

Phison Electronics Corporation

Audit Committee Charter

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Article 1

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

Article 2

Unless otherwise prescribed by law or regulations, matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by this Corporation when the Audit Committee ("the Committee") exercises its powers shall be handled in accordance with this Charter.

Article 3

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

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

Article 4

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

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

Article 5

The provisions of the Securities and Exchange Act (the "Act"), the Company Act, and any other law regarding supervisors shall apply mutatis mutandis to the Committee.

The provisions of Article 14-4, paragraph 4, of the Act concerning provisions of the Company Act that involve the powers of supervisors shall apply mutatis mutandis to the independent director members on the Committee.

Resolutions of the committee shall be adopted with the approval of one-half or more of the entire membership of the audit committee. The committee convenor shall represent the audit committee to the public.

Persons to represent the company in matters under Articles 213, 214, and 223 of the Company Act shall be selected by the Committee by the procedure set out in the preceding paragraph. The committee may resolve for members to individually represent or jointly represent the company in such matters. If representatives are not selected by the procedure in the preceding paragraph, the entire membership shall jointly represent the company.

Article 6

The powers of the Committee are as follows:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
11. Any other material matter so required by the company or the Competent Authority.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.

Any matter in the paragraph 1, with the exception of subparagraph 10, that has not been approved by one half or more of the entire membership of the

Committee may be adopted with the approval of two thirds or more of the entire board of directors.

"The entire membership," as used herein, shall be counted as the number of members actually in office at the given time.

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

Article 7

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

In calling a meeting of the Committee, a notice of the reasons for convening the meeting shall be given to each independent director member at least 7 days in advance. In emergency circumstances, however, this requirement does not apply.

The committee meeting shall be held at the location and during the business hours of the company, or at a place and time convenient to attendance by all committee members and suitable for holding the committee meeting.

One member shall be elected as the convener and meeting chair by and from among the entire membership of the Committee. However, if the Committee members are unable to elect a convener, the independent director who received votes representing the largest share of the voting rights shall serve as the convener.

When the convener goes on leave or otherwise for any reason whatsoever is unable to convene a meeting, the meeting shall be convened by another independent director member designated by the convener, or if no such designation is made, by another member elected by and from among the independent director members of the committee.

Independent directors constituting one-half or more of the entire membership of the committee may, by filing a written proposal setting forth the subjects for discussions and the reasons, request the convener to convene a meeting of the committee. If the convener fails to convene a committee meeting within 15 days from the filing of the request under the preceding paragraph, independent directors constituting one-half or more of the entire membership of the committee may convene a meeting on their own.

The Committee may request the managers of relevant departments, internal audit officers, certified public accountants, attorneys, or other personnel of this Corporation to attend the meeting as non-voting participants and provide pertinent and necessary information, provided that they shall leave the meeting when discussion or voting takes place.

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

Article 8

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

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

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

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

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two-thirds or more of the entire board of directors. Notwithstanding the foregoing, the matters in Article 6, paragraph 1, subparagraph 10 of the Charter shall still require the opinion of the independent directors indicating their consent.

The proxy under paragraph 2 may accept a proxy from one person only.

Article 8-1

When the time of a meeting has arrived, if the committee members present do not reach one-half of the entire membership, the meeting chair may announce that the meeting time will be postponed to later on the same day, provided that only two postponements may be made. If the quorum is still not met after two postponements, the chair may re-call the meeting following the procedures provided in Article 7, paragraph 2.

Article 8-2

The meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of one-half or more of the entire membership of the committee.

The meeting chair may not declare the meeting closed without the approval of one-half or more of the entire membership of the committee.

If at any time during the proceedings of a committee meeting the members sitting at the meeting do not reach one-half of the entire membership, then upon motion by the independent directors sitting at the meeting, the chair shall declare a suspension of the meeting, in which case the preceding article shall apply *mutatis mutandis*.

If at any time during the proceedings of a committee meeting, the convener for any reason is unable to chair the meeting or the chair fails to declare the

meeting closed as provided in paragraph 2, the provisions of Article 7, paragraph 5 shall apply mutatis mutandis to the selection of the deputy to act in place thereof.

Article 9

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

1. Session, time, and place of meeting.
2. Name of meeting chair.
3. Attendance of independent director members at the meeting, specifying names and number of members present, excused, and absent.
4. Names and titles of those attending the meeting as a nonvoting participant.
5. Name of minutes taker.
6. Matters reported.
7. Agenda items: resolution method and result of each proposal; summary of the comments made by the independent director members on the committee and the experts and any other persons present at the meeting; the name of any independent director member possibly having an interest relationship as referred to in paragraph 1 of the article 11, the essential content of the interest, the reasons why the director was required or not required to enter recusal, and the status of the recusal; and any objections or reservations expressed at the meeting.
8. Extraordinary motions: Name of the mover; the resolution method and result of each proposal; summary of the comments made by the independent director members on the committee and the experts and any other persons present at the meeting; the name of any independent director member possibly having an interest relationship as referred to in paragraph 1 of the article 11, the essential content of the interest, the reasons why the director was required or not required to enter recusal, and the status of the recusal; and any objections or reservations expressed at the meeting.
9. Other matters required to be recorded.

The attendance book constitutes part of the minutes for each meeting of the Committee and shall be appropriately preserved during the existence of this Corporation.

The minutes of a Committee meeting shall bear the signature or seal of both the meeting chair and the minutes taker, and a copy shall be distributed to each independent director member on the committee within 20 days after the meeting and be carefully preserved as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be made in electronic form.

Article 10

The Committee's meeting agenda shall be drafted by the convener. Other members may also put forward proposals for discussion by the Committee.

Article 11

An independent director member of the Committee has a personal interest in any agenda item, the director shall explain the essential content of the interest. If the director's personal interest is likely to prejudice the interest of the company, the director member may not participate in discussion and voting, and shall recuse himself or herself from the discussion and voting, and also may not exercise voting rights as a proxy for any other independent director member.

Where the spouse or a blood relative within the second degree of kinship of an independent director is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.

Where a matter is unable to be resolved at a committee meeting for the reason stated in paragraph 1, the fact shall be reported to the board of directors and the matter shall be resolved by the board instead.

Article 12

The company shall record on audio or video tape the entire proceedings of the Committee meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of the Committee meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where the Committee meeting is held by video conference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be well preserved for the duration of the existence of the company.

Article 13

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

Article 14

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

Article 15

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

The execution of tasks relating to resolutions adopted by the Committee may be delegated to the convener or other Committee members for follow-up, with a written or verbal report to be presented to the Committee during the implementation period. When necessary, the matter shall be presented for ratification or a report made at the next meeting of the Committee.

Article 16

Any matters not prescribed in the Charter, if any, shall be conducted in accordance with the provisions of the relevant regulations or laws.

Article 17

This Charter, and any amendments hereto, shall come into in force after adoption by a resolution of the board of directors.