

**Disclaimer**

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**PHISON ELECTRONICS CORP.  
2015 ANNUAL GENERAL SHAREHOLDERS' MEETING  
MEETING MINUTES**

(Translation)

Time and Date: 9:00 AM on June 2, 2015 (Tuesday)

Place: 2F Meeting Room, No. 399, Yo-Yi Rd., Jhunan, Miaoli, Taiwan

Total outstanding Phison shares: 197,373,993 shares

Total shares represented by shareholders present in person or by proxy :  
161,463,933 shares

Percentage of share held by shareholders present in person or by proxy : 81.80%

Chairman: Mr. KS Pua, the chairman of the Board of Directors

Recorder: Angela Lee

Attendants' directors: Director Aw Yong Cheek Kong · Director Kuang T.H. · Director Chen An Chung · Director TOSHIBA CORP. Representative: Hirtoto Nakai · Independent Director Wang Shu Fen · Independent Director Wang Michael.

Attendants as guest or observer: Supervisor Yang Jiunn Yeong · Supervisor Wang Huei Ming · Supervisor Churchill Chen · Accountants Dai Xin Wei of Deloitte & Touche · Lawyer Neng-Yu Jseng of Hong Li.

**I. Call Meeting to Order :**

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

**II. Chairman's Address (Omitted)**

**III. ITEMS TO REPORT: (Proposed by Board of Directors)**

**Motion 1 :** 2014 Business Report, please refer to Attachment 1.

**Motion 2 :** Supervisor' Review Report on the 2014 Financial Statements, please

refer to Attachment 2.

**Motion 3 :** Implementation of Investments in the PRC, please refer to Attachment 3.

**Motion 4 :** To report the establishment of “Code of Conduct for Director, Supervisor and Manager”, please refer to Attachment 4.

**Motion 5 :** To report the Status of private placement, please refer to Attachment 5.

#### **IV. ACCEPT ITEMS :**

##### **Motion 1. (Proposed by Board of Directors)**

**Topic: Adoption of the 2014 Business Report and Financial Statements, please be accepted.**

**Explanation:** (1) Phison Electronics Company's Financial Statements of 2014, Nonconsolidated Financial Statements (Including Nonconsolidated Balance Sheet, Nonconsolidated Statements Of Income, Nonconsolidated Statement Of Changes In Shareholders' Equity and Nonconsolidated Statements Of Cash Flows) and Consolidated Financial Statements (Including Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statement Of Changes in Equity and Consolidated Statement of Cash Flow), were audited by independent auditors, Mr. Dai Xin Wei(戴信維) and Mr. Fan Yu Wei(范有偉) of Deloitte & Touche. Also Business Report and Financial Statements have been approved by the Board and examined by the supervisors of the Company.

(2) The 2014 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Agenda, attachment 1 and attachment 6.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

##### **Motion 2. (Proposed by Board of Directors)**

**Topic: Adoption of the Proposal for Distribution of 2014 Profits, please be accepted.**

**Explanation:** (1) The net profit after taxes of the Company for Year 2014 are NT\$ NT\$3,201,148,483. The Company prepared the proposal regarding the distribution of profits for Year 2014 according to the rules of the Articles of the Corporation. The table of earnings distribution of the Company for Year 2014 is proposed as below :

**Phison Electronics Corporation**  
**PROFIT DISTRIBUTION TABLE**  
**Year 2014**



(Unit: NTD \$ )

Items	Total
<b>Beginning retained earnings</b>	<b>5,337,165,911</b>
Less: The actuarial gains and losses of defined benefit plans of 2014 is included in retained earnings	5,250,338
<b>Retained earnings after adjusted</b>	<b>5,331,915,573</b>
Add: net profit after tax of Year 2014	3,201,148,483
Less: 10% legal reserve	320,114,848
Add: Setting aside the special reserve under the law	6,184,662
<b>Distributable net profit</b>	<b>8,219,133,870</b>
Distributable items:	
Dividend to shareholders-Cash(Distributed NT\$11.2 per share)	2,210,588,722
<b>Unappropriated retained earnings</b>	<b>6,008,545,148</b>
Remark:	
1. Compensation of directors and supervisors : NT\$26,571,603 Employee bonus sharing : NT\$420,000,000	
2. Total Distributable Amount : NT\$2,657,160,325	
A. Compensation of directors and supervisors : NT\$26,571,603 is 1% of total distribution amount.	
B. Employee bonus sharing : NT\$420,000,000 is 15.81% of total distribution amount.	
C. Dividend to shareholders : NT\$2,210,588,722 is 83.19% of total distribution amount.	

Director :



Manager :



Financial Manager :



(2) The shareholder cash dividends of NT\$2,210,588,722 are allotted to the shareholders recorded on the shareholders' register roster on the Base Day for cash dividend distribution and are distributed in proportion to the amount of their shares hold. The cash dividend distribution is calculated by digits (NT\$1). The sum of decimals will transferred to the Employees Welfare Committee of the Company. The proportion is NT\$11.2 for every share. The above distributed amount per share for Shareholder Dividend was calculated based on the total actual outstanding common shares of the Company as of 03.17.2015 197,373,993 shares. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and other relevant issues. In addition, in case that the actual total outstanding shares of the Company on Base Day for cash dividend distribution(Ex-Dividend) changes, the Board of Directors be authorized to adjust the cash to be distributed to each share based on the number of actual shares outstanding on the record date for distribution. Regarding the actual list of distributing cash bonuses to employees will be decided by authorized management and will be carry out after approving by the Remuneration Committee of the Company.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

## **V. DISCUSSION ITEMS :**

### **Motion 1. (Proposed by Board of Directors)**

**Topic:** Amendment to the partial articles of the Articles of the Corporation, please be discussed.

**Explanation:** In order to meet the requirements of business operation, the



company will revisions the partial articles of the Articles of the Corporation. Regarding the revised articles of the Articles of the Corporation, please refer to Attachment 7 amendment comparison table for the Articles of the Corporation.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**Motion 2. (Proposed by Board of Directors)**

**Topic:** Amendment to the partial articles of the "Procedures for Election of Directors and Supervisors", please be discussed.

**Explanation:** In order to meet the requirements of business operation, the company will revisions the partial articles of the Procedures for Election of Directors and Supervisors. Regarding the revised articles of the "Procedures for Election of Directors and Supervisors", please refer to Attachment 8 amendment comparison table for the "Procedures for Election of Directors and Supervisors".

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**Motion 3. (Proposed by Board of Directors)**

**Topic:** Amendment to the "Procedure of Engaging in Derivatives Trading" please be discussed.

**Explanation:** (1) In order to meet the requirements of business operation, the Company proposed to revise partial articles of "Procedure of Engaging in Derivatives Trading".

(2) Please refer to Attachment 9 amendment comparison table for the "Procedure of Engaging in Derivatives Trading".

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.



**Motion 4. (Proposed by Board of Directors)**

**Topic:** Amendment to the “Operational Procedures for Loaning of Company Funds”, please be discussed.

**Explanation:** (1) According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the operation needs of the Company, the Company proposed to revise partial articles of the company “Operational Procedures for Loaning of Company Funds”.

(2) Please refer Attachment 10 amendment comparison table for the “Operational Procedures for Loaning of Company Funds” .

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**Motion 5. (Proposed by Board of Directors)**

**Topic:** Proposal for a cash offering by private placement, please be discussed.

**Explanation:** 1. In order to introduce of the strategic investors and to strengthen the long-term business relationship with the strategic partners, to contribute the Company's business development and meet the requirements of the Company's operation plan, after considering the timeliness and simplification of raising the capital and bringing in the strategic investors, we proposed to conduct the private placements of new common shares with specific subscribers according to the Article 43-6 of Securities and Exchange Act and related regulations. The Company proposed to issue not more than 20,000,000 new shares of privately placed shares, and the new issued capital of the Company will not be increased more than NT\$200,000,000. The face value per share is NT\$10, and all new shares are common shares.

2. According to the Article 43-6 of Securities and Exchange Act and Directions for Public Companies Conducting Private Placements of Securities, the explanations are as below:

- (1) The basis and rationale for the setting of the price:
  - A. For setting the offering price of privately placed shares, the offering price shall be not lower than 80% of the higher price of the following two calculations:
    - (a) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
    - (b) The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
  - B. The final date of price determination date and final price of privately placed shares was authorized the board directors to decide according to the condition of the actual specific subscribers and market situation.
  - C. The method of setting the offering price is based on the rules of Directions for Public Companies Conducting Private Placements of Securities, and because the privately placed shares can't be freely transferred within three years and considering the business benefit from cooperating with the strategic partners, so the method of setting the offering price is rational.
- (2) The means of selecting the specified persons:
  - A. The Company will decide the actual specific subscribers according to the regulations of the Article 43-6 of Securities and Exchange Act and other related regulations, and will be limited to the strategic investors.
  - B. The subscriber will be limited to the strategic investors:
    - (a) The method and objectives of selecting the subscriber: The

Company will choose the strategic investors who can provide assistance to the Company in terms of enlarged market, or increased product efficiency, or enhanced skills.

(b) The necessity for that selection: The Company can enhance long-term competitiveness and operational efficiency of the Company through the business cooperation of strategic investors, so it's necessary.

(c) The anticipated benefits: With the advantage of the strategic investors' experience, products technology, knowledge, brand reputation and market access, such as through strategic cooperation and joint product development, integrated marketing, or business development and cooperation are expected to help the Company to reduce product costs, improve product technology, expand the sales market, to enhance the Company's future operating performance.

C. There are no confirmed subscribers now.

(3) The reasons necessitating the private placement.

A. The reasons for the necessity for conducting the private placement, specify the reasons for not using a public offering : Considering the capital market conditions, the issue costs, timeliness and feasibility of financing by way of private placement, as well as the method of private placement have the characteristics of quick and simple procedure of offering new shares and the limitation of transferring shares for 3 years, that can more ensure the long-term relationship with the strategic partners. So, we decided to conduct the method of private placement instead of the public offering.

B. The limit on the private placement: Issue not more than 20,000,000 new shares.



C. The use of the funds raised by the private placement and the anticipated benefits : This private placement of new common shares may be carried out in 1~3 times in installments(not more than 3 times) within one year since the date of the resolution of the shareholders meeting. Each proceeds of the private placement will be fully operational in order to enrich the necessary working capital in response to develop long-term operations. Each of private placement is expected to have the anticipated benefits to lower business risks, strengthen the financial structure, improve the effectiveness of the Company's future operating performance.

Carried out times	The use of the funds raised	Anticipated benefits
carried out 1 times	With the industrial big plant for the strategy partner, simultaneously enriches transport business circulating capital and needs in accordance to the company long-term transport business development.	Reduces management risk the company, the strengthened finance structure, will promote this company future benefit of the transport business chievements.
carried out 1~2 times	2 times all "With the industrial big plant for the strategy partner, simultaneously enriches transport business circulating capital and needs in accordance to the company long-term transport business development."	2 times all "Reduces management risk the company, the strengthened finance structure, will promote this company future benefit of the transport business chievements."
carried out 1~3 times	3 times all "With the industrial big plant for the strategy partner, simultaneously enriches transport business circulating capital and needs in accordance to the company long-term transport business development."	3 times all "Reduces management risk the company, the strengthened finance structure, will promote this company future benefit of the transport business chievements."

(4) There is no significant change in managerial control within the 1 year period immediately preceeding the day on which the

board of directors resolves on this private placement plan. And the Company proposed to issue not more than 20,000,000 new shares of privately placed shares that will be within 9.2% of the new total capital after conducting this private placement plan that will have a positive contribution to the Company's business development.

(5) Other items:

- A. In principle, the right and the obligation of the privately placed new shares are equivalent to the common shares which have been issued by the Company. However, according to the Article 43-8 of Securities and Exchange Act, the privately placed shares may not be sold within three full years since the delivery date of the shares. After three years since the delivery date of the shares, the Company will arrange with the chief authorities for a public offering and listing on the stock market for the privately placed shares, according to the regulations of Securities and Exchange Act and other related regulations.
- B. After the related items of private placement of new common shares being agreed by the shareholders meeting, the Board of Directors will be fully authorized to handle and execute the whole plan and the other matters concerned or any items need be changed.
- C. In addition to above authorization, the shareholders would authorize the Chairman to sign, negotiate changes to all relevant contracts and documents of the private placement of new shares, and handle all related items of issue the privately placed new shares.

(6) According to the Securities Future Investors Protection Center Letter bearing reference number 2015.3.24 Zheng Ba Far 1041000620, the explanations as follows:

1. This private placement for replenish the Company operating cash's necessity and reasonableness :

Though, in the consolidated balance sheets of the Company in 2014 cash and cash equivalents is NT\$7,566,766 thousands on December 31, 2014. For cash and cash equivalents, NT\$2,657,160 thousands for dividends to shareholders, bonus to employees and remuneration to directors and supervisors, the balance of NT\$4,909,606 thousands is for normal operation using, which is only 1.78 times to monthly average net revenues (NT\$2,752,634). And, NT\$925,000 thousands input from last private placement in 2014 is completely used by the third quarter of 2014 which was posted in the MOPS.

Besides for the Company to well prepare for a more prosperous industry and to enhance competitiveness to keep the leadership in Flash industry, the Company plans to mass the investments of products research and development to speed the production of profitable new products. By introducing conductive strategic investors, the Company will expand its product lines and markets; hence the Company should raise funds to meet the future operation needs.

2. Assess this private placement's purposes & the impact of managerial control and shareholders' equity.

The aim of the private placement is the introducing strategic investors to strengthen the long-term relationship with strategic business partners. The Company will cooperate with the strategic investors to develop both products and markets, to enhance the position in technical and to raise the marketing shares. The strategic private placement is necessary for the Company's business and development in long-term.

There is no significant change in managerial control within the

1 year period immediately preceding the day on March 17, 2015 board of directors resolves on this private placement plan. And the Company proposed to issue not more than 20,000,000 new shares of privately placed shares that will be within 9.2% of the new total capital after conducting this private placement plan, will be carried out in 1~3 times in installments and hope can raise the change of different strategic investors, and dispersed subscription object of this private placement, reduce the probability of a result of the private placement and the right to operate significant changes to ensure that existion shareholers' equity. The future of the company looking for a strategice investor will be raised prior consultation with the subscribers, with the right to operate without a significant change occurs in that will have a positive contribution to the Company's business development. The Company expected there will be not have significant change in managerial control after the introduction of strategic investor through private placement.

**Resolution:** The resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion.

**VI. Extemporaneous motions : None.**

**VII. The meeting was adjourned at 9:27 AM on June 2, 2015 (Tuesday).**



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**KS Pua**  
**Chairman of the Board of Directors**



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**Angela Lee**  
**Recorder**

This annual shareholders' meeting minutes only recorder the states of meeting important item, if any other meeting information not including on meeting minutes, it will be based on meeting video or sound recorder.