

Samsung Electro-Mechanics Co.,Ltd.

2020 Annual General Meeting of Shareholders

Reference Material

Note about forward-looking statements

Certain statements in this reference material, other than purely historical information, including estimates, projections, statements relating to business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements”. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of the risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our financial reports available on our website at <http://www.samsungsem.com/global/index.jsp>

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1. Letter to Shareholders

Dear Shareholders,

I wish that 2020 be a year filled with health and happiness in your families, and sincerely thank you for your continued encouragement and support to Samsung Electro-Mechanics.

Despite the heightened uncertainty caused by global trade tensions and other economic issues around the world as well as the challenging business environment from continued weakness in set demand, Samsung Electro-Mechanics recorded revenue of approximately KRW 8 trillion and operating profit of approximately KRW 730 billion in 2019.

Even though operating profit decreased compared to the previous year due to the difficult business environment, the company was able to improve its business fundamentals by reorganizing its businesses around key technology areas and promoting innovation in the front lines of business. During 2019, the company also focused on building a healthier business structure with better quality of its profitability with all of its business divisions recording profits.

This would not have been possible without the support and encouragement of our shareholders.

Stronger business fundamentals by focusing on key technologies

Samsung Electro-Mechanics has been reorganizing its business along the core components required for next generation technologies leading the 4th Industrial Revolution such as AI, Big Data, 5G and mobility, with a focus on enhancing its technology and manufacturing competitiveness.

The company has been capturing not only the increased demand and applications from existing business areas by using its existing products based on core technologies but also the emergence of new business areas driven by the inflection point of new technologies such as the wider roll-out of 5G communication and innovations in semiconductor back-end processes to address the slowdown of node migration in the front-end processes.

In the component business, foreseeing strong growth in MLCC demand from not only IT applications but also industrial and automotive applications due to the 4th Industrial Revolution, the company has continued preemptive investments to maintain its leadership in material and manufacturing technologies and to respond to increasing demand.

First, for MLCCs targeting IT applications, Samsung Electro-Mechanics has started full-scale mass production of MLCCs with the most advanced specifications currently available by applying key technologies such as ultra-fine materials and ultra-small process technologies. In order to launch next generation high capacitance products ahead of competitors, the company continues to develop new product technologies.

Also, for industrial/automotive MLCCs, the company has expanded the product line-up by developing materials and manufacturing technics essential for high reliability and high capacitance MLCCs. Its preemptive investment in the new MLCC plant in Tianjin, China has proved to be a valuable foundation for expanding the company's industrial/automotive business and effectively capturing future market growth.

In the module business, Samsung Electro-Mechanics was able to push the evolution of the camera modules even further by using its technology innovations in key components such as lens and actuators to overcome the challenges posed by adoption of smaller pixels in image sensors for higher resolution images.

In particular, the company further strengthened its leadership of the module market by introducing a series of new products that defied the limitation of existing camera modules such as triple cameras, 5x optical zoom folded cameras and 108 M pixel cameras.

Also, in order to capture new business opportunities, the company will focus on developing next generation growth engines such as mmWave communication modules and expanding the automotive camera business, which are tied to new technologies driving the 4th Industrial Revolution.

For the substrate business, currently the industry stands at a technology inflection point where back-end process innovation such as package substrates is leading semiconductor technology innovation due to limitations in front-end process migration. In order to preemptively prepare for opportunities unleashed by such technology inflection, Samsung Electro-Mechanics has continued to build up its technology differentiation and product

competitiveness and has secured industry-leading quality, which are being leveraged to claim new business opportunities and to lead technology innovation.

Also, the company has been able to further diversify its customer base by developing new products targeting growth markets such as package substrates for high performances CPUs and for automotive/server/network and 5G antennas, which will help drive growth in both revenue and profitability.

Meanwhile, with regard to the smartphone substrate business, given that it was no longer possible for the company to maintain market leadership based on its core technology because technology evolution remained stagnant in the market, the Kunshan plant in China was liquidated to clear the way for the business to regain profitability.

Even though market uncertainty remains in 2020, I am confident that Samsung Electro-Mechanics will be able to deliver better business results based on its differentiated technology and industry-leading manufacturing expertise as well as the positive synergies generated by all everyone here at Samsung Electro-Mechanics.

Preparing for the next 10 years

Dear shareholders,

Even in 2020, the business environment is likely to remain challenging, as protectionism worsens and market uncertainty increases due to various economic issues triggered by disputes around the world.

Such difficulties are expected to persist beyond 2020 and continue to pose threats to our business environment going forward.

However, on the other hand, the electronic component market is calling for new innovation and challenge as new platform businesses expand based on new technologies such as AI and Big Data, and the technology inflection point approaches with the roll out of high-speed 5G communication.

In order to navigate around such market uncertainty and to gain the momentum to continue our leap forward for the next 10 years, Samsung Electro-Mechanics has continued to build

its core capabilities required in future component businesses while also reorganizing its existing business as described above.

By continuing its bold challenges and timely investments in new technologies, Samsung Electro-Mechanics will become one of the leading companies of the world, capable of strong and sustainable growth even in the newly emerging platform era and changes posed by technology inflection points.

Greater shareholder value

Samsung Electro-Mechanics has continued proactive investor relations activities including regular meetings with key investors in Korea and abroad to share the company's mid to long term vision and strategic direction with the capital market. The company appreciates the increase in stable, long-term investments by institutional investors that are supportive of the company's policies, and will continue to actively seek to deliver greater value to all its shareholders.

The total dividend for 2019 is planned to be KRW 83.2 billion, pending approval by the General Meeting of Shareholders, which is an approximately 10% increase compared to KRW 75.7 billion in 2018. The dividend per share for 2019 will be KRW 1,100 for common shares and KRW 1,150 for preferred shares.

Samsung Electro-Mechanics will continue to humbly listen to the voices of its shareholders, and actively seek to provide greater shareholder return with growth in enterprise value by considering investment needs for future growth and cashflow.

Dear shareholders!

Under the business management theme of change, innovation and challenge, Samsung Electro-Mechanics has improved its business structure and strengthened its business fundamentals despite a challenging market environment.

Everyone at Samsung Electro-Mechanics will remain devoted to securing differentiating future technologies and to preemptively preparing for the emergence of technology inflection points in order to capture future growth opportunities.

At the same time, the company will continue to encourage a culture of global compliance to become a company recognized in the global market for its trustworthiness and integrity.

Dear Shareholders!

I ask for your continued support and encouragement for Samsung Electro-Mechanics, and wish for great success in all your endeavors and health and happiness in your families in 2020.

Thank you.

Yun Tae Lee, PhD
Representative Director & President
Samsung Electro-Mechanics Co.,Ltd.

A handwritten signature in black ink, appearing to read 'Yun Tae Lee', is displayed on a light gray rectangular background.

2. Notice of 2020 AGM

- Date : March 18, 2020 at 09:00 Korea Standard Time
- Place : Grand Hall, the 7th floor of L-Tower
(213, Gangnam-daero, Seocho-gu, Seoul, Korea)
- Record date : December 31, 2019. Only common shareholders of record at the close of business on the record date are entitled to vote at the Annual General Meeting of Shareholders.

- Agendas for the Resolution

1. Approval of Financial Statements (FY2019)
2. Election of Directors
 - 2.1 Independent Director Ji Beom Yoo
 - 2.2 Independent Director Joon Kyung Kim
 - 2.3 Independent Director Yoon Kyung Yuh
 - 2.4 Executive Director Kye Hyun Kyung
 - 2.5 Executive Director Bong Yong Kang
3. Election of Audit Committee Members
 - 3.1 Candidate of Audit Committee Member Joon Kyung Kim
 - 3.2 Candidate of Audit Committee Member Yoon Kyung Yuh
4. Approval of Director Remuneration Limit (FY2020)
5. Approval of Amendments to the Articles of Incorporation
 - 5.1 Amendment of the Articles of Incorporation due to Enforcement of the Act on Electronic Registration of Stocks and Bonds, etc.
 - 5.2 Amendment of Article 4 (Method of Public Announcement) of the Articles of Incorporation

3. Agendas

Agenda 1. Approval of Financial Statements (FY2019)

Overview

The Board of Directors is seeking approval of the following financial statements for FY2019 beginning on January 1, 2019 and ending on December 31, 2019.

- Consolidated Statements of Balance Sheet
- Consolidated Statements of Income Statement
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Separate Statements of Appropriation of Retained Earnings

Audited financial statements with the independent auditor's opinion are available below:
<https://www.samsungsem.com/global/about-us/investor-relations/archive.do>

Financial Highlight & Shareholder Return

In 2019, due to uncertainties such as the global trade dispute, demand for electronic components overall remained weak, and accordingly, the revenue of the Component Solution Division including MLCCs decreased.

However, thanks to the revenue growth achieved by the Module Solution Division, which leveraged its differentiated technology competitiveness to drive multi-camera adoption in smartphones, and the Substrate Solution Division, which has been able to respond timely to diversifying applications such as smartphones, PCs and servers, the company recorded overall revenue growth compared to 2018.

The dividend payment for 2019 will be KRW 1,100 per share (based on common shares), which is a 10% increase compared to 2018. Despite decrease in net profits compared to 2018, the dividend amount has been increased to promote shareholder return. In the future, the company will continue to create greater enterprise value through investments and growth while also enhancing shareholder return through adequate dividend payout.

[Balance Sheet]

(Billion KRW)

	FY2019	FY2018
Total Assets	8,674.2	8,644.9
Liabilities	3,244.2	3,698.4
Equity	5,430.1	4,946.5

[Income Statement]

(Billion KRW)

	FY2019	FY2018
Sales	8,040.8	8,002.0
Operating Profit	734.0	1,149.9
Profit before tax from continuing operations	690.6	1,085.2
Profit from Discontinued Operations	-91.4	-119.8
Net Income	514.3	656.2
Dividend Total	83.2	75.7
Dividend (per share)	· Common: 1,100 KRW · Preferred: 1,150 KRW	· Common: 1,000 KRW · Preferred: 1,050 KRW
Dividend Payout Ratio	16.2%	11.5%

※ Net income attributable to owners of the parent

[Sales by Division]

(Billion KRW)

Division	Category	FY2019	FY2018
Component Solution	Sales	3,220	3,550
	(%)	40%	44%
Module Solution	Sales	3,351	3,114
	(%)	42%	39%
Substrate Solution	Sales	1,470	1,338
	(%)	18%	17%
Total	Sales	8,041	8,002
	(%)	100%	100%

Agenda 2. Election of Directors

Overview

Samsung Electro-Mechanics places top priority on enhancing corporate transparency and practicing responsible business management to maximize enterprise value. In order to achieve such business objectives, Samsung Electro-Mechanics has a board of directors consisting of 7 members including 4 independent directors with expertise in various fields.

Executive Directors(3)	Mr. Yun Tae Lee, Mr. Kang Heon Hur, Mr. Byoung Jun Lee
------------------------	--------------------------------------------------------

Independent Directors(4)	Mr. Tae Kyun Kwon(Chairman), Ms. Hyun Cha Choe, Mr. Ji Beom Yoo, Mr. Yong Kyun Kim
--------------------------	------------------------------------------------------------------------------------

※ As of the end of December 2019

Executive Directors are the CEO, Chief of Research Laboratory and Head of Corporate Business Support Team of the Company, while Independent Directors consist of experts in areas such as IT, law, finance and economics, capable of supervising management from an objective and balanced point of view.

The Board has separated the roles of CEO and Chairman of the Board since 2016, enabling the board to be more independent.

The directors shall be appointed at the Annual General Meeting of Shareholders.

The BOD and the Independent Director Recommendation Committee have nominated the following candidates as directors for 2020.

At the 2020 AGM, the Company seeks to make the following changes to the Board to enhance the financial expertise of the Audit Committee and further increase the diversity (gender/expertise) of our Independent Directors.

The terms of three Independent Directors will expire in March of this year :

Tae Kyun Kwon (first elected in 2014), Hyun Cha Choe (2014), and Ji Beom Yoo (2017). Tae Kyun Kwon and Hyun Cha Choe were not renominated due to long tenure. We recommend re-electing Director Ji Beom Yoo for his continued contribution and to secure consistency and effectiveness of Board activities.

[Independent Director Nominees]

2.1

Ji Beom Yoo, PhD
(renominated)



2.2

Joon Kyung Kim, PhD
(newly nominated)



2.3

Yoon Kyung Yuh, PhD
(newly nominated)



• Ji Beom Yoo (Expertise in IT)

Director Ji Beom Yoo is currently a professor of the Advanced Materials Science and Engineering Department of Sungkyunkwan University, and is an expert in the field of materials, a key technology area for the products produced by Samsung Electro-Mechanics. Leveraging such expertise, he has been serving as an independent director of the company since 2017, significantly contributing to the achievement of our vision of becoming the world's leading component company by providing valuable technology advice. His continued participation in the Board will be of significant value in the company's leap forward.

Also, Director Yoo was recommended unanimously by all three attending members of the Independent Director Recommendation Committee, a clear endorsement of his independence in decision-making and his ability to perform his duties as a member of the Board.

Director Yoo's board meeting attendance rates for the last three years have been 100% in 2017, 100% in 2018, and 100% in 2019.

We recommend Dr. Joon Kyung Kim and Dr. Yoon Kyung Yuh as Independent Directors to enhance the financial expertise of the Audit Committee and to further increase diversity of our Independent Directors. (Gender, Financial expertise)

• **Joon Kyung Kim (Expertise in Economics)**

Dr. Kim, an expert in the field of economics and industry, was the former President of the Korea Development Institute (KDI) and is currently a professor at the KDI School of Public Policy & Management. By bringing such expertise to the Board, Dr. Kim is expected to contribute to realizing the company's goal of becoming the world's leading component company and to further enhancing shareholder rights as well as the sound management and social responsibility of the company.

Dr. Kim was recommended unanimously by all three attending members of the Independent Director Recommendation Committee.

• **Yoon Kyung Yuh (Expertise in Finance, Female candidate)**

Dr. Yoon Kyung Yuh is currently a professor of business management at Ewha Women's University and is a well-recognized expert in the fields of finance, financial services and asset management. By bringing such expertise to the Board, she is expected to contribute to realizing the company's goal of becoming the world's leading component company and to further enhancing shareholder rights as well as the sound management and social responsibility of the company.

Dr. Yuh was recommended unanimously by all three attending members of the Independent Director Recommendation Committee.

※ The three independent director candidates above have no transaction history or related interests with the largest shareholder during the recent three years, and have no financial delinquencies, no history of serving as a manager of a distressed company nor any statutory grounds for disqualification.

Profile of Independent Director Nominees

Ji Beom Yoo	Education	Career
Date of Birth : Sep. 6, 1959	1989, PhD in Electronic Materials, Stanford University	1994 ~ Present Professor, Advanced Materials Science & Engineering Department, Sungkyunkwan University
Start of term : Mar.18, 2020 (1 st term started in Mar. 2017)	1984, M.E. in Metallurgical, Seoul National University	2015 ~ 2018 Deputy President of the Natural Science Campus & Head of the Industry-Academy Cooperation Group, Sungkyunkwan University
Expiration of term : Mar.18, 2023	1982, B.E. in Metallurgical, Seoul National University	2011 ~ 2014 Dean of Engineering College, Sungkyunkwan University
		2009 ~ 2014 Deputy President of Sungkyun Nano Science Institute
Joon Kyung Kim	Education	Career
Date of Birth : Apr. 10, 1956	1988, PhD in Economics, UC San Diego	2008 ~ Present Professor, KDI School of Public Policy and Management
Start of term : Mar.18, 2020	1984, M.S. in Economics, UC San Diego	2013 ~ 2017 President, Korea Development Institute (KDI)
Expiration of term : Mar.18, 2023	1980, B.S.. in Computational Statistics, Seoul National University	2008 Secretary to the President for Economy and Finance
		2006 ~ 2007 Vice-President, KDI
		2004 ~ 2007 Head of Macro-economic/Finance Research, KDI
Yoon Kyung Yuh	Education	Career
Date of Birth : Nov. 17, 1968	1998, PhD. in Personal Finance, Ohio University	2006 ~ Present Professor, College of Business Administration, Ewha Women's University (Finance)
Start of term : Mar.18, 2020	1993, M.S. in Consumer Science, Ewha Womans University	2017 ~ 2019 Member of the Investment Pool Management Committee, Ministry of Finance and Planning
Expiration of term : Mar.18, 2023	1991, M.S. in Consumer Science, Ewha Womans University	2014 ~ 2016 Member of the Fund Management Evaluation Board, Ministry of Finance and Planning
		2012 ~ 2014 Member of the Financial Supervision Advisory Committee, Financial Supervisory Service
		2008 ~ 2015 Non-executive Director & Head of the Financial Planning Center, Management Research Center, Ewha Women's University

[Executive Director Nominees]

2.4
Kye Hyun Kyung
CEO
(newly nominated)



2.5
Bong Yong Kang
Head of Corporate Business Support
Team (newly nominated)



The Board would like to nominate Kye Hyun Kyung and Bong Yong Kang as Executive Directors of the Board. As Yun Tae Lee and Byoung Jun Lee resign, the Board nominates Kye Hyun Kyung , the President & CEO of the company and Bong Yong Kang, the Executive Vice President of the Corporate Business support team as new executive directors of the Board.

• **Kye Hyun Kyung**

Executive Director Candidate Kye Hyun Kyung has been tentatively appointed as the new Representative Director of Samsung Electro-Mechanics for this period. He received his doctorates degree in control & measurement engineering from Seoul National University, and served in key positions in the semiconductor operation of Samsung Electronics including the Team Leader of the Flash Design Team of the Memory Business Division; the Head of the Flash Development Department, and the Head of the Solution Development Department, gaining recognition as an expert of component and semiconductor technology. The Board is confident that Kye Hyun Kyung will add valuable contributions to the company's growth as a technology and innovation leader.

• **Bong Yong Kang**

Executive Director Candidate Bong Yong Kang has been appointed as the new Executive Vice President of Corporate Business Support Team of Samsung Electro-

Mechanics. He graduated from Korea University with a B.A. in Business Management and is recognized as an expert of business strategy and finance, having served various key positions at Samsung Electronics including the Head of the Support Team and the Corporate Business Support Department of the Memory Division.

The Board is confident that leveraging such experience, Bong Yong Kang will contribute to maximizing the company's growth and shareholder return by enhancing the company's business competitiveness, driving revenue and profit growth and developing new business opportunities.

※ The two executive director candidates above have no transaction history or related interests with the largest shareholder during the recent three years, and have no financial delinquencies, no history of serving as a manager of a distressed company nor any statutory grounds for disqualification.

Profile of Executive Director Nominees

Kye Hyun Kyung	Education	Career	
Date of Birth : Mar. 5, 1963	1994, PhD in control and instrumentation engineering , Seoul National University	2020 ~ Present	President & CEO, Samsung Electro-Mechanics
Start of term : Mar.18, 2020	1988, M.E. in control and instrumentation engineering , Seoul National University	2019 ~ 2019	EVP, Head of Memory Solution, Memory Division, Samsung Electronics
Expiration of term : Mar.18, 2023	1986, B.E. in control and instrumentation engineering , Seoul National University	2016 ~ 2018	EVP, Head of Flash Product & Technology, Memory Division, Samsung Electronics
		2014 ~ 2015	SVP, Head of Flash Design Team, Memory Division, Samsung Electronics
		2012 ~ 2013	Vice President, Head of Flash Design Team, Memory Division, Samsung Electronics
Bong Yong Kang	Education	Career	
Date of Birth : Jan. 4, 1964	1988, B.S. in Business Administration, Korea University	2020 ~ Present	EVP, Head of Corporate Business support team, Samsung Electro-Mechanics
Start of term : Mar.18, 2020		2019 ~ 2019	EVP, Head of Corporate Business support team, Device Solution, Samsung Electronics
Expiration of term : Mar.18, 2023		2018 ~ 2018	EVP, Head of Corporate Business support team, Device Solution, Samsung Electronics
		2015 ~ 2017	SVP, Head of Corporate Business support team, Device Solution, Samsung Electronics
		2012 ~ 2013	VP, Head of Corporate Business support team, Memory Division, Samsung Electronics

Agenda 3. Election of Audit Committee member

Overview

The Audit Committee provides oversight, support and checks and balances, to guide management in making sound decisions in compliance with legal processes to enhance value creation for the company. The Audit Committee is made up of independent directors, and committee members are appointed at the general shareholders' meeting. The chairman of the committee is selected by committee resolution.

As of the end of December 2019, the Audit Committee consisted of Directors Tae Kyun Kwon, Hyun Cha Choe, and Yong Kyun Kim. The terms of Tae Kyun Kwon and Hyun Cha Choe will expire in March of this year and due to long tenure, the BOD seeks to newly appoint the following candidates to the Audit Committee.

[Audit Committee Member Nominees]

3.1
Joon Kyung Kim, PhD
(newly nominated)



3.2
Yoon Kyung Yuh, PhD
(newly nominated)



Candidate Joon Kyung Kim received a master's and doctorates degree in economics and has deep understanding of the field. He also served various positions at the Korea Development Institute (KDI) including the Head of Macro-Economic/Finance Research, Vice President and President, and is recognized as an expert of economics and industry.

Accordingly, the Board is confident that as a member of the Audit Committee, Candidate Joon Kyung Kim will contribute to enhancing the expertise and risk management capabilities of the Audit Committee.

Candidate Yoon Kyung Yuh is a finance expert who received her doctorates degree on personal finance studies and has been a professor of finance at the College of Business Administration, Ewha Women's University since 2006.

With abundant experience serving on various committees including the Business Management Evaluation Committee of the Financial Supervisory Service and the Risk Management Committee of the Government Employees Pension Service, she is expected to faithfully perform her duties as a member of the Audit Committee and enhance the expertise and risk management capabilities of the Audit Committee.

※ Please refer to page 13 for detail profiles of Directors Joon Kyung Kim and Yoon Kyung Yuh.

Agenda 4. Approval of Director Remuneration Limit (FY2020)

Overview

Under its Board of Directors, Samsung Electro-Mechanics currently operates a Compensation Committee, which is in charge of assessing the performance compensation of directors and examining the director remuneration limit for the following fiscal year. In order to enhance the transparency of decision-making, the Compensation Committee consists of two independent directors and one executive director.

- FY2019 Remuneration (Actual) & FY2020 Remuneration (To be approved)

(Billion KRW)

FY2019		FY2020
Approved	Actual	Proposed
11.0	5.4 - Executive Director : 5.0 - Independent Director : 0.4	11.0
※ Number of Directors (Independent) : 7 (4)		

* FY2020 total remuneration limit KRW 11.0 billion

: regular remuneration KRW 9.0 billion, long-term performance bonus KRW 2.0 billion

FY2019 total remuneration limit KRW 11.0 billion

: regular remuneration KRW 9.0 billion, long-term performance bonus KRW 2.0 billion

In 2019, a total of KRW 5.4 billion was executed as director compensation including wage income such as salary and bonuses as well as retirement benefits for the executive directors and the remuneration for the independent directors. This is approximately 49% of the approved limit for director remuneration for FY2019.

The board recommends maintaining the same amount of director remuneration limit in FY2020, as the number of director members remain unchanged from FY2019.

The director remuneration limit proposed to the general meeting of shareholders for approval has been calculated based on the total amount payable to directors including retirement benefits in the event all directors leave the company at one time, in addition to the ordinary salaries and performance-linked bonuses.

Agenda 5. Approval of Amendments to the Articles of Incorporation

Overview

5.1 Amendment of the Articles of Incorporation due to Enforcement of the Act on Electronic Registration of Stocks and Bonds, etc.

Because the current securities deposit system is exposed to several problems such as the cost of issuing physical certificates and the risk of certificate forging, tampering and misplacement, an electronic securities system has been adopted to fundamentally remove such social costs and the risks involved in circulation of physical securities.

※ Electronic securities system: a system where securities are registered and processed through an electronic registration agency instead of physical securities being issued.

The implementation of the new electronic securities system requires that all existing share certificates of the company be mandatorily converted to electronic registration after the effective date and that all new issuance of shares be carried out in the form of electronic registration.

The Enforcement Decree of the relevant law also stipulates that the articles of incorporation (AOI) be revised to enable electronic registration. Accordingly, provisions of the AOI related with physical share and bond certificates are to be deleted or amended, and provisions regarding electronic registration are to be newly inserted.

5.2 Amendment of Article 4 (Method of Public Announcement) of the Articles of Incorporation

The company's method of public announcement is to be changed from placing announcements in newspapers to posting the announcement on the company's Internet website. This change is expected to improve shareholders' accessibility given that some may not subscribe to the newspaper and the public announcements may be viewed on the company website at any time during the posting period without being limited to the when the posting is placed on the newspaper. When the public announcements cannot be posted on the company's website due to various reasons, then the Joongang Ilbo in principle is to be used for public announcements.

【 Comparison of Proposed Amendments to the Articles of Incorporation 】

Item	Current Provision	Proposed Amendment
Adoption of the Electronic Securities System	<p>Article 7 (Class of Shares and Share Certificates) ⑦ Share certificates shall be issued by the Company in eight (8) denominations of one(1), five (5), ten(10), fifty (50), one hundred(100), five hundred (500), one thousand (1,000) and ten thousand (10,000) shares.</p>	<p>Article 7 (Class of Shares) ⑦ Deleted [2020.3.18] [Amend title of article 2020.3.18]</p>
	<newly inserted>	<p>Article 7-2 (Electronic Registration of Rights to be Indicated on Shares and Warrants) The company shall electronically register rights to be indicated on shares and warrants on the electronic register account of the electronic register agency instead of issuing stock certificates and warrant certificates. [Article newly inserted 2020.3.18]</p>
	<p>Article 8 (Transfer Agent) ③ The company shall keep the shareholder register or a copy thereof at the place of business of the transfer agent and have the transfer agent handle transfer of shares, registration and cancellation of pledge rights, indication or cancelation of property in trust, issuance of share certificates, acceptance of reports and other administrative work regarding shares.</p>	<p>Article 8 (Transfer Agent) ③ The company shall keep the shareholder register or a copy thereof at the place of business of the transfer agent and have the transfer agent handle electronic registration of shares, management of the shareholder register and other administrative work regarding shares. [Amended 2020.3.18]</p>
	<p>Article 9 (Reporting of Shareholder's Address, Name and Seal or Signature) ① The shareholder and the registered pledgee shall report his/her name, address and seal or signature to the transfer agent under Article 8. ② Shareholders and pledgees residing in foreign countries shall designate a place and agent in the Republic of Korea to receive notices and report such place and agent. The same shall be the case when any changes occur to matters specified in Paragraphs 1 and 2.</p>	<p>Article 9 Deleted [2020.3.18]</p>
Change in Method of Public Announcement	<p>Article 4 (Method of Public Announcement) ② The company shall post public announcements in the Joongang Ilbo, which is a daily newspaper published in Seoul Metropolitan City, notwithstanding however, that when the announcement cannot be posted in the Joongang Ilbo for inevitable reasons, it shall be posted in the Chosun Ilbo.</p>	<p>Article 4(Method of Public Announcement) ② The company shall post public announcements on the company's Internet website(http://www.samsungsem.com), notwithstanding however, that when the company cannot post public announcements on the company's Internet website due to system disruption or other inevitable reasons, it shall post it in the Maeil Business Newspaper published in the Seoul Metropolitan City. [Amended 2020.3.18]</p>

4. Business Report

In 2019, due to US-China Trade tensions, IT set demand and automotive demand were stagnant compared to the previous year. In terms of component demand, there were also difficulties in increasing demand in new growth areas such as industrial and automotive applications. As a result, Samsung Electro-Mechanics recorded revenue of KRW 8 trillion 40.8 billion and operating profit of KRW 734 billion in 2019.

Even though uncertainty in market growth is expected to remain in 2020 due to on-going US-China trade tensions, the company is pursuing business opportunity growth by tapping new technology inflection points created by the wider adoption of 5G, AI and autonomous driving.

In order to preemptively explore such new business environments, the company plans to reinforce its development capabilities necessary to expand in the high-end market created by new platforms and its marketing capabilities to support the new growth engines. At the same time, the company continues to bolster its product line-up for industrial and automotive applications where additional growth is expected.

An overview of key products and strategies by business division is as follows:

The Component Solution Division pursues business opportunities in passive chip components, which are essential to producing various electronic devices. Major products include MLCCs (multi-layer ceramic capacitors), chip inductors and chip resistors.

The passive component business requires expertise in material development, process technology, equipment technology and quality assurance, and hence is characterized by a high entry barrier.

Based on its proprietary technology, Samsung Electro-Mechanics has secured access to dielectric and magnetic substances, which are the key materials, and has been developing competitive new products using its proprietary manufacturing techniques and equipment.

In 2020, driven by the acceleration of electronic content in automobiles and growth of the EV market coupled with the wider adoption of ADAS, growth is expected to continue in the component market. The demand for small-size, high capacity and high reliability components from both smartphones and base stations due to the 5G roll out is expected to further fuel demand in 2020.

Accordingly, Samsung Electro-Mechanics will actively respond to changes in the downstream market, and add stability to the business structure by increasing its automotive revenue while enhancing its profitability by increasing supply of new high-end products.

The major products of the Module Solution Division are camera modules and communications modules. Demand continues to increase from new areas such as industrial and automotive applications, in addition to the traditional demand from IT devices. In the case of the camera module business, the company will focus on increasing the share of high-end products such as folded zoom and high pixel camera modules to capture the new opportunities coming from the smartphone trend of multi-camera and advance feature camera adoption. It will also emphasize its differentiated technology in key components such as lenses and actuators and expand discrete products to further strengthen its market ownership and profitability.

The communication module business will also continue to increase competitiveness by delivering differentiating products with superior performance as well as smaller and lighter form factors required by new applications emerging in 5G and AI areas.

For the Substrate Solution Division, the major products are package substrates for semiconductors and RF-PCBs. These products are used for packaging IT devices such as smartphones, PCs and wearables as well as semiconductors. In 2020, the company will focus on restoring the profitability of the substrate business by refocusing around high-end products following the close-down of the high-density interconnect (HDI) business last year.

Demand for more advanced circuits and increased layers is growing with the development of the 5G market. Samsung Electro-Mechanics will maintain the strong strategic collaboration with key customers and continue its revenue growth trend especially around high-end substrates. Also, the company will focus on diversifying the RF-PCB customer base and achieving new project wins by developing next generation products to maintain its competitive leadership.

5. Corporate Governance

Overview

Samsung Electro-Mechanics protects shareholders' rights through transparent management. The governance of Samsung Electro-Mechanics consists of legal and transparent procedures based on the Commercial Act of Korea and the Company's Articles of Association. Each member of the Board of Directors contributes to the management and growth of the Company, and effectively performs monitoring/checking functions.

Board Composition

Election of Directors and Terms of Office

Directors are elected by shareholders at a general meeting of shareholders. Candidates for executive directors are nominated by the Board of Directors, while candidates for independent directors are nominated by the Independent Director Recommendation Committee. The total number of directors shall be greater than three and no more than nine. In the case of electing two or more directors, the cumulative voting system prescribed in Article 382-2 of the Commercial Act is not applied. The term of office is three years, and a director may be re-elected at a shareholders' meeting.

Election of Chairman

The chairman of the Board of Directors is elected from among the directors following a resolution of the Board. Currently, independent director Tae Gyun Kwon is serving as chairman.

Board Expertise and Diversity

The Company does not set restrictions pertaining to race, sex, region of origin, or area of expertise when considering Board members. It actively considers individuals who can participate in the Board with new and diverse perspectives. In particular, for independent directors, the Company seeks candidates who meet the qualifications set forth by relevant laws and regulations, and have expertise or experience in areas such as management, economics, accounting, law or relevant technologies.

Director Independence

The "independence" of independent directors is evaluated in accordance with Article 382 and Article 542-8 of the Commercial Act, and with Article 22-2 of the Articles of Incorporation of the Company. If a requirement is not met, a determination of no "independence" is made. In particular, individuals who engage in Company business, have key interests with major shareholders or with the Company, or have worked as employees of the Company within the past two years are prohibited from serving as independent directors.

Operations of the Board of Directors

Board Types

- Regular Board Meetings: Meetings are held once every quarter as a general rule.
- Special Board Meetings: Meetings are held as needed.

Board Meetings

The chairman calls the meeting of the Board of Directors and must notify each director of the meeting date at least 12 hours before the time of meeting. A director may request the chairman convene a meeting of the Board by submitting the agenda and objectives if he or she has determined that there are justifiable reasons for business purposes. If the chairman refuses to convene the Board without just cause, the director who raised the subject matter may himself or herself call a meeting of the Board.

Board Resolution

A resolution of the Board of Directors shall be made when a majority of the directors are in attendance and by a majority vote of the directors in attendance. However, to the extent permitted by relevant laws and ordinances, it is possible to conduct a meeting by means of telecommunication. In order to conduct a fair evaluation and engage in a rational decision-making process, directors with special interests in the subject matters being reviewed are prohibited from exercising their voting rights and are not included in the number of voting rights of the directors in attendance.

Main Matters Considered

Shareholders Meetings and Proposals

- Convening general meetings of shareholders
- Approval of operating reports and financial statements
- Amendments to the Articles of Incorporation
- Appointment and dismissal of directors
- Matters relating to the Company's dissolution, mergers and acquisitions, and transfer of the entire business or key parts of the business, as well as transfer of the entire business or key parts of the business of another company that can have significant implications for the Company
- Directors' compensation, etc.

Management Matters

- Decisions regarding basic management policies of the Company, and amendments
- Approval of management plans and of quarterly and semi-annual reports

Financial Matters

- Matters concerning issuance of shares(Decisions regarding issuance of new shares, Issuance of convertible bonds and bonds with subscription rights)
- Acquisition, disposal and retirement of treasury stock
- Approval of internal transactions
- Matters involving other key corporations and pertaining to investment/disposal, furnishing of collateral/debt guarantees, credit agreements, etc.

Matters Concerning Directors, Board of Directors, Committees

- Approval of directors' involvement in competitive businesses, of concurrent service for another business in the same industry, and of transactions between a director and the Company
- Appointment of the chairman of the Board of Directors
- Appointment of the CEO of the Company and joint representatives
- Establishment of committees, appointment and dismissal of committee members
- Establishment and dismissal of other operating rules for the Board and committees

Other

- Matters set forth in the law or the Articles of Incorporation
- Matters delegated by the meeting of shareholders and matters deemed necessary by the CEO

Responsibilities and Obligations

Fiduciary Duty of Directors

Directors have a duty of care in making decisions as corporate fiduciaries.

Duty in Good Faith

Directors must perform their duties faithfully for the Company in accordance with the provisions of the law and the Articles of Incorporation.

Prohibition of Directors' Involvement in Managing Competitive Businesses

Unless approved by the Board or by a committee set by the Board, directors may not engage in operating businesses that are in the same industry as the Company

Other

Liability Insurance

- In accordance with internal regulations and with approval from the Board or the appropriate committee, the Company provides directors with liability insurance.

Scope of indemnification: The insurance covers the damages to shareholders and other stakeholders arising from a director's violation of his or her duty of care as a fiduciary and of his or her duty in good faith.

Efforts to Support Independent Directors

In accordance with relevant regulations, independent directors, who play an integral role in maintaining the independence of the Board of Directors, may receive the assistance of external specialists in making important decisions. To this end, the Company has made it a policy to provide external support to the greatest extent possible, such as providing the services of legal or accounting advisers, upon request by independent directors.

In order to provide opportunities for independent directors to exchange opinions and suggestions on matters of overall management of the Company, meetings of independent directors without members of management present are held regularly (at each quarterly meeting of the Board) or when needed.

The Company does not hesitate to provide all the support necessary for independent directors to actively and independently serve the Company. The Company supports regular educational or training efforts such as visits to domestic and international management sites and reports on the status of operations.

Board Committees

The Board of Directors has five sub-committees consisting of the Management Committee, the Audit Committee, the Independent Director Recommendation Committee, the Related Party Transaction Committee and the Compensation Committee.

The Management Committee

The Management Committee deliberates and decides matters either delegated by the BOD, or specified in the Articles of Incorporation or Regulations of the Board of Directors, aiming to enhance professionalism and efficiency of decision making.

The Audit Committee

The Audit Committee supervises and supports management to maximize corporate value using a system of checks and balances. The Committee consists of three Directors, and at least two thirds of them, according to relevant laws and regulations, must be Independent Directors.

The Independent Director Recommendation Committee

The Independent Director Recommendation Committee ensures that outside directors are recruited and recommended in a fair and independent matter. The Committee currently consists of three independent directors and two executive directors.

The Related Party Transaction Committee

The Related Party Transaction Committee (also known as Internal Transaction Committee) is a compliance body to enhance corporate governance and to promote fair transaction. The Committee reviews pending transactions between the company and its related parties

The Compensation Committee

The Compensation Committee evaluates the appropriateness of and reviews and approves the limit on Director's compensation to be submitted for resolution at a general meeting of shareholders. The Committee comprises two independent directors and one executive directors.

Composition of the BOD committees

Committee	Members		
	Chair	Executive Director	Independent Director
Management	Mr. Yun Tae Lee	Mr. Yun Tae Lee Mr. Kang Heon Hur Mr. Byoung Jun Lee	-
Audit	Ms. Hyun Cha Choe	-	Ms. Hyun Cha Choe Mr. Tae Kyun Kwon Mr. Yong Kyun Kim
Independent Director Recommendation	-	Mr. Yun Tae Lee Mr. Byoung Jun Lee	Mr. Tae Kyun Kwon Mr. Yong Kyun Kim Mr. Ji Beom Yoo
Related Party Transactions	Ms. Hyun Cha Choe	-	Ms. Hyun Cha Choe Mr. Tae Kyun Kwon Mr. Yong Kyun Kim
Compensation	Mr. Tae Kyun Kwon	Mr. Byoung Jun Lee	Mr. Tae Kyun Kwon Mr. Yong Kyun Kim

※ As of the end of December 2019

Profile of the BOD members

[Executive Directors]



Yun Tae Lee

Date of Birth : Jul. 19, 1960

Start of term : Mar. 23, 2018
(1st term started in Mar. 2015)

Expiration of term : Mar. 23, 2021

Career

2015~2020.01

Chief Executive Officer,
Samsung Electro-Mechanics
EVP, LCD Development

2012 ~ 2014

Department, Samsung Display

2010 ~ 2010

SVP, Head of the LSI
Development Team, System LSI

2009 ~ 2010

Division, Samsung Electronics
SVP, Head of Image

2006 ~ 2008

Development Team, System LSI
Division, Samsung Electronics
VP, Team Leader of the Product

Planning Team, System LSI
Division, Samsung Electronics



Kang Heon Hur

Date of Birth : Mar. 17, 1963

Start of term : Mar. 23, 2018
(1st term started in Mar. 2018)

Expiration of term : Mar. 23, 2021

Career

2015~Present

EVP, Chief of Research
Laboratory, Samsung Electro-
Mechanics

2011 ~ 2015

SVP, Chief of Research
Laboratory, Samsung Electro-
Mechanics

2010 ~ 2011

SVP, Head of LCR Development
Team, Samsung Electro-
Mechanics

2006 ~ 2010

SVP, Head of LCR Development
Team, Samsung Electro-
Mechanics

2004~ 2006

VP, Head of Chip Component
Development Team, Samsung
Electro Mechanics



Byoung Jun Lee

Date of Birth : Jan. 7, 1968

Start of term : Mar. 23, 2018
(1st term started in Mar. 2018)

Expiration of term : Mar. 23, 2021

Career

'20~Present

SVP, Business Support T/F,
Samsung Electronics

2017~2019

SVP, Head of Corporate
Business Support Team,
Samsung Electro- Mechanics

2017 ~ 2017

SVP, Head of Business
Operation Group, Samsung
Display

2012 ~2017

VP, Executive in charge of
Strategy Team 1, Samsung Future
Strategy Office

2011 ~ 2011

VP, Head of Business Operation
Group, VD Division, Samsung
Electronics

[Independent Directors]



Tae Kyun Kwon

Date of Birth : Nov. 28, 1955
 Start of term : Mar. 24, 2017
 (1st term started in Mar. 2014)
 Expiration of term : Mar. 24, 2020

2015 ~ Present
 2010 ~ 2013
 2009 ~ 2010
 2008 ~ 2009
 1977

Non-standing Advisor to Law Firm Yulchon
 Ambassador to the United Arab Emirates
 Administrator of the Public Procurement Service (Deputy Minister Level)
 Director General of the Trade Investment Bureau , Ministry of Knowledge Economy
 Passed the 21st Civil Servant Examination



Hyun Cha Choe

Date of Birth : Apr. 4, 1962
 Start of term : Mar. 24, 2017
 (1st term started in Mar. 2014)
 Expiration of term : Mar. 24, 2020

2017~Present
 1996~Present
 2015 ~ 2016
 2015 ~ 2016
 2013 ~ 2014
 2017~Present

Incoming President of the Korean Society of FP
 Professor, Consumer Studies Department, Seoul National University
 Member of the Financial Reform Council and Financial Reform Promotion Committee, Financial Services Commission
 5th President of the Korean Academy of Financial Consumers
 16th Co-President of the Korean Society of Consumer Studies
 Incoming President of the Korean Society of FP



Ji Beom Yoo

Date of Birth : Sep. 6, 1959
 Start of term : Mar. 24, 2017
 (1st term started in Mar. 2017)
 Expiration of term : Mar. 24, 2020

1994~Present
 2015 ~ 2018
 2011 ~ 2014
 2009 ~ 2014

Professor, Advanced Materials Science and Engineering Department, Sungkyunkwan University
 Vice-President of the Natural Sciences Campus & Head of the Academic-Industrial Cooperation Group, Sungkyunkwan University
 Dean of Engineering College, Sungkyunkwan University
 Vice-President of the Sungkyun Nano-Science Institute



Yong Kyun Kim

Date of Birth : Jul. 2, 1954
 Start of term : Mar. 23, 2018
 (1st term started in Mar. 2018)
 Expiration of term : Mar. 23, 2021

2010~Present
 2010~Present
 2009 ~ 2010
 2006 ~ 2008
 2002 ~ 2006
 1979.

Public Relations Ambassador, Briguette Bank (Babsang Community Welfare Foundation)
 Attorney, Law Firm Barun
 Head of the Seoul Administrative Court and Head of the Seoul Family Court
 Head of the Euijeongbu District Court
 Senior Judge, Seoul High Court, Criminal 6th Division
 Graduated from the Judicial Research & Training Institute

BOD Activities

Board meetings & voting results of independent directors

R o u n d	Date	Agenda	Result	Board Members and Attendance			
				Tae Kyun Kwon (Attendance : 100%)	Hyun Cha Choe (Attendance : 100%)	Ji Beom Yoo (Attendance : 100%)	Yong Kyun Kim (Attendance : 100%)
				For / Against			
19 - 1st	2019- 01-29	1. Matter of approving the 46th Financial Statements and Business Report	Approval	For	For	For	For
		2. Report on results of legal compliance for 2018 and plan for 2019	Report item	-	-	-	-
19 - 2nd	2019- 02-26	1. Matter of agenda and matters for resolution for the 46th Annual General Meeting	Approval	For	For	For	For
		2. Report on the operational state of the internal accounting management system for 2018	Report item	-	-	-	-
		3. Report on the evaluation of the operational state of the internal accounting management system for 2018	Report item	-	-	-	-
19 - 3rd	2019- 03-20	1. Matter of approving director compensation	Approval	For	For	For	For
19 - 4th	2019- 04-30	1. Matter of the 2019 fire insurance contract	Approval	For	For	For	For
		2. Matter of amending the Board of Directors regulations	Approval	For	For	For	For
		3. Matter of amending the Audit Committee regulations	Approval	For	For	For	For
		4. Matter of transferring the PLP business	Approval	For	For	For	For
		5. Matter of report on 2019 1st quarter results and forecast for the 1st half of 2019	Report item	-	-	-	-
19 - 5th	2019- 07-24	1. Execution of donations	Approval	For	For	For	For
		2. Formation of New Association for Venture Investment	Approval	For	For	For	For
		3. Report of 2019 2Q results and 3Q outlook	Report item	-	-	-	-
19 - 6th	2019- 10-24	1. Matter of carrying out new social contribution program	Approval	For	For	For	For
		2. Report of 3Q19 results and future prospects	Report item	-	-	-	-
19 - 7th	2019- 12-12	1. Matter of approving 2020 limits on transactions with special interest parties	Approval	For	For	For	For
		2. Matter of approving large scale internal trading	Approval	For	For	For	For
		3. Matter of Approving R&D cooperation fund contribution	Approval	For	For	For	For
		4. Matter of liquidating Kunshan	Approval	For	For	For	For
		5. Matter of subsidizing Kunshan	Approval	For	For	For	For

Committee participation of Independent Directors in FY2019

Audit Committee

Date	Agenda
Feb. 26 2019	<ol style="list-style-type: none"> 1. Report on 2018 internal accounting management system activities 2. Report on 4Q18 execution result on donation 3. Report on 2018 financial statement and business report
Apr. 30 2019	<ol style="list-style-type: none"> 1. Report on 1Q19 execution result on donation 2. Report on 1Q19 business report 3. Report on review of independent director appointment 4. Report on amendment of audit committee regulations 5. Report on amendment of internal accounting management regulations
Jul. 24 2019	<ol style="list-style-type: none"> 1. Report on 2Q19 execution result on donation 2. Report on 2Q19 financial statement and business report 3. Report on review of independent director appointment 4. Report on 1H19 audit activities
Oct. 24 2019	<ol style="list-style-type: none"> 1. Establishment on compliance with independent directors 2. Report on 3Q19 execution result on donation 3. Report on 3Q19 financial statement and business report 4. Report on review of independent director appointment 5. Report on operational status of internal accounting management and assessment method of audit committee

Related party transactions committee

Date	Agenda
Feb. 26 2019	<ol style="list-style-type: none"> 1. Report on 2018 related party transactions
Apr. 30 2019	<ol style="list-style-type: none"> 1. Review on 2019 indemnity insurance 2. Report on 1Q19 related party transactions 3. Review on business transfer to related party
Jul. 24 2019	<ol style="list-style-type: none"> 1. Review on large-scale related party transactions 2. Report on 2Q19 related party transactions
Oct. 24 2019	<ol style="list-style-type: none"> 1. Report on 3Q19 related party transactions
Dec. 12 2019	<ol style="list-style-type: none"> 1. Review on 2020 transaction limit with related parties 2. Review on large-scale related party transactions

Compensation committee

Date	Agenda
Feb. 26 2019	<ol style="list-style-type: none"> 1. Review on remuneration limit for Directors