

【Translation】



Stock Code: 8299

PHISON ELECTRONICS CORP.

Handbook for the 2016 Annual Meeting of Shareholders

Time: June 15, 2016

Place: 1 Factory, 1F Meeting Room, No. 1, Qun Yi Rd., Jhunan,
Miaoli, Taiwan

【Important Disclaimer】

(This HANDBOOK FOR THE 2016 ANNUAL MEETING OF SHAREHOLDERS has been translated into English from the original Chinese version prepared and used in the Republic of China, and this English version was only for reference.)

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Phison Electronics Corporation

Procedure for the 2016 Annual Meeting of Shareholders

Call the Meeting to Order

Chairperson Remarks

Motions to be discussed (1)

Company Reports

Motions to be accepted

Motions to be discussed (2)

Extemporaneous Motions

Adjournment

Phison Electronics Corporation

Year 2016

Agenda of Annual Meeting of Shareholders

Time: 9:00 AM on Wednesday, June 15, 2016

Place: 1 Factory, 1F Meeting Room, No. 1, Qun-Yi Rd., Jhunan, Miaoli, Taiwan

Call the Meeting to Order.

Chairperson Remarks

Motions to be discussed (1)

1. Amendment to the Company's partial articles of the Articles of the Corporation.

Company Reports

1. Adoption of the proposal for Distribution of employees' remuneration as well as compensation of directors and supervisors of 2015 Profits.
2. 2015 Business Report.
3. Supervisor's Review Report on the 2015 Financial Statements.
4. Report of the Company's new indirect investments in Mainland China during 2015.
5. Report on the implementation of the privately offered common shares passed in the 2015 shareholder's meeting.

Motions to be accepted

1. Adoption of the 2015 Business Report and Financial Statements.
2. Adoption of the Proposal of Distribution of 2015 Profits.

Motions to be discussed (2)

1. Proposal for a cash offering by private placement.
2. Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

Extemporaneous motions

Adjournment

Motions to be discussed (1)

Proposed by the Board of Directors

Proposal:

Amendment to the Company's partial articles of the "Articles of the Corporation".

Explanation:

The revisions of the "Articles of Corporation" is in accordance with the addition of Article 235-1, and the amendments of Articles 235 and 240, due to changes in the Company Act, and revisions in accordance to company required. Regarding the revised articles of the Articles of the Corporation, please refer to Attachment 1 (page 17~20) for the amendment comparison table.

Resolution:

Company Reports

Proposed by the Board of Directors

Report No. 1

2015 employee and directors' compensation plan.

Explanation:

1. These are adopted pursuant to "Article 19 of Articles of The Corporation" on Dec. 30 2015, board of director meeting proposal, "When the Company makes profits after the end of each fiscal year, it shall set aside 8%~19% as employees' remuneration and not more than 1.5% as compensation of directors and supervisors ...below articles be omitted".
2. The company's 2015 profit (Profit mains before Pre-Tax Income includes employees' remuneration and compensation of directors and supervisors.) is NT\$5,099,374,410, the company proposed distribute employees' remuneration NT\$500,000,000 and compensation of directors and supervisors NT\$38,000,000, which will be distributed by cash.

Proposed by the Board of Directors

Report No. 2

2015 Business Reports.

Explanation:

The 2015 Business Report is attached as page 21~25, Attachment 2.

Proposed by the Board of Directors

Report No. 3

Supervisor's Review Report on the 2015 Financial Statements.

Explanation:

The Company's 2015 Financial Statements (Including Nonconsolidated Balance Sheet, Nonconsolidated Statements Of Income, Nonconsolidated

Statement Of Changes In Shareholders' Equity and Nonconsolidated Statements Of Cash Flows) as well as Consolidated Financial Statements (Including Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statement Of Changes in Equity and Consolidated Statement of Cash Flow) have been audited and certified by Certified Public Accountants, which have been audited and attested by the supervisors along with the business report and earnings distribution for the issuance of the review report.

Please refer to Attachment 3 (page 26) of the Supervisors' review report which submits according to the Article 219 of Company Law.

Proposed by the Board of Directors

Report No. 4

Report of the Company's new indirect investments in Mainland China during 2015.

Explanation:

Phison invreased indirect investments in 2015 in mainland China through its offshore subsidiary please refer to Attachment 4 (page 27).

Proposed by the Board of Directors

Report No. 5

Report on the implementation of the privately offered common shares passed in the 2015 shareholder's meeting.

Explanation:

The motion of private placement quantities 20,000,000 shares and carried out in 1~3 times in installments within one year since the date of the resolution of the shareholders meeting was approved by shareholder's meeting on June 2, 2015. According the private placement consider existing decree timeliness and feasibility of the norm. The Company won't have any other issuance plan of privately placed new shares, so the Company passes a resolution of cancel the 20,000,000 shares.

Motions to be accepted

Proposed by the Board

1.

Proposal:

Adoption of the 2015 Business Report and Financial Statements.

Explanation:

- (1) The 2015 business report, financial statements and consolidated financial statements of year 2015 have been approved by board of directors and also been reviewed and attested by the supervisor.
- (2) The financial statements of year 2015, including the balance sheet (which contains consolidated balance sheet), the income statement (which contains consolidated income statement), the statement of changes in equity (which contains consolidated statement of changes in equity) and the statement of cash flow (which contains consolidated statement of cash flow) have been audited and certified by Deloitte & Touche's Certified Public Accountants Mr. Dai Xin Wei and Mr. Fan Yu Wei with a standard unqualified opinion.
- (3) For details of the business report, financial statements and consolidated financial statements, please refer to Attachment 2 (page 21~25) and Attachment 5 (page 27~42).

Resolution:

2.

Proposed by the Board

Proposal:

Adoption of the Proposal for Distribution of 2015 Profits.

Explanation:

(1) The net profit after taxes of the Company for Year 2015 are NT\$ NT\$4,000,008,649. The Company prepared the proposal regarding the distribution of profits for Year 2015 according to the rules of the Articles of the Corporation. The table of earnings distribution of the Company for Year 2015 is proposed as below :

**Phison Electronics Corporation
PROFIT DISTRIBUTION TABLE
Year 2015**

(Unit: NTD \$)

Items	Total
Beginning retained earnings	6,008,545,148
Less: The actuarial gains and losses of defined benefit plans of 2015 is included in retained earnings	(18,337,706)
Retained earnings after adjusted	5,990,207,442
Add: net profit after tax of Year 2015	4,000,008,649
Less: 10% Legal Reserve	400,000,865
Less: Provision of Special Reserve	106,301,456
Distributable net profit	9,483,913,770
Distributable items:	
Dividend to shareholders-Cash(Distributed NT\$12 per share)	2,368,487,916
Unappropriated retained earnings	7,115,425,854

Director :

Manager :

Financial Manager :

(2) The shareholder cash dividends of NT\$2,368,487,916 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\$12 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 03.22.2016 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.

Resolution:

Motions to be discussed (2)

1.

Proposed by the Board

Proposal:

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

Explanation:

1. In order to introduce strategic investors and to strengthen long-term business relationships with the strategic partners, for the Company's business development and operation plan, we propose to conduct the private placements of new common shares according to the Article 43-6 of Securities and Exchange Act. The Company propose to issue not more than 20,000,000 new shares of privately placed common shares, and the increased capital of the Company will be not 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 follows:
 - (1) The basis and reasonableness of the private placement pricing:
 - 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. Subject to the resolutions in the shareholder's meeting, the price determination date, actual private placement pricing are proposed to authorize the Board to determine after taking into consideration of the actual specific subscribers and market status.

C. The determination of the Private Placement price shall be based on the regulations of Directions for Public Companies Conducting Private Placements of Securities. Additionally, in consideration of the company's future development, the legal restriction to the transfer of the privately placed securities from timing, transferee to quantity together with the prohibition of OTC listing requirements within 3 years, thus the price should be considered reasonable and will not have material impact on shareholders' equity.

(2) The means of selecting the specified persons:

A. The means of selecting the specified persons is pursuant to Article 43-6 of the Securities and Exchange Act and Financial Supervisory Commission, Execution Yuan Letter (91) Tai-Cai-Zheng-Yi No. 0910003455, dated June 13, 2002; and the investor of the Private Placement is limited to 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 and who can recognize the Company's operating strategy.

b. The necessity of private placement: 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. Anticipated benefits: By way of involving strategic investors' experience, products technology, knowledge, brand reputation and sales channel, to help strategic cooperation, joint product development, integrated marketing, business development and cooperation, those are expected to help the Company to reduce product costs, improve product technology, expand the sales market, and to enhance the Company's future operating performance.

C. There are no confirmed subscribers now.

(3) Private placement necessity:

- A. The reasons for not taking a public offering: Considering the capital market conditions, the issuance costs, efficiency and feasibility for fund raising private placement's, 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 full years, that can more ensure the long-term relationship with the strategic partners. So, we decide to conduct the method of private placement instead of the public offering.
- B. The amount of the private placement: Issue not more than 20,000,000 common shares. The company plans to do private placement one or two times within one year since the date of the resolution of the shareholders meeting.
- C. Each proceeds of the private placement and anticipated benefits are as follows,

Times	The use of private placement funds	Anticipated Benefits
One Time	Proceeds of the private placement funds will be fully operational in order to enrich the necessary working capital in response to develop long-term operations. Additionally, seek cooperation or strategic alliance with domestic/international customers.	The private placement benefits are as follows: reduces operational risk; strengthen finance structure; and promote company future benefit of the transport business achievements.
Two Times	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. Additionally, seek cooperation or strategic alliance with domestic/international customers.	The private placement benefits are as follows: reduces operational risk; strengthen finance structure; and promote company future benefit of the transport business achievements.

(4) There is no significant change in managerial control within 1 year period immediately preceding the day on which the board of directors resolves on this private placement plan. And the Company propose 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. Additionally, the involvement of strategic investor by way of this private placement will not significantly cause the management team being changed.

(5) Other matters to be disclosed:

- A. In principle, all the rights and obligations for the privately placed common shares are the same as those for the issued common shares of the Company. However, according to the Securities Exchange Act, except for being transferred to a transferee matching the requirement under Article 43-8 of the Securities Exchange Act, the privately placed common shares shall not be transferred for three years after the closing date. After three year period expires, according to related regulations, the Company shall, after obtaining an approval letter issued by the Taipei Exchange (GreTai Securities Market) ("TPEX" hereafter) acknowledging that the securities have met the listing criteria, apply with the competent authorities for public issuance and TPEX listing of such privately placed common shares.
- B. It is proposed that the Shareholders' Meeting authorizes the Board of Directors with full power and authority to determine the important matters in connection with this private placement, including the number of shares to be issued, the issuing price, terms and conditions of the private placement, subscriber selecting method, fund utilization plan, detailed plan items, expected process and anticipated benefits and other related issues. If change of circumstance due to amendment to the laws and regulations, the competent authorities' instruction, market condition change or environment impact, it is also proposed that the Shareholders' Meeting authorizes the Board of Directors with full power and authority to handle all related matters.

C. In addition to aforementioned authorization scope, it is also proposed that the Shareholders' Meeting authorizes the Chairman negotiate, amend and sign all related contracts or documents on behalf of the Company and to handle all matters related to this private placement.

Resolution:

2.

Proposed by the Board

Proposal:

Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. According to the Item1 of Article 209 of Company Laws, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Due to the Directors of the Company may invest or operate other companies which operate in the same or similar scope of the Company's business and act as the directors of these companies, in order to match the actual business need, the Company proposed to release the Directors' non-compete restrictions, as long as such release does not cause the infringement and damage of Company's benefit due to the director's personal conflict of interests.
3. Submitted to shareholders' meeting for discussion the Directors' non-compete restrictions. Please refer to Attachment 6 (page 43).

Resolution:

Extemporaneous Motions

Attachments

【Attachment 1】

【The amendment comparison table for the Articles of the Corporation】

Original		Amendment		Reason
Article	Content	Article	Content	
Article 19	When allocating the profits for each fiscal year, the Corporation shall first paid its tax, offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, and shall set aside or reverse the special surplus capital reserve according to the law and regulation of related authorities. The rest of the profits accumulated with the not yet distributed profits in previous years shall be wholly or partly to set aside as the distributable profits. The Board of Directors shall submit a proposal regarding the distribution of profits in accordance the actual operation situation of the Corporation to the Shareholders' Meeting for their approval. The profits shall be distributed by the following sequence: (1)1% for the compensation of the Directors and Supervisors, (2)12% to 25% for employees' bonus, and (3) the others for shareholders' dividends. If the employees' bonus are distributed by the share stocks, the employees who can be distributed the stock bonus may include the employees of	Article 19	<u>When the Corporation makes profits after the end of each fiscal year, it shall set aside 8%~19% as employees' remuneration and not more than 1.5% as compensation of directors and supervisors, which can be distributed by shares or cash according to the resolution of the Board of Directors. The aforesaid employee remuneration could be distributed to employees of an affiliated company meeting the conditions set by the Board of Directors, or by the person duly authorized by the Board of Directors. The proposal of distribution of employees' remuneration should be reported to the shareholder's meeting.</u>	Coordinate the Company Act add articles of 235-1 and amendment the articles of 235 & 240.

	<p>subsidiaries who need conform to specific conditions.</p> <p>The policy shall be made regarding dividend distribution shall be adjusted in accordance with the factors such as investment circumstance, cash demanding, competition inside and outside the country, and budget of the capital. The interest of shareholders, equivalent of dividends and long-term financial plan shall also be considered in making the policy. The Board of Directors shall submit the Report of Dividends Distribution to the Shareholders' Meeting annually for their approval. In paying of the shareholders' dividends, the Corporation shall distribute dividends by cash or stocks, and the cash-dividends shall take the ratio of the total amount of the shareholders' dividends not less than 10%.</p>			
Article 19-1	Add the Article 19-1.	Article 19-1	<u>When allocating the profits for each fiscal year, the Corporation shall first paid its tax, offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over. If the legal reserve figure reached the Company paid-in capital will not limit. The Company shall set aside or reverse the special surplus capital reserve according to the law and regulation of related authorities. The rest of the profits accumulated with the not yet distributed profits in previous years shall be wholly or</u>	Coordinate the Company Act add articles of 235-1 and amendment the articles of 235 & 240.

			<p><u>partly to set aside as the distributable profits. The Board of Directors shall submit a proposal regarding the distribution of profits in accordance the actual operation situation of the Corporation to the Shareholders' Meeting for their approval. The profits shall be distributed shareholders' dividends. The policy shall be made regarding dividend distribution shall be adjusted in accordance with the factors such as investment circumstance, cash demanding, competition inside and outside the country, and budget of the capital. The interest of shareholders, equivalent of dividends and long-term financial plan shall also be considered in making the policy. The Board of Directors shall submit the Report of Dividends Distribution to the Shareholders' Meeting annually for their approval. In paying of the shareholders' dividends, the Corporation shall distribute dividends by cash or stocks, and the cash-dividends shall take the ratio of the total amount of the shareholders' dividends not less than 10%.</u></p>	
Article 21	<p>These Articles of Incorporation are agreed to and signed on October 24, 2000. The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9,</p>	Article 21	<p>These Articles of Incorporation are agreed to and signed on October 24, 2000. The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9, 2002,</p>	<p>Add the date of the twenty-first Amendment.</p>

	<p>2002, the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005, the eleventh Amendment on June 14, 2006, the twelfth Amendment on November 1, 2006, the thirteenth Amendment on June 13, 2007, the fourteenth Amendment on June 13, 2008, the fifteenth Amendment on May 8, 2009, the sixteenth Amendment on June 15, 2010, the seventeenth Amendment on June 15, 2011, the eighteenth Amendment on June 11, 2013, the nineteenth Amendment on June 17, 2014, the twentieth Amendment on June 2, 2015.</p>		<p>the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005, the eleventh Amendment on June 14, 2006, the twelfth Amendment on November 1, 2006, the thirteenth Amendment on June 13, 2007, the fourteenth Amendment on June 13, 2008, the fifteenth Amendment on May 8, 2009, the sixteenth Amendment on June 15, 2010, the seventeenth Amendment on June 15, 2011, the eighteenth Amendment on June 11, 2013, the nineteenth Amendment on June 17, 2014, the twentieth Amendment on June 2, 2015, <u>the twenty-first Amendment on June 15, 2016.</u></p>	
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【Attachment 2】

Phison Electronics Corporation 2015 Business Report

1.Management policy and implementation :

The mergers and acquisitions topic which is spread ceaselessly set off a change of the flash memory technology industry in 2016. This change made the mutable economic environment more unstable. The revenue and net income of Phison hit the record high in 2016 because of the correct operating strategy. The Company's consolidated net sales revenue is NT\$37.2 billion dollars of FY2015, consolidated net profit after taxes is NT\$4 billion thousand dollars of FY2015, per share after-tax earnings of NT\$20.41.

Phison continuously invested its R&D resource in product innovation and upgrade to satisfy the market demand of the flash memory application product terminal market which changes and expands ceaselessly. We also engaged in designing and developing the flash memory application products of such as innovative SSD product line and eMMC product line. In addition, we positively enlarge our market territory to increase the shipment amount. Compared with last year, the total shipping amount of the SSD controller and product grew approximately 83% and the total shipment amount of the eMMC flash memory application product controller chip model grew approximately 66% in 2016. The market share of these products is still increasing in the market sales territory.

Because the terminal application products of flash memory are innovated continuously, the application of NAND Flash controller chip booms increasingly. Besides, the raw material price of the flash changes fast and the market competition becomes more aggressive. In response to the mutable situation, we prospect the terminal application products of flash memory will triumph every kind of portable device and also the more and more SSDs rather than the traditional disks are used as data storage for devices. As a result, the NAND Flash controller chip application enlarges, too. We continue to develop the innovative application controller chip for every kind of NAND Flash application product and provide the service and product of the system integration application. Moreover, we continue to invest the new process and innovative R&D technical specifications in the perspective of products to provide diversified application products in response to the change of technology industry and flash product application trend, especially enlarging

the application and sales territory of SSD, eMMC and other innovative products. We will proceed to focus on developing the new and high-speed eMMC and UFS controller chip for the portable devices such as smart phones and tablets. Furthermore, we also continue to develop the innovative SSD products especially for the new application market demands of Ultrabook, industrial PC, enterprise grade high-speed storage and Network Attached Storage like the Internet of Things to provide the both the technology and service of the Total Solution which perfectly meet the mutable market. Our Total Solution is capable of dealing with the swiftly changeable market, reinforcing our market competitiveness and continuing expanding our business territory.

To fit the market development of the flash memory application products, in the respect of our business strategy, we will persist in the stable expansion method to promote the growth operation of Phison Group. We have established operations in Japan and China and we probably increase the operations in China as well as at home and abroad to enlarge our growth energy, to place the internal and external market deliberately, and to expand broader application products and sales channels. Besides, we also continue strategy cooperation with the upstream and downstream partners and expect to strengthen our strategy cooperation relationship via strategic investment share, product collaboration and business development...and so forth. We also manipulate strategic association method to perform the vertical resource integration and horizontal expansion for strengthening our market competitiveness, spreading to the diversified market territory and insisting on creating the competitive advantage to achieve the sustainable development goals.

2. 2015 Operating Overview :

(1).Sales Revenue:

A. Consolidated Sales Revenue :

As a result of the Company continually developed and issued the new products and continually expanded the market share, the Company's consolidated net sales revenue is NT\$37,178,103 thousand dollars of FY2015, comparing to NT\$33,074,698 thousand dollars of FY2014, the increasing rate is 12.41% of NT\$4,103,405 thousand dollars increasing.

B. Consolidated Net Profit :

Our Company's net profit after taxes is NT\$3,957,529 thousand dollars

of FY2015, comparing to NT\$3,201,149 thousand dollars of FY2014, the decreasing rate is 23.63% of NT\$756,380 thousand dollars increasing.

(2).**Actual vs. Forecast**: Phison didn't disclose the 2016 Forecast information to the public, so we didn't have to disclose the actual executed results.

(3).Financial Analysis for FY2015 & FY2014

A. Consolidated operating income and expenditure

Unit: NT\$ Thousand

Items	2015	2014	Changed Amount	Changed rate(%)
Sales Revenue	37,178,103	33,074,698	4,103,405	12.41%
Sales margin	7,636,182	5,589,572	2,046,610	36.61%
Income from Operating	4,275,558	3,181,194	1,094,364	34.40%
Non-operating income and loss	256,274	550,750	(294,476)	(53.47%)
Net Profit After Taxes	3,957,529	3,201,149	756,380	23.63%

B. Consolidated operating financial profitability

Items		2015	2014
Financial structure	Debt Ratio (%)	26.65	27.58
	Ratio of long-term capital to property, plant and equipment (%)	1,243.23	1,010.85
Solvency	Current ratio (%)	330.34	319.33
	Quick ratio (%)	257.90	232.51
	Interest earned ratio (times)	1,496.16	1,530.49
Operating performance	Accounts receivable turnover (times)	8.56	8.19
	Average collection period	42.64	44.56
	Inventory turnover (times)	5.54	5.83
	Average days in sales	65.88	62.60
	Accounts payable turnover (times)	7.15	7.45
	Property, plant and equipment turnover (times)	22.73	20.52
Profitability	Total assets turnover (times)	1.47	1.55
	Return on total assets (%)	15.66	15.01
	Return on stockholders' equity (%)	21.71	20.96
	Pre-tax income to paid-in capital (%)	216.62	171.52

	Operating income to paid-in capital (%)	229.61	201.21
	Profit ratio (%)	10.64	9.68
	Earnings per share (NT\$)	20.41	17.48
Cash flow	Cash flow ratio (%)	62.94	21.33
	Cash flow adequacy ratio (%)	110.77	106.63
	Cash reinvestment ratio (%)	11.57	(3.36)
Leverage	Operating leverage	1.05	1.05
	Financial leverage	1.00	1.00

(4) 、 Research & Development Overview

A. The Research & Development Expenses for FY2015 & FY2014

The Consolidated R&D expenses of FY2015 and FY2014 is 2,395,099 thousands and 1,667,724 thousands, each occupy the full year total consolidated sales revenue 6.44% and 5.04%. Until to the end of 2015, we already got about 932 patents approved.

B. R&D Achievements

In year 2015, we successfully developed and launched many new products which were well accepted by the market, including below:

- a. Integrate the DSP+LDPC model for SSD controller to support the next-generation flash memory for increasing its data access speed and to extend the product life cycle of SSD.
 - b. Develop the high-performance and low-power ECC circuit model to support the 3D flash memory.
 - c. Adopt the safer algorithm and increase the operation speed the for the next-generation data encryption/decryption circuit model.
 - d. Integrate the DSP+LDPC model for eMMC controller to support the next-generation flash memory for increasing its data access speed and to extend the product life cycle of eMMC.
 - e. Develop the eMMC controller to support eMMC5.2 with the latest spec.
 - f. Develop the high-performance PCIE Gen3 PHY to support long-distance and high-speed transmission with lower power.
 - g. Develop low-power and high-performance SATA SSD with simplified architecture.
- C. Phison planned to develop or continuously upgrade the

following product lines in 2016 according to the market demand trends, industry competition and new product release schedule:

- a. Develop the USB3.0 flash controller to support high-speed random write.
- b. Develop the SD/micro SD card to support high-speed random write.
- c. Develop UFS UniPro flash memory controller.
- d. Develop the flash controller CPU circuit model to simplify the firmware programming process, to increase data transmission speed and to lower the power.
- e. Integrate the source from the Host to develop the high-performance and low power SSD.
- f. Continuously develop the product of innovative spec and technology to meet the application market especially for SSD products and embedded flash memory model.

PHISON ELECTRONICS CORPORATION

Chairman : Pua Khein Seng

President : Aw Yong Cheek Kong

Accounting Manager : Bonnie Chiu

【Attachment 3】

Supervisors' Review Report

To:

The 2016 regular shareholders meeting of Phison Electronics Corp.

The Board of Directors has prepared the Company's 2015 Business Report, Consolidated and Nonconsolidated Financial Statements (Including Balance Sheets, Statements of Comprehensive Income, Statements of Changes In Equity, Statements of Cash Flows). The CPA firm of Deloitte & Touche was retained to audit Phison's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Consolidated and Nonconsolidated Financial Statements and profit distribution proposal have been reviewed and determined to be correct and accurate by accountants of Dai Xin Wei and Fan You Wei. According to Article of 219 of the Company Law, we hereby submit this report.

Phison Electronics Corp.

Supervisor: I.Y Yang

Supervisor: Jeo Wang

Supervisor: Churchill Chen

Date: March 22, 2016

【 Attachment 4 】

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Percentage of Ownership	Investment (Loss) Income (Note 2)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015	Remark
					Outflow	Inflow						
Phisontech (Shenzhen) Limited	Design, R&D, import and export storage devices and electronics	\$ 23,006 (USD 790)	2	\$ 23,006 (USD 790)	\$ -	\$ -	\$ 23,006 (USD 790)	100.00	(\$ 5,955)	\$ 2,868	\$-	
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering related services.	576,780 (USD 18,000)	2	-	576,780 (USD 18,000)	-	576,780 (USD 18,000)	100.00	10,436	572,412	-	

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
\$ 599,786 (USD 18,790)	\$ 599,786 (USD 18,790)	\$ 12,213,999

Note 1: Indirectly invested in China company through third region Company Global Flash Limited.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: The limit of investment in Mainland China based on Regulations governing the Approval of Investments on Technical Corporation in Mainland China is 60% of net asset value, $\$20,356,665 \times 60\% = \$12,213,999$.

【 Attachment 5 】

【 FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS OF YEAR 2015 】

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

PHISON ELECTRONICS CORP.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 10,833,1	39	\$ 7,566,7	39
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 24)	2,185,6	10	2,034,4	10
Debt investments with no active market - current (Notes 4, 8 and 29)	20,4		20,3	
Notes and accounts receivable				
Third parties (Notes 4 and 9)	4,017,3	19	3,989,8	19
Related parties (Notes 4, 9 and 27)	341,1		254,9	
Other receivables (Note 9)	353,8		294,1	
Current tax assets (Notes 4 and 21)			56,8	
Inventories (Notes 4 and 10)	5,250,8	24	5,380,6	27
Prepayments	38,3		6,7	
Other current assets	<u>18,6</u>		<u>1</u>	
Total current assets	<u>23,059,3</u>	<u>88</u>	<u>19,604,8</u>	<u>88</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 11)	295,9			
Financial assets measured at cost - non-current (Notes 4 and 12)	456,0		250,0	
Investments accounted for by the equity method (Notes 4 and 13)	1,893,7		1,063,9	
Property, plant and equipment (Notes 4 and 14)	1,629,6		1,628,9	
Intangible assets (Notes 4 and 15)	174,3		103,1	
Deferred tax assets (Notes 4 and 21)	145,6		93,2	
Guarantee deposits paid	<u>1,5</u>		<u>3</u>	
Total non-current assets	<u>4,596,9</u>	<u>19</u>	<u>3,139,7</u>	<u>16</u>
TOTAL	<u>\$ 27,656,2</u>	<u>100</u>	<u>\$ 22,744,5</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 196,9		\$	
Notes and accounts payable				
Third parties	1,091,5		1,730,6	
Related parties (Note 27)	3,166,6	11	2,247,9	10
Other payables (Note 17)	1,841,1		1,466,5	
Current tax payable (Notes 4 and 21)	645,0		476,1	
Current provisions (Notes 4 and 18)	149,8		71,1	
Other current liabilities	<u>169,2</u>		<u>182,2</u>	
Total current liabilities	<u>7,260,4</u>	<u>26</u>	<u>6,174,6</u>	<u>27</u>

NON-CURRENT LIABILITIES

Deferred tax liabilities (Notes 4 and 21)			7,3	
Net defined benefit liabilities - non-current (Notes 4 and 19)	66,9		42,4	
Guarantee deposits received	<u>5</u>		<u>2,7</u>	
Total non-current liabilities	<u>67,4</u>		<u>52,4</u>	
Total liabilities	<u>7,327,9</u>	<u>2</u>	<u>6,227,1</u>	<u>2</u>
EQUITY (Notes 20 and 24)				
Capital stock				
Common shares	<u>1,973,7</u>		<u>1,854,7</u>	
	<u>6,514,5</u>	<u>2</u>	<u>4,487,5</u>	<u>2</u>
Retained earnings				
Legal reserve	1,956,1		1,635,9	
Special reserve	5,0		11,2	
Unappropriated earnings	<u>9,990,2</u>	<u>3</u>	<u>8,533,0</u>	<u>3</u>
Total retained earnings	<u>11,951,3</u>	<u>4</u>	<u>10,180,2</u>	<u>4</u>
Other equity	<u>(111,3)</u>		<u>(5,0)</u>	
Total equity	<u>20,328,3</u>	<u>7</u>	<u>16,517,4</u>	<u>7</u>
TOTAL	<u>\$ 27,656,2</u>	<u>10</u>	<u>\$ 22,744,5</u>	<u>10</u>

The accompanying notes are an integral part of the financial statements.

PHISON ELECTRONICS CORP.
COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 27)				
Gross sales	\$ 37,292,758	101	\$ 33,208,643	101
Less: Sales returns and allowances	<u>321,863</u>	<u>1</u>	<u>289,426</u>	<u>1</u>
Net sales	36,970,895	100	32,919,217	100
Service revenue	<u>78,031</u>	<u>-</u>	<u>112,396</u>	<u>-</u>
Total operating revenues	37,048,926	100	33,031,613	100
OPERATING COSTS (Notes 4, 10, 22 and 27)	<u>29,523,645</u>	<u>80</u>	<u>27,486,027</u>	<u>84</u>
GROSS PROFIT	<u>7,525,281</u>	<u>20</u>	<u>5,545,586</u>	<u>16</u>
OPERATING EXPENSES (Note 22 and 27)				
Marketing	517,448	2	379,607	1
General and administrative	401,199	1	348,127	1
Research and development	<u>2,307,267</u>	<u>6</u>	<u>1,643,617</u>	<u>5</u>
Total operating expenses	<u>3,225,914</u>	<u>9</u>	<u>2,371,351</u>	<u>7</u>
OPERATING INCOME	<u>4,299,367</u>	<u>11</u>	<u>3,174,235</u>	<u>9</u>
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Note 22)	171,850	1	279,997	1
Share of gains (losses) of investees and associates (Notes 2 and 13)	(10,081)	-	197,737	1
Other income (Note 22)	103,270	-	78,078	-
Financial costs	<u>(3,031)</u>	<u>-</u>	<u>(2,440)</u>	<u>-</u>
Total nonoperating income and expenses	<u>262,008</u>	<u>1</u>	<u>553,372</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	4,561,375	12	3,727,607	11
INCOME TAX EXPENSE (Notes 4 and 21)	<u>561,366</u>	<u>1</u>	<u>526,458</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>4,000,009</u>	<u>11</u>	<u>3,201,149</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss				

(Continued)

PHISON ELECTRONICS CORP.
COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	(22,094)	-	(6,326)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 21)	3,756	-	1,075	-
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive gain (loss) of investees and associates	(25,966)	-	7,452	-
Unrealized gain (loss) on available-for-sale financial assets	(84,750)	(1)	-	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>4,414</u>	<u>-</u>	<u>(1,267)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(124,640)</u>	<u>(1)</u>	<u>934</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,875,369</u>	<u>10</u>	<u>\$ 3,202,083</u>	<u>10</u>
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 23)				
Basic	<u>\$ 20.41</u>		<u>\$ 17.48</u>	
Diluted	<u>\$ 20.12</u>		<u>\$ 17.23</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

PHISON ELECTRONICS CORP.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Other Equity		Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2014	\$ 1,804,740	\$ 3,349,156	\$ 1,318,937	\$ 9,001	\$ 7,551,437	\$ (11,241)	\$ -	\$ 14,022,030
Appropriation of the 2013 earnings								
Legal reserve	-	-	317,054	-	(317,054)	-	-	-
Special reserve	-	-	-	2,240	(2,240)	-	-	-
Cash dividends - NT\$10.216941 per share	-	-	-	-	(1,894,977)	-	-	(1,894,977)
Issue of common shares for cash as of June 20, 2014 - NT\$185 per share	50,000	875,000	-	-	-	-	-	925,000
Arising from share of changes in capital surplus of associates	-	263,344	-	-	-	-	-	263,344
Net profit for the year ended December 31, 2014	-	-	-	-	3,201,149	-	-	3,201,149
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(5,251)	6,185	-	934
BALANCE AT DECEMBER 31, 2014	1,854,740	4,487,500	1,635,991	11,241	8,533,064	(5,056)	-	16,517,480
Appropriation of the 2014 earnings								
Legal reserve	-	-	320,115	-	(320,115)	-	-	-
Reversal of special reserve	-	-	-	(6,185)	6,185	-	-	-
Cash dividends - NT\$11.2 per share	-	-	-	-	(2,210,589)	-	-	(2,210,589)
Issue of common shares for cash on February 13, 2015 - NT\$180 per share	119,000	2,023,000	-	-	-	-	-	2,142,000
Change in equity from the consideration received in excess of the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	4,069	-	-	-	-	-	4,069
Net profit for the year ended December 31, 2015	-	-	-	-	4,000,009	-	-	4,000,009
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(18,338)	(21,552)	(84,750)	(124,640)
BALANCE AT DECEMBER 31, 2015	<u>\$ 1,973,740</u>	<u>\$ 6,514,569</u>	<u>\$ 1,956,106</u>	<u>\$ 5,056</u>	<u>\$ 9,990,216</u>	<u>\$ (26,608)</u>	<u>\$ (84,750)</u>	<u>\$ 20,328,329</u>

The accompanying notes are an integral part of the financial statements.

PHISON ELECTRONICS CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 4,561,375	\$ 3,727,607
Adjustments for:		
Recognition of provisions	180,250	143,811
Depreciation	105,040	87,785
Amortization	104,871	85,425
Allowance for bad debts	62,574	14,300
Unrealized foreign currency exchange gain	(59,305)	(166,991)
Dividend income	(42,656)	(6,438)
Interest income	(36,026)	(31,384)
Write-down of inventories	15,000	-
Impairment loss recognized on financial assets measured at cost	10,812	29,110
Share of losses (gains) of investees and associates	10,081	(197,737)
Financial costs	3,031	2,440
Loss on disposal of financial assets measured at cost	1,614	6,309
Losses on sale of property, plant and equipment	8	-
Loss on disposal of investments accounted for by the equity method	-	8,759
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	(151,207)	(302,547)
Notes and accounts receivable	(209,137)	(368,526)
Other receivable	(59,324)	(52,964)
Inventories	114,817	(1,359,209)
Prepayments	(44,235)	(54,600)
Other current assets	(18,493)	(37)
Notes and accounts payable	267,946	565,678
Other payables	374,604	(64,346)
Provisions	(101,526)	(230,849)
Other current liabilities	(10,055)	84,958
Accrued pension costs	2,349	8,822
Cash provided by operation	5,082,408	1,929,376
Interest paid	(2,971)	(2,336)
Income tax paid	(387,109)	(592,212)
Net cash generated from operating activities	<u>4,692,328</u>	<u>1,334,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment accounted for by the equity method	(877,922)	(100,000)
Payment for available-for-sale financial assets	(380,700)	-
Purchase of financial assets measured at cost	(226,633)	(189,526)
Payments for intangible assets	(176,015)	(77,728)
Payments for property, plant and equipment	(96,112)	(68,990)
Dividend received	42,656	6,438
Interest received	35,700	30,818

(Continued)

PHISON ELECTRONICS CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Proceeds of the disposal of investment accounted for by the equity method	11,830	6,003
Proceeds of the disposal financial assets measured at cost	8,137	742
Proceeds of the capital reduction of investment accounted for by the equity method	4,298	2,625
(Increase) decrease in refundable deposits	(1,155)	202
(Increase) decrease in debt investments with no active market	<u>(95)</u>	<u>49,201</u>
Net cash used in investing activities	<u>(1,656,011)</u>	<u>(340,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(2,210,589)	(1,894,977)
Proceeds of the issue of common shares	2,142,000	925,000
Increase (decrease) short-term borrowings	198,396	(89,415)
Decrease in guarantee deposits	<u>(2,136)</u>	<u>(4)</u>
Net cash generated from (used in) financing activities	<u>127,671</u>	<u>(1,059,396)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>102,409</u>	<u>98,313</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,266,397	33,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,566,766</u>	<u>7,533,236</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,833,163</u>	<u>\$ 7,566,766</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

Phison Electronics Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

KHEIN SENG PUA
Chairman

March 22, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

We have audited the accompanying consolidated balance sheets of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phison Electronics Corp. and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

We have also audited the financial statements of the parent company, Phison Electronics Corp., as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

March 22, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,868,334	43	\$ 7,770,225	34
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	2,226,804	8	2,082,695	9
Debt investments with no active market - current (Notes 4, 8 and 31)	20,408	-	20,313	-
Notes and accounts receivable				
Third parties (Notes 4 and 9)	4,037,018	15	4,032,142	18
Related parties (Notes 4, 9 and 29)	370,224	1	247,488	1
Other receivables (Note 9)	354,124	1	294,530	1
Current tax assets (Notes 4 and 22)	-	-	56,877	-
Inventories (Notes 4 and 10)	5,251,376	19	5,408,625	24
Prepayments	56,837	-	7,464	-
Other current assets	21,016	-	181	-
	<u>24,206,141</u>	<u>87</u>	<u>19,920,540</u>	<u>87</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 11)	295,950	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 12)	605,219	2	414,039	2
Investments accounted for by the equity method (Notes 4 and 14)	683,606	2	642,864	3
Property, plant and equipment (Notes 4 and 15)	1,637,395	6	1,634,020	7
Intangible assets (Notes 4 and 16)	174,983	1	103,164	1
Deferred tax assets (Notes 4 and 22)	145,748	1	93,281	-
Guarantee deposits paid	3,381	-	637	-
	<u>3,546,282</u>	<u>13</u>	<u>2,888,005</u>	<u>13</u>
TOTAL	<u>\$ 27,752,423</u>	<u>100</u>	<u>\$ 22,808,545</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 196,950	1	\$ -	-
Notes and accounts payable				
Third parties	1,091,580	4	1,790,085	8
Related parties (Note 29)	3,164,580	11	2,213,827	10
Other payables (Note 18)	1,867,248	7	1,480,358	7
Current tax payable (Notes 4 and 22)	652,829	2	482,595	2
Current provisions (Notes 4 and 19)	149,852	1	71,128	-
Other current liabilities	204,632	1	200,269	1
	<u>7,327,671</u>	<u>27</u>	<u>6,238,262</u>	<u>28</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	932	-	7,891	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	66,901	-	42,458	-
Guarantee deposits received	254	-	2,454	-
	<u>68,087</u>	<u>-</u>	<u>52,803</u>	<u>-</u>
Total liabilities	<u>7,395,758</u>	<u>27</u>	<u>6,291,065</u>	<u>28</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Capital stock				
Common shares	1,973,740	7	1,854,740	8
Capital surplus	6,514,569	23	4,487,500	20
Retained earnings				
Legal reserve	1,956,106	7	1,635,991	7
Special reserve	5,056	-	11,241	-
Unappropriated earnings	9,990,216	36	8,533,064	37
Total retained earnings	11,951,378	43	10,180,296	44
Other equity	(111,358)	-	(5,056)	-
	<u>20,328,329</u>	<u>73</u>	<u>16,517,480</u>	<u>72</u>
NON-CONTROLLING INTERESTS	<u>28,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>20,356,665</u>	<u>73</u>	<u>16,517,480</u>	<u>72</u>
TOTAL	<u>\$ 27,752,423</u>	<u>100</u>	<u>\$ 22,808,545</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 29)				
Gross sales	\$ 37,399,837	101	\$ 33,219,030	101
Less: Sales returns and allowances	<u>321,899</u>	<u>1</u>	<u>289,474</u>	<u>1</u>
Net sales	37,077,938	100	32,929,556	100
Service revenue	<u>100,165</u>	<u>-</u>	<u>145,142</u>	<u>-</u>
Total operating revenues	37,178,103	100	33,074,698	100
OPERATING COSTS (Notes 4, 10, 23 and 29)	<u>29,541,921</u>	<u>80</u>	<u>27,485,126</u>	<u>83</u>
GROSS PROFIT	<u>7,636,182</u>	<u>20</u>	<u>5,589,572</u>	<u>17</u>
OPERATING EXPENSES (Note 23 and 29)				
Marketing	518,131	1	374,560	2
General and administrative	447,394	1	366,094	1
Research and development	<u>2,395,099</u>	<u>7</u>	<u>1,667,724</u>	<u>5</u>
Total operating expenses	<u>3,360,624</u>	<u>9</u>	<u>2,408,378</u>	<u>8</u>
OPERATING INCOME	<u>4,275,558</u>	<u>11</u>	<u>3,181,194</u>	<u>9</u>
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Note 23)	85,853	-	277,321	1
Share of gains of associates (Note 2 and 14)	45,040	-	194,473	1
Other income (Note 23)	128,412	1	81,396	-
Financial costs	<u>(3,031)</u>	<u>-</u>	<u>(2,440)</u>	<u>-</u>
Total nonoperating income and expenses	<u>256,274</u>	<u>1</u>	<u>550,750</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	4,531,832	12	3,731,944	11
INCOME TAX EXPENSE (Notes 4 and 22)	<u>574,303</u>	<u>2</u>	<u>530,795</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,957,529</u>	<u>10</u>	<u>3,201,149</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(22,094)	-	(6,326)	-

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 22)	3,756	-	1,075	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(26,736)	-	(1,307)	-
Unrealized gain (loss) on available-for-sale financial assets	(84,750)	-	-	-
Share of other comprehensive gain of associates	-	-	8,759	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss (Note 22)	<u>4,414</u>	<u>-</u>	<u>(1,267)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(125,410)</u>	<u>-</u>	<u>934</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,832,119</u>	<u>10</u>	<u>\$ 3,202,083</u>	<u>10</u>
NET PROFIT ATTRIBUTED TO:				
Owners of the Parent	\$ 4,000,009	11	\$ 3,201,149	10
Non-controlling interests	<u>(42,480)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,957,529</u>	<u>10</u>	<u>\$ 3,201,149</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Parent	\$ 3,875,369	10	\$ 3,202,083	10
Non-controlling interests	<u>(43,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,832,119</u>	<u>10</u>	<u>\$ 3,202,083</u>	<u>10</u>
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 24)				
Basic	<u>\$ 20.41</u>		<u>\$ 17.48</u>	
Diluted	<u>\$ 20.12</u>		<u>\$ 17.23</u>	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Other Equity		Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2014	\$ 1,804,740	\$ 3,349,156	\$ 1,318,937	\$ 9,001	\$ 7,551,437	\$ (11,241)	\$ -	\$ 14,022,030	\$ -	\$ 14,022,030
Appropriation of the 2013 earnings										
Legal reserve	-	-	317,054	-	(317,054)	-	-	-	-	-
Special reserve	-	-	-	2,240	(2,240)	-	-	-	-	-
Cash dividends - NT\$10.216941 per share	-	-	-	-	(1,894,977)	-	-	(1,894,977)	-	(1,894,977)
Issue of common shares for cash as of June 20, 2014 - NT\$185 per share	50,000	875,000	-	-	-	-	-	925,000	-	925,000
Arising from share of changes in capital surplus of associates	-	263,344	-	-	-	-	-	263,344	-	263,344
Net profit for the year ended December 31, 2014	-	-	-	-	3,201,149	-	-	3,201,149	-	3,201,149
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(5,251)	6,185	-	934	-	934
BALANCE AT DECEMBER 31, 2014	1,854,740	4,487,500	1,635,991	11,241	8,533,064	(5,056)	-	16,517,480	-	16,517,480
Appropriation of the 2014 earnings										
Legal reserve	-	-	320,115	-	(320,115)	-	-	-	-	-
Reversal of special reserve	-	-	-	(6,185)	6,185	-	-	-	-	-
Cash dividends - NT\$11.2 per share	-	-	-	-	(2,210,589)	-	-	(2,210,589)	-	(2,210,589)
Issue of common shares for cash on February 13, 2015 - NT\$180 per share	119,000	2,023,000	-	-	-	-	-	2,142,000	-	2,142,000
Change in equity from the consideration received in excess of the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	4,069	-	-	-	-	-	4,069	-	4,069
Non-controlling interests	-	-	-	-	-	-	-	-	71,586	71,586
Net profit for the year ended December 31, 2015	-	-	-	-	4,000,009	-	-	4,000,009	(42,480)	3,957,529
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(18,338)	(21,552)	(84,750)	(124,640)	(770)	(125,410)
BALANCE AT DECEMBER 31, 2015	\$ 1,973,740	\$ 6,514,569	\$ 1,956,106	\$ 5,056	\$ 9,990,216	\$ (26,608)	\$ (84,750)	\$ 20,328,329	\$ 28,336	\$ 20,356,665

The accompanying notes are an integral part of the consolidated financial statements.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 4,531,832	\$ 3,731,944
Adjustments for:		
Recognition of provisions	180,250	143,811
Unrealized foreign currency exchange gain	(173,677)	(171,227)
Depreciation	108,778	88,905
Amortization	105,779	85,425
Impairment loss recognized on financial assets measured at cost	72,129	38,260
Allowance for bad debts	62,724	14,336
Share of gains of associates	(45,040)	(194,473)
Dividend income	(42,656)	(6,438)
Interest income	(37,977)	(33,731)
(Reversal of write-down) write-down of inventories	(13,062)	133
Financial costs	3,031	2,440
Loss on disposal of financial assets measured at cost	1,614	6,309
Loss on sale of property, plant and equipment	8	-
Loss on disposal of investments accounted for by the equity method	-	8,759
Other	-	(485)
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	(144,109)	(323,348)
Notes and accounts receivable	(157,488)	(342,908)
Other receivable	(58,393)	(49,191)
Inventories	170,334	(1,358,781)
Prepayments	(62,253)	(54,514)
Other current assets	(20,835)	38
Notes and accounts payable	242,180	540,289
Other payables	385,284	(77,276)
Provisions	(101,526)	(230,849)
Other current liabilities	3,840	100,574
Accrued pension costs	2,349	8,822
Cash provided by operation	<u>5,013,116</u>	<u>1,926,824</u>
Interest paid	(2,971)	(2,336)
Income tax paid	<u>(398,170)</u>	<u>(594,116)</u>
Net cash generated from operating activities	<u>4,611,975</u>	<u>1,330,372</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for available-for-sale financial assets	(380,700)	-
Purchase of financial assets measured at cost	(273,060)	(317,006)
Payments for intangible assets	(177,598)	(77,728)
Payments for property, plant and equipment	(99,450)	(68,990)
Dividends received	42,656	6,438
Interest received	37,670	33,761
Proceeds of the disposal of financial assets measured at cost	8,137	742

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Proceeds of the capital reduction of investments accounted for by the equity method	4,298	2,625
(Increase) decrease in refundable deposits	(2,744)	406
(Increase) decrease in debt investments with no active market	(95)	49,201
Proceeds of the disposal of investment accounted for by the equity method	-	6,003
Cash flow from acquisition of subsidiary (Note 25)	-	5,090
Purchase of investments accounted for by the equity method	<u>-</u>	<u>(2,000)</u>
Net cash used in investing activities	<u>(840,886)</u>	<u>(361,458)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(2,210,589)	(1,894,977)
Proceeds of the issue of common shares	2,142,000	925,000
Increase (decrease) in short-term borrowings	198,396	(89,415)
Decrease in guarantee deposits	(2,200)	(214)
Increase in non-controlling interests	<u>75,655</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>203,262</u>	<u>(1,059,606)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>123,758</u>	<u>101,234</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,098,109	10,542
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>7,770,225</u>	<u>7,759,683</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$11,868,334</u>	<u>\$ 7,770,225</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Concluded)

【 Attachment 6 】

The Directors' non-compete restrictions

Title	Name	Release the Directors' none compete restrictions		
		Company Name and Positon		Main Business
Director	Toshiba Corporation	Company Name	Toshiba America do Sul Ltda	Developing solutions for Transmission and Distribution, Transportation, Industry and Smart Grid solutions. Sales of semiconductor components.
		Postion	Director	
		Company Name	NuFlare Technology America, Inc.	Maintenance services for semiconductor manufacturing equipment
		Postion	Director	

【APPENDIX 1】

PHISON ELECTRONICS CORP. RULES AND PROCEDURES OF SHAREHOLDER MEETINGS

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with the Company Law and the Articles of Incorporation of the Company.
2. Shareholders or their representatives attending the Meeting shall wear on Certificate of Attendance. They shall also sign on the attendance book or submit the attendance card for the purpose of calculating the number of shares represented by shareholders attending the Meeting.
3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.
5. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
6. Chairman shall call the Meeting to order at the time the number of shares represented by the shareholders present at the Meeting constituted the quorum. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, Chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Article 175 of the Company Law. If during the process of the Meeting the number of outstanding shares represented by the

shareholders present becomes sufficient to constitute the quorum, Chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law.

7. The Agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

- 7-1 The shareholders who held more than one percent (including one percent) of total outstanding shares of the Company can propose the motion of the regular shareholder meeting in written form.

The Company should announce the period and place of accepting shareholders to propose the motions before the suspension period of stock transfer before the regular shareholder meeting. And the period of accepting shareholders to propose the motions can not less than ten days.

The motions proposed by the shareholders need to be discussed by the board directors meeting, if there are no any concerns happened as below , the motions should be added into the meeting notice of the regular shareholders meeting:

- (1) The motion should not be discussed by the shareholders meeting.
- (2) The shareholder who proposed the motion, his/her shareholding rate of total outstanding shares of the Company did not reach one percent during the suspension period of stock transfer before the regular shareholder meeting..
- (3) The motion was proposed over the accepting period announced by the Company.
- (4) The shareholder proposed more than one motion, or the wordings (including the

punctuation marks) in the motion more than 300 words, or the motion was not proposed in written form.

The Company should inform the shareholder the result of the motion proposed by this shareholder before the date of the notice of regular shareholder meeting. For the motions not added into the regular shareholder meeting, the board directors should explain the reason in the meeting agenda handbook of regular shareholder meeting, and don't need to be included in the meeting agenda and minutes.

8. Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the Chairman of the Board of Directors is on leave of absence or cannot exercise his powers and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman or Vice Chairman is also on leave of absence or cannot exercise his power and authority for any cause, Chairman of the Board of Directors may designate one of the managing directors or, where there are no managing directors, one of the directors, to act on his behalf. In the absence of such a designation, the managing directors or directors shall elect one from among themselves. If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the Chairman to preside at the Meeting.
9. During the Meeting, the Chairman may, at his discretion, set time for intermission.
10. Items which were not listed on the Meeting Agenda shall not be discussed or be resolved. Chairman may announce to end or stop the discussion if Chairman deems it appropriate.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card), the name of the shareholder and the amount his shareholding. The sequence of speeches by shareholders should be decided by Chairman.
12. Unless otherwise permitted by the Chairman, each shareholder shall not speak more than two times (each time not exceeding 5 minutes). If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the Chairman may respond himself/herself or appoint an appropriate person to respond.

14. In case the speech of any shareholder exceeds the limitation of time or the scope of the discussion item, Chairman may stop the speech of such shareholder. If the shareholder who do not obey Chairman's order and disturb the order of the Meeting, Chairman may stop his attendance.
15. The Chairman shall announce to go into voting if the issues had been announced to end or stop the discussion.
16. Except otherwise specified in the Company Law or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by Chairman.
17. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
18. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

If the motions in written form proposed by the shareholders according to the Article 172-1 of the Company Law and were approved to add into the regular shareholders meeting were the same kind of motion proposed by the board directors, the motions will be combined and be discussed by the rule of above-mentioned item.

The chairman shall decide the sequence of discussing and voting of the motions proposed by shareholders at the extemporaneous motions period.
19. The Chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
20. In case of air attack alarmed during the proceeding of the Meeting, the Meeting shall be suspended and the attendants shall split immediately. Chairman may resume the Meeting one hour after the alarm dismissed.
21. This "Rules and Procedures" shall be effective from the date it is approved by the

Shareholders' Meeting. The same applies in case of revision.

22. This “Rules and Procedures” was established on 26th March 2003.

The first Amendment was on June 14, 2006.

【APPENDIX 2】

PHISON ELECTRONICS CORP. ARTICLES OF THE CORPORATION

Section I - General Provisions

1. The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be Phison Electronics Corp.
2. The scope of business of the Corporation shall be as follows :
 - 1). CC01080 Electronic Parts and Components Manufacturing
 - 2). I301010 Software Design Services
 - 3). F218010 Retail Sale of Computer Software
 - 4). F119010 Wholesale of Electronic Materials
 - 5). F219010 Retail Sale of Electronic Materials
 - 6). CE01030 Photographic and Optical Equipment Manufacturing
 - 7). CC01120 Data Storage Media Manufacturing and Duplicating
 - 8). I501010 Product Designing
 - 9). F401010 International Trade
 - 10). ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
- 2-1. The Corporation may provide the procedure of Endorsements and Guarantees and act as a guarantor.
- 2-2. The total amount of the Corporation 's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation 's paid-up capital as provided in Article 13 of the Company Law.
3. The Corporation shall have its head office in Hsin Chu, Taiwan, Republic of China, and shall be free to set up branch offices at various locations within and without the territory of the Republic of China upon the resolution of the Board of Directors.
4. (deleted)

Section II - Capital Stock

5. The total capital stock of the Corporation shall be in the amount of 2,600,000,000 New

Taiwan Dollars, divided into 260,000,000 shares, at ten New Taiwan Dollars each, and authorize the Board of Directors to be paid-up in installments.

The Corporation may reserve 160,000,000 New Taiwan Dollars of the total capital stock of the Corporation, divided into 16,000,000 shares, at ten New Taiwan Dollars each, to issue employee stock options in installments under resolution of the Board of Directors.

6. (deleted)

7. The share certificates of the Corporation shall all be name-bearing share certificates with signatures or stamps not less than three Directors.

The Corporation may print a consolidated share certificate in issuing new shares after going public. It may also be exempted from printing any share certificate for the shares issued. It may also be exempted from printing any share certificate for the shares issued and login at TDCC.

(Taiwan Depository & Clearing Corp.)

8. Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular shareholder's meeting, and thirty (30) days immediately before the date of any special shareholder's meeting, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

Time of previous item, starts from the date the meeting was hold or from standard date.

8-1. The stock affairs of the Corporation shall follow the 'Criteria Governing Handling of Stock Affairs by Public Companies'.

Section III - Shareholder's Meeting

9. Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened if necessary in accordance with the relevant laws.

10. If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting by executing a power of attorney printed by the Corporation therein the scope of power authorized to the proxy. Excepted provided by Article 177 of the Company Law, the use of proxy

shall follow 'Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies'.

11. Each share of stock shall be entitled to one vote, except the conditions regulated by the Term 3 of Article 157 and Article 179 of Company Law.
- 11-1. The shareholders' meeting shall be convened by the Board of Directors and be presided over by the Chairman of the Board of Directors of the Company. In case the Chairman of the Board of Directors is on leave of absence, the Chairman may designate one of the directors, to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves. If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting. If there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
12. Except as provided in the Company Law, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.
- 12-1. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The calling a board of directors meeting notice also could be by Email or fax letters.

Section IV - Directors and Supervisors

13. The Company shall have seven Directors and three Supervisors who shall be elected by the system of nominating candidates and by the shareholders' meeting from the list of candidates of Directors and Supervisors. The tenure of them shall be three (3) years. But he /she may be eligible for re-election.

The total shares of the nominal shares of all directors and supervisors must not be less than the shareholding percentage regulation which was set by the rules and audit procedures for directors and supervisors share ownership ratio at public companies.

- 13-1. The Company shall have at least two and not less than one-fifth independent

Directors among the above-mentioned number of Directors. The independent Directors shall be elected by the system of nominating candidates and by the shareholders' meeting from the list of candidates of independent Directors.

13-2. The company's Audit Committee whether set by board of directors' resolution. When the board of directors resolution set the Audit Committee, the articles of the Corporation will be Specified supervisors will be not applicable for the term of supervisors.

The composition of the Audit Committee, the competence matters, rules of procedure and other matters to be complied, according to the relevant provisions of the Financial Supervisory Commission.

14. The Board of Directors is constituted by the Directors. The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

15. In case the Chairman of the Board of Directors is on leave of absence, the affairs of chairing the board of directors' meeting shall be dealt by Article 208 of the Company Law. The board of directors' meeting shall be convened by the Chairman of the Board of Directors. The chairing of the board of directors' meeting shall in accordance with the 'Regulations Governing Procedure for Board of Directors Meetings.

Each director shall attend the meeting of the board of directors in person. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. Consigned proxy is limited to one director per person only.

16. The compensation of the chairman, directors and supervisors shall be resolved by the authorized Board of directors according to their individual participated degree of business operating and the contribution value and the normal standard of the same business companies.

The Corporation may take out liability insurance for Directors and Supervisors for the

legal liability in their scope of business performance within the term of office.

Section V - Managers

17. The Corporation may appoint the managements. Appointment, discharge and remuneration of the managements shall be dealt in accordance with the Article 29 of Company Law.

Section VI - Accounts

18. After the close of each fiscal year, thirty (30) days before the date of regular shareholder's meeting, the Corporation shall submit the following reports which shall be prepared by the Board of Directors, and, after being audited by the Supervisors of the Corporation, to the regular shareholders' meeting for acceptance: 1. Business Report; 2. Financial Statements; 3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

19. When allocating the profits for each fiscal year, the Corporation shall first paid its tax, offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, and shall set aside or reverse the special surplus capital reserve according to the law and regulation of related authorities. The rest of the profits accumulated with the not yet distributed profits in previous years shall be wholly or partly to set aside as the distributable profits. The Board of Directors shall submit a proposal regarding the distribution of profits in accordance the actual operation situation of the Corporation to the Shareholders' Meeting for their approval. The profits shall be distributed by the following sequence: (1)1% for the compensation of the Directors and Supervisors, (2)12% to 25% for employees' bonus, and (3) the others for shareholders' dividends. If the employees' bonus are distributed by the share stocks, the employees who can be distributed the stock bonus may include the employees of subsidiaries who need conform to specific conditions.

Regarding dividend distribution policy of the company shall be adjusted in accordance with the factors such as investment circumstance, cash demanding, competition inside and outside the country, and budget of the capital. The interest of shareholders, equivalent of dividends and long-term financial plan shall also be considered in making the policy. The Board of Directors shall submit the Report of Dividends

Distribution to the Shareholders' Meeting annually for their approval. In paying of the shareholders' dividends, the Corporation shall distribute dividends by cash or stocks, and the cash-dividends shall take the ratio of the total amount of the shareholders' dividends not less than 10%.

Section VII - Supplementary Provisions

20. In regard to all matters not provided for in these Articles of the Corporation, the Company Law shall govern.

21. These Articles of Incorporation are agreed to and signed on October 24, 2000.

The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9, 2002, the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005. the eleventh Amendment on June 14, 2006, the twelfth Amendment on November 1, 2006, the thirteenth Amendment on June 13, 2007, the fourteenth Amendment on June 13, 2008, the fifteenth Amendment on May 8, 2009, the sixteenth Amendment on June 15, 2010, the seventeenth Amendment on June 15, 2011, the eighteenth Amendment on June 11, 2013, the nineteenth Amendment on June 17, 2014, the twentieth Amendment on June 2, 2015.

【APPENDIX 3】**PHISON ELECTRONICS CORP.
SHAREHOLDING OF DIRECTORS AND SUPERVISORS**

1. The mandatory ratio of shareholding for Directors and Supervisors and their shareholdings are as follows :
 - 1). The outstanding shares : 197,373,993 common shares
 - 2). The minimum required combined shareholding of all directors by law : 11,842,439 shares
 - 3). The minimum required combined shareholding of all supervisors by law : 1,184,243 shares
2. The shareholding of all Directors and Supervisors as of 17 April, 2016, the book closure date of this Regular Shareholders' Meeting, are as follows:

Book closure date : 17 April, 2016

Position	Name	Current Shareholding	Representative
Chairman	Pua Khein Seng	4,557,972	
Director	TOSHIBA CORP.	21,621,112	Hiroto Nakai
Director	Aw Yong Cheek Kong	3,418,745	
Director	Kuang T.H.	1,418,736	
Director	Chen An-Chung	38,145	
Independent Director	Wang Shu-Fen	0	
Independent Director	Wang Michael	0	
Total Amount of Shares Held by Directors		31,054,710	
Ratio of total Outstanding Shares		15.73%	
Supervisor	Yang Jiunn Yeong	4,549,114	
Supervisor	Wang Huei Ming	171,750	
Supervisor	Churchill Chen	0	
Total Amount of Shares Held by Supervisors		4,720,864	
Ratio of total Outstanding Shares		2.39%	

【APPENDIX 4】

The Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder Return Rate.

The Company didn't disclose the financial forecast of 2016, so we don't need to disclose the information of operating performance, EPS and ROE in 2016.

【APPENDIX 5】 OTHER EXPLANATION ITEMS

For the status of the motions proposed by the shareholders at the regular shareholders meeting:

Explanation:

1. According to the article 172-1 of Company Law, the shareholders who held more than one percent (including one percent) of total outstanding shares of the Company can propose the motion of the regular shareholder meeting in written form. And the shareholder can only propose one motion, and the wordings (including the punctuation marks) in the motion cannot be more than 300 words.
2. The period of accepting the shareholder to propose the motion for this regular shareholders meeting was April 8~April 18, 2016, and the period was also announced on the website of MOPS.
3. The Company did not receive any motions proposed by the shareholders.