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Nuvoton Technology Corporation[1]

2015

Annual Report

Published on March 31, 2016

Nuvoton Annual Report Website

▪Market Observation Post System website:http://mops.twse.com.tw

▪Nuvoton Annual Report Website:http://www.nuvoton.com

[1] This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

1. Company Spokesperson:
   Name: Hsiang-Yun Fan
   Title: Vice President of General Administration Center
   Telephone:(03)577-0066
   E-mail address:HYFan@nuvoton.com

2. Deputy Spokesperson:
   Name: Hung-Wen Huang
   Title: Administration Executive of General Administration Center
   Telephone:(03)577-0066
   Email:HWHuang4@nuvoton.com

3. Nuvoton Address and Telephone Number:
   Headquarters: No. 4, Creation Rd. III, Hsinchu Science Park, Taiwan
   Telephone: (03)577-0066 (representative)

4. Common Stock Transfer Agency:
   Name: Chinatrust Commercial Bank Limited Transfer Agency Department
   Address: 5F, No. 83, Sec.1, Chungking S. Road, Taipei City
   Telephone:(02) 6636-5566
   Website:http://www.chinatrust.com.tw

5. Auditor:
   Name of firm: Deloitte & Touche
   Name of Auditors: Ker-Chang Wu and Hung-Bin Yu
   Address: 12F, No. 156, Sec. 3, Minsheng E. Rd., Taipei, Taiwan
   Telephone:(02)2545-9988
   Website:http://www.deloitte.com.tw

6. Overseas Securities Listing Exchange and Information: N/A

7. Company website:http://www.nuvoton.com

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I. Letter to Shareholders

Dear Shareholders,

During 2015, the global financial and commodity markets were in uncertainty, emerging economies have entered into a struggle to keep development going, and the economy of Mainland China was undergoing a period of transition and upgrading. In the meantime, driven by advances and innovation in technology, new business models and new application markets have sprung up vigorously. In an environment filled with challenges and opportunities, the Company has been continuously launching new technologies, new products and new services, showing our powerful operational strength.

Financial performance

In respect of overall financial performance, the Company's total consolidated revenue was about NT$7,313 million, up about 7.2% from NT$6,822 million in 2014; the net income after tax was about NT$469 million, up about 36.7% from NT$343 million in 2014. The earnings per share after tax were NT$2.26.

Product, market and technology development

The Company’s scope of business mainly includes research and development and sales of IC and foundry services. Important achievements are described below:

In 2015, the Company launched NuMicro® M451 brand-new product series with a high resistance to interference. With digital signal processing and float point unit functions, the product can realize a high calculation efficiency. It can be applied for use with products for industrial controls, automation systems, security controls, auto electronics, and digital power, and can completely satisfy the customers' present development needs and imagination for future innovation. In addition, we have made many breakthroughs with the 32-bit ARM® Cortex®-M0 MCU products, and developed many competitive new high cost/performance products with low power consumption, in order to continuously develop our prowess for Internet of Things, medical services, green energy, consumer electronics, industrial controls, and other application fields.

In addition, in coordination with Intel new-generation SkyLake platform, our SIO (Super I/O) chip and EC (Embedded Controller) products have been successfully developed and continuously supplied. On the basis of our microcontrollers design capacity for years, and in combination with PC product research and development and manufacturing capacity, we have customized ARM® Cortex® - M4 SIO and EC applications and have started mass production of these products. Moreover, we have become the unique TPM (Trusted Platform Module) IC supplier throughout the world this year, with FIPS (Federal Information Processing Standards), Common Criteria EAL4+, and TCG (Trusted Computing Group) certifications, reflecting that our security product quality and reliability have been unanimously accepted by international standards.

In terms of wafer foundry services, we have developed many new processes, such as the 0.35um 600V/120V high voltage motor drivers process and 0.35um 40V/60V/80V BCD power management IC process. This has helped meet diverse customer demands.

Honors and awards

Apart from outstanding performance in main business fields, we have won many honors and awards. The company received the 3rd Potential Taiwan Mittelstand Award from the Ministry of Economic Affairs, and received the honor of being an excellent exporters/importers with an award from Bureau of Foreign Trade in 2014. This indicates we have been highly recognized by the Taiwan government.

In terms of sustainability, with "sustainable operation" as the goal and "improvement through innovation" as the means, we have been continuously promoting various sustainable operations. This has helped achieve the "Providing a sense of safety, reassurance, and empathy" vision of CSR. To actually practice such a vision, this year, we have obtained again an advanced program for emission reduction from the Environmental Protection Administration, which totals 5,551 ton carbon equivalent; we have also won the "Prize for Excellence in Environmental Performance of Businesses in Hsinchu Science Park, 2015" (awarded by the Environmental Protection Agency of Hsinchu City). In addition, we are committed to building a friendly workplace for female workers. We have developed and promoted many programs to care for pregnant employees, including setting up a cozy nursing room, and obtained good results in the occupational competition for best nursing room design in 2015 in Hsinchu City. Moreover, we won Bronze prize in the "Taiwan Corporate Sustainability Report Awards (TCSA) 2015", which is run by Taiwan Institute for Sustainable Energy. This shows our excellent achievements in CSR.

Business operations and outlook

In the face of fierce competition in the global semiconductor industry, following the development principle of sustainable development, we are focusing on improving our core business, strengthening our research and development capabilities, and leading the market development trends with creative thinking. Driven by consumer demands for mobile services, real-time information, and real-time monitoring, the Internet of Things, intelligent devices, and cloud computing infrastructure are still the growth markets in the future. Focusing on low power consumption and safety technologies, we have been widely applying our various micro controller products in order to create higher value for our customers, shareholders, and our Company.

Finally, on behalf of Nuvoton Technology Corporation, thank you for your support to and recognition of us.

Chairman Arthur Yu-Cheng Chiao

II. Company Overview

1. Company profile

(1) Date of establishment

Nuvoton Technology Corporation was established on April 9, 2008. In July of the same year, the Company took over Winbond's Logic IC Business Group and began operations. Nuvoton has been listed on the Taiwan Stock Exchange since September 27, 2010.

The Company is focused on the R&D, design and seals of integrated circuits, and has achieved leading positions in terms of market share in audio, microcontrollers, microprocessor, computer and cloud-based IC applications; in addition, the company owns a 6-inch IC plant that specializes in diverse processing technologies to provide professional IC foundry services and manufacture our own IC products with its partial capacity.

The Company provides customers with high quality products at low costs through vigorous innovative technical capabilities, comprehensive product solutions and outstanding integration of technologies. We provide customers with better services from existing foundations of cooperation, and the company vision is the "Joy of Innovation."

The Company values the long-term relationship between customers and partners. Nuvoton has subsidiaries in the USA, Mainland China, Israel, and India to strengthen regional support and global management.

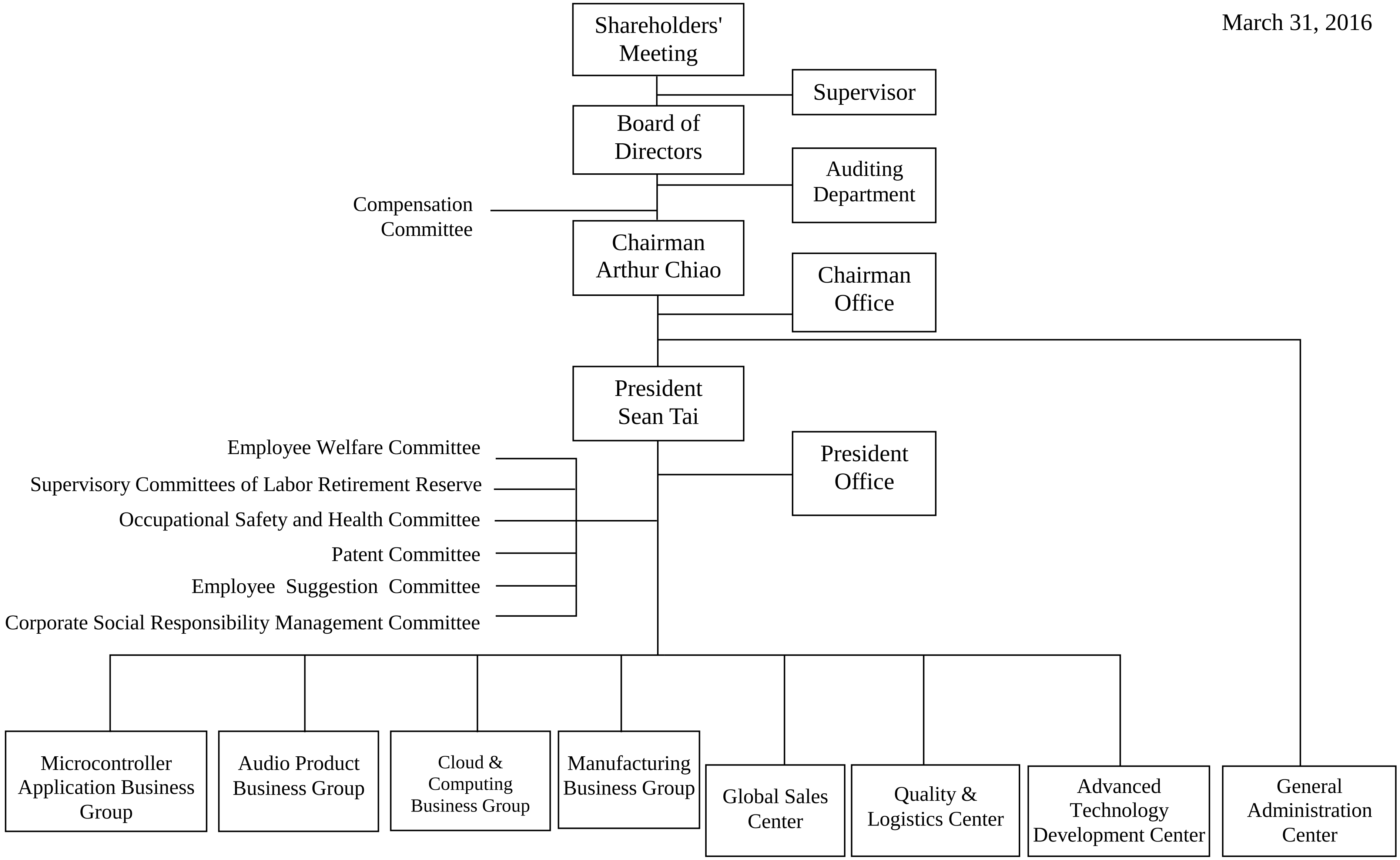
(2) Corporate history

April 2008	Founding of Nuvoton Technology Corporation with registered capital of NT$3,000,000,000 and paid-in capital of NT$1,000,000.
July 2008	The Company issues new stocks in 249,900,000 shares at book value and takes over the Logic IC Business Group (including assets, debts and operations) separated from Winbond Electronics Corporation (Parent company of Nuvoton). Paid-in capital reached NT$2,500,000,000 after capital increase.
September 2009	Capital reduction by cash in the amount of NT$600,000,000, paid in capital lowered to NT$1,900,000,000 after capital reduction. Issued new stocks by capital surplus in the amount of NT$100,700,000, paid in capital increased to NT$2,000,700,000 after capital increase.
December 2009	The Company filed for public offering on December 15, 2009.
January 2010	The Company is listed on the Emerging Stock Market on January 29, 2010.
June 2010	The Company converted 2009 earnings and employee bonuses into issuance of new stocks for a capital increase of NT$74,844,000, paid-in capital reached NT$2,075,544,000 after capital increase.
September 2010	The Company was listed on the Taiwan Stock Exchange on September 27, 2010.

2. Corporate governance report

(1) Organizational structure and major business units

1. Organization structure



2. Major business units and their key businesses

Department	Key businesses
President Office	1. Implement and analyze operation performance and provide improvement recommendations to help achieve the operation targets of the Company. 2. Administer the planning and organization of the Company's comprehensive business development strategies. 3. Oversee and execute the operation targets.
Auditing Department	1. Planning and execution of internal audit operations. 2. Planning and execution of internal control self-assessment operations. 3. Review of company codes and rules. 4. Audit and evaluate the overall operation performance of the Company.
Microcontroller Application Business Group	Develop general applications for microcontrollers/microprocessors, and develop ASSP for application of microcontrollers/microprocessors.
Audio Product Business Group	Planning, R&D, promotion and operation of audio products.
Cloud & Computing Business Group	1. Planning, promotion and operation of computer products. 2. Planning, promotion and operation of cloud-based platforms and devices. 3. Investigation, planning and preparation for future and strategic products.
Manufacturing Business Group	1. Conduct IC manufacturing business to achieve profit goals. 2. Provide competitive manufacturing solutions. 3. Provide IC foundry services. 4. Integrate outsourced businesses and develop IC manufacturing strategies.
Global Sales Center	1. Organize and manage the global sales team. 2. Plan and implement annual operation targets. 3. Sales management and analysis system. 4. Strategic management of major customers and market regions. 5. Develop new businesses in emerging and growing markets.
Quality & Logistics Center	1. Planning, control and management of production and logistics. 2. Cooperation, management and control of outsourced services. 3. Manage outsourced IC foundry services. 4. Define, establish and plan quality policies/systems/management in line with Company targets and customer requirements. 5. Monitor and satisfy customers' requests on product quality. 6. Manage the Company's intellectual property documents and information. 7. Material control/supply chain/logistics/storage management. 8. Provide solutions for costs and efficiency.
Advanced Technology Development Center	1. Early development of the Company's new technologies of the future and advanced research into new businesses. 2. Lead related industrial, academic and governmental collaboration plans with universities, government institutions.
General Administration Center	1. Providing a safe working environment in a most cost effective manner and assisting other business units to achieve the overall business goals of the company. 2. Satisfy the human resource demands for the Company's operations and growth. 3. Planning and execution of accounting system and tax matters. 4. Planning and evaluation of budget and costs. 5. Planning and maneuvering of company funds and investment management. 6. Review the Company's contracts and process related legal patent matters. 7. Cultivate employee relations and public relations.

(2) Profile of Directors, Supervisors and management

1. Directors and Supervisors (1)

March 31, 2016; Unit: Shares

Title	Nationality or place of registration	Name	First elected date	Date elected	Term (Year)	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Main work (education) experiences	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
Director	ROC	Winbond Electronics Corporation Company	March 14, 2008	June 14, 2013	3 years	126,620,087	61.01%	126,620,087	61.01%	-	-	-	-	-	Note 1	N/A	N/A	N/A
Chairman	ROC	Winbond Electronics Corporation Company Representative: Arthur Yu-Cheng Chiao	March 14, 2008	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Master of Electrical Engineering from University of Washington, also studied in School of Management, University of Washington; Chairman of Walsin Lihwa Corporation, Chairman and Remuneration Committee Member of Capella Microsystems Inc.	Note 2	Director	Yung Chin	Spouse
Vice Chairman	ROC	Robert Hsu	April 23, 2010	June 14, 2013	3 years	252,328	0.12%	191,328	0.09%	-	-	-	-	PhD in Electrical Engineering, University of Southern California; President, Winbond Electronics Corporation	Note 3	N/A	N/A	N/A
Director	ROC	Winbond Electronics Corporation Company Representative: Ken-Shew Lu	March 14, 2008	June 14, 2013	3 years	-	-	-	-	-	-	-	-	PhD from Texas Tech University; Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog Signal & Logical Products of Texas Instruments Incorporated	Note 4	N/A	N/A	N/A
Director	ROC	Winbond Electronics Corporation Company Representative: Yung Chin	March 14, 2008	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Master of Applied Mathematics, University of Washington; Chief Auditor of Walsin Lihwa Corporation, Vice President of Winbond Electronics Corporation	Note 5	Chairman	Arthur Yu-Cheng Chiao	Spouse
Director	ROC	Chi-Lin Wea	April 23, 2010	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Master of Management from Imperial College London, United Kingdom, PhD in Economics from University of Paris ; Director of National Taiwan University College of Management, Secretary-general of Executive Yuan,	Note 6	N/A	N/A	N/A

Title	Nationality or place of registration	Name	First elected date	Date elected	Term (Year)	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Main work (education) experiences	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
														Chairman of Land Bank of Taiwan				
Independent Director	ROC	Allen Hsu	June 14, 2013	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Master of Buiness Administration National Chengchi University; Vice Chairman of Taiwan Venture Capital Association, Vice CEO at Headquarters of Yulon Group, Chairman of Myson Century, Inc., Chairman of Taiwan Mask Corporation, Chairman of Chingis Technology Corporation,	Note 7	N/A	N/A	N/A
Independent Director	ROC	Royce Yu-Chun Hong	April 23, 2010	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Department of Industrial Design, Rhode Island School of Design, Graphic Design at Art Center College of Design	Note 8	N/A	N/A	N/A
Independent Director	ROC	David Shu-Chyuan Tu	June 12, 2014	June 12, 2014	2 years	-	-	-	-	-	-	-	-	Master of Computer Engineering from California State University, Bachelor of Computer Engineering from National Chiao Tung University; President of Planning Department of Synnex Technology International Corp	Note 9	N/A	N/A	N/A
Supervisor	ROC	Lu-Pao Hsu	April 23, 2010	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Bachelor degree in Physics, National Cheng Kung University, Executive Management Program in Harvard Business School; Associate Professor of National Chiao Tung University, Executive Vice President of Philips Taiwan, Managing Director of Walsin Lihwa Corporation	Note 10	N/A	N/A	N/A
Supervisor	ROC	Chao-Ming Mong	April 23, 2010	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Master of Finance, National Taiwan University; Vice President of Corporate Finance Division, China Development Industrial Bank	Note 11	N/A	N/A	N/A
Supervisor	ROC	Chin Xin Investment Co., Ltd Company	June 14, 2013	June 14, 2013	3 years	1,853,185	0.89%	1,853,185	0.89%	-	-	-	-	-	Note 12	N/A	N/A	N/A

Title	Nationality or place of registration	Name	First elected date	Date elected	Term (Year)	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Main work (education) experiences	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
Supervisor	ROC	Chin Xin Investment Co., Ltd Company Representative: Yang-Kun Lai	June 14, 2013	June 14, 2013	3 years	-	-	-	-	-	-	-	-	Bachelor of Electrical Engineering, National Taiwan Ocean University; Vice President of Nuvoton Technology Corporation, Senior Director of Winbond Electronics Corporation, Manager in Electronic and Optoelectronic System Research Laboratories	N/A	N/A	N/A	N/A

Note 1: Institutional Director Winbond Electronics serves concurrently as Director of Walton Advanced Engineering, Inc., Winbond Electronics (H.K.) Limited, Pine Capital Investment Limited, Landmark Group Holdings Ltd., Winbond International Corporation, Newfound Asian Corporation, Winbond Technology Ltd.; Director and Supervisor of Mobile Magic Design Corporation; Supervisor of Walsin Technology Corporation, Chin Xin Investment Corporation, and Harbinger III Venture Capital Corporation.

Note 2: Mr. Arthur Yu-Cheng Chiao is the Chairman of the Company; Chairman and CEO of Winbond Electronics Corp., Mr. Chiao serves concurrently as Chairman of Chin Xin Investment Corp., Vice Chairman of Walsin Lihwa Corp., Director of Walsin Lihwa Corp., Walsin Specialty Steel Corporation, Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, Techdesign Corporation, Winbond Electronics Corp. America, Landmark Group Holdings Ltd., Winbond International Corporation, Newfound Asian Corporation, Peaceful River Corporation, Baystar Holdings Limited, Nuvoton Investment Holding Limited, Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd.; Independent Director and Compensation Committee Convener of Taiwan Cement Corp., Independent Director and Compensation Committee Member of Synnex Technology International Corporation; Managerial officer of Goldbond LLC; and Supervisor of MiTAC Holdings Corporation.

Note 3: Vice Chairman Mr. Robert Hsu serves concurrently as the Company's CTO; Director of Winbond International Corporation, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corp. America, Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd. Supervisor of Walsin Lihwa Corp.

Note 4: Director Mr. Ken-Shew Lu serves concurrently as the Chairman, CEO and Director of Diodes Incorporated; Chairman of LED Engin, Inc.; Director of Lorenz and Lite-On Technology Corporation.

Note 5: Director Ms. Yung Chin serves concurrently as the Director and Chief Administrative Officer of Winbond Electronics Corp.; Director of Winbond Electronics (H.K.) Limited, Newfound Asian Corporation, Peaceful River Corporation, and Nuvoton Electronics Technology (H.K.) Limited. She also serves concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Ltd., and Nuvoton Electronics Technology (Shanghai) Limited.

Note 6: Director Chi-Lin Wea serves concurrently as Director of AcBel Polytech Inc.; Independent Director of Inventec Besta Co., Ltd., Sinbon Electronics Co., Ltd., and Formosa Plastics Corporation.

Note 7: Director Mr. Allen Hsu serves concurrently as the Chairman of Hestia Power Inc., AccelStor Co., Ltd., Yizhong Technology Inc., and Radar Management Consultants Co.; Director of Innodisk Corporation, Acme Electronics Corporation, Anderson Industrial Corp., and Pilot Electronics Corporation; Independent Director of ANZ Bank (Taiwan) Limited, Winbond Electronics Corporation and MicroBase Technology Corporation.

Note 8: Director Mr. Royce Yu-Chun Hong serves concurrently as the Chairman and President of Ipevo Inc.; Chairman of Xrange Co., Ltd. and XING Mobility Inc.; Director of Long Jun Investment Co., Ltd.; Managing Director of Panasonic Taiwan Co., Ltd.; Supervisor of Yuchi Venture Investment Co., Ltd. and Panasonic Electronics Products Co. Ltd.

Note 9: Director Mr. David Shu-Chyuan Tu serves concurrently as Vice President Group Business Development & Strategy of Synnex Technology International Corp. and Director of BestCom Infotech Corp.

Note 10: Supervisor Mr. Lu-Pao Hsu serves concurrently as Independent Director of Diodes Incorporated.

Note 11: Supervisor Mr. Chao-Ming Mong serves concurrently as Vice President of China Development Financial Holding Corporation, Chairman of CDC Finance & Leasing Corp., and Director of CDIB Capital Management Corporation.

Note 12: Institutional Supervisor Chin Xin Investment Corp. serves concurrently as Director of Global Investment Holdings Co., Ltd. and HannStar Board Corporation. Serves concurrently as Supervisor of Winbond Electronics Corporation.

Directors and Supervisors who are representatives of institutional shareholder and the major shareholders of institutional shareholders

March 31, 2016

Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.66%), Chin Xin Investment Corp. (5.09%), Arthur Yu-Cheng Chiao (1.63%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (1.42%), ABP Retirement Fund Investment Account under the trust of JPMorgan Chase Bank N.A. Taipei Branch (1.05%), Hong Pai-Yung (0.90%), Profit Trends International Corp. Investment Fund under the custody of Deutsche Bank A. G. Taipei Branch (0.86%), Chiao Yu-Lon (0.83%), Chiao Yu-Heng (0.82%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (0.70%).
Chin Xin Investment Corp.	Winbond Electronics (37.69%), Walsin Lihwa (37%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Chiao Yu-Chi (3.14%), Yau Cheung Investment (2.81%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%).

Major shareholders in the above table who are institutional investors and their major shareholders

March 31, 2016

Name of Institution	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (5.96%), Winbond Electronics Corporation (5.59%), Chin Xin Investment Corp. (4.98%), Chiao Yu-Hui (2.58%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of Standard Chartered Bank (1.67%), Hong Pai-Yung (1.67%), Chiao Yu-Heng (1.63%), Chiao Yu-Chi (1.44%), Walsin Lihwa Employees' Welfare Committee (1.34%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (1.31%).
Oriental Consortium Investment	HannStar Display Corporation (100%).
Yau Cheung Investment Limited	-
Walsin Technology Corporation	Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.20%), Walton Advanced Engineering (2.75%), Maybank Kim Eng Securities Limited Investment Fund under the trust of Citibank (Taiwan) (2.61%), Chiao Yu-Heng (2.42%), Global Brands Manufacture Ltd. (2.09%), Winbond Electronics Corporation (1.88%), Norges Bank Investment Account under the trust of JPMorgan Chase Bank N.A. Taipei Branch (1.74%), Walsin Color Corporation (1.65%), China Life Insurance Co., Ltd. (1.43%).
HannStar Board Corporation	Walsin Technology Corporation (20.08%), Walsin Lihwa Corporation (12.94%), Chin Xin Investment Corp. (3.81%), Hong Pai-Yung (1.98%), BNP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.60%), Walsin Color Corporation (1.28%), Chiao Yu-Heng (0.90%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (0.84%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (0.79%), Acadian Emerging Markets Portfolio Small-Scale Capital Stock Fund Corporation Investment Account under the trust of HSBC Bank (0.76%).

Directors and Supervisors (2)

Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note)										Number of other Taiwanese public companies concurrently serving as an independent Director
	A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao			V			V						V		2
Winbond Electronics Corporation Representative: Ken-Shew Lu			V	V	V	V	V	V	V		V	V		-
Winbond Electronics Corporation Representative: Yung Chin			V			V						V		-
Robert Hsu			V				V				V	V	V	-
Chi-Lin Wea	V		V	V	V	V	V	V	V	V	V	V	V	3
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	3
Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	V	V	-
David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	V	V	-
Lu-Pao Hsu	V		V	V		V	V				V	V	V	-
Chao-Ming Mong			V	V	V	V	V	V	V	V	V	V	V	-
Representatives of Chin Xin Investment Corp.: Yang-Kun Lai			V	V	V	V	V	V	V	V	V	V		-

Note: If the Director or Supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check " ✔" in the corresponding boxes:

（1） Not an employee of the company or any of its affiliates.

（2） Not a Director or Supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent Director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

（3） Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

（5） Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;

（6） Not a Director, Supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

（7） Not a professional individual who, or an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

（8） Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the company.

（9） Not been a person of any conditions defined in Article 30 of the Company Act.

（10） Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

March 31, 2016 Unit: Shares

Title	Nationality	Name	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main work (education) experiences	Current job position in other companies	Manager who is a spouse or a relative within second degree		
				No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
CTO	ROC	Robert Hsu	February 5, 2014	191,328	0.09%	-	-	-	-	PhD in Electrical Engineering, University of Southern California; President, Winbond Electronics Corporation	Director of Winbond International Corporation, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corp. America, Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, Pigeon Creek Holding Co., Ltd.; serves concurrently as Supervisor of Walsin Lihwa Corp.	N/A	N/A	N/A
President	ROC	Sean Tai	February 5, 2014	10,000	0.00%	-	-	-	-	PhD of Electrical Engineering, Yale University Chief Business Development Officer, Realtek Semiconductor Corp.	Chairman of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, and Nuvoton Electronics Technology (Shenzhen) Limited; Director of Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., Song Yong Investment Corporation, Techdesign Corporation, and Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
Vice President	ROC	Hsi-Jung Tsai	August 20, 2008	127,686	0.06%	-	-	-	-	Master of Computer Science, National Chiao Tung University Vice President of Business Development and Sales, Cheertek Inc.	Chairman of Nuvoton Technology Corporation America; Director of Yuchi Venture Investment Co., Ltd.	N/A	N/A	N/A
Vice President	ROC	Hsiang-Yun Fan	July 1, 2008	444,979	0.21%	-	-	-	-	Master of Business Administration, National Chung Cheng University Assistant Vice President of Administration Service Center, Winbond Electronics Corp.	Chairman of Song Yong Investment Corporation and Nuvoton Technology India Private Limited; Director of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., HannStar Board Corporation, Winbond Electronics (H.K.) Limited, Techdesign Corporation, Nyquest Technology Co., Ltd. and Winbond Electronics Corporation Japan; Managerial officer of Goldbond LLC.	N/A	N/A	N/A
Vice President	ROC	Jen-Lieh Lin	July 1, 2008	152,973	0.07%	-	-	-	-	Master of Electrical Engineering, National Cheng Kung University Assistant Vice President of System Technology Center, Winbond Electronics Corp.	Director of Nuvoton Electronics Technology (Shanghai) Limited, Techdesign Corporation and Nuvoton Technology Corporation America; Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
Vice President	ROC	Jiin-Shiarng Wen	January 1, 2011	6,200	0.00%	-	-	-	-	Master of Engineering Management (MEM), University of Technology, Sydney Director of Fabrication II Division, Winbond Electronics Corp.	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Peng-Chou Peng	December 1, 2009	129,000	0.06%	-	-	-	-	Master of Electrical Engineering, National Central University Executive Assistant of Sales & Marketing Unit of Generalplus Technology Inc.	President of Nuvoton Electronics Technology (Shenzhen) Limited	N/A	N/A	N/A
Assistant Vice President	ROC	Hsin-Lung Yang	January 24, 2011	-	-	-	-	-	-	Master of Computer Science, National Tsing Hua University Senior Director of Multimedia R&D Division of Cheertek Inc.	Chairman of Nuvoton Technology Israel Ltd.	N/A	N/A	N/A

Title	Nationality	Name	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Main work (education) experiences	Current job position in other companies	Manager who is a spouse or a relative within second degree		
				No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
										Technical Manager of Product Design and Marketing, Novatek Microelectronics Corp.				
Assistant Vice President	ROC	Patrick Wang	May 5, 2014	-	-	-	-	-	-	Mater of Business Administration, State University of New York, Buffalo Assistant Vice President of International Marketing, Realtek Semiconductor Corp.	President of Nuvoton Electronics Technology (Shanghai) Limited	N/A	N/A	N/A
Chief Accounting Officer	ROC	Hung-Wen Huang	February 1, 2015	2,000	0.00%	-	-	-	-	PhD from the Department of Industrial Engineering and Management, National Chiao Tung University Director of Accounting Department of Winbond Electronics Corporation	N/A	N/A	N/A	N/A

Note: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi- 0920001301, including the President, Vice President, Assistant Vice President, Chief Financial Officer, and Chief Accounting Officer (or equivalent officers).

3. Remunerations to Directors (including Independent Directors), Supervisors, President, and Vice Presidents in recent years

3.1. Remuneration for Directors (including Independent Directors)

December 31, 2015; Unit: thousand NT$

Title	Name	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax profit (Note 6)		Pay received as an employee												Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (Note 6)		Remuneration received from investees other than subsidiaries (Note 7)
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Business expense (D) (Note 3)				Salary, bonus and special allowance (E) (Note 4)		Severance pay and pension (F)		Remuneration of employees (G) (Note 2)				Shares subscribable under employee stock options (H)		Shares obtained through restricted stock award (I)				
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	
																Cash value	Share value	Cash value	Share value							
Corporate Director	Winbond Electronics Corporation	360	360	-	-	4,458	4,458	797	797	1.20%	1.20%	860	5,789	-	947	419	-	419	-	-	-	-	-	1.47%	2.72%	96
	Arthur Yu-Cheng Chiao (Note 8)																									
	Ken-Shew Lu (Note 8)																									
	Yung Chin (Note 8)																									
Director	Robert Hsu																									
	Chi-Lin Wea																									
	Gary Y. Cheng (Note 9)																									
Independent Director	Allen Hsu																									
	Royce Yu-Chun Hong																									
	David Shu-Chyuan Tu																									

Range of remuneration chart

Remuneration scale applicable to the Company's Directors	Name of Director			
	Total amount for the 4 preceding remunerations(A+B+C+D)		Total amount for the 7 preceding remunerations(A+B+C+D+E+F+G)	
	The Company	All companies in the financial report I	The Company	All investees J
Below NT$2,000,000	Winbond Electronics Corporation, Arthur Yu-Cheng Chiao, Ken-Shew Lu, Yung Chin, Robert Hsu, Chi-Lin Wea, Gary Y. Cheng, Allen Hsu, Royce Yu-Chun Hong, David Shu-Chyuan Tu	Winbond Electronics Corporation, Arthur Yu-Cheng Chiao, Ken-Shew Lu, Yung Chin, Robert Hsu, Chi-Lin Wea, Gary Y. Cheng, Allen Hsu, Royce Yu-Chun Hong, David Shu-Chyuan Tu	Winbond Electronics Corporation, Arthur Yu-Cheng Chiao, Ken-Shew Lu, Yung Chin, Robert Hsu, Chi-Lin Wea, Gary Y. Cheng, Allen Hsu, Royce Yu-Chun Hong, David Shu-Chyuan Tu	Winbond Electronics Corporation, Arthur Yu-Cheng Chiao, Ken-Shew Lu, Yung Chin, Chi-Lin Wea, Gary Y. Cheng, Allen Hsu, Royce Yu-Chun Hong, David Shu-Chyuan Tu
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	-	-	-	Robert Hsu
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-	-	-
Greater than NT$100,000,000	-	-	-	-
Total	10 persons	10 persons	10 persons	10 persons

Note 1: Remuneration of the Director for the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: The Board of Directors of the Company passed a resolution on January 28, 2016 for distribution of the remuneration of Directors, Supervisors and employees for 2015. The above chart consists of estimated numbers, which have not been reported to the Shareholders' Meeting.

Note 3: This are business expenses of Directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: All payments to the Director who is also employee of the Company (including the position of President, Vice President, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car.

Note 5: The total pay to the Directors from all companies in the consolidated statements (including the Company).

Note 6: Net profit after tax means the Company's net profit after tax in 2015.

Note 7: Refers to the Directors' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the Company's Directors as Director, Supervisors or Managing Directors of investment businesses outside subsidiary companies.

Note 8: Refers to the representative of Winbond Electronics Corporation.

Note 9: Director Mr. Gary Y. Cheng resigned on April 1, 2015

3.2 Remuneration of Supervisors

December 31, 2015; Unit: thousand NT$

Title	Name	Remuneration to Supervisors: Remuneration (A) (Note 1): The Company	Remuneration (A) (Note 1): All companies in the financial statements (Note 4)	Remuneration (B) (Note 2): The Company	Remuneration (B) (Note 2): All companies in the financial statements (Note 4)	Business Expenses (C) (Note 3): The Company	Business Expenses (C) (Note 3): All companies in the financial statements (Note 4)	Ratio of total (A), (B), and (C) to after-tax income (Note 5): The Company	Ratio of total (A), (B), and (C) to after-tax income (Note 5): All companies in the financial statements (Note 4)	Compensation from investments other than subsidiaries (Note 6)
Institutional Supervisor	Chin Xin Investment Corp.	-	-	1,448	1,448	288	288	0.37%	0.37%	-
Representative of Institutional Supervisor	Chin Xin Investment Corp. Representative: Yang-Kun Lai									
Supervisor	Chao-Ming Mong									
Supervisor	Lu-Pao Hsu									

Range of remuneration chart

Range of remuneration paid to each Supervisor	Names of Supervisors – Total of (A+B+C): The Company	Names of Supervisors – Total of (A+B+C): All companies in the financial statements (D)
Below NT$2,000,000	Chin Xin Investment Corp., Yang-Kun Lai, Chao-Ming Mong, Lu-Pao Hsu	Chin Xin Investment Corp., Yang-Kun Lai, Chao-Ming Mong, Lu-Pao Hsu
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-
Greater than NT$100,000,000	-	-
Total	4 persons	4 persons

Note 1: Means remuneration of the Supervisors for the most recent year (including Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: The Board of Directors of the Company passed a resolution on January 28, 2016 for distribution of the remuneration of Directors, Supervisors and employees for 2015. The above chart consists of estimated numbers, which have not been reported to the Shareholders' Meeting.

Note 3: The business expense of Supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: The total pay to Supervisors from all companies in the consolidated statements (including the Company).

Note 5: Net profit after tax means the Company's net profit after tax in 2015.

Note 6: Refers to the Supervisors' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the Company's Supervisors as Director, Supervisors or Managing Directors of investment businesses outside subsidiary companies.

3.3 Remunerations to President and Vice President

December 31, 2015; Unit: thousand NT$

Title	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonus and allowance (C) (Note 2)		Amount of remuneration of employees (Note 3)				Ratio of total (A), (B), (C), and (D) to after-tax profit (Note 5)		Exercisable employee stock options		Restricted stock units		Compensation from investments other than subsidiaries (Note 6)
		The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company		All companies in the financial statements (Note 4)		The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	
								Cash value	Share value	Cash value	Share value							
CTO	Robert Hsu	16,682	20,777	495	1,442	3,066	3,900	1,731	-	1,731	-	4.68%	5.94%	-	-	-	-	18
President	Sean Tai																	
VP	Jen-Lieh Lin																	
VP	Hsi-Jung Tsai																	
VP	Hsiang-Yun Fan																	
VP	Jiin-Shiarng Wen (Note 7)																	

Range of remuneration chart

Range of remuneration paid to Presidents and Vice Presidents	Name of President and Vice Presidents	
	The Company	All investees (E)
Below NT$2,000,000	Robert Hsu	-
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Jen-Lieh Lin, Hsi-Jung Tsai, Hsiang-Yun Fan, Jiin-Shiarng Wen	Jen-Lieh Lin, Hsi-Jung Tsai, Hsiang-Yun Fan, Jiin-Shiarng Wen
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Sean Tai	Robert Hsu, Sean Tai
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-
Greater than NT$100,000,000	-	-
Total	6 persons	6 persons

Note 1: Salary, additional pay, and severance pay received by the President or Vice President in the past year.

Note 2: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other payments received by the President or Vice President in the past year.

Note 3: The Board of Directors of the Company passed a resolution on January 28, 2016 for distribution of the remuneration of Directors, Supervisors and employees for 2015. The above chart consists of estimated numbers, which have not been reported to the Shareholders' Meeting.

Note 4: The total pay to the President or Vice President from all companies in the consolidated statements (including the Company).

Note 5: Net profit after tax means the Company's net profit after tax in 2015.

Note 6: Refers to the President and Vice Presidents' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the Company's President and Vice Presidents as Director, Supervisors or Managing Directors of investment businesses outside subsidiary companies.

Note 7: Mr. Jiin-Shiarng Wen was appointed Vice President starting June 1, 2015.

3.4 Manager's name and the distribution of employee bonus (Note 1)

December 31, 2015; Unit: thousand NT$

	Title	Name	Share value	Cash value	Total	Ratio (%) accounted compared to the total net income
Managers	CTO	Robert Hsu	-	2,179	2,179	0.46%
	President	Sean Tai				
	Vice President	Hsi-Jung Tsai				
	Vice President and Chief Financial Officer	Hsiang-Yun Fan				
	Vice President	Jen-Lieh Lin				
	Vice President	Jiin-Shiarng Wen				
	Assistant Vice President	Peng-Chou Peng				
	Assistant Vice President	Hsin-Lung Yang				
	Assistant Vice President	Patrick Wang				
	Chief Accounting Officer	Hung-Wen Huang				

Note 1: The distribution of remuneration of employees has not been decided up to the date of the report. The above chart consists of estimated numbers, which have not been reported to the Shareholders' Meeting.

3.5 Comparison and analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

(1) Analysis of remunerations of Directors, Supervisors, President and Vice Presidents as a percentage of the Company's income after tax in the last two years

Title	2014		2015	
	Analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of income after tax		Analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of income after tax	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	9.21%	10.72%	6.25%	7.51%
Supervisor				
President and Vice President				

(2) Analysis of remunerations to Directors, Supervisors, President and Vice Presidents description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

A. Directors and Supervisors

The remuneration of Directors and Supervisors include transportation allowance, remuneration and business expenses. The remuneration of Directors and Supervisors are clearly established in the Articles of Association and recommendations according to their participation in company's operations, the value of their contribution and related regulations are submitted to the Compensation Committee for review and to the Board of Directors for resolution.

B. President and Vice President

The remuneration of the President and Vice Presidents include salary, bonuses and employee remuneration shall be determined in accordance with their position, responsibilities, contribution to the Company and industry norms. The recommendation shall be submitted to the Compensation Committee for review and to the Board of Directors for resolution.

(3) Implementation of corporate governance

1. Board of Directors

(1) A total of 4 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) [B/A] (Note 1)	Note
Chairman	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao	4	0	100%	
Vice Chairman	Robert Hsu	4	0	100%	
Director	Representative of Winbond Electronics Corporation: Ken-Shew Lu	3	1	75%	
Director	Representative of Winbond Electronics Corporation: Yung Chin	4	0	100%	
Director	Chi-Lin Wea	4	0	100%	
Director	Gary Y. Cheng	0	1	0%	Note 2
Independent Director	Allen Hsu	4	0	100%	
Independent Director	Royce Yu-Chun Hong	2	2	50%	
Independent Director	David Shu-Chyuan Tu	4	0	100%	

Note 1: Attendance in person is calculated by attendance in person of the Director during the period of service.

Note 2: Resigned as Director on April 1, 2015, attended 1 Board of Directors Meeting.

(2) Matters stipulated in Article 14-3 of the Securities and Exchange Act and resolutions adopted by the Board of Directors, to which an independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: N/A

(3) Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Agenda item	Name of Director	Reason for recusal	Voting on the agenda item	Note
Remove non-compete clause for Directors of the Company	Arthur Yu-Cheng Chiao Ken-Shew Lu Yung Chin Allen Hsu Royce Yu-Chun Hong	The Director has an interest in the matter	Did not participate in voting	11th meeting of the 4th Board of Directors
Modifications to the salary and variable pay of managing Directors	Robert Hsu	The Director has an interest in the matter	Did not participate in voting	12th meeting of the 4th Board of Directors

(4) An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

A. The Company has established the Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and would post information on the attendance by Directors and Supervisors on the Market Observation Post System after each Board meeting, and disclose important resolutions adopted by Board meetings on the Company website.

B. The Company holds strategic meetings before periodic Board of Directors Meetings each quarter, attended by Directors and Supervisors who participate to understand the financial and business status of the Company and the execution of important operation plans; the Company works hard to increase the transparency of company information and holds investor conferences immediately after periodic Board of Directors Meetings each quarter to disclose the financial and business status of the Company. Related information are disclosed on the Market Observation Post System and the Company website.

C. The Company has established regulations governing salary, remuneration and performance evaluation of Directors and Supervisors. To improve performance evaluations, the Company is expected to establish a performance evaluation system for the Board's operation, personal participation and continuing education in December 2016. The results will be compiled by the unit in charge of Board Meetings and submitted to the Compensation Committee and the Board to measure the Board's operations in guiding the strategic direction of the Company and overseeing the Company's operations and management, which should help increase long-term shareholder value.

D. The Company attaches great importance to corporate governance and amended the Articles of Association in 2015 to switch the election of Directors and Supervisors entirely to a candidate nomination system. The new election system was in place in the 2016 re-election of Directors and Supervisors.

2. Operation of the Audit Committee or the status of Supervisors participating in the operation of the Board

(1) Attendance of Supervisors in Board Meetings:

A total of 4 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person Times (B)	Attendance in person rate (%) [B/A] (Note)	Note
Supervisor	Chao-Ming Mong	3	75%	
Supervisor	Lu-Pao Hsu	3	75%	
Supervisor	Representatives of Chin Xin Investment Corp.: Yang-Kun Lai	4	100%	

Other matters that require reporting:

1. Composition and responsibility of Supervisors:
   (1) Communication between Supervisors and Company's employees and shareholders: The Supervisors may, when they deem it necessary, communicate directly with employees, shareholders or interested parties.
   (2) Communication between Supervisors and the Company's internal audit chief and CPA.
      1. The audit chief submitted the completed audit report (or follow-up report) to Supervisors for examination in the following month, attended the Board of Directors meetings to report on audit operations, and periodically reported to the Supervisors the annual audit operation and annual internal control self-inspection operation, to which the Supervisors did not raise any objection.
      2. The Supervisors communicated with the CPA from time to time as required to discuss matters including the content of financial statements and audit operations.
      3. The Company's audit, CPA, and Supervisors meet periodically once every six months for a communication meeting.
2. If a Supervisor voices an opinion in the Board of Directors meeting, describe the date of the Board meeting, term of the Board, agenda items, resolutions adopted by the Board, and actions taken by the company in response to the opinion of the Supervisor: Not applicable.

Note: The attendance in person rate is calculated by attendance in person of the Supervisor during the period of service.

(2) State of operations of the audit committee: Not applicable for the Company as it does not have an established audit committee.

3. Corporate governance implementation status and departure from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on Company website.	In line with Corporate Governance Best-Practice Principles
2. The Company's shareholding structure and shareholders' rights and interests (1) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures? (2) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders? (3) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? (4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V V V V		(1) The Company's Shareholders' Affairs Unit (under the Finance Department) is in charge of shareholder services, handling shareholder suggestions, questions and complaints in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units, and establishing a complaint mechanism on the Company website. (2) The Company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains favorable communication channels with major shareholders. (3) The Company has established related regulations on internal control mechanisms in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions. (4) The Company has established Procedures for Handling Major Internal Information and educated the internal staff on the restriction of trading securities based on information yet to be public on the market.	In line with Corporate Governance Best-Practice Principles
3. The composition and duties of the Board of Directors (1) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?	V		(1) The Company's corporate governance principles specify that the structure of Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of	In line with Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(2) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the Company willing to also voluntarily establish other types of functional committees? (3) Has the Company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? (4) Does the Company periodically evaluate the level of independence of the CPA?	V V V		work. The members of the Board of Directors should include female Directors and three Independent Directors who are financial or industrial professionals. The educational background and experience of Directors and Supervisors should provide considerable assistance to the operation of the Company. (2) The Company has established functional committees including the Employees' Welfare Committee, Supervisory Committees of Labor Retirement Reserve, ESH and Risk Management Committee, Patent Committee and the CSR Management Committee. (3) The Company has established regulations governing salary, remuneration and performance evaluation of Directors and Supervisors. The Company is expected to establish a performance evaluation system for the Board operation, personal participation and continuing education in December 2016 to enhance performance evaluation. (4) The Company's certifying CPA alternates between accountants. Previous accountants have not served as the Company's Director or Supervisor nor were they remunerated by the Company or interested parties. The Board of Directors evaluates the independence of the certifying CPA every year. Evaluation items include the CPA firm's selection and compliance with regulations and supervision of competent authorities, therefore its independence and propriety should be absolute.	
4. Has the Company established channels for communicating with stakeholders, set up a dedicated stakeholder area on the Company website, as well as appropriately responded to important corporate and social responsibility issues that stakeholders are concerned about?	V		The Company attaches great importance to communicating stakeholders and has established diversified channels of communication. The Company has also set up a designated area on the Company website for stakeholders and designated related staff to maintain the area.	In line with Corporate Governance Best-Practice Principles
5. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?	V		The Company has hired Chinatrust Commercial Bank Limited Transfer Agency Department to handle tasks and issues related to holding the shareholder's meeting.	In line with Corporate Governance Best-Practice Principles
6. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance statuses? (2) Has the Company established other information disclosure	 V V		 (1) The Company discloses financial and business as well as corporate governance information on its Chinese and English websites. (2) The Company maintains an English website and related	In line with Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences on the Company website)?			departments including investor relations, shareholder affairs and public relations collect and disclose related information in accordance with regulations. The Company has also established a Spokesperson system and the presentation files and videos of the investor conferences are available on the Company website.	
7. Does the Company have other information that is helpful for understanding the status of corporate governance (including but not limited to employee rights and interests, employee well being, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	V		(1) Employee rights, interests and well being: The Company has established comprehensive regulations governing the rights, obligations and benefits of employees; the Company also established complaint filing protocols to safeguard employee rights and benefits. The Company has established employee communication channels to encourage the employees to communicate directly with management. (2) Investor relations: The Company holds periodic investor conferences to communicate with investors and has established a designated area for investors and periodically discloses financial information and information related to corporate governance. (3) Supplier relations: The Company has established regulations governing supplier relations. (4) Stakeholder interests: The Directors of the Company recused themselves from voting on agenda items in which they have an interest. (5) Continuing education of Directors and Supervisors: The Company, from time to time, provides information on seminars on corporate governance to Directors and Supervisors and arranges for their continuing education. (6) Implementation of risk management policies and risk assessment standards: The Company has established regulations on important managerial targets and implements them in accordance with regulations. (7) The implementation of customer relations policies: The Company strictly adheres to the contracts signed with customers and their statutes to safeguard customers' rights and interests. (8) Purchase of liability insurance for Directors and Supervisors: The Company has purchased liability insurance for its Directors and Supervisors starting in 2015.	In line with Corporate Governance Best-Practice Principles
8. Does the company have corporate governance self-assessment report or have engaged any other professional	V		The Company files reports on the modification of corporate governance related business on a case-by-case basis in accordance with the results of	In line with Corporate Governance Best-Practice

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
organization to conduct such assessment? (If so, please include comments of the Board of Directors, self-evaluations or external evaluation results, major issues, recommendations, and follow-up improvement reports)			the evaluation on corporate governance and the newly-amended standards for the evaluation of corporate governance to the Chairman for review and conducts corporate governance enhancement plans based the improvement plans. Progress has been made on several targets (e.g. the simultaneous release of important information in English and Chinese). The Company has not engaged a professional institution to conduct evaluation on corporate governance.	Principles

4. Composition, duties, and operation of the Compensation Committee:

(1) Members of the Compensation Committee

Position	Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meets the independence criteria (Note 1)								Number of other public companies in which the member also serves as a member of their compensation committee	Note
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Allen Hsu			V	V	V	V	V	V	V	V	V	3	
Independent Director	Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	-	
Independent Director	David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	-	

Note 1: If the committee member meets any of the following criteria in the two years before being elected or during the term of office, please check " ✓" in the corresponding boxes:

（1） Not an employee of the company or any of its affiliates.

（2） Not a Director or Supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the committee member is an independent Director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares.

（3） Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

（4） Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.

（5） Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;

（6） Not a Director, Supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

（7） Not a professional person, business owner, partner, Director, Supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse of anyone listed herein.

（8） Not been a person of any conditions defined in Article 30 of the Company Act.

(2) Roles and Responsibilities of the Compensation Committee:

Committee members must exercise the care of a prudent administrator to fulfill the following duties, and offer recommendations for discussion by the Board of Directors: 1. Review the regulations periodically and put forward recommendations for corrections, 2. Establish and review the performance targets, and institutions, standards and structure of the remuneration policies of the Company's Directors, Supervisors and managing Directors periodically, and 3. Periodically review the status of performance targets of the Company's Directors, Supervisors and determine the content and amount of remuneration to each individual.

(3) State of operations of the compensation committee:

A. The Company's Compensation Committee is comprised of three persons.

B. Current term of office: July 10, 2013 – June 13, 2016; a total of 2 (A) meetings of the Compensation Committee were held in 2015. The members' qualifications and attendance were as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A) (Note)	Note
Committee member	Allen Hsu	2	0	100%	Convener of the 2nd Compensation Committee
Committee member	Royce Yu-Chun Hong	1	1	50%	
Committee member	David Shu-Chyuan Tu	2	0	100%	
Other matters that require reporting: 1. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee: This event did not occur at the Company. 2. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: This event did not occur at the Company.					

Note: The attendance rate (%) shall be calculated by dividing the number of meetings a member of the Compensation Committee attended by the number of meetings held within his/her term.

5. The Company's systems and measures and implementation status with respect to corporate social responsibilities (e.g. environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities):

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
1. Implementation of corporate governance (1) Has the Company established a corporate social responsibility policy or system and examination of implementation results?	V		(1) The Company has established the regulations governing the implementation of corporate social responsibilities approved by the Board of Directors to ensure that the Company provides a safe working environment, the employees receive respect and dignity from their work, and the Company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the Company's CSR policy and statement. The Company also follows the Electronic Industry Code of Conduct (EICC) and fully implements internal control mechanisms to institutionalize the Company's focus on the environment, social and corporate governance issues while pursuing sustainable development and profits. The Company has established "Ethical Corporate Management Best Practice Principles" to build a ethical corporate culture and to enhance the conduct, ethics and professional capabilities of the Company and all employees as the foundation of the Company's sustainable development. The Company periodically reviews corporate social responsibility policies and their implementation in the Corporate Social Responsibility Committee.	In line with corporate social responsibility code of practice
(2) Does the Company hold social responsibility educational trainings regularly?	V		(2) The Company periodically holds corporate ethics education on corporate social responsibility and holds various training courses from time to time.	
(3) Has the Company established a dedicated department (or have another department be responsible for related efforts) for fulfilling corporate social responsibilities, with the Board of Directors authorizing high-level managers to handle such efforts, and having relevant progress be reported to the Board of Directors?	V		(3) To fulfill corporate social responsibilities and implement related regulations and international norms, the Company established the Corporate Social Responsibility Committee in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee to promote affairs related to the Company's corporate social responsibility, formulate and plan corporate social responsibility targets and related affairs. The President reports to the Board of Directors periodically on the execution and a report to the Board of Directors is scheduled for the second half of 2016. The related information will be disclosed on the Company website before the end of the year. (4) The Company has established regulations on salary and compensation and conducts performance evaluations of employees annually with	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
(4) Has the Company established reasonable salary and compensation policies, integrated employee performance evaluation policies with corporate social responsibility policies, and established clear and effective reward as well as disciplinary policies?	V		self-assessments and performance evaluation by Supervisors. In addition, the Company has established work regulations and regulations on awards and disciplines governing employees' daily ethical behaviors. The Company has established related regulations on performance management and Supervisors can include daily performance in the performance evaluation of employees.	
2. Fostering a sustainable environment (1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (2) Has the company developed an appropriate environmental management system, given its distinctive characteristics? (3) Has the Company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy?	V V V		The Company follows environmental protection regulations and related international norms to protect the natural environment and strive for a balanced development of the economy, society and the environment in conducting business to achieve the goal of a sustainable environment. (1) To enhance the efficiency in the utilization of energy and resources, the Company stated in the policy on safety, sanitation and environmental protection to continue improvements for lowering water and electricity consumption and reduce the emission of key chemical materials and main pollutants in accordance with reduction targets that are prescribed each year and followed-up each quarter. The results of these reductions have attained approval from the "Green Factory Label in Clean Production Evaluation System" of the Industrial Development Bureau of the Ministry of Economic Affairs in 2015. (2) The Company has established environmental safety and sanitary management system, hazardous material processing management system and passed ISO14001, OHSAS18001, and QC080000 certification in 2008. The Company has established a designated department in charge of environmental management and the implementation and management of the environmental management system, and placed professional technical management personnel in accordance with related environmental protection regulations. (3) Faced with the impacts of climate change on the environment in recent years, the Company completed its investigation into greenhouse gas in 2009 and established 2009 as the baseline year. The Company has also set a long-term goal for the reduction of greenhouse gas emissions by 20% before the year 2021. The Company was certified in the carbon footprint investigation in 2010, which shed light on the distribution of carbon emissions throughout the life cycle of the product. The information is used on strategies for energy conservation and reduction of greenhouse gas. We continue to lower high carbon emission items such as electricity consumption and polyfluorinated chemicals and set reduction targets annually with quarterly follow-ups in accordance with policy requirements	In line with corporate social responsibility code of practice

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
			to effectively lower the emission of carbon dioxide; the Company also passed the DNV ISO 14064-1 certification on greenhouse gas emissions in 2011; the Company passed the Environmental Protection Administration's (EPA) advanced project review in 2012 and became the first semiconductor plant to achieve reduction in greenhouse gas in the project. The Company was also awarded the Hsinchu Science Park and the EPA's Carbon Reduction Award for its performance on reducing carbon emissions, demonstrating our achievements in reducing greenhouse gas. The investigation of greenhouse gas emissions in 2014 resulted in a CO2e (CO2 equivalent) emission of 69,367 tons, a 16% decrease from the baseline year; The investigation on greenhouse gas emission of 2015 will be completed in August.	
3. Upholding public interests (1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		(1) The Company strictly adheres to related labor regulations and respects basic labor rights as stipulated by international norms. The Company establishes regulations on corporate social responsibilities and incorporate these regulations into internal management policies and procedures to safeguard the labor rights of the employees, including freely chosen employment, restriction on child labor, protection of youth labor, follow legal working hours, provide wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association	In line with corporate social responsibility code of practice
(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	V		(2) The Company has established clear procedures and multiple channels for filing complaints such as a complaint email address and employee opinion letterbox to ensure the protection of employees' legal rights and non-discrimination of remuneration in hiring policies.	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic safety and health education training to provide employees with a safe and healthy work environment.	
(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?	V		(4) The Company has established mechanisms for communicating with the employees such as periodic Supervisor management meetings, internal communication meetings and the internal website. The Company also communicates with employees through reasonable and effective methods including internal announcements and personal notifications on matters that could result in major changes to operations.	
(5) Has the Company established an effective career			(5) The Company has established development plans in line with employees'	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
development and capability training program for employees?	V		needs in accordance with their job description and positions and requests unit Supervisors and senior employees to assist new employees in understanding the Company's market position and future development.	
(6) Has the Company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations, and service flows?	V		(6) The Company's products are components in consumer products. We have not established policies on consumer rights and interests but the Company's quality control mechanisms cover each step in the manufacturing process. We ensure the quality of the products through continuous monitoring on the manufacturing process and rapid and efficient detection of problems. With regards to customer complaint channels, the Company periodically implements customer satisfaction surveys to understand whether the Company is providing satisfying products and services and to improve the quality of after-sales services.	
(7) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?	V		(7) 1. The Company strives to design, procure, manufacture and market products that contain no hazardous materials in accordance with international regulations and to satisfy customers' requests. We also enforce measures to protect the environment and fulfill responsibilities as a social citizen. 2. The Company follows EU restrictions on hazardous substances and safeguard users' health through the following policies: a. Cooperate with packaging plants and, except for special products specified by the customer, cease all production and sales of packaged products containing lead by January 1, 2010. b. Starting on August 9, 2009, new products begin using halogen-free materials from the development stage. c. The Company converted all materials used for existing products to environmentally-friendly materials and halogen-free materials step by step and completed the conversion on July 30, 2011.	
(8) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?	V		(8) As stipulated in the Company's internal regulations, we incorporated quality, price, environmental protection and labor rights into the assessment for qualified suppliers. 1. Environmental management system verification The Company requests suppliers to acquire international certifications, e.g. ISO 14001 or OHSAS 18001 and safety and sanitation management systems. If the supplier is unable to acquire these credentials on time, they are asked to provide a time table for the certification. 2. Social requirements To ensure the labor rights of the supplier, the Company actively	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
(9) Does the Company's contracts with major suppliers include a clause that states that if the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the Company retains the right to terminate the contracts at any time?	V		employs the Electronic Industry Code of Conduct (EICC) standards and request suppliers of the Company's supply chain to follow EICC requirements on environmental protection, safety and sanitation, labor rights and labor conditions. In the semi-annual evaluation of suppliers, the Company employs the power of procurement to request suppliers to fulfill environmental and social responsibilities. (9) The Company requests all suppliers in its supply chain to sign mutual agreements on regulating industrial practices and confidentiality agreements that require suppliers to carry out various transactions in good faith and not to damage the Company's interests and image.	
4. Improving Information Disclosure (1) Has the company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		(1) The company has established a public webpage disclosing in detail information including the financial information, operation status and management team. The general public can access the Company's website and understand related affairs and conditions. (2) The Company has established a CSR Committee that monitors the development of domestic and international corporate social responsibility framework and the change of business environment at all times so as to examine and improve our implementation of corporate social responsibility plans and to obtain better results from the implementation of the corporate social responsibility policy.	In line with corporate social responsibility code of practice
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any difference between the principles and their implementation: The Company has established the regulations governing the daily implementation of corporate social responsibilities in line with regulations and international norms to ensure that the Company provides a safe working environment, the employees receive respect and dignity from their work, and the Company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the Company's CSR policy and statement.				
6. Other key information useful for explaining status of corporate social responsibility practices: (1) The Company pledges to employ the principles of equality, fairness and justice in the treatment of all stakeholders to maintain favorable communication and follow international and governmental regulations. The Company's goal of sustainable development and the CSR vision of a safe, secure and compassionate society will be achieved through innovative improvements. In 2015, the Company was awarded the MOEA "Potential Taiwan Mittelstand Award" in its third term, exemplifying the national-level high regard bestowed upon the Company. Moreover, the Company was also awarded the bronze medal for the "Taiwan Corporate Sustainability Awards" report by the Taiwan Institute for Sustainable Energy in 2015, demonstrating the outstanding achievements of our continuous effort in corporate social responsibilities. (2) The Company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals. (3) With regards to labor rights, we follow international labor rights regulations and prohibit the hiring of workers under 15 years of age and involuntary workers (including coerced, collateral, in debt, bound by contracts, enslaved and human trade) and prohibit harassment, illegal discrimination, coercion and inhumane treatment of employees (including potential employees), and there has not been major labor-management disputes in the past year; in addition, the Company strives to make the working environment more friendly				

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
for female employees, in addition to multiple projects on caring for pregnant employees, we have built a lovely breastfeeding room that won the 2015 Excellence Award for Friendly Work Place Breastfeeding Room in Hsinchu City. (4) In health and security, we pledge to provide employees with a safe, sanitary and healthy work environment, organize periodic employee health examinations and continue to hold activities that promote health to uncover employees' health problems as soon as possible; we also encourage employees to form clubs to promote their physical, psychological and spiritual health, help them find balance between work and leisure and cultivate habits for regular exercise. The Company also established a massage area by the visually impaired in the office to provide employees with relaxation services and hosts various sports competitions and art exhibitions in hopes of cultivating good exercise habits and leisure interests of the employees and provide them with a networking channel after work. The current clubs and former classes include the basketball club, cycling club, badminton club and yoga club etc. (5) In environmental protection, we strive to fulfill advanced safety and sanitary standards in line with international norms. This year, we have once again been awarded the "2015 Hsinchu Science Park Environmental Protection Excellent Performance" Award from the Environmental Protection Bureau of Hsinchu City for achieving 5,551 certified carbon equivalent reduction in the preliminary reduction project of the Environmental Protection Administration; we also organize periodic education training programs as part of our effort to continue improvement on eradicating any foreseeable risks to employees' health, environmental pollutions and damages to properties. Potential disasters and losses can be prevented beforehand through sound management and active participation of all employees. (6) With regards to the management system, the Company has established comprehensive internal control mechanisms to monitor internal operations; in moral obligations, we prohibit behaviors such as bribery, corruption, blackmail and illegal use of company funds. We also do not participate in political activities. The Company is focused on corporate governance and Supervisors monitor the operations of the Company, the Company's compliance of regulations, financial transparency, instant disclosure of important information and make sure that there is no internal corruption.				
7. If the corporate social responsibility reports have been certified by external institutions, they should state so below: The Company's 2014–2015 Corporate Social Responsibility Report is scheduled to be published in 2016. It will be compiled in accordance with Global Reporting Initiative GRI G4.0 and is expected to apply for third-party verification.				

6. Ethical corporate management and measures adopted:

Assessed areas:	Implementation status			In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies Difference and reasons
	Yes	No	Summary	
1. Establishment of integrity policies and solutions (1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?	V		(1) The Company conducts business activities on the principle of integrity. To implement integrity policy and actively prevent unethical behavior, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors and announced on the Company's external webpage, outlining for the employees of the Company in detail the important issues in conducting business.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
(2) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	V		(2) The Company has established "Regulations on Ethical Corporate Management" which clearly defined the content of unethical behavior. The employees of the Company should not, in principle, accept gifts, except for the maintenance of business etiquette which stipulates direct or indirect exchanges, promise or request for money, gifts, services, discounts, entertainment, meals, investment stock options or other interests; it is only appropriate if a gift can be classified in the preceding conditions and the employee follows the "Regulations on Ethical Corporate Management" and files for approval through related procedures. The Regulations have been announced to all employees and have been incorporated into the Company's training programs on corporate social responsibility. The Company has also established "Regulations on Reporting Unethical Business Conducts" for the processing procedures in cases where the Company's employees or others violate ethical business practices. The regulations also provide a legal report channel and process that keeps the identity of the reporter and the content of the report confidential to protect the reporter from reprisals.	
(3) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" or business conduct that are prone to integrity risks?	V		(3) The Company's "Regulations on Ethical Corporate Management" clearly restricts the supply and acceptance of unlawful interests and the Company has established "Procedures Governing the Processing of the Acceptance of Unlawful Interests" and "Procedures Governing the Restriction on Facilitating Payments" (including "Operating Rules for Political Donations," "Operating Rules for Charity Donations," and the requirement of "Conflict of Interest Recusal") for employees to follow.	

Assessed areas:	Implementation status			In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies Difference and reasons
	Yes	No	Summary	
2. Implementation of ethical corporate management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(1) The Company has requested major suppliers to sign a letter of undertaking of integrity to state the Company's ethical corporate management principles, evaluate the integrity of suppliers before establishing business relationships and to explain to business counterparts the ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the Company's purchase orders will include a clause stipulating compliance with the Company's ethical corporate management policy.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
(2) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis?	V		(2) The Company has established the "Corporate Social Responsibility Committee" in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee, responsible for overseeing the drafting, execution, interpretation, consulting services and notification registry of the Company's ethical corporate management policy. The President reports to the Board of Directors periodically on the execution and a report to the Board of Directors is scheduled for the second half of 2016. The related information will be disclosed on the Company website before the end of the year.	
(3) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V		(3) The Company has also established "Regulations on Reporting Unethical Business Conducts" which clearly regulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee or an institution he/she represents is in a conflict of interest, or if the employee, spouse, parents, children or other interested parties stands to benefit unlawfully from the conflict of interest, the employee should notify his/her Supervisor and the Company's designated unit simultaneously. The employee's Supervisor should provide adequate assistance in solving the issue. The Company holds periodic education on the prevention of insider trading for Directors, Supervisors and managing Directors.	
(4) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	V		(4) The Company has established an effective accounting system and internal control institutions in accordance with regulations and established related procedures for internal auditing staff to conduct periodic auditing and ensure the design and implementation of various institutions remains effective. (5) The Company periodically holds corporate ethics education on	

Assessed areas:	Implementation status			In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies Difference and reasons
	Yes	No	Summary	
(5) Does the Company organize internal and external educational trainings periodically to help enforce honest operations?	V		corporate social responsibility and ethical corporate management and holds various training courses from time to time.	
3. Operation of whistleblowing system (1) Does the Company provide incentives and means for employees to report malpractices? Does the Company assign dedicated personnel to investigate the reported malpractices? (2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices? (3) Has the Company provided proper whistleblower protection?	V V V		(1) The Company has established diversified reporting and complaint channels including the complaint email address and the employee opinion letterbox. The Company has also established "Regulations on Reporting Unethical Business Conducts" for related personnel to report on any malpractices through the system for the Company's designated senior manager to process. If proved to be in violation of related laws or the Company's related policies on ethical corporate management, the reported person must cease all related activities immediately and processed appropriately, in accordance with legal procedures for damage claims if necessary to maintain the reputation and interests of the Company. (2) The Company has implemented standard procedures and confidentiality measures for handling reported malpractices. The Company has included the principles of ethical corporate management as part of employees' performance appraisal and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines. There are internal investigation procedures in place that requests confidentiality from all related personnel. All related documents are treated as confidential. (3) The Company has established in the "Regulations on Reporting Unethical Business Conducts" and "Internal Complaint Procedures" the necessary protection measures for the reporter of malpractices and all Supervisors and employees is prohibited from discrimination, threat and other harmful behaviors against the employee filing the complaint.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
4. Improving Information Disclosure				In line with the Ethical Corporate

Assessed areas:	Implementation status			In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies Difference and reasons
	Yes	No	Summary	
(1) Has the Company disclosed the contents or its Principles for Honest Business Practices as well as relative implementation results on its website and on the Market Observation Post System?	V		(1) The Company has announced the "Ethical Corporate Management Principles" approved by the Board of Directors on the Company website to disclose related information on ethical corporate management. The Company has also placed the Annual Report which includes related information on ethical corporate management on the M.O.P.S.	Management Best Practice Principles for TWSE/GTSM-Listed Companies
5. If the Company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the difference between the principles and implementation status: The Company has established "Ethical Corporate Management Principles" and "Regulations on Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."				
6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (Such as the status of the Company's efforts to review and correct its Principles for Honest Business Practices). The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

7. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.

8. Other significant information which may improve the understanding of corporate governance and operation: The Company continues to improve corporate governance and simultaneously discloses its corporate governance information on the Market Observation Post System and the Company website in a timely manner.

9. Implementation of internal control system

(1) Statement on Internal Control

Nuvoton Technology Co., Ltd.
Internal Control System Statement

Date: 28,January,2016

The Company states the following with regard to its internal control system during fiscal year 2015, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of 31,December,2015 (day, month, year)Note 2 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on 28,January,2016, where 0 of the 8 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Corporation

Chairman of the Board: Arthur Yu-Cheng Chiao
President: Sean Tai

(2) If the company engages an accountant to examine its internal control system, disclose the CPA examination report: N/A

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: N/A

11. Important resolutions adopted in shareholders meeting and Board of Directors' meeting in the past year and up to the date of report

(1) Important resolutions and implementation status from Shareholders' Meeting from 2015 up to the publication of the Annual Report (March 31, 2016)

Date		Important resolutions:	Implementation status:
June 10, 2015	1	Acknowledged the Company's 2014 business report and financial statements.	Followed the results of the resolution.
	2	Acknowledged the Company's 2014 earnings appropriation.	Followed the results of the resolution.
	3	Passed the amended clauses of the Company's Articles of Incorporation.	Followed the results of the resolution.
	4	Passed the amended clauses of the Company's "Procedures on Election of Directors and Supervisors."	Followed the results of the resolution.
	5	Passed the amended clauses of the Company's " Rules Governing the Conduct of Shareholders Meeting."	Followed the results of the resolution.
	6	Passed the proposed removal of non-compete clause for Directors.	Followed the results of the resolution.

(2) Important resolutions adopted by the Board of Directors in 2015 and up to the publication of the Annual Report (March 31, 2016)

Date		Important resolutions:
January 30, 2015	1	Passed the Company's 2014 financial statements and business report.
	2	Passed the Company's Internal Control Statement from January 1 to December 31, 2014.
	3	Passed the amount of remuneration appropriated for Directors and Supervisors in 2014.
	4	Passed the Company's 2014 earnings appropriation.
	5	Passed the amended clauses of the Company's Articles of Association.
	6	Passed the amended clauses of the Company's "Procedures on Election of Directors and Supervisors."
	7	Passed the Company's Shareholders' Meeting for 9AM June 10 (Wednesday), 2015.
	8	Passed the purchase of liability insurance for the Company's Directors, Supervisors and important staff.
	9	Passed the Company's 2015 business plan and budget.
	10	Passed the change of the Company's CPA in the first quarter of 2015.
	11	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	12	Passed the change of the Company's Chief Accounting Officer.

Date		Important resolutions:
	13	Passed the amended clauses of the Company's Articles of Organization.
	14	Passed Company's Code of Conduct for Director, Supervisors and Managing Directors.
April 28 2015	1	Passed the amended clauses of the Company's " Rules Governing the Conduct of Shareholders Meeting."
	2	Passed the proposed removal of non-compete clause for Directors.
	3	Passed the proposed removal of non-compete clause for Managing Directors.
	4	Passed modification to the agenda of Shareholders' Meeting due to the newly-added reason for the Company's 2015 Shareholders' Meeting.
	5	Passed the appointment of Mr. Jiin-Shiarng Wen as Vice President of the Company.
July 30, 2015	1	Passed the Company's 2014 cash dividend appropriation.
	2	Passed the individual amount of remuneration of earnings appropriated for Directors and Supervisors in 2014.
	3	Passed the modifications to the salary and variable pay of managing Directors.
October 26, 2015	1	Passed the Company's Annual Audit Plan for 2016.
	2	Passed the Company's Corporate Governance Principles.
	3	Passed the Company's the Operating Procedure for Applying to Halt or Resume Trading.
	4	Passed the Company's Corporate Social Responsibility Principles.
	5	Passed the Company's Ethical Corporate Management Principles.
January 28, 2016	1	Passed the amended clauses of the Company's Articles of Incorporation.
	2	Passed the Company's 2015 financial statements and business report.
	3	Passed the Company's Internal Control Statement from January 1 to December 31, 2015.
	4	Passed the amount of remuneration appropriated for Directors and Supervisors in 2015.
	5	Passed the amount of remuneration appropriated for employees in 2015.
	6	Passed the Company's 2015 earnings appropriation.
	7	Passed the amended clauses of the Company's the Rules Governing the Conduct of Shareholders Meeting."
	8	Passed the amended clauses of the Company's the Procedures for Acquisition or Disposal of Assets.
	9	Passed the amended clauses of the Company's the Procedures for Engaging in Derivatives Transactions.
	10	Passed the amended clauses of the Company's the Regulations Governing Endorsements and Guarantees.
	11	Passed the amended clauses of the Company's the Procedures for Lending Funds to Other Parties
	12	Passed the amended clauses of the Company's the Procedures for Election of Directors and Supervisors.
	13	Passed the amended clauses of the Company's the Board of Directors Meeting Rules.
	14	Passed amendments to the Company's the Remuneration Committee Foundation Rules.
	15	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and Supervisors.

Date		Important resolutions:
	16	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.
	17	Passed the establishment of the Company's Auditing Committee and establish the Regulations Governing the Organization of the Auditing Committee.
	18	Passed the election of Directors in accordance with Article 15 of the Company's Articles of Association.
	19	Passed the motion for the removal of restrictions against involvement in competing businesses for the newly-elected 5th Board of Directors in the Shareholders' Meeting.
	20	Passed the Company's Shareholders' Meeting for 9AM June 15 (Wednesday), 2016.
	21	Passed the continuation of liability insurance for the Company's Directors, Supervisors and important staff.
	22	Passed the Company's 2016 business plan and budget.
	23	Passed the annual remuneration paid to accounting firm Deloitte & Touche.

12. Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: N/A

13. Resignation and dismissal of managerial officers related to the financial report including chairman, President, chief accounting officer, chief financial officer, chief R&D officer and chief internal auditor, in the past year and up to the date of report:

March 31, 2016

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Accounting Officer	Min-Hui Lai	July 1, 2008	February 1, 2015	Job transfer

14. Handling of material information:

The Company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Deputy Spokesperson Operation." The Company also publicizes its Procedure for Major Internal Information Disclosure among employees from time to time to prevent the violation of insider trading regulations.

(4) Information on fees to CPA:

1. Information on Fees to CPA

Name of accounting firm	Name of Accountants:		Duration of audit	Notes
Deloitte & Touche Joint CPA Firm	Ker-Chang Wu	Hung-Bin Yu	2015	

Unit: thousand NT$

Name of accounting firm	Name of Accountants:	Audit fee	Non-audit fee					Accountant's duration of audit	Note
			System design	Business registration	Human resources	Other	Subtotal		
Deloitte & Touche	Ker-Chang Wu and Hung-Bin Yu etc.	4,920	-	149	-	160	309	2015	The other items in the non-auditing fee are the auditing opinion fees of the Supervisor.

2. Fees paid to certifying accountants the accounting firm and its affiliates where non-audit fee amounted to NT$309,000, less than one fourth of audit fee.
3. If the Company changes the accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount and percentage of decrease and reason: This event did not occur at the Company.
4. If the audit fee is more than 15% less than the amount paid in the previous year, the amount and percentage of decrease and reason: The audit fee has not decreased more than 15% than the amount paid in the previous year. Therefore this is not applicable.

(5) The changes to the accountants before and after the two most recent years:
Due to internal changes in the CPA firm, the Company's CPA Kuo-Tien Hung and Ker-Chang Wu have been changed to CPA Ker-Chang Wu and Hung-Bin Yu.

1. Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="3">January 30, 2015</td></tr>
<tr><td>Reasons for change and remark</td><td colspan="3">Internal adjustment of the certifying CPA firm</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td>Contracting parties
Scenario</td><td>CPA</td><td>Client</td></tr>
<tr><td>Termination initiated by client</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td>CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="3">N/A</td></tr>
<tr><td>Opinions different from those of issuer</td><td colspan="3">N/A</td></tr>
<tr><td>Other disclosures</td><td colspan="3">N/A</td></tr>
</table>

2. Regarding succeeding CPA

Name of firm	Deloitte & Touche
Name of Accountants:	Harrison Wu and Hung-Bin Yu
Date of appointment	January 30, 2015
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

3. The former CPA's reply to Article 10 Subparagraph 5 Item 1 and Item 2 Point 3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

(6) The Chairman, President and Financial or Accounting Manager of the Company who had worked for the Independent CPA or the affiliate in the past year: N/A

(7) Share transfer by Directors, Supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

(1) Share transfers:

Unit: Shares

Title	Name	2015		2016 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Corporate Director	Winbond Electronics Corporation	-	-	-	-
Representative of Institutional Director serving concurrently as Chairman	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	-	-	-	-
Vice Chairman and CTO	Robert Hsu	-	-	-	-
Representative of Institutional Director	Winbond Electronics Corporation Representative: Ken-Shew Lu	-	-	-	-
Representative of Institutional Director	Winbond Electronics Corporation Representative: Yung Chin	-	-	-	-
Director	Chi-Lin Wea	-	-	-	-
Director	Gary Y. Cheng (Note 1)	-	-	-	-
Independent Director	Allen Hsu	-	-	-	-
Independent Director	Royce Yu-Chun Hong	-	-	-	-

Title	Name	2015		2016 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Independent Director	David Shu-Chyuan Tu	-	-	-	-
Supervisor	Lu-Pao Hsu	-	-	-	-
Supervisor	Chao-Ming Mong	-	-	-	-
Institutional Supervisor	Chin Xin Investment Corp.	-	-	-	-
Representative of Institutional Supervisor	Chin Xin Investment Corp. Representative: Yang-Kun Lai	-	-	-	-
President	Sean Tai	10,000	-	-	-
Vice President	Hsi-Jung Tsai	-	-	-	-
Vice President and Chief Financial Officer	Hsiang-Yun Fan	-	-	-	-
Vice President	Jen-Lieh Lin	-	-	-	-
Vice President	Jiin-Shiarng Wen	-	-	-	-
Assistant Vice President	Peng-Chou Peng	-	-	-	-
Assistant Vice President	Hsin-Lung Yang	-	-	-	-
Assistant Vice President	Patrick Wang	-	-	-	-
Chief Accounting Officer	Min-Hui Lai (Note 2)	-	-	-	-
Chief Accounting Officer	Hung-Wen Huang	2,000	-	-	-

Note 1: Mr. Gary Y. Cheng served as the Company's Director until March 31, 2015. The preceding information discloses only information during his tenure as the Company's Director.

Note 2: Ms Min-Hui Lai served as the Company's Chief Accounting Officer until January 31, 2015. The preceding information discloses only information during her tenure as the Company's Chief Accounting Officer.

(2) Share transfer information: N/A

(3) Share pledge information: N/A

(8) Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

August 23, 2015 (Ex-Dividend Date); Unit: Shares

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTE
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	Name (or name)	Relationship	
Winbond Electronics Corporation	126,620,087	61.01%	-	-	-	-	Chin Xin Investment Corp.	Chairman is the same person.	
UBS AG Account under the trust of HSBC Bank	5,589,346	2.69%	-	-	-	-	-	-	
Guangda Venture Investment Co., Ltd.	2,295,000	1.11%	-	-	-	-	Dachi Investment Co., Ltd., Ming Ri Xin Investment Co. Ltd.	Chairman is the same person.	
Dachi Investment Co., Ltd.	2,289,000	1.10%	-	-	-	-	Guangda Venture Investment Co., Ltd., Ming Ri Xin Investment Co. Ltd.	Chairman is the same person.	
Chin Xin Investment Corp.	1,853,185	0.89%	-	-	-	-	Winbond Electronics Corporation	Chairman is the same person.	
Hua-Jung Lien	1,476,000	0.71%	-	-	-	-	-	-	
Canada LSV Asset Management Investment Account under the trust of Deutsche Bank	949,000	0.46%	-	-	-	-	-	-	
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	842,000	0.41%	-	-	-	-	-	-	
Ming Ri Xin Investment Co. Ltd.	700,000	0.34%	-	-	-	-	Guangda Venture Investment Co., Ltd., Dachi Investment Co., Ltd.	Chairman is the same person.	
Deutsche Bank	457,484	0.22%	-	-	-	-	-	-	

(9) The shareholding of the Company, Director, Supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2015; Unit: Shares

Reinvestment Entities (Note)	Investment by the Company		Investments by Directors, Supervisors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)
Nuvoton Electronics Technology (H.K.) Limited	107,400,000	100%	-	-	107,400,000	100%
Pigeon Creek Holding Co., Ltd.	13,867,925	100%	-	-	13,867,925	100%
Marketplace Management Limited	8,727,524	100%	-	-	8,727,524	100%
Nuvoton Investment Holding Ltd.	19,720,000	100%	-	-	19,720,000	100%
Song Yong Investment Corporation	3,850,000	100%	-	-	3,850,000	100%
Techdesign Corporation	5,000,000	100%	-	-	5,000,000	100%
Nuvoton Technology India Private Limited	600,000	100%	-	-	600,000	100%

Note: Equity method is employed.

3. Capital and Shareholding

(1) Sources of capital

Unit: Share; thousand NT$

Year Month	Issue price (NT$)	Authorized capital		Paid-in capital		Note		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
9704	10	300,000,000	3,000,000	100,000	1,000	Cash capital NT$1,000,000	N/A	Yuan-Shang No. 0970009659
9707	10	300,000,000	3,000,000	250,000,000	2,500,000	Accepts separation NT$2,499,000,000	N/A	Yuan-Shang No. 0970019973
9809	-	300,000,000	3,000,000	190,000,000	1,900,000	Capital reduction by cash NT$600,000,000	N/A	Yuan-Shang No. 0980028478
9809	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital increase shares by capital surplus NT$100,700,000	N/A	Yuan-Shang No. 0980028736
9906	10	300,000,000	3,000,000	207,554,400	2,075,544	2009 earning and employee bonuses recapitalization of NT$74,844,000	N/A	Yuan-Shang No. 0990016508

December 31, 2015; Unit: Shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Ordinary shares	207,554,400	92,445,600	300,000,000	Listed stock

Note: Information for shelf registration: N/A

(2) Shareholder structure

August 23, 2015 (Ex-Dividend Date)

Shareholders / Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	-	3	38	9,318	34	9,393
Shares held (shares)	-	416,000	138,028,667	58,939,311	10,170,422	207,554,400
Shareholding percentage (%)	-	0.20%	66.50%	28.40%	4.90%	100%

(3) Shareholding Distribution Status

1. Common stocks:

August 23, 2015 (Ex-Dividend Date)

Shareholding range	Number of shareholders	Shares	Shareholding ratio (%)
1 to 999	348	61,255	0.03%
1,000 to 5,000	6,894	14,802,515	7.12%
5,001 to 10,000	1,148	9,610,157	4.63%
10,001 to 15,000	260	3,403,180	1.64%
15,001 to 20,000	231	4,414,938	2.13%
20,001 to 30,000	181	4,728,129	2.28%
30,001 to 50,000	151	6,048,681	2.92%
50,001 to 100,000	110	8,109,669	3.91%
100,001 to 200,000	35	4,830,823	2.33%
200,001 to 400,000	18	5,427,632	2.62%
400,001 to 600,000	8	3,503,803	1.69%
600,001 to 800,000	1	700,000	0.34%
800,001 to 1,000,000	2	1,791,000	0.86%
Over 1,000,001	6	140,122,618	67.50%
Total	9,393	207,554,400	100%

2. Preferred stocks: N/A

(4) Major shareholders

Names, shares and percentage of shareholding of top ten shareholders with more than 5% of equity:

August 23, 2015 (Ex-Dividend Date) Unit: Shares

Shares / Name of majority shareholders	Number of shares held	Shareholding ratio (%)
Winbond Electronics Corporation	126,620,087	61.01%
UBS AG Account under the trust of HSBC Bank	5,589,346	2.69%

Shares / Name of majority shareholders	Number of shares held	Shareholding ratio (%)
Guangda Venture Investment Co., Ltd.	2,295,000	1.11%
Dachi Investment Co., Ltd.	2,289,000	1.10%
Chin Xin Investment Corp.	1,853,185	0.89%
Hua-Jung Lien	1,476,000	0.71%
Canada LSV Asset Management Investment Account under the trust of Deutsche Bank	949,000	0.46%
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	842,000	0.41%
Ming Ri Xin Investment Co. Ltd.	700,000	0.34%
Deutsche Bank	457,484	0.22%

(5) Stock price, net worth, earnings, dividends and related information for the previous two years

Unit: Share; NT$

Item		Year	2014	2015	2016 up to March 31
Stock price	Highest		36.75	40.40	35.65
	Lowest		24.05	17.70	25.45
	Average		30.14	27.50	31.66
Net worth per share	Before distribution		14.04	15.04	—
	After distribution		12.84	(Note 1)	—
Earnings per share	Weighted average shares		207,554,400	207,554,400	207,554,400
	Earnings per share		1.65	2.26	—
Dividends per share	Cash dividend		1.20	(Note 1)	—
	Stock dividend	Earnings	—	—	—
		Capital surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Return analysis	Price-earnings ratio (Note 2)		18.27	12.17	—
	Price-dividend ratio (Note 3)		25.12	(Note 1)	—
	Cash dividend yield (Note 4)		3.98%	(Note 1)	—

Note 1: Pending final approval from Shareholders' Meeting.
Note 2: Price-earnings (P/E) ratio = Average market price / Earnings per share.
Note 3: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.
Note 4: Cash dividend yield rate = Cash dividend per share / Average market price.

(6) Company Dividend Policy and Implementation

1. Company dividend policy:

Under the ROC Company Act and the Company's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed according to laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle:

1. 1 – 2% as remuneration of Directors and Supervisors;
2. 10 – 15% as employee bonus; and
3. The remainder thereafter as dividends to stockholders where not less than 10% of the total dividends distributed shall be in the form of cash.

For the purpose of distributing stock bonus, the term "employee" described in the second subparagraph of the preceding paragraph may include employees of subsidiaries meeting certain conditions. The "meeting certain conditions" as described above will be determined by the Board of Directors or by Chairman as authorized by the Board of Directors.

According to the amendment to the Company Act in May 2015, the appropriation of dividends and bonuses is restricted to shareholders; employees are not parties to the appropriation of earnings. In accordance with the preceding law, the Company proposed amendments to the Articles of Association in the Meeting of the Board of Directors on January 28, 2016, pending resolution by the Shareholders' Meeting scheduled for June 15, 2016. To enhance corporate governance policy on dividends, the Company passed a resolution stipulating "the appropriation of dividends must take into consideration future operations and cash requirements, and appropriate dividends no less than 50% of earnings available for appropriation in that year" in the 4th Board of Directors' 15th Meeting. The amendments are incorporated into the Articles of Association for resolution by the 2016 Shareholders' Meeting.

Our dividend policy is set up in accordance with the Company Act and the Articles of Association of our Company in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. The dividends shall be distributed in a prudent manner where appropriate retained earnings, stock dividend or cash dividend, or both are taken into consideration so as to ensure sustained development of the Company. The current dividend policy for retained earnings and dividends with respect to their conditions, timing, amount and type would be adjusted from time to time in accordance with economic and industrial fluctuations, and in particular, in view of the Company's future development needs and profitability.

2. Dividend distribution to be proposed to the Shareholders' Meeting:

The Company's 2015 earning appropriation was laid out at the January 28, 2016 Meeting of the Board of Directors in the chart below. This plan will be carried out in accordance with related regulations after passage in resolution by the Shareholders' Meeting scheduled for June 15, 2016.

Earning appropriation chart

2015

Unit: NT$

Item	Amount
Unappropriated retained earning from previous years	188,275,458
Minus: Losses on Remeasurement of Defined Benefit Plans	(29,644,000)
Plus: Net Income of 2015	469,022,298
Minus: 10% Legal Reserve Appropriated	(46,902,230)
Retained Earnings Available for Distribution as of December 31, 2015	580,751,526
Distribution Items: Cash Dividends to Common Shares (NT$1.8 per share)	373,597,920
Unappropriated Retained Earnings, End of Year	207,153,606

(7) Effect of free-gratis dividend proposed in the current shareholders' meeting on Company's business performance and earnings per share: Not applicable.

(8) Remuneration of employees, Directors and Supervisors

1. Percentages and ranges of employee remuneration to Directors and Supervisors, as specified in the Company's Articles of Association

Under the ROC Company Act and the Company's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed according to laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle:

1. 1 – 2% as remuneration of Directors and Supervisors;
2. 10 – 15% as employee bonus; and
3. The remainder thereafter as dividends to stockholders where not less than 10% of the total dividends distributed shall be in the form of cash.

For the purpose of distributing stock bonus, the term "employee" described in the second subparagraph of the preceding paragraph may include employees of subsidiaries meeting certain conditions. The "meeting certain conditions" as described above will be determined by the Board of Directors or by Chairman as authorized by the Board of Directors.

According to the amendment to the Company Act in May 2015, the appropriation of dividends and bonuses is restricted to shareholders; employees are not parties to the appropriation of earnings. In accordance with the preceding law, the Company proposed an amendment to the Articles of Association in the Meeting of the Board of Directors on January 28, 2016 that states if the Company has been profitable in the year, the remuneration for employees will be over 1%

(inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees, Directors and Supervisors. The above modification awaits resolution by the Shareholders' Meeting scheduled for June 15, 2016.

2. Basis for estimating the amount of remuneration of employees, Directors and Supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The basis for estimating the Company's 2015 remuneration for employees, Directors and Supervisors is 6% and 1% of the earnings before tax and before deducting remuneration for employees, Directors and Supervisors. The preceding estimation basis is based on the amended Company Act of May 2015 and the proposed amendment to the Articles of Association in the January 28, 2016 Meeting of the Board of Directors and awaits resolution by the Shareholders' Meeting scheduled for June 15, 2016. If there are changes made to the amount of the estimated remuneration to employees, Directors and Supervisors after the publication day of the consolidated annual financial statements, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year.

3. Remuneration proposals passed by the Board of Directors

(1) The difference, reasons and handling of discrepancies between the cash or stock appropriation of remuneration to employees, Directors and Supervisors and the annual recognized costs:

According to the amendment to the Company Act in May 2015 and the amendment to the Articles of Association proposed in the Meeting of the Board of Directors on January 28, 2016, if the Company has been profitable in the year, the remuneration for employees will be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees, Directors and Supervisors. The Company has approved the appropriation of NT$5,906,000 in remuneration for Directors and Supervisors and remuneration of NT$35,439,000 for employees in the Meeting of the Board of Directors on January 28, 2016. The preceding amounts are consistent with the estimated amount of the recognized costs.

(2) The amount of remuneration to employees to be paid in stocks out of the current company-level financial statement in terms of the sum of net profit after tax and employee bonus: Not applicable.

4. Actual appropriation of remuneration for employees, Directors and Supervisors in 2014:

Unit: Share; NT$

Item	Actual appropriated amount (Note)			Amount approved in the Board of Directors' resolution	Variance
	Amount	Equitable shares	Stock price		
Remuneration to Directors and Supervisors	4,981,305	-	-	4,981,305	N/A
Employees' cash bonus	37,359,792	-	-	37,359,792	N/A

Note: The preceding amount in the resolution has been reduced to costs in 2014 and the amount is consistent with the proposal by the Board of Directors.

(9) Stock buyback status: N/A

4. Issuance of corporate bonds: N/A

5. Issuance of preferred stocks: N/A

6. Issuance of global depositary receipts (GDR): N/A

7. Exercise of employee stock option plan: The Company has never implemented employee stock options.

8. Status of new restricted shares for employees: The Company has never implemented employee new stock options.

9. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: The Company has not had mergers, acquisitions or issuance of new shares due to acquisition of shares of other companies that have been completed in the past year and up to the date of report.

10. Implementation of capital allocation plan: Not applicable, for the Company was free of the situation of having any securities issuance that was uncompleted or completed in the most recent three years but has not yet fully yielded the planned benefits.

III. Business Overview

1. Business Activities

(1) Business Scope

1. Business scope

(1) Primary business activities

The Company's primary business consists of the research and development, design and sales of integrated circuits and semiconductor foundry services, providing customers with customized total solutions from design, system integration, and manufacture to marketing.

(2) Revenue distribution

Unit: thousand NT$

Core product types	2015	
	Operating revenue	Revenue Distribution (%)
IC Income	5,758,637	79%
Foundry Service Income	1,534,000	21%
Other	20,750	-
Total	7,313,387	100%

(3) Current products and services

The Company's primary business consists of IC design and sales and IC foundry services. The main IC products are ICs with a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products; the Company also owns a 6-inch IC plant with a capacity of 45,000 wafers per month and equipped with diversified processing technologies to provide professional IC foundry services.

The Company's main products and services are described below:

A. IC Business

The Company's IC products consist mainly of microcontrollers, audio products and cloud computing products.

The microcontroller (MCU) has a diversified application market and the Company's current products includes 32-bit and 8-bit MCUs. The 32-bit MCU is powered by the ARM® Cortex®-M0 ARM® Cortex®-M4 and ARM® 9 core and its target market includes IoT applications, healthcare electronics, wearable devices, industrial applications, consumer products and smart water/electricity/heating/gas meters etc.; the ARM® 9 MCU, based on the Linux platform, focuses on human-computer interfaces, security surveillance, wireless audio transmission, multimedia transmission, network management and data exchanges. The 8-bit MCU is powered by the 8051 core and its applications cover small appliances, information electronics and industrial electronics; built-in touch and LCD driver functions make it ideal for thin and sleek displays on electrical appliances such as rice cookers, thermostats, coffee machines, kitchen ventilators and induction stoves.

Current development in audio products involves audio CODEC technology that can be used on portable tablet computers to provide high-quality audio CODEC and integrates Class G Headphone Amplifiers and Class D Speaker Amplifiers. We expect to gain a sizable market share in portable tablet computers. In addition, the high performance ARM® Cortex®-M0 and 4/8-bit MCU core provide seamless integration of product and performance in applications that include interactive toys, portable and wearable audio products. The Company also provides highly integrated audio products for vehicle dashboard voice prompts, vehicle stereo amplifiers, healthcare equipment audio reminders, and audio output/input for security and surveillance systems, vehicle-mounted machine to machine (M2M) audio output/input and industrial broadcast systems. Its user-friendly programming interface makes it easy for customers to create audio-grade digital broadcast warning and information services. In addition, the company also provides audio products that can integrate with land line and personal emergency communication systems, expand docking station applications, and integrate with home security surveillance systems.

In cloud computing products, the Company provides diversified products in the "cloud" and "client" markets. In the "cloud" market, the Company provides baseboard management controllers (BMC), voltage and signal converters and hardware monitoring ICs to satisfy demands for high manageability and quality in servers and data centers; in the "client" market, the Company's products range from the Super I/O for on personal computers and smart devices to highly integrated embedded controllers (EC), temperature sensing ICs, Trusted Platform Module (TPM) security ICs and power supply control ICs. The Company also provides the necessary software and firmware for the preceding ICs to satisfy customers' demand for comprehensive service. Moreover, the Company also collaborates with world-class computer firms and OEM/ODM manufacturers in developing application specific standard product (ASSP) and solutions to satisfy demands for innovation in system applications.

B. Foundry service

The Company owns an advanced 6-inch foundry plant and has accumulated over 24 years of experience in foundry services. We are capable of providing stable, long-term capacity, the best OEM quality, and a precise delivery schedule. The Company continues to advance the manufacturing process of foundry services for wafers above

0.35um, including generic logic, mixed signals, high voltage, ultra-high voltage, power management, Mask ROM (Flat Cell), embedded logic non-volatile memory and customized manufacturing processes (such as IGBT, MOSFET, TVS, Sensor) etc. The Company's foundry services are equipped with testing facilities, a product failure analysis laboratory, a strong research and development team and turnkey services to create more added-value for customers as a professional foundry service plant and an indispensable partner in market competition.

(4) New products under development

A. IC Business

The Company has acquired decades of operating experience in 8-bit MCU and provides customers with comprehensive solutions for all platforms with the ARM® Cortex®-M0/M4 32-bit NuMicro series and the ARM® 9 as strategic core technologies. NuMicro provides specifications and qualities above industrial control grades for all Flash versions and it is equipped with the same high performance and high noise-suppression capabilities as European, American and Japanese products to satisfy customers' demand for high quality; our flexibility and prompt service provides assistance for customers to achieve speedy time to market objectives. The development of the Company's new products focuses on providing a complete portfolio of product combinations as well as high-grade manufacturing process of low power consumption MCU products to satisfy battery power supply applications in the IoT and healthcare sectors. The Company will also continue to develop analog IC and security technologies to enhance product performance and lower power consumption. As for security enhancement, developers of IoT products unequivocally desire the protection of their codes and the Company will also work to enhance the security of MCUs.

In audio products, the Company is developing a smart and interactive IC that provides cost-effective voice recognition and integrates portable multimedia functions in tablet computers and smart phones into a single platform. In system on chip (SoC), the Company will provide a highly cost-effective solution in high performance Class D amplifiers with embedded audio CODEC to satisfy customers' large demands in applications such as high-level industrial control, security & surveillance systems, portable and wearable audio devices, human-machine interfaces (HMI), vehicle-mounted IoT, portable medical equipment with audio voice prompts, vehicle dashboard voice prompts and stereo systems.

With regard to cloud computing products, we have focused on accommodating markets and customers' new application requirements for 2016 to 2017 new platform specifications as well as next generation servers, personal computers, smart devices and remote diagnosis and repair, and have already begun developing corresponding BMCs, Super I/O, power supply control chips, TPM security chips, voltage converters, fan control chips, and ASSP.

B. Foundry service

To continue enhancing customers' competitiveness, the Company continues to advance power supply management and customized manufacturing processes to provide competitive foundry services for wafers above 0.35um and optimize the performance of high-voltage and power components. To satisfy customers' demand in different sectors, the Company also strives to advance customized manufacturing processes including the HVIC, TVS, and sensor processes currently in development. The Company's foundry service team pays attention to customer's needs and provides the best service to fulfill their expectations in order to achieve optimal competitive capabilities.

(2) Industry overview

1. Industry current trends and future outlook

(1) IC Business

The market for MCU application products is still in its expansion stage and demand for various levels of MCU continues to climb. The 32-bit MCU with ARM® Cortex®-M core remain the main structure of the market's focus and demand is increasing rapidly due to its advantages of lower power consumption, high performance and a complete ecosystem with a vast amount of users; the 8-bit MCU continues to be the basis for market development due to its security, reliability and cost-effectiveness. The growing applications in the overall MCU market that attract the most attention are the IoT, wearable devices, health monitoring devices, smart home, wireless charging, electrical control and fingerprint recognition etc.

In recent years, the human machine interaction (HMI) has led to a revolution and innovations in audio products and related industries, features such as "Always On" integrated with voice recognition and voice search and the natural language user interface (NLUI) is now found in applications such as mobile phones, tablets, the IoT and wearable devices. The Company's audio products are also heading into innovation in this diversified sector; 2015 saw the completion of several projects between the Company's audio product line and end users.

In addition, the cloud platform and its applications have been deeply embedded into most people's daily lives and have become indispensable basic business practice for enterprises. Applications from smart phones, wearable devices, and smart home to big data and cloud integration services sectors have become more and more popular and the industry still has more room for development; Mainland China is benefiting from policies and regional demand and growth in the Chinese market and its emerging partners would continue to be significant. In terms of product applications, demand from servers, data centers and peripheral computing has led the industry to develop customized professional systems to enhance performance.

(2) Foundry service

According to statistics from the Market Intelligence & Consulting Institute (MIC) of the Institute for Information Industry, the overall output value of the Taiwanese semiconductor industry reached NT$2161.6 billion in 2015, with a marginal growth rate of 0.9%. The growth rate is expected to stabilize in 2016 and the output value is estimated to reach NT$2213.5 billion, a 2.4% growth from 2015. The overall performance of the industry is expected to exceed the global average performance, but due to a series of mergers and acquisitions in 2015, the Company's policy is to promote integration with key supply chain partners in the semiconductor industry and expand new product applications and markets through flexible co-opetition. To continue expansion and development of the world's fastest growing market in China, the Company has actively advanced foundry services in Mainland China and Asia.

2. Relationships with suppliers in the industry's supply chain

The supply chain of the IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants.

From the perspective of the supply chain, IC products are produced at IC manufacturers after completion of the design. The IC itself is a downstream product but an upstream component for various consumer or industrial products. Take the MCU products as an example, the Company has led the industry in developing 32-bit MCU to satisfy upstream end users' demands for high performance, low power consumption and low-cost components for application markets such as industrial control, communications applications, automotive electronics, a variety of household appliances, medical equipment, home automation, power management and smart meters; in cloud computing IC, the Company's downstream customers consists mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries. The Company has established long and close partnerships with leading manufacturers in these sectors and has also established stable, long-term cooperation models with upstream industries.

3. Product development trends

(1) IC Buiness

MCU products must incorporate low power consumption as well as high performance and low cost. Furthermore, different application fields demand specific peripheral designs and one product cannot satisfy all requirements. Therefore the Company's MCU product plan involves the development of a series of products on the MCU platform for different applications to fulfill diverse demands from the market. The Company also promotes the products to professional realms for the customers to obtain the best and most cost-effective solution.

Future development of audio products will continue to focus on ultra-low power (ULP) product designs and continue the R&D of more cost-effective audio CODEC, and active advancement of the DSP algorithm such as acoustic echo cancellation (AEC) and noise suppression (NS) for application in IoT, wearable devices and security and surveillance systems. In addition, various audio MCUs are also a priority in the Company's future development in audio products. We plan to integrate the Company's Cortex-M0 MCU with its high market share and promote comprehensive turn-key solutions to expedite the completion of product development and market promotion of end-user industries.

The demand for cloud service applications keeps growing and growth in hardware devices continues in both personal applications and data centers. The demand for big data processing has led to the evolution from concentrated computing structures to multiple cores processing and distributed processing. The sharing of computing resources has also led to the optimization of energy efficiency, security structure and interface integration in hardware and software development. On the other hand, the rise of the personal entertainment market in high-end gaming has advanced the demand for ASSP products as well as a new generation of industrial development in augmented reality and virtual reality. Product demand trends on personal devices are heading towards low voltage and low energy consumption. High-end computers or cloud platforms increased demand for high-speed graphic processing and computing, secure financial transactions and management and even personalized custom designs. The Company's development of cloud computing IC design will continue to focus on energy efficiency, secure structure and interface integration.

(2) Foundry service

The Company continues its effort to contribute to global environmental protection by following global trends in environmental protection, energy conservation and lowering greenhouse gas emissions. The policy of sharing power supply connectors was formulated to reduce electronic waste and USB Type-C will become a product with vast market demand. As global oil reserves decrease year by year, national governments have begun supporting the research and development of various alternative energy sources. Alternative energy sources often require a storage system based on batteries. To fulfill this mission, the company's foundry service team is concentrating on developing high-efficiency and low power consumption manufacturing processes for power supply management to fulfill green energy market demands for high-efficiency power converters, high-efficiency battery management, LED lighting, solar power and electric vehicles and the company strives to become the best provider of total power supply management solutions.

In addition, we have developed customized manufacturing processes for sensor components for use on portable and wearable devices in the vast IoT market.

4. Product competition

(1) IC Buiness

Competitors abound in the market for MCU products. The Company shares the same cores as other manufacturers but the difference in peripherals and functions has allowed more diversity in the products. MCU products from different manufacturers differ on power-consumption, performance, cost, size, the consistency of system design platforms and technical support capabilities. MCU manufacturers must be able to help customers with the development of their products to reach the market quickly. The Company has begun development of the new 32-bit universal ARM® Cortex®-M0 in 2010 to satisfy designers' demand for high-performance and low-cost MCU. The Company began the induction of the brand-new, high-end 32-bit ARM® Cortex®-M4 with floating-point operations and DSP functions in 2012. We challenge large international producers such as TI, ST, Renesas and NXP with our complete range of products, superior cost-performance ratio and a strong technical support team.

The market for audio products differs from the market for universal MCU which is a vertical market with vertical integration. For years the Company has set its goal on developing close ties with main customers in the market and actively provides comprehensive implementation and solutions for a variety of audio products in hopes of achieving coexistence and common prosperity with end customers. Besides offering cost-effective hardware solutions, the Company also develops diversified algorithms for all kinds of applications on the market and actively participates in the advancement of the IoT, and wearable and portable audio devices with ultra-low power consumption for market applications.

In cloud-based computing IC, the Company's main products are the BMC and iMC smart management controllers, hardware monitoring IC, interface signal conversion and power supply conversion IC for the "cloud" as well as SIO, EC and secure IC for the "base." There are several other suppliers in the global market besides Nuvoton. Competition is fierce but a certain degree of order is maintained. The Company's innovative products for system applications, superior quality and technical support remain our most important competitive edge.

(2) Foundry service

The Company's foundry service is focused on the power supply management market and continues to advance OEM technological capabilities and optimization of production costs to implement power supply management related processes on customers' products, such as high-efficiency LED drivers and power converters. We provide flexible and customized manufacturing process with optimal production flexibility and lower production costs to help customers enhance their competitiveness; furthermore, from the customers' perspective, our superior foundry service quality also provides us with excellent customer relations.

Overall, when compared with competitors at home and abroad, our foundry service's quick and comprehensive technical support and flexibility, coupled with a unique customized production process, provides customers with an indispensable competitive edge.

(3) Overview of Technology and R&D

1. R&D expenditures

Unit: thousand NT$

Item	2015	2016 up to March 31
R&D Expenditures (A)	1,970,357	526,048
Net operating revenues (B)	7,313,387	1,852,235
(A)/(B)	27%	28%

2. Successfully developed technologies and products in the past year

Year	Research and development achievements
2015	The M451 series 32-bit ARM® Cortex® -M4 Industrial Control MCU: applications include smart cleaning robots, LED, control board industrial control, security and automation.
2015	The M0519 series 32-bit ARM® Cortex® -M0 Industrial Control MCU: applications include power and electrical engineering, digital and industrial control, industrial automation and smart cleaning robots.

Year	Research and development achievements
2015	The NM1200 32-bit ARM® Cortex® -M0 Motor Control MCU series: network server fans, server drivers, inverters, electric two-wheelers, air conditioning compressors etc.
2015	NAU88L24: ULP 24-bit Stereo Audio CODEC (ultra-low power consumption audio conversion controller).
2015	NAU88L25: ULP 24-bit Stereo Audio CODEC (ultra-low power consumption audio conversion controller).
2015	NAU88C10 : 24-bit Mono Audio CODEC (ultra-low power consumption audio conversion controller).
2015	NAU88C22 : 24-bit Stereo Audio CODEC (ultra-low power consumption audio conversion controller).
2015	NCT3949S: used for applications in automatic-detection driver control IC in DC/PWM fans for desktop and notebook computers.
2015	NCT5927W: used for applications in cloud servers, data centers and frequency signal conversion chips for wide voltage range and high-speed operations in industrial computers.
2015	NCT6793D: used for I/O control IC in desktop computers.

3. Short and Long Term Business Development Plans

(1) IC Buiness

A. Short-term business development plans

In MCU, the Company enhances the advantages in cost-performance ratio and localized support and actively builds an ecosphere where we provide a complete development platform for developing all kinds of necessary software, example codes, development modules and a technical support team, as well as actual and online training courses to provide customers with the best development experience. The Company has joined the ARM® mbed™ Alliance to expedite the development of the IoT market. We hope to provide IoT developers with a compatible operating system, cloud services, tools and a system of developers through the common mbed™ Alliance platform. This will facilitate large-scale establishment and deployment of standardized commercial IoT solutions. With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions.

In cloud computing products, the popularity of smart phones and various wearable devices in recent years has brought about rapid development in applications such as cloud networks. The trend also facilitated the rapid growth in related hardware investments in servers, data centers, smart devices and Internet communication equipment. At the same time, brands from Mainland China and Taiwan, in the form of server and computer manufacturers, benefited from the Mainland Chinese government's policies and correct strategic planning. They have gradually elevated their market shares in the process of the development of the industry in its most dynamic market. The Company has been cultivating this market for a long time. The long-term strategic cooperation partnerships with Mainland Chinese, American and Taiwanese brands spans over 20 years. The Company will integrate designs from Taiwan and Israel with the advantages of local service teams to expand the development of competitive hardware and software solutions in standardized IC and ASSP that are suitable for the preceding customers. We plan to expand our market share and achieve relative revenue growth by providing better technical services.

B. Long-term business development plans

The Company will continue to advance MCU product research and development and focus on the three major technologies of low power consumption, analog IC and security. We hope to enter specific applications through product innovation and advancement in the technology of the production process. Furthermore, the Company has actively promoted brand awareness in recent years including active participation in exhibitions in Europe and the America and strategic development in key Asian countries where we have enhanced our agents' technical service capabilities and actively organized practical training courses, provided technical seminars to the general public and market, and promoted the company's visibility in online stores, various online resources, and promoted community activities through Facebook and WeChat in our effort to build market awareness with target customers.

In audio products, the high-performance Cortex-M0 and M4 32-bit MCU core will be integrated with the ultra-low power consumption audio processing controller (ULP Audio CODEC) to provide customers with high-quality integrated audio processing IC. In the vast market of mobile phones, tablet computers, IoT, high-end industrial applications, security and surveillance systems, portable, wearable, human-machine interface controller, vehicle-mounted IoT, portable medical equipment and voice prompt systems, automotive dash board voice prompts and stereo system and smart interactive toys, we will develop power-saving, high-performance platforms and comprehensive design and production solutions to help end customers enter the market promptly and quickly.

The development of cloud services is still maturing. For the increasing server and data center demand for cloud services, the company has added more product development resources and plan for more new products in hopes of combining innovation with our existing sales channels advantage to launch unique and cost-effective products for long-term development. On the other hand, although demand in the PC industry is less dynamic than before, the total sales volume remains substantial and stabilized, and can continue to inject stable revenue into the Company. The Company will maintain existing IC product development resources on PC to retain competitive advantage while lowering cost to create more optimal sales and profits.

(2) Foundry service

A. Short-term business development plans:

The Company's foundry service has accumulated over 20 years of experience in production, research and development, and product services. We shall continue to service our customers with innovative ideas on existing foundations.

- The power management production process provides modular production and competitive component performance in the wide voltage concept (3.3V–700V), helping the customers to conveniently and quickly complete the design of the product for market demands for power management (AC/DC and DC/DC), motor driver, LED lighting and LED driver IC.
- The embedded memory production process satisfies customers' IC development demand for 8-bit/4-bit MCU for the household appliances and consumer healthcare electronics market.
- The Mask ROM production process is deployed to help customers expand the application market for consumer audio IC.
- The HVIC & MOSFET production process platform provides assistance to customers in designing power discrete to satisfy market demands for high-power and high-efficiency systems.
- The customized production process meets customers' need for product diversification and flexibility to satisfy special market demands.

B. Long-term business development

The Company's foundry service will develop stable, long-term foundry services through customized production. The Company's foundry service has a strong Technology R&D Group and actively forms partnerships with key supply chain partners in semiconductors. The Company develops exclusive customized production processes for customers by means of flexible co-opetition and provides customers with IDM class product services with a full product support team and an international certified laboratory to meet customers' needs in special markets and enhance the market competitiveness of the customers' products. The motto of the Company's foundry service is "More Than Foundry," and we aspire to be the customers' best foundry service partner.

2. Market, production and sales

(1) Market Analysis

1. Main product (service) sales (providing) regions

Unit: thousand NT$

Sales region	2015	
	Amount	Percentage (%)
Asia	6,664,464	91%
America	427,252	6%
Europe	121,725	2%
Other	99,946	1%
Total	7,313,387	100%

2. Market share

The Company's 32-bit ARM® Cortex®-M0/M4 MCUs, ARM® 7/9, 8-bit MCUs, and audio IC products are highly competitive and well received by the market. We continue to hold substantial market share and enjoy stable growth. Our largest customers include well-known major manufacturers of consumer, industrial control, and communications products. In 2010 we began to develop 32-bit Cortex®-M0 MCUs, and thus far we have introduced over 200 models. Mass production of the new generation Cortex®-M4 MCU products began in 2014. Output of audio products in emerging application sectors such as vehicle-mounted IoT and Audio CODEC has grown with the output from customers at home and abroad and we have acquired a significant market share.

With regard to computer/cloud applications, market share of the Company's motherboard Super I/O, notebook EC and TPM still ranked in the top three worldwide in 2015. Our largest customers include major global and Asian brand names in computers as well as OEMs.

3. Future market supply and demand and future growth

The development of MCU applications as the electronics market concentrates on energy-efficiency, smart devices, small and light devices and multiple functions is a constant trend. The Company's early adoption of the embedded structure of the Cortex®-M developed by the British firm Advanced RISC Machine (ARM®) and our entry into the 8-bit and 16-bit market from 32-bit devices have given us a unique advantage in product strategy. The demand for IoT energy-conservation devices and the forecast growth trend in healthcare management and smart products in the next few years will help MCU market growth. The 2015 PC market experienced a 9% decline in output due to the rising demand for smart phones, poor market sentiment and a large increase in channel inventory in 2015. However, the Company's products have been implemented in more notebook computer products and maintained growth in 2015. In 2016, despite the depressed state of the global economy, the Company would maintain its lead in the market by intensifying relations with major computer brands as well as penetrating into more product applications.

In addition, output of consumer electronics such as IP cam, Audio CODEC IC and amplifiers continues to rise due to the collaboration with main platforms of third parties. Notably, the Company's audio enhancement DSP IC has been installed in applications such as Bluetooth speakers, smart phone docking stations, and mid-range and high-range television audio amplifiers. The Company also actively collaborates with manufacturers of different types of speakers (such as thin speakers) in hopes of creating value for customers' products in this new sector.

4. Competitive niches

The Company has developed the market for MCU applications and computer IC for 20 years and established strategic partnerships with customers to provide diversified customized services to meet the customers' market demands with professional R&D and technical support teams. We also provide competitive total system solution to lower customers' cost and increase their competitive edge.

With respect to MCU electronics applications, apart from the Company's existing 8-bit MCUs and the ARM® Cortex®-M0 core series 32-bit MCUs, which we were the first to introduce in Asia in 2010, and customers have already started using the high computing power MCU products based on the ARM® Cortex®-M4 core we launched in 2014. In addition, the Company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions for customers in applications of voice prompts and recognition in handheld, smart household appliances and medical electronics.

In the field of cloud computing products, apart from existing main product lines, we will also look to supply customers with USB chargers, power switches, thermal sensors, and Type-C products for IP Integration applications and also customized IC products and expansion into non-computer application domains. At the same time, the Company and customers collaborated on developing customized IC for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.

5. Advantages and unfavorable factors to long-term development and response measures

(1) Advantages

The development of the Company's MCU products is geared towards making products that are thin, smart, and have low energy consumption, wired and wireless Internet connection, touch control, USB OTG and retain advantages in the ease of development by users and environmental protection certifications. This is a testament that the Company's products follow world trends in green energy and this core competitive edge raises the barrier to competition for rivals.

The Company's cloud computing products retains a leading position in the market. Besides the mass production of the ARM® Cortex®- M4 SIO (Super I/O) and EC (Embedded Controller) that supports the Intel Skylake platform, the Company also led the industry in becoming the first TPM (Trusted Platform Module) IC provider with Federal Information Processing Standards (FIPS), Common Criteria EAL4+ and Trusted Computing Group (TCG) certification. The quality and reliability of security products have achieved unanimous recognition in international standards and the integration of PC peripheral products enhanced our core competitiveness by increasing market penetration in the PC market and establishing barriers to competition.

The company's audio enhancement DSP chips and the audio amplifier integrated chip can provide audio optimization for customers' 3G mobile phone peripheral devices, Bluetooth speakers and televisions and support thin speakers for a simpler and more trendy outer design in end customers' application.

The Company is working hard to expand the complete applications of the product line in hopes of providing a full range of applications from tablet computers to mobile computers, AIO, desktop computers and cloud servers. Through the mutual collaboration of audio CODEC chips and audio amplifiers, we can increase added value for our partners and customers such as customized interfaces in tablet applications by providing a more comprehensive solution that will increase their advantages over rivals.

(2) Disadvantages and Response Measures

Competition in consumer electronics has intensified in recent years and the short life-cycles of the products and the quick replacement of tradition products by new product applications in the market means relatively higher investment costs; and competition is intense in the trade, with regard to MCU products, there are several large international firms and a few Chinese firms that are marketing MCU with ARM® Cortex®-M0 core in the current market. The MCU products are faced with the pressure of falling prices and the low-cost, high variation production from the industry often compress profit margins. We must continue the research and development of products with high integration capabilities to lower cost and enhance R&D capabilities to maintain our leading position in the market.

Integration of international brands in the PC industry continues as the PC industry faces extended declines in the market. The Company builds on the successful foundation of partnerships with PC ODM/OEM customers and continues to provide new products with innovative integration, low power consumption and high cost-performance ratio to obtain more cooperation opportunities with international brand firms, demonstrating our potential for dynamic growth.

The continued innovation of consumer products is the power that drives the market. The company will continue to strengthen optimization of our products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products. By working closely with customers in long-term collaborative partnerships, the Company further provides design suppliers to support customers when they reach bottlenecks in technology development. In addition, the Company plans to establish applications sales teams for key customers, introduce vertically integrated application solutions and replicate our successful solutions in other emerging cities and markets.

The Company continues the recruitment of teams to strengthen local sales services in hopes of working with key national enterprises. In addition, our long-term efforts in Korea and Japan also provide growth in sales for the Company. The Company actively plans to advance into emerging markets for market growth as the industry shifts to emerging markets. We will establish partnerships with local firms to provide education in processors, system IC and audio CODEC IC. We hope to train locals with local instructors and help them acquire independent design capabilities with the Company's chips. The strategic plans have achieved notable results after a period of time. We hope to advance into emerging markets at a suitable time in the future to help build customer recognition in the market, build long-term business partnerships and provide growth in the Company revenue.

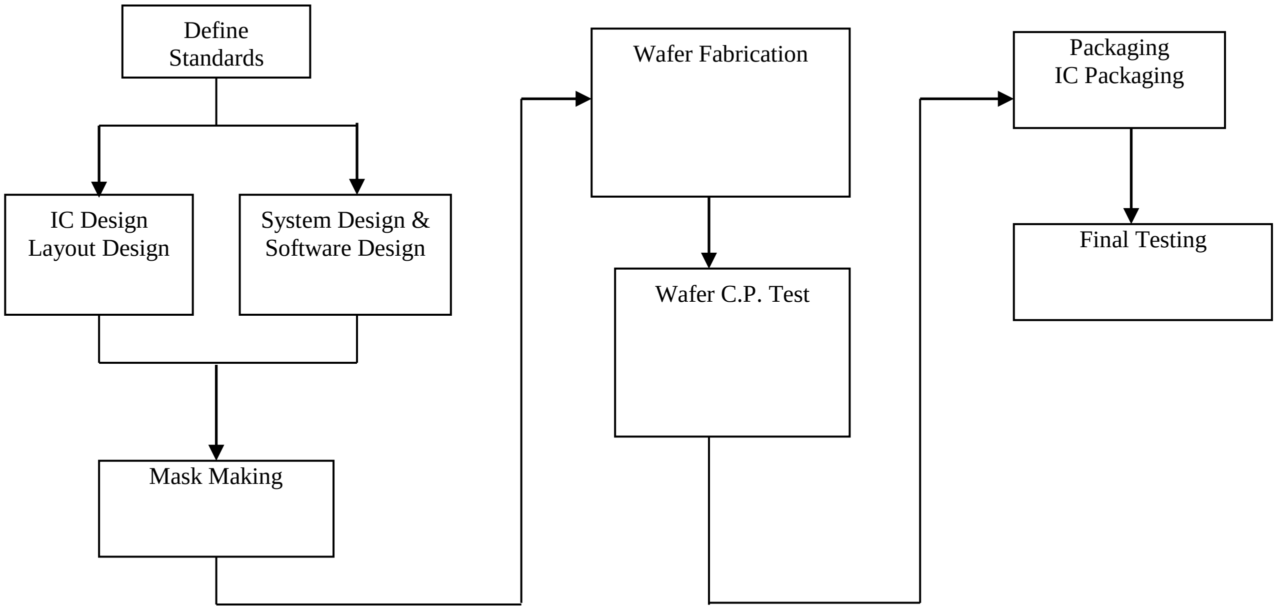
(2) Important applications and manufacturing processes of major products

1. Core applications of major products:

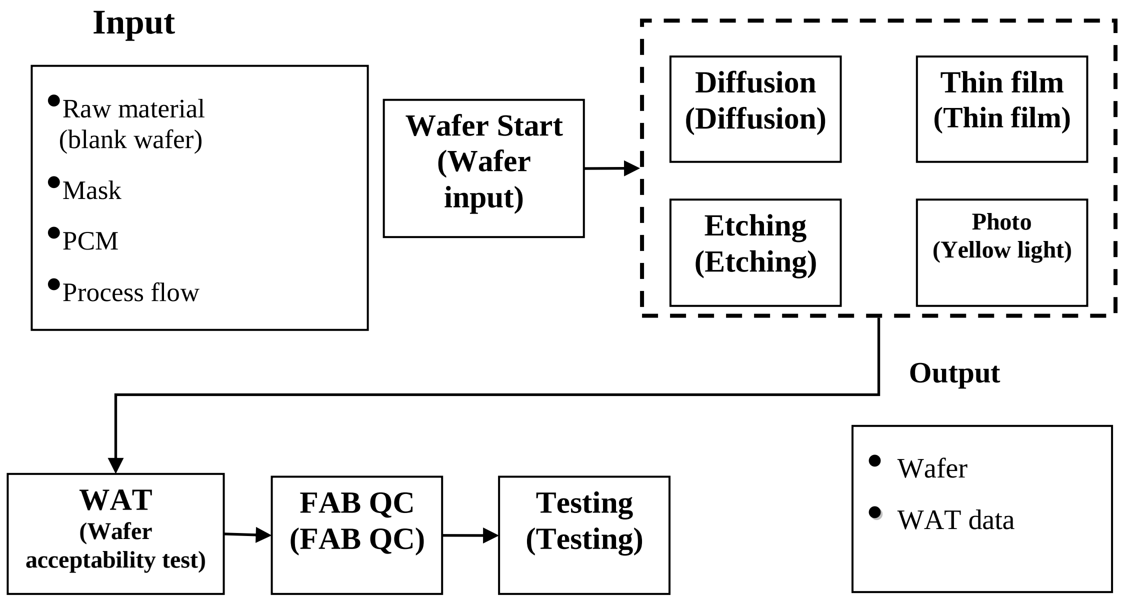
Product	Important Applications
IC Buiness	Industrial controls, healthcare, motor controls, electronic scales, small appliance controls, elevator controls, stage lighting systems,

Product	Important Applications
	aviation module power regulation, consumer electronics, power management, ePOS, HMI, IP-CAM, wireless audio, WiFi cameras, learning device, and products widely deployed in IoT control devices, notebook and laptop-like computers, desktop computers, smart handheld devices, and computer servers.
Foundry service	Provide foundry service for customers' integrated circuits.

2. Manufacturing processes:



Wafer Fabrication:



(3) Supply status of primary raw materials

Name of primary raw material	Major supplier	Supply status
Wafer	Supplier A, Supplier B and Supplier I	Stable quality, high yield rate, long-term cooperation, good supply status.
Blank wafer	Supplier C, Supplier J and Supplier H	Stable quality and supply, long-term cooperation, good supply status.

(4) Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: thousand NT$

	2014				2015			
Item	Name	Amount	Percentage of total purchase %	Relationship with issuer	Name	Amount	Percentage of total purchase %	Relationship with issuer
1	Supplier I	400,540	25%	N/A	Supplier A	612,610	28%	N/A
2	Supplier A	317,969	20%	N/A	Supplier I	535,452	25%	N/A
3	Supplier B	226,761	14%	N/A	Supplier B	272,121	12%	N/A
	Other	650,614	41%		Other	758,564	35%	
	Net purchase	1,595,884	100%		Net purchase	2,178,747	100%	

Reasons for changes: The changes in purchase price in this term are due to changes in product sales combinations.

(5) Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

Unit: thousand NT$

	2014				2015			
Item	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Customer J	828,188	12%	N/A	Customer J	908,637	12%	N/A
	Other	5,993,689	88%		Other	6,404,750	88%	
	Net sales	6,821,877	100%		Net sales	7,313,387	100%	

Reasons for changes: No changes in main customers in this term.

(6) Output volume and value for the last two years

Unit: Capacity of a thousand pieces/a thousand wafers/a thousand dies; thousand NT$

Year / Main Product	2014				2015			
	Production capacity (Note)	Quantity produced		Value	Production capacity (Note)	Quantity produced		Value
		Wafer	Die			Wafer	Die	
IC	480	-	606,017	2,733,138	480	-	615,294	3,062,416
Foundry service		296	-	1,071,223		279	-	1,016,636
Other		-	-	3,208		-	-	5,748
Total		296	606,017	3,807,569		279	615,294	4,084,800

Note: Production capacity is indicated by self-manufactured 6-inch wafers.

(7) Sales volume and value for the last two years

Unit: thousand wafers / thousand dies; thousand NT$

Year / Main Product	2014						2015					
	Domestic sales			Exports			Domestic sales			Exports		
	Volume		Value	Volume		Value	Volume		Value	Volume		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
IC	-	197,251	1,345,294	-	399,443	3,945,623	-	163,939	1,197,282	-	447,468	4,561,355
Foundry service	209	-	993,542	88	-	521,808	191	-	959,947	91	-	574,053
Other	-	-	8,677	-	-	6,933	-	-	11,683	-	-	9,067
Total	209	197,251	2,347,513	88	399,443	4,474,364	191	163,939	2,168,912	91	447,468	5,144,475

3. Employees

Year		2014	2015	2016 up to March 31
Number of employees	Technical personnel (engineers)	858	905	932
	Administration and sales staff	268	276	274
	Assistant	383	384	381
	Total	1,509	1,565	1,587

Year		2014	2015	2016 up to March 31
Average age (year)		39.78	39.78	39.89
Average years of service		10.8	10.8	10.67
Academic qualification (%)	PhD	1.06	1.34	1.39
	MA	31.20	31.95	32.77
	University/College	43.76	43.83	43.60
	High school	22.78	21.79	21.17
	Below high school	1.20	1.09	1.07
	Total	100	100	100

4. Spending on environmental protections

(1) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: N/A

(2) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The Company continues to invest preventative measures in safety and sanitary in our best efforts to maintain a safe and sanitary work environment. We hope to lower any risks of potential harm to employees in their work environments through continuous improvements. The Company's actual input includes:

1. Obtained the OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management certifications in 2008 for more systematical and more comprehensive protection in safety and sanitary protection management and environmental protection.
2. Enhance fire safety and personnel protection facilities in the work environment with domestic laws and regulations as the minimum standard while incorporating international standards into regulations governing plant construction. Continue investment in funds and personnel for improvement projects.
3. In environmental inspections, we conduct inspections on chemical factors, carbon dioxide, illumination, noise and ionizing radiation etc. and the results were all superior to regulatory standards.
4. In personal protection of the employees, we provide suitable personal protection equipment in accordance with the nature of the operation. The measure is incorporated in automatic inspection plans to maintain its validity.
5. Employees' professional training and certification in safety and sanitary management is a key aspect for protection plans. We organized 105 courses in 2015 to enhance employees' recognition beyond the scope of protection by facilities.

6. Emergency drills are conducted in accordance with possible operation hazards. We schedule periodical training for the employees every year to minimize damages in emergencies and we completed 60 different drills in 2015.
7. Continuous safety, sanitary and environmental protection improvement plans are advanced measures to ensure the safety of the work environment and employees and we completed 26 improvement plans in 2015.

5. Employees-employer relations

(1) Employee benefits, education and training, retirement system and implementation

1. Employee benefits:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the Employees' Welfare Committee to plan, oversee and implement employees' benefits.

The Company requests all employees to enroll in labor insurance unless otherwise specified in the Labor Insurance Act. The Company also offers employees with group insurance paid for by the Company. Family members of the employees can also enroll in the group insurance by paying the insurance fee.

In addition, to enhance the Company's competitiveness, we offer a complete training program for employees' career plans and professional capabilities; to enhance employees' motivation, we provide bonuses and dividends and implement fair promotion institutions for employees.

2. Employee training

To help new recruits adapt to the Company culture, we offer training programs in accordance with the positions of new recruits and request the supervisor and employees of the department to help new recruits understand the Company's market position and future development. Employees can participate in training courses held by consulting firms, training institutes or government and business groups in accordance with their personal professional needs to enhance their knowledge.

To cultivate long-term talents and encourage employees to improve their knowledge in accordance with the organizational needs, the Company established regulations governing on-job training to allow employees to enhance professional or managerial skills.

3. Retirement system and its implementation status

To provide security to employees in retirement and enhance their service during employment, the Company has established a retirement system pursuant to Labor Standards Act requirements that clearly states retirement conditions, payment standards and application processes and we have also established the Supervisory Committees of Labor Retirement Reserve in accordance with regulations. In addition, for employees that fit the criteria in the Labor Pension Act, the

Company injects an additional 6% of the employee's monthly salary to his/her pension account at the Bureau of Labor Insurance.

(2) Licenses held by personnel involved in meaning the transparency of financial information

International certified internal auditor (CIA): Auditing Department 1 employee.

(3) Labor-management harmony and employee rights maintenance measures

1. Labor-management negotiation status

The Company follows all labor laws and related regulations in all matters. Both labor and management follow rules stipulated in the work contract, work regulations and various management regulations; to facilitate friendly communication between labor and management, the Company holds labor-management meetings and the departments hold periodical monthly meetings etc. to help both sides come to a consensus and enhance cooperation to achieve maximum mutual benefits for both parties. The Company has enjoyed harmonious relations between labor and management since its founding and there have been no major labor-management disputes or losses.

2. Employee benefit protection status

The Company has established comprehensive regulations governing the rights, obligations and benefits of employees; the Company also established complaint filing protocols to safeguard employee rights and benefits.

(4) Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; quantify the estimated losses and state any response actions, or state any reasons why losses can not be reasonably estimated.

Since the founding of the Company up until now, there have not been any labor-management disputes that resulted in losses. We shall continue to enhance communication between the two parties to achieve company prosperity and safeguard employees' benefits in hopes of reducing the occurrence of labor-management disputes with through peaceful and reasonable means.

(5) Employee code of conduct

The company established comprehensive regulations governing employees' work ethics, intellectual property rights/trade secret protection and work rules, as described below:

1. Work ethics and conduct

(1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.

(2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, the Company has explicitly drafted workplace sexual harassment prevention regulations and has adopted appropriate prevention, correction, and punishment measures.

(3) Employment contracts: We have implemented rules including loyalty in the execution of

job functions and restrictions on dual employment and non-competition.

2. Rules for protection of intellectual property rights and maintenance of business secrets
   (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
   (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms during the period of employment.
   (3) Legal software authorization statement and notice to employees: Agreements on legal software usage and respect for intellectual property rights are in place.
3. Work orders
   (1) Division of responsibilities: The "Delegation Policy" specify the division of responsibilities, and serve to guide the performance of on-the-job duties.
   (2) Duties of individual units: The mission of each unit is clearly defined.
   (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the company's internal management is not compromised unnecessarily by family relationships between employees.
   (4) Attendance management
      (a) "Leave Policy": These regulations explicitly state The Company's leave request principles and regulations.
      (b) "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.
      (c) "Overtime regulations": These regulations explicitly specify The Company's overtime principles and standards.
      (d) "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.
   (5) Performance management
      (a) "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.
      (b) "Performance guidance operating regulations": Performance guidance work seeks to enhance the productivity of the company as a whole.
   (6) Reward and penalty regulations

      The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations, and have the intent of encouraging and maintaining on-the-job morale and order.

(7) Manpower development

"In-service continuing education regulations": These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the company's long-term operations.

(8) Communication channels

"Corporate internal appeal regulations": These regulations provide employees with channels expressing their views and making appeals directly to the company, maintain employees' rights and interests, and encourage communication of views.

6. Important contracts

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company A	July 1, 2008 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	June 17, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company C	November 12, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company D	April 27 2012 –April 26 2015	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	May 15, 2012 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Winbond Electronics Corporation	August 1, 2012 – December 31, 2021	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company E	October 1, 2013 – September 30, 2016	Software license	The company should use the licensed software in accordance with contract terms. The Company retains obligation of confidentiality.
Authorization contract	Company D	January 9, 2014 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company B	January 17, 2014 – January 16, 2017	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company F	January 1, 2012 – December 31, 2019	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company G	July 1, 2013 – June 30, 2018	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company H	June 29, 2014 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Property rights contract	Company I	October 1, 2014–September 30, 2034	Assignment of rights	Payment of fees in accordance with the contract.
Service Contract	Company J	March 3, 2014 – indefinite period	Service provision	Payment of fees in accordance with the contract.
Authorization contract	Company D	May 1, 2015 – April 30, 2018	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company K	January 2, 2016 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties and the Company retains obligation of confidentiality.

IV. Financial Summary

1. Condensed balance sheets, statements of income, names of auditors, and audit opinions (2011-2015)

(1) Condensed balance sheet and statements of income

Condensed balance sheet

Unit: thousand NT$

Item \ Year		Financial information for the most recent 5 years (Note 1, Note 2)				
		2011	2012	2013	2014	2015
Current assets		-	3,468,206	3,559,999	3,414,969	3,894,667
Property, plant and equipment		-	419,031	452,907	447,140	463,594
Intangible assets		-	116,770	185,164	309,790	242,622
Other assets		-	810,031	697,452	722,128	690,965
Total assets		-	4,814,038	4,895,522	4,894,027	5,291,848
Current liabilities	Before distribution	-	1,520,535	1,579,636	1,381,737	1,580,383
	After distribution	-	1,873,377	1,828,701	1,630,802	(Note 3)
Non-current liabilities		-	448,256	509,167	598,221	589,664
Total liabilities	Before distribution	-	1,968,791	2,088,803	1,979,958	2,170,047
	After distribution	-	2,321,633	2,337,868	2,229,023	(Note 3)
Equity attributable to owners of parent		-	2,845,247	2,806,719	2,914,069	3,121,801
Capital Stock		-	2,075,544	2,075,544	2,075,544	2,075,544
Capital surplus		-	63,498	63,911	63,498	63,498
Retained earnings	Before distribution	-	735,762	643,078	730,969	921,282
	After distribution	-	382,920	394,013	481,904	(Note 3)
Other interests		-	(29,557)	24,186	44,058	61,477
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	-	2,845,247	2,806,719	2,914,069	3,121,801
	After distribution	-	2,492,405	2,557,654	2,665,004	(Note 3)

Note 1: The Company adopted the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.
Note 2: Consolidated financial report inspected and certified by a CPA.
Note 3: Pending final approval from Shareholders' Meeting.

Condensed statement of comprehensive income

Unit: thousand NT$

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 2)				
	2011	2012	2013	2014	2015
Operating revenue	-	7,412,789	6,809,449	6,821,877	7,313,387
Gross profit	-	3,014,643	2,786,241	2,896,004	3,049,527
Operating income/loss	-	714,608	431,846	329,985	486,254
Non-operating income and expenses	-	62,064	66,439	90,574	85,731
Income before Income Tax	-	776,672	498,285	420,559	571,985
Net income from continuing operations	-	629,814	259,215	343,090	469,022
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	-	629,814	259,215	343,090	469,022
Other comprehensive income (Net income after tax)	-	(127,967)	54,757	13,738	(12,225)
Total comprehensive income	-	501,847	313,972	356,828	456,797
Net Income (Loss) Attributable to Shareholders of the Parent	-	629,814	259,215	343,090	469,022
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable to Shareholders of the Parent	-	501,847	313,972	356,828	456,797
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	-	3.03	1.25	1.65	2.26

Note 1: The Company adopted the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.
Note 2: Consolidated financial report inspected and certified by a CPA.

Individual condensed balance sheet

Unit: thousand NT$

Item / Year		Financial information for the most recent 5 years (Note 1, Note 2)				
		2011	2012	2013	2014	2015
Current assets		-	2,769,517	2,757,808	2,593,916	2,975,327
Property, plant and equipment		-	370,371	407,271	388,320	410,239
Intangible assets		-	109,805	181,608	252,274	197,238
Other assets		-	1,571,516	1,542,044	1,624,812	1,665,167
Total assets		-	4,821,209	4,888,731	4,859,322	5,247,971
Current liabilities	Before distribution	-	1,562,156	1,635,518	1,411,149	1,608,770
	After distribution	-	1,914,998	1,884,583	1,660,214	(Note 3)
Non-current liabilities		-	413,806	446,494	534,104	517,400
Total liabilities	Before distribution	-	1,975,962	2,082,012	1,945,253	2,126,170
	After distribution	-	2,328,804	2,331,077	2,194,318	(Note 3)
Equity attributable to owners of parent		-	2,845,247	2,806,719	2,914,069	3,121,801
Capital Stock		-	2,075,544	2,075,544	2,075,544	2,075,544
Capital Surplus		-	63,498	63,911	63,498	63,498
Retained earnings	Before distribution	-	735,762	643,078	730,969	921,282
	After distribution	-	382,920	394,013	481,904	(Note 3)
Other interests		-	(29,557)	24,186	44,058	61,477
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	-	2,845,247	2,806,719	2,914,069	3,121,801
	After distribution	-	2,492,405	2,557,654	2,665,004	(Note 3)

Note 1: The Company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting 2013.

Note 2: Financial report inspected and certified by a CPA.

Note 3: Pending final approval from Shareholders' Meeting.

Condensed individual statement of comprehensive income

Unit: thousand NT$

Item / Year	Financial information for the most recent 5 years (Note 1, Note 2)				
	2011	2012	2013	2014	2015
Operating revenue	-	7,160,090	6,514,347	6,502,909	7,022,517
Gross profit	-	2,763,627	2,492,978	2,580,109	2,766,818
Operating income/loss	-	716,210	408,464	302,227	476,886

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 2)				
	2011	2012	2013	2014	2015
Non-operating income and expenses	-	46,801	79,047	107,501	72,423
Income before Income Tax	-	763,011	487,511	409,728	549,309
Net income from continuing operations	-	629,814	259,215	343,090	469,022
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	-	629,814	259,215	343,090	469,022
Other comprehensive income (Net income after tax)	-	(127,967)	54,757	13,738	(12,225)
Total comprehensive income	-	501,847	313,972	356,828	456,797
Net Income (Loss) Attributable to Shareholders of the Parent	-	629,814	259,215	343,090	469,022
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable to Shareholders of the Parent	-	501,847	313,972	356,828	456,797
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	-	3.03	1.25	1.65	2.26

Note 1: The Company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting 2013.

Note 2: Financial report inspected and certified by a CPA.

Consolidated condensed balance sheet (Financial Accounting Standards in Taiwan)

Unit: thousand NT$

Item \ Year		Financial information for the most recent 5 years (Note)				
		2011	2012	2013	2014	2015
Current assets		3,355,527	3,541,025	-	-	-
Funds and Investments		93,337	381,269	-	-	-
Fixed Assets		531,819	419,031	-	-	-
Intangible assets		41,523	116,770	-	-	-
Other assets		338,247	356,538	-	-	-
Total assets		4,360,453	4,814,633	-	-	-
Current	Before	1,327,780	1,496,587	-	-	-

Item \ Year		Financial information for the most recent 5 years (Note)				
		2011	2012	2013	2014	2015
liabilities	distribution					
	After distribution	1,680,622	1,849,429	-	-	-
Long-term liabilities		-	-	-	-	-
Other liabilities		237,523	277,558	-	-	-
Total liabilities	Before distribution	1,565,303	1,774,145	-	-	-
	Before distribution	1,918,145	2,126,987	-	-	-
Capital Stock		2,075,544	2,075,544	-	-	-
Capital Surplus		63,993	64,027	-	-	-
Retained earnings	Before distribution	702,544	977,405	-	-	-
	After distribution	349,702	624,563	-	-	-
Unrealized gain or loss on financial instruments		-	-	-	-	-
Cumulative translation adjustment		(46,931)	(76,488)	-	-	-
Net loss not recognized as pension cost		-	-	-	-	-
Total equity	Before distribution	2,795,150	3,040,488	-	-	-
	After distribution	2,442,308	2,687,646	-	-	-

Note: Consolidated financial report inspected and certified by a CPA.

Consolidated condensed income statement (Financial Accounting Standards in Taiwan)

Unit: thousand NT$

Item \ Year	Financial information for the most recent 5 fiscal years (note)				
	2011	2012	2013	2014	2015
Operating revenue	7,342,416	7,412,789	-	-	-
Gross profit	2,806,113	3,014,330	-	-	-
Operating income/loss	546,545	712,687	-	-	-
Non-operating revenue and gains	72,812	77,441	-	-	-
Non-operating expenses and losses	67,703	15,567	-	-	-
Profit or loss before income tax of continuing operations	551,654	774,561	-	-	-
Income from continuing operations	425,746	627,703	-	-	-

Income from discontinued operations	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
Cumulative effect of accounting principle changes	-	-	-	-	-
Profit or loss for the current period	425,746	627,703	-	-	-
Earnings per share	2.05	3.02	-	-	-

Note: Consolidated financial report inspected and certified by a CPA.

Individual condensed balance sheet (Financial Accounting Standards in Taiwan)

Unit: thousand NT$

Item / Year		Financial information for the most recent 5 years (Note)				
		2011	2012	2013	2014	2015
Current assets		2,697,231	2,834,517	-	-	-
Funds and Investments		979,864	1,269,842	-	-	-
Fixed Assets		383,742	370,371	-	-	-
Intangible assets		35,935	109,805	-	-	-
Other assets		295,945	238,255	-	-	-
Gross assets		4,392,717	4,822,790	-	-	-
Current liabilities	Before distribution	1,381,946	1,539,194	-	-	-
	After distribution	1,734,788	1,892,036	-	-	-
Long-term liabilities		-	-	-	-	-
Other liabilities		215,621	243,108	-	-	-
Total liabilities	Before distribution	1,597,567	1,782,302	-	-	-
	After distribution	1,950,409	2,135,144	-	-	-
Capital Stock		2,075,544	2,075,544	-	-	-
Capital Surplus		63,993	64,027	-	-	-
Retained earnings	Before distribution	702,544	977,405	-	-	-
	After distribution	349,702	624,563	-	-	-
Unrealized gain or loss on financial instruments		-	-	-	-	-
Cumulative translation adjustment		(46,931)	(76,488)	-	-	-
Net loss not recognized as pension cost		-	-	-	-	-
Total stockholders' equity	Before distribution	2,795,150	3,040,488	-	-	-
	After distribution	2,442,308	2,687,646	-	-	-

Note: Financial report inspected and certified by a CPA.

Individual balance sheet (Financial Accounting Standards in Taiwan)

Unit: thousand NT$

Item \ Year	Financial information for the most recent 5 fiscal years (note)				
	2011	2012	2013	2014	2015
Operating revenue	7,090,283	7,160,090	-	-	-
Gross profit	2,573,914	2,763,314	-	-	-
Operating income/loss	559,605	714,289	-	-	-
Non-operating revenue and gains	62,364	61,166	-	-	-
Non-operating expenses and losses	82,405	14,555	-	-	-
Profit or loss before income tax of continuing operations	539,564	760,900	-	-	-
Income from continuing operations	425,746	627,703	-	-	-
Income from discontinued operations	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
Cumulative effect of accounting principle changes	-	-	-	-	-
Profit or loss for the current period	425,746	627,703	-	-	-
Earnings per share	2.05	3.02	-	-	-

Note: Financial report inspected and certified by a CPA.

(3) Names of auditing CPAs of the most recent five years and their audit opinions

Year	Name of firm	Name of CPA:	Audit opinion
2011	Deloitte & Touche Joint CPA Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2012	Deloitte & Touche Joint CPA Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2013	Deloitte & Touche Joint CPA Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2014	Deloitte & Touche Joint CPA Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2015	Deloitte & Touche Joint CPA Firm	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion

2. Financial Analysis of the Last Five Years

Financial analysis

Analytical item / Year		Financial analysis for the last five years (Note)				
		2011	2012	2013	2014	2015
Capital Structure Analysis%	Debts Ratio	-	40.90	42.67	40.46	41.01
	Long-term Fund to Property, Plant and Equipment	-	785.98	732.13	785.50	800.59
Liquidity Analysis %	Current ratio	-	228.09	225.37	247.15	246.44
	Quick ratio	-	157.73	166.86	183.74	175.38
	Times Interest Earned	-	189,071.29	167,872.73	176,805.46	42,658.41
Operating ability	Average Collection Turnover (times)	-	8.11	7.74	8.69	9.97
	Days Sales Outstanding	-	45	47	42	37
	Average Inventory Turnover (times)	-	3.44	3.10	3.34	3.43
	Average Payment Turnover (times)	-	7.37	6.83	7.19	7.07
	Average Inventory Turnover Days	-	106	118	109	106
	Property, Plant and Equipment Turnover (Times)	-	15.59	15.62	15.16	16.06
	Total Assets Turnover (Times)	-	1.62	1.40	1.39	1.44
Profitability	Return on assets (%)	-	13.74	5.34	7.01	9.23
	ROE(%)	-	22.73	9.17	11.99	15.54
	Pre-tax income to paid-in capital ratio(%)	-	37.42	24.01	20.26	27.56
	Net Margin (%)	-	8.5	3.81	5.03	6.41
	Earnings per share (NT$)	-	3.03	1.25	1.65	2.26
Cash flows	Cash flow ratio (%)	-	48.64	58.48	53.46	29.33
	Cash flow adequacy ratio (%)	-	121.05	146.56	158.10	132.79
	Cash flow reinvestment ratio (%)	-	2.10	3.11	2.66	1.15
Leverage	Operating leverage	-	4.16	6.30	8.46	6.06
	Financial leverage	-	1.00	1.00	1.00	1.00

Analytical item \ Year	Financial analysis for the last five years (Note)				
	2011	2012	2013	2014	2015
Reasons for changes in financial ratios in recent two years: 1. Times Interest Earned reduction: Mainly due to increased interest costs in 2015. 2. Increase in return on assets, return on equity, pre-tax income to paid-in capital ratio, net margin ratio and earnings per share: Mainly due to increased profits in 2015. 3. Reduction in cash flow ratio and cash fiow reinvestment ratio: Mainly due to the reduction of net cash flows in business activities. 4. Operating leverage reduction: Mainly due to increased operating profits in 2015.					

Note: The Company adopted the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.

Individual financial analysis

Analytical item	Year	Financial analysis for the last five years (Note)				
		2011	2012	2013	2014	2015
Capital Structure Analysis%	Debts Ratio	-	40.98	42.59	40.03	40.51
	Long-term Fund to Property, Plant and Equipment	-	879.94	798.78	887.97	887.09
Liquidity Analysis %	Current ratio	-	177.29	168.62	183.82	184.94
	Quick ratio	-	109.41	112.70	123.20	116.36
	Times Interest Earned	-	185,747.45	164,245.12	172,254.62	40,971.21
Operating ability	Average Collection Turnover (times)	-	9.96	9.51	10.91	13.58
	Days Sales Outstanding	-	37	38	33	27
	Average Inventory Turnover (times)	-	3.44	3.11	3.37	3.46
	Average Payment Turnover (times)	-	7.37	6.83	7.20	7.08
	Average Inventory Turnover Days	-	106	117	108	105
	Property, Plant and Equipment Turnover (Times)	-	18.99	16.75	16.35	17.59
	Total Assets Turnover (Times)	-	1.55	1.34	1.33	1.39
Profitability	Return on assets (%)	-	13.68	5.34	7.04	9.3
	ROE(%)	-	22.73	9.17	11.99	15.54
	Pre-tax income to paid-in capital ratio(%)	-	36.76	23.49	19.74	26.47
	Net Margin (%)	-	8.80	3.98	5.28	6.68
	Earnings per share (NT$)	-	3.03	1.25	1.65	2.26
Cash flows	Cash flow ratio (%)	-	44.70	45.03	47.39	39.81
	Cash flow adequacy ratio (%)	-	117.61	129.65	144.12	131.67
	Cash flow reinvestment ratio (%)	-	1.89	2.12	2.31	2.14
Leverage	Operating leverage	-	3.95	6.23	8.66	5.82
	Financial leverage	-	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:
1. Times Interest Earned reduction: Mainly due to increased interest costs in 2015.
2. Average Collection Turnover ratio: Mainly due to decrease in accounts receivable in 2015.
3. Increase in return on assets, return on equity, pre-tax income to paid-in capital ratio, net margin ratio and earnings per share: Mainly due to increased profits in 2015.
4. Operating leverage reduction: Mainly due to increased operating profits in 2015.

Note: The Company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting 2013.

The calculation formula for the items of analysis is stated below:

1. Capital Structure Analysis
   (1) Debt ratio = total liabilities / total assets.
   (2) Long-term Fund to Property, Plant and Equipment ratio =(Total equity+Non-current liabilities)/net amount of real estate properties, factories and equipment.
2. Liquidity Analysis
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Average Collection Turnover ratio = Net Sales / Average Trade Receivables.
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) ROE = income after tax/net average equity.
   (3) Net margin = net income / net sales.
   (4) EPS = (income belonging to parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash flow reinvestment ratio = (net cash flow of operating activities - cash dividend)/(gross amount of real estate properties, factories and equipment + long-term investment + other non-current assets + operating capital).
6. Leverage:
   (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.
   (2) Financial leverage = operating income / (operating income – interest expense).

Consolidated Financial Analysis (Financial Accounting Standards in Taiwan)

Analytical item (Year)			Financial analysis for the last five years				
			2011	2012	2013	2014	2015
Capital Structure Analysis%	Debt Ratio		35.90	36.85	-	-	-
	Long-term fund to fixed assets ratio		525.58	725.60	-	-	-
Liquidity Analysis%	Current ratio		252.72	236.61	-	-	-
	Quick ratio		183.36	165.12	-	-	-
	Times interest earned		-	188,557.66	-	-	-
Operating ability	Average Collection Turnover (times)		8.30	8.11	-	-	-
	Days Sales Outstanding		44	45	-	-	-
	Average Inventory Turnover (times)		3.64	3.44	-	-	-
	Average Payment Turnover (times)		8.40	7.37	-	-	-
	Average Inventory Turnover Days		100	106	-	-	-
	Fixed Assets Turnover (Times)		13.48	15.59	-	-	-
	Total Assets Turnover (Times)		1.63	1.62	-	-	-
Profitability	Return on assets (%)		9.43	13.69	-	-	-
	Return on equity (%)		14.79	21.51	-	-	-
	Paid-in capital ratio	Operating income	26.33	34.34	-	-	-
		Pre-tax Income	26.58	37.32	-	-	-
	Net Margin (%)		5.80	8.47	-	-	-
	Earnings per share (NT$)		2.05	3.02	-	-	-
Cash flows	Cash flow ratio (%)		51.25	49.22	-	-	-
	Cash flow adequacy ratio (%)		166.09	153.86	-	-	-
	Cash fliow reinvestment ratio (%)		0.32	2.08	-	-	-
Leverage	Operating leverage		4.95	4.11	-	-	-
	Financial leverage		1.00	1.00	-	-	-
Reasons for changes in financial ratios in recent two years: Not applicable.							

Individual Financial Analysis (Financial Accounting Standards in Taiwan)

Analytical item / Year			Financial analysis for the last five years				
			2011	2012	2013	2014	2015
Capital Structure Analysis %	Debt Ratio		36.37	36.96	-	-	-
	Long-term fund to fixed assets ratio		728.39	820.93	-	-	-
Liquidity Analysis %	Current ratio		195.18	184.16	-	-	-
	Quick ratio		129.76	115.27	-	-	-
	Times interest earned		-	185,233.82	-	-	-
Operating ability	Average Collection Turnover (times)		10.25	9.96	-	-	-
	Days Sales Outstanding		36	37	-	-	-
	Average Inventory Turnover (times)		3.64	3.44	-	-	-
	Average Payment Turnover (times)		8.37	7.37	-	-	-
	Average Inventory Turnover Days		100	106	-	-	-
	Fixed Assets Turnover (Times)		17.71	18.99	-	-	-
	Total Assets Turnover (Times)		1.55	1.55	-	-	-
Profitability	Return on assets (%)		9.32	13.63	-	-	-
	Return on equity (%)		14.79	21.51	-	-	-
	Paid-in capital ratio	Operating income	26.96	34.41	-	-	-
		Pre-tax Income	26.00	36.66	-	-	-
	Net Margin (%)		6.00	8.77	-	-	-
	Earnings per share (NT$)		2.05	3.02	-	-	-
Cash flows	Cash flow ratio (%)		45.17	45.37	-	-	-
	Cash flow adequacy ratio (%)		306.38	253.73	-	-	-
	Cash fliow reinvestment ratio (%)		0.01	1.90	-	-	-
Leverage	Operating leverage		4.65	3.89	-	-	-
	Financial leverage		1.00	1.00	-	-	-
Reasons for changes in financial ratios in recent two years: Not applicable.							

The calculation formula for the items of analysis is stated below:

1. Capital Structure Analysis
   (1) Debt ratio = total liabilities / total assets.
   (2) Long-term fund to fixed assets ratio＝(net shareholders' equity + long-term debt) / net fixed assets.
2. Liquidity Analysis

(1) Current ratio = current assets / current liabilities.
(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability
(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
(2) Average days of collection = 365 / receivables turnover ratio.
(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
(4) Payable turnover ratio = cost of goods sold / average balance of payable of the period.
(5) Average days of sales = 365 / inventory turnover ratio.
(6) Fixed assets turnover ratio＝net sales / net average fixed assets.
(7) Total assets turnover ratio = net sales / total average assets.

4. Profitability
(1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
(2) Return on shareholder's equity＝ net income / net average shareholders' equity.
(3) Net margin = net income / net sales.
(4) Earnings per share ＝ (net income - dividend to preferred stock) / weighted average of shares issued.

5. Cash flows
(1) Cash flow ratio = new cash flows from operating activities / current liabilities.
(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
(3) Cash flow reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross fixed assets + long-term investment + other assets + working capital).

6. Leverage:
(1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.
(2) Financial leverage = operating income / (operating income – interest expense).

3. Supervisors' Review Report

Supervisors' Review Report

The Board of Directors of the Company has prepared the 2015 parent company only financial statements and the consolidated financial statements, which have been audited by Ker-Chang Wu and Hung-Bin Yu at Deloitte &Touche who have been retained by the Board of Directors of the Company to issue an independent auditors' report. The independent auditors' report provides that the 2015 parent company only financial statements and the consolidated financial statements of the Company can fairly present the Company's financial position. The undersigned supervisors have reviewed the independent auditors' report, together with the business report and the plan for distribution of 2015 profit, and did not find any incompliance. According to Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To

2016 Annual General Shareholders Meeting

Nuvoton Technology Corporation

Supervisors: Lu-Pao Hsu

Chao-Ming Mong

Representative of Chin Xin Investment Co., Ltd.: Yang-Kun Lai

Date: February 15, 2016

4. Financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2015 year (from January 1 to December 31, 2015), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates.
Hereby declared that

Name of Company: Nuvoton Technology Corporation

Legal Representative: Arthur Yu-Cheng Chiao

January 28, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Nuvoton Technology Corporation

We have audited the accompanying consolidated balance sheets of Nuvoton Technology Corporation (the "Company") and its subsidiaries (collectively referred 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 ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company'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 Rules Governing the Audit 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 consolidated financial position of the Group as of December 31, 2015 and 2014 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, 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 of the Republic of China.

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

January 28, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 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 independent auditors' report and consolidated financial statements shall prevail.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,825,672	34	$ 1,753,118	36
Notes and accounts receivable, net (Notes 4 and 8)	643,816	12	685,314	14
Accounts receivable due from related parties, net (Notes 4 and 26)	56,392	1	48,331	1
Other receivables (Note 9)	240,227	5	47,664	1
Inventories (Notes 4 and 10)	1,037,432	20	793,929	16
Other current assets (Note 23)	91,128	2	86,613	2
Total current assets	3,894,667	74	3,414,969	70
NON-CURRENT ASSETS				
Financial assets measured at cost, non-current (Notes 4 and 11)	378,564	7	388,564	8
Property, plant and equipment (Notes 4 and 12)	463,594	9	447,140	9
Investment properties (Notes 4 and 13)	71,866	1	78,506	2
Intangible assets (Notes 4 and 14)	242,622	5	309,790	6
Deferred income tax assets (Notes 4 and 20)	127,287	2	140,771	3
Refundable deposits (Note 6)	69,370	1	68,212	1
Other non-current assets (Note 23)	43,878	1	46,075	1
Total non-current assets	1,397,181	26	1,479,058	30
TOTAL	$ 5,291,848	100	$ 4,894,027	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	$ 1,379	-	$ 5,641	-
Accounts payable	666,073	13	540,044	11
Other payables (Note 15)	816,083	15	726,631	15
Current tax liabilities (Notes 4 and 20)	53,834	1	71,194	1
Other current liabilities	43,014	1	38,227	1
Total current liabilities	1,580,383	30	1,381,737	28
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Notes 4 and 16)	101,891	2	72,698	2
Accrued pension liabilities (Notes 4 and 17)	378,733	7	414,764	8
Other non-current liabilities	109,040	2	110,759	2
Total non-current liabilities	589,664	11	598,221	12
Total liabilities	2,170,047	41	1,979,958	40
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock (Note 18)	2,075,544	39	2,075,544	43
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	293,628	6	259,319	5
Unappropriated earnings	627,654	12	471,650	10
Exchange differences on translating foreign operations (Note 4)	61,477	1	44,058	1
Total equity	3,121,801	59	2,914,069	60
TOTAL	$ 5,291,848	100	$ 4,894,027	100

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

NUVOTON TECHNOLOGY CORPORATION 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 REVENUE (Note 19)	$ 7,313,387	100	$ 6,821,877	100
OPERATING COST	4,263,860	58	3,925,873	57
GROSS PROFIT	3,049,527	42	2,896,004	43
OPERATING EXPENSES				
Selling expenses	246,434	3	249,126	4
General and administrative expenses	346,482	5	344,211	5
Research and development expenses	1,970,357	27	1,972,682	29
Total operating expenses	2,563,273	35	2,566,019	38
PROFIT FROM OPERATIONS	486,254	7	329,985	5
NON-OPERATING INCOME AND LOSSES				
Share of profit of associates accounted for using equity method	-	-	14,564	-
Interest income	16,656	-	16,401	-
Dividend income	52,284	1	39,610	1
Other gains and losses	6,568	-	5,706	-
Gains (losses) on disposal of property, plant and equipment	891	-	(1,032)	-
Gains (losses) on disposal of investments	-	-	13,183	-
Foreign exchange gains (losses)	21,852	-	24,278	-
Gains (losses) on financial instruments at fair value through profit or loss	(11,176)	-	(21,898)	-
Interest expense	(1,344)	-	(238)	-
Total non-operating income and losses	85,731	1	90,574	1
PROFIT BEFORE INCOME TAX	571,985	8	420,559	6
INCOME TAX EXPENSE (Notes 4 and 20)	(102,963)	(2)	(77,469)	(1)
NET PROFIT	469,022	6	343,090	5

(Continued)

NUVOTON TECHNOLOGY CORPORATION 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**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 17)	$ (29,644)	-	$ (6,134)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	17,419	-	19,872	-
Other comprehensive income (loss)	(12,225)	-	13,738	-
TOTAL COMPREHENSIVE INCOME	$ 456,797	6	$ 356,828	5
EARNINGS PER SHARE (Notes 4 and 22)				
From continuing operations				
Basic	$ 2.26		$ 1.65	
Diluted	$ 2.24		$ 1.64	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT 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								
		Capital Surplus			Retained Earnings				
	Common Stock	Additional Paid-in Capital	Changes in Equities of Associates	Employee Share Options	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating of Foreign Operations	Total Equity
BALANCE, JANUARY 1, 2014	$ 2,075,544	$ 63,485	$ 413	$ 13	$ 233,397	$ 76,488	$ 333,193	$ 24,186	$ 2,806,719
Net profit in 2014	-	-	-	-	-	-	343,090	-	343,090
Other comprehensive income in 2014	-	-	-	-	-	-	(6,134)	19,872	13,738
Total comprehensive income in 2014	-	-	-	-	-	-	336,956	19,872	356,828
Change in equity of associates accounted for using equity method	-	-	(413)	-	-	-	-	-	(413)
Appropriation of 2013 earnings (Note 18)									
Legal reserve	-	-	-	-	25,922	-	(25,922)	-	-
Special reserve	-	-	-	-	-	(76,488)	76,488	-	-
Cash dividends	-	-	-	-	-	-	(249,065)	-	(249,065)
BALANCE, DECEMBER 31, 2014	2,075,544	63,485	-	13	259,319	-	471,650	44,058	2,914,069
Net profit in 2015	-	-	-	-	-	-	469,022	-	469,022
Other comprehensive income in 2015	-	-	-	-	-	-	(29,644)	17,419	(12,225)
Total comprehensive income in 2015	-	-	-	-	-	-	439,378	17,419	456,797
Appropriation of 2014 earnings (Note 18)									
Legal reserve	-	-	-	-	34,309	-	(34,309)	-	-
Cash dividends	-	-	-	-	-	-	(249,065)	-	(249,065)
BALANCE, DECEMBER 31, 2015	$ 2,075,544	$ 63,485	$ -	$ 13	$ 293,628	$ -	$ 627,654	$ 61,477	$ 3,121,801

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 571,985	$ 420,559
Adjustments for:		
Depreciation expenses	140,602	138,312
Amortization expenses	79,535	86,536
Interest expense	1,344	238
Interest income	(16,656)	(16,401)
Dividend income	(52,284)	(39,610)
Share of profit of associates accounted for using equity method	-	(14,564)
Unrealized gain or loss	-	(118)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(4,262)	4,937
(Gain) loss on disposal of property, plant and equipment	(891)	1,032
(Gain) loss on disposal of investments	-	(13,183)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	41,498	60,842
(Increase) decrease in accounts receivable due from related parties	(8,061)	8,893
(Increase) decrease in other receivables	(188,827)	56,583
(Increase) decrease in inventories	(243,503)	68,780
(Increase) decrease in other current assets	(4,515)	(24,379)
(Increase) decrease in other non-current assets	1,782	(43,975)
Increase (decrease) in accounts payable	126,029	(12,196)
Increase (decrease) in other payables	86,154	51,433
Increase (decrease) in other current liabilities	4,787	1,688
Increase (decrease) on products guarantee based on commitment	29,193	27,283
Increase (decrease) on accrued pension liabilities	(65,675)	9,324
Increase (decrease) in other non-current liabilities	8,253	1,427
Cash generated from operations	506,488	773,441
Income tax paid	(110,505)	(98,355)
Interest paid	(1,344)	(378)
Interest received	16,586	16,361
Dividend received	52,284	47,554
Net cash generated from (used in) operating activities	463,509	738,623
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets	(22,262)	(191,178)
Proceeds from capital reduction of financial assets measured at cost	10,000	-
Proceeds from disposal of investments accounted for using equity method	-	33,872
Payments for property, plant and equipment	(146,071)	(135,276)
Proceeds from disposal of property, plant and equipment	936	314
(Increase) decrease in refundable deposits	(1,158)	(4,888)
Net cash generated from (used in) investing activities	(158,555)	(297,156)

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	$ -	$ (178,830)
Cash dividends	(249,065)	(249,065)
Net cash generated from (used in) financing activities	(249,065)	(427,895)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	16,665	20,116
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,554	33,688
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,753,118	1,719,430
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,825,672	$ 1,753,118

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the "Company") was incorporated in the Republic of China ("ROC") in April 2008 and commenced business in July 2008. The Company is engaged mainly in the researching, designing, developing, manufacturing, selling of Logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafer.

For the specialization and division of labors and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2015 and 2014.

The Company's shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on January 28, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, stipulated that the Company and entities controlled by the Company (the "Group") should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group's accounting policies:

   1) IFRS 10 "Consolidated Financial Statements"

      IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 25 for related disclosures.

3) Amendment to IAS 1 “Presentation of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Group applies retrospectively the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plan. Items expected to be reclassified to profit or loss are the exchange differences on translation of foreign financial statements and the share of other comprehensive income of associates (except the share of the remeasurements of the defined benefit plan). The application of the above amendments did not result in any impact on the net profit, other comprehensive income, and total comprehensive income for the year.

4) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 does not have material effect on the consolidated balance sheet. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group was not required to present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: To avoid enterprise adopt the amendment to IAS 28 twice in a short-term, IASB decided to postpone the amendment to IFRS 10 and IAS 28 announced in September 2014. The aforementioned amendment will be undefined until the study program of the entity method have been concluded.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of accounting periods. All other financial assets are measured at their fair values at the end of reporting period.

2) Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"

   In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

   The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

   IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

   IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

   The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

   The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.
   The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is

based on revenue generated by an activity that includes the use of property, plant and equipment is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” provides that there is a rebuttable presumption that an amortization method that is based on revenue generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) FRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

8) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information. The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Subsidiary included in consolidated financial statements:

			% of Ownership December 31	
Investor	**Investee**	**Main Business**	**2015**	**2014**
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL") (Note 1)	Design, sales and after-sales service of semiconductor	100	-
	Techdesign Corporation (Note 2)	Electronic commerce and product marketing	100	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
PCH	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design, sales and after-sales service of semiconductor	100	100

Note 1: In 2012, the Company's board of directors resolved to set up NTIPL. The Company has injected the capital in March 2015.

Note 2: Techdesign Corporation was incorporated in March 2015.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s foreign currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

   The categories of financial assets held by the Group are summarized as below:

   1) Loans and receivables

      Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

   2) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment for trade receivables could include the Group’s past experience of collecting payments, the delayed payments in past period, the information which correlates with default on receivables, as well as the estimation of future cash flows. The amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value, and evaluated and recognized appropriate allowance for devaluation based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Investments Accounted for Using Equity Method

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.
The Group uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.
When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.
Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values：buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful life after considering residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount does not exceed the carrying amount (reduce amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Products Guarantee Based on Commitment

The Group would estimate guarantee provision by the appropriate ratio when the related product sold.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Group; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

f. Service income is recognized when services are provided.

Leasing

The lease terms of the Group does not transfer substantially all the risks and rewards of ownership to the lessee. All the leases are classified as operating lease. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease period. Under operating lease, contingent rents payable arising are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term employee benefits

   Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and it is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associate are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group’s critical accounting judgments and key sources of estimation uncertainty are described below:

a. Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

b. Deferred tax

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. While assessing the realizability of deferred income tax assets, the hypothesis of the critical accounting judgments and estimation of the Group’s management includes increase in expected sale revenues and profit rate, tax-exemption period, usable investment credits, and tax plan, etc. Any changes of global economic environment, industry environment and law may cause a great adjustment of deferred tax assets.

c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit cost under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

d. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash and cash in bank	$ 1,802,472	$ 1,739,618
Repurchase agreements collateralized by bonds	23,200	13,500
	$ 1,825,672	$ 1,753,118

a. The Group has time deposits pledged to secure land lease and customs tariff obligation which are reclassified as "refundable deposits":

	December 31	
	2015	**2014**
Time deposits	$ 61,398	$ 60,243

b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables" (Note 9):

	December 31	
	2015	**2014**
Time deposits	$ 199,930	$ 1,085

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts	$ 1,379	$ 5,641

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2015			
Sell forward exchange contracts	USD/NTD	2016.01.05-2016.02.04	USD10,000/NTD326,871
December 31, 2014			
Sell forward exchange contracts	USD/NTD	2015.01.08-2015.02.26	USD15,300/NTD478,604

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The forward exchange contracts entered into by the Group did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment for forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2015	2014
Notes receivable	$ 14	$ 68
Accounts receivable	661,809	700,071
Less: Allowance for doubtful accounts	(18,007)	(14,825)
	$ 643,816	$ 685,314

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable was as follows:

	December 31	
	2015	2014
Not overdue	$ 654,806	$ 685,624
Overdue under 30 days	7,017	14,515
Overdue 31-90 days	-	-
Overdue 91 days and longer	-	-
	$ 661,823	$ 700,139

The movements of the allowance for doubtful accounts were as follows:

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 14,825	$ 17,615
Impairment losses (reversed)	2,875	(3,123)
Effect of exchange rate changes	307	333
Balance at December 31	$ 18,007	$ 14,825

9. OTHER RECEIVABLES

	December 31 2015	December 31 2014
Time deposits (Note 6)	$ 199,930	$ 1,085
Business tax refund receivable	14,358	15,098
Other receivable - related parties (Note 26)	546	9,415
Others	25,393	22,066
	$ 240,227	$ 47,664

10. INVENTORIES

	December 31 2015	December 31 2014
Raw materials and supplies	$ 74,558	$ 80,810
Work-in-process	756,060	541,373
Finished goods	205,731	171,746
Inventories in transit	1,083	-
	$ 1,037,432	$ 793,929

a. As of December 31, 2015 and 2014, the allowance for inventory devaluation was $323,567 thousand and $331,274 thousand, respectively.

b. The cost of goods sold for the years ended December 31, 2015 and 2014 was $4,263,860 thousand and $3,925,873 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $20,309 thousand loss and $20,102 thousand gain for the years ended December 31, 2015 and 2014, respectively. In 2014, the write-downs were reversed as the result of controlling internal inventory management effectively and improving slow moving inventory.

11. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31 2015	December 31 2014
Non-publicly traded investment		
United Industrial Gases Co., Ltd.	$ 280,000	$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	30,000	40,000
Nyquest Technology Co., Ltd.	68,071	68,071
	$ 378,564	$ 388,564

Management believed that the above non-publicly traded investments held by the Group have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant and various estimates cannot be reasonably estimated; therefore they were measured at cost less impairment at the end of reporting period.

The Group held a 27% ownership interest of Nyquest Technology Co., Ltd. as of January 1, 2014, and accounted under equity method. In 2014, the Group sold its partial interest in Nyquest Technology Co., Ltd. in amounts of $18,728 thousand gain. For the year ended December 31, 2014, the ownership interest was decreased under 20%, accordingly the Group lost its significant influence. The remaining interest $68,071 thousand at fair value was recognized as a financial asset measured at cost. There was $5,545 thousand of loss on disposal of investments.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2015	2014
Land and buildings	$ 80,695	$ 86,251
Machinery and equipment	288,075	267,741
Other equipment	85,483	91,682
Construction in progress and prepayments for purchase of equipment	9,341	1,466
	$ 463,594	$ 447,140

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2015	$ 3,455,473	$ 11,549,648	$ 355,185	$ 1,466	$ 15,361,772
Additions	12,434	108,695	20,603	9,341	151,073
Disposals	(3,141)	(163,186)	(6,902)	-	(173,229)
Reclassified	42	1,242	182	(1,466)	-
Effect of foreign currency exchange differences	-	2,035	2,507	-	4,542
Balance at December 31, 2015	3,464,808	11,498,434	371,575	9,341	15,344,158
Accumulated depreciation and impairment					
Balance at January 1, 2015	3,369,222	11,281,907	263,503	-	14,914,632
Disposals	(3,141)	(163,183)	(6,860)	-	(173,184)
Depreciation expenses	18,032	90,105	27,282	-	135,419
Reclassified	-	-	-	-	-
Effect of foreign currency exchange differences	-	1,530	2,167	-	3,697
Balance at December 31, 2015	3,384,113	11,210,359	286,092	-	14,880,564
Carrying amounts at December 31, 2015	$ 80,695	$ 288,075	$ 85,483	$ 9,341	$ 463,594
Cost					
Balance at January 1, 2014	$ 3,442,475	$ 11,721,692	$ 331,100	$ 182	$ 15,495,449
Additions	22,286	71,579	33,342	1,284	128,491
Disposals	(155)	(242,206)	(17,371)	-	(259,732)
Reclassified	(9,133)	(100)	9,233	-	-
Effect of foreign currency exchange differences	-	(1,317)	(1,119)	-	(2,436)
Balance at December 31, 2014	3,455,473	11,549,648	355,185	1,466	15,361,772
Accumulated depreciation and impairment					
Balance at January 1, 2014	3,353,418	11,432,171	256,953	-	15,042,542
Disposals	(155)	(242,285)	(16,043)	-	(258,483)
Depreciation expenses	15,959	93,242	24,031	-	133,232
Reclassified	-	(100)	100	-	-
Effect of foreign currency exchange differences	-	(1,121)	(1,538)	-	(2,659)
Balance at December 31, 2014	3,369,222	11,281,907	263,503	-	14,914,632
Carrying amounts at December 31, 2014	$ 86,251	$ 267,741	$ 91,682	$ 1,466	$ 447,140

13. INVESTMENT PROPERTIES

	December 31	
	2015	2014
Investment properties	$ 71,866	$ 78,506

The investment properties are located in Shen-Zhen, China. As of December 31, 2015 and 2014, the fair value of such investment properties was both approximately $200,000 thousand, by reference to neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2015	$ 116,521
Effect of foreign currency exchange differences	(2,221)
Balance at December 31, 2015	114,300
Accumulated depreciation and impairment	
Balance at January 1, 2015	38,015
Depreciation expenses	5,183
Effect of foreign currency exchange differences	(764)
Balance at December 31, 2015	42,434
Carrying amounts at December 31, 2015	$ 71,866
Cost	
Balance at January 1, 2014	$ 111,862
Effect of foreign currency exchange differences	4,659
Balance at December 31, 2014	116,521
Accumulated depreciation and impairment	
Balance at January 1, 2014	31,461
Depreciation expenses	5,080
Effect of foreign currency exchange differences	1,474
Balance at December 31, 2014	38,015
Carrying amounts at December 31, 2014	$ 78,506

14. INTANGIBLE ASSETS

	December 31	
	2015	2014
Deferred technical assets	$ 241,310	$ 309,121
Other intangible assets	1,312	669
	$ 242,622	$ 309,790

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2015	$ 870,293	$ 2,935	$ 873,228
Additions	9,593	993	10,586
Effect of foreign currency exchange differences	3,679	(76)	3,603
Balance at December 31, 2015	883,565	3,852	887,417
Accumulated amortization and impairment			
Balance at January 1, 2015	561,172	2,266	563,438
Amortization expenses	78,808	319	79,127
Effect of foreign currency exchange differences	2,275	(45)	2,230
Balance at December 31, 2015	642,255	2,540	644,795
Carrying amounts at December 31, 2015	$ 241,310	$ 1,312	$ 242,622
Cost			
Balance at January 1, 2014	$ 662,463	$ 2,817	$ 665,280
Additions	214,490	-	214,490
Effect of foreign currency exchange differences	(6,660)	118	(6,542)
Balance at December 31, 2014	870,293	2,935	873,228
Accumulated amortization and impairment			
Balance at January 1, 2014	478,154	1,962	480,116
Amortization expenses	85,922	215	86,137
Effect of foreign currency exchange differences	(2,904)	89	(2,815)
Balance at December 31, 2014	561,172	2,266	563,438
Carrying amounts at December 31, 2014	$ 309,121	$ 669	$ 309,790

15. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries or employee benefits	$ 366,262	$ 274,336
Payable for businesses	142,104	128,234
Payable for royalties	67,136	81,378
Payable for purchase of equipment	43,820	38,818
Others	196,761	203,865
	$ 816,083	$ 726,631

16. PROVISIONS

	December 31	
	2015	2014
Products guarantee based on commitment	$ 101,891	$ 72,698
Employee benefits	2,002	1,616
	$ 103,893	$ 74,314

Employee benefits are the estimated payable for employee turnover, which are recorded as other non-current liabilities.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and Techdesign Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries, in the United States, Hong Kong, Israel and China, are the members of local state-managed defined contribution plan. The Group contribute a specified percentage of employees payroll to the retirement fund. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In 2015 and 2014, the Company contributed amounts equal to 15% and 2%, respectively, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 854,733	$ 830,433
Fair value of plan assets	(476,000)	(415,669)
Net defined benefit liability	$ 378,733	$ 414,764

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	$ 854,371	$(455,065)	$ 399,306
Service cost			
Current service cost	10,516	-	10,516
Net interest expense (income)	18,892	(5,568)	13,324
Recognized in profit or loss	29,408	(5,568)	23,840
Remeasurement			
Actuarial (gain) loss - experience adjustments	11,147	-	11,147
Return on plan assets	-	(5,013)	(5,013)
Recognized in other comprehensive income	11,147	(5,013)	6,134
Contributions from the employer	-	(11,722)	(11,722)
Plan assets paid	(61,699)	61,699	-
Payment on account	(2,794)	-	(2,794)
Balance at December 31, 2014	830,433	(415,669)	414,764
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	18,324	(9,124)	9,200
Recognized in profit or loss	28,126	(9,124)	19,002
Remeasurement			
Actuarial (gain) loss - realized rate of return more than the discount rate	-	(2,624)	(2,624)
Actuarial (gain) loss - changes in financial assumptions	32,084	-	32,084
Actuarial (gain) loss - experience adjustments	184	-	184
Recognized in other comprehensive income	32,268	(2,624)	29,644
Contributions from the employer	-	(84,677)	(84,677)
Plan assets paid	(36,094)	36,094	-
Balance at December 31, 2015	$ 854,733	$(476,000)	$ 378,733

The amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2015	2014
Analysis by function		
Operating costs	$ 10,700	$ 13,241
Selling expenses	186	538
General and administrative expenses	1,626	2,037
Research and development expenses	6,490	8,024
	$ 19,002	$ 23,840

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	**2014**
Discount rate(s)	1.90%	2.25%
Expected rate(s) of salary increase	1%-2%	1%-2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$(23,097)
0.25% decrease	$ 24,032
Expected rate(s) of salary increase	
0.25% increase	$ 24,027
0.25% decrease	$(23,203)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 84,672	$ 11,800
The average duration of the defined benefit obligation	11.2 years	11.6 years

18. EQUITY

a. Common stock

	December 31	
	2015	2014
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in dollars)	$ 10	$ 10

As of December 31, 2015 and 2014, the balance of the Company's capital account amounted to $2,075,544 thousand, divided into 207,544 thousand common shares at par $10 per share.

b. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends, or transferred to capital *		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed in cash or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

According to the unrevised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

1) 1% to 2% as remuneration to directors and supervisors;

2) 10% to 15% as bonus to employees;

3) The remaining amount as bonus to shareholders. Not less than 10% of the total shareholders

bonus shall be distributed in form of cash.

"Employees" referred to in item 2 of the preceding paragraph, when distributing the stock bonus, include the employees of subsidiaries of the Company meeting certain criteria. The board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on January 28, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 21 Employee benefits expense.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriation for legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of the Company's earnings for 2014 and 2013 had been approved in the shareholders' meetings on June 10, 2015 and June 12, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2014	**For Year 2013**	**For Year 2014**	**For Year 2013**
Legal reserve	$ 34,309	$ 25,922		
Special reserve	-	(76,488)		
Cash dividends	249,065	249,065	$ 1.20	$ 1.20
	$ 283,374	$ 198,499		

The appropriations of the Company's earnings for 2015 had been approved in the Board of Directors' meeting on January 28, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 46,902	
Cash dividends	373,598	$ 1.80

The appropriations of earnings for 2015 will be presented for approval in the shareholders' meeting to be held on June 15, 2016 (expected).

d. Other equity items

The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income.

19. REVENUE

Please refer to Note 30.

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current income tax	$ 88,419	$ 74,292
Adjustments for prior year's tax	(6,571)	1,858
Deferred tax	21,115	1,319
Income tax expense recognized in profit or loss	$ 102,963	$ 77,469

b. Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 102,520	$ 84,377
Adjustments		
Permanent differences	(16,320)	(9,739)
Others	13,219	5,654
Tax-exempt income	(11,000)	(6,000)
Additional income tax on unappropriated earnings	5,358	6,173
Current income tax credit	(5,358)	(6,173)
Current income tax	88,419	74,292
Deferred income tax	21,115	1,319
Adjustment for prior years' tax	(6,571)	1,858
Income tax expense recognized in profit or loss	$ 102,963	$ 77,469

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2015 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2015 unappropriated earnings were not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2015	2014
Tax refund receivable	$ 16,077	$ 12,411
Income tax payable	$ 53,834	$ 71,194

d. Deferred income tax assets

	December 31	
	2015	2014
Deferred income tax assets		
Unrealized investment loss	$ 33,000	$ 43,000
Allowance for loss on inventories and others	94,287	97,771
	$ 127,287	$ 140,771

e. Information about unused tax-exemption

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Advanced integrated circuit design	2014-2018

f. The information on the Company's integrated income tax was as follows:

	December 31	
	2015	2014
Unappropriated earnings		
Generated on and after January 1, 1998	$ 627,654	$ 471,650
Imputation credits account	$ 148,632	$ 87,731

The creditable ratio for distribution of earnings for the years ended December 31, 2015 and 2014 was 23.68% (estimate) and 24.30%, respectively.

g. The Company's tax returns through 2013 have been assessed by the tax authorities.

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31							
	2015				2014			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term benefits	$ 696,071	$ 1,496,464	$ -	$ 2,192,535	$ 672,946	$ 1,425,760	$ -	$ 2,098,706
Post-employment benefits	34,574	74,320	-	108,894	36,605	73,395	-	110,000
Other long-term employment benefits	-	47,027	-	47,027	-	46,473	-	46,473
Depreciation	92,171	43,248	5,183	140,602	93,856	39,376	5,080	138,312
Amortization	33,290	46,245	-	79,535	36,737	49,799	-	86,536

The bonus to employees and remuneration to directors and supervisors was $42,341 thousand for the year ended December 31, 2014, representing 17% of the base net profit and after considering factors such as statutory surplus reserve, etc. To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $35,439 thousand and $5,906 thousand, respectively, representing 6% and 1%, respectively, of the aforemention profit base. The amounts have been proposed by the Company's board of directors on January 28, 2016 and will be presented for approval in the shareholders' meeting to be held on June 15, 2016 (expected). Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonus to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 10, 2015 and June 12, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	**2013**
Bonus to employees	$ 37,360	$ 37,360
Remuneration of directors and supervisors	4,981	4,981

The bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 10, 2015 and June 12, 2014 and the amounts recognized in the financial statements were as follows:

	For the Year Ended December 31			
	2014		**2013**	
	Bonus to Employees	**Remuneration of Directors and Supervisors**	**Bonus to Employees**	**Remuneration of Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 37,360	$ 4,981	$ 37,360	$ 4,981
Amounts recognized in respective financial statements	37,360	4,981	31,133	4,151
Difference	$ -	$ -	$ 6,227	$ 830

The differences in 2013 were adjusted to profit and loss for the year ended December 31, 2014.

Information on the bonus to employees and remuneration to directors and supervisors approved by the shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2015			
Net profit	$ 469,022		
Basic EPS			
Earnings used in the computation of basic EPS	469,022	207,554	$ 2.26
Effect of potentially dilutive ordinary shares			
Employee compensation or bonus	-	1,748	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 469,022	209,302	2.24
For the year ended December 31, 2014			
Net profit	$ 343,090		
Basic EPS			
Earnings used in the computation of basic EPS	343,090	207,554	1.65
Effect of potentially dilutive ordinary shares			
Employee bonus	-	1,784	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 343,090	209,338	1.64

If the Company offered to settle compensation or bonus paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Group leased land from Science Park Administration, and the lease term will expire in December 2017, but can be extended after the expiration of the lease period.

The Group leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 26.

The Group leased some of the offices in the United States, China, Israel, and part in Taiwan, and the lease terms will expire between 2015 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2015 and 2014, deposits paid under operating leases amounted to $35,221 thousand and $35,196 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2015	2014
Current (recorded as "other current assets")	$ 3,140	$ 3,393
Non-current (recorded as "other non-current assets")	42,273	44,655
	$ 45,413	$ 48,048

Prepaid lease payments include Taiwan Sugar Corporation's land use right, which is located in Tainan.

c. Lease expense

	For the Year Ended December 31	
	2015	2014
Lease expenditure	$ 103,559	$ 99,454

The Group as Lessor

Operating lease agreements

Operating leases relate to the leasing of investment property with lease terms of 5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2015 and 2014, deposits received under operating leases amounted to $2,026 thousand and $1,873 thousand, respectively (recorded as "other non-current liabilities").

24. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

25. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 1,825,672	$ 1,825,672	$ 1,753,118	$ 1,753,118
Notes and accounts receivable	643,816	643,816	685,314	685,314
Account receivable due from related parties	56,392	56,392	48,331	48,331
Other receivables	208,994	208,994	19,252	19,252
Refundable deposits	69,370	69,370	68,212	68,212
Available-for-sale financial assets				
Financial assets measured at cost - non-current	378,564	378,329	388,564	388,414
Financial liabilities				
Measured at amortized cost				
Accounts payable	666,073	666,073	540,044	540,044
Other payables	812,841	812,841	723,418	723,418
Guarantee deposits (recorded in other non-current liabilities)	39,932	39,932	31,109	31,109
Long-term contract payable (recorded in other non-current liabilities)	34,914	32,790	44,885	42,540
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	1,379	1,379	5,641	5,641

b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 inputs are unobservable inputs for the asset or liability.

2) Fair value measurements recognized in the consolidated balance sheets

The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract. The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

3) Financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

c. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

a) Foreign currency risk

The Group is engaged in foreign currency transaction and thus it exposes to the risk of changes in foreign currency exchange rates. The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of $1,761 thousand and $3,025 thousand decrease for the years ended December 31, 2015 and 2014, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from floating rate deposits.

As of December 31, 2015 and 2014, the carrying amount of the Group's floating rate deposits with exposure to interest rates was $8,221 thousand and $7,463 thousand, respectively.
The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the year ended December 31, 2015 would have increased by $82 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2015			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,478,914	$ 11,127	$ 21,663	$ 1,511,704

	December 31, 2014			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,263,462	$ 10,923	$ 31,617	$ 1,306,002

26. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Winbond Electronics Corporation	Parent company
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics (Suzhou) Limited ("WECN")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Winbond Technology Ltd. (Israel) ("WECI")	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance (Note 1)
Walton Advanced Engineering Inc.	Related party in substance
Capella Microsystems Inc.	Related party in substance (Note 2)
Chin Cherng Construction Co., Ltd.	Related party in substance

Note 1: The ownership interest of Nyquest was decreased under 20%; accordingly, the Group lost its significant influence. Since December 2014, the relationship between Nyquest and the Group has changed from Associate to related party in substance.

Note 2: Capella Microsystems Inc. was not the Group's related party in substance from January 2015.

b. Operating activities

	For the Year Ended December 31	
	2015	2014
1) Operating revenue		
Related party in substance	$ 214,017	$ 70,049
Associate	90,300	316,672
	$ 304,317	$ 386,721
2) Purchase		
Parent company	$ 131,520	$ 59,949
Associate	-	1,215
Related party in substance	-	36
	$ 131,520	$ 61,200
3) Selling expenses		
Related party in substance	$ 893	$ 1,045
4) General and administrative expenses		
Related party in substance	$ 10,331	$ 7,318
Parent company	1,715	25
Associate	893	1,045
	$ 12,939	$ 8,388

5) Research and development expenses

Associate	$ 15,015	$ 13,019
Parent company	74	223
	$ 15,089	$ 13,242

6) Other income

Related party in substance	$ 10,902	$ 659

	December 31	
	2015	2014
7) Accounts receivable due from related parties		
Related party in substance	$ 42,476	$ 36,356
Associate	13,916	11,975
	$ 56,392	$ 48,331

	December 31	
	2015	2014
8) Other receivables		
Associate	$ 546	$ 9,362
Parent company	-	53
	$ 546	$ 9,415
9) Refundable deposits		
Related party in substance	$ 1,722	$ 1,722
10) Accounts payable to related parties		
Parent company	$ 19,882	$ 6,839
Related party in substance	-	256
	$ 19,882	$ 7,095
11) Other payables		
Associate	$ 955	$ 2,297
Parent company	52	-
Related party in substance	-	13
	$ 1,007	$ 2,310
12) Guarantee deposits		
Parent company	$ 545	$ 545

Sales and purchase of goods with related party were conducted under normal prices and terms. The trading conditions of other related party transactions were resolved between the Company and related party.

c. Guarantee

As of December 31, 2015, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 23.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employment benefits	$ 50,730	$ 59,152
Post-employment benefits	1,778	1,097
Other long-term employment benefits	677	607
	$ 53,185	$ 60,856

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends.

27. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2015, amounts available under unused letters of credit were approximately JPY13,600 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than functional currency of the Group and the exchange rates between foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2015			2014		
	Foreign Currencies	Exchange Rate (Note)	New Taiwan Dollars	Foreign Currencies	Exchange Rate (Note)	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 21,437	32.825	$ 703,678	$ 23,139	31.65	$ 732,364
RMB	1,576	4.995	7,870	2,022	5.092	10,298
ILS	12,104	8.4085	101,776	12,260	8.1478	99,892
Financial liabilities						
Monetary items						
USD	16,504	32.825	541,738	14,054	31.65	444,796

ILS	11,792	8.4085	99,150	12,399	8.1478	101,022

Note: Foreign currencies exchange to New Taiwan dollars by each unit.

The total of realized and unrealized net foreign exchange net gains were $21,852 thousand and $24,278 thousand for the years ended December 31, 2015 and 2014, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

30. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) Segment of general IC product

The IC product segment engages mainly in the researching, designing manufacturing, selling, and after-sales service.

b) Segment of wafer Foundry product

The wafer Foundry product segment engages mainly in the researching, designing, manufacturing and selling.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
General IC product	$ 5,758,637	$ 5,290,917	$ 736,332	$ 591,604
Wafter Foundry	1,534,000	1,515,350	477,871	441,167
Total of segment revenue	7,292,637	6,806,267	1,214,203	1,032,771
Other revenue	20,750	15,610	20,750	15,610
Operating revenue	$ 7,313,387	$ 6,821,877	1,234,953	1,048,381

Unallocated expenditure		
Administrative and supporting expense	(346,482)	(344,211)
Sales and other common expenses	(402,217)	(374,185)
Total operating profit	486,254	329,985
Share of profit of associates accounted for using equity method	-	14,564
Interest income	16,656	16,401
Dividend income	52,284	39,610
Other gains and losses	6,568	5,706
Interest expense	(1,344)	(238)
Gains (losses) on disposal of property, plant and equipment	891	(1,032)
Gains (losses) on disposal of investments	-	13,183
Foreign exchange gains (losses)	21,852	24,278
Gains (losses) on financial instruments at fair value through profit or loss	(11,176)	(21,898)
Profit before income tax	$ 571,985	$ 420,559

c. Geographical information

The Group operate mainly in Asia, United States and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments and deferred income tax assets by location of assets are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2015	**2014**	**2015**	**2014**
Asia	$ 6,664,464	$ 6,108,880	$ 813,138	$ 871,612
United States	427,252	493,873	8,822	9,899
Europe	121,725	121,466	-	-
Others	99,946	97,658	-	-
	$ 7,313,387	$ 6,821,877	$ 821,960	$ 881,511

d. Major customer information

Individual customer which exceeded 10% of the Group's operating revenue for the years ended December 31, 2015 and 2014 was as follows:

	For the Year Ended December 31			
	2015		2014	
	Amount	%	Amount	%
Client J	$ 908,637	12	$ 828,188	12

31. Other disclosures

In the formulation of the financial statements, major transactions and leftover amounts between parent company and subsidiaries have been erased.

(1) Significant transactions between Nuvoton and subsidiaries:

No.	Item	Description
1	Lending to others.	N/A
2	Providing endorsements or guarantees for others.	N/A
3	Status of holding securities at the end of the period (excluding investment in subsidiaries, affiliated companies and ventures).	See Attachment 1
4	Accumulated purchase or sales of the same securities in excess of NT$300 million or 20% of the paid-in capital.	N/A
5	Acquired real estate valued in excess of NT$300 million or 20% of the paid-in capital.	N/A
6	Disposed real estate valued in excess of NT$300 million or 20% of the paid-in capital.	N/A
7	Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital.	See Attachment 2
8	Amount of accounts receivable to related parties reaching NT$100 million or 20% of its paid-in capital.	N/A
9	In the trade of derivatives.	See Note 7
10	Others: Business relationships, important transactions and amount between parent company and subsidiaries.	See Attachment 5
11	Investee companies information.	See Attachment 3

(2) Mainland China investments:

No.	Item	Description
1	Corporate name of investment in mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, recognized investment gains and losses of the period, book value of investment at end of period, repatriated investment gains, and limits on Mainland China investments: N/A	See Attachment 4
2	Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:	See Attachment 4

	(1)The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (2)The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (3)The amount of property transactions and the amount of the resultant gains or losses. (4)The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (5)The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (6)Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.	

Attachment 1 Status of the holding of securities by Nuvoton and its reinvestment companies:

Unit: thousand NT$

Holder	Type and name of security	Relationship with the issuer of the securities.	Account	End of period				Note
				Shares/Unit	Book value	Shareholding ratio (%)	Fair value	
Nuvoton	Equities							
	Yuchi Venture Investment Co., Ltd.	Nuvoton serves as Director of the company	Financial assets carried at cost	3,000,000	$ 30,000	5	$ 30,000	
	Brightek Optoelectronic Co., Ltd.	N/A	〃	34,680	493	-	258	
	United Industrial Gases Co., Ltd.	Nuvoton serves as Director of the company	〃	8,800,000	280,000	4	280,000	
	Nyquest Technology Co., Ltd.	Nuvoton's subsidiary serves as Director of the company	〃	3,153,892	44,691	13	44,691	
Song Yong Investment Corporation	Nyquest Technology Co., Ltd.	Song Yong Investment Corporation serves as Director of the company	〃	1,650,000	23,380	7	23,380	

Attachment 2 Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital by Nuvoton and its reinvestment companies:

Unit: thousand NT$/thousand US$

Supplier (Buyer) company	Name of counterparty	Relationship	Transaction				Transaction conditions different from regular transactions and the reason		Notes and accounts receivable (payable)		Note
			Purchase/sale	Amount	Ratio of total procurement (sales) (%)	Loan period	Unit price	Loan period	Balance	Percentage of total notes and accounts	
Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	A 100% subsidiary of the Company	Sales	$ 2,635,730	38	Cash in 90 days on a monthly basis	N/A	N/A	$ 17,223	4	Note
Nuvoton	NTCA	A 100% indirect subsidiary of the Company	Sales	346,554	5	Cash in 90 days on a monthly basis	N/A	N/A	41,623	9	Note
Nuvoton	Nyquest Technology Co., Ltd.	An investee company with 13% direct shares and 19.97% consolidated shares held by the Company.	Sales	213,727	3	Cash in 45 days on a monthly basis	N/A	N/A	42,335	9	
Nuvoton	Winbond	The parent company of the Company	Procurements	131,520	6	Cash in 30 days on a monthly basis	N/A	N/A	19,882	3	
Nuvoton Electronics Technology (H.K.) Limited	Nuvoton	A subsidiary of the Company	Procurements	USD 83,238	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 525	100	Note
NTCA	Nuvoton	A subsidiary of the Company	Procurements	USD 10,979	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 1,276	100	Note

Note: The transactions between Nuvoton and consolidated subsidiaries are written off when formulating consolidated financial statements, the information disclosed here is for references only.

Attachment 3 Detailed list of subsidiaries with control capabilities or major influences:

(The transactions between Nuvoton and consolidated subsidiaries are written off when formulating consolidated financial statements, the information disclosed here is for references only.)

Unit: thousand NT$

Name of investment company	Name of investee company	Location	Primary scope of business	Initial investment		Holding at end of period			Investee company current profit or loss	Recognized profit or loss of the period	Note
				End of current period	End of 2015	No. of shares	Ratio	Book value			
Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales services for semiconductor components	$ 427,092	$ 427,092	107,400,000	100	$ 460,482	$ 3,304	$ 3,304	
Nuvoton	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment business	438,729	438,729	13,867,925	100	177,861	3,584	3,584	
Nuvoton	MML	British Virgin Islands	Investment business	269,850	266,343	8,727,524	100	82,680	(3,260)	(3,260)	
Nuvoton	NIH	British Virgin Islands	Investment business	650,122	692,320	19,720,000	100	290,441	8,210	8,210	
Nuvoton	Song Yong Investment Corporation	Taiwan	Investment business	38,500	38,500	3,850,000	100	27,518	3,555	3,555	
Nuvoton	Techdesign Corporation	Taiwan	E-Commerce and product marketing	50,000	-	5,000,000	100	40,967	(9,033)	(9,033)	
Nuvoton	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor components	30,211	-	600,000	100	29,381	(374)	(374)	
Pigeon Creek Holding Co., Ltd.	NTCA	United States of America	Design, sales and service of semiconductor components	190,862	190,862	60,500	100	191,150	3,696	3,696	
MML	GOLDBOND LLC	United States of America	Investment business	1,470,986	1,468,701	-	100	82,756	(1,927)	(1,927)	
NIH	NTIL	Israel	Design, sales and service of semiconductor components	46,905	46,905	1,000	100	288,184	13,375	13,375	

Note: For information on investee companies in China, please see Attachment 4.

Attachment 4 Mainland China investments:

1. Corporate name of investment in Mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, investment gains and losses, carrying amount of investment at end of period, and repatriated investment gains:

Unit: thousand NT$/thousand US$

Name of investee company in Mainland China	Primary scope of business	Paid-in capital	Investment method	Accumulated amount of investment transferred from Taiwan in this period	Total transfer or repatriated investment amount		Accumulated amount of investment transferred from Taiwan at the end of this period	The Company's direct or indirect share holding ratio %	Investee company current profit or loss	Recognized profit or loss of the period (Note 1)	Book value by the end of the period	Repatriated investment gains to Taiwan as of the end of the period
					Transfer	Repatriation						
Nuvoton Electronics Technology (Shanghai) Limited	Provide maintenance, test and related consulting services for products and solutions sold in Mainland China	$ 68,036 (USD 2,000)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	$ 68,036 (USD 2,000)	$ -	$ -	$ 68,036 (USD 2,000)	100	$ 371	$ 371	$ 84,860	$ -
Winbond Technology (Nanjing) Co., Ltd.	Provides computer software services (excluding IC design)	16,429 (USD 500)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	16,429 (USD 500)	-	-	16,429 (USD 500)	100	-	-	(1,984) （註二）	-
Nuvoton Electronics Technology (Shenzhen) Limited	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales	196,950 (USD 6,000)	Indirect investment to Mainland China from third area Nuvoton Electronics Technology (H.K.) Limited	196,950 (USD 6,000)	-	-	196,950 (USD 6,000)	100	1,567	1,567	218,100	-

Note 1: The recognized investment profit and loss are based on the financial report certified by CPAs.

Note 2: The net value of Winbond Technology (Nanjing) Co., Ltd. at the end of the period is negative, therefore it is transferred to other non-current liabilities.

2. Limits on investment in Mainland China

Company name	Accumulated investment transfers from Taiwan to China as of the end of the period	Investment amount approved by the Investment Commission of the MOEA	In accordance with the limits on investment in Mainland China in accordance with regulations of the Investment Commission of the MOEA
Nuvoton	NT$ 281,415,000 (US$ 8,500,000)	NT$ 281,415,000 (US$ 8,500,000)	NT$ 1,873,081,000

Note 3: The upper limit is 60% of the net value of Nuvoton.

3. Any of the following significant transactions with investment companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: See Attachment 5.
4. Status of endorsements, guarantees or provision of collateral of investee companies in Mainland China: N/A
5. Status of direct or indirect provision of funds with investee companies in Mainland China: N/A
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position: N/A

Attachment 5 Business relationships and important transactions between parent company and subsidiaries:

Unit: thousand NT$/thousand foreign currency

No.	Name of counterparty	Counterparty	Relationship with counterparty	Transaction status			
				Account	Amount	Trade conditions (Note)	Ratio of consolidated total revenue or total assets
	2015						
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Operating revenue	$ 2,635,730	—	36
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Accounts receivable - related parties	17,223	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Operating revenue	346,554	—	5
0	Nuvoton	NTCA	Parent company to subsidiaries	Research and development expenses	177,552	—	2
0	Nuvoton	NTCA	Parent company to subsidiaries	Management expenses	17,380	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Accounts receivable - related parties	41,623	—	1
0	Nuvoton	NTCA	Parent company to subsidiaries	Other Accounts Receivable	788	—	-
0	Nuvoton	NTIL	Parent company to subsidiaries	Research and development expenses	547,800	—	7
0	Nuvoton	NTIL	Parent company to subsidiaries	Management expenses	43,149	—	1
0	Nuvoton	NTIL	Parent company to subsidiaries	Other accounts payable	99,150	—	2
0	Nuvoton	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Operating revenue	22,884	—	-

0	Nuvoton	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Accounts receivable - related parties	7,432	—	-
0	Nuvoton	Techdesign Corporation	Parent company to subsidiaries	Guarantee deposit	151	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Selling expenses	USD 2,457	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Selling expenses	USD 2,143	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Advance payments	USD 181	—	-

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No.	Name of counterparty	Counterparty	Relationship with counterparty	Transaction status			
				Account	Amount	Trade conditions (Note)	Ratio of consolidated total revenue or total assets
	2014						
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Operating revenue	$ 2,083,397	—	31
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Advance payments	18,256	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Operating revenue	398,412	—	6
0	Nuvoton	NTCA	Parent company to subsidiaries	Research and development expenses	168,624	—	2
0	Nuvoton	NTCA	Parent company to subsidiaries	Management expenses	21,001	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Accounts receivable - related parties	40,587	—	1
0	Nuvoton	NTCA	Parent company to subsidiaries	Other accounts payable	3,799	—	-
0	Nuvoton	NTIL	Parent company to subsidiaries	Research and development expenses	607,702	—	9
0	Nuvoton	NTIL	Parent company to subsidiaries	Management expenses	39,843	—	1
0	Nuvoton	NTIL	Parent company to subsidiaries	Other accounts payable	101,022	—	2
0	Nuvoton	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Operating revenue	20,319	—	-

0	Nuvoton	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Accounts receivable - related parties	10,149	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Selling expenses	USD 2,459	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Accrued expenses	USD 25	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Selling expenses	USD 2,359	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Advance payments	USD 155	—	-

Note: There is no major difference in transaction conditions between sales between parent company and subsidiaries and regular sales, other transaction conditions for other trades have no relevant examples to follow and the transaction conditions are calculated in accordance with mutual agreement.

5. Individual financial statements of the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Nuvoton Technology Corporation

We have audited the accompanying balance sheets of Nuvoton Technology Corporation (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

January 28, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 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 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 financial statements shall prevail.

NUVOTON TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,382,349	26	$ 1,177,605	24
Notes and accounts receivable, net (Notes 4 and 8)	348,309	7	442,671	9
Accounts receivable due from related parties, net (Notes 4 and 23)	122,670	2	99,067	2
Other receivables	17,698	-	17,871	-
Inventories (Notes 4 and 9)	1,025,215	20	783,566	16
Other current assets (Note 20)	79,086	2	73,136	2
Total current assets	2,975,327	57	2,593,916	53
NON-CURRENT ASSETS				
Financial assets measured at cost, non-current (Notes 4 and 10)	355,184	7	365,184	8
Investments accounted for using equity method (Notes 4 and 11)	1,109,330	21	1,047,632	22
Property, plant and equipment (Notes 4 and 12)	410,239	8	388,320	8
Intangible assets (Notes 4 and 13)	197,238	3	252,274	5
Deferred income tax assets (Notes 4 and 17)	94,000	2	104,000	2
Refundable deposits (Note 6)	64,380	1	63,341	1
Other non-current assets (Note 20)	42,273	1	44,655	1
Total non-current assets	2,272,644	43	2,265,406	47
TOTAL	$ 5,247,971	100	$ 4,859,322	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	$ 1,379	-	$ 5,641	-
Accounts payable	664,834	13	537,810	11
Other payables (Note 14)	758,447	14	647,244	13
Other payables due from related parties (Note 23)	99,150	2	104,834	2
Current tax liabilities (Notes 4 and 17)	52,885	1	70,640	2
Other current liabilities	32,075	1	44,980	1
Total current liabilities	1,608,770	31	1,411,149	29
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	2	72,698	1
Accrued pension liabilities (Note 15)	378,733	7	414,764	9
Other non-current liabilities	36,776	1	46,642	1
Total non-current liabilities	517,400	10	534,104	11
Total liabilities	2,126,170	41	1,945,253	40
EQUITY				
Common stock (Note 16)	2,075,544	39	2,075,544	43
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	293,628	6	259,319	5
Unappropriated earnings	627,654	12	471,650	10
Exchange differences on translating foreign operations (Note 4)	61,477	1	44,058	1
Total equity	3,121,801	59	2,914,069	60
TOTAL	$ 5,247,971	100	$ 4,859,322	100

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

NUVOTON TECHNOLOGY CORPORATION

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 REVENUE	$ 7,022,517	100	$ 6,502,909	100
OPERATING COST	4,255,699	61	3,922,800	61
GROSS PROFIT	2,766,818	39	2,580,109	39
OPERATING EXPENSES				
Selling expenses	132,652	2	109,786	2
General and administrative expenses	312,143	5	308,594	5
Research and development expenses	1,845,137	26	1,859,502	28
Total operating expenses	2,289,932	33	2,277,882	35
PROFIT FROM OPERATIONS	476,886	6	302,227	4
NON-OPERATING INCOME AND LOSSES				
Share of profit of subsidiaries and associates accounted for using equity method	5,986	-	28,742	1
Interest income	9,144	-	9,043	-
Dividend income	48,654	1	39,610	1
Other gains and losses	363	-	1,134	-
Gains (losses) on disposal of property, plant and equipment	899	-	258	-
Gains (losses) on disposal of investments	-	-	27,940	-
Foreign exchange gains (losses)	19,897	-	22,910	-
Gains (losses) on financial instruments at fair value through profit or loss	(11,176)	-	(21,898)	-
Interest expense	(1,344)	-	(238)	-
Total non-operating income and losses	72,423	1	107,501	2
PROFIT BEFORE INCOME TAX	549,309	7	409,728	6
INCOME TAX EXPENSE (Notes 4 and 17)	(80,287)	(1)	(66,638)	(1)
NET PROFIT	469,022	6	343,090	5

(Continued)

NUVOTON TECHNOLOGY CORPORATION

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**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 15)	$ (29,644)	-	$ (6,134)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	17,419	-	19,872	-
Other comprehensive income (loss)	(12,225)	-	13,738	-
TOTAL COMPREHENSIVE INCOME	$ 456,797	6	$ 356,828	5
EARNINGS PER SHARE (Notes 4 and 19)				
From continuing operations				
Basic	$2.26		$1.65	
Diluted	$2.24		$1.64	

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

		Capital Surplus			Retained Earnings			Exchange Differences on Translating Foreign Operations	
	Common Stock	Additional Paid-in Capital	Changes in Equities of Associates	Employee Share Options	Legal Reserve	Special Reserve	Unappropriated Earnings		Total Equity
BALANCE, JANUARY 1, 2014	$ 2,075,544	$ 63,485	$ 413	$ 13	$ 233,397	$ 76,488	$ 333,193	$ 24,186	$ 2,806,719
Net profit in 2014	-	-	-	-	-	-	343,090	-	343,090
Other comprehensive income (loss) in 2014	-	-	-	-	-	-	(6,134)	19,872	13,738
Total comprehensive income in 2014	-	-	-	-	-	-	336,956	19,872	356,828
Change in equity of associates accounted for using equity method	-	-	(413)	-	-	-	-	-	(413)
Appropriation of 2013 earnings (Note 16)									
Legal reserve	-	-	-	-	25,922	-	(25,922)	-	-
Special reserve	-	-	-	-	-	(76,488)	76,488	-	-
Cash dividends	-	-	-	-	-	-	(249,065)	-	(249,065)
BALANCE, DECEMBER 31, 2014	2,075,544	63,485	-	13	259,319	-	471,650	44,058	2,914,069
Net profit in 2015	-	-	-	-	-	-	469,022	-	469,022
Other comprehensive income (loss) in 2015	-	-	-	-	-	-	(29,644)	17,419	(12,225)
Total comprehensive income in 2015	-	-	-	-	-	-	439,378	17,419	456,797
Appropriation of 2014 earnings (Note 16)									
Legal reserve	-	-	-	-	34,309	-	(34,309)	-	-
Cash dividends	-	-	-	-	-	-	(249,065)	-	(249,065)
BALANCE, DECEMBER 31, 2015	$ 2,075,544	$ 63,485	$ -	$ 13	$ 293,628	$ -	$ 627,654	$ 61,477	$ 3,121,801

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

NUVOTON TECHNOLOGY CORPORATION

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	$ 549,309	$ 409,728
Adjustments for:		
Depreciation expenses	116,856	115,974
Amortization expenses	64,629	75,348
Interest expense	1,344	238
Interest income	(9,144)	(9,043)
Dividend income	(48,654)	(39,610)
Share of profit of subsidiaries and associates accounted for using equity method	(5,986)	(28,742)
Unrealized gain or loss	796	(19)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(4,262)	4,937
(Gain) loss on disposal of property, plant and equipment	(899)	(258)
(Gain) loss on disposal of investments	-	(27,940)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	94,362	17,461
(Increase) decrease in accounts receivable due from related parties	(23,603)	69,835
(Increase) decrease in other receivables	21	56,624
(Increase) decrease in inventories	(241,649)	74,561
(Increase) decrease in other current assets	(5,950)	(15,968)
(Increase) decrease in other non-current assets	2,382	(44,655)
Increase (decrease) in accounts payable	127,024	(13,526)
Increase (decrease) in other payables	102,219	8,943
Increase (decrease) in other current liabilities	(12,905)	18,068
Increase (decrease) on products guarantee based on commitment	29,193	27,283
Increase (decrease) on accrued pension liabilities	(65,675)	9,324
Increase (decrease) in other non-current liabilities	106	(16)
Cash generated from operations	669,514	708,547
Income tax paid	(88,042)	(94,097)
Interest paid	(1,344)	(378)
Interest received	9,296	9,436
Dividend received	51,085	45,304
Net cash generated from (used in) operating activities	640,509	668,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets	(21,269)	(122,702)
Proceeds from capital reduction of financial assets measured at cost	10,000	-
Acquisition of investment accounted for using equity method	(83,718)	(41,841)
Proceeds from disposal of investments accounted for using equity method	-	71,372
Proceeds from capital reduction of investments accounted for using equity method	42,198	-
Payments for property, plant and equipment	(133,800)	(103,840)

(Continued)

NUVOTON TECHNOLOGY CORPORATION

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

	2015	2014
Proceeds from disposal of property, plant and equipment	$ 928	$ 286
(Increase) decrease in refundable deposits	(1,039)	(5,178)
Net cash generated from (used in) investing activities	(186,700)	(201,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	-	(178,830)
Cash dividends	(249,065)	(249,065)
Net cash generated from (used in) financing activities	(249,065)	(427,895)
NET INCREASE (DECREASE)IN CASH AND CASH EQUIVALENTS	204,744	39,014
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,177,605	1,138,591
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,382,349	$ 1,177,605

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

NUVOTON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the "Company") was incorporated in the Republic of China ("ROC") in April 2008 and commenced business in July 2008. The Company is engaged mainly in the researching, designing, developing, manufacturing, selling of Logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafer.

For the specialization and division of labors and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2015 and 2014.

The Company's shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on January 28, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Company's accounting policies:

   1) IFRS 13 "Fair Value Measurement"

      IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 22 for related disclosures.

2) Amendment to IAS 1 "Presentation of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Company applies retrospectively the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plan. Items expected to be reclassified to profit or loss are the exchange differences on translation of foreign financial statements and the share of other comprehensive income of associates (except the share of the remeasurements of the defined benefit plan). The application of the above amendments did not result in any impact on the net profit, other comprehensive income, and total comprehensive income for the year.

3) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" and IAS 34 "Interim Financial Reporting" were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 does not have material effect on the balance sheet. In preparing the financial statements for the year ended December 31, 2015, the Company was not required to present the balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: To avoid enterprise adopt the amendment to IAS 28 twice in a short-term, IASB decided to postpone the amendment to IFRS 10 and IAS 28 announced in September 2014. The aforementioned amendment will be in defined until the study program of the entity method have been concluded.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   With regards to financial assets, all recognized financial assets within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of accounting periods. All other financial assets are measured at their fair values at the end of reporting period.

2) Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue generated by an activity that includes the use of property, plant and equipment is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” provides that there is a rebuttable presumption that an amortization method that is based on revenue generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

8) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its financial statements, the Company should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information. The amendment further clarifies that the Company should consider the understandability and comparability of its financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange difference arising are recognized in other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

The categories of financial assets held by the Company are summarized as below:

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

2) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment for trade receivables could include the Company's past experience of collecting payments, the delayed payments in past period, the information which correlates with default on receivables, as well as the estimation of future cash flows. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.
For financial assets that are carried at cost, the amount of the impairment loss is measured as the

difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value, and evaluated and recognized appropriate allowance for devaluation based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Investments Accounted for Using Equity Method

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary are recognized in the Company’s financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Company uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company’s share of equity of associates.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company’s ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.
The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any reversal of that

impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values：buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount does not exceed the carrying amount (reduce amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Products Guarantee Based on Commitment

The Company would estimate guarantee provision by the appropriate ratio when the related product sold.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

f. Service income is recognized when services are provided.

Leasing

The lease terms of the Company does not transfer substantially all the risks and rewards of ownership to the lessee. All the leases are classified as operating lease. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease period. Under operating lease, contingent rents payable arising are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associate are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company's critical accounting judgments and key sources of estimation uncertainty are described below:

a. Valuation of inventory

   Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

b. Deferred tax

   The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. While assessing the realizability of deferred income tax assets, the hypothesis of the critical accounting judgments and estimation of the Company's management includes increase in expected sale revenues and profit rate, tax-exemption period, usable investment credits, and tax plan, etc. Any changes of global economic environment, industry environment and law may cause a great adjustment of deferred tax assets.

c. Recognition and measurement of defined benefit plans

   Net defined benefit liabilities and the resulting defined benefit cost under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

d. Impairment of accounts receivable

   Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash and cash in bank	$ 1,359,149	$ 1,164,105
Repurchase agreements collateralized by bonds	23,200	13,500
	$ 1,382,349	$ 1,177,605

The Company has time deposits pledged to secure land lease and customs tariff obligation which are reclassified as "refundable deposits":

	December 31	
	2015	**2014**
Time deposits	$ 61,398	$ 60,243

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts	$ 1,379	$ 5,641

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2015			
Sell forward exchange contracts	USD/NTD	2016.01.05-2016.02.04	USD10,000/NTD326,871
December 31, 2014			
Sell forward exchange contracts	USD/NTD	2015.01.08-2015.02.26	USD15,300/NTD478,604

The Company entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The forward exchange contracts entered into by the Company did not meet the criteria for hedge accounting, therefore, the Company did not apply hedge accounting treatment for forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2015	**2014**
Notes receivable	$ 14	$ 68
Accounts receivable	360,287	452,456
Less: Allowance for doubtful accounts	(11,992)	(9,853)
	$ 348,309	$ 442,671

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable was as follows:

	December 31	
	2015	**2014**
Not overdue	$ 357,619	$ 444,546
Overdue under 30 days	2,682	7,978
Overdue 31-90 days	-	-
Overdue 91 days and longer	-	-
	$ 360,301	$ 452,524

The movements of the allowance for doubtful accounts were as follows:

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 9,853	$ 11,756
Impairment losses (reversed)	2,139	(1,903)
Balance at December 31	$ 11,992	$ 9,853

9. INVENTORIES

	December 31	
	2015	2014
Raw materials and supplies	$ 74,558	$ 80,810
Work-in-process	750,865	535,633
Finished goods	198,709	167,123
Inventories in transit	1,083	-
	$ 1,025,215	$ 783,566

a. As of December 31, 2015 and 2014, the allowance for inventory devaluation was $322,784 thousand and $329,605 thousand, respectively.

b. The cost of goods sold for the years ended December 31, 2015 and 2014 was $4,255,699 thousand and $3,922,800 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $21,156 thousand loss and $20,543 thousand gain for the years ended December 31, 2015 and 2014, respectively. In 2014, the write-downs were reversed as the result of controlling internal inventory management effectively and improving slow moving inventory.

10. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31	
	2015	2014
Non-publicly traded investment		
United Industrial Gases Co., Ltd.	$ 280,000	$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	30,000	40,000
Nyquest Technology Co., Ltd.	44,691	44,691
	$ 355,184	$ 365,184

Management believed that the above non-publicly traded investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant and various estimates cannot be reasonably estimated; therefore they were measured at cost less impairment at the end of reporting period.

The Company held a 27% ownership interest of Nyquest Technology Co., Ltd. as of January 1, 2014, and accounted under equity method. In 2014, the Company sold its partial interest in Nyquest Technology Co., Ltd. and the partial interest was sold to subsidiaries, Song Yong Investment Corporation, please refer to Note 23. For the year ended December 31, 2014, the ownership interest was decreased under 20%, accordingly the Company lost its significant influence. The remaining interest $44,691 thousand at fair value was recognized as a financial asset measured at cost. There was $9,262 thousand of gain on disposal of investments.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
Investments in subsidiaries	$ 1,109,330	$ 1,047,632

	December 31			
	2015		2014	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Non-publicly traded companies				
Marketplace Management Ltd. (“MML”)	$ 82,680	100	$ 84,062	100
Pigeon Creek Holding Co., Ltd. (“PCH”)	177,861	100	167,384	100
Nuvoton Investment Holding Ltd. (“NIH”)	290,441	100	315,803	100
Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	460,482	100	453,989	100
Song Yong Investment Corporation (“SYI”)	27,518	100	26,394	100
Techdesigh Corporation (“Techdesign”)	40,967	100	-	-
Nuvoton Technology India Private Ltd. (“NTIPL”)	29,381	100	-	-
	$ 1,109,330		$ 1,047,632	

In 2015 and 2014, MML raised additional capital of $3,507 thousand and $3,341 thousand through issuance of shares for cash, which the Company bought entirely, respectively. In 2015, NIH reduced its capital of $42,198 thousand to return the Company.

In April 2014, SYI was incorporated by the Company. As of December 31, 2015, the balance of SYI’s capital account authorized to $100,000 thousand and issued to $38,500 thousand.

In March 2015, Techdesign was incorporated by the Company. As of December 31, 2015, the balance of Techdesign’s capital account authorized to $50,000 thousand and issued to $50,000 thousand.

In 2012, the Company’s board of directors resolved to set up NTIPL. The Company has injected the capital in March 2015. As of December 31, 2015, the balance of NTIPL’s capital account amount to $30,211 thousand.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2015	2014
Land and buildings	$ 80,695	$ 86,251
Machinery and equipment	267,509	245,579
Other equipment	52,694	55,024
Construction in progress and prepayments for purchase of equipment	9,341	1,466
	$ 410,239	$ 388,320

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2015	$ 3,455,473	$ 11,483,572	$ 158,215	$ 1,466	$ 15,098,726
Additions	12,434	104,408	12,621	9,341	138,804
Disposals	(3,141)	(161,668)	(2,740)	-	(167,549)
Reclassified	42	1,242	182	(1,466)	-
Balance at December 31, 2015	3,464,808	11,427,554	168,278	9,341	15,069,981
Accumulated depreciation and impairment					
Balance at January 1, 2015	3,369,222	11,237,993	103,191	-	14,710,406
Disposals	(3,141)	(161,668)	(2,711)	-	(167,520)
Depreciation expenses	18,032	83,720	15,104	-	116,856
Reclassified	-	-	-	-	-
Balance at December 31, 2015	3,384,113	11,160,045	115,584	-	14,659,742
Carrying amount at December 31, 2015	$ 80,695	$ 267,509	$ 52,694	$ 9,341	$ 410,239
Cost					
Balance at January 1, 2014	$ 3,442,475	$ 11,667,125	$ 131,621	$ 182	$ 15,241,403
Additions	22,286	55,564	17,917	1,284	97,051
Disposals	(155)	(239,017)	(556)	-	(239,728)
Reclassified	(9,133)	(100)	9,233	-	-
Balance at December 31, 2014	3,455,473	11,483,572	158,215	1,466	15,098,726
Accumulated depreciation and impairment					
Balance at January 1, 2014	3,353,418	11,389,857	90,857	-	14,834,132
Disposals	(155)	(239,002)	(543)	-	(239,700)
Depreciation expenses	15,959	87,238	12,777	-	115,974
Reclassified	-	(100)	100	-	-
Balance at December 31, 2014	3,369,222	11,237,993	103,191	-	14,710,406
Carrying amount at December 31, 2014	$ 86,251	$ 245,579	$ 55,024	$ 1,466	$ 388,320

13. INTANGIBLE ASSETS

	December 31	
	2015	2014
Deferred technical assets	$ 197,238	$ 252,274

	Deferred Technical Assets
Cost	
Balance at January 1, 2015	$ 755,331
Addition	9,593
Balance at December 31, 2015	764,924
Accumulated amortization and impairment	
Balance at January 1, 2015	503,057
Amortization expenses	64,629
Balance at December 31, 2015	567,686
Carrying amount at December 31, 2015	$ 197,238
Cost	
Balance at January 1, 2014	$ 609,317
Addition	146,014
Balance at December 31, 2014	755,331
Accumulated amortization and impairment	
Balance at January 1, 2014	427,709
Amortization expenses	75,348
Balance at December 31, 2014	503,057
Carrying amount at December 31, 2014	$ 252,274

14. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries or employee benefits	$ 335,748	$ 240,518
Payable for businesses	142,104	128,234
Payable for royalties	67,136	81,378
Payable for purchase of equipment	43,730	38,726
Others	169,729	158,388
	$ 758,447	$ 647,244

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In 2015 and 2014, the Company contributed amounts equal to 15% and 2%, respectively, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ 854,733	$ 830,433
Fair value of plan assets	(476,000)	(415,669)
Net defined benefit liability	$ 378,733	$ 414,764

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2014	$ 854,371	$(455,065)	$ 399,306
Service cost			
Current service cost	10,516	-	10,516
Net interest expense (income)	18,892	(5,568)	13,324
Recognized in profit or loss	29,408	(5,568)	23,840
Remeasurement			
Actuarial (gain) loss - experience adjustments	11,147	-	11,147
Return on plan assets	-	(5,013)	(5,013)
Recognized in other comprehensive income	11,147	(5,013)	6,134
Contributions from the employer	-	(11,722)	(11,722)
Plan assets paid	(61,699)	61,699	-
Payment on accounts	(2,794)	-	(2,794)
Balance at December 31, 2014	830,433	(415,669)	414,764
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	18,324	(9,124)	9,200
Recognized in profit or loss	28,126	(9,124)	19,002
Remeasurement			
Actuarial (gain) loss - realized rate of return more than the discount rate	-	(2,624)	(2,624)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Actuarial (gain) loss - changes in financial assumptions	$ 32,084	$ -	$ 32,084
Actuarial (gain) loss - experience adjustments	184	-	184
Recognized in other comprehensive income	32,268	(2,624)	29,644
Contributions from the employer	-	(84,677)	(84,677)
Plan assets paid	(36,094)	36,094	-
Balance at December 31, 2015	$ 854,733	$(476,000)	$ 378,733

(Concluded)

The amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2015	2014
Analysis by function		
Operating costs	$ 10,700	$ 13,241
Selling expenses	186	538
General and administrative expenses	1,626	2,037
Research and development expenses	6,490	8,024
	$ 19,002	$ 23,840

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate(s)	1.90%	2.25%
Expected rate(s) of salary increase	1%-2%	1%-2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$(23,097)
0.25% decrease	$ 24,032
Expected rate(s) of salary increase	
0.25% increase	$ 24,027
0.25% decrease	$(23,203)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 84,672	$ 11,800
The average duration of the defined benefit obligation	11.2 years	11.6 years

16. EQUITY

a. Common stock

	December 31	
	2015	2014
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (dollar)	$ 10	$ 10

As of December 31, 2015 and 2014, the balance of the Company’s capital account amounted to $2,075,544 thousand, divided into 207,544 thousand common shares at par $10 per share.

b. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed in cash or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

According to the unrevised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

1) 1% to 2% as remuneration to directors and supervisors;

2) 10% to 15% as bonus to employees;

3) The remaining amount as bonus to shareholders. Not less than 10% of the total shareholders bonus shall be distributed in form of cash.

"Employees" referred to in item 2 of the preceding paragraph, when distributing the stock bonus, include the employees of subsidiaries of the Company meeting certain criteria. The board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on January 28, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 18 employee benefits expense.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriation for legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of the Company's earnings for 2014 and 2013 had been approved in the shareholders' meetings on June 10, 2015 and June 12, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2014	For Year 2013	For Year 2014	For Year 2013
Legal reserve	$ 34,309	$ 25,922		
Special reserve	-	(76,488)		
Cash dividends	249,065	249,065	$ 1.20	$ 1.20
	$ 283,374	$ 198,499		

The appropriations of the Company's earnings for 2015 had been approved in the Broad of Directors' meeting on January 28, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 46,902	
Cash dividends	373,598	$ 1.8

The appropriations of earnings for 2015 will be presented for approval in the shareholders' meeting to be held on June 15, 2016 (expected).

d. Other equity items

The exchange differences arising on translation of foreign operations' net assets from functional currency to the Company's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income.

17. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current income tax	$ 67,000	$ 57,000
Adjustments for prior year's tax	(6,713)	1,638
Deferred tax	20,000	8,000
Income tax expense recognized in profit or loss	$ 80,287	$ 66,638

b. Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2015	**2014**
Profit before tax from continuing operations	$ 93,000	$ 70,000
Adjustments		
Permanent differences	(15,000)	(7,000)
Tax-exempt income	(11,000)	(6,000)
Additional income tax on unappropriated earnings	5,358	6,173
Current income tax credit	(5,358)	(6,173)
Current income tax	67,000	57,000
Deferred income tax	20,000	8,000
Adjustment for prior years' tax	(6,713)	1,638
Income tax expense recognized in profit or loss	$ 80,287	$ 66,638

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

As the status of 2015 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2015 unappropriated earnings were not reliably determinable.

c. Current tax liabilities

	December 31	
	2015	**2014**
Income tax payable	$ 52,885	$ 70,640

d. Deferred income tax assets

	December 31	
	2015	**2014**
Deferred income tax assets		
Unrealized investment loss	$ 33,000	$ 43,000
Allowance for loss on inventories and others	61,000	61,000
	$ 94,000	$ 104,000

e. Information about unused tax-exemption

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	**Tax-exemption Period**
Advanced integrated circuit design	2014-2018

f. The information on the Company's integrated income tax was as follows:

	December 31	
	2015	2014
Unappropriated earnings		
Generated on and after January 1, 1998	$ 627,654	$ 471,650
Imputation credits account	$ 148,632	$ 87,731

The creditable ratio for distribution of earnings for the years ended December 31, 2015 and 2014 were 23.68% (estimate) and 24.30%, respectively.

g. Income tax assessments

The Company's tax returns through 2013 have been assessed by the tax authorities.

18. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31					
	2015			2014		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Short-term benefits	$ 696,071	$ 851,838	$ 1,547,909	$ 672,946	$ 777,987	$ 1,450,933
Post-employment benefits	$ 34,574	$ 40,157	$ 74,731	$ 36,605	$ 41,243	$ 77,848
Depreciation	$ 92,171	$ 24,685	$ 116,856	$ 93,856	$ 22,118	$ 115,974
Amortization	$ 33,290	$ 31,339	$ 64,629	$ 36,737	$ 38,611	$ 75,348

The bonus to employees and remuneration to directors and supervisors was $42,341 thousand for the year ended December 31, 2014, representing 17% of the base net profit and after considering factors such as statutory surplus reserve, etc. To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $35,439 thousand and $5,906 thousand, respectively, representing 6% and 1%, respectively, of the aforemention profit base. The amounts have been proposed by the Company's board of directors on January 28, 2016 and will be presented for approval in the shareholders' meeting to be held on June 15, 2016 (expected). Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonus to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 10, 2015 and June 12, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	**2013**
Bonus to employees	$ 37,360	$ 37,360
Remuneration of directors and supervisors	4,981	4,981

The bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 10, 2015 and June 12, 2014 and the amounts recognized in the financial statements were as follows:

	For the Year Ended December 31			
	2014		**2013**	
	Bonus to Employees	**Remuneration of Directors and Supervisors**	**Bonus to Employees**	**Remuneration of Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 37,360	$ 4,981	$ 37,360	$ 4,981
Amounts recognized in respective financial statements	37,360	4,981	31,133	4,151
Difference	$ -	$ -	$ 6,227	$ 830

The differences in 2013 were adjusted to profit and loss for the year ended December 31, 2014.

Information on the bonus to employees and remuneration to directors and supervisors approved by the shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

19. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

	Amounts (Numerator)	**Shares (Denominator) (In Thousands)**	**EPS (NT$)**
For the year ended December 31, 2015			
Net profit	$ 469,022		
Basic EPS			
Earnings used in the computation of basic EPS	469,022	207,554	$ 2.26
Effect of potentially dilutive ordinary shares			
Employee compensation or bonus	-	1,748	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 469,022	209,302	2.24

(Continue

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2014			
Net profit	$ 343,090		
Basic EPS			
Earnings used in the computation of basic EPS	343,090	207,554	$ 1.65
Effect of potentially dilutive ordinary shares			
Employee bonus	-	1,784	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 343,090	209,338	1.64

(Concluded)

If the Company offered to settle compensation or bonus paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration, and the lease term will expire in December 2017, but can be extended after the expiration of the lease periods.

The Company leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 23.

The Company leased some of the offices, and the lease terms will expire between 2015 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2015 and 2014, deposits paid under operating leases amounted to $30,803 thousand and $30,686 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2015	2014
Current (recorded as “other current assets”)	$ 3,140	$ 3,393
Non-current (recorded as “other non-current assets”)	42,273	44,655
	$ 45,413	$ 48,048

Prepaid lease payments include Taiwan Sugar Corporation's land use right, which is located in Tainan.

c. Lease expense

	For the Year Ended December 31	
	2015	2014
Lease expenditure	$ 37,256	$ 32,060

21. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

22. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 1,382,349	$ 1,382,349	$ 1,177,605	$ 1,177,605
Notes and accounts receivable	348,309	348,309	442,671	442,671
Account receivable due from related parties	122,670	122,670	99,067	99,067
Other receivables	3,344	3,344	2,773	2,773
Refundable deposits	64,380	64,380	63,341	63,341
Available-for-sale financial assets				
Financial assets measured at cost	355,184	354,949	365,184	365,034
Financial liabilities				
Measured at amortized cost				
Accounts payable	664,834	664,834	537,810	537,810
Other payables	756,270	756,270	645,383	645,383
Other payables due from related parties	99,150	99,150	104,834	104,834
Guarantee deposits (recorded in other non-current liabilities)	1,862	1,862	1,757	1,757
Long-term contract payable (recorded in other non-current liabilities)	34,914	32,790	44,885	42,540
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	1,379	1,379	5,641	5,641

b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 inputs are unobservable inputs for the asset or liability.

2) Fair value measurements recognized in the balance sheets

The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract. The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

3) Financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

c. Financial risk management objectives and policies

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to hedge the foreign currency risk on export.

a) Foreign currency risk

The Company is engaged in foreign currency transaction and thus it exposes to the risk of changes in foreign currency exchange rates. The Company uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 26.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of $1,673 thousand and $2,894 thousand decrease for the years ended December 31, 2015 and 2014, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Company's interest rate risk arises primarily from floating rate deposits.

As of December 31, 2015 and 2014, the carrying amount of the Company's floating rate deposits with exposure to interest rates was $5,521 thousand and $7,463 thousand, respectively.

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the year ended December 31, 2015 would have increased by $55 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company has enough operating capital to comply with loan covenants; liquidity risk is low.

The Company's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2015			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,520,254	$ 11,127	$ 21,663	$ 1,553,044

	December 31, 2014			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,288,027	$ 10,923	$ 31,617	$ 1,330,567

23. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Winbond Electronics Corporation	Parent company
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Subsidiary
Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Subsidiary
Nuvoton Technology Corporation America ("NTCA")	Subsidiary
Nuvoton Technology Israel Ltd. ("NTIL")	Subsidiary
Song Yong Investment Corporation ("SYI")	Subsidiary
Techdesign Corporation ("Techdesign")	Subsidiary
Winbond Electronics Corporation Japan ("WECJ")	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance (Note 1)
Walton Advanced Engineering Inc.	Related party in substance
Capella Microsystems Inc.	Related party in substance (Note 2)
Chin Cherng Construction Co., Ltd.	Related party in substance

Note 1: The ownership interest of Nyquest was decreased under 20%, accordingly, the Company lost its significant influence. Since December 2014, the relationship between Nyquest and the Company has changed from Associate to related party in substance.

Note 2: Capella Microsystems Inc. was not the company's related party in substance from January 2015.

b. Operating activities

	For the Year Ended December 31	
	2015	2014
1) Operating revenue		
Subsidiary	$ 3,005,168	$ 2,502,128
Related party in substance	214,017	70,049
Associate	90,300	316,672
	$ 3,309,485	$ 2,888,849
2) Purchase		
Parent company	$ 131,520	$ 59,949
Associate	-	1,215
Related party in substance	-	36
	$ 131,520	$ 61,200
3) General and administrative expenses		
Subsidiary	$ 60,529	$ 60,844
Related party in substance	10,331	7,318
Parent company	1,715	25
	$ 72,575	$ 68,187

	For the Year Ended December 31	
	2015	2014
4) Research and development expenses		
Subsidiary	$ 725,352	$ 776,326
Parent company	74	223
	$ 725,426	$ 776,549
5) Other income		
Related party in substance	$ 7,168	$ -
Associate	-	659
	$ 7,168	$ 659

	December 31	
	2015	2014
6) Accounts receivable due from related parties		
Subsidiary	$ 66,278	$ 50,736
Related party in substance	42,476	36,356
Associate	13,916	11,975
	$ 122,670	$ 99,067
7) Other receivables		
Subsidiary	$ 788	$ -
Parent company	-	53
	$ 788	$ 53
8) Refundable deposits		
Related party in substance	$ 1,722	$ 1,722
9) Accounts payable to related parties		
Parent company	$ 19,882	$ 6,839
Related party in substance	-	256
	$ 19,882	$ 7,095
10) Other payables		
Subsidiary	$ 99,150	$ 104,821
Related party in substance	-	13
	$ 99,150	$ 104,834

	December 31	
	2015	2014
11) Other current liabilities		
Subsidiary	$ -	$ 18,256
12) Guarantee deposits		
Parent company	$ 545	$ 545
Subsidiary	151	-
	$ 696	$ 545

Sales and purchase of goods with related party were conducted under normal prices and terms. The trading conditions of other related party transactions were resolved between the Company and related party.

13) Disposal of investments accounted for using equity method

Relationship with the Company	List Item	Share (Thousand)	Transaction Objective	Selling Price	Gain on Disposal
Subsidiary	Investments accounted for using equity method	1,500	Stock of Nyquest Technology Co., Ltd.	$ 37,388	$ 12,875

Please refer to Note 10.

14) Guarantee

As of December 31, 2015, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 20.

15) Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employment benefits	$ 29,837	$ 32,096
Post-employment benefits	495	546
	$ 30,332	$ 32,642

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends.

24. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2015 amounts available under unused letters of credit were approximately JPY13,600 thousand.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than functional currency of the Company and the exchange rates between foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2015			2014		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 21,393	32.825	$ 702,232	$ 23,084	31.65	$ 730,603
RMB	1,576	4.995	7,870	2,022	5.092	10,298
ILS	11,950	8.4085	100,480	12,260	8.1478	99,892
Investments accounted for using equity method						
USD	14,100	32.825	462,836	14,393	31.65	455,547
INR	59,236	0.496	29,381	-	-	-
Financial liabilities						
Monetary items						
USD	16,504	32.825	541,738	14,054	31.65	444,796
ILS	11,792	8.4085	99,150	12,399	8.1478	101,022

The significant related and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2015		2014	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	31.74 (USD:NTD)	$ 19,988	30.31 (USD:NTD)	$ 24,786
RMB	5.0334 (RMB:NTD)	(154)	4.9316 (RMB:NTD)	435
ILS	8.1679 (ILS:NTD)	(33)	8.4842 (ILS:NTD)	(2,257)
		$ 19,500		$ 22,964

27. OPERATING SEGMENTS INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements, therefore, the Company does not provided relevant information in the financial statements.

28. OTHER DISCLOSURES

(1) Significant transactions between Nuvoton and subsidiaries:

No.	Item	Description
1	Lending to others.	N/A
2	Providing endorsements or guarantees for others.	N/A
3	Status of holding securities at the end of the period (excluding investment in subsidiaries and affiliated companies).	See Attachment 1
4	Accumulated purchase or sales of the same securities in excess of NT$300 million or 20% of the paid-in capital.	N/A
5	Acquired real estate valued in excess of NT$300 million or 20% of the paid-in capital.	N/A
6	Disposed real estate valued in excess of NT$300 million or 20% of the paid-in capital.	N/A
7	Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital.	See Attachment 2
8	Amount of accounts receivable to related parties reaching NT$100 million or 20% of its paid-in capital.	N/A
9	In the trade of derivatives.	See Note 7
10	Investee companies information.	See Attachment 3

(2) Mainland China investments:

No.	Item	Description
1	Corporate name of investment in mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, recognized investment gains and losses of the period, book value of investment at end of period, repatriated investment gains, and limits on Mainland China investments: N/A	See Attachment 4
2	Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (3) The amount of property transactions and the amount of the resultant gains or losses. (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.	See Attachment 4

Attachment 1 Status of the holding of securities by Nuvoton and its reinvestment companies:

Unit: thousand NT$

Holder	Type and name of security	Relationship with the issuer of the securities.	Account	End of period				Note
				Shares/Unit	Book value	Shareholding ratio (%)	Fair value	
The Company	Equities							
	Yuchi Venture Investment Co., Ltd.	Nuvoton serves as Director of the company	Financial assets carried at cost	3,000,000	$ 30,000	5	$ 30,000	
	Brightek Optoelectronic Co., Ltd.	N/A	〃	34,680	493	-	258	
	United Industrial Gases Co., Ltd.	Nuvoton serves as Director of the company	〃	8,800,000	280,000	4	280,000	
	Nyquest Technology Co., Ltd.	Nuvoton's subsidiary serves as Director of the company	〃	3,153,892	44,691	13	44,691	
Song Yong Investment Corporation	Nyquest Technology Co., Ltd.	Song Yong Investment Corporation serves as Director of the company	〃	1,650,000	23,380	7	23,380	

Attachment 2 Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital by Nuvoton and its reinvestment companies:

Unit: thousand NT$/thousand US$

Supplier (Buyer) company	Name of counterparty	Relationship	Transaction				Transaction conditions different from regular transactions and the reason		Notes and accounts receivable (payable)		Note
			Purchase/sale	Amount	Ratio of total procurement (sales) (%)	Loan period	Unit price	Loan period	Balance	Percentage of total notes and accounts receivable (payable) Ratio	
The Company	Nuvoton Electronics Technology (H.K.) Limited	A 100% subsidiary of the Company	Sales	$ 2,635,730	38	Cash in 90 days on a monthly basis	N/A	N/A	$ 17,223	4	
The Company	NTCA	A 100% indirect subsidiary of the Company	Sales	346,554	5	Cash in 90 days on a monthly basis	N/A	N/A	41,623	9	
The Company	Nyquest Technology Co., Ltd.	An investee company with 13% direct shares and 19.97% consolidated shares held by the Company.	Sales	213,727	3	Cash in 45 days on a monthly basis	N/A	N/A	42,335	9	
The Company	Winbond	The parent company of the Company	Procurements	131,520	6	Cash in 30 days on a monthly basis	N/A	N/A	19,882	3	
Nuvoton Electronics Technology (H.K.) Limited	The Company	A subsidiary of the Company	Procurements	USD 83,238	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 525	100	
NTCA	The Company	A subsidiary of the Company	Procurements	USD 10,979	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 1,276	100	

Attachment 3 Detailed list of subsidiaries with control capabilities or major influences:

Unit: thousand NT$

Name of investment company	Name of investee company	Location	Primary scope of business	Initial investment		Holding at end of period			Investee company current profit or loss	Recognized profit or loss of the period	Note
				End of current period	End of 2015	No. of shares	Ratio	Book value			
The Company	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales services for semiconductor components	$ 427,092	$ 427,092	107,400,000	100	$ 460,482	$ 3,304	$ 3,304	
The Company	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment business	438,729	438,729	13,867,925	100	177,861	3,584	3,584	
The Company	MML	British Virgin Islands	Investment business	269,850	266,343	8,727,524	100	82,680	(3,260)	(3,260)	
The Company	NIH	British Virgin Islands	Investment business	650,122	692,320	19,720,000	100	290,441	8,210	8,210	
The Company	Song Yong Investment Corporation	Taiwan	Investment business	38,500	38,500	3,850,000	100	27,518	3,555	3,555	
The Company	Techdesign Corporation	Taiwan	E-Commerce and product marketing	50,000	-	5,000,000	100	40,967	(9,033)	(9,033)	
The Company	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor components	30,211	-	600,000	100	29,381	(374)	(374)	
Pigeon Creek Holding Co., Ltd.	NTCA	United States of America	Design, sales and service of semiconductor components	190,862	190,862	60,500	100	191,150	3,696	3,696	
MML	GOLDBOND LLC	United States of America	Investment business	1,470,986	1,468,701	-	100	82,756	(1,927)	(1,927)	
NIH	NTIL	Israel	Design, sales and service of semiconductor components	46,905	46,905	1,000	100	288,184	13,375	13,375	

Note: For information on investee companies in China, please see Attachment 4.

Attachment 4 Mainland China investments:

1. Corporate name of investment in Mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, investment gains and losses, carrying amount of investment at end of period, and repatriated investment gains:

Unit: thousand NT$/thousand US$

Name of investee company in Mainland China	Primary scope of business	Paid-in capital	Investment method	Accumulated amount of investment transferred from Taiwan in this period	Total transfer or repatriated investment amount		Accumulated amount of investment transferred from Taiwan at the end of this period	The Company's direct or indirect share holding ratio %	Investee company current profit or loss	Recognized profit or loss of the period (Note 1)	Book value by the end of the period	Repatriated investment gains to Taiwan as of the end of the period
					Transfer	Repatriation						
Nuvoton Electronics Technology (Shanghai) Limited	Provide maintenance, test and related consulting services for products and solutions sold in Mainland China	$ 68,036 (USD 2,000)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	$ 68,036 (USD 2,000)	$ -	$ -	$ 68,036 (USD 2,000)	100	$ 371	$ 371	$ 84,860	$ -
Winbond Technology (Nanjing) Co., Ltd.	Provides computer software services (excluding IC design)	16,429 (USD 500)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	16,429 (USD 500)	-	-	16,429 (USD 500)	100	-	-	(1,984) (Note 2)	-
Nuvoton Electronics Technology (Shenzhen) Limited	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales	196,950 (USD 6,000)	Indirect investment to Mainland China from third area Nuvoton Electronics Technology (H.K.) Limited	196,950 (USD 6,000)	-	-	196,950 (USD 6,000)	100	1,567	1,567	218,100	-

Note 1: The recognized investment profit and loss are based on the financial report certified by CPAs.

Note 2: The net value of Winbond Technology (Nanjing) Co., Ltd. at the end of the period is negative, therefore it is transferred to other non-current liabilities.

2. Limits on investment in Mainland China

Company name	Accumulated investment transfers from Taiwan to China as of the end of the period	Investment amount approved by the Investment Commission of the MOEA	In accordance with the limits on investment in Mainland China in accordance with regulations of the Investment Commission of the MOEA
The Company	NT$ 281,415,000 (US$ 8,500,000)	NT$ 281,415,000 (US$ 8,500,000)	NT$1,873,081,000

Note 3: The upper limit is 60% of the net value of Nuvoton.

3. Any of the following significant transactions with investment companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Please attach the consolidated financial report in Attachment 5.

4. Status of endorsements, guarantees or provision of collateral of investee companies in Mainland China: N/A

5. Status of direct or indirect provision of funds with investee companies in Mainland China: N/A

6. Other transactions that have a material effect on the profit or loss for the period or on the financial position: N/A

6. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company: N/A

V. Financial Position, Financial Performance and Risk Analysis

1. Analysis of financial status

Unit: thousand NT$

Item\Year	2015	2014	Variance	
			Change (amount)	Change (%)
Current assets	3,894,667	3,414,969	479,698	14
Property, plant and equipment	463,594	447,140	16,454	4
Intangible assets	242,622	309,790	(67,168)	(22)
Other assets	690,965	722,128	(31,163)	(4)
Total assets	5,291,848	4,894,027	397,821	8
Current liabilities	1,580,383	1,381,737	198,646	14
Non-current liabilities	589,664	598,221	(8,557)	(1)
Total liabilities	2,170,047	1,979,958	190,089	10
Capital Stock	2,075,544	2,075,544	-	-
Capital Surplus	63,498	63,498	-	-
Retained earnings	921,282	730,969	190,313	26
Other interests	61,477	44,058	17,419	40
Total equity	3,121,801	2,914,069	207,732	7

Reasons for changes exceeding 20%:

1. Intangible assets: Caused mainly by amortization of intangible assets in 2015.
2. Retained earnings: Caused mainly by increased operating profits in 2015.
3. Other interests: Caused mainly by increased exchange differences due to fluctuations in exchange rates in financial statements of overseas operation entities.

2. Analysis of financial performance

Unit: thousand NT$

Item\Year	2015	2014	Change (amount)	Percentage of change (%)
Operating revenue	7,313,387	6,821,877	491,510	7
Operating cost	4,263,860	3,925,873	337,987	9
Gross profit	3,049,527	2,896,004	153,523	5
Operating expenses	2,563,273	2,566,019	(2,746)	-
Operating profits	486,254	329,985	156,269	47
Non-operating income and expenses	85,731	90,574	(4,843)	(5)
Profit before income tax	571,985	420,559	151,426	36
Income tax expense	102,963	77,469	25,494	33
Current period net profit	469,022	343,090	125,932	37
Other comprehensive income	(12,225)	13,738	(25,963)	(189)
Total comprehensive income	456,797	356,828	99,969	28

Reasons for changes exceeding 20%:
(1) Increases in operating profit and Profit before income tax are mainly due to increased operating revenue.
(2) Increase in income tax expenses is mainly due to the increase in profits.
(3) Decrease in other comprehensive income is mainly due to the reduction in the number of remeasurement in defined benefit plans.

The expected sales and its basis, and the possible impact on the Company's future financial operations and response plans:
Sales forecasts for 2016 remain optimistic with regards to the industry outlook, future market demand and the Company's capacity.

3. Analysis of cash flow

Unit: thousand NT$

Cash balance, beginning	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plans	Financing plans
1,753,118	463,509	(407,620)	72,554	-	-

1. Analysis on the cash flow changes of the current year:
   (1) Operating activities: Cash inflow of NT$464 million mainly due to operating net profit.
   (2) Investing activities: Cash outflow of NT$159 million mainly due to purchases of Property, plant and equipment.
   (3) Financing activities: Net cash outflow of NT$249 million mainly due to distribution of cash dividend.
2. Remedial action for cash deficit and liquidity analysis: Not applicable.
3. Cash flow analysis for the coming year (note):
   (1) Cash inflow from operating activities amounted to NT$420 million: Mainly from operating net profit, add back depreciation and amortization of non-cash expenses.
   (2) Cash outflow from investing activities amounted to NT$370 million: Mainly from capital expenditures.
   (3) Cash outflow from financing activities amounted to NT$420 million: Main due to distribution of cash dividends.

Note: Unaudited figures.

4. Effect of major capital spending on financial position and business operation in the past year: N/A

1. Major capital spending and its implementation status: N/A

2. Anticipated benefit: N/A

5. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan

for the coming year: The Company's reinvestment projects are divided into strategic investments and non-strategic investments; the objective of strategic investments is to produce comprehensive results for the operation of the Company, and non-strategic investments are financial in nature. The Company has no long-term strategic interest reinvestments in the past year and will formulate plans in the future as required by company operations.

6. Risk management and evaluation

(1) Effects of Changes in Interest Rate and Exchange Rate and Inflation on the Company's Finance, and Future Response Measures

1. Effects of changes in interest rates:

The Company currently operates mainly on own funds and changes in interest rates would have no major impact on the operations of the Company. The Company maintains friendly relations with multiple financial institutions that offer preferred interest rates when the need from capital arises; changes in interest rates would have no major impact on the operations of the Company.

2. Effects of changes in exchange rates:

The Company's transactions in sales and procurement use USD as the main currency for payment and the balance of revenue and expenditure in foreign currency produce a natural hedging effect; the difference in the balancing of foreign currency revenue and expenditure can be lowered by forward foreign exchange contracts with banks, as per the extent of fluctuations, to hedge the exchange rate risk and lower the impact of changes in exchange rates on the Company.

3. Inflation:

The Company maintains vigilance of the fluctuations in the materials market and product prices and has yet to experience any immediate major impact from domestic or foreign inflation.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company has established "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," and the "Regulations Governing Endorsements and Guarantees" as the standard for related operations and these regulations have been passed in resolutions of the Shareholders Meeting. The Company has not engaged in any high-risk, high-leverage investment, loans to other parties or provided any endorsement and guarantee in the past year. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge and the resulting loss or income in exchange rates are entirely manageable. The Company has established "Procedures for Financial Derivatives Transactions" as the standard for related operations; in addition, the Company has restricted its subsidiaries from transactions including lending to other parties, providing endorsement guarantees and trading in financial derivatives to close off related risks from subsidiary companies.

(3) Future R&D projects and estimated R&D expenditure

The rise of the IoT, smart home, energy conservation and automobile electronics has boosted the demand for MCU. According to market analysis report from IC Insights, the global MCU market value is estimated to reach US$16.6 billion in 2015 (a 4% growth from 2014) and a sales volume of 25.4 billion pieces (a 33% growth from 2014) at an average selling price (ASP) of US$0.65 per piece. IC Insights also predicted increases in sales of MCU before 2018, and despite decreasing ASP year after year, the sales volume is set to grow by 7% in 2016. The Company's future R&D undertaking will focus on the research of more advanced process platform, low-voltage, low-power and high-speed CPU, and special innovative IP technology geared at enhancing the anti-noise capability, low-temperature works, heat resistance and anti-static capability. The goal is to make gradual headway into energy efficient solutions and automotive electronics markets and achieve a technological level on par with MCU suppliers in Europe, U.S. and Japan as soon as possible and continue to expand the customer base and applications to adapt to future changes in the industry. The Company will also carry out R&D for cloud computing, smart handheld devices and logic IC for PC, and moves in the directions of security management, energy saving, and better user experience to expand production lines and applications based on the solid foundation of existing operations. The total 2016 R&D expenditure for the preceding application products is estimated at NT$2.4 billion.

(4) Major changes in government policies and laws at home and abroad and the impact on Company finance and business:

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. As of the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(5) Impact of recent technological and market changes on the Company's finance and business, and response measures:

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(6) Impact of corporate image change on risk management and response measures:

The Company is focused on the operation of its main business and internal auditing to comply with related laws and regulations; As of the date of report, the Company is free of corporate image change events.

(7) Expected benefits and potential risks of merger and acquisition: Not applicable.

(8) Expected benefits and potential risks of capacity expansion: Not applicable.

(9) Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

The Company's purchasing is concentrated due to concerns in product quality and preferred purchasing price, though the Company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. There is no over-concentration of sales for the Company and we continue to develop new products as well as long-term strategic cooperation with customers of excellent financial background to lower the risks of over-concentration of sales.

(10) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares have to the Company and the response measures: N/A

(11) Impact of change of management rights on the Company, associated risk and response measures: Not applicable.

(12) Litigation or Non-litigation Events:

1. The Company's Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: N/A

2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company:

(1) With respect to pending litigious events as of the date of report, Nuvoton Chairman Arthur Chiao has only one pending case described below:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled another session of oral argument on April 13, 2016 and there is no knowing at the present time how many more sessions of oral argument will be held after that.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The oral argument phase has started, but not yet concluded. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above.

I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(2) With respect to pending litigious events as of the date of report, Nuvoton Director Yung Chin has only one pending case described below:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a supervisor of Pacific Electric from 1999 to September 24, 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled another session of oral argument on April 13, 2016 and there is no knowing at the present time how many more sessions of oral argument will be held after that.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The oral argument phase has started, but not yet concluded. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages for I was once a supervisor of Pacific Electric, my liability should not be too far off the amounts of settlement described above.

I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(13) Risk management organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(14) Other significant risks and response measures: N/A

7. Other important matters: N/A

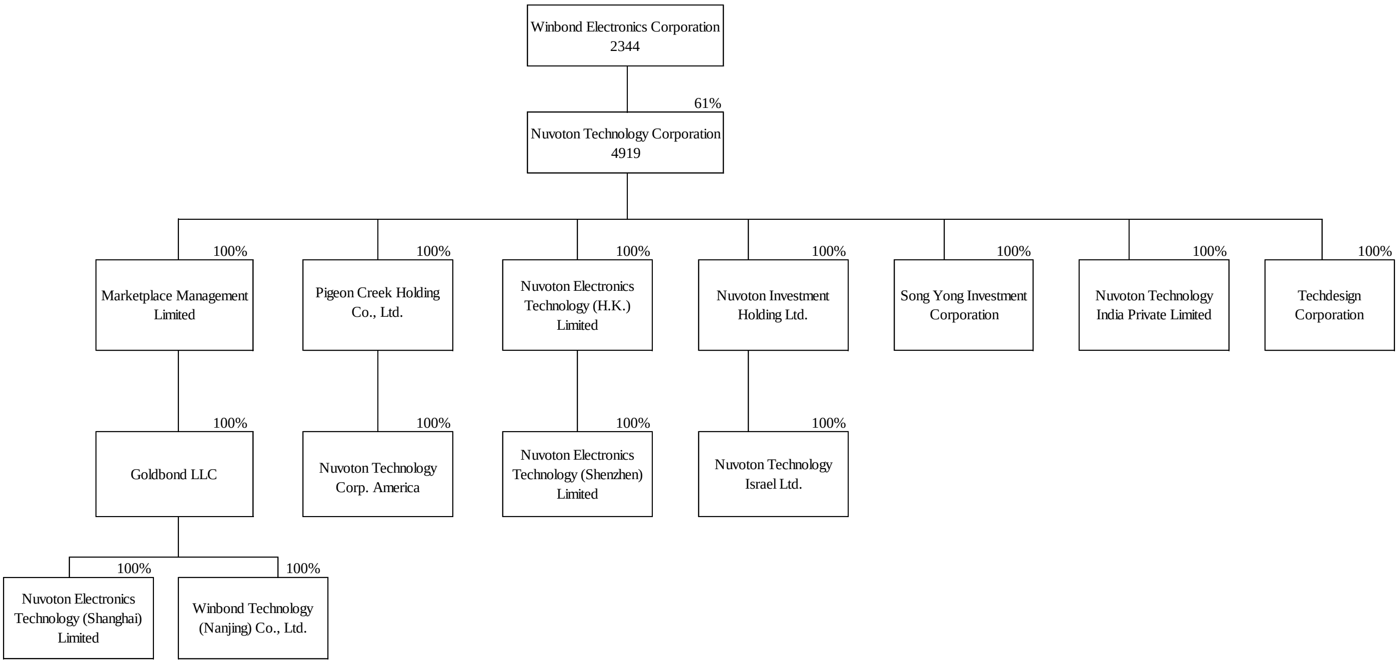
VI. Special disclosures

1. Affiliate information

(1) Consolidated Operation Report of Affiliates

1. Affiliate organization chart

December 31, 2015



2. Profiles of affiliates

December 31, 2015; Unit: thousand NT$/thousand foreign currency

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Rd.,Daya Dist., Taichung City 428, Taiwan, R.O.C.	35,800,002	Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products.
Nuvoton Technology Corporation	2008.04.09	No. 4, Creation Rd. III, Hsinchu Science Park, Taiwan	2,075,544	Research, design, development manufacture and sales of logic IC products, 6-inch wafer manufacture, testing and foundry services
Marketplace Management Limited	2000.07.28	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US$8,728	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US$44,690	Investment business
Nuvoton Electronics Technology (Shanghai) Limited	2001.03.30	27F, 2299 Yan An Road (West), Shanghai, P.R. China	RMB16,555	Provide maintenance, test and related technical consulting services for products and solutions sold in Mainland China
Winbond Technology (Nanjing) Co., Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, P.R. China	RMB4,046	Provides computer software services (excluding IC design)
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$13,868	Investment business
Nuvoton Technology Corporation America	2008.05.01	2711 Centerville Road, Suite 400, Wilmington, DE 19808, Delaware	US$6,050	Design, sales and service of semiconductor components
Nuvoton Electronics Technology (H.K.) Limited	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD107,400	Sales services for semiconductor components
Nuvoton Electronics Technology (Shenzhen) Limited	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6 Road, High-Tech Industrial Park, Nanshan Dist. Shenzhen, P.R. China	RMB46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor,Omar Hodge Building,Wickhams Cay I,P.O. Box 362, Road Town,Tortola,British Virgin Islands	US$19,720	Investment business
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzlia B, 4672835 Israel	ILS1	Design, sales and service of semiconductor components
Song Yong Investment Corporation	2014.04.09	3F, No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan R.O.C.	38,500	Investment business
Nuvoton Technology India Private Limited	2014.9.26	Suite #2, Tech Park Business Centre, Ground Floor, Innovator Building, International Tech Park, Whitefield, Bangalore 560066	INR60,000	Design, sales and service of semiconductor components
Techdesign Corporation	2015.03.03	3F, No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan R.O.C.	50,000	E-Commerce and product marketing

3. Information of common shareholders who are presumed to have a relationship of control and subordination: N/A

4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2015; Unit: Shares

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	58,264,955	2%
	Director	Matthew Feng-Chiang Miau	100,000	-
	Director	Yung Chin	10,720,537	-
	Director	Walsin Lihwa Corporation institutional representative: Hui-Ming Cheng	811,327,531	23%
	Director/CEO	Tung-Yi Chan	500,000	-
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent	Jie-Li Hsu	-	-

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
	Director			
	Supervisor	Chin Xin Investment Corp. institutional representative: James Wen	182,047,000	5%
	Supervisor	Peter Chu	-	-
	Supervisor	Hong-Chi Yu	-	-
Nuvoton Technology Corporation	Chairman	Winbond Electronics Corporation institutional representative: Arthur Yu-Cheng Chiao	126,620,087	61%
	Director	Winbond Electronics Corporation institutional representative: Ken-Shew Lu		
	Director	Winbond Electronics Corporation institutional representative: Yung Chin		
	Director	Chi-Lin Wea	-	-
	Director	Robert Hsu	191,328	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Royce Yu-Chun Hong	-	-
	Independent Director	David Shu-Chyuan Tu	-	-
	Supervisor	Chin Xin Investment Corp. institutional representative: Yang-Kun Lai	1,853,185	1%
	Supervisor	Chao-Ming Mong	-	-
	Supervisor	Lu-Pao Hsu	-	-
	President	Sean Tai	10,000	-
Marketplace Management Limited	Director	Nuvoton Technology Corporation institutional representative: Arthur Yu-Cheng Chiao	8,727,524	100%
	Director	Nuvoton Technology Corporation institutional representative: Robert Hsu		
	Director	Nuvoton Technology Corporation institutional representative: Tung-Yi Chan		
Goldbond LLC	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Arthur Yu-Cheng Chiao	Note 2	100%
	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Chiu-Yi Huang		
	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Hsiang-Yun Fan		
Nuvoton Electronics Technology (Shanghai) Limited	Chairman	Goldbond LLC institutional representative: Sean Tai	Note 2	100%
	Director	Goldbond LLC institutional representative: Jen-Lieh Lin		
	Director	Goldbond LLC institutional representative: Hsiang-Yun Fan		
	Supervisor	Goldbond LLC institutional representative: Yung Chin		
	President	Patrick Wang	Note 2	-
Winbond Technology (Nanjing) Co., Ltd.	Chairman	Goldbond LLC institutional representative: Jen-Lieh Lin	Note 2	100%
	Director	Goldbond LLC institutional representative: Sean Tai		
	Director	Goldbond LLC institutional representative: James Wen		
	President	Mao-Sen Chen	Note 2	-
Pigeon Creek Holding Co., Ltd.	Director	Nuvoton Technology Corporation institutional representative: Arthur Yu-Cheng Chiao	13,867,925	100%
	Director	Nuvoton Technology Corporation institutional representative: Tung-Yi Chan		
	Director	Nuvoton Technology Corporation institutional representative: Robert Hsu		
Nuvoton Technology Corporation America	Chairman	Pigeon Creek Holding Co., Ltd. institutional representative: Hsi-Jung Tsai	60,500	100%
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Robert Hsu		
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Sean Tai		
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Jen-Lieh Lin		
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Hsiang-Yun Fan		
	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Limited	Chairman	Nuvoton Technology Corporation institutional representative: Sean Tai	107,400,000	100%
	Director	Nuvoton Technology Corporation institutional representative: Yung Chin		
	Director	Nuvoton Technology Corporation institutional representative: Hsiang-Yun Fan		
	Director	Nuvoton Technology Corporation institutional representative: Bosco Law		
	President	Bosco Law	-	-
Nuvoton Electronics Technology (Shenzhen) Limited	Chairman	Nuvoton Electronics Technology (H.K.) Limited institutional representative: Sean Tai	Note 2	100%
	Director	Nuvoton Electronics Technology (H.K.) Limited institutional representative: Robert Hsu		
	Director	Nuvoton Electronics Technology (H.K.) Limited institutional representative: Hsiang-Yun Fan		
	Supervisor	Nuvoton Electronics Technology (H.K.) Limited institutional representative: Jen-Lieh Lin		
	President	Peng-Chou Peng	-	-

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Nuvoton Investment Holding Ltd.	Director Director Director	Nuvoton Technology Corporation institutional representative: Arthur Yu-Cheng Chiao Nuvoton Technology Corporation institutional representative: Robert Hsu Nuvoton Technology Corporation institutional representative: Chiu-Yi Huang	19,720,000	100%
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director Director	Nuvoton Investment Holding Ltd. institutional representative: Hsin-Lung Yang Nuvoton Investment Holding Ltd. institutional representative: Robert Hsu Nuvoton Investment Holding Ltd. institutional representative: Sean Tai Nuvoton Investment Holding Ltd. institutional representative: Hsiang-Yun Fan Nuvoton Investment Holding Ltd. institutional representative: Biranit Levany Nuvoton Investment Holding Ltd. institutional representative: Erez Naory	1,000	100%
	President	Biranit Levany	-	-
Song Yong Investment Corporation	Chairman Director Director Supervisor	Nuvoton Technology Corporation institutional representative: Hsiang-Yun Fan Nuvoton Technology Corporation institutional representative: Arthur Yu-Cheng Chiao Nuvoton Technology Corporation institutional representative: Sean Tai Nuvoton Technology Corporation institutional representative: Jen-Lieh Lin	3,850,000	100%
Nuvoton Technology India Private Limited	Chairman Director Director	Nuvoton Technology Corporation institutional representative: Hsiang-Yun Fan Nuvoton Technology Corporation institutional representative: Jitendra Patil Nuvoton Technology Corporation institutional representative: Fu-Yuan Lee	600,000	100%
Techdesign Corporation	Chairman Director Director Director Director Supervisor	Nuvoton Technology Corporation institutional representative: Fu-Yuan Lee Nuvoton Technology Corporation institutional representative: Hsiang-Yun Fan Nuvoton Technology Corporation institutional representative: Arthur Yu-Cheng Chiao Nuvoton Technology Corporation institutional representative: Sean Tai Nuvoton Technology Corporation institutional representative: Jen-Lieh Lin Nuvoton Technology Corporation institutional representative: Cheng-Kung Lin	5,000,000	100%

Note 1: Goldbond LLC is a company with a manager system.

Note 2: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

5. Overall businesses covered by affiliates

The businesses covered by the Company's affiliates include mainly the research, design, development, production, sales and services of integrated circuits, various semiconductor components and other system products. Certain affiliates have investment businesses as their main scope of business. Overall, the affiliates support each other in technology, marketing and services in their transactions, allowing the Company to become the most competitive company with our own products.

6. Profiles and business status of affiliates

December 31, 2015; Unit: thousand NT$

Enterprise name	Capital	Gross assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Loss of the period Profit and loss	Earning (loss) per share (NT$)
Winbond Electronics Corporation	35,800,002	59,496,272	20,594,301	38,901,971	30,843,606	3,506,698	3,291,251	0.90
Nuvoton Technology Corporation	2,075,544	5,247,971	2,126,170	3,121,801	7,022,517	476,886	469,022	2.26
Marketplace Management Limited	286,481	82,894	214	82,680	18	(3,260)	(3,260)	(0.37)
Goldbond LLC	1,466,944	84,990	2,234	82,756	387	(1,927)	(1,927))	Note
Nuvoton Electronics Technology (Shanghai) Limited	82,691	96,122	11,262	84,860	63,790	(5,449)	371	Note
Winbond Technology (Nanjing) Co., Ltd.	20,207	1,513	3,497	(1,984)	0	0	0	Note
Pigeon Creek Holding Co., Ltd.	455,215	191,326	13,465	177,861	3,702	3,584	3,584	0.26
Nuvoton Technology Corporation America	198,591	249,961	58,811	191,150	629,665	13,572	3,696	61.09

Nuvoton Electronics Technology (H.K.) Limited	454,839	514,520	51,684	462,836	2,823,144	1,828	3,304	0.03
Nuvoton Electronics Technology (Shenzhen) Limited	231,938	244,125	23,954	220,171	121,843	(7,487)	1,567	Note
Nuvoton Investment Holding Ltd.	647,309	290,481	40	290,441	15,683	8,210	8,210	0.42
Nuvoton Technology Israel Ltd.	8	339,409	51,225	288,184	590,146	17,189	13,375	13,375.00
Song Yong Investment Corporation	38,500	27,668	150	27,518	3,768	3,555	3,555	0.92
Nuvoton Technology India Private Limited	29,760	29,642	261	29,381	0	(1,024)	(374)	(0.62)
Techdesign Corporation	50,000	41,845	878	40,967	0	(9,114)	(9,033)	(1.81)

Note: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

(2) Consolidated Financial Statement of Affiliates: Please refer to pages 94 to 148.

(3) Affiliation Report:

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2015 (from January 1 to December 31, 2015) Affiliation Report is complied in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

Hereby declared that

Name of Company: Nuvoton Technology Corporation

Legal Representative: Arthur Yu-Cheng Chiao

January 28, 2016

2. Affiliation Report approval report

Affiliation Report approval report

To Nuvoton Technology Corporation:

The consolidated financial statements of Nuvoton Technology Corporation of 2015 have been audited and certified by CPA in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and regular auditing guidelines. The auditing report with unqualified opinion was released on January 28, 2016 was for auditing purposes and demonstrated approval for the comprehensive appropriateness of the consolidated financial statements. The attached Nuvoton Technology Corporation Affiliation Report of 2015 was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the CPA has taken necessary measures including obtaining customer statements and auditing related financial information before approval.

According to the opinion of the CPA, the 2015 Nuvoton Technology Corporation Affiliate Report has been edited in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and its financial data is consistent with the consolidated financial statements and requires no major corrections.

Deloitte & Touche
Accountant: Ker-Chang Wu
Accountant: Hung-Bin Yu

January 28, 2016

3. The general relationship between the subsidiary company and the control company

Unit: Shares; %

Name of control company	Reason for control	Shares held by the control company and status of pledged shares			Control company's appointment of Directors, Supervisors or managing Directors	
		Number of shares held	Shareholding ratio	Pledged shares	Title	Name
Winbond Electronics Corporation	Holds over 50% of shares of the Company and retains control	126,620,087	61%	N/A	Chairman Director Director	Arthur Yu-Cheng Chiao Ken-Shew Lu Yung Chin

4. Transaction status

(1) Procurement and sales transaction status

Unit: thousand NT$, %

Transaction status with control company				Transaction conditions with control company		Regular transaction terms		Cause of variation	Accounts receivable (payable) and notes		Overdue accounts receivable			Note
Purchase/ sale	Amount	Ratio of total procurement (sales)	Gross margin	Unit price (NT$)	Loan period	Unit price (NT$)	Loan period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Handling method	Allowance for Bad Debts	
Procurements	131,520	6%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	19,882	3%	-	-	-	

(2) Property transaction status: N/A

(3) Financing status: N/A

(4) Property rental status: N/A

(5) Endorsements and guarantees: N/A

2. Progress of private placement of securities during the latest year and up to the date of annual report publication: N/A

3. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: N/A

4. Other supplemental information: N/A

5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report: N/A

Nuvoton Technology Corporation

Legal Representative:
Arthur Yu-Cheng Chiao