind or of the kind which it most closely resembles.

(3) For the purposes of a registration under paragraph (1), a foreign company shall register the governing law under which it was incorporated and the name and address of its representative in the Republic of Korea.

(4) The provisions of Articles 209 and 210 shall apply mutatis mutandis to a representative of a foreign company. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 615 (Starting Point of Reckoning of Registration Period)

If matters required to be registered in accordance with Article 614 (2) and (3) took place in a foreign country, the period for the registration thereof shall be reckoned from the date of arrival of a notice thereof.

Article 616 (Prohibition against Conducting Continuous Transactions before Registration)

(1) No foreign company shall engage in continuous transactions at the place of its business office before it makes a registration set forth in Article 614.

(2) A person who has engaged in transactions in contravention of paragraph (1) shall be jointly and severally liable with a company for such transactions.

Article 616-2 (Public Notification of Balance Sheets or its Equivalent)

(1) A foreign company that has been registered pursuant to this Act (limited to a foreign company either of the same kind or of the kind which it most closely resembles in the Republic of Korea is a stock company) shall give public notification, in the Republic of Korea, of balance sheets or its equivalent determined by Presidential Decree without delay after the completion of the procedure, the type of which is same as or similar to the procedure for approval specified in Article 449.

(2) With respect to public notification under paragraph (1), the provisions of Article 289 (3) through (6) shall apply mutatis mutandis.

Article 617 (Similar Foreign Company)

A company incorporated in a foreign country shall, if it has established its principal office in the Republic of Korea or its main objective is to engage in business in the Republic of Korea, be subject to the same provisions as a company incorporated in the Republic of Korea.

Article 618 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 335 through 338, 340 (1), 355 through 357, 478 (1), 479 and 480 shall apply mutatis mutandis to any issuance of share certificates or certificates of bonds and to any transfer or pledging of such shares or transfer of bonds conducted in the Republic of Korea by a foreign company.

(2) In cases falling under paragraph (1), the first business office established in the Republic of Korea by a foreign company shall be deemed its principal office.

Article 619 (Order to Close Business Offices)

(1) In cases where a foreign company has established its business office in the Republic of Korea, the court may order such business office to be closed, upon request of any interested person or public prosecutor, due to any of the following grounds: *<Amended by Act No. 1212, Dec. 12, 1962>*

1. If the objective of establishment of such business office is illegal;

2. If such business office, without justifiable grounds, fails to commence business within one year after the registration of establishment thereof, discontinues business for a period of no less than one year, or suspends payment without justifiable grounds;

3. If the representative of such foreign company or any other person managing the affairs thereof violates any Act or subordinate statute or good morals and other social orders.

(2) The provisions of Article 176 (2) through (4) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 620 (Liquidation of Assets Existing in Republic of Korea)

(1) If the court has ordered a business office of a foreign company to be closed in accordance with Article 619 (1), it may order the commencement of the liquidation process in respect of the company's entire assets existing in the Republic of Korea, upon request of any interested person orex officio. In such cases, the court shall appoint a liquidator.

(2) The provisions of Articles 535 through 537 and 542, except for those which are by nature inapplicable, shall apply mutatis mutandis to liquidation under paragraph (1).

(3) The provisions of paragraphs (1) and (2) shall apply mutatis mutandis where a foreign company has voluntarily closed its business office.

Article 621 (Status of Foreign Company)

In applying other Acts, a foreign company shall be deemed to be a company incorporated in the Republic of Korea either of the same kind or of the kind which it most closely resembles, unless otherwise provided for by Acts.

CHAPTER VII PENAL PROVISIONS

Article 622 (Crimes of Special Misappropriation by Promoters, Directors, and Other Officers, etc.)

(1) If a promoter, managing member, director, executive director, member of an audit committee, auditor or acting director under Article 386 (2), 407 (1), 415 or 567, manager or other employee commissioned to undertake a certain class of matters or specified matters related to the business affairs of a company has taken, or made a third party take, any pecuniary benefit by acting in breach of his/her duty and has thereby incurred damage on the company, he/she shall be punished by an imprisonment for not more than ten years or by a fine not exceeding 30 million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

(2) The provisions of paragraph (1) shall also apply where a liquidator, acting liquidator under Article 542 (2), and incorporator under Article 175 has committed an act mentioned in paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 623 (Crimes of Special Misappropriation by Representative, etc. of Meetings of Bondholders)

If a representative of a meeting of bondholders or a person authorized to execute its resolutions has taken, or caused another person to take, any pecuniary benefit by acting in breach of his/her duty and has thereby

incurred damage on the bondholders, he/she shall be punished by an imprisonment for not more than seven years or by a fine not exceeding 20 million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

Article 624 (Attempted Crimes of Special Misappropriation)

An attempt to commit any of the acts set forth in Articles 622 and 623 shall be punishable.

Article 624-2 (Crimes of Violating Provisions concerning Transactions with Interested Persons Including Major Shareholders)

Any person who has granted credit in violation of Article 542-9 (1) shall be sentenced to imprisonment for not more than five years or to a fine not exceeding two hundred million won.

Article 625 (Crimes of Endangering Company's Assets)

If any person under Article 622 (1), inspector, notary public under Article 298 (3), 299-2, 310 (3) or 313 (2) (including an attorney in charge of notarial acts of an authorized notary; the same shall apply hereafter in this Chapter) or appraiser under Article 299-2, 310 (3), or 422 (1) has committed any of the following acts, he/she shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won: *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998; Act No. 9416, Feb. 6, 2009; Act No. 10600, Apr. 14, 2011>*

1. Where he/she has made a false report to, or concealed facts from, the court, a general meeting or promoters in respect of the subscription to shares or capital investment, payment therefor, investments in kind, or any matter set forth in Article 290, subparagraph 4 of Article 416, or Article 544;
2. Where he/she has improperly acquired the ownership of shares of or equity holdings in the company or of the pledge right with respect thereto, for the account of the company, in whoever's name;
3. Where he/she has paid profits dividends in contravention of an Act, subordinate statute, or the articles of incorporation;
4. Where he/she has disposed of the company's assets for speculative transactions, outside the ordinary course of the company's business.

Article 625-2 (Crimes of Violating Share Acquisition Restrictions, etc.)

A person who has violated Article 342-2 (1) or (2) shall be punished by a fine not exceeding 20 million won.

Article 626 (Crimes of False Reporting)

If a director, executive director, member of the audit committee, auditor or acting director of a company mentioned in Article 386 (2), 407 (1), 415 or 567 has made a false reporting to, or has concealed facts from, the court or a general meeting with respect to the value of the net assets mentioned in Article 604 (2)

or 607 (2) in cases of an organizational change under Article 604 or 607, he/she shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won.

Article 627 (Crimes of Using Documents Containing Misstatements)

(1) If a person set forth in Article 622 (1), representative of a foreign company or person who is commissioned to offer shares or bonds has used a share or bond subscription form, prospectus, advertisements or any other documents relating to an offering of shares or bonds, which contained misstatements as to material facts in connection with such offering, he/she shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

(2) The provisions of paragraph (1) shall also apply where a person who offers shares or bonds for sale has used documents related to such sale containing misstatements as to material facts pertaining to such sale. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 628 (Crimes of Disguised Payment)

(1) If a person set forth in Article 622 (1) has committed an act of disguising a payment for the subscription price or the fulfillment of an investment in kind, he/she shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

(2) The provisions of paragraph (1) shall also apply to a person who has consented to or has mediated an act mentioned in paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 629 (Crimes of Excessive Issuance)

If promoters, directors, executive directors or acting directors under Article 386 (2) or 407 (1) have issued shares in excess of the total number of shares authorized to be issued by a company, they shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won.

Article 630 (Crimes of Corruption in Office by Promoters, Directors or Other Officers)

(1) If a person set forth in Articles 622 and 623, inspector or notary public under Article 298 (3), 299-2, 310 (3) or 313 (2) or appraiser under Article 299-2, 310 (3), or 422 (1) has received, demanded or promised any pecuniary benefit, in response to an unlawful solicitation in connection with his/her duties, he/she shall be punished by an imprisonment for not more than five years or by a fine not exceeding 15 million won. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998>*

(2) The provisions of paragraph (1) shall also apply to a person who has promised, granted, or manifested an intent to grant any pecuniary benefit mentioned in paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 631 (Crimes of Bribery in Relation to Disturbing Exercise of Rights, etc.)

(1) If any person has received, demanded or promised any pecuniary benefit in response to an unlawful solicitation in connection with the following matters, he/she shall be punished by an imprisonment for not more than one year or by a fine not exceeding three million won: *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Apr. 10, 1984; Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998; Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>*

1. Making a statement or exercising voting rights at the inaugural general meeting, a general meeting of members, a general meeting of shareholders, or a meeting of bondholders;
2. Filing an action set forth in Part III or exercising the rights of shareholders representing no less than one percent or three percent of the total issued and outstanding shares, the rights of bondholders representing no less than 10 percent of the total amount of the bonds or the rights of members having units of investment representing no less than three percent of the capital;
3. Exercising any right set forth in Article 402 or 424.

(2) The provisions of paragraph (1) shall also apply to a person who has promised, granted, or manifested an intent to grant any pecuniary benefit mentioned in paragraph (1). *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 632 (Concurrent Imposition of Imprisonment and Fines)

A punishment of imprisonment and a fine set forth in Articles 622 through 631 may be imposed concurrently.

Article 633 (Confiscation and Additional Collection)

In cases falling under Article 630 (1) or 631 (1), benefits received by an offender shall be confiscated. If it is wholly or partly impossible to confiscate such, the value thereof shall be collected from the offender.

Article 634 (Crimes of Evading Liability for Payment on Shares)

If a person has subscribed to shares or units of investment by using another person's name or a fictitious name in order to evade the liability for payment of the subscription price, he/she shall be punished by an imprisonment for not more than one year or by a fine not exceeding three million won. *<Amended by Act No. 3724. Apr. 10, 1984; Act No. 5053, Dec. 29, 1995>*

Article 634-2 (Crimes of Granting Benefits in Connection with Exercise of Shareholder's Rights)

(1) If a director, executive director, member of the audit committee, auditor, acting director under Article 386 (2), 407 (1) or 415, manager or other employee of a stock company has granted any pecuniary benefit on the company's account in connection with the exercise of shareholder's right, he/she shall be punished by an imprisonment for not more than one year or by a fine not exceeding three million won. *<Amended by*

Act No. 5053, Dec. 29, 1995; Act No. 6086, Dec. 31, 1999; Act No. 10600, Apr. 14, 2011>

(2) The provisions of paragraph (1) shall also apply to a person who has received, or caused another person to grant, benefits under paragraph (1).

Article 634-3 (Joint Penal Provisions)

If a representative of a company, or an agent, employee or other servant of the company commits a violation under Article 624-2 in connection with the business of the company, not only shall such violator be punished, but the company also shall be punished by a fine under the relevant provisions: Provided, That where such company has not been negligent in giving due attention and supervision concerning the relevant business to prevent such violation, including where it has faithfully performed its duty under Article 542-13, this shall not apply. *<Amended by Act No. 10600, Apr. 14, 2011>*

Article 635 (Offences Subject to Fines for Negligence)

(1) If a promoter, incorporator, managing member, manager, director, executive director, auditor, member of the audit committee of a company, a representative of a foreign company, inspector, notary public under Article 298 (3), 299-2, 310 (3) or 313 (2), appraiser, manager, liquidator, transfer agent, company commissioned to offer bonds for subscription, its successor under Article 299-2, 310 (3), or 422 (1), or acting director under Article 386 (2), 407 (1), 415, 542 (2) or 567 has committed any of the following acts, he/she shall be subject to a fine for negligence not exceeding five million: Provided, That this shall not apply where a criminal penalty is imposed against such act: *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 3724, Dec. 1984; Act No. 5053, Dec. 29, 1995; Act No. 5591, Dec. 28, 1998; Act No. 6086, Dec. 31, 1999; Act No. 9362, Jan. 30, 2009; Act No. 10600, Apr. 14, 2011>*

1. In cases of neglecting to make a registration prescribed in this Part;
2. In cases of neglecting to give any public notice or notification prescribed in this Part or making wrongful public notice or notification;
3. In cases of disturbing any inspection or investigation pursuant to this Part;
4. In cases of refusing to permit the inspection or copying of documents or to issue a transcript or an abstract thereof in contravention of this Part, without justifiable grounds;
5. In cases of making a false reporting to, or concealing facts from, a government authority, general meeting, or meeting of bondholders;
6. In cases of failure to state in share certificates, certificates of bonds or certificates for preemptive rights any of the required particulars or making a misstatement therein;
7. In cases of failure to effect entry of a change of holders in the register of shareholders, without justifiable grounds;
8. In cases of neglecting to take the procedure for the appointment of directors and auditors, if the remaining directors or auditors in office become fewer than the minimum number prescribed in the Acts or in the articles of incorporation;

9. In cases of failure to state any particulars to be stated in the articles of incorporation, the register of shareholders or the part of a set thereof, the register of members, the bond register or the part of a set thereof, the minutes, audit and inspection records, a list of assets, balance sheets, a business report, operation report, income statements, or other documents indicating financial status and management performance of the company and determined by Presidential Decree pursuant to Article 287-33 and 447 (1) 3, a report on the settlement of accounts, books of account, or supplementary statements or an audit report mentioned in Article 447, 534, 579 (1) or 613 (1), or making misstatements therein;
10. In cases of neglecting or refusing to hand over a business undertaking to a liquidator appointed by the court;
11. In cases of determining an unduly prolonged period set forth in Article 247 (3), 535 (1) or 613 (1), for the purpose of delaying the completion of liquidation;
12. In cases of neglecting to request adjudication of bankruptcy in contravention of Article 254 (4), 542 (1) or 613 (1);
13. In cases of inviting public subscriptions for investment in contravention of Article 589 (2);
14. In cases of a merger, division, or merger after division of a company, an organizational change, disposal of the company's assets or reduction of its capital, in contravention of Article 232, 247 (3), 439 (2), 527-5, 530 (2), 530-9 (4), 530-11 (2), 597, 603 or 608;
15. In cases of distribution of company's assets in contravention of Article 260, 542 (1) or 613 (1);
16. In cases of failure to prepare share or bond subscription forms, certificates of preemptive rights or to state therein the required particulars or making misstatements therein, in contravention of Article 302 (2), 347, 420, 420-2, 474 (2) or 514;
17. In cases of neglecting to take the procedure for cancellation of shares or equity holdings or to dispose of pledge rights over the shares or equity holdings, in contravention of Article 342 or 560 (1);
18. In cases of retirement of shares or units of investment in contravention of Article 343 (1) or 560 (1);
19. In cases of issuance of share certificates in contravention of Article 355 (1) and (2) or 618;
20. In cases of failure to enter in the register of shareholders, in contravention of Article 358-2 (2);
21. In cases of failure to make a shareholder's proposal an agenda item for a general meeting of shareholders, in contravention of Articles 363-2 (1), 542 (2) or Article 542-6 (2);
22. In cases of failure to convene a general meeting of shareholders in contravention of a court order issued in accordance with Article 365 (1) and (2), 578, 467 (3) or 582 (3) or convening a general meeting of shareholders at a place other than that set forth in the articles of incorporation, or convening such meeting in contravention of Article 363, 364 or 571 (2) and (3);
23. In cases of failure to give notice or public notice on the contents and method of exercise of the appraisal right or giving incomplete notice or public notice thereon, in contravention of Article 374 (2), 530 (2), or 530-11 (2);
24. In cases of failure to keep books or documents in contravention of Articles 287-34 (1), 396 (1), 448 (1), 510 (2), 522-2 (1), 527-6 (1), 530-7, 534 (3), 542 (2), 566 (1), 579-3, 603 or 613;

25. In cases of refusing investigation by an auditor or a member of the audit committee without justifiable grounds, in contravention of Article 412-5 (3);

26. In cases of failure to set aside a reserve or misusing such reserve, in contravention of Articles 458 through 460 or 583;

27. In cases of failure to pay a dividend within the period set forth in Article 464-2 (1);

28. In cases of issuing bond certificates in contravention of Article 478 (1) or 618;

29. In cases of repaying obligations in contravention of Article 536 or 613 (1);

30. In cases of appointing directors or auditors in violation of Article 542-5;

31. In cases of issuing order or bearer instruments with respect to equity holdings, in contravention of Article 555;

32. In cases of failure to comply with a court order issued pursuant to Article 619 (1).

(2) The provisions of paragraph (1) shall also apply where a promoter, director or executive director has transferred any right deriving from the subscription of share certificates. *<Amended by Act No. 3724, Apr. 10, 1984; Act No. 10600, Apr. 14, 2011>*

(3) In cases where any person specified in the part other than the subparagraphs of paragraph (1) commits any act falling under any of the following subparagraphs, he/she shall be punished by a fine for negligence not exceeding 50 million won: *<Newly Inserted by Act No. 9362, Jan. 30, 2009>*

1. Failure to perform his/her duty to appoint outside directors, in violation of Article 542-8 (1);

2. Failure to establish a committee for recommending candidates for outside directors and to constitute the committee no less than a half of the total members of which are outside directors, in violation of Article 542-8 (4);

3. Failure to appoint outside directors pursuant to Article 542-8 (5);

4. Engaging in transactions without the approval of directors, in violation of Article 542-9 (3);

5. Failure to establish an audit committee, in violation of Article 542-11 (1);

6. Failure to establish an audit committee that meets the requirements for establishment of the audit committee set forth in the subparagraphs of Articles 415-2 (2) and 542-11 (2), in violation of Article 542-11 (2);

7. Failure to ensure that the audit committee meets the requirements for establishment set forth in the subparagraphs of Articles 415-2 (2) and 542-11 (2), in violation of Article 542-11 (4) 1 and 2;

8. Failure to observe procedures for appointing members of the audit committee, in violation of Article 542-12 (2).

(4) When any person specified in the part other than the subparagraphs of paragraph (1) commits any act falling under any of the following subparagraphs, he/she shall be punished by a fine for negligence not exceeding 10 million won: *<Newly Inserted by Act No. 9362, Jan. 30, 2009>*

1. Neglecting to give notice or public announcement of the convocation of a general meeting of shareholders under Article 542-4 or giving notice or public announcement in an illegitimate manner;

2. Failure to separately propose and resolve on a proposal, in violation of Article 542-7 (4) or 542-12 (5).

Article 636 (Business, etc. in Name of Company prior to its Registration)

(1) A person who has engaged in business in the name of a company before its incorporation shall be subject to a fine for negligence equivalent to two times the sum of the registration tax for registration for incorporation of the company.

(2) The provisions of paragraph (1) shall apply mutatis mutandis to a violation of Article 616 (1).

Article 637 (Application of Penal Provisions to Juristic Person)

In cases where any person provided for in Article 622, 623, 625, 627, 628 or 630 (1) is a corporation, the penal provisions in this Chapter shall apply to a director, executive director, or auditor who has committed the relevant act or to any other member or manager who has managed the affairs of a company.

Article 637-2 (Imposition and Collection of Fines for Negligence)

(1) A fine for negligence provided for in Article 635 (excluding paragraph (1) 1) or 636 shall be imposed and collected by the Minister of Justice, as prescribed by Presidential Decree.

(2) A person who is dissatisfied with a disposition taken to impose a fine for negligence under paragraph (1) may raise an objection to the Minister of Justice within 60 days after he/she is notified of such disposition.

(3) Where a person who is subject to a disposition of a fine for negligence under paragraph (1) raises an objection under paragraph (2), the Minister of Justice shall, without delay, notify a court of competent jurisdiction, which shall, in turn, proceed to a trial on the fine for negligence pursuant to the Non-Contentious Case Litigation Procedure Act.

(4) If neither an objection is raised nor is a fine for negligence paid within the period prescribed in paragraph (2), the fine for negligence shall be collected in the same manner as national taxes in arrears are collected.

PART IV INSURANCE

CHAPTER I COMMON PROVISIONS

Article 638 (Definition)

A contract of insurance shall take effect when one of the parties undertakes to pay the specified premium, and the other party undertakes to provide a certain sum of money or its equivalent in kind upon the occurrence of an uncertain event against the property, life or body of the former.

Article 638-2 (Effectuation of Insurance Contracts)

(1) When an insurer receives from a policyholder a payment of the whole or any part of the amount equivalent to the premium, as well as an application for an insurance contract, it shall give him/her notice on whether it accepts the application or not within 30 days unless otherwise stipulated. If the insured of a personal insurance contract is to undergo a physical examination, however, the period shall run from the date of such physical examination.

(2) If the insurer neglects to give notice on whether or not it accepts such application within the period set in paragraph (1), it shall be deemed to have accepted the application.

(3) Where the insurer receives from a policyholder the whole or any part of the amount equivalent to the premium, as well as an application for an insurance contract, if any event specified in the insurance contract has taken place before it accepts the application, it shall assume contractual obligations unless it has any reason to reject the application: Provided, That this shall not apply where the insured of a personal insurance contract is to undergo a physical examination, but fails to do so.

Article 638-3 (Duty to Deliver and Specify Standard Insurance Terms)

(1) When an insurer enters into an insurance contract, it shall deliver the standard insurance terms to a policyholder, and inform him/her of the important provisions thereof.

(2) If the insurer violates the provisions of paragraph (1), the policyholder may cancel the contract within one month after the contract is made.

Article 639 (Insurance for Benefits of Third Party)

(1) A policyholder may conclude an insurance contract for the benefit of a third party with or without a mandate of, specified or unspecified, the third party: Provided, That in cases of a non-life insurance contract, if there is no mandate of a third party, the policyholder shall inform the insurer thereof, and if he/she fails to do so, he/she may not assert against the insurer on the ground that the third party was not aware of the fact that the insurance contract was made. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) In cases falling under paragraph (1), the third party shall be necessarily entitled to the benefits of the contract: Provided, That in cases of a non-life insurance contract, if the policyholder has compensated the third party for the loss caused by a peril insured against, he/she may claim from the insurer the payment of the insured amount to the extent that it does not infringe upon the third party's right. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

(3) In cases falling under paragraph (1), the policyholder is liable to pay the premium to the insurer: Provided, That if the policyholder has been adjudged bankrupt or has delayed the payment of the premium, the third party is also liable to pay the premium in so far as the third party does not waive his/her rights. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 640 (Delivery of Insurance Policy)

(1) When an insurance contract has been made, the insurer shall without delay prepare an insurance policy and deliver it to a policyholder, except in cases where the policyholder fails to pay the whole premium or its first installment. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Where an existing insurance contract is extended or altered, the insurer may be exonerated from the delivery of an insurance policy by writing down the extension or alteration on the existing insurance policy. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 641 (Legal Effects of Terms and Conditions on Objection in Respect of Insurance Policy)

The parties to an insurance contract may agree that they may raise any objection to the correctness of the contents of an insurance policy within a certain period from the date of the delivery of the insurance policy. The period shall not be less than one month.

Article 642 (Demand for Re-issuance of Insurance Policy)

If a policyholder has lost or has grossly damaged his/her insurance policy, he/she may request the insurer to reissue the insurance policy. Expenses incurred in reissuing such insurance policy shall be borne by the policyholder.

Article 643 (Retroactive Insurance)

The parties to an insurance contract may agree that the commencement of coverage shall be a certain time prior to the conclusion of an insurance contract.

Article 644 (Legal Effects of Preexisting Perils Insured against)

If, as at the time of concluding an insurance contract, a peril insured against has already occurred or will never occur, such contract shall be null and void: Provided, That this shall not apply when both parties and the insured are not aware of it.

Article 645 Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 646 (Legal Effects of Facts Known to Agents)

If an insurance contract has been concluded through an agent, the principal is deemed to have been aware of the facts which the agent knew.

Article 647 (Requests for Reduction of Premium upon Cessation of Certain Risks)

Where the parties to an insurance contract have agreed on an insurance premium in consideration of certain risks, if such risks have ceased to exist during the period of coverage, a policyholder may request

reduction of the premium thereafter.

Article 648 (Requests for Return of Premiums upon Nullification of Insurance Contracts)

Where an insurance contract becomes totally or partially invalid, if a policyholder and the insured have acted in good faith and without gross negligence, they can demand a return of the insurance premium, in whole or in part. The same shall also apply where the policyholder and the beneficiary have acted in good faith and without gross negligence.

Article 649 (Voluntary Termination of Contracts Prior to Occurrence of Perils Insured against)

(1) A policyholder may terminate a contract in whole or in part at any time before a peril insured against occurs: Provided, That in cases of an insurance contract prescribed in Article 639, the policyholder shall not terminate the contract without obtaining the consent of the third party or carrying the insurance policy. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) In cases of an insurance policy under which the insured amount is not reduced notwithstanding that the insurer has covered the peril insured against, the policyholder may terminate the insurance contract even after the occurrence of the peril insured against. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

(3) In cases falling under paragraph (1), unless otherwise agreed by the parties, the policyholder may demand the return of any unearned premium. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 650 (Legal Effects of Payment and Delay in Payment of Premiums)

(1) A policyholder shall pay the whole premium or its first installment without delay after the conclusion of a contract, and if the policyholder fails to pay it, the contract shall be deemed to have been rescinded at the time of the lapse of two months after the contract is made, unless otherwise agreed.

(2) If premium installments are not paid at an agreed time, the insurer may require the policyholder to pay them within a reasonable period specified, and if he/she fails to do so, the insurer may rescind the contract.

(3) In cases of a policy effected on behalf of a specified third party, if the policyholder delays the payment of the premiums, the insurer shall not rescind or terminate the contract without requiring the third party to pay it within a reasonable time specified.

Article 650-2 (Reinstatement of Insurance Contracts)

Where an insurance contract is terminated under Article 650 (2), and no refund for termination is paid, a policyholder may demand a reinstatement of a contract by paying to the insurer delayed premiums together with the agreed interest within a specified period. The provisions of Article 638-2 shall apply mutatis mutandis to this case.

Article 651 (Termination of Contracts due to Breach of Duty of Disclosure)

If, at the time of making an insurance contract, a policyholder or the insured, due to bad faith or gross negligence, failed to disclose or misrepresented material facts, the insurer may terminate the contract within one month after it becomes aware of the non-disclosure or misrepresentation or within three years after the contract was made: Provided, That this shall not apply where at the time of making the insurance contract the insurer knew the non-disclosure or misrepresentation or failed to do so due to gross negligence. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 651-2 (Legal Effects of Questions in Writing)

Any fact about which the insurer asks in writing shall be presumed to be material.

Article 652 (Notice on Alteration or Increase of Risks and Termination of Contracts)

(1) If, during the period of coverage, a policyholder or the insured becomes aware of the fact that the possibility of the occurrence of a peril insured against has been substantially changed or increased, he/she shall give notice thereof to the insurer without delay. If the policyholder or the insured has neglected to do so, the insurer may terminate a contract within one month after it becomes aware of such fact.

(2) When the insurer is informed of an alteration or increase of the risks insured under paragraph (1), it may demand an increase in the premiums or rescind a contract within one month of being informed thereof. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 653 (Increases in Risks Due to Bad Faith or Gross Negligence of Policyholders, etc. and Termination of Contracts)

If, during the period of coverage, the possibility of the occurrence of a peril insured against has been substantially changed or increased due to bad faith or gross negligence of the policyholder, of the insured, or of the beneficiary, the insurer may request an increase in the premiums or terminate a contract within one month after it becomes aware of such fact. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 654 (Adjudication of Insurer's Bankruptcy and Prospective Termination of Contracts)

(1) If an insurer has been adjudged bankrupt, a policyholder may terminate a contract.

(2) An insurance contract which has not been terminated under the provisions of paragraph (1) shall lose its effect upon the lapse of three months after the adjudgment of bankruptcy. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 655 (Termination of Contracts and Rights to Demand Insured Amount)

Even after a peril insured against has occurred, if an insurer has terminated a contract under Articles 650, 651, 652 and 653, it is not liable to pay the insured amount and may demand the return of the insured amount already paid: Provided, That this shall not apply when it has been proved that the occurrence of the peril insured against was not affected by the non-disclosure or misrepresentation or by a substantial

change in or increase of the risks insured. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 656 (Payment of Premiums and Commencement of Liability of Insurers)

Unless otherwise agreed by the parties, an insurer's liability commences from the time when the initial premium has been paid.

Article 657 (Duty to Notify Occurrence of Perils Insured against)

(1) When a policyholder, insured, or beneficiary becomes aware of the occurrence of a peril insured against, he/she shall without delay give notice thereof to an insurer.

(2) If any loss caused by the policyholder, insured, or beneficiary increases due to his/her negligence of the duty to notify as referred to in paragraph (1), the insurer shall not be liable for indemnification of such increased loss. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 658 (Payment of Insured Amount)

An insurer shall pay the insured amount to the insured or beneficiary, if there is an agreed period for such payment, within the agreed period, or if not, within ten days after determination of the insured amount payable without delay upon receipt of notification under Article 657 (1).

Article 659 (Reasons for Insurer's Non-liability)

(1) If a peril insured against has occurred due to bad faith or gross negligence of a policyholder, the insured or beneficiary, the insurer is not liable to pay the insured amount.

(2) Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 660 (Insurer's Non-liability Due to Risks of War, etc.)

If a peril insured against has been caused by war or other public disturbances, the insurer is not liable to pay the insured amount, unless otherwise agreed by the parties.

Article 661 (Reinsurance)

An insurer may effect a reinsurance contract with another insurer in regard to the liability it should bear due to the occurrence of a peril insured against. The reinsurance contract shall not affect the validity of the original insurance contract.

Article 662 (Extinctive Prescription)

Two years' absence of the exercise of the right to demand the payment of the insured amount or the return of the premium or reserve, or one year's absence of the exercise of the right to demand the payment of the premium, shall extinguish those rights.

Article 663 (Prohibition against Concluding Special Agreement which is Disadvantageous to Policyholders, etc.)

The provisions of this Part shall not be changed in any manner disadvantageous to a policyholder, the insured or beneficiary through an agreement by the parties: Provided, That this shall not apply in cases of reinsurance, marine insurance and other similar types of insurance. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 664 (Provisions Applying Mutatis Mutandis)

The provisions of this Part shall apply mutatis mutandis to mutual insurance to the extent that its nature is compatible with those provisions. *<Amended by Act No. 4470, Dec. 31, 1991>*

CHAPTER II NON-LIFE INSURANCE

SECTION 1 Common Provisions

Article 665 (Liability of Non-Life Insurers)

Any insurer of a contract of non-life insurance is liable to indemnify the insured for losses against his/her property caused by the occurrence of a peril insured against.

Article 666 (Non-Life Insurance Policy)

The following matters shall be entered in a non-life insurance policy, and an insurer shall write its name and affix its seal or sign thereon: *<Amended by Act No. 4470, Dec. 31, 1991>*

1. The subject matter insured;
2. The nature of the peril insured against;
3. The insured amount;
4. The insurance premium and the method for their payment;
5. The timing for commencement and termination of the period of coverage, if there is an agreement thereupon;
6. The grounds for nullification of a contract and forfeiture of rights thereunder;
7. The domicile and full name or trade name of a policyholder;
8. The date of a contract of insurance;
9. The place in, and the date on, which the insurance policy was made.

Article 667 (Non-Inclusion of Lost Profits, etc.)

Neither profit nor remuneration which was expected by an insurer, but lost due to the occurrence of a peril insured against, shall be included in the amount of losses for which the insurer should indemnify, unless

otherwise agreed by the parties.

Article 668 (Subject Matter of Insurance Contracts)

Only such interests as can be estimated in a monetary sum can be the subject matter of an insurance contract.

Article 669 (Over-Insurance)

(1) If the insured amount substantially exceeds the value of the subject matter insured, an insurer or policyholder may demand reduction of the premium and of the insured amount: Provided, That such reduction of the premium shall only be effective for the future.

(2) The value mentioned in paragraph (1) shall be determined by reference to the value when a contract is effected. *<Amended by Act No. 4470, Dec. 31, 1991>*

(3) The provisions of paragraph (1) shall apply where the insurable value has substantially decreased during the period of coverage.

(4) In the case of paragraph (1), if the contract is concluded due to any fraud by the policyholder, such contract shall be null and void: Provided, That the insurer may demand the premium due until it becomes aware of such fact.

Article 670 (Valued Policy)

If the insurable value has been determined by the parties, it shall be presumed to have been determined as the value of the insured property at the time of occurrence of a peril insured against: Provided, That if the insurable value substantially exceeds the value of the insured property at the time of occurrence of a peril insured against, the latter shall be the insurable value.

Article 671 (Unvalued Policy)

If the insurable value has not been determined by the parties, the value of the insured property at the time of occurrence of a peril insured against shall be the insurable value.

Article 672 (Double Insurance)

(1) Where two or more insurance contracts are effected simultaneously or successively to cover the same subject matter insured and the same event, if the sum of the insured amounts exceeds the insurable value, the individual insurers have a joint and several liability up to the amount insured by each one. In such cases, each insurer's liability for indemnification shall be determined based on the proportion to the amounts each insured. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Where two or more insurance contracts are effected to cover the same subject matter insured and the same event, a policyholder shall notify each insurer of the contents of each insurance contract. *<Amended by Act No. 4470, Dec. 31, 1991>*

(3) The provisions of Article 669 (4) shall apply mutatis mutandis to contracts of insurance under paragraph (1).

Article 673 (Double Insurance and Waiver of Rights against One Insurer)

If two or more insurance contracts are effected in accordance with Article 672, a waiver of rights against one insurer does not affect the rights and obligations of the other insurers. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 674 (Partial Insurance)

If the insurable value has been partially insured, an insurer shall be liable for indemnification based on the proportion of the amount insured to the insurable value: Provided, That if the parties agreed otherwise, the insurer shall be liable to indemnify for such losses within the limit of the amount insured. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 675 (Liability for Indemnification in Cases of Destruction of Subject Matter after Occurrence of Perils Insured against)

Where a loss to be borne by an insurer has occurred against the subject matter insured, the insurer shall not be exonerated from its liability to indemnify for the loss already incurred, even though the subject matter has been subsequently destroyed by the occurrence of an event not covered by the insurer. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 676 (Basis for Determining Amount of Losses)

(1) The amount of losses for which an insurer is to indemnify shall be determined based on the value when and where such losses have occurred: Provided, That if the parties have agreed otherwise, the amount of losses may be calculated on the basis of the replacement cost value. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Expenses incurred in determining the amount of losses referred to in paragraph (1) shall be borne by the insurer. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 677 (Deduction of Unpaid Premiums from Indemnity)

If a premium remains unpaid, an insurer which is to indemnify for losses may deduct the unpaid premium from the amount of indemnity even if the due date has yet to arrived.

Article 678 (Exoneration from Liability for Indemnification)

No insurer shall be liable to indemnify for losses caused by the nature, defect or natural wear and tear of the subject matter insured.

Article 679 (Transfer of Subject Matter Insured)

(1) When the insured has transferred the subject matter insured, the transferee shall be presumed to have succeeded to the rights and obligations under an insurance contract. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) In cases falling under paragraph (1), the transferor or transferee of the subject matter insured shall without delay notify an insurer of such fact. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 680 (Duty to Prevent Loss)

(1) Any policyholder and the insured shall endeavor to prevent and mitigate loss: Provided, That an insurer shall be liable to pay the amount of expenses necessary or beneficial for that purpose and the amount of indemnity even though they exceed the insured amount. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 681 (Subrogation by Insurer concerning Subject Matter Insured)

If the subject matter insured is totally destroyed, an insurer which has paid the whole insured amount shall acquire the rights of the insured to the subject matter: Provided, That in cases where only part of the insurable value has been insured, the rights which are to be acquired by the insurer shall be determined based on the proportion to the amount insured to the insurable value.

Article 682 (Subrogation by Insurer against Third Parties)

If any loss has occurred due to actions by a third party, an insurer which has paid the insured amount shall acquire, to the extent of the amount paid, the rights of a policyholder or the insured against the third party: Provided, That if the insurer has provided some of the insured amount payable, it may exercise such rights in so far as the rights of the insured are not prejudiced.

SECTION 2 Fire Insurance

Article 683 (Liability of Fire Insurers)

Any insurer of a contract of fire insurance is liable to indemnify the insured for losses caused by fire.

Article 684 (Indemnification for Losses Due to Fire Extinguishment, etc.)

Any insurer shall be liable to indemnify for losses caused by measures necessary to extinguish fire or to reduce losses.

Article 685 (Fire Insurance Policy)

The following matters, in addition to matters listed in Article 666, shall be entered in a fire insurance policy:

1. If a building is the subject matter insured, the location, structure and purpose of the building;
2. If movables are the subject matter insured, the condition and purpose of the place where they exist;
3. The insurable value, if determined.

Article 686 (Subject Matter of Aggregate Goods Insurance)

Where aggregate goods are collectively the subject matter insured, goods owned by the insured's family members and employees shall also be included in the subject matter insured. In such cases, the insurance is deemed concluded for the benefit of the insured's family members and employees as well.

Article 687 (Idem)

Where aggregate goods are collectively the subject matter insured, even if they are frequently replaced during the period of coverage, the goods existing at the time of the occurrence of a peril insured against shall be included in the subject matter insured.

SECTION 3 Transport Insurance

Article 688 (Liability of Transport Insurers)

Unless otherwise agreed, any insurer of a contract of transport insurance shall be liable to indemnify for losses arising from the time when a carrier receives goods until the time when they are delivered to a consignee.

Article 689 (Insurable Value of Transport Insurance)

(1) With respect to the insurance of transported goods, the insurable value shall be the market price at the place and time of the dispatch plus freight charges to the destination, and other expenses incurred.

(2) Interest to be expected through the arrival of transported goods may be included in the insurable value, only if there is an agreement to that effect.

Article 690 (Transport Insurance Policy)

The following matters, in addition to matters listed in Article 666, shall be entered in a transport insurance policy:

1. The transport route and method;
2. The domicile and the name or trade name of a carrier;
3. The place where transported goods are to be received and delivered;

4. The period allowed for the transport, if determined;
5. The insurable value, if determined.

Article 691 (Transport Suspension or Alteration and Legal Effects of Contracts)

Unless otherwise agreed, no contract of transport insurance shall lose its validity, even if the transport is temporarily suspended, or the route or method of transport altered, due to necessity.

Article 692 (Bad Faith or Gross Negligence of Transport Assistant and Insurer's Non-liability)

If a peril insured against has been caused by bad faith or gross negligence of a consignor or consignee, no insurer shall be liable to indemnify for losses caused by such event.

SECTION 4 Marine Insurance

Article 693 (Liability of Marine Insurers)

Any insurer of a contract of marine insurance shall be bound to indemnify for losses arising out of accidents related to marine adventure. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 694 (Indemnification of General Average Contributions)

Any insurer shall be liable to compensate the insured for the amount to be contributed by the latter to the general average: Provided, That if the amount of a general average contribution relating to the subject matter insured exceeds the insurable value, the amount of the surplus contribution shall not be indemnified for. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 694-2 (Indemnification for Salvage)

Any insurer shall be bound to indemnify for salvage charges incurred by the insured in preventing any loss caused by perils insured against: Provided, That if the salvage contribution of the subject matter insured exceeds the insurable value, the amount of the surplus contribution shall not be compensated.

Article 694-3 (Indemnification for Special Expenses)

Any insurer shall be bound to indemnify for extraordinary expenses incurred in relation to the safety or preservation of the subject matter insured within the limit of the insured amount.

Article 695 (Marine Insurance Policy)

The following matters, in addition to matters listed in Article 666, shall be entered in a marine insurance policy: *<Amended by Act No. 4470, Dec. 31, 1991>*

1. In cases where a ship is insured, the name, nationality, type of the ship, and the scope of navigation;

2. In cases where cargo is insured, the name, nationality and type of a ship, ports of loading and unloading, and places for departure and arrival if determined;

3. The insurable value, if determined.

Article 696 (Insurable Value and Subject Matter of Ship Insurance)

(1) In a ship insurance, the insurable value shall be the value of a ship at the time of commencement of the liability of an insurer.

(2) In cases falling under paragraph (1), a ship's outfit, fuel, food, and all other things necessary for the navigation of the ship shall be deemed to be included in the subject matter insured. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 697 (Insurable Value of Cargo Insurance)

In a cargo insurance, the insurable value shall be the value of cargo at the time and place of loading together with expenses incurred in relation to loading and insurance. *<Amended by Act No. 1212, Dec. 12, 1962>*

Article 698 (Insurable Value of Prospective Profit Insurance)

In the insurance of prospective profits or remuneration to be earned upon the arrival of cargo, if the insurable value has not been determined by a contract, the insured amount shall be presumed to be the insurable value.

Article 699 (Commencement of Cover Period of Marine Insurance)

(1) If a ship is insured for each voyage, the period of coverage shall commence at the time the shipment of goods or ballast starts.

(2) If cargo is insured, the period of coverage shall commence at the time the loading of goods starts: Provided, That if the place of shipment of the cargo has been determined, the period of coverage commences at the time the transport starts therefrom.

(3) If an insurance contract is concluded under paragraph (1) or (2) after the loading of goods or ballast starts, the period of coverage shall commence at the time of the conclusion of the contract.

Article 700 (Termination of Cover Period of Marine Insurance)

In cases falling under paragraph (1) of Article 699, the period of coverage shall terminate at the time of unloading goods and ballast at the port of arrival, and in cases falling under paragraph (2) of the said Article, it shall terminate upon delivery of goods at the port of unloading or the place of arrival: Provided, That where unloading has been delayed by a cause other than an act of God, the period of coverage shall terminate when such unloading is generally completed. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 701 (Legal Effects of Change of Voyage)

(1) If a ship starts on a voyage from a port other than the port of departure determined in an insurance contract, an insurer shall be discharged from liability.

(2) If a ship starts on a voyage for a port other than the port of arrival determined in an insurance contract, the provisions of paragraph (1) shall be also applicable.

(3) If the port of arrival determined in an insurance contract is changed after the liability of an insurer commences, the insurer shall be discharged from liability when the change is determined.

Article 701-2 (Deviation from Course)

If a ship deviates from a sea route determined in an insurance contract without justifiable grounds, an insurer shall be discharged from its liability from the time of deviation. The same shall also apply where the ship has regained her route before the occurrence of any loss.

Article 702 (Legal Effects of Delay in Departure or Voyage)

If the insured delays departure or voyage without justifiable grounds, an insurer shall be discharged from liability for any peril insured against from the time of such delay.

Article 703 (Legal Effects of Change of Ships)

In the case of a cargo insurance, if a ship has been changed due to any cause attributable either to a policyholder or to the insured, an insurer shall be discharged from liability for any peril insured against from the time of such change. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 703-2 (Legal Effects of Transfer, etc. of Ships)

In cases where a ship is insured, if any of the following events occurs, an insurance contract shall be terminated: Provided, That this shall not apply if otherwise agreed:

1. Where the ship is transferred;
2. Where the classification of the ship is changed;
3. Where the ship is commandeered by new management.

Article 704 (Floating Cargo Insurance of Undetermined Ships)

(1) If a ship in which cargo is to be loaded has not been determined at the time of concluding a contract of insurance, a policyholder or the insured shall, when he/she/it becomes aware of the loading of the cargo, without delay give notice to an insurer of the name and nationality of the ship, and type, quantity and value of the cargo. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) If notice under paragraph (1) has been neglected, an insurer may terminate the contract within one month after it becomes aware of such fact. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 705 Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 706 (Exoneration of Marine Insurers from Liability)

No insurer shall be bound to indemnify for the following losses and expenses: *<Amended by Act No. 4470, Dec. 31, 1991>*

1. If a ship or freight has been insured, any loss arising from the failure, at the time of departure, to make preparations necessary for a safe voyage or to have necessary documents on board;
2. If cargo has been insured, any loss arising from bad faith or gross negligence of the charterer, consignor, or consignee;
3. Pilotage dues, port charges, light dues, quarantine fees, and other ordinary expenses incurred in relation to the ship or cargo in the course of a voyage.

Article 707 Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 707-2 (Indemnification for Partial Loss of Ships)

(1) If a ship was partially damaged and the damaged part has been entirely repaired, an insurer shall be bound to indemnify for expenses incurred in relation to the repair up to the insured amount in respect of only one casualty.

(2) If a ship was partially damaged and the damaged part has been partially repaired, an insurer shall be bound to indemnify for expenses incurred in relation to the repair and the depreciation arising from the unrepaired damage.

(3) If a ship was partially damaged and the damaged part has not been repaired, an insurer shall be bound to indemnify for the depreciation arising from the unrepaired damage.

Article 708 (Indemnification for Partial Damage to Cargo)

Where insured cargo has arrived at the port of unloading in a damaged condition, an insurer shall be bound to indemnify for the damaged part of the insurable value in proportion to the insurable value in a damaged condition as compared with one in a sound condition.

Article 709 (Indemnification for Losses due to Sale of Cargo)

(1) If insured cargo has been sold in the course of a voyage due to an act of God, an insurer shall be bound to indemnify for the difference between the sale price deducted by the freight and other necessary expenses, and the insurable value.

(2) If, in cases falling under paragraph (1), a buyer does not pay the purchase price, an insurer shall make its payment thereof. When the insurer has made such payment, it shall acquire the rights of the insured against the buyer. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 710 (Causes for Abandonment)

In any of the following cases, the insured may abandon the subject matter insured to an insurer and claim the whole insured amount: *<Amended by Act No. 4470, Dec. 31, 1991>*

1. Where, as the insured loses possession of his/her own ship or cargo due to a peril insured against, it is unrecoverable, or expenses to be incurred in relation to its recovery are expected to exceed its value at the time it is recovered;
2. Where, as the ship is substantially damaged due to a peril insured against, expenses to be incurred in relation to its repair are expected to exceed its value at the time it is repaired;
3. Where, as the cargo is substantially damaged due to a peril insured against, the total sum of expenses to be incurred in relation to its repair and its transportation to the destination are expected to exceed its value at the time it arrives at the destination.

Article 711 (Missing Ships)

(1) A ship shall be deemed to be missing, when it is uncertain for two months whether she exists or not. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) In cases falling under paragraph (1), a total loss shall be presumed. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 712 (Continued Carriage of Cargo by Transshipment and Extinction of Right of Abandonment)

If, in cases falling under subparagraph 2 of Article 710, the master has, without delay, continued the carriage of the cargo by transshipment, the insured shall not be allowed to abandon the cargo. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 713 (Notice of Abandonment)

(1) If the insured elects to effect an abandonment, he/she shall give notice thereof to the insurer within a reasonable period. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Deleted. *<by Act No. 4470, Dec. 31, 1991>*

Article 714 (Requirements for Exercise of Right of Abandonment)

(1) An abandonment shall be unconditional.

(2) An abandonment shall be effected in respect of the whole subject matter insured: Provided, That if a cause for abandonment has arisen only in respect of its part, only that part may be abandoned.

(3) In cases where a part of the insurable value has been insured, abandonment may be effected only according to the proportion which the insured amount bears to the insurable value.

Article 715 (Notice of Other Insurance Contracts, etc.)

(1) The insured shall, when effecting abandonment, notify an insurer of the existence either of any other contract of insurance covering the subject matter insured or of any obligation with which it is charged, and if any, its type and contents.

(2) Any insurer may refuse to pay the insured amount until it receives notice under paragraph (1). *<Amended by Act No. 4470, Dec. 31, 1991>*

(3) If the period for the payment of the insured amount has been agreed upon, the period shall be computed from the date of the receipt of notice under paragraph (1).

Article 716 (Approval of Abandonment)

After an insurer has accepted abandonment, it shall not raise any objection thereto.

Article 717 (Refusal of Abandonment)

In cases where an insurer has not accepted abandonment, the insured shall not claim payment of the insured amount unless he/she proves the cause for the abandonment.

Article 718 (Legal Effects of Abandonment)

(1) An insurer shall, by virtue of abandonment, acquire all the rights of the insured to the subject matter insured.

(2) When the insured has effected abandonment, he/she shall deliver all the documents relating to the subject matter insured to an insurer.

SECTION 5 Liability Insurance

Article 719 (Liability of Liability Insurers)

Any insurer of a contract of liability insurance shall be liable to indemnify for losses incurred by the insured against a third party by perils insured against during the period of coverage.

Article 720 (Bearing Expenses Defrayed by Insured to Defend Him/Herself)

(1) Necessary expenses, judicial or extra-judicial, incurred by the insured to defend him/herself against the claims of a third party shall be deemed included in the subject matter insured. The insured may demand from an insurer advance payment for such expenses.

(2) If the insured can be exempt from the execution of judgment by providing a security or making a deposit, he/she may require an insurer to provide a security or make a deposit within the limit of the insured amount.

(3) Where an act specified in paragraph (1) or (2) has been conducted by the instruction of an insurer, even if the amount of security or deposit plus the amount of losses exceeds the insured amount, the insurer shall be liable for them. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 721 (Subject Matter of Business Liability Insurance)

If liability in respect of a business which the insured manages is the subject matter insured, the liability of the insured's agent or business supervisor against a third party shall be deemed to be included in the subject matter of insurance.

Article 722 (Duty of the Insured to Notify Risk)

When a third party has requested the insured to redress damage, he/she shall, without delay, give notice thereof to an insurer.

Article 723 (Notice of Repayment, etc. by Insured and Payment of Insured Amount)

(1) When the insured has made a payment to, granted approval for, or compromised with a third party, or the insured's obligation toward a third party has been settled by a judgment, the insured shall, without delay, give notice thereof to an insurer.

(2) Unless otherwise agreed as regards the period, an insurer shall pay the insured amount within ten days of the receipt of notice under paragraph (1).

(3) Notwithstanding an agreement whereby an insurer is exonerated from liability when the insured has made, without the consent of the insurer, a payment to, granted approval for, or compromised with a third party, the insurer shall not be exonerated from liability to indemnify unless such act is grossly unreasonable.

Article 724 (Relations between Insurers and Third Parties)

(1) No insurer shall pay the insured amount, in whole or in part, to the insured before a third party has been indemnified for losses caused by an accident attributable to the insured.

(2) A third party may directly request an insurer to indemnify for losses caused by an accident attributable to the insured, within the limit of the insured amount: Provided, That an insurer may assert against the third party with a defense which the insured has in connection with the accident. *<Amended by Act No. 4470, Dec. 31, 1991>*

(3) An insurer shall, upon receipt of a request under paragraph (2), without delay notify the insured thereof. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

(4) In cases falling under paragraph (2), the insured shall, upon receipt of a request from an insurer, cooperate in presenting necessary documents and evidence, making testimony, or calling a witness. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 725 (Liability Insurance of Custodians)

If a lessee, or any person who holds in his/her custody anything belonging to a third person, has insured it against damages which he/she may have to pay, its owner may directly request an insurer to indemnify for the damages.

Article 725-2 (Several Liability Insurance)

Where several liability insurance contracts have been simultaneously or successively concluded, which are to indemnify for losses sustained by the insured, who should pay damages to a third party for the same accident, if the total insured amount exceeds the amount of damages paid by the insured to the third party, the provisions of Articles 672 and 673 shall apply mutatis mutandis.

Article 726 (Application to Reinsurance)

The provisions of this Section shall apply mutatis mutandis to reinsurance contracts. *<Amended by Act No. 4470, Dec. 31, 1991>*

SECTION 6 Automobile Insurance

Article 726-2 (Liability of Automobile Insurers)

Any insurer of a contract of automobile insurance shall be bound to indemnify for any loss caused by a peril insured against which has occurred while the insured owns, uses or manages an automobile.

Article 726-3 (Automobile Insurance Policy)

The following matters, in addition to matters listed in Article 666, shall be entered in an automobile insurance policy:

1. The names, birth dates or trade names of the owner and other possessors of the automobile;
2. The registration number, chassis number, model, and mechanism of the automobile insured;
3. The value of the automobile, if determined.

Article 726-4 (Transfer of Automobiles)

(1) If the insured transfers an automobile during the period of coverage, a transferee shall succeed to the rights and obligations under an insurance contract only in cases where the transferee obtains approval from an insurer.

(2) When an insurer is notified of the fact of transfer by a transferee, the insurer shall notify without delay whether to accept such transfer, and if it fails to do so within ten days after the notification thereof, it shall be deemed to have accepted.

CHAPTER III PERSONAL INSURANCE

SECTION 1 Common Provisions

Article 727 (Liability of Insurers of Personal Insurance)

Any insurer of a contract of personal insurance shall be liable to pay the insured amount and other benefits according to the contract of insurance, in cases where a peril insured against may arise in respect to life or body.

Article 728 (Personal Insurance Policy)

The following matters, in addition to matters listed in Article 666, shall be entered in a personal insurance policy: *<Amended by Act No. 4470, Dec. 31, 1991>*

1. The kind of an insurance contract;
2. The domicile, full name and birth date of the insured;
3. The address, full name and birth date of the beneficiary of insurance, if such beneficiary has been determined.

Article 729 (Prohibition against Subrogation by Insurer against Third Parties)

No insurer shall be subrogated to and exercise the rights of a policyholder and of the beneficiary against a third party arising from perils insured against: Provided, That in cases of an accident insurance contract, if the parties have agreed otherwise, the insurer may be subrogated to and exercise the rights of the insured to the extent that it is unprejudicial to such right. *<Amended by Act No. 4470, Dec. 31, 1991>*

SECTION 2 Life Insurance

Article 730 (Liability of Life Insurers)

Any insurer of a contract of life insurance shall be bound to pay the insured amount agreed upon if a peril insured against occurs in respect of the life of the insured.

Article 731 (Third-Party Life Insurance Contracts)

(1) A contract of insurance which covers the death of a third party as a peril insured against shall require the written consent of the third party at the time of conclusion of the insurance contract. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) The provisions of paragraph (1) shall apply if the rights arising from an insurance contract are transferred to a person other than the insured. *<Amended by Act No. 4470, Dec. 31, 1991>*

Article 732 (Prohibition against Insurance Contracts for Persons under 15 Years of Age, etc.)

A contract of insurance which designates the death of a person under 15 years of age, of an insane person, or of a mentally incompetent person as a peril insured against shall be null and void. *<Amended by Act No. 1212, Dec. 1212, 1962; Act No. 4470, Dec. 31, 1991>*

Article 732-2 (Perils Caused by Gross Negligence)

In cases of an insurance contract covering death as a peril insured against, no insurer shall be discharged from liability, even though the peril insured against happens by reason of gross negligence of a policyholder, insured or beneficiary.

Article 733 (Right to Designate or Change Beneficiary)

(1) Any policyholder is entitled to designate or change a beneficiary.

(2) If a policyholder has died without exercising the right of designation mentioned in paragraph (1), the insured shall be a beneficiary, and in cases where the policyholder has died without exercising the right of change mentioned in paragraph (1), the right of the beneficiary shall be settled: Provided, That this shall not apply where an agreement provides that the policyholder's successor may exercise the right mentioned in paragraph (1) in the case of the policyholder's death. *<Amended by Act No. 4470, Dec. 31, 1991>*

(3) If a beneficiary has died during the period of coverage, a policyholder may re-designate any other beneficiary. In such cases, if the policyholder has died without exercising the right of designation, the inheritor of the beneficiary shall be a beneficiary.

(4) If a peril insured against occurs before a policyholder exercises the right of designation referred to in paragraphs (2) and (3), the inheritor of the insured or beneficiary shall be a beneficiary. *<Newly Inserted by Act No. 4470, Dec. 31, 1991>*

Article 734 (Notification of Right to Designate Beneficiary of Insurance, etc.)

(1) If, after entering into a contract, a policyholder designates or changes a beneficiary, such designation or change shall not be asserted against an insurer, unless the insurer has been given notice thereof.

(2) The provisions of Article 731 (1) shall apply mutatis mutandis to a designation or change mentioned in paragraph (1). *<Amended by Act No. 1212, Dec. 12, 1962; Act No. 4470, Dec. 31, 1991>*

Article 735 (Endowment Insurance)

In an insurance contract whereby the death of the insured is covered as a peril insured against, it may be agreed that the insured amount shall be paid at the time of the termination of the period of coverage even if the peril insured against has not occurred.

Article 735-2 (Annuity Insurance)

Any insurer of a life insurance contract may, upon the occurrence of a peril insured against on the life of the insured, pay the insured amount in installments as an annuity, as the contract provides.

Article 735-3 (Group Insurance)

(1) In cases where an organization effects a life insurance contract under which all or some of its members are designated as the insured in accordance with its rules, the provisions of Article 731 shall not apply.

(2) When an insurance contract referred to in paragraph (1) is effected, an insurer shall deliver the insurance policy only to a policyholder.

Article 736 (Duty to Return Premium Reserve, etc.)

(1) When a contract of insurance has been terminated in accordance with the provisions of Articles 649, 650, 651 and 652 through 655, and when the liability to pay the insured amount has been relieved in accordance with the provisions of Articles 659 and 660, an insurer shall pay to a policyholder the amount accumulated in favor of a beneficiary: Provided, That unless the contract provides otherwise, the same shall not apply where a peril insured against mentioned in Article 659 (1) has occurred due to the policyholder. *<Amended by Act No. 4470, Dec. 31, 1991>*

(2) Deleted. *<by Act No. 4470, Dec. 31, 1991>*

SECTION 3 Accident Insurance

Article 737 (Liability of Accident Insurers)

Any insurer of a contract of accident insurance shall be liable to pay the insured amount and other benefits if a peril insured against causing a bodily injury occurs.

Article 738 (Accident Insurance Policy)

When, in the case of an accident insurance, the insured and the policyholder are not the same person, only the official function or position of the insured may be stated on the insurance policy instead of the particulars mentioned in subparagraph 2 of Article 728.

Article 739 (Provisions Applying Mutatis Mutandis)

The provisions concerning life insurance, other than Article 732, shall apply mutatis mutandis to an accident insurance.

PART V MARINE COMMERCE

CHAPTER I MARINE COMMERCIAL ENTERPRISE

SECTION 1 Ship

Article 740 (Definition of Ship)

The term "ship" in this Act means a ship used for navigation for commercial activities or for other profit-making purposes.

Article 741 (Scope of Application)

(1) The provisons of this Part shall apply mutatis mutandis to a ship used for navigation, even if it is not intended for commercial activities or for other profit-making purposes: Provided, That the same shall not apply in cases where it is not appropriate for the provisions of this Part to apply mutatis mutandis to a state-owned ship or public ship, as prescribed by Presidential Decree in view of the purpose, character, etc. of the navigation, notwithstanding the proviso to Article 29 of the Ship Act.

(2) The provisions of this Part shall not apply to a small boat or a boat mainly propelled with oars or a pole.

Article 742 (Accessories of Ship)

The articles listed in the inventory of the appurtenances of a ship shall be presumed to be accessories of the ship.

Article 743 (Transfer of Ownership of Ship)

Any transfer of the ownership of a ship which may be registered or recorded shall come into force only by an agreement between the relevant parties: Provided, That such transfer shall not be asserted against a third party unless it has been registered and recorded in a certificate of nationality.

Article 744 (Seizure or Provisional Seizure of Ship)

(1) No seizure or provisional seizure shall be imposed on a ship which has finished preparations for a voyage and its appurtenances: Provided, That the same shall not apply to an obligation which has arisen in the preparations for a voyage.

(2) The provisions of paragraph (1) shall not apply to a ship, the gross tonnage of which is under 20 tons.

SECTION 2 Shipmaster

Article 745 (Appointment or Dismissal of Shipmaster)

A shipmaster shall be appointed or dismissed by a shipowner.

Article 746 (Claims for Damages against Unjustifiable Dismissal of Shipmaster)

When a shipowner has dismissed a shipmaster without justifiable grounds, the shipmaster may claim damages incurred by such dismissal.

Article 747 (Obligations of Shipmaster for Continuous Performance of Duties)

Even if a shipmaster is dismissed or his/her term of office expires on a voyage, he/she shall be responsible for performance of his/her duties until another shipmaster can perform his/her duties or such ship arrives at a port of loading.

Article 748 (Shipmaster's Authority of and Responsibility for Appointment of Acting Shipmaster)

When a shipmaster is unable to perform his/her duties due to force majeure, he/she may appoint another person on his/her own responsibility and have such another person perform the shipmaster's duties, except where Acts and subordinate statutes provide otherwise.

Article 749 (Scope of Agency)

(1) A shipmaster shall have the right to do all judicial or non-judicial acts necessary for a voyage outside of a port of loading.

(2) A shipmaster shall only have the right to employ or dismiss crew at a port of loading, except in cases specially delegated.

Article 750 (Authority for Special Acts)

(1) No shipmaster shall do any of the following acts except in cases of paying repair charges of a ship, salvage charges, and other expenses necessary for the continuous voyage:

1. Offering a ship or its appurtenances as security;
2. Borrowing goods;
3. Disposing of the whole or any portion of cargo.

(2) An amount of compensation, in cases of disposing of the cargo, shall be determined by the price at a port of unloading at the time of arrival of the cargo: Provided, That expenses not payable shall be deducted from the price.

Article 751 (Restriction on Agency)

No restriction on the agency of a shipmaster shall be asserted against a third party acting in good faith.

Article 752 (Disposal of Cargo for Interested Parties)

(1) In cases where a shipmaster disposes of cargo on a voyage, he/she shall dispose of such cargo by the most appropriate means for the interests of the interested parties.

(2) In cases falling under paragraph (1), an interested party shall be liable to a creditor on account of the disposal by a shipmaster within the limit of the value of the cargo: Provided, That the same shall not apply in cases where the interested party is at fault.

Article 753 (Right to Auction Ships)

If it is impossible to repair a ship outside a port of loading, the shipmaster may sell it at auction with the authorization of the administrative agency of maritime affairs.

Article 754 (Irreparability of Ships)

(1) In any of the following cases, a ship shall be deemed irreparable:

1. When it is impossible to repair a ship at the present location, and a ship cannot arrive where it can be repaired;
2. When the repair charges exceed three-quarters of the value of a ship.

(2) The value mentioned in paragraph (1) 2 shall be the value at the time of departure of a ship if the ship has been damaged on the voyage, and in other cases, the value prior to such damage.

Article 755 (Duty to Report and Account)

(1) A shipmaster shall report important matters concerning a voyage to a shipowner without delay.

(2) Whenever a shipmaster finishes a voyage, he/she shall submit an account statement concerning such voyage to a shipowner to obtain his/her approval.

(3) Upon request of a shipowner, a shipmaster shall report matters concerning a voyage and account.

SECTION 3 Co-ownership of Ships

Article 756 (Determination of Affairs by Co-owners of Ships)

(1) Matters concerning the use of a co-owned ship shall be determined by a majority of the apportionments of the co-owners in proportion to the respective values of their apportionments.

(2) Amendments to a contract concerning the co-ownership of a ship shall be determined by the unanimous consent of the co-owners.

Article 757 (Co-ownership of Ships and Share of Expenses)

Co-owners of a ship shall share expenses and obligations arising from the use of the ship in proportion to the respective values of their apportionments.

Article 758 (Apportionments of Profits and Losses)

Profits and losses shall be distributed in proportion to the respective values of each co-owner's apportionments after the completion of each voyage.

Article 759 (Transfer of Apportionments)

Even if a partnership relationship exists between the co-owners of a ship, any co-owner may transfer his/her apportionment of the ship to another person without the consent of the other co-owners: Provided, That the same shall not apply in cases of an administrator of a ship.

Article 760 (Loss of Nationality of Co-owned Ships and Purchase of Apportionments or Requests for Auction)

When a ship loses the nationality of the Republic of Korea by transfer of the apportionment of a co-owner of the ship or by the loss of his/her nationality, other co-owners may purchase such apportionment at a reasonable price or may request the court to auction such apportionment.

Article 761 (Claims for Purchase of Apportionments of Opponents to Resolution)

(1) When the co-owners of a ship have resolved to commence a new voyage or to repair the ship extensively, a co-owner who has an objection to such resolution may claim purchase of his/her apportionment at a reasonable price to another co-owner.

(2) A person who intends to claim as referred to in paragraph (1) shall give notice to other co-owners or to the administrator of a ship within three days from the date of adoption of such resolution, or from the date when he/she receives the notice of the resolution in cases where he/she fails to participate in the resolution.

Article 762 (Claims for Purchase of Apportionment of Dismissed Shipmaster)

(1) When a shipmaster who is a co-owner of a ship has been dismissed contrary to his/her will, he/she may claim the purchase of his/her apportionment at a reasonable price to another co-owner.

(2) When a co-owner of a ship intends to claim as referred to in paragraph (1), he/she shall give notice to the other co-owners or the administrator of the ship without delay.

Article 763 (Transfer of Ships, etc. on Voyage)

If a ship on a voyage or any apportionment thereof has been transferred, a transferee shall acquire the profit and bear the loss incurred in relation to such voyage, unless otherwise agreed by the parties.

Article 764 (Appointment and Registration of Administrators of Ships)

(1) The co-owners of a ship shall appoint an administrator of the ship. In such cases, if a person who is not a co-owner of a ship is to be appointed as an administrator of the ship, the consent of all the co-owners to such appointment shall be required.

(2) The appointment of an administrator of a ship and the termination of such agency shall be registered.

Article 765 (Authority of Administrators of Ships)

(1) An administrator of a ship shall have the authority to do all judicial and non-judicial acts concerning the use of the ship.

(2) No restriction on the agency of an administrator of a ship shall be asserted against a third party acting in good faith.

Article 766 (Restriction on Authority of Administrators of Ships)

No administrator of a ship shall do any of the following acts, unless he/she has been authorized to do so in writing by the co-owners of the ship:

1. Transfer, lease or offer of the ship as security;
2. Commencing a new voyage;
3. Taking out insurance on the ship;
4. Extensive repairs of the ship;
5. Borrowing goods.

Article 767 (Writing on and Keeping of Logbooks)

An administrator of a ship shall keep a logbook concerning the performance of his/her duties and shall write all matters concerning the use of the ship therein.

Article 768 (Reporting by Administrators of Ships and Approval Thereof)

After the termination of each voyage, an administrator of a ship shall, without delay, prepare documents concerning the conditions of the route and the account of such voyage and report them to the co-owners of the ship, and obtain their approval therefor.

SECTION 4 Limits on Liability of Shipowners, etc.

Article 769 (Limited Liability of Shipowners)

A shipowner may limit liability for any of the following claims to the extent of the amount of money referred to in Article 770, whatever the cause for the claim may be: Provided, That the same shall not apply if the claim is concerning damage incurred due to the shipowner's willful misconduct or other reckless act or omission while recognizing the concern about the incurrence of such damage:

1. A claim concerning damage incurred by death or bodily injury of a person, or loss of or damage to goods other than the ship, which occurred on board or in direct connection with the navigation of the ship;
2. A claim concerning damage incurred due to delay in the transport of cargo, passengers or baggage;

3. A claim concerning damage incurred due to infringement on another person's right, other than a contractual right, which occurred in direct connection with the navigation of the ship, other than subparagraphs 1 and 2;

4. A claim concerning measures taken to prevent or minimize damage which has become the cause of a claim specified in any of subparagraphs 1 through 3 or a claim concerning damage incurred as a result of such measures.

Article 770 (Limits on Liability)

(1) The following amounts of money shall be placed as limits on the liability a shipowner:

1. A limit on the liability with respect to a claim for the loss incurred due to a death of a passenger or a bodily injury shall be the amount obtained by multiplying the passenger capacity entered in a ship inspection certificate of the ship by 175 thousand units of account (referring to an amount equivalent to one special drawing right of the International Monetary Fund; hereinafter the same shall apply);

2. A limit on the liability with respect to a claim for the loss incurred due to a death or a bodily injury of a person, other than a passenger, shall be the amount of money calculated as follows, according to the tonnage of a ship: Provided, That in cases of a ship of less than 300 tons, limit on the liability shall be the amount of money equivalent to 167 thousand units of account:

(a) The amount equivalent to 333 thousand units of account in cases of a ship not exceeding 500 tons;

(b) In cases of a ship exceeding 500 tons, the amount of money added to the amount of money obtained by multiplying the following units of account in order by that of item (a): For a ship exceeding 500 tons and up to 3,000 tons, 500 units of account per ton, for a ship exceeding 3,000 tons and up to 30,000 tons, 333 units of account per ton, for a ship exceeding 30,000 tons and up to 70,000 tons, 250 units of account per ton, and for a ship exceeding 70,000 tons, 167 units of account per ton;

3. A limit on the liability with respect to a claim, other than subparagraphs 1 and 2, shall be the amount of money calculated as follows, according to the tonnage of the ship at issue: Provided, That limits on the liability shall be the amount of money equivalent to 83,000 units of account in cases of a ship of less than 300 tons:

(a) The amount of money equivalent to 167 thousand units of account in cases of a ship not exceeding 500 tons;

(b) In cases of a ship exceeding 500 tons, the amount of money added to the amount of money obtained by multiplying the following units of account in order by that of item (a): For a ship exceeding 500 tons and up to 30,000 tons, 167 units of account per ton, for a ship exceeding 30,000 tons and up to 70,000 tons, 125 units of account per ton, and for a ship exceeding 70,000 tons, 83 units of account per ton.

(2) Each limit on the liability specified in each subparagraph of paragraph (1) shall extend to all the claims against a shipowner dealing with each limit on the liability arising from the same accident of each ship.

(3) A claim for which the liability is limited as referred to in Article 769 shall compete at a rate of the amount of each claim with respect to each limit on the liability under the subparagraphs of paragraph (1).
(4) If a limit on the liability specified in paragraph (1) 2 is insufficient to repay the claims of the same subparagraph, the limit on the liability specified in subparagraph 3 shall be appropriated for repayment of the unpaid balance of the claims. In such cases, when a claim under subparagraph 3 has arisen from the same accident, such claim and the balance claims of subparagraph 2 shall compete at a rate of each claim amount with respect to the limit on the liability specified in subparagraph 3.

Article 771 (Deduction of Opposing Claim Amount due to Same Accidents)

In cases where a shipowner has a claim concerning losses incurred due to the same accident against a creditor subject to limitation on liability, only the balance which has deducted such amount of claim shall be the claim subject to limitation on liability.

Article 772 (Tonnage of Ships for Purpose of Limiting Liability)

Tonnage of a ship prescribed by Article 770 (1) shall be the international gross tonnage prescribed by the Ship Act in cases of a ship engaged in international navigation, and the gross tonnage prescribed by the same Act in cases of other ships.

Article 773 (Exclusion of Limited Liability)

No shipowner shall limit liability for the following claims:

1. A claim on a shipowner by a person whose duties are related to the affairs of a ship as a shipmaster, a crewman, or any other employee, or his/her inheritors, dependents, or other interested persons;
2. A salvage charge due to rescue operations at sea and a claim concerning a share in general average;
3. A claim for oil pollution damage governed by the International Convention on Civil Liability for Oil Pollution Damage concluded on November 29, 1969 or the amended provisions of the Convention;
4. A claim for a ship sunken, wrecked, stranded, abandoned, or involved with other marine accidents, and salvage, removal or scrapping of, or non-invasive measures for cargo and other goods which are or were in such ship;
5. A claim for nuclear damages.

Article 774 (Scope of Persons Able to Limit Liability)

(1) A person falling under any of the following subparagraphs may limit liability equal to the cases of a shipowner specified in the provisions of this Section:

1. A charterer, administrator of a ship, and operator of a ship;
2. A shipowner who is a corporation and an unlimited liability employee of a person prescribed in subparagraph 1;

3. A shipmaster, crewman, pilot and other shipowner, or an employee or agent of a person prescribed in subparagraph 1, who has made, due to his/her own act, a claim under any of the subparagraphs of Article 769 in effect on a shipowner or a person prescribed in subparagraph 1.

(2) The total amount of limits on liability of a shipowner and persons prescribed in paragraph (1) for all the claims which have arisen out of the same accident shall not exceed the limit on liability for each ship specified in Article 770.

(3) If a shipowner or one of the persons prescribed in the subparagraphs of paragraph (1) has been determined to commence the procedures for limitation on liability, other persons who are able to limit their liability may invoke this.

Article 775 (Limitation on Liability of Salvors)

(1) A salvor may limit liability under the provisions of Articles 769 through 774 (excluding subparagraph 2 of Article 769 and Article 770 (1) 1) with respect to a claim for the loss incurred due to death or bodily injury of a person, loss of or damage to property, and infringement of another person's right, other than a contractual right, which has arisen in direct connection with salvage activities of him/her or his/her employee and a claim for the measures to prevent or mitigate such loss or a claim for the loss incurred as a result of such measures.

(2) A salvor who has not performed salvage activities on a ship or a salvor who has performed salvage activities only on a ship which has been salvaged, shall be deemed to be a salvor by a ship of 1,500 tons for a limit on the liability under Article 770.

(3) A limit on the liability of a salvor shall extend to all the claims which have arisen from the same accident for each salvage boat or each salvor in cases falling under paragraph (2).

(4) The term "salvor" in paragraph (1) means a person who has provided services in direct connection with salvage activities, and "salvage activities" means not only salvage activities at the time of the salvage but also salvage, removal or scrapping of, or non-invasive measures for a ship sunken, wrecked, stranded, abandoned or involved with other marine accidents and of cargo and other goods which are or were in such ship, and all the measures to prevent or mitigate losses in connection therewith.

Article 776 (Procedures for Limitation on Liability)

(1) A person who intends to limit liability under any of the provisions of this Section shall request the court to commence the procedure for limitation on liability within one year after he/she has received a written claim specifying a claim amount exceeding the limit on liability from a creditor.

(2) A request for commencement of the procedure for limitation on liability, and the establishment, public notice, participation in, distribution of the fund of limits on liability, and other necessary matters shall be determined separately by another Act.

SECTION 5 Security in Ships

Article 777 (Claims with Liens on Ships)

(1) A person who has any of the following claims shall have a lien on a ship, its appurtenances, the freight for a voyage in relation to which such claim has arisen, and any claim incidental to such ship and freight:

1. The cost of litigation for common interests of creditors, all the taxes imposed on the ship concerning the voyage, pilotage dues, towing fees, maintenance charges and inspection charges of the ship and its appurtenances after final entry into a port;
2. A claim arising out of an employment contract for a crewman or any other employee;
3. A salvage charge due to rescue operations at sea and a claim concerning a share in general average;
4. An indemnity claim for any loss and damage incurred due to collision of the ship and other navigation accidents, loss of and damage to navigation facilities, port facilities and routes, and the life and body of a crewman or a passenger.

(2) A ship creditor who has the lien referred to in paragraph (1) shall have the right to receive the preferential payment of his/her claim to other creditors for the property mentioned in paragraph (1) under the provisions of this Act and other Acts. In such cases, unless contrary to its nature, the provisions concerning mortgage of the Civil Act shall applymutatis mutandis.

Article 778 (Claims Incidental to Ships and Fares)

The claims incidental to a ship and freight under Article 777 shall be as follows:

1. Compensation for damage to be paid to a shipowner due to the loss of the ship or freight;
2. Rewards to be paid to a shipowner for the loss of the ship or freight due to general average;
3. Salvage charges to be paid to a shipowner due to salvage.

Article 779 (Liens on Freight)

A lien on freight may be exercised only on the amount of money possessed by a shipowner or by his/her agent out of the freight yet to be paid and the freight paid.

Article 780 (Exclusion of Insurance Money, etc.)

The provisions of Article 778 shall not apply to the insurance money to be paid to a shipowner as per insurance contract, and other subsidies or grants.

Article 781 (Claims Arising out of Employment Contracts of Ship Employees)

A claim under Article 777 (1) 2 shall give rise to a lien on all the freight arising out of all the navigation during the existence of an employment contract.

Article 782 (Priority Order of Liens on Claims Arising out of Same Navigation)

(1) When liens due to claims arising out of the same navigation compete with each other, the order of priority shall be as the order set in the subparagraphs of Article 777 (1).

(2) When liens due to claims under Article 777 (1) 3 compete with each other, a claim which occurred later shall take precedence over a claim which occurred earlier. Claims arising out of the same accident shall be deemed to have occurred at the same time.

Article 783 (Priority Order of Liens on Claims for Several Navigations)

(1) When liens due to claims concerning several navigations compete with each other, a claim concerning the later navigation shall take precedence over a claim concerning the earlier navigation.

(2) A lien under Article 781 shall be in the same order of priority as other claim concerning the last navigation.

Article 784 (Cases of Competition of Liens in Same Priority Order)

When liens in the same order of priority under Articles 781 through 783 compete with each other, repayment shall be made according to the ratio of each claim amount.

Article 785 (Superior Right of Liens)

No lien of a ship creditor shall be affected by transfer of the ship ownership.

Article 786 (Expiration of Liens)

The lien of a ship creditor shall expire if it is not executed within one year from the date when such claim arises.

Article 787 (Ship Mortgages)

(1) A registered ship may be used for purposes of a mortgage.

(2) A ship mortgage shall extend to its appurtenances.

(3) The provisions concerning mortgages of the Civil Act shall apply mutatis mutandis to a ship mortgage.

Article 788 (Competition of Lien with Ship Mortgages, etc.)

The lien of a ship creditor shall take precedence over a pledge right and a mortgage.

Article 789 (Disapproval of Pledging of Registered Ships)

No registered ship shall be used for the subject matter of the pledge right.

Article 790 (Mutatis Mutandis Application to Ships under Construction)

The provisions of this Section shall apply mutatis mutandis to ships under construction.

CHAPTER II TRANSPORT AND CHARTER

SECTION 1 Affreightment in General Ships

Article 791 (Meaning of Contracts of Affreightment in General Ships)

A contract of affreightment in a general ship shall come into effect when a carrier agrees to transport individual goods by ship at sea and a consignor agrees to pay the freight therefor.

Article 792 (Provision of Cargo)

(1) A consignor shall provide a carrier with cargo at the time and place agreed upon between the parties or by usage of trade of a port of loading.

(2) In cases where a consignor has not provided cargo at the time and place mentioned in paragraph (1), a contract shall be deemed cancelled. In such cases, a shipmaster may depart at once and a consignor shall pay the full amount of the freight.

Article 793 (Delivery of Documents Necessary for Transport)

A consignor shall deliver documents necessary for transport to a shipmaster within the period for loading.

Article 794 (Duty of Care for Seaworthiness)

A carrier shall be liable to compensate for any damage arising out of the loss of, damage to or late arrival of cargo unless he/she proves that he/she, the crew, or other employees of a ship have not failed to exercise due care concerning the following matters at the time of departure:

1. Ensuring the ship voyage to be made safe;
2. Boarding of the necessary crew, supply of equipment and necessities of the ship;
3. Maintaining the hold, cold storage room, and other part of the ship to load the cargo suitable for reception, transport and preservation of the cargo.

Article 795 (Duty of Care for Cargo)

(1) If a carrier does not prove that he/she, the crew or other employees of a ship have exercised due care concerning the receipt, loading, stowage, transport, storage, unloading and delivery of cargo, he/she shall be liable to compensate for the damage incurred due to loss of, damage to or late arrival of the cargo.

(2) A carrier shall be exonerated from liability to compensate for the damage incurred in relation to the cargo on account of an act of a shipmaster, a crewman or a pilot, or other employee concerning the voyage or the management of a ship or fire: Provided, That the same shall not apply in cases of fire caused by bad faith or negligence of a carrier.

Article 796 (Grounds for Exoneration from Liability of Carriers)

If a carrier has proved that any of the facts described in the following subparagraphs has existed and that the damage in relation to cargo may usually arise due to such fact, he/she shall be exonerated from liability for compensation therefor: Provided, That the same shall not apply if it is proved that he/she has not exercised due care notwithstanding the fact that he/she could have prevented such damage if he/she had exercised due care under Articles 794 and 795 (1):

1. Perils or accidents on the sea or on other navigable waters;
2. Force majeure;
3. A war, riot, or civil war;
4. Piracy and other similar acts;
5. Judicial seizure, quarantine restrictions and other restrictions by public authorities;
6. Acts of the consignor or the owner of the cargo or his/her employee;
7. Strike or other acts of dispute or lockout of a ship;
8. Acts of salvage of life or property at sea or a deviation by this reason or a deviation by other justifiable grounds;
9. Insufficient packing of the cargo or incomplete markings;
10. Particular nature or latent defect of the cargo;
11. Latent defect of a ship.

Article 797 (Limits on Liability)

(1) The liability of a carrier for compensation for damage under Articles 794 through 796 may be limited to the extent of the larger amount between the amount of 666 and 67/100 units of account per package or per shipment unit of the relevant cargo and the amount of two units of account per kilogram: Provided, That the same shall not apply in cases where the damage in relation to the cargo was caused due to the carrier's willful misconduct or other reckless act or omission while recognizing the concern about the incurrence of the damage.

(2) For the purposes of paragraph (1), the number of packages or shipment units of the cargo shall be determined as follows:

1. In cases where a container or other similar transport container is used to consolidate the cargo, when the number of packages or shipment units contained in such transport container is stated in the bill of lading or in other documents proving the transport contract, each of such package or shipment unit shall be deemed one package or shipment unit. Except in such cases, all the cargo in such transport container shall be deemed one package or shipment unit;
2. In cases where the transport container itself supplied by a person who is not a carrier is lost or damaged, such container shall be deemed a separate package or shipment unit.

(3) The provisions of paragraphs (1) and (2) shall not apply if, at the time when a consignor delivers cargo to a carrier, the kind and value of the cargo have been notified and stated in a bill of lading or in other documents evidencing a transport contract: Provided, That when a consignor has intentionally given considerably unfaithful notice of the kind and value of the cargo, a carrier shall be exonerated from liability to compensate for damage incurred in relation to the cargo except in cases of bad faith of a carrier him/herself and his/her employees.

(4) The provisions of paragraphs (1) through (3) shall not affect the application of Articles 769 through 774 and 776.

Article 798 (Application to Non-Contractual Claims)

(1) The provisions concerning the liability of carriers in this Section shall also apply to liability to compensate for damage due to unlawful acts of carriers.

(2) In cases where a claim for compensation for damage in relation to cargo has been made to an employee or an agent of a carrier, when such damage has arisen with respect to the performance of duties of such employee or agent, such employee or agent may avail him/herself of the defences and limitation on liability which the carrier may claim: Provided, That the same shall not apply in cases where the damage to the cargo was incurred due to such employee or agent's willful misconduct or other reckless act or omission while recognizing the concern about the occurrence of the loss of, damage to or late arrival of the cargo.

(3) In cases falling under the main body of paragraph (2), the total amount of the limits on liability for the cargo of a carrier, his/her employees or agents shall not exceed the limit specified in Article 797 (1).

(4) The provisions of paragraphs (1) through (3) shall also apply in cases where a claim for damage in relation to cargo has been made against the actual carrier, other than a carrier or his/her employees or agents.

Article 799 (Prohibition against Reduction of Liabilities of Carriers)

(1) No special agreement between the parties to abate or exonerate any obligation or liability of a carrier contrary to the provisions of Articles 794 through 798 shall be valid. The same shall also apply to an agreement to transfer to a carrier the benefit of insurance concerning the cargo, or a similar agreement.

(2) The provisions of paragraph (1) shall not apply to the transport of live animals and transport of cargo loaded on deck with the statement of such intent to transport in a bill of lading or on the surface of other documents evidencing a transport contract.

Article 800 (Disposal of Unlawful Cargo Loaded)

(1) At any time, a shipmaster may unload cargo loaded in contravention of any Act or subordinate statute or a contract and, when it is apprehended that the cargo may imperil a ship or other cargo, may give up such cargo.

(2) When a shipmaster transports cargo under paragraph (1), he/she may request the payment of the highest freight of the same type of cargo at the time and place of the loading.

(3) The provisions of paragraphs (1) and (2) shall not affect claims for damages of carriers and other interested persons.

Article 801 (Disposal of Dangerous Cargo)

(1) Even if a carrier loaded any inflammable, explosive or other dangerous cargo with the knowledge of such nature, when such cargo is apprehended to imperial the ship or other cargo, a shipmaster may, at any time, unload or destroy such cargo or take harmless measures against such cargo.

(2) A carrier shall be exonerated from liability to compensate for damage incurred in relation to such cargo by the disposal specified in paragraph (1), except for liability for apportionment of general average.

Article 802 (Acceptance of Cargo)

Any consignee who has received a notice of arrival shall accept cargo without delay at the time and place agreed upon between the parties or by usage of trade of the port of unloading.

Article 803 (Deposit, etc. of Cargo)

(1) When a consignee has neglected the acceptance of cargo, a shipmaster may deposit it or deliver it to any place permitted by a customs house or an administrative agency prescribed by other Acts and subordinate statutes. In such cases, the shipmaster shall give notice to the consignee without delay.

(2) When a shipmaster is unable to know clearly who the consignee is or the consignee has refused to accept the cargo, the shipmaster shall deposit it or deliver it to any place permitted by a customs house or an administrative agency prescribed by other Acts and subordinate statutes, and without delay give notice to the charterer or the consignor and the consignee he/she knows.

(3) When the cargo has been deposited or delivered to any place permitted by a customs house or an administrative agency prescribed by other Acts and subordinate statutes under paragraphs (1) and (2), it is deemed delivered to the bill of lading holder or another consignee.

Article 804 (Notice on Partial Loss of or Damage to Cargo)

(1) When a consignee has found the partial loss of or damage to cargo, he/she shall give written notice on a summary thereof to a carrier immediately after the receipt thereof: Provided, That if such partial loss or damage is not readily discoverable, he/she shall give such notice within three days from the date of receipt.

(2) If there is no such notice under paragraph (1), it is presumed that the cargo has been delivered to a consignee without loss or damage.

(3) If a carrier or his/her employees have acted in bad faith, the provisions of paragraphs (1) and (2) shall not apply.

(4) If the cargo has been lost or damaged or if there is such doubt, the carrier and the consignee shall provide necessary convenience with each other for the inspection of the cargo.

(5) No special agreement between the parties disadvantageous to the consignee contrary to the provisions of paragraphs (1) through (4) shall be valid.

Article 805 (Freight by Weight and Volume of Cargo)

If freight has been fixed by weight or volume of cargo, the amount of freight shall be fixed by weight or volume at the time of delivery of the cargo.

Article 806 (Freight by Period of Transport)

(1) If freight has been fixed by period, the amount of freight shall be fixed by the period from the date of commencing the loading of cargo until the date of completion of the unloading.

(2) The lay days of a ship in the loading port or on the voyage due to force majeure or the period of repairing a ship on the voyage shall be excluded from the period of paragraph (1).

Article 807 (Consignee's Duties and Shipmaster's Retention Rights)

(1) When a consignee receives cargo, he/she shall pay the freight, incidental expenses, substituted donation for another person, demurrage, general average in proportion to the value of the cargo, or amount of charges due to the salvage according to the intent of a transport contract or a bill of lading.

(2) No shipmaster shall have a duty to deliver cargo unless the payment of amount under paragraph (1) is exchanged.

Article 808 (Carrier's Right to Auction Cargo)

(1) A carrier shall have the right to sell cargo at auction with the leave of the court and receive the preferential payment in order to receive the amount specified in Article 807 (1).

(2) Even if a shipmaster has delivered the cargo to a consignee, the carrier may exercise the right specified in paragraph (1) for such cargo: Provided, That the same shall not apply when 30 days have passed from the date of delivery or a third party has acquired the possession of such cargo.

Article 809 (Liability of Shipowner when Voyage Charterer, etc. Concludes Transport Subcontract)

In cases where a voyage charterer or time charterer has concluded a transport contract with a third party in his/her own name, a shipowner shall be liable for such third party to the extent that fulfillment of such contract belongs to the duties of a shipmaster under Articles 794 and 795.

Article 810 (Grounds for Termination of Transport Contracts)

(1) A transport contract shall be terminated on any of the following grounds:

1. When a ship has been sunken or lost;
2. When a ship has become irreparable;
3. When a ship has been captured;
4. When cargo has been lost due to force majeure.

(2) Where a ground set forth in any of paragraph (1) 1 through 3 has arisen on a voyage, a consignee shall pay the freight in proportion to the transport already completed within the limit of the value of the existing cargo.

Article 811 (Cancellation, etc. on Legal Grounds)

(1) When a voyage or transport has violated any Act or subordinate statute, or the purpose of a contract cannot be attained due to force majeure, any of the relevant concerned may cancel the contract.

(2) When the contract has been cancelled in cases where a ground set forth in paragraph (1) arose on a voyage, a consignee shall pay the freight in proportion to the transport already completed.

Article 812 (Force Majeure concerning Portion of Cargo)

(1) Where a ground set forth in any of Articles 810 (1) 4 and 811 (1) has arisen with respect to any portion of cargo, a consignor may load other cargo within the extent that the liabilities of a carrier are not increased.

(2) When the consignor intends to exercise the right specified in paragraph (1), he/she shall unload or load the cargo without delay. If he/she has neglected such unloading or loading, he/she shall pay the full amount of the freight.

Article 813 (Disposal of Cargo by Shipmaster and Freight)

In any of the following cases, a carrier may claim the full amount of the freight:

1. When a shipmaster has disposed of the cargo under Article 750 (1);
2. When a shipmaster has disposed of the cargo under Article 865.

Article 814 (Termination of Claims and Obligations of Carriers)

(1) The claims and obligations of a carrier against a consignor or consignee shall be terminated, whatever the causes for the claims may be, on the date when the carrier has delivered cargo to the consignee or within one year from the delivery date unless no judicial claim has been made: Provided, That this period may be extended by an agreement between the parties.

(2) In cases where a carrier has re-entrusted a third party with the transport he/she received, if a consignor or consignee has agreed on compensation with the carrier or has made a judicial claim against the carrier within the period set forth in paragraph (1), the claim and the obligation of the carrier against a third party, notwithstanding the provisions of paragraph (1), shall not be terminated until three months have passed from the date of such agreement or claim. The same shall also apply in cases where there is an agreement

between the carrier and a third party to the same effect as the proviso to paragraph (1).

(3) In cases falling under paragraph (2), if a carrier who received a judicial claim has given notice of a lawsuit against a third party within three months therefrom, the period of three months shall be reckoned when the trial has been determined or terminated.

Article 815 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 134, and 136 through 140 shall apply mutatis mutandis to carriers under this Section.

Article 816 (Responsibility of Consolidated Carriers)

(1) In cases where a segment of transport, other than marine transport, has been included in the transport accepted by a carrier, he/she shall take responsibility in accordance with an Act applicable to the segment of transport where the damage has occurred.

(2) In cases where it is unclear in which segment of transport the damage has occurred or the occurrence of the damage is not limited to any particular area in its nature, a carrier shall take responsibility in accordance with an Act applicable to the segment of transport, the distance of which is the longest: Provided, That when the distance is the same or it is impracticable to determine the longest segment of transport, he/she shall take responsibility in accordance with an Act applicable to the section, the freight of which is the highest.

SECTION 2 Marine Passenger Transport

Article 817 (Meaning of Marine Passenger Transport Contracts)

A marine passenger transport contract shall come into effect when a carrier agrees to transport a specific passenger from a place of departure to a place of arrival by ship on the sea and the other party agrees to pay the fare in response thereto.

Article 818 (Registered Passenger Tickets)

No registered passenger ticket shall be assigned to another person.

Article 819 (Duty to Provide Meal and Accommodation, etc.)

(1) Unless otherwise agreed, passenger meals on a voyage shall be provided at the cost of a carrier.

(2) In cases of repair of a ship on a voyage, a carrier shall provide a passenger with suitable accommodations and meals during such repair: Provided, That the same shall not apply when transport has been provided to a passenger for his/her convenience to a port of disembarkation, to the extent that does not infringe the rights of the passenger.

(3) In cases falling under paragraph (2), a passenger may cancel a contract by paying a fare according to the rate of a voyage.

Article 820 (Duty to Transport Luggage for Free)

Unless otherwise agreed, no carrier shall separately claim the freight for baggage which a passenger is able to carry on board according to a contract.

Article 821 (Delay in Boarding Ship and Shipmaster's Right of Departure)

(1) If a passenger fails to board by the boarding time, a shipmaster may depart immediately. The same shall also apply at an anchorage port on a voyage.

(2) In cases falling under paragraph (1), a passenger shall pay the full amount of the fare.

Article 822 (Cancellation of Contracts by Passengers, and Fares)

If a passenger cancels a contract before departure, he/she shall pay a half amount of the fare, and if he/she cancels a contract after departure, he/she shall pay the full amount of the fare.

Article 823 (Cancellation of Contracts on Legal Grounds)

If a passenger has become incapable of making a voyage because of death, illness or other force majeure before departure, a carrier may claim 30 percent of the fare, and if such ground has arisen after departure, a carrier may, at his/her option, claim either 30 percent of the fare or the fare in proportion to the transport already completed.

Article 824 (Duty to Dispose of Luggage of Dead Passengers)

If a passenger has died, a shipmaster shall dispose of the baggage carried by the deceased by the method most beneficial to his/her successor.

Article 825 (Legal Grounds for Termination)

A transport contract shall be terminated on any ground set forth in Article 810 (1) 1 through 3. If such ground has arisen on a voyage, a passenger shall pay the fare in proportion to the transport already completed.

Article 826 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 148, 794, 799 (1) and 809 shall apply mutatis mutandis to marine passenger transport.

(2) The provisions of Articles 134, 136, 149 (2), 794 through 801, 804, 807, 809, 811 and 814 shall apply mutatis mutandis to the transport of the baggage of passengers checked by a carrier.

(3) The provisions of Articles 150, 797 (1) and (4), 798, 799 (1), 809 and 814 shall apply mutatis mutandis to the baggage of passengers not checked by a carrier.

SECTION 3 Voyage Charter

Article 827 (Meaning of Voyage Charter)

(1) A voyage charter shall come into effect when a shipowner agrees to provide a charterer with the whole or any part of a ship serviced by the crew on board and equipped with navigation facilities for transport of goods, and a charterer agrees to pay the fare in response thereto.

(2) The provisions of this Section shall apply mutatis mutandis to a voyage charter for passenger transport unless contrary to its nature.

(3) The provisions of this Section shall apply mutatis mutandis where a charterer agrees to pay the fare calculated by voyage as unit, even though a shipowner is liable to provide the charterer with a ship for a given period, unless contrary to its nature.

Article 828 (Written Charter Contracts)

A party to a charter contract shall deliver a written charter contract at the request of the other party.

Article 829 (Notice of Completion of Preparation of Loading, and Loading Period)

(1) When preparation necessary for loading of cargo has been completed, a shipowner shall give notice to a charterer without delay.

(2) If there is an agreement on the period for loading cargo, when notice under paragraph (1) has been given in the forenoon, the period shall be reckoned from one o'clock in the afternoon of that day, and when notice under paragraph (1) has been given in the afternoon, the period shall be reckoned from six o'clock in the next morning. A day when loading is impossible due to force majeure and a day when loading is not made by usage of trade of the port shall not be included in this period.

(3) When cargo has been loaded after the lapse of the period mentioned in paragraph (2), a shipowner may claim reasonable remuneration.

Article 830 (Notice and Shipment in Cases of Third-Party Shippers)

In cases where a third party, other than a charterer, loads cargo, when a shipmaster is unable to know clearly who such third party is or such third party has not loaded cargo, the shipmaster shall give notice to the charterer without delay. In such cases, the charterer may load cargo within the loading period only.

Article 831 (Charterer's Right to Request Departure and Shipmaster's Right of Departure)

(1) A charterer may request a shipmaster to depart even if all of the cargo is not loaded.

(2) A shipmaster may depart immediately after the lapse of the loading period even if a charterer has not loaded all of the cargo.

(3) In cases falling under paragraphs (1) and (2), a charterer shall pay the full amount of the cargo and expenses incurred because all the cargo has not been loaded and shall also provide reasonable security when it is requested by a shipowner.

Article 832 (Cancellation of Contracts before Departure, etc. of Whole Charter)

(1) Before departure, a whole charterer may cancel a contract by payment of half the amount of the freight.

(2) In cases of a charter contract of a round-trip voyage, when a whole charterer terminates the contract before a homeward voyage, he/she shall pay two thirds of the freight.

(3) In cases where a ship should navigate to a port of loading from another port, when a whole charterer terminates a contract before departure from the port of loading, the provisions of paragraph (2) shall apply.

Article 833 (Partial Charter and Cancellation of Contracts before Departure, etc.)

(1) A partial charterer or consignor may cancel or terminate a contract as referred to in Article 832 only in cases where he/she cancels or terminates the contract jointly with another charterer and all the consignors.

(2) Except in cases falling under paragraph (1), when a partial charterer or consignor has cancelled or terminated a contract before departure, he/she shall pay the full amount of the freight.

(3) In cases where a partial charterer or consignor has loaded the whole or any portion of the cargo even before departure, he/she shall not cancel or terminate the contract without the consent of the other charterers and consignors.

Article 834 (Obligation to Pay Incidental Expenses, Substitute Payments, etc.)

(1) Even if a charterer or consignor has cancelled or terminated a contract under Articles 832 and 833 (1), he/she shall not be exonerated from the obligation to pay incidental expenses and make substitute payments.

(2) In cases falling under Article 832 (2) and (3), a charterer or consignor shall pay, other than those prescribed in paragraph (1), general average or salvage charges according to the value of cargo.

Article 835 (Bearing Expenses Incurred in Relation to Loading and Unloading)

In cases falling under Articles 833 and 834, when the whole or any portion of the cargo has been loaded, a charter or consignor shall bear expenses incurred in such loading and unloading.

Article 836 (Legal Effects of Non-Loading within Loading Period)

When a charterer has not loaded cargo within the loading period, the charterer shall be deemed to have cancelled or terminated the relevant contract.

Article 837 (Termination of Contracts after Departure)

After departure, no charterer or consignor shall terminate a contract unless he/she pays the full amount of the freight, substitute payments, demurrage, general average and salvage charges, and pays damages for the damage incurred in relation to such unloading or provides a security corresponding thereto.

Article 838 (Unloading of Cargo)

(1) When preparation necessary for unloading cargo has been completed, a shipmaster shall give notice to a consignee without delay.

(2) The provisions of Article 829 (2) shall apply mutatis mutandis to the calculation of the period for unloading cargo.

(3) When cargo has been unloaded after the lapse of the unloading period referred to in paragraph (2), a shipowner may request reasonable remuneration.

Article 839 (Prohibition against Reducing Liabilities of Shipowners)

(1) No special agreement contrary to Article 794 between the parties to abate or exonerate any obligation or liability of a shipowner as prescribed by this Section shall be valid. The same shall also apply to an agreement that the benefit of insurance concerning cargo is transferred to a shipowner, or any other agreement similar thereto.

(2) The provisions of Article 799 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

Article 840 (Termination of Claims and Obligations of Shipowners)

(1) Any claim and obligation against a charterer of a shipowner or consignee shall be terminated, whatever the cause of the claim may be, unless no judicial claim is made within two years from the date when the shipowner has delivered cargo or from the date set for delivering cargo. In such cases, the proviso to Article 814 (1) shall apply mutatis mutandis.

(2) No agreement between a shipowner and a charterer to shorten the period set forth in paragraph (1) shall be valid unless it is clearly stated in a transport contract.

Article 841 (Provisions Applying Mutatis Mutandis)

(1) The provisions of Articles 134, 136, 137, 140, 793 through 797, 798 (1) through (3), 800, 801, 803, 804 (1) through (4), 805 through 808 and 810 through 813 shall apply mutatis mutandis to a voyage charter.

(2) In calculating a freight under Article 806 in accordance with paragraph (1), in cases where cargo has been loaded or unloaded after the lapse of the loading period set forth in Article 829 (2) or the unloading period set forth in Article 838 (2), the loading or unloading period after the lapse of such period shall not be included in the loading or unloading period, and the remuneration shall be separately determined under

Articles 829 (3) and 833 (3).

SECTION 4 Time Charter

Article 842 (Meaning of Time Charter)

A time charter shall come into effect when a shipowner agrees to provide a charterer with a ship serviced by the crew on board and equipped with navigation facilities for a given period to be used for navigation, and the charterer agrees to pay the fare fixed by the period in response thereto.

Article 843 (Time Charterer's Right to Order Shipmasters)

(1) A time charterer shall have the right to issue an order to a shipmaster for the use of a ship within the extent agreed.

(2) In cases where a time charterer has caused damage because a shipmaster, crewmen, or other ship employees violated justifiable directions of the time charterer, the shipowner shall be liable to compensate therefor.

Article 844 (Shipowners' Rights to Retain or Auction Cargo)

(1) The provisions of Articles 807 (2) and 808 shall apply mutatis mutandis in cases where a time charterer fails to repay obligations such as charterage and substitute payment to a shipowner, and other obligations under a time charter contract similar thereto: Provided, That no shipowner shall assert against a third party who has acquired, in good faith, a bill of lading issued by the time charterer.

(2) No shipowner shall exercise his/her right on the cargo pursuant to paragraph (1) exceeding the extent of the charterage or freight agreed on the cargo by a timer charterer.

Article 845 (Arrears in Charterage and Termination of Contracts, etc.)

(1) When a time charterer has not paid a charterage on an agreed date, a shipowner may cancel or terminate the relevant contract.

(2) When a shipowner has cancelled or terminated a contract as prescribed by paragraph (1) on the voyage of a ship after a time charterer loaded cargo by concluding a transport contract with a third party, the shipowner shall have the same obligation as the time charterer for transport to persons interested in the cargo.

(3) In cases where a shipowner has given written notice to persons interested in cargo of the cancellation or termination of a contract and his/her intent to continue the transport under paragraph (2), the shipowner shall be deemed to have established the right of pledge for the purposes of claim of the charterage or the freight which the time charterer has the right against persons interested in the cargo in order for the shipowner to secure the charterage, substitute payment, and other similar claims under a time charter contract against the time charterer.

(4) The provisions of paragraphs (1) through (3) shall not affect any claim for damages by a shipowner or a person interested in the cargo to the time charterer.

Article 846 (Expiration of Claims of Time Charters)

(1) A claim between the parties which has arisen in relation to a time charter contract shall expire unless a judicial claim is made within two years from the date when a ship is returned to a shipowner. In such cases, the proviso to Article 814 (1) shall apply mutatis mutandis

(2) The provisions of Article 840 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

SECTION 5 Bareboat Charter

Article 847 (Meaning of Bareboat Charter)

(1) A bareboat charter shall come into effect when a shipowner agrees to provide a charterer with a ship for the purpose of operating such ship under the control and domination of a charterer, and the charterer agrees to pay the charterage in response thereto.

(2) Even if a shipowner is liable to supply a shipmaster and other crew, if it is for the purpose of operating a ship by the crew under the control and domination of a charterer, it shall be deemed a bareboat charter.

Article 848 (Legal Nature)

(1) The provisions regarding leases of the Civil Act shall apply mutatis mutandis to a bareboat charter unless contrary to its nature.

(2) Even if a charterer has the right to purchase or take over a ship after the expiration of the charter period, and the charterer has concluded a bareboat charter agreement with a shipowner as a creditor for the purpose of financial security, the parties shall have the rights and obligations under the provisions of this Section during the charter period.

Article 849 (Claims for Registration of Bareboat Charterers and Legal Effects of Registration)

(1) A bareboat charterer may request a shipowner to cooperate in the registration of a bareboat charter.

(2) A bareboat charter shall, when registered, come into effect in relation to a third party as from the time of the registration.

Article 850 (Bareboat Charters and Legal Relations regarding Third Parties)

(1) In cases where a bareboat charterer uses a ship for voyage for a commercial transaction or other profit-making purpose, he/she shall have the same rights and obligations as a shipowner against a third party for matters concerning its use.

(2) In cases falling under paragraph (1), the preferential right arising in regard to the use of a ship shall have the same effect on a shipowner: Provided, That the same shall not apply when it is known that a

person with the preferential right is contrary to a contract for such use.

Article 851 (Termination of Claims on Bareboat Charters)

(1) A claim which has arisen in relation to a bareboat charter between the parties shall terminate unless a judicial claim is made within two years from the date a ship is returned to a shipowner. In such cases, the proviso to Article 814 (1) shall applymutatis mutandis.

(2) The provisions of Article 840 (2) shall apply mutatis mutandis in cases falling under paragraph (1).

SECTION 6 Sea Waybills

Article 852 (Issuance of Bills of Lading)

(1) A carrier shall deliver, at the request of a consignor, one or more copies of a bill of lading after the receipt of cargo.

(2) A carrier shall deliver, at the request of a consignor, one or more copies of a shipped bill of lading after the loading of the cargo, or shall indicate such loading on a bill of lading referred to in paragraph (1).

(3) A carrier may authorize a shipmaster or other agent to deliver a bill of lading or to make indication referred to in paragraph (2).

Article 853 (Matters to be Stated in Bills of Lading)

(1) The following particulars shall be stated on a bill of lading, and a carrier shall write his/her name and affix his/her seal or sign thereon:

1. The name, nationality and tonnage of a ship;
2. The kind, weight or volume of cargo, and the classification, number and mark of packing notified in writing by a consignor;
3. The condition of external appearance of cargo;
4. The name and trade name of a charterer or consignor;
5. The name and trade name of a consignee or recipient of notice;
6. The port of loading;
7. The port of unloading;
8. The freight;
9. The place of issuance and date, month and year of its issuance;
10. The number of copies if several copies of the bill of lading have been issued;
11. The name or trade name of a carrier;
12. The seat of the principal place of business of a carrier

(2) If reasonable grounds exist to doubt that the weight, volume, number or mark of the cargo among the matters listed in paragraph (1) 2 does not exactly indicate the cargo which a carrier has actually received, or if there is no proper method to confirm it, such statement may be omitted.

(3) A consignor shall be deemed to have certified to a carrier the correctness of the matters listed in paragraph (1) 2.

(4) When a carrier has made notification on cargo to the recipient of notice stated on a bill of lading, he/she shall be deemed to have notified a consignor, the holder of the bill of lading and other consignee.

Article 854 (Legal Effects of Statements in Bills of Lading)

(1) In cases where a bill of lading has been issued under Article 853 (1), it is presumed that a contract of affreightment in a general ship has been concluded between a carrier and a consignor and cargo has been received or loaded as stated in the bill of lading.

(2) A carrier shall be deemed to have received or loaded cargo as stated in a bill of lading and shall take responsibilities of a carrier as stated in the bill of lading to the holder who has acquired the bill of lading mentioned in paragraph (1) in good faith.

Article 855 (Contracts by Charter Parties and Bills of Lading)

(1) When requested by a charterer, a shipowner shall issue a bill of lading under Articles 852 and 853 after the receipt of cargo.

(2) When a bill of lading has been issued under paragraph (1), a shipowner shall be presumed to have received or loaded the cargo as stated in a bill of lading.

(3) When a third party has acquired a bill of lading in good faith, a shipowner shall have the rights and obligations of a carrier under Article 854 (2). The same shall also apply when a shipowner has issued a bill of lading to a third party at the request of a charterer.

(4) In cases falling under paragraph (3), a third party shall be deemed a consignor under Articles 833 through 835 and 837.

(5) In cases falling under paragraph (3), no special agreement to abate or exonerate any obligation and liability of a carrier in violation of Article 799 shall be made.

Article 856 (Delivery of Certified Transcripts)

A charterer or a consignor who has received a bill of lading shall, upon request of an issuer, deliver a certified transcript of the bill of lading on which he/she has signed and sealed or has signed.

Article 857 (Multiple Copies of Bills of Lading and Delivery of Cargo at Port of Unloading)

(1) Even if a holder of one of the multiple copies of a bill of lading requests delivery of cargo at the port of unloading, no shipmaster shall refuse such delivery.

(2) When a holder of one of the multiple copies of a bill of lading has taken over the cargo under paragraph (1), other copies of such bill of lading shall become invalid.

Article 858 (Multiple Copies of Bills of Lading and Delivery of Cargo at Place Other than Port of Unloading)

At a place other than a port of unloading, no shipmaster shall deliver cargo unless he/she has received all the copies of the bill of lading.

Article 859 (Requests for Delivery of Cargo by Two or More Holders, and Deposits)

(1) When two or more holders of a bill of lading have requested delivery of cargo, a shipmaster shall deposit the cargo without delay and give notice to each requester.

(2) The provisions of paragraph (1) shall also apply where another holder of a bill of lading has requested delivery of cargo after a shipmaster partially delivered the cargo under Article 857 (1).

Article 860 (Priority Ranking of Several Holders of Bills of Lading)

(1) With respect to the cargo deposited under Article 859, the right of a holder of a bill of lading who received the bill of lading from the former holder common to several holders of the bill of lading earlier than others, shall take precedence over the right of other holders.

(2) With respect to a bill of lading sent to a person at a distant place, the time when the bill of lading has been sent shall be deemed the time delivered.

Article 861 (Provisions Applying Mutatis Mutandis)

The provisions of Articles 129, 130, 132 and 133 shall apply mutatis mutandis to a bill of lading referred to in Articles 852 and 855.

Article 862 (Electronic Bills of Lading)

(1) A carrier may issue an electronic bill of lading by means of registration with the registry agency designated by the Minister of Justice with the consent of a consignor or charterer in lieu of issuance of a bill of lading referred to in Article 852 or 855. In such cases, an electronic bill of lading shall have the same legal effect as a bill of lading referred to in Articles 852 and 855.

(2) Information required under the subparagraphs of Article 853 (1) shall be included in an electronic bill of lading, and it shall come into effect when a carrier has transmitted with his/her electronic signature thereon and a charterer or consignor has received it.

(3) A holder of a right of an electronic bill of lading may transfer such right in a way that he/she draws up an electronic document stating his/her intention of endorsement, attaches an electronic bill of lading thereto, and transmits them to the other party through the designated registry agency.

(4) If the other party has received an electronic document in which the intention of endorsement is stated according to the method prescribed in paragraph (3), it has the same effect as delivery of a bill of lading under Articles 852 and 855 with endorsement, and a holder of a right who has received an electronic document under paragraphs (2) and (3) shall acquire the same right as a holder who has received a bill of

lading under Articles 852 and 855.

(5) Eligibility requirements for a designated registry agency of electronic bills of lading, electronic methods for the issuance and endorsement thereof, detailed procedures for receiving cargo, and other necessary matters shall be prescribed by Presidential Decree.

Article 863 (Issuance of Sea Waybills)

(1) Upon request of a charterer or consignor, a carrier may issue a sea waybill in lieu of a bill of lading referred to in Article 852 or 855. A sea waybill may be issued in an electronic way according to an agreement between the parties.

(2) Matters listed in the subparagraphs of Article 853 (1) shall be stated in a sea waybill in addition to the indication "sea waybill" thereon, and a carrier shall sign and affix his/her seal or sign thereon.

(3) The provisions of Article 853 (2) and (4) shall apply mutatis mutandis to sea waybills.

Article 864 (Legal Effects of Sea Waybills)

(1) In cases where a sea waybill has been issued under Article 863 (1), it shall be presumed that a carrier has received or loaded cargo as stated in such sea waybill.

(2) In the course of delivery of cargo by a carrier, if justifiable grounds exist to believe that a receiver is a consignee or his/her agent stated in a sea waybill, a carrier shall be exempted from liability even if the receiver is not the right holder.

CHAPTER III MARITIME PERILS

SECTION 1 General Average

Article 865 (Requirements for General Average)

Losses and expenses which have arisen from the disposal of a ship or its cargo by a shipmaster in order to escape a common peril facing the ship and cargo shall constitute general average.

Article 866 (Sharing Expenses of General Average)

General average shall be shared by interested persons in proportion to the ratio of the value of a ship and cargo which escaped a peril, a half of the freight, and the amount of the general average.

Article 867 (Calculation of Apportionments of General Average)

In the determination of the apportionments of general average, the value of a ship shall be its value at the time and place of arrival, and the value of cargo shall be its value at the time and place of unloading: Provided, That in regard to the cargo, the freight exempted from payment due to the damage and other expenses shall be deducted from its value.

Article 868 (Limited Liability of Apportionments of General Average)

A person liable for the apportionment of general average under Articles 866 and 867 shall be liable within the limit of the existing value at the time when a ship has arrived or its cargo has been delivered.

Article 869 (Calculation of Damages of General Average)

In the determination of an amount of general average, the value of a ship shall be its value at the time and place of arrival, and the value of cargo shall be its value at the time and place of unloading: Provided, That in regard to the cargo, all the expenses exempted from payment due to such damage shall be deducted.

Article 870 (Recourse against Liable Persons)

If a common peril facing a ship and its cargo has arisen from any defect in the ship or its cargo or from any negligent act, any person to whom general average is apportioned may exercise recourse against a liable person.

Article 871 (Exclusion from Apportionments of General Average)

The value of arms kept in a ship, wages of the crew, and the food and clothing of the crew and passengers, when they are preserved, shall not be included in the apportionments of general average, and such value shall be included in the amount of the general average if they have been lost.

Article 872 (Exclusion from Claims for Apportionments of General Average)

(1) The value of appurtenances not entered in the inventory of appurtenances, cargo loaded without a bill of lading or other document that can fix its price, or the currency or securities and other valuables, the kind and value of which are not specified, if they are preserved, shall be included in the apportionments of general average, and such value shall not be included in the amount of the general average if they have been lost.

(2) The provisions of paragraph (1) shall also apply to cargo loaded on deck: Provided, That the same shall not apply in cases where loading on deck is permitted customarily or such navigation comes under coastwise navigation.

Article 873 (False Statements as to Value of Cargo and General Average)

(1) In cases where the value of cargo is overstated in a bill of lading or other documents that can fix the price of the cargo, when the cargo is preserved, the amounts of apportionments of general average shall be determined according to such value as stated, and in cases where such value is understated, such value shall be the amount of general average when the cargo has been lost.

(2) The provisions of paragraph (1) shall apply mutatis mutandis where a false statement has been made concerning matters affecting the value of cargo.

Article 874 (Recovery of Damage Which is General Average)

When a ship, its appurtenances, or the whole or any portion of its cargo was returned to an owner after a shipowner, charterer, consignor, or other interested persons shared the amount of general average, such owner shall return the balance of the general average remuneration after deducting therefrom salvage charges and the amount of damage incurred due to a partial loss.

Article 875 (Termination of Claims of General Average)

A claim which has arisen out of general average or recourse under Article 870 shall terminate if no judicial claim is made within one year from the date when the calculation thereof is completed. In such cases, the proviso to Article 814 (1) shall apply mutatis mutandis.

SECTION 2 Collision of Ships

Article 876 (Provisions Applicable to Collision of Ships)

(1) In cases where collision occurs between seagoing ships or between a seagoing ship and a ship of inland navigation, the provisions of this Section shall apply to compensation for damage in relation to a ship, or goods or persons on board, on whatever waters the collision takes place.

(2) The term "collision of ships" in this Section means that two or more ships in their operation, by an act of commission or omission, cause damage to ships involved, to another ship, or persons or goods on board, and shall not inquire whether a direct contact has arisen.

Article 877 (Collision due to Force Majeure)

When collision of ships takes place due to force majeure or the cause of the collision is not clear, no sufferer shall claim damages due to the collision.

Article 878 (Collision due to Fault of One Party)

When collision of ships takes place due to the fault of a crewman of one party, the shipowner of such party shall be liable to a sufferer for compensation for damage incurred from the collision.

Article 879 (Collision due to Faults of Both Parties)

(1) When collision of ships takes place due to the faults of crewmen of both parties, each shipowner shall share the liability for damages in proportion to the relative seriousness of the faults of both parties. In such cases, when it is unable to judge the relative seriousness of such faults, the liability for damages shall be shared equally.

(2) In cases falling under paragraph (1), the shipowners of both parties shall be jointly and severally liable to compensate for death or bodily injury of a third party.

Article 880 (Collision due to Fault of Pilot)

In cases where collision of ships also takes place due to the fault of a pilot, a shipowner shall be liable to compensate for damage in accordance with Articles 878 and 879.

Article 881 (Termination of Claims for Collision of Ships)

A claim for damages which has arisen due to a collision of ships shall terminate if no judicial claim is made within two years from the date of such collision. In such cases, the proviso to Article 814 (1) shall apply mutatis mutandis.

SECTION 3 Salvage

Article 882 (Requirements for Salvage)

A person who, without any duty to do so, has salvaged a seagoing ship in distress on certain waters, or its cargo and other goods, may claim reasonable remuneration for such result. The same shall also apply to salvage between a seagoing ship and a ship of inland navigation.

Article 883 (Determination of Remuneration)

In cases where there is no stipulation concerning salvage remuneration, when an agreement between parties on such amount has not been made, the court shall, at the request of the parties, determine the amount, taking the value of the salvaged ship and property, the degree of the peril, the effort and expense of the salvor, the degree of the peril the salvor or his/her equipment encountered, the effect of the salvage, the effort for prevention of environmental damage, and all other circumstances into consideration.

Article 884 (Limits on Remuneration)

(1) Unless agreed otherwise, no amount of salvage remuneration shall exceed the value of the salvaged object.

(2) When a preferential right of priority exists, the amount of the salvage remuneration shall not exceed the balance after deducting the amount of the claim of a person who has such preferential right.

Article 885 (Special Remuneration for Environmental Damage Preventive Operations)

(1) A salvor who is engaged in salvage operations, in cases where environmental damage is apprehended to occur due to a ship or its cargo, accompanied with the reduction of the damage or the effect of the prevention, may claim special remuneration for the expense incurred in relation to the salvage regardless of success or failure in the salvage and the provisions of Article 884.

(2) The term "expense" in paragraph (1) means the reasonable expense actually incurred in the salvage operations and the fair remuneration for the equipment used and the number of persons employed.

(3) A salvor may, when environmental damage which is likely to occur is actually reduced or prevented due to the salvage operations, claim the increase of the remuneration, and the court shall determine whether to allow such increase and its amount, taking the circumstances described in Article 883 into consideration. In such cases, no salvage remuneration shall exceed double the amount of the expense prescribed in paragraph (1), even if it is increased.

(4) In cases where the reduction or prevention of damage is hindered due to bad faith or negligence of a salvor, the court may reduce the amount prescribed in paragraphs (1) and (3) or deny it.

(5) In cases where a salvor who has performed one salvage operation may claim the remuneration prescribed in Article 882 in addition to the special remuneration prescribed in paragraphs (1) through (4), he/she may claim the larger amount between them as the salvage remuneration.

Article 886 (Obligation to Pay Salvage Remuneration)

A shipowner and other holders of the rights on the property salvaged shall be liable to pay remunerations for the salvage in proportion to the value of a ship salvaged or the property and to pay salvage remuneration, such as special remuneration.

Article 887 (Agreements on Salvage)

(1) In cases where parties have made a salvage contract in advance and the salvage has been performed according to such contract, matters not stipulated in the salvage contract shall be subject to the provisions of this Section, unless contrary to its nature.

(2) Even if the amount of salvage remuneration has been agreed upon at the time of an accident at sea, when such amount is considerably unfair, the court may increase or decrease such amount, taking the circumstances described in Article 883 into consideration.

Article 888 (Distribution of Salvage Remuneration between Co-salvors)

(1) In cases where several persons have jointly engaged in a salvage, the provisions of Article 883 shall apply mutatis mutandis to the distribution ratio of such salvage remuneration.

(2) A person who has engaged in life saving may also receive salvage remuneration distributed in accordance with paragraph (1).

Article 889 (Distribution of Remuneration for Salvage Inside One Ship)

(1) In cases where a ship has been involved in a salvage and received salvage remuneration, the amount of damage to such ship and expenses incurred in relation to the salvage shall first be paid to a shipowner, and each half of the balance shall be paid to a shipmaster and the crew.

(2) With regard to the distribution of salvage remuneration to be paid to crew under paragraph (1), a shipmaster shall draw up a schedule of distribution, taking the effort of each crewman, its effects and situation into consideration, and shall notify the crew thereof before the end of a voyage.

Article 890 (Cases of Salvage by Tugboats)

With respect to a salvage of a mother ship or its cargo by a tugboat, the salvage remuneration shall not be claimed unless special efforts, which cannot be deemed to be implementation of a towage contract, have been made.

Article 891 (Remuneration between Ships Belonging to Same Owner)

Even between ships which belong to the same owner, a person who has engaged in the salvage thereof may claim reasonable remuneration.

Article 892 (Persons Who Have No Claim for Salvage Remuneration)

No person falling under any of the following subparagraphs shall claim salvage remuneration:

1. A person who works with a salvaged ship;
2. A person who has caused an accident at sea intentionally or by negligence;
3. A person who has proceeded with the salvage notwithstanding the just refusal;
4. A person who has concealed or disposed of salvaged goods without justifiable grounds.

Article 893 (Preferential Rights of Salvors)

(1) A claim for salvage remuneration of a person who has engaged in a salvage shall have the preferential right on cargo salvaged: Provided, That such right shall not be exercised on such cargo after an obligor has delivered it to a third acquisitor.

(2) The provisions concerning a preferential right of Article 777 shall apply mutatis mutandis to a preferential right under paragraph (1) unless contrary to its nature.

Article 894 (Shipmaster's Authority concerning Payment of Salvage Remuneration)

(1) A shipmaster shall, on behalf of an obligor who is to pay salvage remuneration, have the authority to do all judicial and non-judicial acts concerning such payment.

(2) A shipmaster may become the relevant party of a lawsuit concerning salvage remuneration, and its final judgment shall also be valid to an obligor of the salvage remuneration.

Article 895 (Termination of Claims for Salvage Remuneration)

A claim for salvage remuneration shall terminate if no judicial claim is made within two years from the date when the salvage has been completed. In such cases, the proviso to Article 814 (1) shall apply mutatis mutandis.

PART VI CARRIAGE BY AIR

CHAPTER I COMMON PROVISIONS

Article 896 (Definition of Aircraft)

The term "aircraft" used in this Act means an aircraft used for engaging in commercial activities or for any other profit-making flight activities: Provided, That ultra light planes as prescribed by Presidential Decree shall be excluded.

Article 897 (Scope of Application)

The provisions of this Part shall apply mutatis mutandis to any aircraft for flight purposes, regardless of commercial activities or any other profit-making flight activities: Provided, That the same shall not apply in cases where it is prescribed by Presidential Decree as inappropriate for the provisions of this Part to apply mutatis mutandis to a state-owned or public aircraft, taking the purpose, character, etc. of the flight into account.

Article 898 (Abatement of and Exoneration from Liability of Carriers, Etc.)

In connection with a carrier or aircraft operator's liability to compensate for damage as prescribed in this Part, including Article 905 (1), in cases where the carrier or aircraft operator proves that negligence or other wrongful act or omission committed by the claimant for damage caused or contributed to the claimant's damage, the liability of the carrier or aircraft operator may be abated or exonerated in proportion to the degree that the negligence or other wrongful act or omission caused or contributed to such damage.

CHAPTER II CARRIAGE

SECTION 1 COMMON PROVISIONS

Article 899 (Application, etc. to Non-Contractual Claims)

(1) The provisions concerning the liability of a carrier in this Chapter shall also apply to the liability for damage occasioned by wrongful acts of a carrier.

(2) In cases where a claim for damages concerning passengers, baggage or cargo has been made to an employee or agent of a carrier, when such damage arose in the course of performing duties of such employee or agent, such employee or agent may avail him/herself of the defences and the limitation on liability which a carrier may claim.

(3) Notwithstanding the provisions of paragraph (2), in cases where damage in relation to a passenger or baggage was incurred by the willful conduct or other reckless act or omission of an employee or agent of a carrier while recognizing the concern about the occurrence of death, bodily injury or late arrival of a passenger (in the case of baggage, referring to the loss of, damage to, or late arrival of the baggage), such employee or agent may not avail him/herself of the defences and the limitation on liability which the carrier may claim.

(4) In cases falling under paragraph (2), the total amount of the limits on liability for passengers, baggage, or cargo borne by a carrier, its employees or agents shall not exceed the limits prescribed in Articles 905, 907, 910 and 915 respectively.

Article 900 (Claims against Actual Carriers)

(1) In cases where a carrier executes a contract of carriage (hereinafter referred to as "contracted carrier") and delegates the carriage to another carrier who performs all or part of the carriage (hereinafter referred to as "actual carrier"), the provisions on the liability of carriers of this Chapter shall also apply to the actual carrier with respect to the carriage performed by the actual carrier: Provided, That the same shall not apply to successive carriage as prescribed in Article 901.

(2) In cases where an actual carrier is liable for damage concerning passengers, baggage or cargo, the actual carrier shall be jointly and severally liable therefor with a contracted carrier.

(3) The provisions of Article 899 (2) through (4) shall apply mutatis mutandis to cases falling under paragraph (1). In such cases, the term "carrier" in Article 899 (2) and (3) shall be deemed "actual carrier", and the term "carrier" in Article 899 (4) shall be deemed "contracted carrier and actual carrier".

(4) In addition to the liabilities and obligations of a carrier prescribed in this Chapter, a special agreement which imposes a carrier's liabilities and obligations or a waiver of the carrier's rights or defenses prescribed in this Chapter shall not affect the actual carrier unless the actual carrier gives consent thereto.

Article 901 (Successive Carriage)

(1) If two or more carriers successively participate in carriage, with respect to each stage of the carriage, each relevant carrier shall be deemed a party to a contract of carriage.

(2) In successive carriage, damages caused by the death, bodily injury or late arrival of a passenger may be claimed only against a carrier for the stage of carriage in which the relevant fact occurred: Provided, That where the carrier for the first stage of carriage explicitly has agreed to undertake liabilities for all the stages, the first carrier and the carrier for the stage of carriage in which the relevant fact occurred shall be jointly and severally liable for the damage.

(3) In successive carriage, damages caused by the loss of, damage to, or delay in arrival of baggage may be claimed against the first carrier, the last carrier and the carrier for the stage of carriage in which the relevant fact occurred, respectively.

(4) In successive carriage, damages caused by the loss of, damage to, or delay in arrival of cargo may be claimed by a consignor against the first carrier and the carrier for the stage of carriage in which the relevant fact occurred, respectively: Provided, That where a consignee has the right to claim for the delivery of the cargo pursuant to Article 918 (1), the consignee may claim against the last carrier and the carrier for the stage of carriage in which the relevant fact occurred, respectively.

(5) In cases falling under paragraphs (3) and (4), each carrier shall be jointly and severally liable for damage sustained.

(6) In cases where the first or last carrier has paid damages in accordance with paragraphs (2) through (5), the carrier shall have the right of indemnity against the carrier for the stage of carriage in which death, bodily injury or late arrival of a passenger or the loss of, damage to, or delay in arrival of baggage occurred.

Article 902 (Termination of Liability of Carriers)

The liability of a carrier against a passenger, consignor or consignee shall be terminated, whatever the reason of the claim may be, if no judicial claim is made within two years from the date on which the passenger or cargo arrives at destination, the aircraft is scheduled to be arrived, or the relevant carriage is suspended, whichever comes last.

Article 903 (Invalidation of Contract Provisions)

No special agreement to abate or exonerate the liability of a carrier or to reduce the amount of limit on his/her liability, in violation of the provisions of this Chapter, shall be valid.

SECTION 2 CARRIAGE OF PASSENGERS

Article 904 (Liability of Carriers)

With respect to damage sustained in cases of death or bodily injury of a passenger, a carrier shall be liable only when an event that caused damage took place on board the aircraft or in the course of any of the operations of embarking or disembarking.

Article 905 (Limits on Liability of Carriers)

(1) Out of the damage provided for in Article 904, the liability of a carrier to compensate for such damage shall neither be exonerated nor limited up to the amount of 100 thousand units of account per passenger.

(2) Out of the damage provided for in Article 904, with respect to the portion exceeding the amount of 100 thousand units of account per passenger, no carrier shall be liable to compensate for the damage if it proves any of the following:

1. That the damage was not caused by the negligence or other wrongful act or omission of a carrier, its employees or agents;

2. That the damage was caused solely by the negligence or other wrongful act or omission of a third party.

Article 906 (Advanced Payments)

(1) In cases of an aircraft accident where a passenger dies or sustains bodily injury, if a legitimate claimant makes a claim for damages, a carrier shall make advanced payments without delay. In such cases, such advanced payments alone shall not be deemed that a carrier is liable therefor.

(2) Any advanced payment made may be appropriated for the damages payable by a carrier.

(3) The amount, procedures, and method for advancement payments shall be prescribed by Presidential Decree.

Article 907 (Liability for Delayed Arrival)

(1) A carrier shall be liable for any damage resulting from the delayed arrival of passengers: Provided, That the carrier shall not be liable for the damage if it proves that the carrier, its employees and agents have taken all measures reasonably required to prevent such damage or that taking such measures was impossible.

(2) A carrier's liability under paragraph (1) shall be limited to the amount of 4,150 units of account per passenger: Provided, That the amount shall be limited to 500 units of account per passenger in the case of carriage where its places of departure, arrival and midway landing are within the territory of the Republic of Korea.

(3) The provisions of paragraph (2) shall not apply where it is proved that the damage was caused by the willful misconduct or other reckless act or omission of a carrier, its employees or agents while acknowledging the concern about the occurrence of the delayed arrival.

Article 908 (Liability for Loss of or Damage to Baggage)

(1) With respect to damage resulting from the loss of or damage to checked baggage, a carrier shall be liable only when the facts underlying the cause of the damage occurred in an aircraft or while the checked baggage was in the custody of the carrier: Provided, That where the damage was caused by an inherent defect, extraordinary character or hidden defect of the checked baggage, the carrier shall not be liable to such extent.

(2) With respect to damage occasioned by the loss of or damage to carry-on baggage, a carrier shall be liable only when the damage was caused by bad faith or negligence of the carrier, its employees or agents.

Article 909 (Liability for Delayed Arrival of Baggage)

A carrier shall be liable for any damage occasioned by the delayed arrival of baggage: Provided, That the carrier shall not be liable if it proves that the carrier, its employees and agents have taken all measures reasonably required to prevent the damage or that taking such measures was impossible.

Article 910 (Limits on Liability Concerning Baggage)

(1) A carrier's liability for damages pursuant to Articles 908 and 909 shall be limited to the amount of 1,000 units of account per passenger: Provided, That where a passenger, when he/she delivers baggage for consignment to the carrier, reports in advance to the carrier on the estimated price of the baggage as at the time he/she takes delivery thereof at the place of destination, the carrier's liability shall be limited to the reported price unless the carrier proves that such reported price exceeds the actual price of the baggage as at the time of delivery of the checked baggage at the place of destination.

(2) The provisions of paragraph (1) shall not apply where it is proved that the damage was caused by the willful misconduct or other reckless act or omission of the carrier, its employees or agents while acknowledging the concern about the occurrence of the loss of, damage to, or delayed arrival of the baggage.

Article 911 (Notification on Partial Loss of or Damage to, etc. Checked Baggage)

(1) When a passenger finds a partial loss of or damage to the checked baggage, he/she shall give notice to a carrier, without delay after he/she takes the delivery of such checked baggage, in writing or by an electronic document summarizing the relevant facts: Provided, That where such loss or damage is not immediately identifiable, he/she shall give such notice within seven days from the date of taking delivery of the checked baggage.

(2) In the case of delayed arrival of checked baggage, a passenger shall raise an objection within 21 days from the date when he/she can dispose of such checked baggage.

(3) Where any part of checked baggage has been lost, damaged or arrived late, the provisions of Article 916 (3) through (6) shall be applied mutatis mutandis.

Article 912 (Duty to Transport Carry-on Baggage Free of Charge)

With respect to carry-on baggage, no carrier shall separately claim air freight charge unless otherwise agreed.

SECTION 3 CARRIAGE OF GOODS

Article 913 (Liability for Loss of or Damage to Cargo)

(1) With respect to damage resulting from the loss of or damage to cargo, a carrier shall be liable only when the damage was incurred during carriage by air (including the period of time when the carrier takes custody of the cargo; hereafter the same shall apply in this Article): Provided, That the carrier shall not be liable when it proves that the loss of or damage to the cargo was caused by any of the following:

1. An inherent defect, extraordinary character or hidden defect of the cargo;

2. Inappropriate packaging or incomplete marking of the cargo done by a person other than a carrier, its employees or agents;

3. War, riot, rebellion or armed conflict;

4. Action taken by a public organization that is associated with the arrival and departure of the cargo, quarantine or customs procedures;

5. Force majeure.

(2) No carriage by air prescribed in paragraph (1) shall include any carriage by land, by sea or by inland waterway performed outside an airport: Provided, That in cases where such carriage is performed for loading, delivering or trans-shipping cargo as part of performance of a contract of carriage, it shall be presumed carriage by air.

(3) With respect to carriage scheduled to be made by air in accordance with an agreement between a carrier and a consignor, where the carrier substitutes other means of carriage for the whole or any part of the scheduled carriage by air without the consent of the consignor, the carriage by other means shall be deemed carriage by air.

Article 914 (Liability for Delayed Arrival of Cargo)

A carrier shall be liable for any damage resulting from the delayed arrival of cargo: Provided, That the carrier shall not be liable if it proves that the carrier, its employees and agents have taken all measures reasonably required to prevent the damage or that taking such measures was impossible.

Article 915 (Limits on Liability Amount Concerning Cargo)

(1) A carrier's liability under Articles 913 and 914 shall be limited to the amount of 17 units of account per kilogram of cargo in relation to which the relevant damage has been incurred; and in the case of carriage where, in accordance with a contract of carriage between a carrier and a consignor, the places of departure, arrival and midway landing are within the territory of the Republic of Korea, the amount of liability shall be limited to 15 units of account per kilogram of the cargo in relation to which the relevant damage has been incurred: Provided, That where the consignor, when he/she delivers the cargo to the carrier, reports in advance to the carrier on the estimated price of the cargo as at the time he/she takes delivery thereof at the place of destination, the carrier's liability shall be limited to such reported price unless the carrier proves that the reported price exceeds the actual price as at the time of delivery of the cargo at the place of destination.

(2) The weight that shall be considered in making a decision on the limit on liability of an air carrier pursuant to paragraph (1) means the weight of cargo in relation to which the relevant damage has been incurred: Provided, That when the loss of, damage to, or delayed arrival of any portion of the cargo or any goods contained in the cargo affects the value of other cargo stated in the same air waybill (including the substitute for air waybill prescribed in Article 924) or the same cargo receipt, the weight of such other cargo shall also be considered in making a decision on the limit on liability of a carrier.

Article 916 (Notification on Partial Loss of or Damage to, etc. Checked Cargo)

(1) When a consignee finds the partial loss of or damage to cargo, he/she shall give notice to a carrier, without delay after he/she takes the delivery of the cargo, in writing or by an electronic document summarizing the relevant facts: Provided, That where the loss or damage is not immediately identifiable, he/she shall give such notice within 14 days from the date of taking delivery of the cargo.

(2) In cases of delayed arrival of cargo, a consignee shall raise an objection within 21 days from the date when he/she can dispose of the cargo.

(3) If notification under paragraph (1) is not made, it shall be presumed that the cargo has been delivered to a consignee without loss or damage.

(4) If any cargo has been partially lost or damaged or if there is such doubt, a carrier and a consignee shall provide convenience necessary to inspect such cargo.

(5) If any notification or objection is not made within the period prescribed in paragraphs (1) and (2), no consignee shall file a lawsuit against a carrier: Provided, That this shall not apply where the carrier, its employees or agents have acted in bad faith.

(6) No special agreement between parties adversely affecting a consignee in violation of paragraphs (1) through (5) shall be valid.

Article 917 (Rights of Claim for Disposition of Cargo)

(1) A consignor may claim against a carrier for the suspension of carriage, return of cargo, and other disposition (hereafter referred to as "right to claim a disposition" in this Article). In such cases, the carrier may claim payment of the air freight charges, substitute payments, and expenses incurred in relation to such disposition, as provided for in a contract of carriage.

(2) No consignor may exercise the right to claim a disposition in a manner that infringes the right of a carrier or other consignors, and in cases where the carrier is unable to follow the claim of the consignor, the carrier shall without delay notify the consignor of such fact.

(3) In cases where a carrier follows a claim for disposition filed by a consignor without confirming the air waybill or cargo receipt issued by the carrier to the consignor, the carrier shall be liable for damage sustained by the holder of air waybill or cargo receipt caused by the failure of confirmation.

(4) When a consignee acquires the right to claim delivery of cargo in accordance with Article 918 (1), a consignor's right to claim a disposition shall cease to exist: Provided, That this shall not apply in cases where the consignee refuses to accept delivery of the cargo or the consignee is unknown.

Article 918 (Delivery of Cargo)

(1) When cargo arrives at the place of destination, a consignee may claim delivery of the cargo: Provided, That this shall not apply in cases where a consignor exercises the right to claim a disposition pursuant to Article 917 (1).

(2) When cargo arrives at the place of destination, a carrier shall notify a consignee thereof without delay.

Article 919 (Extinctive Prescription for Claims of Carriers)

Any claim of a carrier against a consignor or consignee shall be extinguished by prescription if it is not exercised within two years.

Article 920 (Provisions Applying Mutatis Mutandis)

With respect to carriage of cargo by air, the provisions of Articles 120, 134, 141 through 143, 792, 793, 801, 802, 811 and 812 shall apply mutatis mutandis. In such cases, "port of loading" shall be construed as "airport of departure", "shipmaster" as "carrier", and "port of unloading" as "airport of destination".

SECTION 4 AIR WAYBILL

Article 921 (Passenger's Plane Tickets)

(1) If a carrier performs carriage of passengers, it shall deliver to the passengers a plane ticket, for an individual or group of passengers' use, which states the following particulars:

1. The name of the passenger or group;
2. The place of departure and destination;
3. Time and date of departure;
4. The flight to be operated;
5. The place and date of issuance;
6. The name or trade name of the carrier.

(2) A carrier may, through its data processing organization, save the particulars listed in the subparagraphs of paragraph (1) in the form of electronic data, or preserve the same by other means, in lieu of the issuance of a passenger's plane tickets as prescribed in paragraph (1). In such cases, upon request of a passenger, the carrier shall issue a document which states the particulars listed in the subparagraphs of paragraph (1).

Article 922 (Baggage Check)

A carrier shall issue a passenger with a baggage check for each item of checked baggage.

Article 923 (Issuance of Air Waybills)

(1) Upon request of a carrier, a consignor shall prepare an air waybill in three original parts which states the following particulars, and issue the same to the carrier:

1. The name or trade name of a consignor;
2. The name or trade name of a consignee;
3. The place of departure and destination;

4. The type, weight, package type, number, mark of cargo;
5. The time and date of departure;
6. The flight to be operated;
7. The place and date of issuance;
8. The name or trade name of a carrier;

(2) In cases where a carrier prepares an air waybill upon the request of a consignor, it shall be presumed that the carrier has prepared the air waybill on behalf of the consignor.

(3) With respect to the air waybill in three original parts mentioned in paragraph (1), the first original part shall be marked "for the carrier" and a consignor shall write his/her name and affix his/her seal or sign thereon; the second original part shall be marked "for the consignee" and the consignor shall write his/her name and affix his/her seal or sign thereon; and the third original part shall be marked "for the consignor" and the carrier shall write his/her name and affix his/her seal or sign thereon.

(4) The signature provided for in paragraph (3) may be made by printing or other appropriate means.

(5) A carrier shall deliver to a consignor the third original counterpart of an air waybill, after the carrier receives cargo from the consignor.

Article 924 (Substitution of Air Waybills)

(1) A carrier may, through its data processing organization, save the particulars listed in the subparagraphs of Article 923 (1) in the form of electronic data, or preserve the same by other means, in lieu of the issuance of an air waybill.

(2) In cases falling under paragraph (1), upon request of a consignor, a carrier shall issue the consignor with a cargo receipt which states the particulars listed in the subparagraphs of Article 923 (1).

Article 925 (Multiple Packages of Cargo)

(1) In cases where there are more than one package of cargo, a carrier may request a consignor to issue an air waybill for each package of cargo.

(2) In cases where the issuance of an air waybill is substituted by the saving and preservation under Article 924 (1), a consignor may request a carrier to issue a cargo receipt for each package of cargo.

Article 926 (Documents Concerning Character of Cargo)

(1) In cases where necessary to implement procedures of a customs house, an administrative agency such as the police, and other public agencies, a consignor shall issue, upon request of a carrier, to a carrier a document specifying the character of cargo.

(2) No carrier shall bear any obligation or liability in connection with the provisions of paragraph (1).

Article 927 (Legal Effects of Violation of Provisions of Air Waybills)

Even where a carrier or consignor violates Articles 921 through 926, it shall not affect the validity of the relevant contract of carriage or application of other provisions of this Act.

Article 928 (Liability for Matters to be Stated in Air Waybills, etc.)

(1) A consignor shall be deemed to guarantee a carrier that details of cargo or representations on cargo that are stated in an air waybill or notified to the carrier are accurate and sufficient.

(2) In cases where the details of or representations on the cargo as prescribed in paragraph (1) are inaccurate or insufficient and thereby have inflicted damage on a carrier, a consignor shall be liable for damage to the carrier.

(3) In cases where the record on carriage to be saved and preserved in accordance with Article 924 (1), or the details of or representations on the cargo as stated in a cargo receipt are inaccurate or insufficient and thereby have inflicted damage on a consignor, a carrier shall be liable for damage to the consignor: Provided, That this shall not apply where the consignor is deemed to have guaranteed the accuracy and sufficiency thereof.

Article 929 (Legal Effects of Written Statement on Air Waybills)

(1) In cases where an air waybill or a cargo receipt is issued, it shall be presumed that a contract of carriage has been concluded as stated in such air waybill.

(2) It shall be presumed that a carrier takes delivery of cargo based on the weight, size, type of package, number and mark, and its external appearance are stated in an air waybill or cargo receipt.

(3) With respect to the information stated on an air waybill or cargo receipt concerning cargo's type, condition other than external appearance, and number and volume inside its package, it shall be presumed that a carrier has taken delivery of the cargo as stated thereon only when the carrier confirms accuracy of the stated information in the presence of a consignor and states the facts on the air waybill or cargo receipt.

CHAPTER III LIABILITY FOR DAMAGE AGAINST

Article 930 (Aircraft Operator's Liability for Damages)

(1) An aircraft operator shall be liable for damage against a third party on the ground (including underground, water surface or underwater) who has been killed, injured or whose property has been damaged by an aircraft during flight or by a person or object that fell from an aircraft.

(2) The term "aircraft operator" in this Part means a person using an aircraft at the time an accident occurs: Provided, That in cases where a person who controls operation of an aircraft (hereinafter referred to as "operation controller") allows another person to use the aircraft, the operation controller shall be deemed an aircraft operator.

(3) For the purposes of this Part, an aircraft owner who is stated in the aircraft register shall be presumed to be an aircraft operator.

(4) The term "during flight" in paragraph (1) means the period from the point when power of an aircraft turns on for the purpose of takeoff to the point when the landing is finished.

(5) In cases where two or more aircrafts are involved in an accident under paragraph (1), each aircraft operator shall be jointly and severally liable for damage under paragraph (1).

(6) In cases where an aircraft is used without the approval of an operation controller, the operation controller shall be jointly and severally liable, within the limit on liability provided for in Article 932, with a person who uses the aircraft without said approval unless the operation controller proves that he/she has paid due care to prevent such unapproved use.

Article 931 (Grounds for Exoneration of Liability)

If an aircraft operator proves that the occurrence of death, bodily injury or property damage under Article 930 (1) falls under any of the following subparagraphs, he/she shall not be liable therefor:

1. That an accident occurred as a direct result of war, riot, rebellion or armed conflict;
2. That an accident occurred while an aircraft operator was deprived of his/her right to operate the aircraft by governmental authority;
3. That an accident solely by the negligence or other wrongful act or omission of a victimized person or its employees or agents;
4. Force majeure.

Article 932 (Limited Liability of Aircraft Operators)

(1) The liability of an aircraft operator under Article 930, with respect to an accident in which an aircraft is involved, shall be limited to the amount determined in the following subparagraphs in accordance with the maximum weight of an aircraft permitted by laws for takeoff of an aircraft (hereafter referred to as "maximum weight" in this Article):

1. In cases of an aircraft, the maximum weight of which is not more than 2,000 kilograms, the amount of 300,000 units of account;
2. In cases of an aircraft, the maximum weight of which exceeds 2,000 kilograms, the amount of 300,000 units of account for the portion up to 2,000 kilograms, and the amount of 175 units of account per kilogram for the portion exceeding 2,000 kilograms up to 6,000 kilograms, the amount of 62.5 units of account per kilogram for the portion exceeding 6,000 kilograms up to 30,000 kilograms, the amount of 65 units of account per kilogram for the portion exceeding 30,000 kilograms shall each be multiplied respectively and the multiplied amount shall be added up in order.

(2) In cases where death or bodily injury occurs due to an accident in which an aircraft is involved, the liability of an aircraft operator under Article 930 shall be limited to the amount of 125,000 units of account per dead or injured person within the amount prescribed in paragraph (1).

(3) In cases where an aggregate amount of damage sustained by several persons, due to an accident in which an aircraft is involved, exceeds the maximum amount prescribed in paragraph (1), each instance of damage shall be compensated in accordance with the proportion to the maximum amount prescribed in paragraph (1).

(4) In cases where death, bodily injury or property damage occurred due to an accident in which an aircraft is involved, any damage sustained due to death or bodily injury shall first be compensated within the limit of amount provided for in paragraph (1) and the property damage shall be compensated with any remaining amount thereof.

Article 933 (Exclusion of Limited Liability)

(1) In cases where an aircraft operator, its employees or agents cause an accident under Article 930 (1) with intent to incur damage, the provisions of Article 932 shall not apply. In such cases, when the accident occurred due to an act of an employee or agent of the aircraft operator, it shall be proved that he/she was acting within the scope of his/her authority.

(2) With respect to a person who has caused an accident provided for in Article 930 (1) while he/she was using an aircraft illegally taken by him/her, without consent thereto by a person authorized to use such aircraft, the provisions of Article 932 shall not apply.

Article 934 (Extinction of Liability of Aircraft Operators)

An aircraft operator's liability provided for in Article 930 shall become extinct if no judicial claim has been made within three years from the date of occurrence of the relevant accident.

Article 935 (Procedures for Limitation on Liability)

(1) A person who intends to limit liability in accordance with the provisions of this Chapter shall file with the court an application for commencement of the procedures for limitation on liability, within one year after he/she receives a written claim from a creditor which specifies the amount of claim exceeding the limit on liability.

(2) An application to commence the procedures for limitation on liability, and the formation, public notice, participation in, distribution of the liability limitation fund, and other necessary matters shall follow the example of the Act on the Procedure for Limiting the Liability of Shipowners, etc. to the extent not contrary to its nature.

ADDENDA

Article 1 (Mandatory Provisions)

The scope of petty merchants shall be determined by Cabinet Order.

Article 2 (Idem)

Lakes, rivers, ports and bays under Article 125 shall be determined by Cabinet Order.

Article 3 (Deferral of Public Notice on Commercial Registration)

(1) The provisions relating to public notice of Article 36 shall no longer apply after a reasonable period. Such period shall be determined by the Supreme Court Regulations.

(2) If, in cases falling under the preceding paragraph, registration has been effected in the period mentioned in the preceding paragraph, public notice shall be deemed to have been given.

Article 4 (Prohibition against Issuance of Share Certificates in Bearer Form Company to be Organized only by Nationals of Republic of Korea)

A stock company to be organized by nationals of the Republic of Korea only in accordance with Acts and subordinate statutes and a stock company having special rights on condition that it be organized by nationals of the Republic of Korea only, shall not issue share certificates in bearer from. If the above mentioned provisions have been contravened, such share certificates shall be null and void and the last non-bearer shareholder shall be a shareholder.

Article 5 Deleted.<by Act No. 3724, Apr. 10, 1984>

Article 6 (Qualification of Company Commissioned to Offer Bonds for Subscription)

No person, other than a bank, trust or securities company, shall be commissioned to offer bonds for subscription or become a successor of business affairs under Article 483. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 7 (Method to Deposit Bearer Bond Certificates by Holder thereof)

If the holder of a bearer bond certificate has not deposited his/her bond certificate with the public official who is in charge of deposit in accordance with the provisions of Articles 491 (4) and 492 (2) or provisions to be applied mutatis mutandis, he/she shall deposit such bond certificate in the bank or trust company designated by the Chief Justice of the Supreme Court. *<Amended by Act No. 3724, Apr. 10, 1984>*

Article 8 (Methods of Public Notice relating to Meetings of Bondholders)

Any public notice with regard to the convocation of a meeting of bondholders, payment of a redemption amount or execution of a resolution by a meeting of bondholders relating to the payment of a redemption amount shall be given according to the methods of giving public notice determined by the articles of incorporation of an issuer company .

Article 9 (Mandatory Provisions)

The Form of the inventory of appurtenances mentioned in Article 742 shall be determined by Cabinet Order.

Article 10 (Idem)

The scope of coastal navigation mentioned in the proviso to Article 839 (2) shall be determined by Cabinet Order.

Article 11 (Idem)

Matters concerning the enforcement of this Act shall be determined by a separate Act.

Article 12 (Enforcement Date and Effects of Old Act)

(1) This Act shall enter into force on Jan. 1, 1963.

(2) The Commercial Act, the Limited Company Act, the Act for Enforcement of the Commercial Act, the Act for Enforcement of Amendments to the Commercial Act applied in accordance with Article 1 of the Chosun Civil Affairs Ordinance shall be effective until the date this Act enters into force.

ADDENDUM *<Act No. 1212, Dec. 12, 1962>*

This Act shall enter into force on January 1, 1963.

ADDENDA *<Act No. 3724, Apr. 10, 1984>*

Article 1 (Enforcement Date)

This Act shall enter into force on September 1, 1984.

Article 2 (Principles of Transitional Measures)

Except as otherwise provided, this Act shall apply to matters which have taken place before this Act enters into force: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

Article 3 (Transitional Measures concerning Trade Books, etc.)

The previous provisions shall apply with respect to trade books and supplementary statements, which a person who is a merchant as at the time this Act enters into force should prepare before the fixed date prescribed in the amended provisions of Article 30 (2) (for a company, this date means the period for settlement of accounts; hereafter the same shall apply in this Article) and accounts to be made before and on such fixed date.

Article 4 (Transitional Measures concerning Minimum Amount of Capital of Stock Company)

(1) A company which has been incorporated as a stock company before this Act enters into force, the capital of which is less than fifty million won as at the time this Act enters into force, shall increase its capital to fifty million won or more, or convert its organizational structure into a limited company within three years from the date this Act enters into force.

(2) If a company fails to take such a procedure within the period prescribed in paragraph (1), it shall be deemed dissolved.

(3) A company which is deemed dissolved under paragraph (2) but the liquidation of which has yet to be completed may continue its operation by a special resolution as prescribed in Article 434, according to the procedure mentioned in paragraph (1) within one year from the date this Act enters into force.

Article 5 (Transitional Measures concerning Par Value of Shares)

(1) With respect to the par value of shares issued by a stock company incorporated before this Act enters into force, the previous provisions shall apply for three years from the date this Act enters into

force, regardless of the amended provisions of Article 329 (4).

(2) A stock company incorporated before this Act enters into force shall consolidate its shares by a resolution adopted under Article 434, in order to make shares the par value of which is less than five thousand won into those of above five thousand won, within three years from the date this Act enters into force. In such cases, the provisions of Articles 440 through 444 shall apply mutatis mutandis.

Article 6 (Transitional Measures concerning Transfer of Shares before Issuing Share Certificates)

The amended provisions of the proviso to Article 335 (2) shall also apply to transfer of shares made without issuing share certificates before this Act enters into force.

Article 7 (Transitional Measures concerning Transfer of Shares by Delivery of Share Certificates)

(1) With respect to transfer or acquisition of shares before this Act enters into force, the previous provisions of Articles 336 and 359 shall apply even after this Act enters into force: Provided, That with regard to possession of share certificates after this Act enters into force, the amended provisions of Article 336 (2) shall apply.

(2) Even though a person who has, after this Act enters into force, acquired share certificates issued before this Act enters into force, fails to investigate the uninterrupted series of endorsements or the propriety of instrument for conveyance, the failure of such investigation shall not be deemed to be an act of bad faith or gross negligence, for the purpose of application of the amended provisions of Article 359.

Article 8 (Transitional Measures concerning Transfer Agents)

(1) A transfer agent appointed before this Act enters into force, under Article 11-6 of the Capital Market Promotion Act, shall be deemed to have been appointed under the amended provisions of Article 337 (2) of this Act.

(2) The qualification of a transfer agent under this Act shall be determined by Presidential Decree.

Article 9 (Transitional Measures concerning Acquirement of Shares of Parent Company by Subsidiary Company)

(1) If a subsidiary company which is subject to Article 342-2 has shares of its parent company which is subject to the said Article, as at the time this Act enters into force, the former shall dispose of such shares within three years from the date this Act enters into force.

(2) The provisions of Article 625-2 shall apply mutatis mutandis to non-disposition of shares in contravention of the provisions of paragraph (1).

Article 10 (Transitional Measures concerning Non-bearing of Share Certificates)

A measure pertaining to the non-issuance of share certificates, taken before this Act enters into force under the provisions of Article 11-7 of the Capital Market Promotion Act, shall be deemed to have been taken under the amended provisions of Article 358-2 of this Act.

Article 11 (Transitional Measures concerning Period of Closure of Register of Shareholders and Record Date)

If a day within two weeks from the date this Act enters into force is determined as the period for closure of shareholders' register or the record date, the previous provisions shall apply.

Article 12 (Transitional Measures concerning Exercising Voting Rights in Disunity)

The amended provisions of Article 368-2 (including cases to which this Article applies mutatis mutandispursuant to Articles 308 (2) and 527 (3)) shall not apply to exercising a vote at a general shareholders' meeting or an inaugural general meeting which is held within two weeks from the date this Act enters into force.

Article 13 (Transitional Measures concerning Actions for Affirming Non-existence of Resolution of General Meetings)

The amended provisions of Article 380 (including cases to which this Article applies mutatis mutandispursuant to Articles 308 (2) and 578) shall also apply to cases pending to a court as at the time when this Act enters into force: Provided, That the effects of an action filed before this Act enters into force shall not be affected thereby.

Article 14 (Transitional Measures concerning Terms of office of Directors and Auditors)

With respect to the term of office of directors and auditors of a stock company who are in office as at the time this Act enters into force, the previous provisions shall apply, regardless of the amended provisions of Articles 383 (2) and 410.

Article 15 (Transitional Measures concerning Duties and Powers of Auditors)

With respect to the duties and powers of an auditor of a stock company appointed before this Act enters into force, and who is in office before the closing of the first ordinary general meeting relating to the period for the settlement of accounts after this Act enters into force, the previous provisions shall apply.

Article 16 (Transitional Measures concerning Representative of Company for Actions between Company and Directors)

With respect to a person who is to represent a company in an action filed by a stock company against a director (including a liquidator; hereafter the same shall apply in this Article) and vice versa, the previous provisions shall apply until the closing of the first ordinary general meeting relating to the period for the settlement of accounts after this Act enters into force.

Article 17 (Transitional Measures concerning Allotment of New Shares)

When a resolution to issue new shares is adopted before this Act enters into force, the amended provisions of Article 418 (2) shall not apply.

Article 18 (Transitional Measures concerning Time of Effecting New Shares)

When a resolution to issue new shares is made before this Act enters into force, the time when a person becomes a shareholder shall be determined according to the previous provisions, regardless of the amended provisions of Article 423.

Article 19 (Transitional Measures concerning Reduction of Capital)

When a resolution concerning the reduction of capital is made before this Act enters into force, the fractional shares shall be disposed of according to the previous provisions, regardless of the amended

provisions of Article 443 (1).

Article 20 (Transitional Measures concerning Time to Pay Dividends)

The amended provisions of Article 464-2 shall not apply to dividends decided to be paid by a resolution under Article 449 (1) before this Act enters into force.

Article 21 (Transitional Measures concerning Issuance of Convertible Bonds)

When a resolution to issue convertible bonds has been adopted before this Act enters into force, such bonds shall be issued according to the previous provisions.

Article 22 (Transitional Measures concerning Prohibition against Granting Benefits)

The amended provisions of Article 467-2 shall not apply to an act performed before this Act enters into force.

Article 23 (Transitional Measures concerning Disclosure of Balance Sheets for Merger)

The amended provisions of Article 522-2 (including cases to which this Article applies mutatis mutandispursuant to Article 603) shall not apply where a general meeting of shareholders mentioned in paragraph (1) of the said Article is held within two weeks after this Act enters into force.

Article 24 (Transitional Measures concerning Total Amount of Capital of Limited Company)

(1) A company which was a limited company before this Act enters into force, and whose total amount of capital and amount of one contribution unit as at the time this Act enters into force are less than the amount prescribed in the amended provisions of Article 546, shall raise the amount, in the case of the total amount of capital, to ten million won or more, and, in the case of the amount of contribution unit, to five thousand won or more, within three years from the date this Act enters into force.

(2) A company which fails to raise its total amount of capital within the period prescribed in paragraph (1) shall be deemed dissolved.

(3) A company which is deemed dissolved under paragraph (2), but the liquidation of which has yet to be completed, may continue its operation by a special resolution as prescribed in Article 585, according to the procedure referred to in paragraph (1) within one year from the date this Act enters into force.

Article 25 (Amendments to Relevant Acts and Relations with other Acts)

(1) through (7) Omitted.

(8) In cases where any of the previous provisions of the Commercial Act is cited in any Act other than those prescribed in paragraphs (1) through (7) as at the time this Act enters into force, if provisions corresponding thereto exist in this Act, such corresponding provisions of this Act shall be deemed cited in lieu of the previous provisions.

ADDENDUM *<Act No. 4372, May 31, 1991>*

This Act shall enter into force on the date of its promulgation.

ADDENDA <*Act No. 4470, Dec. 31, 1991*>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 1993.

Article 2 (Transitional Measures)

(1) The provisions of Part IV of this Act shall also apply to any insurance contract concluded before this Act enters into force: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

(2) The provisions of Part V of this Act shall not apply to any claim for damage caused by any accident which occurred before this Act enters into force, but the previous provisions shall apply.

Article 3 (Transitional Measures concerning Application of Limitation Tonnage)

For the purposes of Article 751, the gross tonnage shall apply in lieu of the international gross tonnage to a ship which is engaged in international navigation, and fails to obtain an international tonnage certificate or written international tonnage confirmation from the Administrator of the Korea Maritime and Port Administration under Article 13 of the Vessels Act.

Article 4 (Relations with other Acts)

In cases where other Acts cite the previous provisions of the Commercial Act as at the time this Act enters into force, if provisions corresponding thereto exist in this Act, such corresponding provisions of this Act shall be deemed to have been cited in lieu of the previous provisions.

ADDENDA <*Act No. 4796, Dec. 22, 1994*>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 1995.

Articles 2 through 4 Omitted.

ADDENDA <*Act No. 5053, Dec. 29, 1995*>

Article 1 (Enforcement Date)

This Act shall enter into force on October 1, 1995.

Article 2 (Principles of Transitional Measures)

Except as otherwise provided by this Act, this Act shall also apply to matters which occurred before this Act enters into force: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

Article 3 (Transitional Measures concerning Trade Books, etc.)

The previous provisions shall apply with respect to trade books and supplementary statements, which a person who is a merchant as at the time this Act enters into force should prepare before the fixed date prescribed in the amended provisions of Article 30 (2) (for a company, this date means the period for

settlement of accounts; hereafter the same shall apply in this Article) which arrives first after this Act enters into force, and to accounts made before and on such fixed date.

Article 4 (Transitional Measures concerning Class of Shares Having Preferential Rights)

Any class of shares having preferential rights, issued before this Act enters into force, shall be subject to the previous provisions.

Article 5 (Transitional Measures concerning Terms of Office of Auditors)

The term of any auditor of a stock company, who is in office as at the time this Act enters into force, shall be subject to the previous provisions.

Article 6 (Relations with other Acts)

In cases where other Acts cite the provisions of the previous Commercial Act as at the time this Act enters into force, if provisions corresponding thereto exist in this Act, such corresponding provisions of this Act shall be deemed to have been cited in lieu of the previous provisions.

ADDENDA *<Act No. 6086, Dec. 31, 1999>*

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Principles of Transitional Measures)

Except as otherwise provided, this Act shall also apply to matters which occurred before this Act enters into force: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

Article 3 (Transitional Measures concerning Division)

The previous provisions shall continue to apply even after this Act enters into force with respect to the division of a corporation effected under a contract for division concluded before this Act enters into force.

Article 4 Omitted.

ADDENDA *<Act No. 6488, Jul. 24, 2001>*

(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.

(2) (Applicability concerning Claims for Litigation Costs by Shareholders who Won Cases) The amended provisions of Article 405 (1) shall also apply to any pending case at a court as at the time this Act enters into force.

(3) (General Transitional Measures) This Act shall also apply to cases which occurred before this Act enters into force, except as otherwise provided by this Act: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

ADDENDUM *<Act No. 6545, Dec. 29, 2001>*

This Act shall enter into force on July 1, 2002.

ADDENDA *<Act No. 8581, Aug. 3, 2007>*

Article 1 (Enforcement Date)

This Act shall enter into force one year after the date of its promulgation: Provided, That the part for the monetary value of two units of account per kilogram of the amended provisions of Article 797 (1) shall enter into force three years after the date of its promulgation.

Article 2 (Transitional Measures concerning Waybills)

Any waybill issued under the former provisions as at the time when this Act enters into force shall be deemed any freight details issued under the amended provisions of Article 126.

Article 3 (Transitional Measures concerning Compensation for Damage)

Notwithstanding the amended provisions of Part V, the former provisions shall apply to a claim concerning damage incurred due to an accident which has taken place and other causes of compensation for damage before this Act enters into force.

Article 4 (Transitional Measures concerning Limits on Liability)

With respect to a limit on the liability of a shipowner under the amended provisions of Article 770 (1) 1 for an accident taking place for three years after this Act enters into force, the amount of money obtained by multiplying the passenger capacity stated in a ship inspection certificate of such ship by 87,500 units of account shall be the limit on liability.

Article 5 (Transitional Measures concerning Claims and Obligations of Carriers, etc.)

(1) In cases where a carrier or shipowner has concluded a contract of affreightment in a general ship, voyage charter or time charter before this Act enters into force, notwithstanding the amended provisions of Articles 814 (2), 840 and 846, the former provisions shall apply to the termination of the claims and obligations to a charterer, consignor or consignee.

(2) In cases where a shipowner has concluded a ship lease contract before this Act enters into force, notwithstanding the amended provisions of Article 851, the former provisions shall apply to the termination of a claim between the parties.

Article 6 (Transitional Measures concerning Ship Lease Contracts)

A ship lease contract concluded before this Act enters into force shall be deemed to have the effect of a bareboat charter under the amended provisions of Article 847 at the same time when this Act enters into force.

Article 7 (Transitional Measures concerning Bills of Lading)

A bill of lading issued under the former provisions as at the time this Act enters into force shall be deemed a bill of lading suitable to the amended provisions of Article 853 (1).

Article 8 (Relations with other Acts)

In cases where the former provisions of the Commercial Act have been cited by other Acts as at the time this Act enters into force, if provisions corresponding thereto exist in this Act, it shall be deemed that the corresponding provisions of this Act have been cited in lieu of the former provisions.

Article 9 Omitted.

ADDENDA *<Act No. 8582, Aug. 3, 2007>*

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2008. (Proviso Omitted.)

Articles 2 through 7 Omitted.

ADDENDA *<Act No. 9362, Jan. 30, 2009>*

(1) (Enforcement Date) This Act shall enter into force on February 4, 2009.

(2) (Transitional Measures) This Act shall also apply to matters which occurred before this Acts enters into force, except as otherwise provided by this Act: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

(3) (Citation of other Acts or Provisions) Where other Acts and subordinate statutes cite the former Securities and Exchange Act or its provisions as at the time this Act enters into force, if this Act includes provisions corresponding thereto, this Act or the corresponding provisions of this Act shall be deemed to have been cited.

ADDENDA *<Act No. 9416, Feb. 6, 2009>*

Article 1 (Enforcement Date)

This Act shall enter into force one year after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 8 Omitted.

ADDENDA *<Act No. 9746, May 28, 2009>*

(1) (Enforcement Date) This Act shall enter into force one year after the date of its promulgation: Provided, That the amended provisions of Articles 292, 318, 329, 363, 383 and 409 shall enter into force on the date of its promulgation.

(2) (General Transitional Measures) This Act shall also apply to matters which occurred before this Act enters into force, except as otherwise provided by this Act: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

ADDENDA *<Act No. 10281, May 14, 2010>*

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 Omitted.

ADDENDA *<Act No. 10366, Jun. 10, 2010>*

Article 1 (Enforcement Date)

This Act shall enter into force two years after the date of its promulgation.

Articles 2 through 4 Omitted.

ADDENDA *<Act No. 10600, Apr 14, 2011>*

(1) (Enforcement Date) This Act shall enter into force one year after the date of its promulgation.

(2) (Applicability concerning Transactions between Directors, etc. and Company) The amended provisions of Article 398 shall apply to transactions effected on or after the date this Act enters into force.

(3) (General Transitional Measures) This Act shall also apply to matters which occurred before this Act enters into force, except as otherwise provided by this Act: Provided, That this shall be without prejudice to any effect arising pursuant to the previous provisions.

(4) (Transitional Measures concerning Company Entrusted with Offering of New Bonds) Notwithstanding the amended provisions of Article 480-3, the former provisions shall apply to a company commissioned to offer bonds for subscription before this Act enters into force.

ADDENDUM *<Act No. 10696, May 23, 2011>*

This Act shall enter into force six months after the date of its promulgation.

Last updated : 2013-11-25