

Nishoku Technology Inc.
Procedures for Election of Directors and Supervisors

2017/6/14

1. Purpose

In accordance with Article 21 & 41 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ", this procedure is made in order to elect directors and supervisors fairly, justly, and in public.

2. Scope

Except for other stipulations by law or article, the elections of the corporate directors and supervisors shall proceed in accordance with this procedure. Besides, appointment and compliance matters to be followed with respect to independent director shall proceed in accordance with stipulations of securities authorities.

3. Definition

None.

4. Responsibility

None.

5. Operation Content

(1) The election of directors of the company shall consider overall disposition of the Board. The members of the Board shall be diversified. And diverse guidelines of its own operation, business model, and developing requirements shall be drafted including but not limited the following standard of two major directions :

- (i) General conditions and values : Gender, age, nationality, and culture, etc.
- (ii) Expertise and professional skills : Professional background (such as legal, accounting, industrial, financial, marketing, or technical backgrounds), professional skills, and industrial experience, etc.

The Board members shall have necessary knowledge, skills and attainments required to perform duty. The overall capabilities required are listed as follows:

- (i) Operating judgment capability.
- (ii) Accounting and financial analysis capabilities.
- (iii) Managerial operation capability.
- (iv) Crisis handling capability.
- (v) Knowledge of the industry.
- (vi) International view of market.

(vii)Leadership.

(viii)Decision making capability.

More than half of all directors shall not be their spouses or second-degree or closer relatives.

(2)The supervisors of the company shall have be compliant with following requirements:

(i)Integrity and sureness.

(ii)Impartial judgment.

(iii)Professional knowledge.

(iv) Rich experiences.

(v)Being able to read and understand financial statements.

Besides, the preceding requirements, at least one of all supervisors shall be expertise in accounting or finance.

(3)The qualification of independent directors of the company shall conform to stipulations on Article 2 & 3 & 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

The election of independent directors of the company shall conform to stipulations on Article 5 & 6 & 7 & 8 & 9 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 24 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

At least one of all supervisors and directors shall not be their spouse or second-degree or closer relative.

Any supervisor, director, manager, or other staff of the company cannot mutual concurrently.

And at least one of supervisors shall have residence in Taiwan in order to perform function of supervision.

(4) The elections for Directors and Supervisors of the company shall all be executed in accordance with the regulated procedure of nomination system with candidates stated on Article 192-1 of Company Act. For the review of Directors' and Supervisors' qualification for election, education and career background, and verification on any involvement in any matters listing on Article 30 of Company Act, any other proof document for qualification shall not be added at will. The review result shall be provided for the reference of shareholders to elect eligible directors and supervisors.

A lack of directors on account of removal of directors to become less than 5 for certain reasons, the company shall re-elect the lacking number of directors in the latest shareholders meeting. For a lack of 1/3 directors of all regulated by article, the company shall convene shareholders meeting for re-election within 60 days of occurrence. In accordance with

Proviso in Paragraph 1 on Article 14-2 of Securities and Exchange Act, related stipulations of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, and Article 8 of " Standards for Determining Unsuitability for TPEX Listing under Article 10, Paragraph 1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX" issued by TPEX, the lack of independent directors less than the above stipulations shall be supplement in the latest shareholders meeting. In case all independent directors have been removed, a temporary shareholders meeting shall be convened for re-election within 60 days of occurrence.

The lack of supervisors less than regulated number on account of removal for certain reasons shall be supplemented by re-election in the latest shareholders meeting. In case all supervisors have been removed, a temporary shareholders meeting shall be convened for re-election within 60 days of occurrence.

- (5)The elections of directors and supervisors shall adopt accumulative voting system. Each share shall have the same voting power as the number of elected directors or supervisors. A concentrated election for one person, or distributed election for several persons are all eligible.
- (6)The Board shall prepare votes consisting with number of directors and supervisors to be elected. And weight numbers of each shall be added on them to be distributed among participating shareholders. The names of candidates of election can be replaced with printed attendance card numbers on votes.
- (7)The quota of corporate directors and supervisors shall conform to the numbers regulated by Articles of Incorporation. The electoral weights of independent directors and non-independent directors shall be calculated respectively. The candidates who have more votes with higher electoral weights shall be regarded as elected in order. For same electoral weight of two candidates exceeding regulated quota, the two candidates may ballot to decide who is elected. The chairperson may ballot for absent elected candidate.
- (8)Before election, the chairperson shall appoint several ballot controllers and ballot counting personnel to perform all kinds of duties. The ballot controllers shall be shareholders.
- (9)The ballot box shall be prepared by the Board and shall be opened for examination in public by ballot controller.
- (10)Any candidate has identity of shareholder, the name and shareholder number of candidate shall be expressly stated on the column "The Candidate". For non-shareholder candidate, the name and ID document number shall be expressly stated. For government or legal person as candidates, the column of candidate shall be written in the name of government or legal

person, or the name of representative for the government or legal person. For several representatives, the names of all representatives shall be written in respectively.

(11) Any voting paper with respect to any of the following condition will become invalid :

(i) Voting paper which is not made and prepared by the Board.

(ii) Blank voting paper in the ballot box.

(iii) Blurry writing with difficulty in identifying or being re-written.

(iv) After verification, the written shareholder name and number of candidate do not consist with the shareholders ledger. After verification, the written non-shareholder name and ID number of candidate do not consist with the candidate.

(v) Other word has been written except for name of candidate (name) or shareholder number (personal ID number) and distributed electoral weights.

(vi) The written name of candidate is the same as other shareholder without filling shareholder number or personal ID number for identification.

(vii) The total electoral weights of votes exceed the total holding electoral weights of voters.

(viii) The written candidate number exceeds quota to be elected.

(12) The ballot shall be open right after voting is over. The result of ballot shall be announced by the chairperson in the spot including the elected list of directors and supervisors along with their electoral weights.

The preceding voting papers of the elections shall be signed and sealed by ballot controller before safekeeping for at least one year. However, for any legal proceeding initiated by shareholder in accordance with Article 189 of Company Act, the data shall be preserved till end of lawsuit.

(13) The Board shall send official elected notification to elected directors and supervisors.

(14) This procedure shall be approved by shareholders meeting convened by the Board before execution and its revision is on the same condition.

